



# Staying focused on what really matters

SUSTAINABILITY  
REPORT 2020





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# About the Report

The Sustainability Report 2020 (the Report) is a standalone document that discloses the non-financial information of CREDIT BANK OF MOSCOW (MKB / the Bank), unless otherwise specified in the text. In the future, we plan to assess the possibility of consolidating non-financial reporting in key areas, taking into account data on the main subsidiaries of the group.

GRI 102-50, GRI 102-52

The Report is a continuation of the selected vector of the Bank's development. The Report is published on an annual basis and contains additional information on key non-financial issues. This Report is part of the Bank's annual statements and should be read in conjunction with the Annual Report.

This Report contains information on MKB's sustainable development strategy, corporate values and internal regulatory documents, and the Bank's results and main achievements in sustainability for 2020. In particular, the Report

reflects MKB's contribution to achieving the goals included in the UN global strategic program "Transforming Our World: the 2030 Agenda for Sustainable Development", adopted in September 2015.

GRI 102-46, GRI 102-50

The Report describes the key milestones of MKB's sustainable development that took place within the reporting period – from January 1 to December 31, 2020. The basis for the Report's content was the identification of material topics, which included a stakeholder survey, as well as bank's environmental and socio-economic impact assessment. The information included in this Report was prepared by the relevant business units of the Bank within the framework of their functional responsibilities. The information was collected and consolidated by the employees of MKB's Sustainable Development Department, taking into account international principles and standards.

GRI 102-54

This Report has been prepared in accordance with the Global Reporting Initiative for Sustainable Development Standards (the GRI Standards): Core option.

The interests of all stakeholders, both external and internal, were considered when writing the Report<sup>1</sup>. In addition, the relevant surveys are conducted and events are held on a regular basis to study the views of stakeholders and improve the quality of services.

GRI 102-46

Taking into account the trust of our stakeholders, we are gradually improving the quality and degree of disclosure of indicators in the Bank's reporting statements in accordance with both Russian and international non-financial reporting standards.

Note: 1. For the list of the Bank's stakeholders, see the Stakeholder Engagement section on page 29.

# About the Bank

GRI 102-1, GRI 102-2, GRI 102-5, GRI 102-6, GRI 102-10

CREDIT BANK OF MOSCOW PJSC (MKB / the Bank) is a universal commercial bank that provides a full range of banking services for corporate and private clients, as well as for financial and credit institutions. As a systemically important Bank, we are aware of our role in providing comprehensive support of sustainable development. We strive to maximize our contribution to the development of the ESG<sup>2</sup> practices in Russia, including responsible business conduct, implementation of a control system and management of the Bank's social and environmental impact, as well as the development of responsible financing system.

The Bank's regional network includes more than 132 branches in 22 regions of Russia. The Bank's Headquarters is located in Moscow. During the reporting period, there were no significant changes in the Bank's types of activities, location and ownership structure. Detailed information on the current ownership structure of MKB can be found in the ["Shareholders"](#) section on the bank's website.

In May 2020, MKB acquired Investment Bank VESTA (LLC) and JSC "RUSNARBANK", in November 2020 – LLC "MKB Investments", and also during 2020, reduced the share of control over MKB-Invest LLC and Mortgage Agent MKB 2 LLC to 0%.

The acquisition of the SME-focused Vesta Bank is a natural continuation of the two banks' earlier synergy project. They have already created a common product offering for SME customers and joint distribution channels, already making Vesta's advantageous and technologically advanced products available to MKB's customers. By consolidating their product and methodological expertise, the banks will be able to optimise their R&D expenses, improve service quality, make their SME business more effective, and attract new customers from among SME partners of large companies.

The acquisition of Rusnarbank will enable MKB to expand its product range by developing and quickly deploying car lending and commercial mortgage offerings, as well as use a unique digital platform

for providing guarantees and loans to bidders and tenders as an additional sales channel. As part of the development of car lending, MKB will be able to use a partner network of car dealers and agents in more than 40 regions of Russia.

The purpose of creating a digital platform for LLC "MKB Investments" is to create a single line of products based on brokerage services, investment consulting and trust management and provide these to private investors.

The past year has further drawn the public's attention to social problems and global environmental challenges. The crisis has affected many industries to a greater or lesser extent, but more importantly, ordinary people have suffered. In the context of the current sustainable development agenda, both on an international and national level, business cannot remain on the sidelines. It is necessary to ensure well-coordinated interaction and the integration of sustainable development factors not only in key business processes, but also in strategic goals.

Note: 2. ESG (Environment, Social, and Governance) factors of sustainable development are: environmental impact, social policy and corporate governance.



# Unique operating model with a focus on sustainable development

## Corporate business

- 20,000** active corporate accounts
- Access to Russian **blue-chip companies**
- Increased presence in the SME segment
- Focus on **transaction business** and comprehensive solutions with a higher margin, such as project finance, international finance, trade finance, etc.
- Focus on **RAROC** for each client and value-added services with 71% of corporate clients using more than 1 MKB product
- Online platform** powered by artificial intelligence

## Investment banking business

- Established relations **with large corporations**
- One of Russia's **Top 5** bookrunners of bond issues
- Synergy effect** with the corporate segment
- One** of MOEX Top 5 operators
- Active use of **cross-sale tools** generating added value
- Focus on **low-risk deals** with prime counterparties and efficient utilisation of capital

## Retail banking

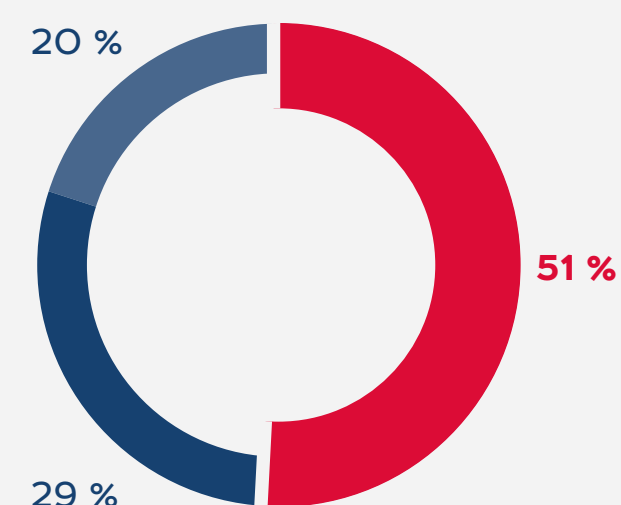
- 900,000** active retail clients
- Omnichannel service model**
- High level of **deposit funding**
- Target market segments:** mortgage lending and card and transaction business
- Focus on **cross-selling** retail products to employees and customers
- Successful development of the **MKB.Invest** brokerage platform for retail customers

## ESG

- Leadership in **transparency and disclosure**
- Full compliance with best **international corporate governance practices**, including the EBRD and IFC requirements
- Implementation of in-house **"green" taxonomy**
- 5 out of the 10 Supervisory Board members are **independent directors**, and 2 others are nominees of minority shareholders
- Implementation of special **"green" products** and consulting customers on sustainable development matters
- Development of an **internal sustainable development culture**

Synergy effect for all lines of business

## Diversified business



Operating income before provisions, 2020

- Corporate segmente
- Investment banking segment and treasury
- Retail business

## Moderate risk appetite

Average performance, 2018-2020

**2.7 %** NPL ratio

**184 %** Non-performing loans coverage ratio

**1.3 %** Cost of risk

**91 %** Securities and reverse REPO rated BBB- and above

More detailed information on the Bank's business model, products and services is given in the "Business Model. Competitive Advantages. Industry Position" section of the Annual Report

GRI 102-7

As of December 31, 2020

# 5,511

people

is the total number of employees

# 148

the number of Bank products

# 30.0

RUB bln

The net profit  
(a 2.5-fold increase as compared to 2019)

# > 6,600

ATMs

# > 11

th.

payment terminals<sup>3</sup>

# > 900

th.

The number of active retail clients

# 12.3 %

Tier 1 base capital adequacy ratio<sup>5</sup>  
(growth by 0.4 percentage points at the beginning of the year)<sup>6</sup>

# 1,737.5

RUB bln

Client funds constitute  
(an increase of 29.7% in 2020)

# > 20

th.

The number of corporate clients amounts to over (20,456)

# 332.3

RUB bln

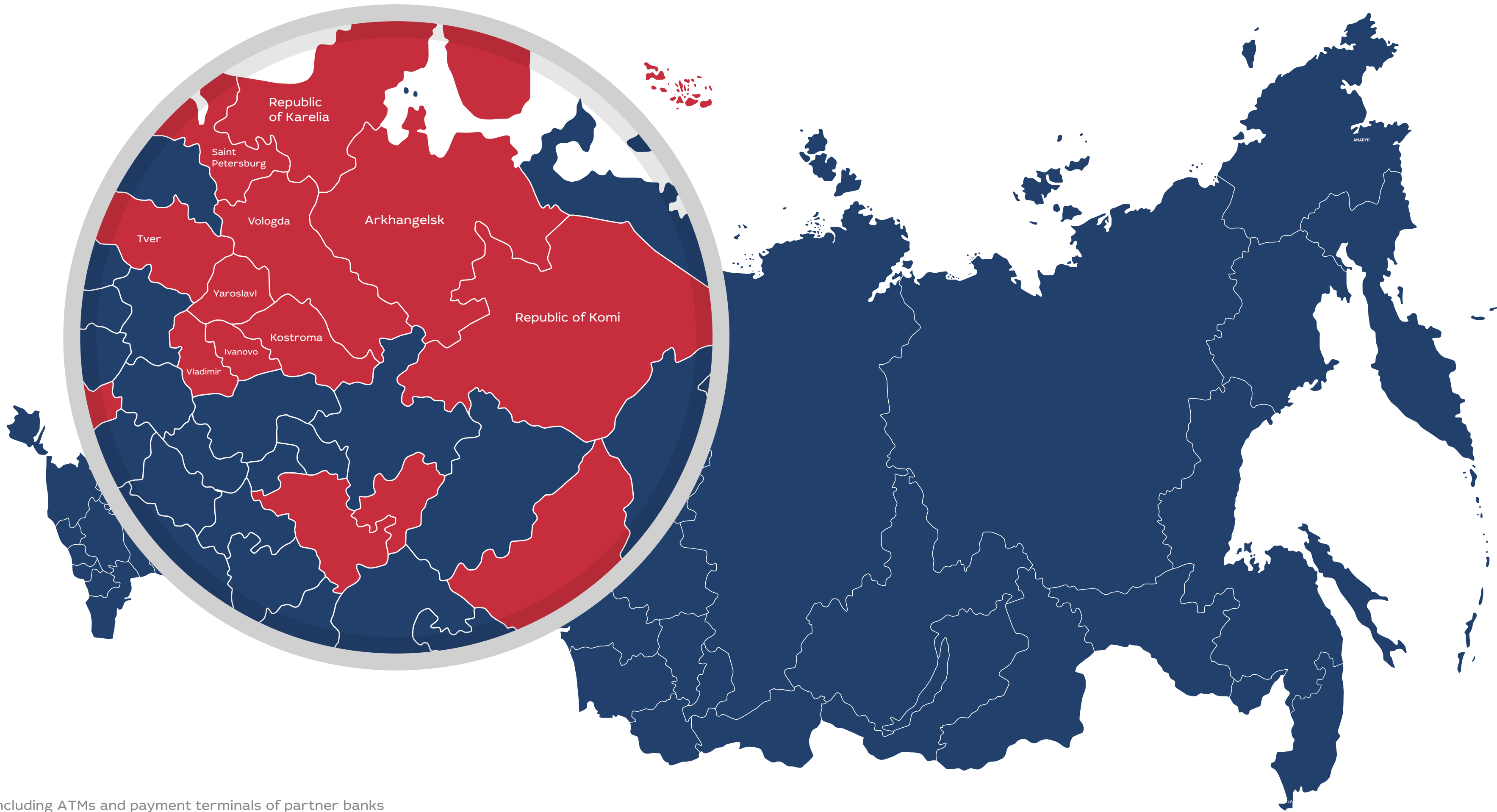
is total capital<sup>4</sup>  
(increased over the year by 9.7%)

Note: 3. Including ATMs and payment terminals of partner banks 4. Calculated in compliance with "Basel III" standards 5. Calculated in compliance with "Basel III" standards 6. Detailed information on the Bank's capital, including information on borrowed and equity capital, is given in the section "Bank reporting in accordance with IFRS" of the Annual Report



GRI 102-3, GRI 102-4, GRI 102-6

- 132 branches in 22 regions of Russia
- More than 6,600 ATMs and 11,000 payment terminals<sup>7</sup>



Note: 7. Including ATMs and payment terminals of partner banks

# Identification of material topics

GRI 102-46, GRI 102-47

It is important for us that our goals and objectives reflect not only progress towards achieving strong financial results, but also take into account the issues of the global environmental agenda, the changing needs of society as a whole, as well as the individual interests of the Bank's clients and partners.

To do this, we consider it necessary to provide high-quality disclosure of information to the fullest extent possible in accordance with the interests and expectations of stakeholders. In order to identify the most relevant topics of the Report requiring detailed disclosure, a procedure was carried out to identify material topics in accordance with the GRI Standards.

## Approach to identifying material topics

### 01

- Preparing questionnaire with a full list of topics provided for by the GRI Standards

### 02

- Conducting a survey of internal and external stakeholders to study the impact of the Banks's activities on their assessments and decisions with a breakdown by topic

### 03

- Determining the significance of the Bank's impact on the economy, environment and society by topic, taking into account the context of the Banks's activities and the results of the benchmark analysis of disclosure practice regarding non-financial indicators the banking sector

### 04

- Creating the materiality matrix

#### List of material topics

- As a result, a list of material topics was compiled, the disclosure of which gives the fullest possible description of MKB's activities in the field of sustainable development (22 material topics were identified).



● **Economic material topics:**

- 1. Economic Performance
- 2. Market Presence
- 3. Indirect Economic Impacts
- 4. Procurement Practices
- 5. Anti-corruption
- 6. Anti-competitive Behavior
- 7. Tax



● **Environmental material topics:**

- 8. Materials
- 9. Energy
- 10. Water and Effluents
- 11. Biodiversity
- 12. Emissions
- 13. Waste
- 14. Environmental Compliance
- 15. Supplier Environmental Assessment

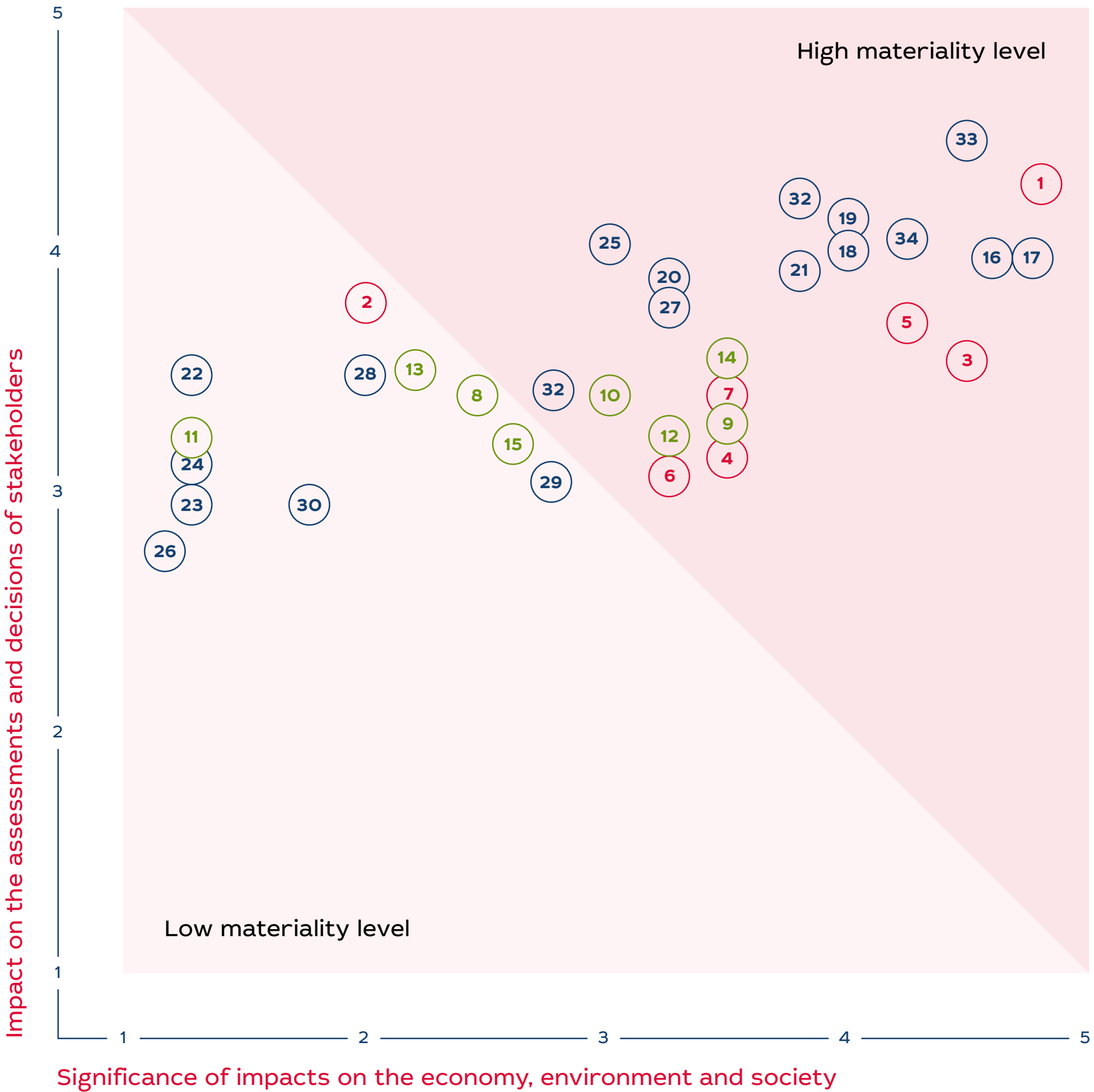


● **Social material topics:**

- 16. Employment
- 17. Labor / Management Relations
- 18. Occupational Health and Safety
- 19. Training and Education
- 20. Diversity and Equal Opportunity
- 21. Non-discrimination
- 22. Freedom of Association and Collective Bargaining
- 23. Child Labor
- 24. Forced or Compulsory Labor
- 25. Security Practices
- 26. Rights of Indigenous Peoples
- 27. Human Rights Assessment
- 28. Local Communities
- 29. Supplier Social Assessment
- 30. Public Policy
- 31. Customer Health and Safety
- 32. Marketing and Labeling
- 33. Customer Privacy
- 34. Socioeconomic Compliance



✓ – Material topic



# Statement from executive management



## GRI 102-14

The past year was a landmark in many respects. It touched and put to test everyone, one way or another. Most of us will undoubtedly remember 2020 as the year of a global pandemic which has not only exacerbated existing social and environmental problems, but also emphasised the vulnerability of everyday life. We were all forced to make tough decisions, everyone has their own story to tell, became much more mindful of their own and other people's health, had to adapt to new realities, to the difficulties associated with self-isolation and social distancing.

Confronted with new challenges, MKB made every effort to cater to the interests and needs of all its stakeholders.

Throughout the year, we strived to find the optimal balance between our customers' and partners' needs, our staff's safety and well-being and the fulfilment of our business strategy.



Driven by the ambition to create a sustainable business model, in 2020 we adopted, for the first time, a framework ESG strategy to align our operations with international sustainable development goals and to address our most material impacts on the community and the environment.

**WE SOLIDIFIED OUR CORPORATE GOVERNANCE SYSTEM AND GAVE A TOP-LEVEL IMPETUS TO THE IMPLEMENTATION OF OUR ESG STRATEGY. THE BANK'S MANAGEMENT BOARD AND MIDDLE MANAGEMENT NOT ONLY MONITOR THE PROGRESS OF THE PLANNED PROGRAMMES AND INITIATIVES, BUT ALSO PARTICIPATE DIRECTLY IN STRATEGIC PLANNING AND GOAL-SETTING.**

Being at the forefront of sustainability-oriented transformation of the banking business, we did not forget about such an important thing as trust of our shareholders, investors, customers, employees and other stakeholders. Last year we also dedicated ourselves to supporting our customers and employees at the time of unprecedented uncertainty. We thoroughly co-ordinated our activities, enhanced our ability to respond promptly to emerging challenges, maintained our market competitiveness, in particular by introducing various innovative solutions and controlling risks across our product offering.

MKB was one of the first banks in Russia to build a corporate governance framework where

the concept of sustainability is introduced throughout all its subdivisions with the ultimate goal of adhering to certain ESG principles and creating a system of common sustainable values reflecting potential ESG risks. In transforming our existing framework and processes not only for the current needs of our customers, but also offering something new for both the Russian and international markets, we laid a solid foundation for effective management of sustainable development. Our corporate governance framework continues to improve with the creation of the Strategy and Sustainable Development Committee of the Supervisory Board, further refinement of our ESG strategy and groundwork for creating the first in Russia integrated management system as per our ESG road map.

It is particularly gratifying that our progress was once again praised by the independent rating agency RAEX Europe.

It is particularly gratifying that our progress was once again praised by the independent rating agency RAEX Europe, whose ESG ranking of Russian banks presented in early 2021 was headed by MKB and which then upgraded our rating score in March by 8% to 65.8 points out of 100.

Commitment to sustainability is one of the most important elements of a solid foundation on which the modern model of MKB's operations is being built. A close-knit and professional ESG team, a well-designed framework, support for ESG initiatives by both the top management and employees, a drive for innovative solutions – all this contributes to our achievements and allows MKB to be one of the leaders in the Russian market of sustainable financing. Last year, MKB became the first Russian bank to raise an ESG rating-linked loan and co-arranged two landmark transactions in the international sustainable capital market. Even though the coming year may continue to have its challenges due to lingering effects of the coronavirus pandemic, we believe that the course and strategy we have charted out will enable us not only to overcome external challenges and maintain our competitiveness, but also to make a bigger contribution to creating a better future.

Andrew Sergio Gazitua  
Chairman of MKB's Strategy and Sustainable Development Committee



# Key events

## Key ESG Events—2020

- |                 |   |
|-----------------|---|
| <b>January</b>  | <ul style="list-style-type: none"> <li>• MKB starts working with entrepreneurs from Krasnoyarsk and Novosibirsk</li> </ul>  |
| <b>February</b> | <ul style="list-style-type: none"> <li>• Launch of the social campaign “On the Way”</li> </ul>  |
| <b>March</b>    | <ul style="list-style-type: none"> <li>• MKB becomes one of the strongest banking brands in the world</li> <li>• MKB takes first place among the organizers of placements in the real economy</li> <li>• Participation in a meeting of the dedicated committee of the Federation Council on the topic of financing the national project “Ecology”</li> <li>• MKB wins in the “Online Loan Application” category at the annual Bank of the Year awards according to Banki.ru</li> <li>• The MKB Bonus loyalty program offers clients an increased accrual of points in the “In Quarantine” category</li> </ul> |
| <b>April</b>    | <ul style="list-style-type: none"> <li>• MKB allocates funds to fighting coronavirus</li> <li>• MKB changes tariffs for affected industries</li> <li>• MKB is recognized as the top bank for investor relations in Russia</li> <li>• The World Wildlife Fund (WWF) summarizes the results of the first joint project with MKB</li> <li>• MKB supports City Clinical Hospital No. 52 within the framework of the campaign “Let’s Help Together”</li> <li>• MKB supports “The Gift of Life” foundation</li> </ul>   |

- |             |  |
|-------------|--|
| <b>May</b>  | <ul style="list-style-type: none"> <li>• MKB is recognized as the bank with the best cash settlement service rate for small business</li> <li>• MKB becomes the only private Russian bank in the Forbes Global 2000 rating</li> <li>• Credit Bank of Moscow acquires Vesta Bank and Rusnarbank</li> <li>• MKB helps Solnechnogorsk hospital in the fight against coronavirus</li> <li>• Launch of the Let’s Support Business campaign for new clients in the SME segment</li> <li>• MKB speaks about ESG practice in Russian banks at the RAEX-Europe webinar</li> </ul> |
| <b>June</b> | <ul style="list-style-type: none"> <li>• New MKB Universe internship recruitment is open</li> <li>• MKB is listed among the “Best banks in the world” according to FORBES</li> <li>• MKB launches legal and tax service in mobile banking together with PRAVOCARD</li> <li>• MKB starts issuing digital cards</li> <li>• MKB launches a new Grand+ deposit for pensioners</li> <li>• MKB is named in the top 3 banks in the Banking Antivirus Rating</li> <li>• MKB opens a center for analysis of small- and medium-sized businesses</li> </ul>                         |



- MKB increases the volume of financing for export supplies of alcohol by Rosspirtprom JSC
- MKB will finance the construction of a power line for the Nezhdaninskoye field

### July

- MCB rises by 37 positions in the Top 1000 World Banks rating
- MKB implements a project to provide contactless ticket purchase to the Moscow Zoo
- MKB Bonus loyalty program wins in two categories at the Loyalty Awards Russia 2020
- MKB acquiring is recognized as the best on the market
- MKB launches a technology for obtaining a general-purpose loan online

### August

- MKB supports World Environmental Debt Day
- MKB introduces technology for client data recognition using artificial intelligence
- Launch of MKB's new environmental initiative to recycle IT technology and equipment

### September

- MKB launches an educational project for entrepreneurs
- MKB managers are listed in the rating of top 1,000 Russian managers
- MKB and ITFB Group introduce a system for automatic processing of client documents
- MKB arranges placement of perpetual "green" bonds of Russian Railways for RUB 100 bln

### October

- MKB is listed as one of Russia's largest companies according to RAEX
- MKB becomes a partner of the Eurasian Economic Forum in Verona
- MKB becomes a prizewinner at the AsiaMoney New Silk Road Finance Awards 2020
- MKB's small business tariffs are rated best by Markswebb

### November

- MKB becomes a partner of the all-Russian photo exhibition "Russia. A Journey Through the Centuries"
- MKB launches a campaign with the ecological fintech project Trashback
- MKB celebrates the anniversary of its support for eco-projects for biodiversity preservation
- A new stage of cooperation has been launched – "the Chance project" for orphans of the Arifmetika Dobra charitable foundation

### December

- MKB acts as organizer for the placement of the debut issue of social Eurobonds of Russian Railways in the amount of RUB 25 bln
- MKB takes part in the meeting of BRICS countries for the first time
- MKB becomes a prizewinner at the Cbonds Awards – 2020
- MKB's ESG team holds an online lecture for children from foster families on the topic "Climate Change in Russia"
- MKB attracts a debut loan tied to ESG indicators

## Awards received by the Bank in 2020

- MKB won in 7 categories at the Cbonds Awards –2020
- Best Bank for Investor Relations in Russia: winner of the Best Bank for Investor Relations Russia 2020 category at the annual Global Banking and Finance Review Awards contest of financial institutions
- Best Bank in Central and Eastern Europe and West Central Asia for the One Belt One Road Initiative (AsiaMoney)
- The Light tariff of settlement and cash services of the Credit Bank of Moscow was named by Bankchart as the best tariff for entrepreneurs and companies
- Winner in the Best Loyalty Program Using Plastic Cards and Best Mobile Loyalty Program categories at the Loyalty Awards Russia 2020
- Winner in the Best Acquiring for Business category at the V Best Banking Program for SMEs 2020 competition
- MKB's tariffs for small businesses were recognized as the best by Markswebb; the Light service package came in first place in the study among tariffs designed for individual

entrepreneurs and freelancers, and the Starting tariff came in the top three of the rating, considered by the agency to be optimal for small trade and service enterprises

- Best bank in the Online Loan Application category at the annual Bank of the Year awards according to Banki.ru

## MKB in Russian and international ratings and rankings in 2020:

- MKB was listed in the top 5 Russian banks for disclosure of information on sustainable development according to the WWF research "Practice of Responsible Financing in the Russian Banking Sector" published in 2020
- MKB was listed among the best banks in the world and took second place in the list of Russian banks in 2020 by Forbes Media in partnership with Statista Inc.
- The Bank became the only private Russian bank to participate in the annual rating of the 2000 largest public companies in the world, compiled by Forbes—Forbes Global 2000
- MKB rose by 37 positions in Top-1000 World Banks, the annual ranking of the largest financial institutions by the Banker magazine

- The Bank was listed among the 600 largest companies in Russia in terms of product sales in 2019 according to the RAEX agency
- Holding 7th place in the industry MKB appeared for the first time on the list of the strongest banking brands in the world according to the international consulting company Brand Finance
- MKB's executive managers took leading positions in the 21st annual rating of Top 1000 Russian Managers, compiled by the Association of Managers and Kommersant Publishing House
- MKB came in first place among organizers of placements in the real sector, as well as the second place in two rankings: "without securitization and structured products" and "market issues, excluding own issues" according to Cbonds
- The Bank appeared in the top three in the final Banking Antivirus Rating according to the results of marketing quality assessment of Russian banks amid the coronavirus pandemic by The Retail Finance magazine



# 1. Sustainable development management



UN Global Sustainable Development Goals



Key results in 2020

ESG rating of the Bank assigned by RAEX-Europe

**BBB** [esg]

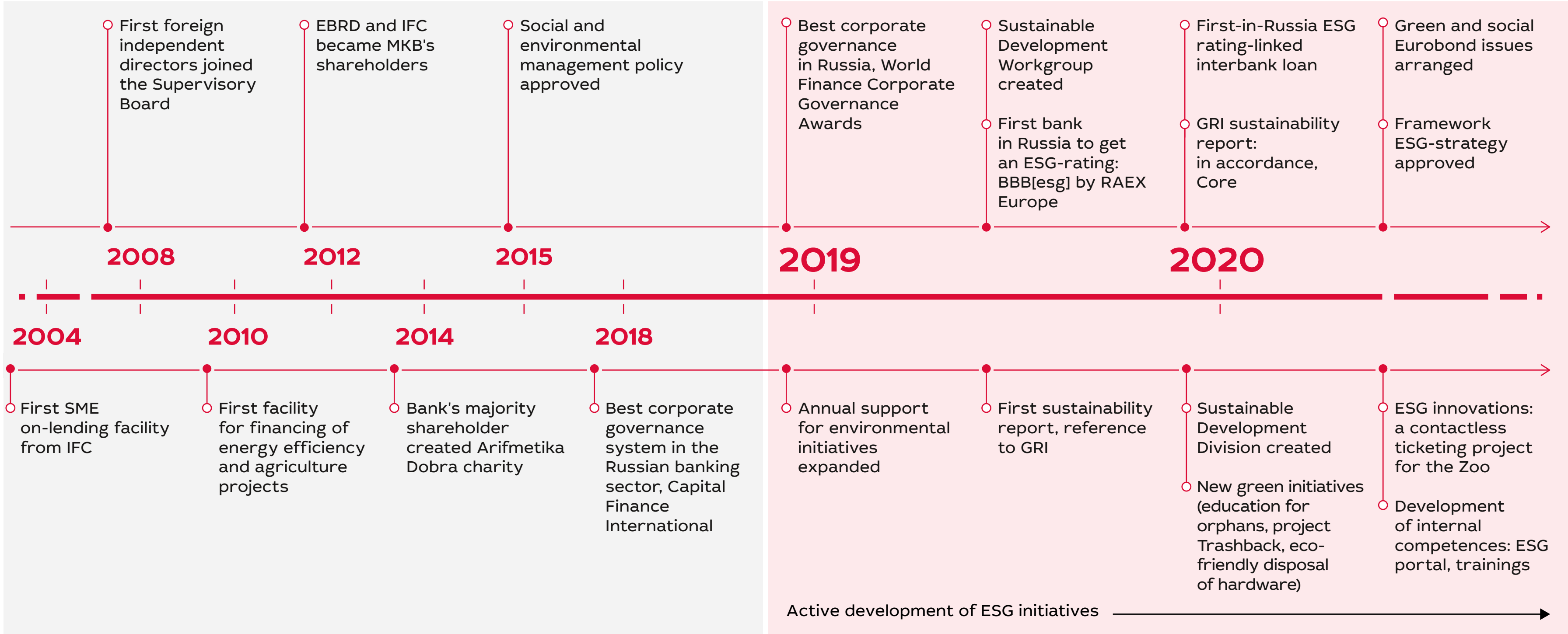
A number of key internal documents on sustainable development were introduced

Priority UN Sustainable Development Goals for the Bank were identified

Framework ESG-Strategy 2023 was formed

GRI Indicators

GRI 102-11, GRI 102-16, GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44, GRI 103



# 1.1 Approach to Sustainable Development Management at MKB

## GRI 103

MKB is consistently improving its level of progress and effectiveness in the field of sustainable development, paying close attention to various aspects of sustainable development at all levels of corporate governance. The most notable changes that took place at the Bank include the emergence of a special sustainable development committee subordinate to the Bank's Supervisory Board, the approval of the Framework ESG-Strategy, and improvement of the internal ESG regulatory framework. We continue to form a team of professionals within the created Sustainable Development Division, the coordinated work of which ensures effective management of the Bank's direct and indirect impact. Based on the analysis of MKB's sustainable development practices in 2020, the RAEX-Europe rating agency confirmed the Bank's ESG rating at BBB[esg] at the beginning of this year, while the ESG score within the rating category increased by 8% to 65.8 points out of 100.

The BBB[esg] Consolidated Rating indicates a moderately high level of the Bank's ESG risks and opportunities management. Though the agency

tightens its methodology for assessing the financial sector institutions as the coverage of rated companies increases, MKB showed stronger results for all aspects of the ESG rating comparing to previous years. The corporate governance sub-rating raised from A[g] to AA[g], and the social category rating was raised from BB[s] to BBB[s].

Thus, MKB continues to strengthen its position in the Russian banking sector in terms of sustainable development.

As a systemically important Bank, we understand our significant impact on the Russian economy and society and continue to implement the best global practices of socially responsible business.

Vladimir Chubar  
Chairman of the Management Board  
of Credit Bank of Moscow PJSC

65.8 points

the ESG score within the rating category points out of 100 (increased by 8%)

BBB [esg]

the Bank's ESG rating at the beginning of the 2020 (RAEX-Europe rating agency)

## Model for managing sustainable development at MKB

The Bank's sustainable development management comprises four main components:

### 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

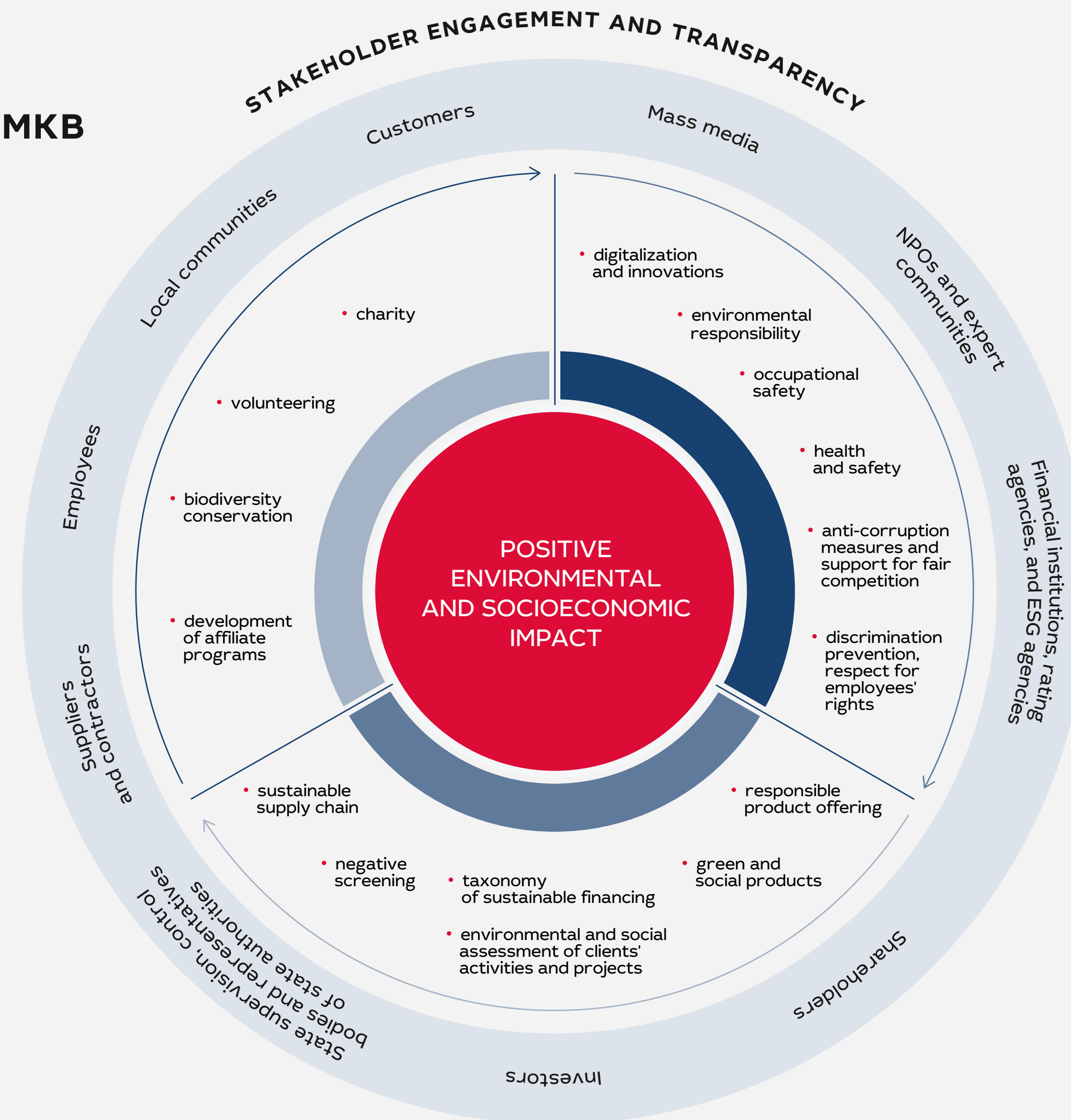
MKB makes every effort to incorporate social and environmental principles into its operations and services, as well as to introduce the responsible product offering concept in order to amplify its positive impact on the environment and promote the socio-economic development of the society and local communities.

### 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 an independent auditor. We constantly seek to improve the quality of our ESG reporting.





## Organizational structure of sustainable development management at MKB

Responsibility for managing sustainable development is assigned to individual functional units, as well as executive management. As required by the EBRD's environmental and social policy, the Bank has appointed an employee (environmental and social manager) from the executive management, who is assigned overall responsibility for environmental issues, as well as an employee (environmental and social coordinator) responsible for day-to-day compliance with environmental requirements and assistance in their implementation.

To achieve its goals and effectively manage sustainable development, MKB regularly identifies areas of impact, conducts risk assessments and implements measures to manage risks and opportunities. The Bank annually carries out a procedure for identifying and assessing the risks inherent in its activities.

The responsibility and commitments of the key figures involved in sustainability governance are as follows:

- **Supervisory Board, Strategy and Sustainable Development Committee<sup>8</sup>** – approving bylaws and setting strategic objectives for sustainable development.
- **Chairman of the Management Board** – ensuring execution of the Supervisory Board's resolutions as regards sustainable development, ensuring integration of requirements from approved sustainable development bylaws into the Bank's business processes, supervising and supporting employees contributing to sustainable development goals and tasks, providing enough resources and trainings for effective fulfilment of such goals and tasks.
- **Social and Environmental Officer** – overseeing environmental and social issues, analysing reports on borrowers' sustainable development issues and authorising the provision or continuation of financing, overseeing the preparation and delivery of the Bank's annual environmental and social performance reports to EBRD.
- **Social and Environmental Coordinator** – responsible for everyday environmental and social requirements, assisting in sustainability evaluation of borrowers and financed projects, and in performance appraisal of their environmental and social management, consolidating reports on borrowers' sustainable development issues, coordinating preparation and timely delivery of annual environmental and social performance reports to EBRD.
- **Sustainable Development Workgroup<sup>9</sup>** – contributing to the preparation of annual sustainability reports, devising and implementing key sustainable development initiatives, charting road maps for their implementation, contributing to the formulation of ESG goals, tasks and action plans implementing the sustainable development strategy.

More detailed information on approaches to risk management is given in the Risk Management section of the [Annual Report](#).

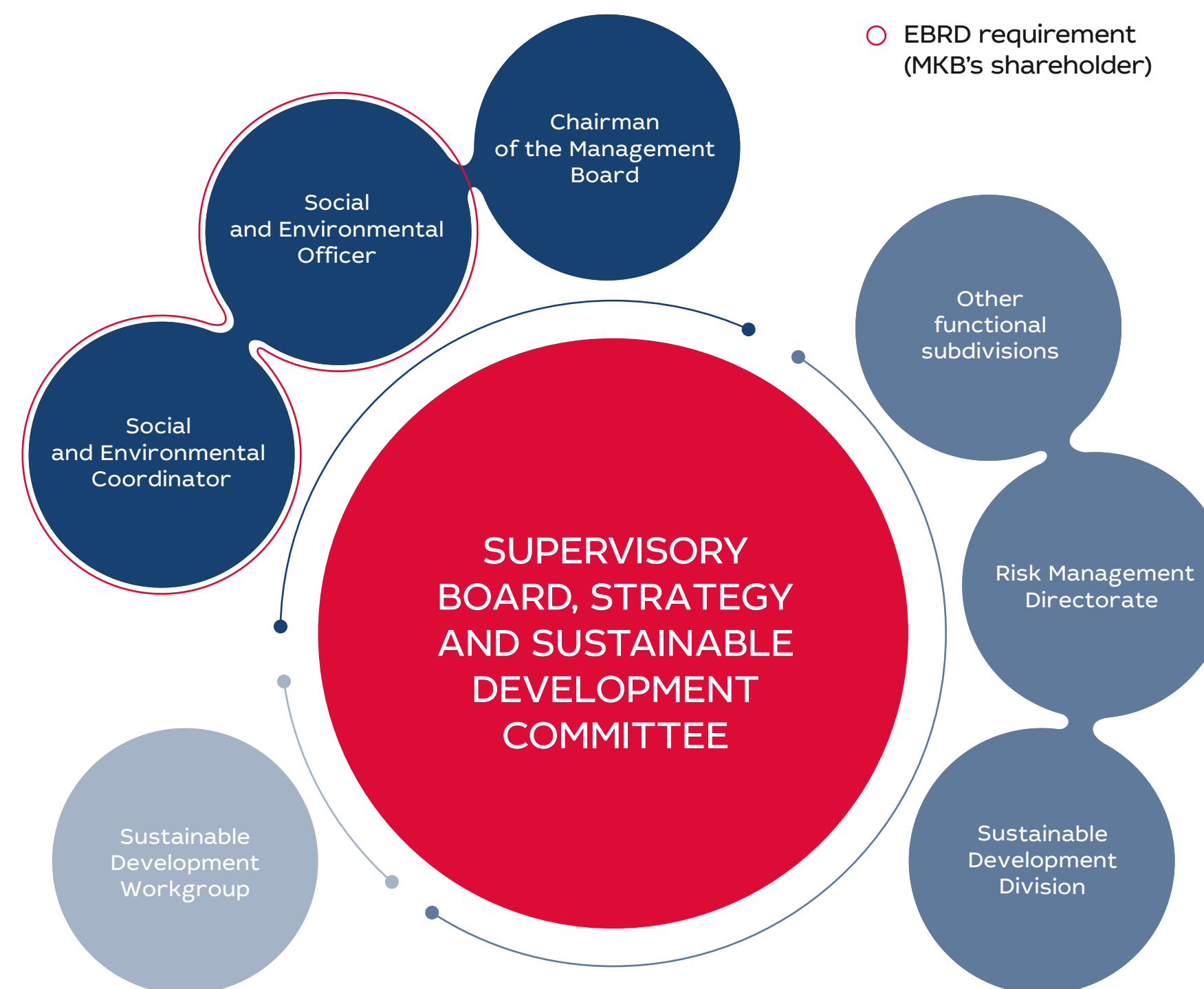
Note: 8. Before 02.02.2020 – the Strategy and Capital Markets Committee under MKB Supervisory Committee. 9. Active since December 2019 and consists of the bank subdivisions' heads and officers

- **Sustainable Development Division** – controlling the fulfilment of social and environmental activities, goals and tasks, providing methodological support, carrying out environmental and social evaluation and monitoring in respect of the provided financial products and services, verification of project / activity exclusion, agreeing projects / activities with EBRD, verification of project categorisation, comprehensive consolidation of the Bank's portfolio data, compilation of reporting, including annual environmental and social compliance reports for EBRD, taking part in the structuring of ESG products, liaising with internal and external stakeholders on environmental and social issues.
- **Risk Management Directorate** – classifying projects under review by social and environmental risk categories, supporting the Sustainable Development Division in preparing reports.

- **Other functional subdivisions** – arrying out social and environmental activities, goals and tasks, as well as complying with sustainable development bylaws.

The managerial approach is evaluated by the Internal Audit Department as part of its regular internal audits.

- Approving and advisory function
- Planning, co-ordinating, resource procuring and controlling function
- Communication-facilitating and initiative-generating function
- Executive function
- EBRD requirement (MKB's shareholder)



## Corporate documents on sustainable development

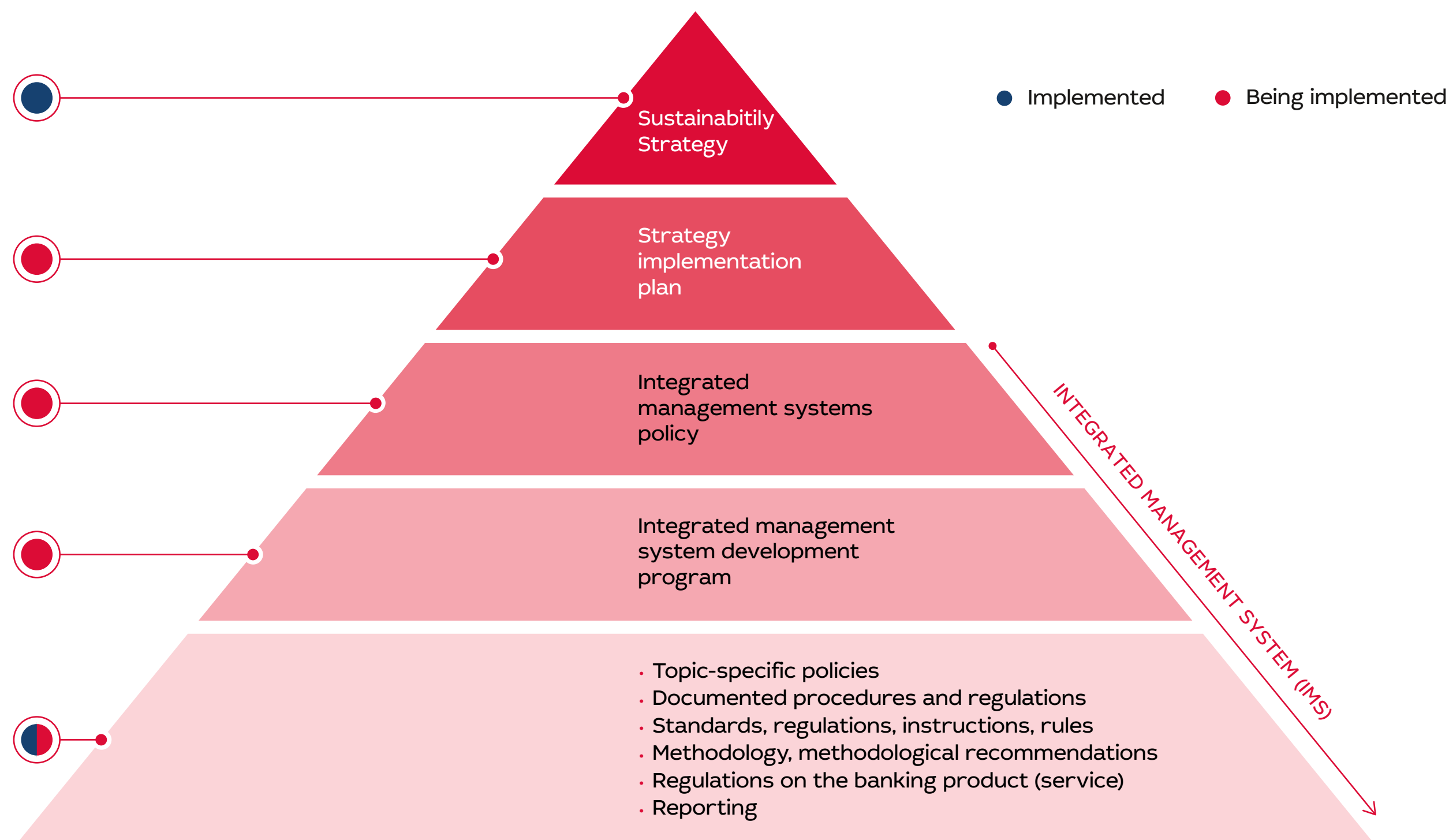
We are actively developing and structuring internal ESG processes and have defined the target structure for sustainable development documents. The target structure of corporate documents on sustainable development is a hierarchy, where the Sustainable Development Strategy defines the Bank's goals for the next three years on an executive level, and the policy and development program within the framework of the integrated management system (IMS) provide the basis for setting annual goals and objectives in such spheres as environmental protection and the social policy, health and safety and energy efficiency.

The key MKB's documents on sustainable development, which were implemented as of the end of 2020, include:

- Sustainability Framework Strategy<sup>10</sup>
- Social and Environmental Management Policy

- Regulations on the Working Group for Sustainable Development
- Other internal documents, provisions and regulations

The key corporate documents on sustainable development are regularly analyzed to be in compliance with the best practices implemented in Russia and globally, and are duly updated or corrected.



Note: 10. A public strategy with a breakdown of strategic goals will be developed and published in 2021



## 1.2 Compliance commitments and supported sustainable development best practices

### GRI 102-11 GRI 102-16

The Bank undertakes to act in accordance with the applicable requirements of social, environmental and energy legislation, and also strives to adhere to local recommendations. As a public company with equity participation in international development institutions and foreign investors, the Bank strives to comply with international treaties and conventions, recommendations issued by respected international lending institutions (World Bank, IFC<sup>11</sup>, EBRD<sup>12</sup>), as well as general best practices, international standards and principles.

One of the Bank's fundamental environmental principles is the precautionary principle, which it adopts with regard to potential environmental hazards and due diligence. The Bank adheres to Principle 15 of the Rio Declaration on Environment and Development: "Where there is a threat of serious or irreversible damage, a lack of full scientific certainty is not used as a reason to delay cost-effective measures to prevent deterioration of the state of the environment". In support of this principle, the Bank conducts an environmental assessment of its direct and indirect impacts, and carries out its activities and provides financing only

if there are sufficient management measures aimed at preventing or minimizing negative environmental impacts, regardless of any evidence that indicates a low likelihood of such an impact.

The Bank also highlighted a number of national and international principles, standards and documents which it adheres to or takes into account in its activities, including:

#### 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)

- 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

Note: 11. International Finance Corporation (former shareholder of the Bank). 12. European Bank for Reconstruction and Development (current shareholder of the Bank).

# 1.3 MKB's strategy for sustainable development

In 2020, MKB developed Framework ESG-Strategy that contains the goals, objectives, and key performance indicators for sustainable development for the next 3 years. As part of the Framework Strategy, the Bank's executive management defined the ESG mission as follows:

TO PROMOTE THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT AMONG CLIENTS AND PARTNERS THROUGH ITS OWN EXAMPLE, GUIDED IN ITS ACTIVITIES BY THE PRINCIPLES OF SOCIAL AND ENVIRONMENTAL RESPONSIBILITY BASED ON THE BEST NATIONAL AND INTERNATIONAL CORPORATE GOVERNANCE PRACTICES.

## Selected goals and KPIs of MKB's strategy for sustainable development

| Selected goals / objectives   | Selected key performance indicators (KPIs)                             |
|---|--|
| Direct impact management  |  |
| Develop and certify integrated management system in the field of environmental and social protection, occupational health and safety, energy efficiency and energy saving (IMS) | Certificate IMS under ISO 14001, ISO 45001, ISO 50001                  |
| Assess and manage impact on climate   | Quantify GHG emissions and develop action plan to manage GHG emissions |
| Increase employee engagement and satisfaction   | 85%—target level for employee engagement rate                          |
|   | Become one of top 10 most attractive employers among Russian banks     |
| Voluntary initiatives   |  |
| Enhance level of children education   | Educate 100 children under Arifmetika Dobra's Chance project annually  |

Selected goals / objectives

Selected key performance indicators (KPIs)

Stakeholder engagement and transparency of activities

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

Regularly publish training / reference materials on responsible financing and investment in MKB's mobile application, social networks, etc.

Improve ESG rating from RAEX-Europe

Improve ESG reputation and transparency of operations

Annually increase disclosed and assured indicators with Sustainability Report

Expand ESG rating coverage

Indirect impact management

Manage customer environmental and social impact

Determine environmental and social impacts of 100% of borrowers, for which it is necessary in accordance with the internal manual of MKB, taking into account the transition period in 2021

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)

Prepare reports on results of calculating loan portfolio carbon footprint and respective mitigating actions

Prepare reports on results of calculating loan portfolio environmental footprint and respective mitigating actions

Ensuring the sustainability of the supply chain

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)



# 1.4 Contribution to the achievement of the UN Sustainable Development Goals

MKB supports the global sustainable development agenda and considers it important to contribute to all 17 Sustainable Development Goals (SDGs), adopted by the UN General Assembly in September 2015, while carrying out its activities. At the same time, the Bank has identified 6 priority SDGs, which were approved as strategically important in 2020 and reflect an image of the future to which we aspire as part of promoting the implementation of the global sustainable development agenda.



## Priority SDGs integrated into MKB's activities:

- **Goal № 3.** Ensure healthy lives and promote well-being for all at all ages.
- **Goal № 4.** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- **Goal № 8.** Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.
- **Goal № 9.** Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.
- **Goal № 12.** Ensure sustainable consumption and production patterns.
- **Goal № 17.** Strengthen the means of implementation and revitalize the Global Partnership for sustainable development.



priority UN SDGs

## Contribution to the achievement of the UN Sustainable Development Goals

| Priority SDGs   | Contribution to SDG achievement  | Where mentioned in the report  |
|---|--|--|
|    | <ul style="list-style-type: none"> <li>Supporting projects aimed at preserving the health and well-being of the population</li> <li>Supporting employee involvement in sporting events and campaigns</li> <li>Implementing additional measures to improve the safety of the Bank's branches during a pandemic in order to curb the spread of COVID-19 and take care of clients and visitors. These include regular cleaning of premises, provision of personal protective equipment and antiseptics, observing social distancing, and installation of air purifiers in the Bank's offices</li> <li>A doctor available in the office, VHI for all employees after the probationary period (including the provision of extended insurance since COVID-19 pandemic began), health days, programs to support employee mental health and well-being, etc.</li> <li>Providing the possibility of remote work: more than 60% of employees worked remotely from May to August 2020</li> <li>Monitoring working conditions and timely performance of a special assessment of working conditions in accordance with law</li> </ul> | <ul style="list-style-type: none"> <li>Retail block</li> <li>Employee remuneration and incentives</li> <li>Health and safety</li> <li>MKB's voluntary initiatives</li> </ul> |
|  | <ul style="list-style-type: none"> <li>Supporting the Chance program of the Arifmetika Dobra foundation to provide annual education for 100 pupils from orphanages</li> <li>Conducting training events to improve financial literacy for external stakeholders</li> <li>Arranging external and internal training programs to develop professional skills</li> <li>Conducting general education lectures and master classes for the Bank's employees</li> </ul>   | <ul style="list-style-type: none"> <li>Retail block</li> <li>Training and Development</li> <li>MKB's voluntary initiatives</li> </ul>  |

### Priority SDGs



### Contribution to SDG achievement

- Expanding the Bank's geographical presence and creating jobs
- Carrying out core banking activities
- Developing and improving products and services to support small and medium-sized businesses, individual entrepreneurs, and the self-employed (including restructuring programs to support those affected by the COVID-19 pandemic)
- Developing cooperation with leading universities in Moscow, Tver, and Perm for employing young specialists at MKB
- Ensuring digitalization of business processes and creating a comfortable digital workplace for employees
- Providing the option to work remotely and providing employees with the technical means to work from home
- Focus on employee experience

### Where mentioned in the report

- About the Bank
- Responsible business of the Bank
- Company employees
- Business digitalization and innovation



- Financing and other support for green, social, and sustainable projects that contribute to sustainable development
- Financing projects aimed at modernizing infrastructure and industrial enterprises for sustainable development
- Increasing employment in industry
- Implementing the Green Bank concept and improving energy efficiency
- Business digitalization and innovation
- Digitalization of client services

- Responsible business of the Bank
- Business digitalization and innovation



Priority SDGs



Contribution to SDG achievement

- Financing projects aimed at sustainable waste management
- Implementing the Paperless Bank project, optimizing the existing paper workflow and transitioning to electronic workflow
- Creating infrastructure for separate waste collection at the Bank
- Recycling and neutralizing hazardous waste generated by the Bank
- Recycling office paper, waste paper, machinery and equipment
- Implementing the Green Bank concept and improving energy efficiency

- Engagement with both internal and external stakeholders
- Partnership with charities and non-profit organizations to support environmental and social initiatives
- Increasing the volume of disclosed non-financial indicators
- Strengthening global partnerships for sustainable development through engagement with international banks and financial institutions

Where mentioned in the report

- Responsible business of the Bank
- Business digitalization and innovation
- Environment

- About the report
- Stakeholder engagement
- MKB's voluntary initiatives
- Participation in external initiatives and membership in organizations

# 1.5 Stakeholder engagement

As noted earlier, one of the components of sustainable development management at the Bank is stakeholder engagement and transparency of activities. Success in the implementation of business processes and tasks, planning and strategic business development is inextricably linked with regular communication with stakeholders. Only by providing a comprehensive analysis of the preferences and expectations of all stakeholders it is possible to achieve high results.

**First**, it helps to organize the process, from the birth of an idea or initiative to the development of the final product or improvement of the quality of existing products or services, focusing on the needs and expectations of stakeholders.

**Second**, the speed of receiving feedback and the development of communication channels with stakeholders allows us to always stay on track and be proactive.

It is also important for us to continuously improve both internal and external communication channels, to understand current interests and concerns, and to disclose information in accordance with the requests and expectations of the relevant stakeholders.

## GRI 102-42

The Bank identifies and updates the list of its stakeholders on an annual basis. In order to compile a list of stakeholders, we assess the Bank's impact on the group of stakeholders and the impact of the group of stakeholders on the Bank's activities.

## GRI 102-43, GRI 102-44

The Bank engages with stakeholders as needed, at least once a year. We are committed to promoting environmental awareness, energy-saving, social responsibility and a safe work culture among all stakeholders. The Bank cooperates with stakeholders and takes into account their interests, needs and expectations to make decisions and achieve goals and objectives in the field of environmental protection and the social sphere, health and safety, energy efficiency and energy saving.

During the preparation of the Report, MKB have made a sustainable development survey of customers and partners. For the first time, the survey of external stakeholders was conducted to identify the material topics of the Report, which is considered best practice in the Russian banking

sector. The survey included the list of GRI topics, from which the stakeholders selected the most significant. In 2020, the topics named the most significant by stakeholders included:

- Customer privacy;
- Client health and safety;
- Economic performance;
- Compliance with socio-economic requirements;
- Training and education;
- Occupational health and safety;
- Security practices;
- Employment;
- Labor / management relations;
- Non-discrimination.

All topics relevant to stakeholders were covered in the 2020 report.

GRI 102-40, GRI 102-44

The main categories of the Bank's stakeholders and the main channels and forms of engagement with them include:

Categories of the Bank's stakeholders and the main channels and forms of engagement

| MKB stakeholders                         | Channels and forms of engagement   |
|--|--|
| Customers                                | <ul style="list-style-type: none"><li>• Sales of services, customer service, including remote banking (mobile banking, contact center, internet banking)</li><li>• Client satisfaction and expectations analysis</li><li>• Convenient channels for clients' complaints and requests (by phone, e-mail, in person at the Bank's branches, through the feedback form on the website, by mail)</li><li>• Financial and non-financial statements</li></ul>   |
| Employees                                | <ul style="list-style-type: none"><li>• Regular communication on work and personnel issues</li><li>• Training and professional development</li><li>• Engagement surveys</li><li>• Corporate portal and social networks for information and communication</li><li>• Hotline – the ability to send complaints and appeals to members of the Audit and Risk Committee of the Supervisory Board of MKB</li><li>• Employee participation in sports, cultural, charitable and other public, environmental and social events</li><li>• Publication of the Bank's financial and non-financial statements</li></ul> |
| Local communities and community councils | <ul style="list-style-type: none"><li>• Disclosure of information about financial products for various categories of citizens</li><li>• Disclosure of information on the Bank's activities in the field of environmental and social environment protection as part of non-financial reporting</li><li>• Arrangement of social and charitable projects</li><li>• Publication of the Bank's financial statements</li><li>• Feedback analysis and information disclosure on social and environmental initiatives for the population and local communities (if applicable)</li></ul>                           |



MKB stakeholders

Channels and forms of engagement

Shareholders and investors

- General shareholders meetings
- Road shows
- Communication via various channels (including conference calls, meetings, e-mail correspondence, webcasts)
- Disclosure of material information for shareholders and investors on the web page for investors (in Russian and English)
- Publication of financial and non-financial statements

Suppliers and contractors

- Communication within the framework of the tender procedure and in the process of service provision by suppliers and contractors
- Feedback from the Bank on the results of the services provided
- Publication of the Bank's financial and non-financial statements

State supervision, control bodies and representatives of state authorities

- Disclosure of information regarding compliance with legal requirements to banking activities
- Participation in projects and working meetings to improve legislation in various fields (expert councils, working groups, round tables, and other types of communication)
- Communication with the Bank of Russia and VEB RF, including regarding the development of ESG banking in the Russian Federation and preparation of methodological documents
- Publication of the Bank's financial and non-financial statements

Mass media

- Timely updates on the MKB website and on social networks
- Speeches by MKB employees on various media platforms
- Publication of the Bank's financial and non-financial statements
- Providing prompt comments to media representatives

MKB stakeholders

Financial institutions, rating agencies, and ESG agencies

Non-profit organizations and expert communities

Channels and forms of engagement

- Regular business communications with financial institutions, including on ESG issues (exchange of experience, lending linked to sustainable development indicators, etc.)
  - Interaction with agencies in the process of obtaining and regularly reviewing the Bank’s rating
  - Publication of the Bank’s financial and non-financial statements
  - Other public information about the Bank on the official website and in other public sources
- 
- Communication within the framework of sponsoring various charitable and social / environmental initiatives
  - Participation in conferences and surveys dedicated to trends in the banking sector and sustainable development

We have come to the realization that only consistent work and joint efforts can lead to global changes. At MKB, support for the “green” paradigm comes not only from the team, but also from shareholders and senior management. This approach makes it possible to coordinate efforts and increase the efficiency of the work process, because when your job allows you to contribute to a cleaner and healthier future, self-motivation comes into play and the work itself becomes a joy.

Vladimir Chubar  
Chairman of the Management Board  
of Credit Bank of Moscow PJSC





## 2. Corporate governance culture



Key results in 2020

54 %

Share of small and medium-sized businesses accounted of the procurement budget

Training on anti-corruption, anti-money laundering, and non-financial risk management is carried out on a regular basis

532 **procurement procedures**

were performed (excluding purchases for the amount up to RUB 500,000)

Consideration of sustainable development issues by the Supervisory Board and its Committees is arranged on a regular basis

No incidents related to leaks, theft or data loss occurred

Material topics

- Procurement practices
- Compliance with socio-economic requirements
- Assessment of human rights activities
- Anti-corruption
- Hindering competition
- Consumer privacy
- Taxation
- Non-discrimination

GRI Indicators

GRI 102-9, GRI 102-10, GRI 102-16, GRI 102-17, GRI 102-18, GRI 102-19, GRI 102-20, GRI 103-1, GRI 103-2, GRI 103-3, GRI 204-1, GRI 205-1, GRI 205-3, GRI 207-1, GRI 405-1, GRI 418-1, GRI 419-1

## 2.1 Corporate governance system

GRI 103-1, GRI 103-2, GRI 103-3

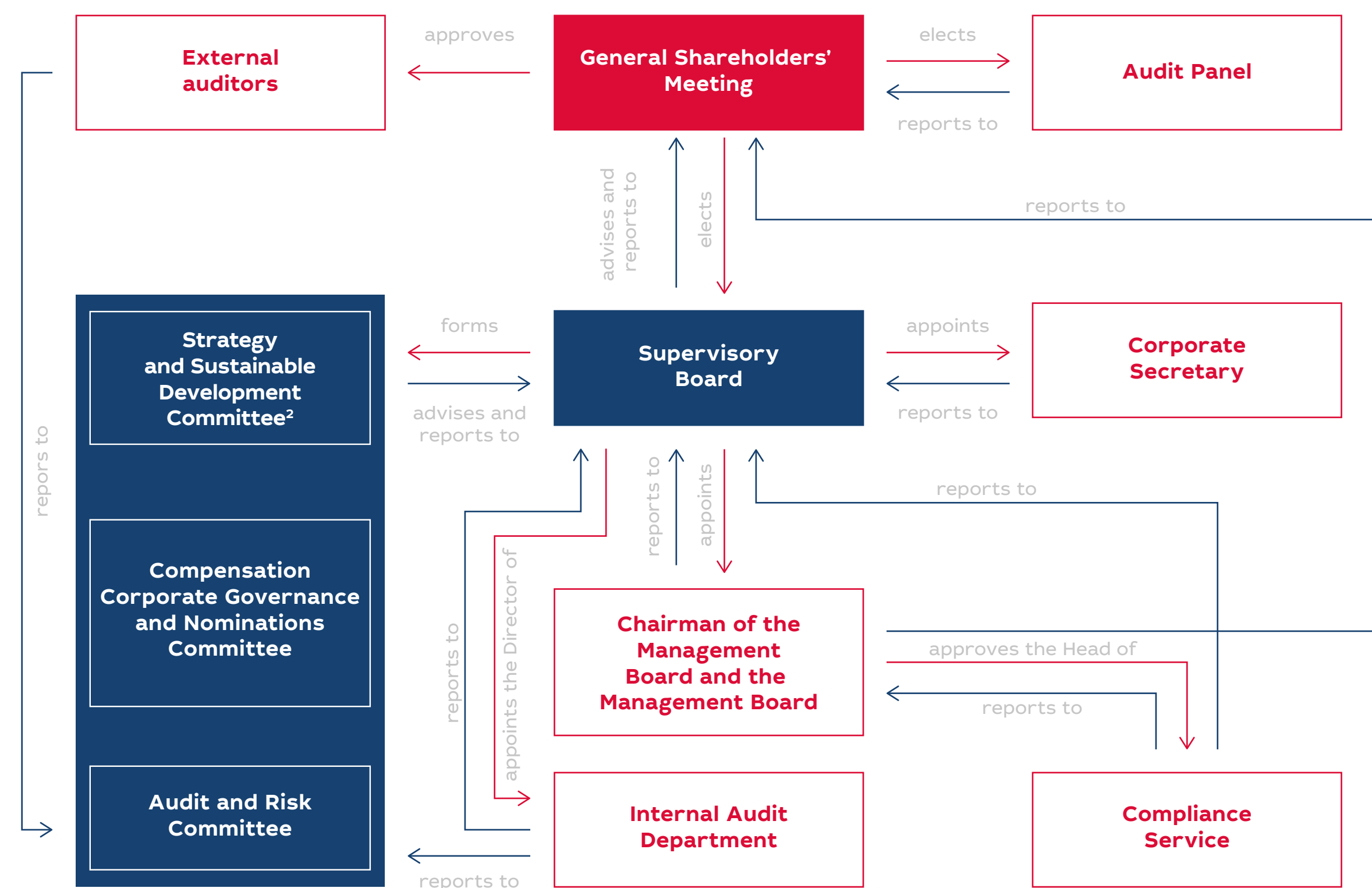
In its activities, MKB focuses on the best standards of corporate governance and business ethics, supports fair competition and counteracts corruption. We strive to increase diversity and create an inclusive environment for employees, respects employees' labor and other rights, ensure decent working conditions, access to reporting mechanisms, freedom of association. We do not tolerate any kind of discrimination, harassment and forced labor.

The capital participation of the European Bank for Reconstruction and Development (EBRD) facilitates the implementation of the best corporate governance practices at MKB. It as well guarantees the Bank's compliance with a number of international and European standards considering social and environmental issues.

Note: 1. The Strategy and Sustainable Development Committee was established on the basis of the Strategy and Capital Markets Committee on February 02, 2021. 2. Before 02.02.2021 – the Strategy and Capital Markets Committee under MKB Supervisory Committee.

### MKB's corporate governance system<sup>1</sup>

GRI 102-18



## Main documents of MKB’s corporate governance system

- [Bank’s Articles of Association](#)
  - [Regulations on the General Shareholders’ Meeting](#)
  - [Regulations on the Supervisory Board and Committees](#)
  - [Code of Corporate Ethics](#)
  - [Corporate Governance Code](#)
  - [Anti-Corruption Policy](#)
  - [Regulations on the Hotline](#)
  - Other internal documents, provisions and regulations
- MKB strives to continuously improve its corporate governance system and keeps abreast of the latest changes and innovations both at the national and international levels. The Bank seeks to improve the information transparency of its activities—in particular, through active engagement

with shareholders and investors both in Russia and abroad.

Based on the best corporate governance practices and applying the criteria of one of the leading international development banks – EBRD, MKB took a course in 2020 to improve the efficiency of the existing corporate governance system in terms of ESG. At the same time, the Bank follows the best social and environmental standards and principles of working with clients.

As one of the priority areas of the Bank’s development for 2021, the Supervisory Board of MKB approved the development and implementation of an integrated management system (IMS) regulating of environmental and social environment, health and safety, energy efficiency and energy saving.

**GRI 102-18, GRI 102-19**

As of December 31, 2020, the Supervisory Board consists of 10 directors, who are international experts, including 5 independent directors. The

Supervisory Board elects the Management Board and appoints the Chairman of the Management Board, who is the sole executive body of MKB and is generally responsible for the day-to-day operations of the Bank<sup>3</sup>.

Matters related to sustainable development at the Bank are handled by the Strategy and Sustainable Development Committee of MKB’s Supervisory Board, which performs the functions of approving and consulting, and also delegates the management of sustainable development to other organizational levels<sup>4</sup>.

Note: 3. More detailed information on the existing corporate governance system is disclosed in the Corporate Governance section of the Annual Report. 4. For more details on the allocation of responsibilities for managing sustainable development, see the MKB’s Approach to Managing Sustainable Development section on page 17.



GRI 405-1

In 2020, all of the members of the Supervisory Board were men over the age of 30. The composition of the Supervisory Board by age and region is shown on the charts below.

GRI 102-20

The Supervisory Board and Management of MKB are deeply convinced of the importance of supporting sustainable initiatives that have a lasting positive impact on clients and society as a whole. In this regard, an important step on the ESG agenda was the decision taken by the MKB's Supervisory Board to expand the range of sustainable development tasks handled by the Strategy and Capital Markets Committee and the formation of a Strategy and Sustainable Development Committee on its basis, which was implemented in early 2021.

Functions related to the development and implementation of the Bank's sustainable development strategy were added to the competence of the Strategy and Sustainable Development Committee of MKB's Supervisory Board, along with functions to improve the efficiency of internal procedures and processes in the field of social and environmental responsibility, including issues related to participation in green deals, financing, preparation of non-financial

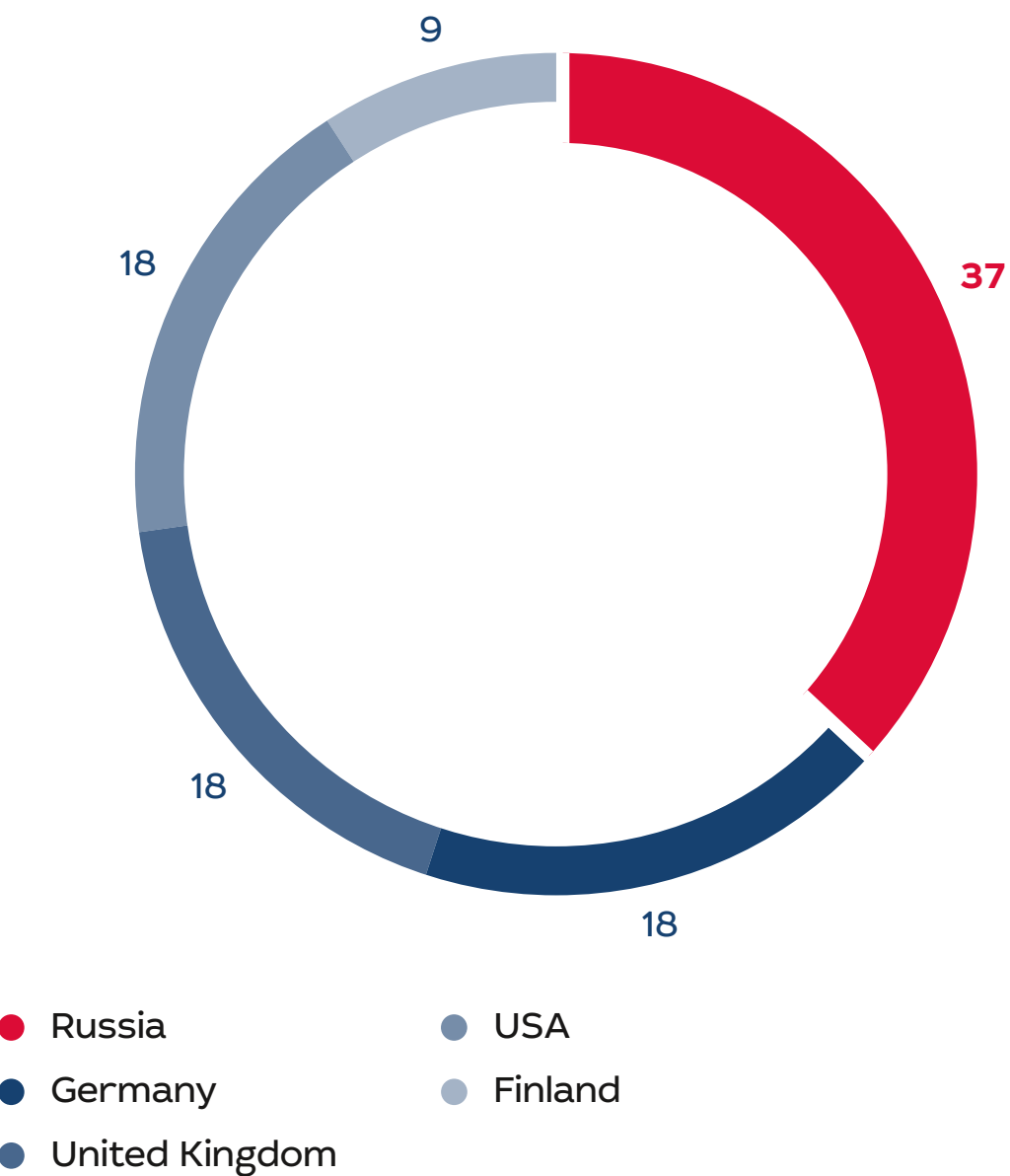
statements, and development and amendments to the internal documents of the Bank in the framework of sustainable development.

The committee will determine the priority areas, goals and basic principles of the Bank's sustainable development strategy.

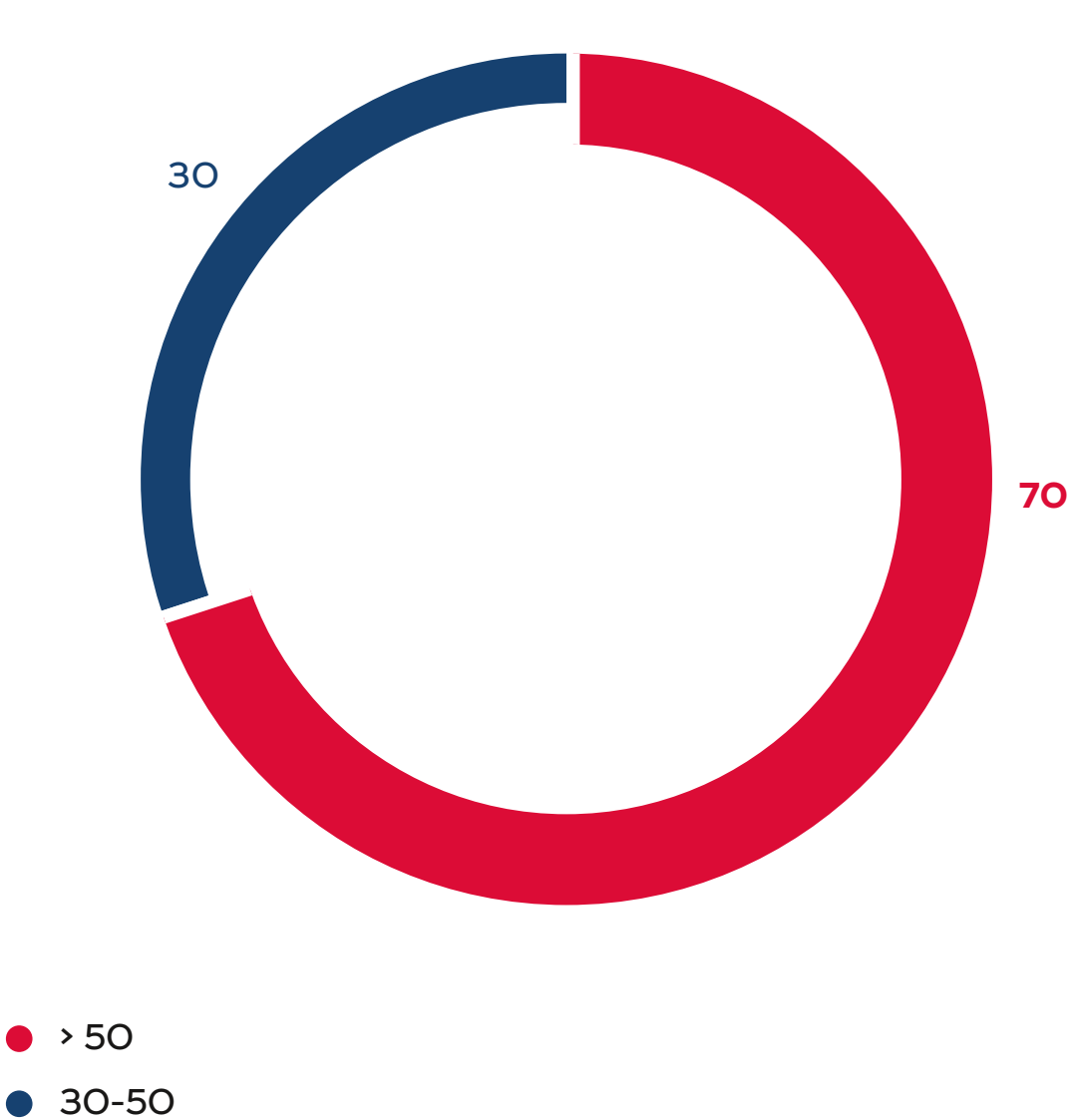
"The creation of a committee with a focus on sustainable development is the most important

stage in building an effective corporate governance system at MKB in terms of ESG. At the level of the Supervisory Board, we support efforts to implement a responsible business model and, taking into account our international experience, we are ready to assist in transforming MKB into a socially and environmentally active and responsible company," stated Andrew Gazitua, member of the Supervisory Board and Chairman of MKB's Strategy and Sustainable Development Committee.

Members of the Supervisory Board by region, %



Members of the Supervisory Board by age, %



## Improving the corporate governance system

For the efficient functioning of the corporate governance system, the performance of the units and management bodies responsible for corporate governance and internal auditing is assessed on a regular basis.

The Bank monitors changes in corporate governance legislation and, in order to follow the best Russian and international practices, has taken the following measures to improve its corporate governance:

- Due to the coronavirus pandemic, the annual meeting of shareholders was held in absentia for the first time, and the meetings of the Supervisory Board in 2020 were held in accordance with the work plan approved for the year by means of video conferencing.
- A long-term incentive program was introduced for members of the Management Board.

- Recognizing their importance and relevance in expanding the Bank's business, the committees of the Supervisory Board and the Supervisory Board began to consider issues of sustainable development, information security and information technology on a regular basis.
- An assessment of the Supervisory Board's activities was carried out, as a result of which a list of directions was compiled in the relevant areas for the Supervisory Board for the purpose of professional development. Thus, some members of the Supervisory Board received training in the area of cybersecurity, arranged by NACD and Harvard University.
- Based on the results of the internal audit of corporate governance, a plan was drawn up to improve corporate governance.

- As part of ongoing monitoring of legislation, a number of documents were developed for the Bank and approved, and amendments were made to some existing documents.

As part of the improvement and development of the corporate governance system, it is planned to amend internal procedures and documents in 2021 in accordance with the plan for improving corporate governance, which is approved annually by the Supervisory Board.

Based on its own experience gained as a result of engagement with stakeholders, as well as international standards in the field of sustainable development and non-financial reporting standards, MKB plans to continue its work to improve the quality of internal infrastructure in 2021 for the purpose of ensuring proper sustainable development management.

## 2.2 Ethical norms and standards of MKB

### GRI 102-16

MKB recognizes the importance of adhering to standards of business conduct and ethical business conduct. The Bank adheres to the principles of responsible business conduct and ensures that its activities comply with international standards related to business efficiency and quality.

### Documents governing ethical standards at the Bank:

- [Code of Corporate Ethics](#)
- [Regulations on the Hotline of the Audit and Risk Committee of the Supervisory Board](#)

The Bank builds its relationships with clients, business partners and representatives of state and municipal authorities according to the principles of conscientiousness, honesty, professionalism, mutual trust and respect, prioritizing the client's interests,

inviolability of obligations, full disclosure of necessary information, transparency, predictability, and prioritizing negotiations over legal proceedings.

MKB sets standards of conduct for employees and managers aimed at fostering respectful and ethical relationships, and also seeks to encourage counterparties to conduct business ethically. For the Bank, an important element of business ethics is the observance of and respect for human rights, and zero tolerance for their violation. With regard to human rights, we are guided by the principles of the Constitution of the Russian Federation and the requirements of national legislation, and we are also introducing additional initiatives aimed at protecting human rights. For example, the Bank has implemented a Hotline for the Audit and Risk Committee. We also try to maintain a work-life balance for our employees and encourage adequate rest time. We are committed to providing equal opportunities for all our current and potential employees and have a zero tolerance policy towards discrimination.

The efficient work and coordinated actions carried out by the team as a whole and each employee individually are facilitated by the unified and unambiguous understanding of the moral and professional guidelines and values that contribute to the formation of a unified professional team.

The Bank takes into account the following principles of corporate conduct and business ethics:

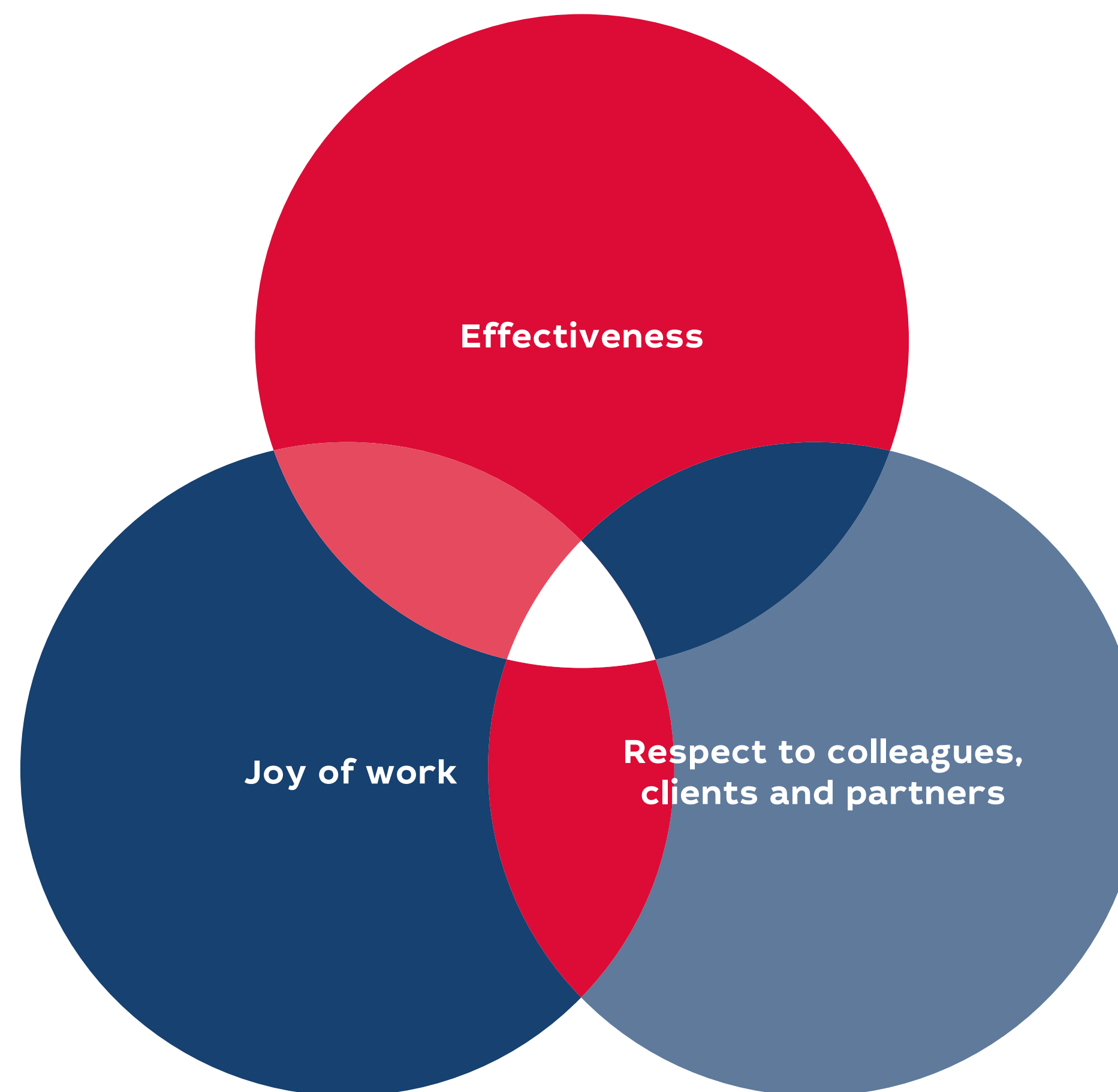
- Compliance with the current legislation of the Russian Federation.
- Consistent adherence to generally accepted standards of business ethics in the course of the Bank's activities.
- Respectful attitude among employees.
- The presumption of good faith in employee relations: no employee can be suspected of bad faith without justified grounds.



- Ensuring social protection of employees.
- Non-dissemination by employees of knowingly false information that damages honor and dignity, as well as the reputation of other employees.

The Bank strives to improve its ethical conduct practices and promote ethical business conduct among its partners. In 2021, we plan to introduce a special policy aimed at protecting human rights. Another major challenge facing the Bank is to raise employee awareness on the issue of human rights. It is planned to conduct training sessions on diversity and human rights in the coming period.

### Main fundamental values guiding the Bank in its activities



GRI 102-17

### Hotline of the Audit and Risk Committee

All employees have access to the Hotline of the Audit and Risk Committee of the Bank's Supervisory Board. Through this Hotline, all queries from the Bank's employees regarding the circumstances and probable risks surrounding actions taken against the interests of the Bank's employees, shareholders, investors and clients are reviewed within the framework of specially established procedures.

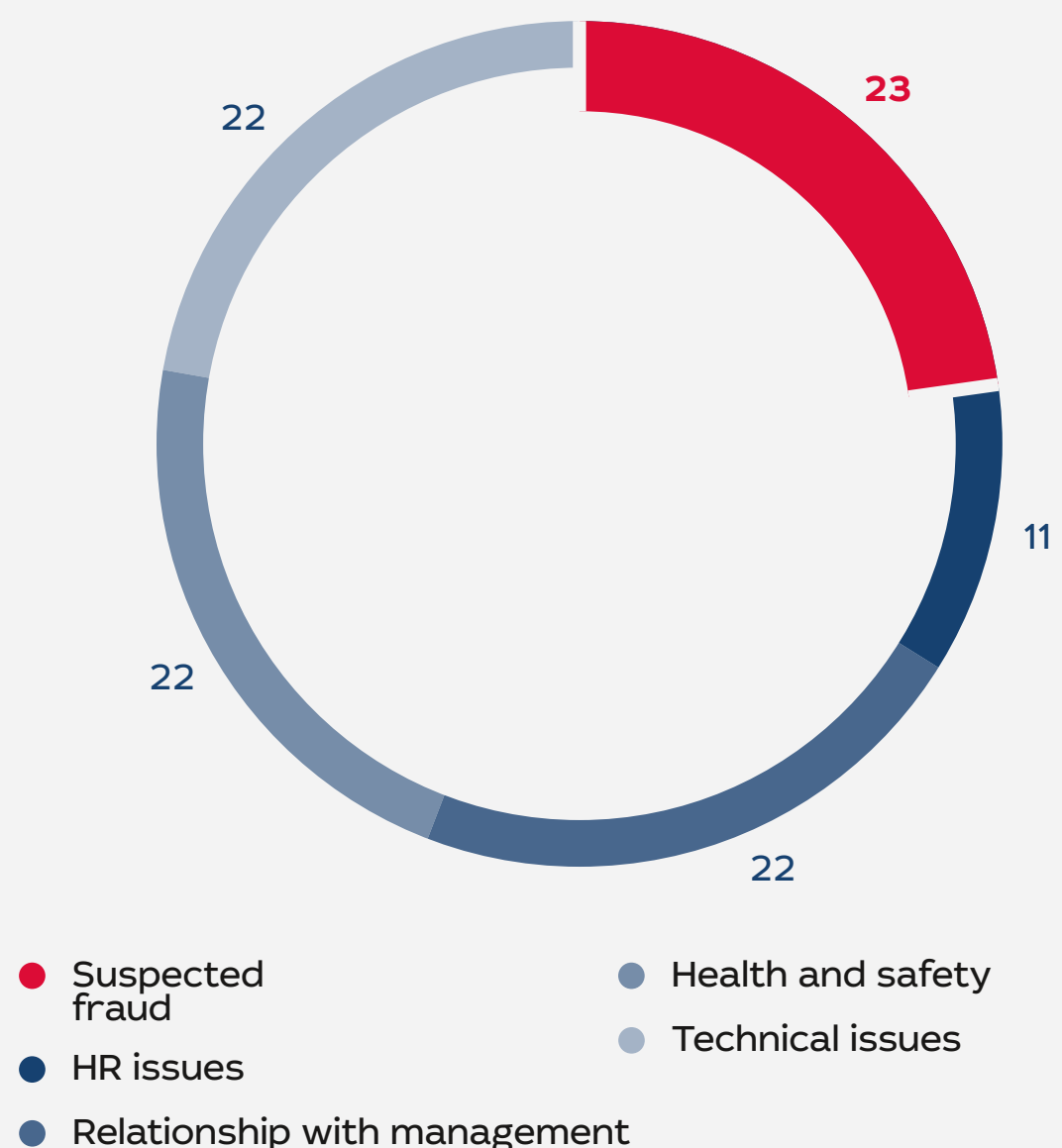
Using the Hotline, any employee can send a query to the Bank's Management, inform about an incident, ask a question or share a proposal for improving the banking business processes. We strive to prevent employees from being persecuted for sending queries, therefore, it is possible to use the Hotline anonymously.

All new employees are informed about the possibility of using the Hotline. The link to the form for contacting the Hotline is posted on MKB's internal portal.

In 2017, the Hotline received 2 queries, both of which were processed, and the applicants

were provided with answers. From 2018 to 2019, no queries were received. In 2020, the Hotline received 9 messages; the Bank took appropriate actions with regard to 7 of these, 1 query was withdrawn by the sender and 1 did not require a response from the Bank.

Statistics of queries to the Hotline in 2020, %



### Hotline of the Audit and Risk Committee

#### Hotline of the Audit and Risk Committee of the Supervisory Board

##### Direct contact with Bank's management

- Communication channels:
- Anonymous online form;
  - E-mail address

##### Incident reporting

- Communication channels:
- Online form;
  - Telephone

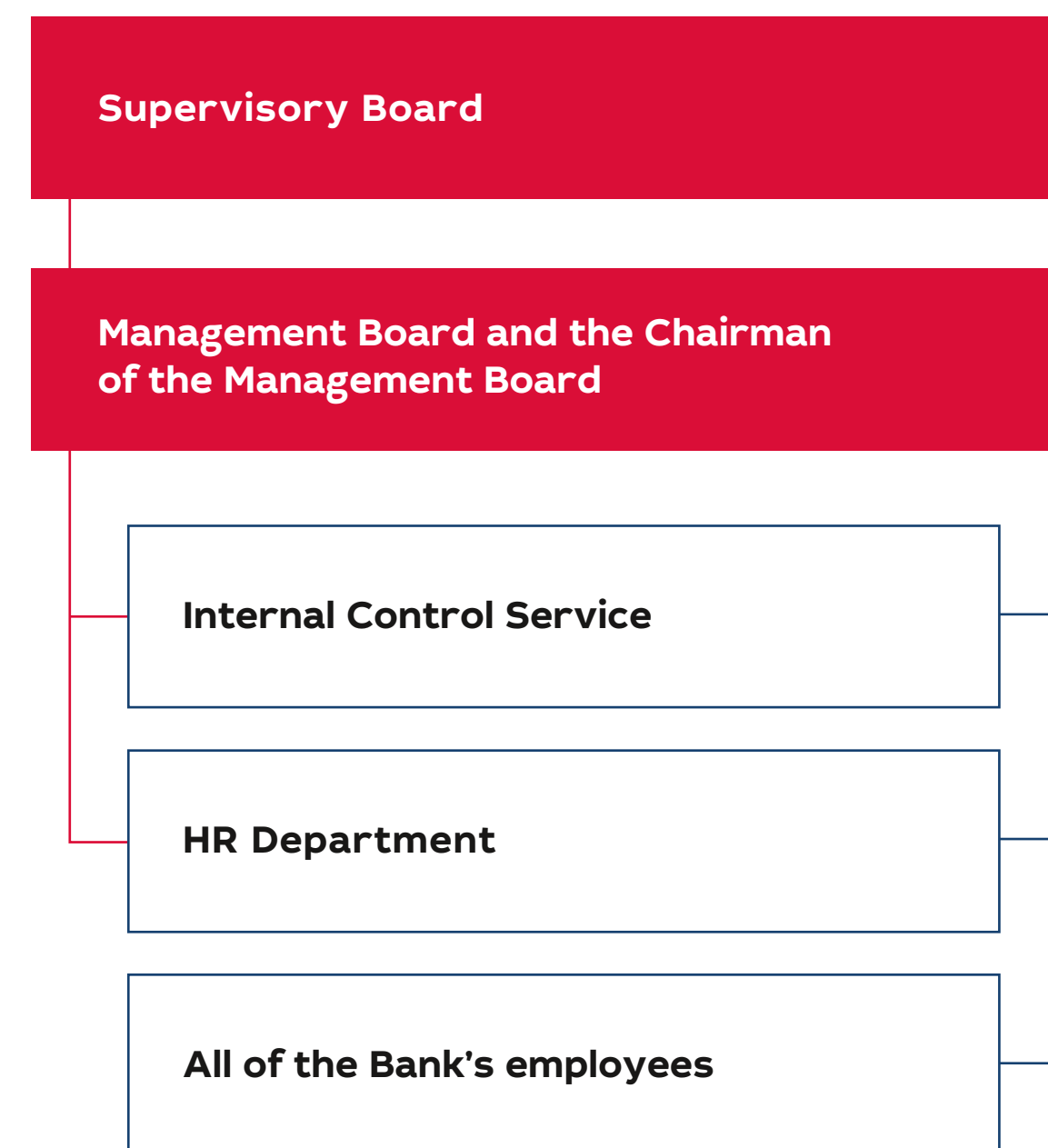
##### Questions and ideas

- Communication channels:
- E-mail address

## 2.3 Anti-corruption practices

GRI 103-1, GRI 103-2, GRI 103-3, GRI 102-16

Ensuring high standards of business ethics and transparency of activities is an integral part of MKB's corporate culture. The Bank is constantly working to prevent bribery and fight corruption.



Anti-corruption measures are carried out by employees at all levels of the organizational structure with the support of the Bank's management, which makes it possible to ensure effective implementation.

The **Bank's Supervisory Board** develops and supports the implementation of the ethical standard, exercises general control over anti-corruption and measures applied in this area.

The **Management Board of the Bank and the Chairman of the Management Board** determine the main Bank's anti-corruption activities, approve internal anti-corruption regulations and are responsible for the compliance of the Bank's activities with the requirements of anti-corruption legislation.

The **Internal Control Service** identifies the areas, activities and business processes at the Bank that bear a high level of corruption risks, plays an active role in the implementation of anti-corruption procedures and measures at the Bank, monitors and controls compliance with anti-corruption standards and procedures, and prepares training materials on anti-corruption.

The **HR Department** ensures informing the Bank's

employees on internal regulations on business ethics and anti-corruption. It provides consulting support to the Bank's employees.

**All the Bank's employees** identify the corruption risks specific to the corresponding areas of business and inform the internal control body about each potential and detected case of violation of the requirements of the Anti-Corruption Policy.

The main documents governing MKB's anti-corruption actions have been developed in accordance with the current legislation of the Russian Federation and the regulations of the Central Bank of Russia, taking into account the methodology, principles and best international practices. These include:

- [Bank's Articles of Association](#)
- [Code of Corporate Ethics](#)
- [Anti-Corruption Policy](#)
- [Regulations on the Hotline](#)
- Other internal documents, provisions and regulations



Progress towards 2020 goals

| Goal   | Progress status | Summary of 2020 results   |
|--|-----------------|---|
| To build the Bank's reputation as an organization committed to the law and high ethical standards in business relations  | In progress     | The Bank is continuously working to strengthen its ethical reputation and will continue this work in future periods   |
| To foster a culture of ethical behavior and zero tolerance to all forms of corruption  | In progress     | At all levels, the Bank's employees follow the developed anti-corruption procedures, and with the support of executive management, the internal control service fosters a culture of ethical behavior and intolerance to corruption |
| To create effective mechanisms, procedures, control and other measures aimed at combating corruption and minimizing the risks of the Bank's and its employees' involvement in corruption | In progress     | The developed documents on anti-corruption are revised on a regular basis for the purpose of ensuring continuous improvement  |

Our priorities in the field of anti-corruption include maintaining a commitment to high ethical and professional standards and principles of open and honest business conduct among the management and employees of the Bank. We are striving to improve the level of corporate culture, adhere to best global corporate governance and business conduct practices and increase the Bank's business reputation and investment attractiveness. In addition, our anti-corruption policy includes fostering a culture of ethical behavior and zero tolerance to all forms of corruption and establishing a unified standard of anti-corruption behavior among the Bank's employees.

The Bank's internal control activities include a number of activities:

- Examining internal regulatory documents and agreements concluded by the Bank for compliance with anti-corruption legislation;
- Regulating the procedure for assessing, analyzing and selecting the Bank's counterparties, as well as the rules for interaction with them;
- Analyzing the requirements established by labor agreements for the officials of the Bank and candidates for managerial positions;

- Preventing conflicts of interest;
- Restricting joint work at the Bank with close relatives who are directly subordinate.

The Internal Audit Department regularly evaluates the results of the anti-corruption work carried out by the Bank:

- Functional analysis of the system of distribution of powers between units and employees of the Bank when performing banking operations and transactions in order to exclude a conflict of interest and the conditions for its occurrence;

- Verification of the procedure for compliance with ethical principles and corporate values of the Bank;
- Assessment of the economic feasibility and efficiency of the Bank's operations and other transactions in areas of activity with a high corruption risk;
- Monitoring compliance with internal organizational procedures and operating rules that are significant in terms of preventing corruption;
- Control over documenting operations of the Bank's economic activities.

**Additionally, automatic control indicators have been introduced with the function of the following tracking transactions and operations:**

- whose form or nature differs from the usual type or which are not typical for the Bank's activities;
- performed in violation of or bypassing the established internal control procedures, for example, the rules for price analysis, approvals, limits, tender procedures, extension or amendment of contracts, etc.;
- processed by internal systems in a manner different from the intended processing method for similar transactions or operations.

The Internal Audit Department conducts an investigation of all queries received by the Audit and Risk Committee Hotline. Information on the results of investigations is sent to the Supervisory Board on a quarterly basis.

During the reporting year, no queries regarding actual cases of corruption were received by the Hotline. No events indicating corruption risks or violations of the Bank's anti-corruption standards were identified during internal inspections of internal control and audit procedures or when monitoring automatic control indicators<sup>5</sup>.

Long-term progress in the process of combating corruption at MKB is ensured within the framework of the following strategic objectives and directions:

- Establishing requirements for the Bank's officials and candidates for managerial positions.
- Evaluation and processing of any incoming information about intentional or actual instances of corruption offenses or any other cases where the Bank's employees are contacted with the aim of persuading them to commit corruption offenses or become involved in the same.
- Establishing rules for handling gifts and hospitality.
- Establishing the procedure for disclosing information and assessing it in order to prevent conflicts of interest, including potential ones.

- Ensuring the maintenance of reliable and complete financial accounting and implementing control over the correctness and completeness of the data presented as part of carrying out internal control and conducting an external audit of the financial and economic activities of the Bank.
- Establishing the procedure for assessing, analyzing and selecting the Bank's counterparties, as well as the rules for interaction with them.
- Carrying out activities to prevent provisions that create favorable conditions for corruption from being included in the drafts of the Bank's internal regulatory documents or in agreements concluded by the Bank, including the stage of their preparation and approval, as well as to prevent the presence of such provisions in the current documents of the Bank.
- Conducting mandatory training for the Bank's employees followed by the assessment of their knowledge and understanding of the main anti-corruption issues.
- Bringing persons associated with the implementation of corruption offenses to justice.
- Ensuring openness and public disclosure of the Bank's activities.

Note: 5. For more information on the Hotline, see the MKB's Code of Ethics and Standards section on p. 39.

The Bank monitors and controls cases of conflicts of interest, compliance with the Code of Corporate Ethics, as well as the effectiveness of the anti-corruption system on a regular basis. The results of the audits and the proposed measures to improve the anti-corruption system are reported to the Bank's Management Board and the Supervisory Board.

**Anti-corruption at the Bank is based on the following basic principles:**

- Compliance of the Bank's policy with current legislation and generally accepted standards
- Personal example of the Bank's management
- Involvement of the Bank's employees
- Proportionality of anti-corruption procedures to the risk of corruption
- Liability and inevitability of punishment
- Openness
- Ongoing control and regular monitoring
- Regular monitoring of the level of risk and exercise of due diligence

**GRI 205-1**

During the 2020 anti-corruption risk assessment, no significant risks were identified.

The Bank follows the provisions of the Anti-Corruption Policy, the requirements of which are mandatory for all Bank employees, regardless of their position and functions performed. It is mandatory for this Policy to be communicated to all existing employees of the Bank, as well as when new employees are hired. Through their example, members of the Board of Directors and the Management Board of the Bank demonstrate a high level of culture of ethical behavior and zero tolerance for instances of corruption.

At MKB, mandatory training is organized and conducted for the Bank's employees on a regular basis to ensure they know and understand the main provisions of the Anti-Corruption Policy.

The training materials contain matters related to identifying corruption actions on the part of the Bank and third parties against the Bank's interests, basic principles of combating corruption, a list of possible measures to minimize or eliminate the consequences of corruption offenses, the

procedure for informing the internal control body about possible inclinations to commit corruption, and responsibility for complying with the principles and the requirements of the Policy.

**GRI 205-3**

In the reporting year, there were no confirmed cases of corruption and no court cases related to corruption. The Bank complies with the Constitution of the Russian Federation, international treaties concluded by the Russian Federation applicable to the Bank, legislation of the Russian Federation, regulations of the Bank of Russia, and international and other regulations.

**Goals for the short and medium term:**

For 2021, as part of developing an internal anti-corruption culture, it is planned to update the training materials for employees, which include mandatory tests on understanding of the basic anti-corruption principles.

It is also planned to develop and introduce new control instruments and improve anti-corruption procedures.



## 2.4 Compliance control procedures

The interaction processes within the framework of the Bank's compliance control functions are determined by the Bank's internal regulatory framework, including assessment and audit, and the assessment and management of compliance and operational risks.

The Bank has a collegial body of the Bank's Supervisory Board aimed at eliminating conflicts of interest and preventing misconduct, manage operational and regulatory (compliance) risks: **the Audit and Risk Committee of the Bank's Supervisory Board.**

This committee oversees the work of external auditors, develops recommendations on their appointment and remuneration, assesses the risk management system and monitors its functioning. The committee devotes a significant amount of time to issues related to the internal control and audit system established by the Director of the Internal Audit Department, who is fully accountable to the Bank's Supervisory Board. The committee is empowered to

make recommendations to the Supervisory Board on the efficiency of the Internal Audit Department and the remuneration for the director of the department and its employees. In addition, the Audit and Risk Committee pays great attention to building an effective risk management system.

The committee monitors compliance with the requirements of legislation of the Russian Federation, compliance with regulatory requirements on financial and accounting reporting, as well as the Central Bank's requirements for banking institutions.

The Bank has a regulated procedure in place for collecting information about any incidents. **The Internal Control Service (ICS)** of the Bank oversees the processes of collecting information on incidents, as well as the procedures for investigating, analyzing, monitoring and managing operational risks. The ICS is an independent business unit of MKB, reporting directly to the **Chairman of the Management Board.**

**Audit and Risk Committee  
of the Supervisory Board**

**Chairman of the Management Board**

**Internal Control Service**

To foster the compliance risk management culture, the Bank has introduced an automated operational risk management system implemented on the basis of SAS eGRC.

To organize effective management of incidents, as well as to prevent and resolve such incidents, a separate information channel has been created. All employees of the Bank are required to report any detected incidents directly to the Internal Control Service.

In order to maintain a high level of confidence in the Bank, prevent conflicts of interest, comply with business ethics standards, and prevent cases of fraud and corruption, the Bank operates a **Hotline**.

Using the Hotline, any Bank employee can send a complaint or query to the Bank's management,

inform about an incident, ask a question or share a proposal for improving banking business processes (including on an anonymous basis)<sup>6</sup>.

All incidents of operational, reputational, and regulatory risk are subject to internal investigation, which includes a mandatory analysis of the causes and circumstances surrounding their occurrence, an assessment of compliance risk, resolution of the incident, and documenting and communicating information on incidents to the relevant officials and management bodies of the Bank.

For its clients, the Bank provides a Traffic Light service for checking the reliability of counterparties, through which users of the Your Bank Online system for legal entities can quickly see information related to reliability. The service is based on data from the SPARK-Interfax system and is provided to the Bank's clients free of charge.

MKB regularly conducts training for employees on combating money-laundering and financing of

terrorism, and on the management of non-financial risks, including compliance and operational risks. The Bank also conducts open training sessions aimed at developing corporate competencies for the purpose of employee training and development. They meet the strategic goals of the Bank and are aimed at helping employees achieve better results.

The Bank's internal control system aimed at countering money laundering, the financing of terrorism and the financing of weapons of mass destruction (AML/CFT/FWMD) has been developed in accordance with the requirements of Federal Law No. 115-FZm dated August 07, 2001, "On Countering Money Laundering and the Financing of Terrorism", and the regulations and recommendations of the Bank of Russia.

Note: 6. For more information on the Hotline, see the MKB's Code of Ethics and Standards section on p. 39.

- The Bank's Internal Control System consists of three main stages:
- **Prevention.** Creating and following a reliable "Know Your Customer" program, which entails a client risk assessment based on objective criteria in terms of conducting transactions for the purpose of money laundering and financing terrorism and determining the work mode with a client based on the assessment results. These activities make it possible to focus on working with high-risk clients.
  - **Identification.** Financial monitoring of transactions to detect unusual or suspicious transactions involving funds and other property and/or atypical business models, as well as in-depth checks of clients' activities.
  - **Reporting.** Informing the federal executive body authorized to take measures to counter money laundering and the financing of terrorism in a timely manner about operations and transactions, information about which is subject to submission.

The compliance system operates in accordance with the standards of corporate conduct and business ethics, anti-corruption and abuse control standards.

- Compliance system activities include:
- Identifying, assessing, monitoring and preventing conflicts of interest.
  - Applying the "know your customer" principle.
  - Combating illegal use of insider information and market manipulation.
  - Organizing work with claims and complaints.
  - Investigating actual cases of prohibited practices and misconduct.

GRI 419-1

In 2020, there were no violations of the current legislation in the social or economic sphere on the part of MKB. All requirements under the current legislation of the Russian Federation, the requirements established by the regulations of the Bank of Russia, as well as the compliance of internal methods with the relevant recommendations of the Basel Committee on Banking Supervision and the requirements of internal procedures for assessing capital adequacy have been complied with. There are no restrictions of any kind on the part of the regulator.

The Bank strives to prevent violations related to unfair competition. To this end, when planning transactions or other legal actions, the Bank's Legal Department assesses their compliance with the requirements of Russian antimonopoly legislation.

If necessary, the Bank requests appropriate consent or clarifications from the FAS of the RF, for example, when acquiring other legal entities or having other possible issues.

Goals for the short and medium term:

In 2021-2022, the Bank plans to continue development and take further steps to optimize the processes of identification, assessment, accounting, monitoring and management of non-financial risks, including regulatory (compliance), operational and other risks affecting the sustainable development processes at the Bank and in society.

Measures are planned to increase the level of risk culture at the Bank and the financial literacy of the population.



# 2.5 Tax

GRI 103, GRI 207-1

Taxation of the Bank's operations is an important factor influencing both the Bank's performance and the development of the country as a whole and the regions of MKB's presence in particular. We understand the importance of economic development of territories and we adopt a transparent tax policy.

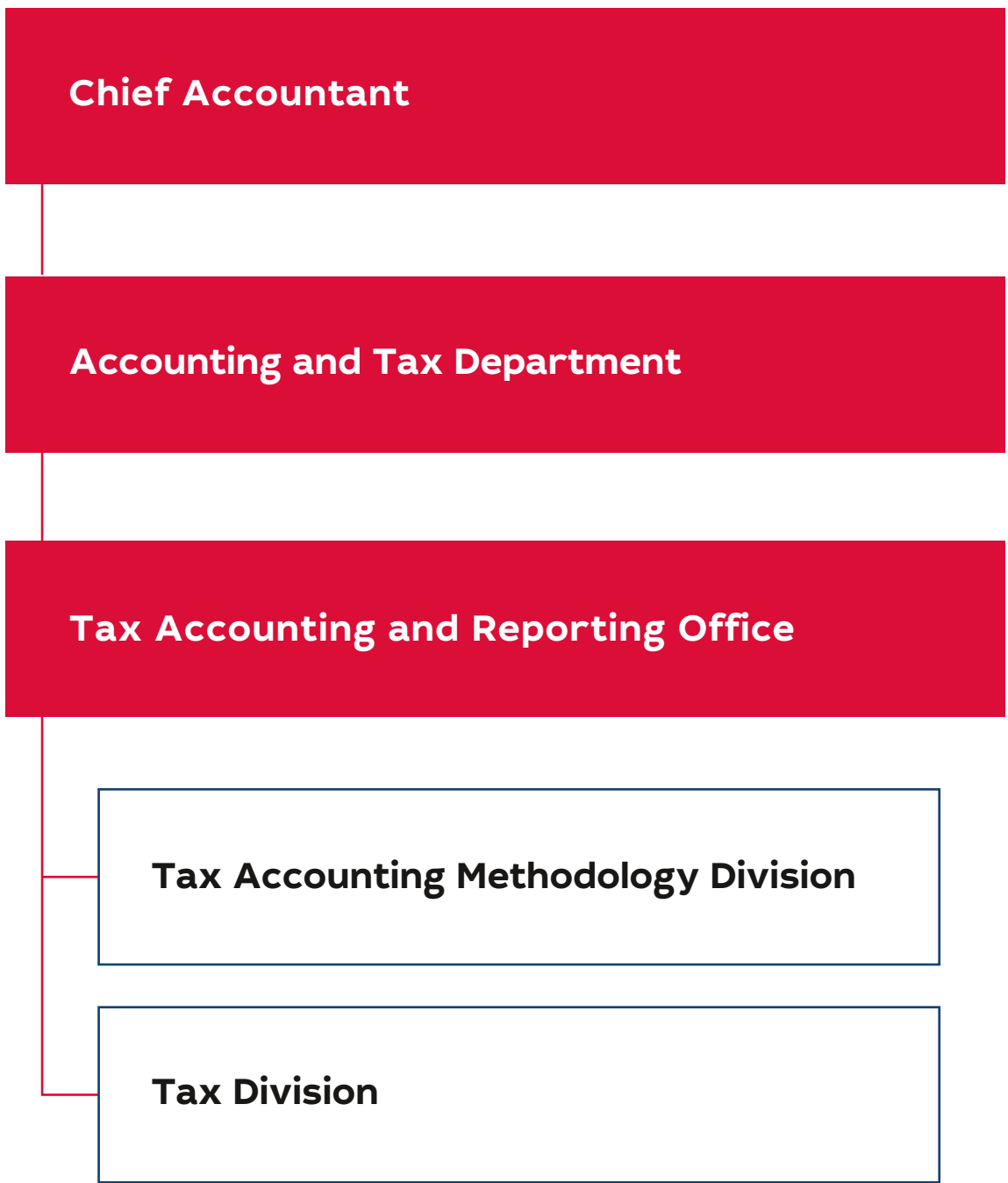
Building an effective tax accounting system, as well as a tax risk management system as part of the corporate governance system, is one of the most important tasks of the Bank's activities, since it minimizes the actual and potential losses incurred by the Bank in the form of fines, penalties, and unjustified tax burden on the Bank's operations.

The Bank's tax risk management system consists of a set of procedures and measures aimed at identifying and managing tax risks, as well as eliminating the factors that influenced their occurrence.

The tax function is integrated into the Bank's business processes.

The role of strategic management of the taxation function is assigned to the chief accountant of the Bank. At the same time, the Tax Accounting and Reporting Office of the Accounting and Tax Department carries out the following:

- Development of the Bank's Tax Policy for the calendar year.
- Identification and management of tax risks.
- Conducting tax analysis in order to determine the tax burden in the Bank's products and operations, and making management decisions.
- Development and automation of the tax accounting system.
- Tax accounting, calculation and reporting to tax authorities in respect of taxes paid, support of payments and reconciliation with the budget.
- Analysis of the effective tax income rate.
- Support for in-office and field tax audits.



The Bank's tax policy is developed in accordance with the requirements of the Tax Code of the Russian Federation, the federal laws adopted in accordance therewith, the laws of the constituent entities of the Russian Federation, the regulatory legal acts of representative bodies of municipalities on taxes and fees, and the regulatory legal acts adopted by executive authorities of various levels within the limits of the powers granted to them on issues related to taxation and fees. In addition, the Tax Policy takes into account the provisions of the Civil Code of the Russian Federation, Federal Law No. 395-1 "On Banks and Banking Activities" dated December 02, 1990, and other laws and by-laws.

The Tax Policy determines the set of methods allowed by the Tax Code of the Russian Federation for determining, recognizing, assessing and distributing income and expenses, other indicators of the Bank's financial and economic activities necessary for taxation purposes, as well as the procedure for interaction between independent

business units of the Bank and the tax unit of the Bank in the process of implementing the provisions of the Tax Policy.

When establishing the Tax Policy for a specific area (issue) with regard to maintaining and arranging tax accounting, one method is selected from among those allowed by legislative and regulatory acts on taxation issues.

The Tax Policy is structured taking into account the following basic fundamental provisions:

- Ensuring the fullest possible application of tax legislation in determining the tax base and calculating tax liabilities, and linking these with the legal forms of registration of transactions and operations.
- Providing an economic justification of expenses associated not only with the goals of earning income, but also the maximum reduction of

possible losses, and expenses associated with business practices that satisfy the principle of rationality.

- Making cautious judgments about the requirements of tax legislation and ensuring an adequate degree of professional conservatism in relation to the taxation of transactions and operations in case of uncertainty regarding certain provisions of the legislation of the Russian Federation.
- Adopting reasonable approaches to tax risks that may arise when making decisions on issues that are not sufficiently covered in the legislation and regulations.

The Tax Policy is applied consistently from one tax period to the next. Changes are made to the Tax Policy in cases of amendments in the tax legislation, changes in the applied accounting methods, and implementation of new types of activities.

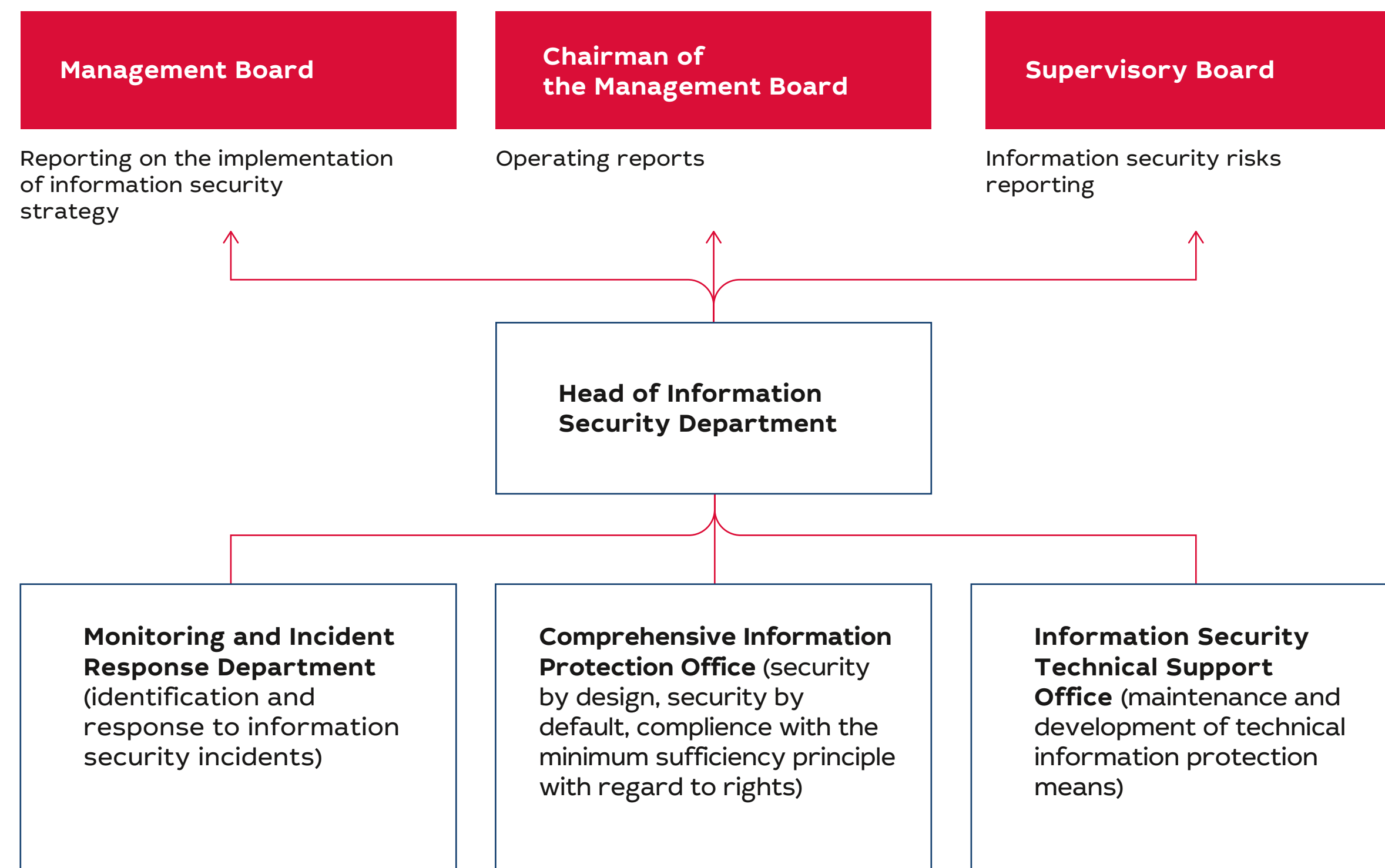
## 2.6 Information security and confidentiality

GRI 103-1, GRI 103-2, GRI 103-3

Ensuring information security and confidentiality of client data is a key priority for the Bank. We strive to ensure the security of our own information and that of our clients, and we take actions for this purpose on an ongoing basis. Only this way we can maintain and increase the efficiency of our activities, and meet the expectations of clients and other stakeholders.

The Bank complies with both Russian and international legislation in the field of personal data processing and protection. The Bank's existing processes and products, as well as those being developed, are designed in such a way that presupposes the consent of the Bank's clients, counterparties and employees to the processing of their personal data, minimizes the use of data in the interaction between employees and the Bank's systems and ensures the concepts of **security by design** and **security by default**. The Bank pays special attention to building interaction with counterparties in the framework of implementing joint products and services, limiting the use of personal data in information exchange as much as possible, and protecting this data during transmission.

In order to ensure that the full range of these activities is carried out to a high level of quality, the Bank operates the following structure





Any improvements in the Bank's systems associated with the processing of client data and client payments are accompanied by mandatory testing conducted by the Bank's specialists, which involves simulating hacker activity to confirm the security of the upgraded products and systems.

The bank adopts a zero tolerance policy to unlawful actions towards clients, therefore, the protection of client data is a priority for MKB.

Data theft from organizations can occur using one of three vectors:

- 1. With the involvement of employees of organizations, contractors, and third parties
- 2. Using technical vulnerabilities in the organization's information systems
- 3. Using a combination of factors from Points 1 and 2.

Recognizing this, as part of its strategy for developing information security and supporting information security services during 2020, MKB took the following measures to minimize the risk of data leaks as a result of employee activity:

- Inventory of all places where client data is stored and processed.
- Minimizing the use of contact information as client identifiers in client service processes.
- Continuous monitoring of access to data and its use by employees, as well as analysis of the compliance of such actions with the job duties of employees.
- Implementation of a personnel awareness program on issues related to information security.

In addition to conventional anti-virus protection and firewalling measures, MKB takes the following measures to prevent theft by exploiting technical vulnerabilities:

- Thorough study of all user Internet traffic to identify signs of attacks on information systems and malicious activity. At the same time, MKB implements solutions from market leaders.
- Implementation and support of a service for protecting web publications from external attacks.

- External vulnerability scans and penetration testing, both by our own red team and external qualified partners.
- Responding to incidents in 12/5 mode, while working out the transition to a 24/7 mode of operation as part of a project initiated to implement a proprietary Security Operation Center.

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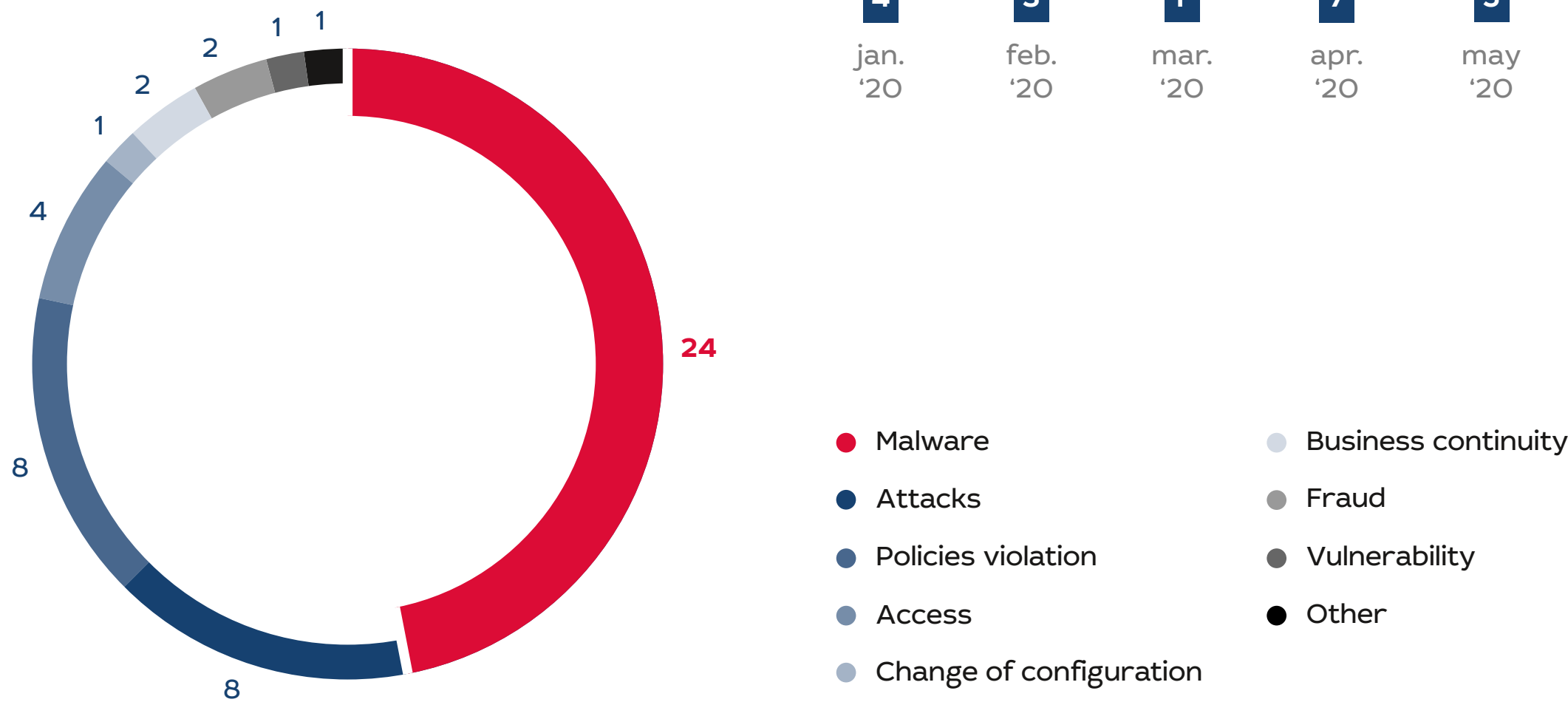
incidents were detected at early stages and stopped

GRI 418-1

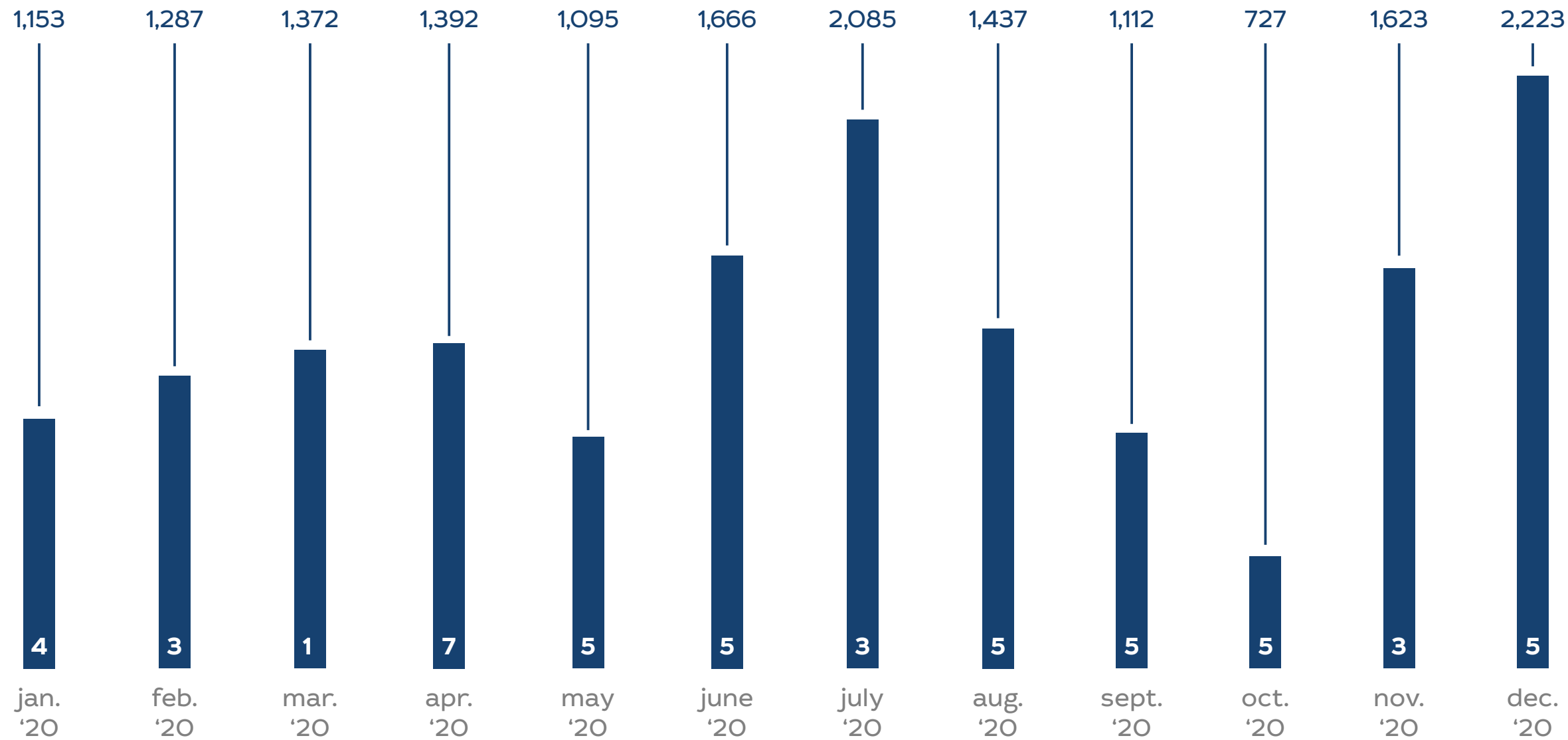
The result of services operation was the absence of incidents related to leaks, theft or loss of data. At the same time, MKB registers a constantly growing interest in data and increase in the proportion of such cases in the total number of incidents.

MKB regularly strengthens and details the data flow control in the Bank. Since 2020, the Bank has begun to record not only incidents related to external data copying attempts, but also internal violations related to data processing in the Bank's systems which are not included in the list of certain types of confidential information permitted for processing.

Types of incidents requiring in-depth study over 4 hours



Number of responses within 4 hours vs over 4 hours



Number of data privacy incidents



**GRI 418-1**

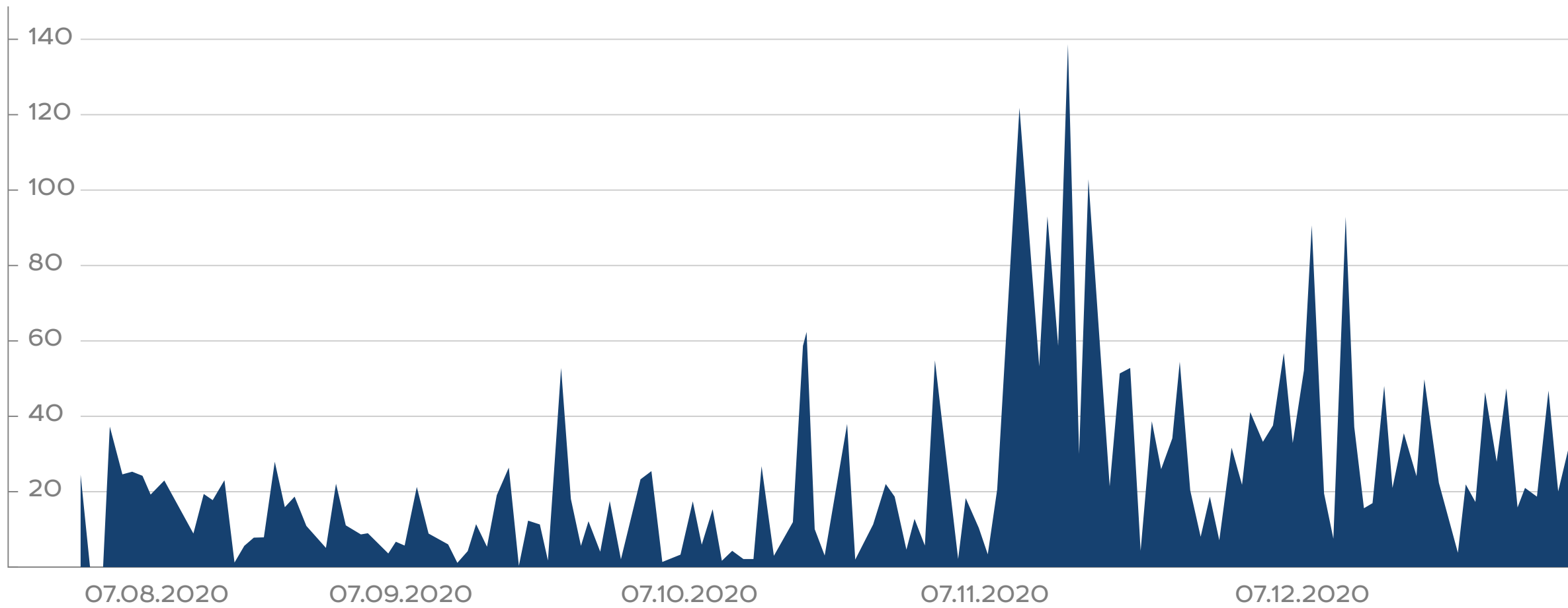
In 2020, the Bank received 939 queries from clients that could be related to a breach of confidentiality there were no complaints from supervisory authorities on this issue. Moreover, more than half of the queries in this category (530) were associated with suspicion of fraud. We value the trust of our clients and encourage them to inform us about their suspicions and concerns, and we are also prepared to provide support in order to prevent fraudulent schemes.

MKB paid special attention to fraud-related events within the Russian Federation during 2020 and especially in the second half of the year, which included cases of telephone fraud.

According to a study by BrandMonitor based on data from the Russian Public Opinion Research Center, about RUB 66 bln was stolen from individuals by telephone scammers.

The diagram below shows the statistics of queries made by clients who received calls from fraudsters presenting themselves as managers and security officers of various banks. MKB conducted checks to prevent data from being transmitted to criminals from its information systems. None of the clients' queries were related to data held by MKB or destructive activity on the part of employees.

**Frauds. Total activities by day**



As for the increase in the number of fraudulent schemes, we see that the pandemic itself has not given rise to anything new. However, the fraudsters have intensified their efforts significantly, especially in terms of social engineering, which is now the dominant method of fraud and causes a lot of problems for the victims, as well as for government agencies, banks, and companies. The problem is exacerbated by the inability to counteract the phone spoofing means used by fraudsters using the equipment currently available. That said, banks and regulators are doing everything in their power to reverse this trend.

MKB pays significant attention to information security and cyber resilience issues. The measures we have taken have made it possible to ensure the most important outcome—the safety of the Bank and its clients' funds in the face of growing cyber threats.

Vyacheslav Valerievich Kasimov  
Director of the Information  
Security Department at MKB



List of events in which MKB took part in 2020

| Event name  | Issues discussed  |
|---|---|
| XII Ural Forum: Information Security in the Financial Sphere, February 2020           | Session: Fast Payments: Security or Illusion<br><br>Compliance with mandatory regulatory requirements, options for additional requirements from the Bank, mitigation of non-obvious risks   |
| CNews conference: Information Security 2020: New Technologies – New Risks, March 2020 | The main topics of the speeches and discussions held at the conference were: specific aspects of the information security market in Russia, new threats, tools and technologies for countering  |
| Forbes Congress, Digitalization Pulse Forum, December 2020                            | For many organizations, the events of 2020 were marked by an emergency mass transfer to working remotely. Most companies were not ready for this challenge. The session participants discussed how not to undermine trust, how to protect the user from fraudsters, and, consequently, the reputation of the company, who should act as the guarantor of security, and how the regulation will be implemented |

## 2.7 Supplier engagement

### GRI 103-1, GRI 103-2, GRI 103-3

The Bank approaches the management of the procurement function with due responsibility, since it is an important component of the business model. Therefore, it must be managed with a high level of quality in order to preserve the Bank's reputation, ensure it functions effectively, ensure that reliable counterparties are chosen, and optimize procurement costs.

### GRI 102-9

The Bank's supply chains are extensive and diverse and include various areas of activity: information technology (IT), PR, administrative support, HR, etc. The largest share belongs to purchases in the areas of IT and PR. These areas of activity directly or indirectly participate in the creation of the Bank's products and services or provide processes for their maintenance.

### THE COMPETITIVENESS OF THE BANK'S SERVICES DEPENDS ON THE ECONOMIC EFFICIENCY OF SUPPLY CHAIN MANAGEMENT.

Other important characteristics of the Bank's supply chain are its adaptability and speed of response, which was clearly demonstrated in

the spring of 2020, when the Bank successfully operated and remained accessible to its clients despite borders and many enterprises being closed.

In many areas, the Bank manages an extended supply chain that includes second-tier suppliers. Thus, the Bank manages the prime cost of its direct suppliers (the first level), controls the lead time of orders, and increases the speed of response in its distribution channel (logistics channel).

Within the Bank's operating expenses, the procurement of goods, works and services accounts for a significant share, which increases the importance of managing the procurement function.

Procurement management affects the following categories of stakeholders:

- **Shareholders** – the Bank's profitability and capitalization directly depend on the quality of procurement management. The significant share of procurement costs within the Bank's total operating expenses, together with the ability to reduce the costs of purchased supplies, make it possible to use the "supply lever" as one of the most important tools to increase business profitability.

- **Suppliers** – there are 250 suppliers of tenders in 2020. The functions of the supplier management process include determining the quality of the pool of suppliers, their reliability, the reputation of the Bank, their level of qualifications, their degree of responsibility and loyalty to the Bank, as well as their willingness to build long-term/strategic relationships, thus reducing the overall costs of the supply chain.
- **Employees** – in 2020, 532 procurement procedures were carried out (excluding purchases up to RUB 500,000), which indicates the frequency of interaction of the Bank's employees with the procurement function. At the same time, employees are internal users of the procurement function, whose quality of implementation determines the success of related business processes, including operational ones, and, accordingly, the overall results of the Bank. The Bank has established standards of service, automated this business process, monitors its performance and responds flexibly to the wishes of users (internal clients).

The procurement management activities at the Bank include the process of managing order procedures and the process of managing suppliers. The order management process consists of the following operations:

- Preparation, arrangement and implementation of procurement procedures for the Bank and Group companies.
- Organization and support of the Bank's Procurement Authority.
- Control of the contractual process for compliance of draft contracts with the results of the procurement procedures.
- Methodological support of procurement processes at the Bank.
- Creation of management reports on its activities.

The above operations are part of the value chain and contribute to improving the efficiency of procurement management at the Bank based on the following:

- **providing methodological assistance to internal users** in describing needs with a focus on providing a complete and unambiguous description of the procurement subject, recording the obligations of suppliers, increasing potential competition by considering substitute goods, encouraging the total cost of ownership to be considered as a criterion when evaluating and comparing bidders' proposals;

- **creating competitive conditions** for the selection of counterparties for the Bank on the best terms, including with regard to the cost of production;
- **saving the Bank's funds and increasing the profitability of the business** as a whole;

- **reducing administrative and management costs** per procurement procedure by consolidating the needs of the Bank.

Procurement management activities at the Bank also include the supplier management process, which is based on 4 basic principles.

O1

Competition

- Suppliers and contractors are selected on a competitive basis. The Bank creates the most competitive environment in the procurement procedures, thus attracting as many participants as possible

O2

Equality

- The approaches to procurement procedures, the requirements for participants, the criteria for evaluating participants, and the procedure for determining the winner for each participant are always the same. The specified conditions ensure fair competition for all participants in the procedures

O3

Transparency

- Providing procurement procedures in electronic form is an ongoing practice of the Bank when conducting tenders, which increases the transparency of decisions made and reduces the risk of corruption-related incidents

O4

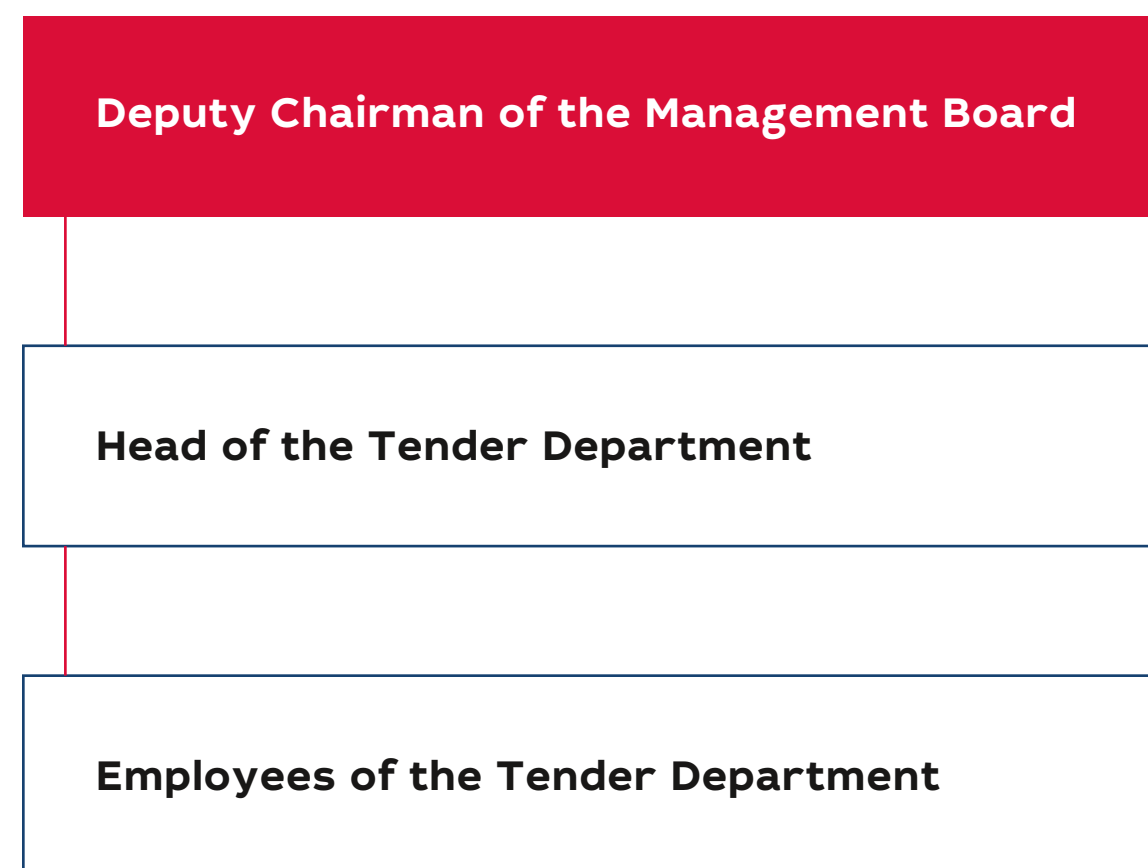
Responsible partnership

- The Bank works with counterparties who have an impeccable reputation and generally accepted standards of corporate and business ethics, and who comply with the law

At the end of 2020, the average number of participants in tenders was 5.



In order to implement this activity and a significant part of the above-mentioned process, a specialized business unit operates at the Bank—the **Tender Department**. The importance of procurement management activities at the Bank is confirmed by the direct subordination of this business unit to the **Deputy Chairman of the Management Board of the Bank**.



To create conditions in a constantly changing external and internal environment to meet the needs of internal business units of the Bank with regard to products with specified indicators and service standards by preparing, arranging and conducting procurement procedures for selecting a supplier in accordance with the previously established criteria and requirements for such supplier and their products.

The mission of The Tender Department

In addition to those listed above, the Tender Department is guided by the following principles:

**Effectiveness** – the main goal of the procurement management function at the Bank is to select a reliable supplier within the specified time frame that meets the previously established requirements and criteria and offers products of the required quality, quantity, at a favorable price, with the expected level of service and with delivery to the requested place.

**Efficiency** – the Bank always correlates the costs of maintaining the function with the received economic benefits from its activities, namely:

- the payback of the procurement function (business unit) is evaluated;
- the proposals of the participants are evaluated taking into account the total cost of ownership;
- their present value is taken into account when evaluating proposals.

**Customer professionalism** – for the employees of the specialized business unit, training is arranged on an ongoing basis, professional reading material is provided, and activities for the exchange of experience are supported.

**Centralization and consolidation** – the Bank always assesses the possibilities of consolidating the needs of MKB and, if economically feasible, carries out centralized purchases of products, thus fully applying the “supply lever”, which ensures “economy of scale” when it comes to pricing by the bidders.

The Bank strictly observes internal standards and regulations, and complies with the norms of Russian law. In its procurement activities, the Bank is guided by the following main internal regulations:

- Procedure for interaction of internal business units during procurement procedures
- Regulations on the Procurement Authority
- [Code of Corporate Ethics](#)
- Other regulations and provisions

**The Bank's main objectives in the area of procurement are:**

- To increase economic efficiency by reducing the price of purchased supplies relative to the planned values and market prices.
- To maintain target standards for servicing internal users of the Bank by carrying out procurement procedures within the prescribed time frame.

- To create a competitive environment for the Bank's procurement procedures by ensuring maximum transparency and attracting the maximum number of participants.
- To increase the transparency of procurement business processes within the Bank based on:
  - increasing digitalization and automation of the procurement process;
  - creating a methodology and implementing a business process for planning procurement procedures at the Bank;
  - creating a practice of quarterly reporting on the results of procurement processes at the meetings of the Bank's Management Board;
  - strengthening the procedures for monitoring the state of the contractual process, the number and structure of Small Purchases (up to RUB 500,000 per purchase).
- To improve the professional level of employees in the subject area through training.

On an ongoing basis, the Bank evaluates the effectiveness of the management approach in relation to the procurement process and its results based on the following activities:

- controlling procurement processes and their results (system of internal KPIs);
- receiving ongoing feedback from participants in the procurement process on the quality characteristics of the work;
- conducting an internal examination of the procurement results by the Bank's specialized services, assessing them and adopting corrective actions (if necessary);
- benchmark analysis of procurement management due to the Bank's participation in professional competitions on trade and procurement activities (the Bank was a participant in the Competitive Procurement Leader 2020 Awards).

Progress towards 2020 goals

| Goal  | Progress status         | Summary of 2020 results  |
|---|-------------------------|--|
| <p><b>Period of procurement procedures</b></p> <p>Targets:</p> <ul style="list-style-type: none"><li>• The average value for a request for quotations is 33 business days.</li><li>• The average value for a request for proposals is 36 business days.</li><li>• The average value for a sole supplier is 7 business days.</li></ul> | <p>Reached by 117 %</p> | <ul style="list-style-type: none"><li>• The average value for a request for quotations is 30 business days.</li><li>• The average value for a request for proposals is 32 business days.</li><li>• The average value for a sole supplier is 7 business days.</li></ul> |
| <p><b>Effectiveness of competitive tendering procedures relative to the average market value</b></p> <p>Target:<br/>reduction amount—8%</p>   | <p>Reached by 125%</p>  | <p>Average value—23%</p>   |
| <p><b>Effectiveness of competitive tendering procedures relative to the planned value</b></p> <p>Target:<br/>reduction amount—12%</p>   | <p>Reached by 125%</p>  | <p>Average value—16%</p>   |
| <p><b>Creation of a competitive environment</b></p> <p>Target:<br/>3 or more bidders</p>  | <p>Reached by 125%</p>  | <p>Average value—5 bids</p>  |

## In 2020, the Bank set the following goals for procurement activities

| Goal  | Progress status  | Summary of 2020 results  |
|---|------------------|--|
| <b>Automation of procurement procedures</b><br><br>Targets: <ul style="list-style-type: none"> <li>• Implementation of Electronic Voting for the Tender Committee</li> <li>• Implementation of the register of procurement procedures with an online update</li> <li>• Implementation of control over procurement procedures in the electronic document management system</li> </ul>  | Reached by 100 % | Completed on time  |
| <b>Projects to introduce regulations and methodology</b><br><br>Targets: <ul style="list-style-type: none"> <li>• To approve the Procedure for Interaction of the Bank's Business Units in the Course of Procurement Procedures and Adjustment of Liability Limits for the Tender Committee.</li> <li>• To coordinate a document governing the procedures for planning the Bank's needs with the aim of further submission to the Bank's Management Board for approval</li> </ul> | Reached by 85%   | <ul style="list-style-type: none"> <li>• Both the Procedure for Interaction of the Bank's Business Units in the Course of Procurement Procedures and the adjustment of liability limits for the Procurement Authority were approved on time</li> <li>• The document governing the procedures for planning the Bank's needs is in the process of being coordinated (partially completed)</li> </ul> |

Based on the results of 2020, the Bank has successfully met and exceeded most of its goals.



94%

The share of the actual cost of completed purchases in 2020 attributable to local suppliers (GRI 204-1)

54%

The share of small and medium-sized businesses in purchases

GRI 204-1

Local suppliers mean individuals and legal entities registered as subjects of taxation in the territory of the Russian Federation.

Goals for 2021 and the medium term:

The Bank plans to continue working on the timing of procurement procedures, increase the efficiency of competitive tender procedures in relation to the average market value and in relation to the planned cost, and continue its activities to create a competitive environment.

In 2021, a number of tasks will be completed to formulate a methodology and introduce regulatory acts describing the business process for planning the Bank's needs, and work will also be carried out to improve the existing business processes for conducting procurement procedures, taking into account the views of concerned participants of the procurement process.

The Bank is working to introduce approaches to conducting a social and environmental assessment of the supplier in procurement activities and plans to use the social and environmental assessment of suppliers and contractors from 2021. It is also planned to develop a supplier and contractor code containing the basic principles of responsible business conduct.

GRI 102-10

Purchasing structure of CREDIT BANK OF MOSCOW PJSC

| Indicator / Year  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
|---|-------|-------|-------|-------|-------|-------|
| Number of suppliers   | 2,165 | 2,315 | 2,361 | 2,558 | 2,593 | 2,785 |
| Total payments to suppliers, RUB mln                                  | 3,839 | 4,917 | 5,602 | 5,503 | 6,884 | 7,728 |
| Share of local suppliers in the procurement budget, %                 | 95%   | 95%   | 94%   | 96%   | 98%   | 94%   |
| Share of small and medium-sized business in the procurement budget, % | 52%   | 48%   | 46%   | 49%   | 50%   | 54%   |



### 3. Responsible business of the Bank



Key results in 2020

~58.3 RUB  
bln

total value of sustainable projects<sup>1</sup>

170 % ▲

growth in the issuance of bank guarantees  
in quantitative terms

70 % ▲

increase in the client base  
of trade finance

39 % ▲

growth of the debit portfolio  
for bank cards

ESG-linked loan was attracted from German  
bank Landesbank Baden-Wuerttemberg

Corporate loans to support social and  
environmental projects were provided

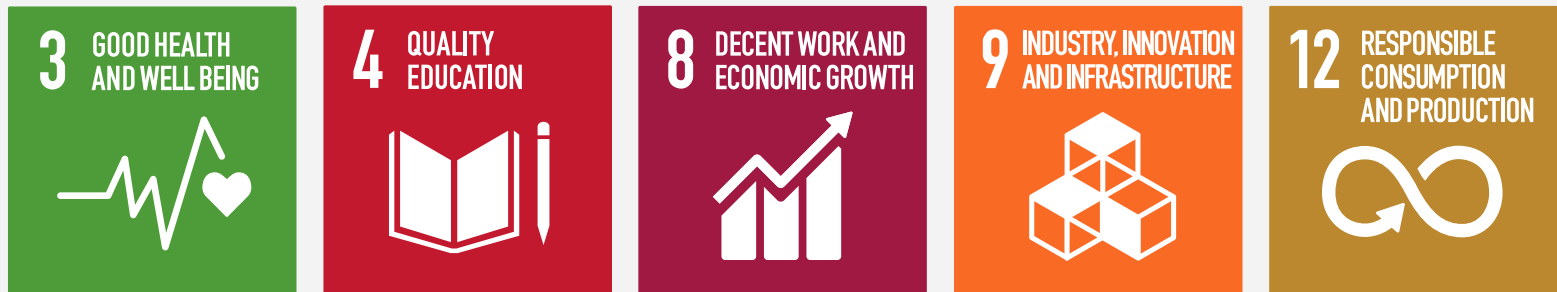
MKB acted as one of the organizers of the  
first issue of social Eurobonds and  
perpetual “green” bonds in Russia,  
implemented by Russian Railways

Development of remote service channels:  
most retail products and services became  
available remotely

Material topics

- Economic performance
- Indirect economic impacts

UN SDGs



GRI indicators

GRI 201-1, GRI 203-1

Notes: 1. Including corporate clients' projects, investments in social and green bonds and special products for SMEs.



As the volume of responsible financing seen around the world grows, the most important thing for MKB is to help and support our clients as they move towards sustainability, so that over time they can become successful examples of ESG best practices application.

MKB seeks to expand support for sustainable projects and maintain sustainable partner relations with all counterparties.

We are confident that banks can become a catalyst for investment in green and social projects and advise, monitor and manage the social and environmental risks of clients at the corresponding level.

The Bank makes every effort to implement social and environmental principles in its operations and services, as well as implement the concept of a responsible product offer in order to increase its positive environmental impact and support the social and economic development of society and local communities.

The Bank strives to provide services to industries and projects that contribute to the formation of a green economy and the transition to sustainable development. The Bank has integrated accounting for social and environmental aspects

of counterparties into the decision-making process (including lending), seeks to manage the environmental and social aspects of its clients' activities and expects its counterparties to comply with or exceed the applicable requirements of social, environmental and energy legislation, as well as best practices. The Bank's counterparties shall be guided in their activities by the principles of ethical behavior in relations with local communities and recognize the importance of exercising civil, political, economic and social rights, as well as the right to preserve, control, protect and develop their tangible and intangible cultural heritage. These principles of responsible business conduct were reflected in the Bank's Policy of the Integrated Management System in the Field of Environmental and Social Protection, Occupational Health and Safety, Energy Efficiency and Energy Saving, which was developed at the end of 2020 and later approved at the beginning of 2021.

One of the main documents governing the Bank's responsible approach to financing is the Environmental and Social Management Policy, which was verified in 2015 by EBRD and IFC. This policy provides for the application of strict environmental and social standards to all projects financed by the Bank in order to ensure their sustainability and minimize risks and consequences of negative impacts, as well as increase Bank's own contribution to the global sustainable development agenda.

MKB has managed to build an effective credit process that meets international practices in the sphere of responsible financing and providing other financial support to clients.

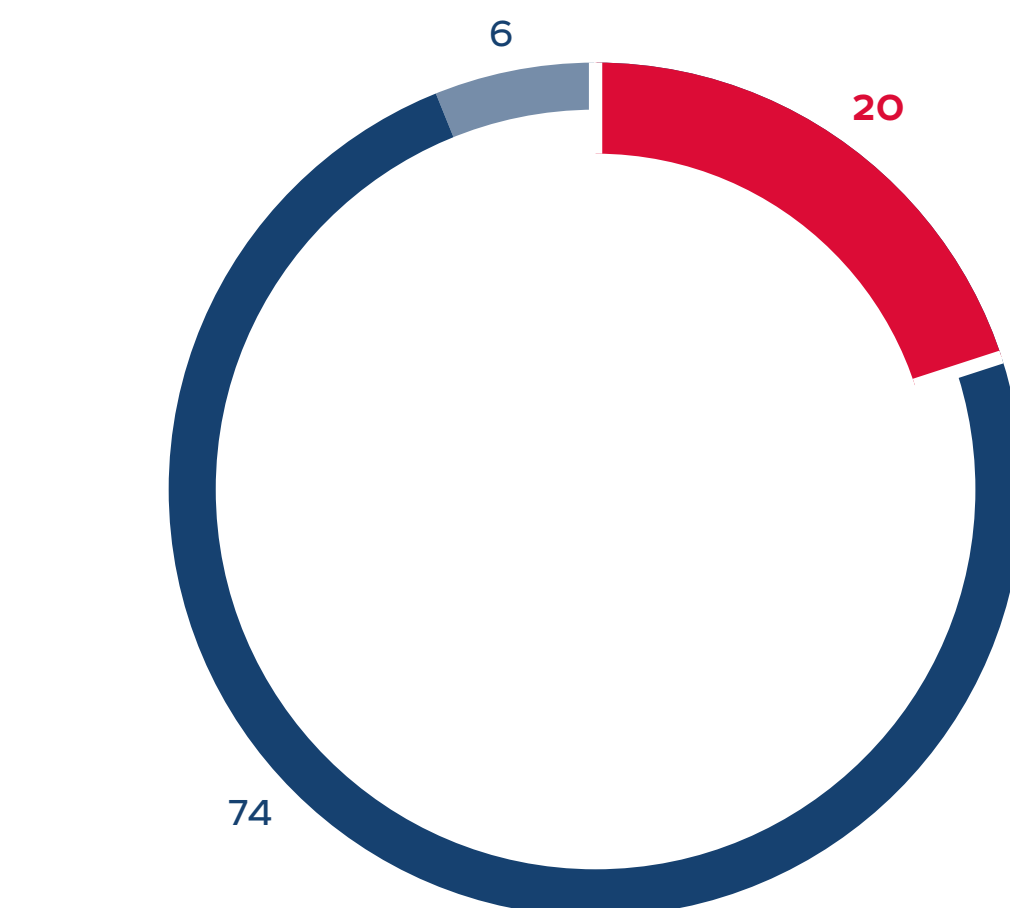
There are restrictions in place at the Bank on financing certain industries, clients are screened, and special attention is paid to compliance with social and environmental requirements during the implementation of any project under consideration when the Bank makes a decision on whether or not to provide financing.

MKB is currently developing its own "responsible" taxonomy, which will capture the approaches to financing environmental, social, climate and sustainable projects, and will allow responsible instruments to develop more actively. At the same time, we put priority on considering projects and introducing products that offer significant environmental and social benefits.

After securing financing and acting as an organizer for several large "responsible" projects, the Bank set itself an ambitious goal within the framework of the overall development strategy until 2023 — to achieve a total volume of at least RUB 100 bln with regard to sustainable projects and investments implemented with the support of MKB<sup>1</sup>.

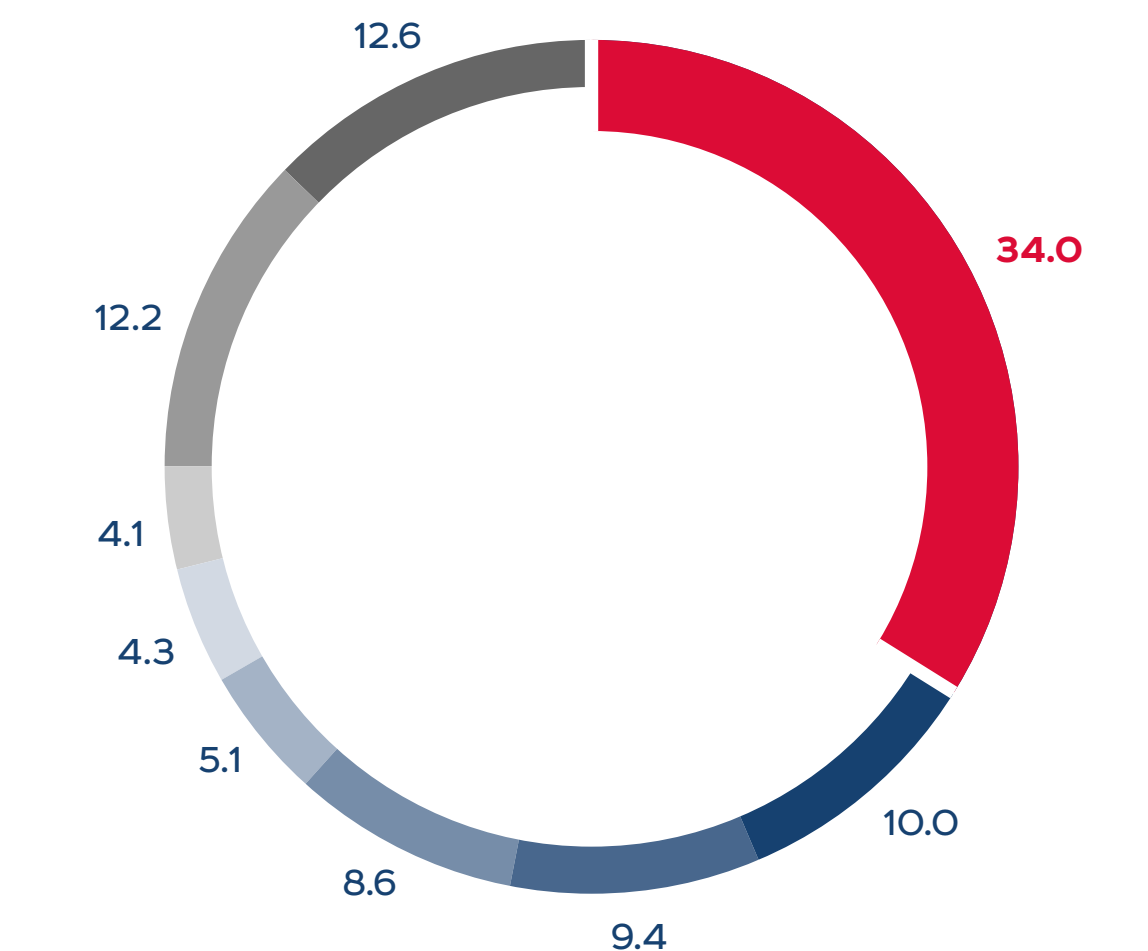
Note: 1. Sustainable projects and investments both refer to direct credit risk operations carried out by the Bank within the framework of sustainable instruments such as ESG-linked, Sustainability-linked, "green", social, sustainable or transitional projects, debt issues of the Bank's corporate clients, as well as the arrangement of transactions for corporate clients on the capital market.



**ESG projects structure, %**


- ESG projects of corporate clients
- Guarantees for SMEs
- Social and green bonds

The Bank also plans to assess the indirect environmental footprint of its operations and conduct an analysis of the impact of climate risks on the Bank's operations.

**MKB credit portfolio structure as of December 31, 2020, %**


- Oil prod. and trading
- Real estate development
- Petroleum prod. and trading
- Property rental
- Autos
- Services
- Finance
- More than 20 other industries
- Individuals

Currently, the portfolio of sustainable projects implemented by the Bank's corporate clients amounts to about RUB 58.3 bln, which includes special products for SME, projects aimed at

improving energy efficiency and reducing CO<sub>2</sub> emissions, etc. as well as investments in green and social bonds. The pipeline for 2021 includes projects to modernize a territorial generating company, develop a network of medical laboratories, increase the energy efficiency of heat supply systems, implement BAT in production, and finance environmental activities, etc.

In 2020, a number of actions were implemented to obtain an objective assessment of level of effort and satisfaction among customers being served by the Bank. Based on customers feedback, as well as customer experience metrics such as NPS, CES and CSI<sup>1</sup>, we create new services and improve the quality of service. One of the main tools for assessing the quality of customer service is the Speech Analytics technology, which automatically evaluates the quality of approximately 85% of the consultations conducted in the Bank's Contact Center.

MKB has created a mechanism for receiving and investigating client complaints, which is also accompanied by corrective actions. On a monthly basis, information on the dynamics of client queries in the context of all products and services is analyzed, along with analytics on the channels for receiving queries. The queries are analyzed with regard to their subject matters, reasons and validity, and the performance of the KPIs set for business units is calculated on a monthly basis.

Note: 1. NPS - Net Promoter Score; CES - Customer Effort Score; CSI - Customer satisfaction Index.

In 2020, the Regulation on the Committee for Products and Processes of the Bank was updated, and the Committee became more actively involved in the decision-making process to optimize the Bank's existing business processes, products and information technologies, as well as to assess the degree of their effectiveness.

At present, changes are being made to the product development and implementation procedure in order to maximize the value of the Bank's products for clients and maximize the positive economic, social, and environmental impact of the Bank's products. These changes will entail an analysis of the expected positive impact and inherent social and environmental risks of the Bank's products, as well as an action plan to mitigate these risks (if applicable).

MKB is introducing ESG principles not only into its active operations, but also strives to develop passive operations in accordance with the best international practices of sustainable funding. We are currently developing an efficient internal infrastructure to ensure the possibility of raising stable funding on a regular basis, which is undoubtedly facilitated by the Bank's leading positions among Russian financial institutions in the international capital market, a wide network

of counterparties among foreign and international financial institutions, and the Bank's solid reputation based on an impeccable credit history of international borrowing.

A landmark event in 2020 was the deal to obtain an ESG-linked loan worth USD 20 mln from the German bank Landesbank Baden-Wuerttemberg (LBBW), one of the leaders in green banking in Europe. MKB became the first bank in Russia to implement an interbank lending transaction linked to the level of independent assessment of sustainable development indicators – the ESG rating from RAEX Europe.

Obtaining the loan was preceded by active joint work carried out between MKB and LBBW to implement the structural elements inherent in sustainable financing instruments into the current framework loan documentation. This transaction was a logical continuation of the long-term work carried out by MKB to build a responsible business model and is aimed at further assisting the Bank in implementing the concept of sustainable development.

As an ESG element, the debut loan entails an assessment of MKB's progress in the field of sustainable development according to the rating of RAEX Europe. If the Bank's ESG rating, which is currently at BBB[esg] level, increases during the life cycle of the loan, the interest rate on the loan will decrease.

The goals embedded in the structure of the loan product underline MKB's commitment to creating a sustainable future and improving its own performance with regard to the three components of the rating assessment: environmental protection, social support and corporate governance development.

The period of the loan is 2 years, which provides a comfortable amount of time for the implementation of significant improvements in the field of ESG, and also allows MKB to diversify its liability-related base. Transactions for which loans are raised undergo a two-tier sustainability assessment: in accordance with MKB's social and environmental policy, which is based on the standards of EBRD and IFC, as well as in accordance with LBBW's principles of sustainability.

**20** USD mln

**ESG-linked loan from the German bank Landesbank Baden-Wuerttemberg (LBBW)**

# 3.1 Supporting the economy in connection with the pandemic

In 2020, MKB strengthened its relationships with its corporate clients by providing comprehensive support during COVID-19 pandemic. Particular attention was paid to cooperation in areas of the economy that will facilitate overcoming the consequences of the crisis (retail, development, mechanical engineering) as quickly as possible, as well as ensuring an increase in living standards, restoring economic growth and improving the investment climate (infrastructure, telecommunications, electricity).

In the summer of 2020, MKB increased its volume of financing for export supplies of alcohol produced by Rosspirtprom JSC. This was due to the increased demand for alcohol in Europe and the Middle East for the production of antiseptics and use for medical purposes as a result of COVID-19. MKB's financing allowed the company to increase its volume of alcohol exports to foreign markets and support measures to combat coronavirus around the world.

As an organizer of bonded loans, MKB helped to attract clients to debt financing on favorable terms, which was aimed both at covering losses from COVID-19 pandemic and at developing new infrastructure and socially significant projects.

## Selected deals closed

|  |   |  |  |  |
|--|---|--|--|--|
| <b>X5</b><br><br>Bonds Bookrunner        | <b>Ростелеком</b><br><br>Bonds Bookrunner | <b>Автодор</b><br><br>Bonds Bookrunner   | <b>РЖД</b><br><br>Bonds Bookrunner         | <b>ДОМ.РФ</b><br><br>Bonds Bookrunner      |
| <b>ГТЛК</b><br><br>Bonds Bookrunner      | <b>Россети</b><br><br>Bonds Bookrunner    | <b>ФСК</b><br><br>Bonds Bookrunner       | <b>СУЭК</b><br><br>Bonds Bookrunner        | <b>Магнит</b><br><br>Bonds Bookrunner      |
| <b>ЧТПЗ</b><br><br>Bonds Bookrunner      | <b>ТМК</b><br><br>Bonds Bookrunner        | <b>Уралкалий</b><br><br>Bonds Bookrunner | <b>МТС</b><br><br>Bonds Bookrunner         | <b>Русал</b><br><br>Bonds Bookrunner       |
| <b>Ленэнерго</b><br><br>Bonds Bookrunner | <b>Сбербанк</b><br><br>Bonds Bookrunner   | <b>ВЭБ.РФ</b><br><br>Bonds Bookrunner    | <b>Газпромбанк</b><br><br>Bonds Bookrunner | <b>АФК Система</b><br><br>Bonds Bookrunner |

## ESG bonds

|   |
|---|
| <b>РЖД 001Б-03</b><br><br>Bonds Bookrunner                    |
| <b>РЖД 6.598% 2Mar2028</b><br><br>Social Eurobonds Bookrunner |

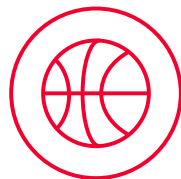
MKB also participated in various projects aimed at supporting the environment and social spheres, as well as companies from the most affected industries. Large-scale support measures were mainly represented by the Bank's own program in order to maintain the quality of the loan portfolio.



**Transport**



**Culture, leisure and entertainment**



**Fitness and sports**



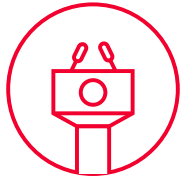
**Hotel business**



**Public catering**



**Retail trade in non-food products**



**Organization of conferences and exhibitions**



**Health care activities**



**Media and print production**



**Provision of household services to the population** (repair, laundry, dry cleaning, hairdressing and beauty salons)



**Institutions of further education, non-state educational institutions**



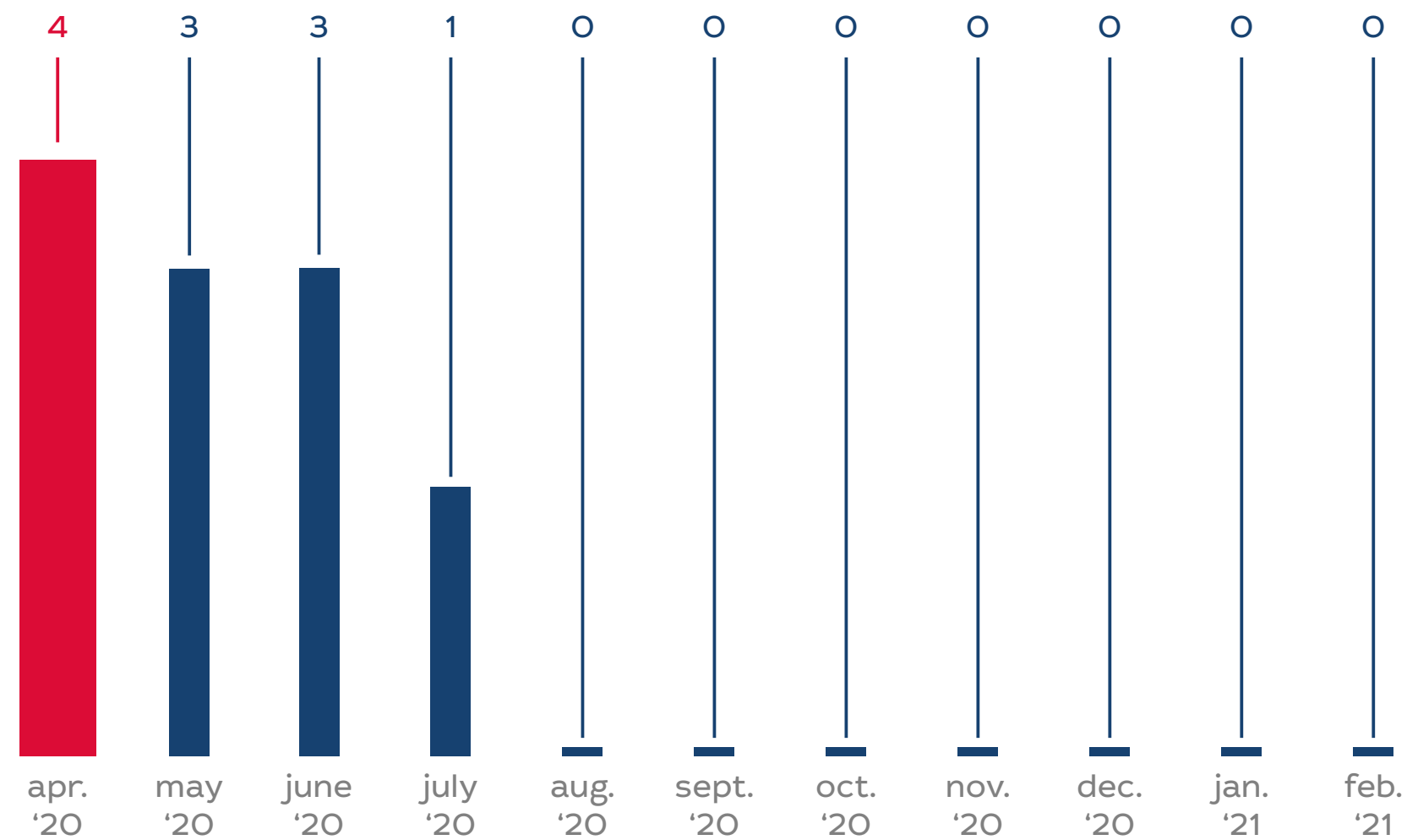
**Travel agencies and other organizations providing tourism services**



COVID-19: Support Measures

Corporate segment

Approved corporate restructurings by month



50.6 RUB bln

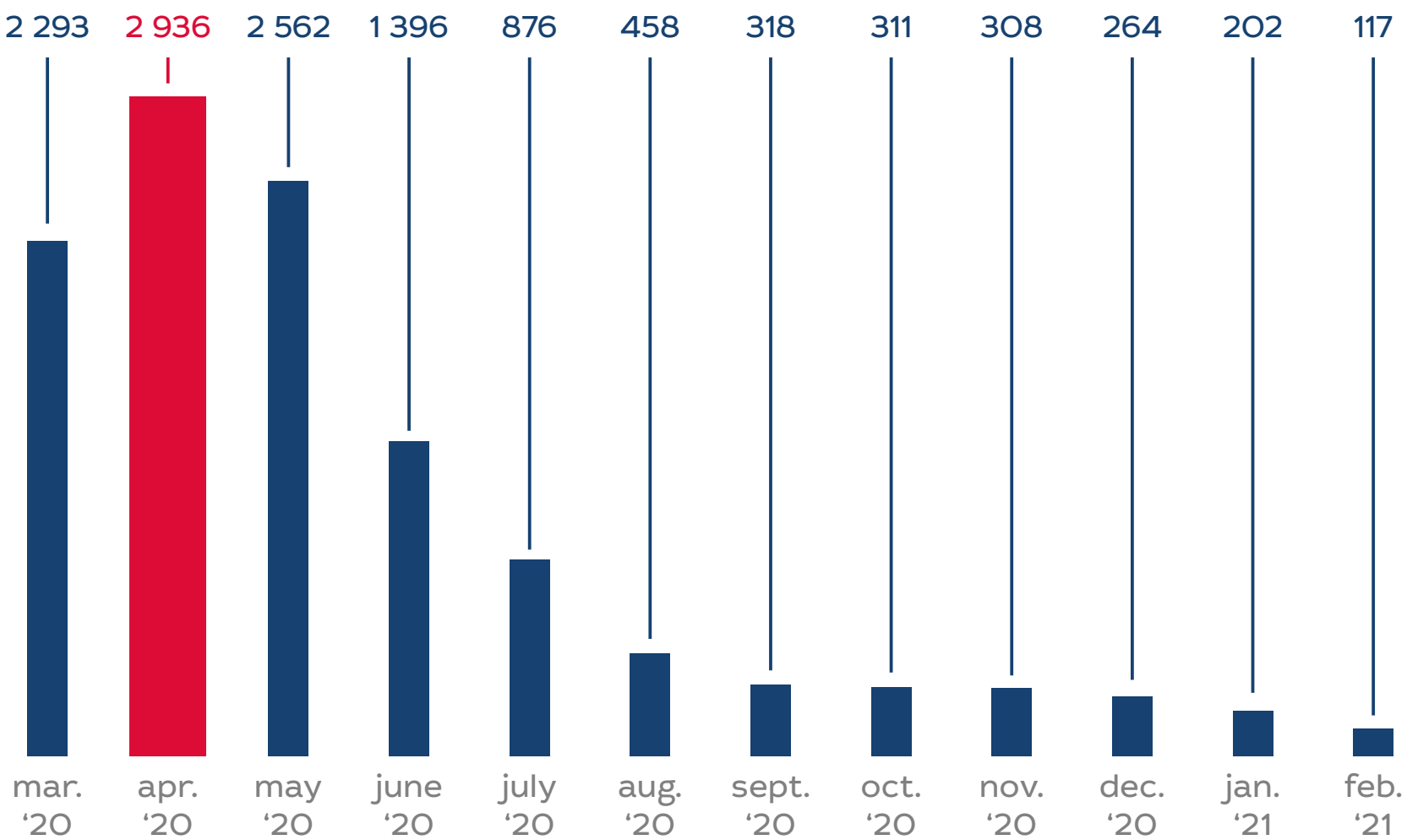
total amount of COVID-related restructurings<sup>5</sup>

5.7% vs 15.4%

COVID-related restructurings in corporate loan portfolio: MKB vs. top-33 Russian banks<sup>6</sup>

Retail segment

Approved retail restructurings by month



10.8 RUB bln

total amount of COVID-related restructurings<sup>7</sup>

8.1%

COVID-related restructurings in retail loan portfolio<sup>7</sup>

90%

of outstanding restructured loans with credit holidays ending in Dec 2020 returned to initial repayment schedule

Source: Company data, IFRS financial statements, public sources. Notes: <sup>5</sup>In Apr–Sep 2020. <sup>6</sup>From 20 Mar to 1 Oct 2020, according to CBR. <sup>7</sup>In Mar–Dec 2020.

## 3.2 Corporate business

As a socially responsible and systemically important Bank, we are aware of our role in promoting the well-being of society and business. We strive to maximize the positive and minimize the negative impact on the environment and social sphere by engaging with our corporate clients.

### Managing indirect environmental impact

Regarding the fact that one of MKB's main activities is lending to large corporate business, we also understand the importance and necessity of managing our indirect environmental impact.

The Bank has implemented a number of green and social projects, and plans to increase the volume of financing for sustainable projects in accordance with the approved KPIs. Within the framework of project financing, MKB gives priority to projects of social and environmental importance for the country and society. Thus, the Bank became a financial partner of the Far East and Arctic Development Fund (FEDF) of the VEB.RF group in the project to build an overhead power line and a substation for Nezhdaninskoye field (eastern part of the Republic of Sakha-Yakutia), a development project of the Russian mining company Polymetal<sup>8</sup>. Implementation of this project will reduce the total cost of electricity in Yakutia and reduce the environmental burden by reducing greenhouse gas emissions by 75% in the field area and minimizing man-made accidents in the region.

The Bank is actively developing its ESG business,

offering clients a wide range of products within the framework of sustainable development: loans linked to sustainability indicators, ESG ratings, as well as green, social, sustainable and transitional loans.

In 2021, the Bank's plans to include launching a campaign for clients to participate in the subsidy program under Russian Government Resolution No. 541P, organized by the Russian Ministry of Industry and Trade. This program is aimed at supporting investment projects implemented within the framework of the "Ecology" National Project. About 6,900 facilities will be able to receive a subsidy at the interest rate on a loan received for the purpose of modernizing their production facilities in order to reduce their existing negative environmental impact.

Notes: 8. Far East and Arctic Development Fund (FEDF) and Credit Bank of Moscow finance an overhead power line and a substation for Nezhdaninskoye [www.polymetalinternational.com/ru/investors-and-media/news/press-releases/30-06-2020/](http://www.polymetalinternational.com/ru/investors-and-media/news/press-releases/30-06-2020/)

## 3.3 Investment business

In 2020, there was a record global increase in the value of ESG-related assets amid COVID-19 pandemic. Now when making investment decisions, not only the typical parameters of profitability and volatility are assessed on a regular basis, but also criteria related to the business' environmental friendliness and social focus. These changes are related to the increasing interest among investors in sustainable portfolio growth and their concern about the environmental and social impacts caused by their investees.

MKB is a socially oriented business striving for sustainable development in the interests of present and future generations. The principles of sustainable development predetermine the Bank's relations with its clients and investors.

Investors currently retain a significant appetite for "responsible" instruments. As a bank that actively implements ESG principles in its work,

MKB offers services for arranging new "responsible" instruments to its clients.

Thanks to the flexibility and active integration of ESG principles into its activities, MKB has received the status of a leader among banks in the development of ESG practices in Russia.<sup>9</sup> During 2020, the Bank continued to build the infrastructure of investment services and products for its clients, constantly demonstrating the high quality of the services it provides. The challenges seen in 2020 gave a special impetus to the development of digital products and services based at MKB for both corporate and retail clients of the Bank, which also positively affects the availability of financial products and services for various social groups.

At the management level of the Investment Block, the focus on prioritizing ESG tools has been established. The task was also set to improve digital services in order to find an individual approach to the needs of various industries and clients. The transactions made by the Bank in 2020 became a logical and clear continuation

of the long-term work carried out by MKB to build a responsible business model and are aimed at further implementing the concept of sustainable development.

**MKB was one of the organizers of the first issue of social Eurobonds in Russia, the issuer of which was Russian Railways JSC.**

The issue was prepared in accordance with the International Capital Markets Association (ICMA) Social Bond Principles, and Sustainalytics, a leading independent expert and a rating agency in the field of ESG, provided confirmation of compliance.

The demand for securities exceeded RUB 32 bln, which made it possible to almost double the initial placement volume. The final volume of placement was RUB 25 bln with maturity in March 2028, which was also the longest-term public offering of Eurobonds in rubles in the history of Russian issuers. The proceeds from the placement will be used to finance and refinance the costs associated with the implementation of social projects.

Notes: 9. Updated ESG ranking determined by RAEX-Europe in April 2021. URL: [https://raex-rr.com/country/RAEX-600/ESG\\_rating](https://raex-rr.com/country/RAEX-600/ESG_rating)

**In September 2020, MKB acted as the organizer for the placement of perpetual bonds of Russian Railways JSC, the first in the history of the Russian market, in accordance with the ICMA Green Bond Principles.**

The volume amounted to RUB 100 bln, which is an all-time record among the market placements of bonds of Russian corporate issuers.

In accordance with the opinion of Expert RA dated September 18, 2020, this issue of perpetual bonds complies with the International Capital Markets Association's (ICMA) Green Bond Principles and the provisions of VEB.RF's Guidelines for the Development of Investment Activities in the Field of Green Finance in the Russian Federation.

This issue is also unique for the Russian market given that this is actually a hybrid instrument already familiar to local investors, combining the features of debt and equity capital, but at the same time complying with international standards for classifying these bonds as "green".

The Bank's activities in 2020 in the area of "green finance" were highly noted in the Green Finance of Russia annual report, which was published by expert and analytical platform Sustainable Development Infrastructure and Finance, [www.infragreen.ru](http://www.infragreen.ru). Both issues of green and social

bonds, in which MKB participated, were included in the INFRAGREEN Register of Green and Social Bonds as of December 28, 2020.<sup>10</sup>

## Expanding regional cooperation

Following the strategy of geographic expansion, MKB actively participates in socio-economic projects in the CIS. One of the significant projects implemented in 2020 was the Bank's participation in the debut placement of ruble sovereign bonds of the Ministry of Finance of Kazakhstan in the amount of RUB 40 bln.<sup>11</sup>

The technical placement took place simultaneously on two platforms: the Moscow and Astana stock exchanges. The Government of Kazakhstan intends to use the financing raised to cover the budget deficit that has increased due to the coronavirus pandemic, as well as for social payments.

In the medium and long term, the investment block of MKB is an integral driver of the Bank's

growth and development in the Russian and foreign markets. MKB adheres to the principles of developing a product line and increasing the share of client business, including an effective strategy for participating in M&A transactions with a minimum level of accepted risk for the Bank.

The Private Equity Special Situations (PESS) platform continues to develop on the basis of MKB. Its main goal is to develop and provide financial support for projects that do not fall within the framework of a standard banking product, but have great technological and/or economic potential and play a significant social role.

New joint ventures, which will be created with the support of MKB, will increase the efficiency of the Russian economy through the synergies formed. For 2021, MKB has already planned several Private Equity deals and financing for companies at the pre-IPO stage.

In the future, investing in green economy projects and companies within the framework of PESS will help to improve the environmental situation both in the country and around the world, which is critical for people's health and well-being. In turn, MKB's innovative and infrastructural investments will contribute to making everyday life more comfortable for society, as well as increasing the availability of healthcare and education.

Notes: 10. <https://infragreen.ru/news/platforma-infragreen-publikuet-doklad-o-razvitii-rynka-zelenyx-finansov-v-rossii-po-itogam-2020-goda.html>.

11. Kazakhstan has placed three issues of ruble bonds. September 17, 2020. URL: <https://www.kommersant.ru/doc/4494270>



# 3.4 Working with small and medium-sized businesses

Despite the difficult situation associated with the pandemic in 2020, MKB held a number of online and offline events and campaigns for its corporate clients. These aimed to present the benefits of working with the MKB product line and, in the context of a rapidly changing economic situation, to provide more information about the services offered for small and medium-sized businesses.

List of events and campaigns for MKB clients in 2020:

- International financing from MKB
- Anti-crisis campaign for cash and settlement service
- Online currency conversion. Protection against currency and interest rate risks
- Cash management and international financing: solutions that yield results
- Factoring products from MKB. Agency scheme for the provision of financial services, express product – Factoring store

As part of supporting our clients at this difficult time, it is especially important to meet our

clients halfway and agree on more comfortable conditions for servicing credit obligations and settlement operations in order to alleviate the difficult circumstances that many have faced. So, the products for the small and medium-sized business (SME) segment were improved in 2020, including service packages, corporate cards, and services within the framework of foreign economic activity (FEA).

In 2020, the Bank continued to work actively with participants of the public procurement market. Despite the pandemic, the public procurement market was a good support for SME clients due to the stable demand for services and simple

participation procedure, which is also offered by the Bank through an express procedure, flexible deadlines and a wide range in terms of amounts. This product is a key support product for MKB when working with SMEs.

The flow of applications in 2020 rose several-fold compared to 2019, which in turn directly influenced the quantitative result in the increased number of bank guarantees issued in the public procurement sector (Federal Acts № 44, 223 and Government Decree № 615-P). In 2020, more than RUB 46 bln worth of bank guarantees were issued, which exceeded last year's values by more than 73% in monetary terms and by 156% in quantitative terms.

## Volume of bank guarantees issue in dynamics

|                          | 2019    | 2020   |
|--------------------------|---------|--------|
| Portfolio size, RUB bln  | 26.7    | 43.1   |
| Volume of issue, pieces  | 10, 630 | 27,188 |
| Volume of issue, RUB bln | 26.7    | 46.4   |

In mid-2020, a joint project for lending to small and medium-sized businesses with SimpleFinance was launched, as part of which 3 products are available: a loan for the purchase of real estate, a loan secured by existing real estate, and a loan for the performance of a contract. Thanks to this partnership, the expanded line of lending covers 19 cities with population exceeding one mln, and the process and credit approach used by SimpleFinance allows the funds to be issued to the client's account within 3 days from the date of application.

## Significant events of 2020:

The new MKB tariff line for small business won in two categories from the Marksw Webb consulting agency:

- 1st place — most profitable bank for a beginner entrepreneur
- 3rd place — most profitable bank for a merchant with acquiring

Launch of the Marketplace on the Bank's web site that brings together the largest market players

and SME clients. The condition for placing a partner on the Marketplace display is the provision of a unique selling proposition (for example, discounts on their products or services).

A special campaign to familiarize SME clients with the possibilities of foreign economic activity at MKB, within the framework of which preferential terms were offered for transfers, currency control and currency conversion for SME clients.

For clients most affected by the deteriorating situation due to the spread of the novel coronavirus infection, a special anti-crisis campaign for the cash and settlement service was launched in April 2020. Until the end of June, clients received free account management and maintenance of the RBS (remote banking service) system, zeroing and reduction of subscription fees for some service packages.

In July 2020, MKB became the winner of the 5th Best Banking Program for SMEs — 2020 competition, in which 30 banks from different regions around Russia took part. The competition is traditionally held by the Russian Chamber

of Commerce and Industry with the support of the Bank of Russia, SME Corporation JSV and SME Bank JSC. The Expert Council of the competition selected 11 banks that offer special programs for SMEs, based on 12 criteria. MKB won in the Best Acquiring for Business and Choice of Professionals categories.

To identify existing problems and needs, both in banking products and within the scope of activities, MKB launched a series of in-depth interviews with our clients at the end of 2020. In this way, we are not only actively working on improving our product line, but also developing boxed offers within the segment strategy based on the feedback received, taking into account the interests and preferences of clients.

In 2020, MKB held a number of seminars and became a participant in conferences for corporate clients, allowing for the products and services offered by the Bank and its partners to be used with maximum benefit. In addition, at these events, participants were able to get acquainted with the possibility of effectively using subsidy and support programs for business.

## Significant events in which MKB took part in 2020

### New Wave Development 2020: Classic or Avant-Garde? February 2020

Topical issues and prospects for the development of the real estate market

### Treasury in Industry, October 2020

Modern development trends and tasks of the treasury in industry. Ways to transform treasury processes in a remote environment, what technologies help to improve the efficiency of operations, how to improve the accuracy of cash flow planning and ensure the security of payments.

### Online seminar on international finance, October 2020

Analysis of the current situation in the foreign trade market, subsidized export support programs, etc.

In 2021, the strategy for working with SME clients will focus on three main areas:

### Banking services

New line of corporate cards and improved client channels for purchasing classic banking products.

### Non-banking services

- Creation of a comprehensive offer for SME clients "FEA on a turnkey basis" – the option to go through the entire cycle from checking an international partner to delivering cargo to a client at our Bank.
- Online accounting – this service is aimed at optimizing and simplifying client interaction with the Federal Tax Service of Russia.
- Business Reputation – this service will help the client assess itself according to five categories: tax burden, transfers to individuals, cash withdrawals, turnover and reputation to prevent violations of the laws of the Russian Federation.

### Segment platform

Special complex offers for our clients, including banking and non-banking products, which will help to ensure high-quality banking services and special conditions from our reliable partners for business development. As part of our work in this area, we will increase the scope of in-depth interviews and desk research in order to get to know our clients even better and create products aimed at the client and made for the client.

## 3.5 International business

Trade finance, including export finance, remains one of the Bank's top priorities. The Bank's main competitive advantages include a wide network of partners around the world, high credit ratings, accumulated experience and professionalism of employees, a client-oriented approach and high quality of services. These advantages allow the Bank to service trade flows in various regions around the world, offering the most attractive conditions to clients for conducting transactions using the entire spectrum of trade finance instruments. As a result, the Bank traditionally ranks among the leaders in the trade finance market, with a reputation as a professional and trustworthy financial institution.

MKB's trade finance portfolio doubled in 2020 and exceeded USD 850 mln as of the end of the year.

Thanks to the effective work carried out with corporate clients and financial institutions, as well as one of the most competitive product lines on the market, MKB was named the best bank in the Euromoney Trade Finance Best Service Survey 2021 (the client interviews were conducted in 2020).

The growth of the portfolio was due to both the development of the client base, which increased by more than 70%, and the development of relations with the Bank's existing clients.

In the sphere of interbanking business with risk assumption to a foreign bank, MKB both increased cooperation with its main partners, which continue to be banks in the Republic of Belarus, and entered new markets. Therefore, in 2020, for the first time, the Bank financed banks in Uzbekistan, supported trade finance operations with major banks in China, and actively developed cooperation with international financial organizations such as the International Investment Bank (IIB) and the International Bank for Economic Cooperation (IBEC). With their support, MKB provided financing to banks in Mongolia and Uzbekistan.

In 2020, the Bank continued to expand its product line in the sphere of international factoring and launched two new products – export factoring without recourse under the guarantee of a foreign bank and agency import factoring. Among other things, the emergence of new products facilitates the Bank's entry into new regions. So, in 2020, transactions were carried out in new jurisdictions for the Bank – Kazakhstan and China. In general, the geography of transactions related to international factoring covers both the

CIS countries (Kazakhstan, Armenia, Belarus) and Southeast Asia (China).

### Support for Russian exports

Today, export support remains one of strategically important and priority areas for Russia, since it contributes to the growth of the economy as a whole and, as a result, and has a positive impact on the population by increasing living standards.

The Government of the Russian Federation promotes the development of international relations in every possible way and develops various instruments of state financial support for exports and export activities, including subsidy programs implemented with the participation of commercial banks.

#### The list of the main government export subsidy programs:

- The subsidy program of the Ministry of Economic Development of the Russian Federation aimed at bank financing of Russian manufacturers and exporters as well as foreign buyers for the purpose of implementing export projects, including investment projects, on preferential terms (approved by Resolution of the Government of the Russian Federation No. 620 dated May 16, 2017)



- The subsidy program of the Ministry of Industry and Trade of the Russian Federation aimed at bank financing of Russian manufacturers and exporters as well as foreign buyers of industrial products for the purpose of implementing export projects, including investment projects, on preferential terms (approved by Resolution of the Government of the Russian Federation No. 191 dated February 23, 2019)
- The subsidy program of the Ministry of Agriculture of the Russian Federation aimed at bank financing of Russian manufacturers of agricultural products for the purpose of implementing export projects, including investment projects, on preferential terms (approved by Resolution of the Government of the Russian Federation No. 512 dated April 26, 2019)

Both large businesses and companies in the SME segment can obtain subsidized loans.

Within the framework of these programs, the Bank cooperates closely with the relevant ministries and contributes to the development of new support programs, as well as to changes in existing programs based on requests from the Bank's existing and potential clients.

When carrying out subsidized transactions, the Bank acts according to the "one-stop shop" principle and provides clients with a full range of services. This ranges from providing initial consulting, preparing the client for joining the program and ensuring the transaction is included in the register of subsidized transactions to providing direct support of the loan and communicating the client's position regarding subsidizing mechanisms to the subsidy program administrators.

In 2020, the Bank doubled its subsidized loan portfolio. The Bank significantly expanded its presence in the Russian export support program of the Ministry of Industry and Trade of the Russian Federation, becoming the undisputed leader of the program in 2020 in terms of the number of financing agreements concluded at a preferential rate both with Russian and foreign corporate clients from various industries (chemical, metallurgical, forestry, consumer goods industry and others), and with foreign financial institutions. In 2020, the Bank concluded 30 new financing agreements as part of the Ministry of Industry and Trade's program, for a total amount of about RUB 35 bln.

MKB actively promotes training, which includes conducting information activities and training

events for companies that are exporters, manufacturers and buyers of Russian products for clarifying the terms of subsidy programs. The Bank helps many companies to expand their capabilities and prospects in the implementation of export projects through low-cost financing.

Business digitalization has become a key area of trade finance development in 2020. Therefore, solutions were developed in 2020 on the basis of Kontur.Diadok for implementing electronic document flow for domestic letters of credit and international factoring. The first electronic letter-of-credit transactions were launched. In 2020, the Bank significantly expanded its network of partner banks by establishing relationships with new banks, as well as restoring relationships with old partners.

**35** RUB  
bln

**In 2020, the Bank concluded 30 new financing agreements as part of the Ministry of Industry and Trade's program**

## 3.6 Retail block

In 2020, the main challenge faced by enterprises in almost every sector of the Russian economy was adapting to the changing needs of clients and transforming their services in accordance with the new reality. Against the background of the pandemic and the economic crisis, the digitalization of services and client service has become an especially urgent task for the financial sector.

“Coronacrisis” has become a catalyst for the digital transformation of banking products and client service. The experience of 2020 has shown that many banks see digitalization as an area for growth in order to improve their activities and strengthen their positions on the market. After several months of self-isolation, people got used to working and receiving most services online, and communications became mostly remote. At MKB, the penetration rate of remote services of the client base reached 50.4% (an increase of more than 20%).

At the same time, MKB did not limit itself to the development of digital channels. In 2020, we strengthened our positions in regional markets, continuing our expansion in new regions, including Kazan, Ekaterinburg, and Izhevsk.

Self-isolation made it possible to introduce clients to remote communication channels and to create a user experience for those clients who traditionally preferred visiting a branch rather than using

new technologies. Compared to the beginning of the year, we noted a 20% increase in remote applications for credit cards and a 14% increase in the number of savings accounts set up online.

The development of remote service channels (MKB Online internet and mobile banking) has become one of our key tasks in 2020. At the end of the year, we managed to implement almost all products and services, which the client had previously applied for to a branch or call center in RBS: issuing certificates, deposit and credit products, ordering cards (plastic and digital).

During 2020, dozens of new features were added to our online services. These include:

- Simplification of utility bill payment (adding thousands of new service providers, integration with GIS of the housing and utility services, the ability to pay using QR codes)

- Opening brokerage accounts with the ability to buy/sell shares, bonds, and currencies
- Adding foreign currency accounts to cards and transfers abroad
- Compiling statements and certificates
- Chat support for users

During the self-isolation period, special attention was paid to developing products and services that clients could access without visiting the branch. Users were given the opportunity to apply for general-purpose loans and debit/credit bank cards online in the MKB Online system. In addition, the processes of filing an application for loan restructuring and signing documents remotely were implemented online.

# 20 %

increase in remote applications  
for credit cards

# 14 %

increase in the number of savings  
accounts set up online

At the same time, the Bank launched a coronavirus infection insurance program, which can also be obtained remotely.

Based on the results of the work carried out in 2020, MKB became a finalist for the Rusbase Digital Awards 2021, taking first place in the Security category for the implementation of PayControl mobile electronic signature in RBS for corporate and retail clients.

The results of this work were valued by the market – we were listed in the top 5 banking mobile applications in the Marksw Webb Mobile Banking Rank 2020, moving up 13 positions and becoming the “breakthrough of the year”.

Mortgage lending

Mortgage lending has become one of the most in-demand retail products in 2020. The volume of issued mortgage loans in Russian Federation increased by 1.5 times in 2020 as compared to 2019 and achieved almost 4.3 trillion rubles, follows from the materials of the Bank of Russia. According to the Central Bank, by the end of 2020, more than 1.7 million mortgage loans have been issued in Russia, which is 35 % more than in 2019.

One of the key factors of the “mortgage boom” was the launch of the state program for preferential mortgage, which is the absolute leader among all mortgage programs. Initially, the program was planned until November 1, 2020, but it was so well

Key indicators of mortgage loans in dynamics

| Period | Number of issued MLs | Volume of issued MLs, RUB bln | Portfolio at the end of the year, RUB bln |
|--------|----------------------|-------------------------------|---|
| 2017   | 1,157                | 4.097                         | 20.319                                    |
| 2018   | 1,760                | 7.342                         | 20.679                                    |
| 2019   | 1,922                | 9.124                         | 23.692                                    |
| 2020   | 2,587                | 15.345                        | 37.183                                    |

received among both Russian families and the construction industry that the Government decided to extend the program until July 1, 2021 and later on extended the program until July 1, 2022.

MKB supported the development of mortgages not only by pricing conditions for clients (at a preferential rate of 5.95% per annum) but also by its service model. At present, we are a market leader in terms of decision-making speed, client requirements (we issue a mortgage based on two documents), as well as services related to product processing. In the fall, we launched a service for filing an application and registering a mortgage at any Bank branch, without being linked to mortgage lending centers.

We forecast continued demand for mortgage products, including through the development of our own preferential programs.

At the end of the year, the growth of the mortgage portfolio was 57%, and 68% in terms of loans. In

total, the volume of mortgage loans (MLs) has grown by 275% since 2017.

These results were achieved through the implementation of the following activities:

- A competitive product line was modernized and launched, covering all target segments of the real estate market.
- Digital integration of the Open API has been implemented with the Bank's strategic partners.
- The system of accrediting construction projects has been modernized, with the time for entering a new sales channel reduced from 2 months to 5 days.
- New sales channels were launched:
  - Online/direct sales
  - Corporate sales
  - Online sales



- The system was optimized and the competence center model for partner and client services was introduced:
- The client's time spent on an application was reduced by 200%
- The process of informing the parties to the transaction about the Bank's decision was automated
- An option for document certification and remote submission of an application using an EDS was added
- An option for submitting a short loan application via MKB Online was introduced
- Optimization of processes for carrying out mortgage transactions:
  - The number of client visits to the Bank has been reduced to just one as a result of automating operational processes
  - Electronic registration of mortgage transactions has been launched
  - The client time for the transaction was reduced by 150%
  - The time for preparing mortgage transactions was reduced through automation of the loan documentation

In 2021, mortgage lending will continue to move towards the digitalization of the mortgage conveyor. In the coming year, it is planned to implement projects such as:

- Electronic transaction/paperless mortgage

- Borrower's user account
- Remote services
- Credit conveyor automation
- Implementation of a client service system
- Regional expansion
- Launch of loyalty programs

We managed to promptly respond to the crisis by reducing the potential level of credit risk and offering restructuring options to clients in need. The overwhelming majority of clients who took advantage of the restructuring programs during the crisis have restored their solvency.

## General-purpose lending

A positive trend was also observed with regard to consumer lending, the recovery in demand began in the summer, immediately after the period of restrictive measures ended.

In 2020, the share of general-purpose consumer loans in the retail portfolio amounted to 70%. The total volume of the portfolio of general-purpose loans amounted to RUB 81.56 bln at the end of 2020.

In 2020, the Bank's general-purpose lending strategy was aimed at achieving the following objectives (compared to 2019):

**Development of remote channels for the sale of general-purpose loans:** the share of remote sales channels (website, remote banking, call center) in the flow of applications for general-purpose loans increased from 10% (in 2019) to 30% (in 2020).

**Loan processing and issue using the "O visits" technology:** now all the Bank's clients can apply for a general-purpose loan via the online banking and mobile application (RBS) and obtain a loan in less than 20 minutes without having to visit a branch.

**Remote sales of loans through the call center:** the opportunity for a client to submit an application for a general-purpose loan through the call center has been implemented, with a final loan decision taken.

**DSA (Direct Sales Agent) channel application launch – Field Sales Agent:** now a DSA employee can conduct an on-site presentation of general-purpose lending at the client's employer's office and then process the loan on site through the application.

**Shortening the timing for issuing a general-purpose loan:** the timing for issuing loans was reduced from 30-45 minutes (for 2019) to 20-25 minutes (2020) by optimizing the loan application.

**Optimizing loan documents:** 5-time reduction in the amount of paper used (up to 4 sheets).

**Anti-crisis measures were taken by order of the Government of the Russian Federation (Federal Law 106):** a new process for filing applications and



issues was introduced under the restructuring program and appropriate changes were made in the systems and regulations of the office network.

**Introduction of a deferred payment of up to two months:** clients are given a choice of a convenient payment date within the first two months after the loan is issued.

**Introduction of credit holidays for general-purpose loans with interest payment only:** using this option, it is possible to reduce the size of the first monthly payments, which will consist only of interest on general-purpose loans without having to pay the balance of the principal debt.

**Introduction of a product line for the Premium segment:** introduction of competitive conditions for general-purpose lending to increase the loyalty of borrowers in the Premium segment.

## Products for saving and increasing funds and card products

In terms of liability-related products, MKB continued to support clients with the conventional competitive products for saving and increasing funds.

Interest in investment products is growing, and a potentially active segment for investments needs reliable and understandable instruments.

In 2020, the Bank continued to make progress towards creating a new card image and card products. The Bank's portfolio of active cards<sup>12</sup> demonstrated an increase from 253,000 units as of January 2019 to 370,000 units at the end of 2020. The launch of a new onboarding process, segmented portfolio campaigns for the Bank's clients, as well as motivational contests in conjunction with international payment systems, aimed primarily at increasing the activity of the client base, made it possible to, among other things, increase the average monthly balances on bank cards and the total trading turnover by 39% and 16% respectively. The debit portfolio of cards increased from RUB 17 bln to RUB 23.6 bln, having added 39% in relative terms.

One of the significant developments made in view of the demand for contactless banking products was the launch of debit and credit cards in the Digital format. The sales channels for card products were also expanded: a referral program was created and a project for the sale of credit cards was implemented in the Svyaznoy network. The geographic coverage of delivery of the Bank's debit cards has been expanded to the regions.

In 2020, the Bank paid special attention to the Payroll Cards project. The processes of joining, implementing and maintaining new payroll clients in the Bank were optimized. The main market needs of payroll clients were satisfied, making the product one of the market leaders in terms of the service and range of services provided.

New credit products were also implemented, including the "Balance transfer" option (repayment of loans from third-party banks in the mobile application) and Batch Issuance of Credit Cards (sale of a credit card to a payroll client).

### "On our way"

On February 10, 2020, MKB launched the campaign "On our way". The Bank's clients can reimburse the cost of metro travel in Moscow and St. Petersburg when paying with an MKB Mastercard.

When paying for travel at metro turnstiles, the Bank refunds the cost of the trip less one ruble in the form of MKB Bonus points. The points are awarded in addition to the points received under the basic conditions of the MKB Bonus loyalty program. The client's points account is credited before the 20th day of the month following the month of payment. Points are awarded to everyone registered in the MKB Bonus loyalty program. The maximum reimbursement amount is 1,500 points per month.

Notes: 12. An active card is a card with at least one financial card transaction (changing the amount of the payment limit) initiated by the client and completed within the last month.

## Loyalty program

One of the tools that has a positive impact on the Bank's results is the MKB Bonus loyalty program, which has been in place since August 2013 and is the main tool for rewarding clients.

In 2020, the MKB Bonus loyalty program was recognized as the best of its kind according to the Loyalty Awards Russia 2020.

During the year, the Bank continued the trend of providing its clients with a wider range of instruments within the loyalty program:

- On October 15, a new service for travelers was launched in the MKB Online mobile banking service, MKB Travel. The service allows clients to purchase air and railway tickets, as well as rent cars while traveling. The service will soon be expanded by adding a hotel booking option.
- In December 2020, a loyalty platform was launched that allows partners from a wide variety of segments to connect to the Bank's loyalty program and target their offers to our client audience.

## Products and services for pensioners

One of the main social focuses of MKB's retail business continues to be the pension program and support for socially significant events for pensioners, held together with our partner Union of Russian Pensioners in Moscow.

To meet the needs of the older generation, the Bank provides a product that combines security, convenience and benefits from storing and using funds — the Wisdom Pension Card. Since the launch of the product, more than 170,000 pension cards have been issued.

### Features of the Wisdom Pension Card:

- Free card service.
- Commission-free cash withdrawal from ATMs across the Russian Federation.
- Up to 4.5% income on the balance.<sup>1</sup>
- Payment for utility services without commission.
- Free SMS notifications about the card.

- 5% in points under the MKB Bonus program in 2 selected categories.
- The Pharmacies category is always available (with increased cashback).
- 10% in points are awarded for purchases at 36.6 and Gorzdrav pharmacies.
- Care, a remote consultation service, is available.

**>170** thousands pension cards  
have been issued since the launch of the product

Source: <https://mkb.ru/personal/cards/mudrost>

Clients receiving a pension to the Wisdom card have access to Care, a free round-the-clock remote consultation service. As part of this service, cardholders can get free advice on their well-being and health from a medical expert, make an appointment with a doctor or for an examination, and also ask questions regarding household issues and issues of arranging social services and leisure activities. The service is very popular with our retired clients.

Also within the framework of the Wisdom pension program, our retired clients can apply for one of the best savings products on the market, Grand Deposit + (from summer 2020), as well as for a Grand loan.

The products provide their favorable conditions for pensioners, including an increased rate on the deposit when the pension is credited to their MKB account, and a reduced interest rate for the loan. It is possible to apply for the products remotely in the mobile application and via online banking, as well as at MKB branches and ATMs.

GRI 203-1

MKB is a partner and sponsor of the Union of Pensioners of Russia in Moscow

Currently, MKB employees are present in two Pension Fund offices in Moscow and the Moscow

Demand for a Grand loan in dynamics

|      | Grand portfolio at the end of the year, RUB bln | Number of agreements, thousands | Number of clients, thousands |
|------|---|---------------------------------|------------------------------|
| 2018 | 13.1  | 24.0                            | 21.6                         |
| 2019 | 128.9   | 171.7                           | 139.9                        |
| 2020 | 120.7   | 125.5                           | 105.8                        |

Region, as well as in two offices in St. Petersburg, where they provide consultations, issue pension cards in the moment and provide clients with information materials. By the end of 2021, it is planned to increase the number of Pension Fund branches that have consultants available, including in the regions of the Bank's presence.

MKB has implemented a number of measures to improve the level of risk culture and financial literacy for pensioners. The following events were carried out with the support of the Bank in 2020:

- Awareness-raising work to inform older people on the payment of utility services and the provision of social support measures, medical care, pension and medical support

- No End to Our Youth concert at the State Kremlin Palace
- The Main Age info channel was launched for pensioners and with their participation
- An international festival for pensioners was held at the Luzhniki Olympic Complex
- The third edition of the book "Life in the Cycle of Aging, Death and Immortality" was published for seniors
- City Computer All-Around Championship
- City Nordic Walking Championship
- City competitions for choral groups.

# 3.7 Direct economic value generated and distributed<sup>13</sup>

GRI 201-1

The result of the Bank’s activities is the value that it brings to its stakeholders. The economic value generated and distributed is distributed among a wide group of stakeholders: clients, suppliers and contractors, employees, shareholders, investors, lenders, government, local communities, etc. Undistributed economic value is reinvested in the further development of the Bank, allowing us to successfully achieve goals and objectives and increase the value created in the future in the interests of our stakeholders.

Generated and distributed direct economic value in dynamics

| Indicator                            | 2020     | 2019     | 2018     |
|--------------------------------------|----------|----------|----------|
| Direct economic value created        | 59,327   | 36,338   | 54,495   |
| Operating income                     | 59,327   | 36,338   | 54,495   |
| Distributed economic value           | (29,318) | (24,381) | (27,271) |
| Operating expenses                   | (21,801) | (21,225) | (19,426) |
| Including personnel costs            | (13,877) | (14,167) | (12,290) |
| Income tax                           | (7,517)  | (3,156)  | (7,845)  |
| Retained economic value (net profit) | 30,009   | 11,957   | 27,224   |

Notes: 13. Financial indicators are presented in accordance with IFRS for the MKB Group, whose main members in 2020 were: CBOM Finance p.l.c, NPO Inkakhran JSC, INKAKHRAN-SERVICE LLC, SKS Bank LLC, VESTA Investment Bank (LLC) (since May 2020), CB RUSNARBANK JSC (since May 2020), MKB-Investments LLC (since November 2020), MKB-Invest LLC (until September 2020), Mortgage Agent MKB 2 LLC (until September 2020).



## 4. Business digitalization and innovation



Key results in 2020

Implemented the Smart IDReader **technology for customer data recognition using artificial intelligence**

Piloted the **Smart Office project**

Implemented an **electronic signature** for a number of documents in the Mobile Bank

Material topics

- Consumer privacy
- Energy
- Training and education

UN Global Sustainable Development Goals



The use of digital technologies is changing our lives in a fundamental way and serves as an effective tool for engaging with stakeholders. Therefore, the digitalization of business and implementation of innovations is important for MKB.

We set the goals to improve the efficiency of current processes and to offer products and services to clients through their preferred channels. We are committed to developing technology and providing clients with greater flexibility and choice when it comes to managing finances. To ensure the protection and confidentiality of information and data, MKB uses best practices and creates a digital landscape based on regular analysis, automation and the use of modern technologies<sup>1</sup>.

To achieve these goals and carry out day-to-day operations, MKB runs an Information Technology Directorate along with its corresponding departments.

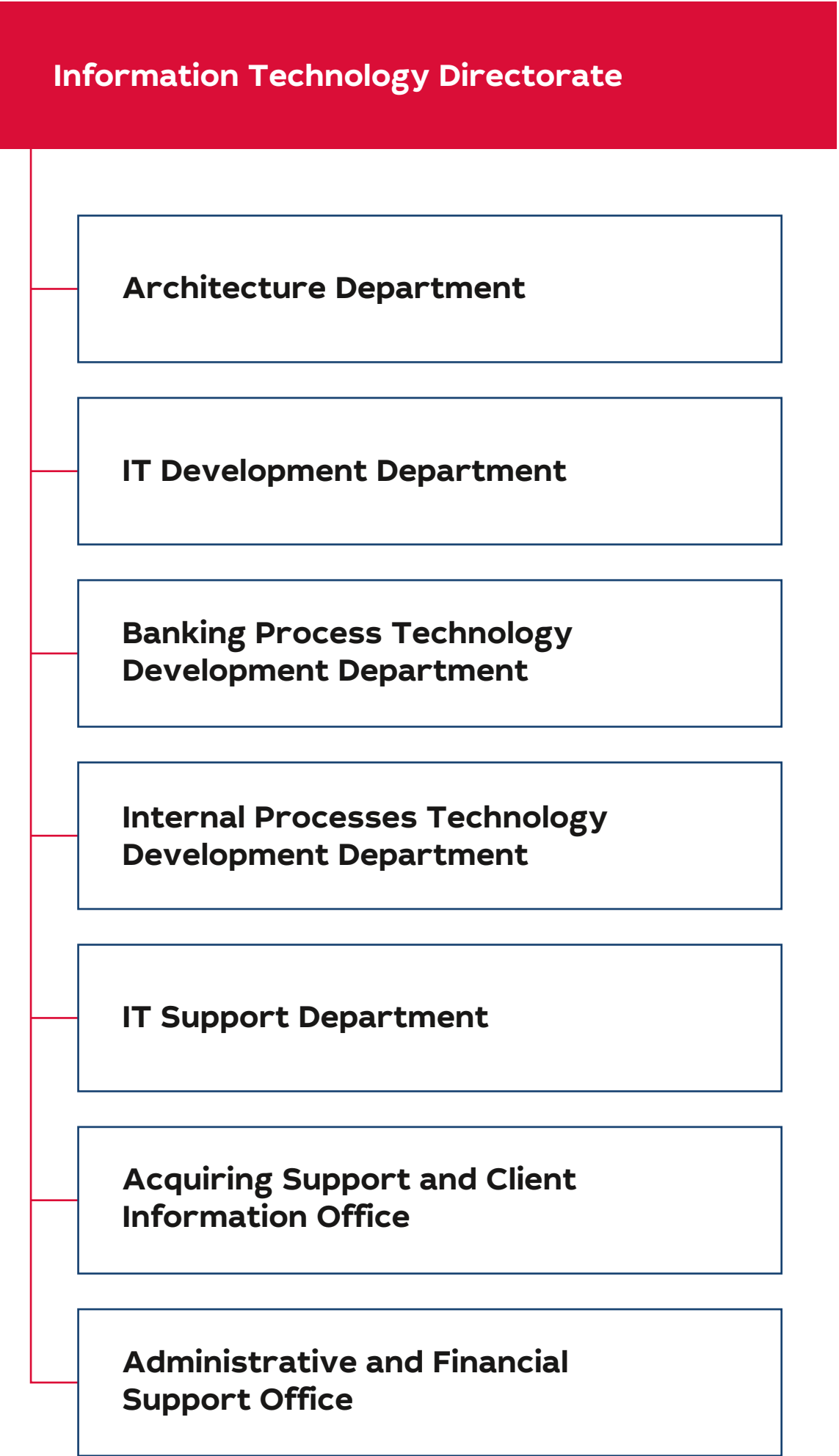
Innovation activities at MKB fall into two key areas: engagement with external stakeholders and improvement of internal processes.

In terms of engagement with external stakeholders, our primary task is to ensure a high level of security and protection of personal data.

For our clients, we develop both new product offers and existing ones, increasing their availability and ease of use, and also strive to improve the convenience of communication between the Bank and its clients and counterparties on the whole. For example, the share of available transactions in the remote banking system (RBS) of MKB was 79.02%<sup>2</sup>.

We are also working to improve our internal systems. The introduction of innovations and digitalization of internal processes increase the efficiency of the Bank's work and improve the comfort of work for our employees.

Innovations in the field of sustainable development are primarily aimed at reducing our own impact on the environment. This includes more efficient resources consumption and implementation of innovative technical solutions. We are also improving our approaches to the implementation of social and charitable projects, for example, by expanding the available channels for making donations<sup>3</sup>.



Notes: 1. For more about information security, see the Information Security and Confidentiality section on page 51.. 2. This includes remote work with key products such as loans, deposits, and cards, excluding transactions that are impossible to implement in RBS. 3. For more information on our charitable projects, see the MKB's Voluntary Initiatives section on p. 144.

## MKB ecosystem

### Digital products and services for clients

- Traffic lights service for verifying counterparties
- Digital assistant for clients
- Instant payments system
- Development of the MKB Online digital channel and much more

### Innovative products (MKB know-how) and modernization of the product offer, including social products

- Wisdom program for pensioners
- New technological products for SMEs
- International non-recourse factoring
- PESS (Private Equity Special Situations) platform and much more

### High level of cybersecurity

- Personal data protection, and fraud prevention

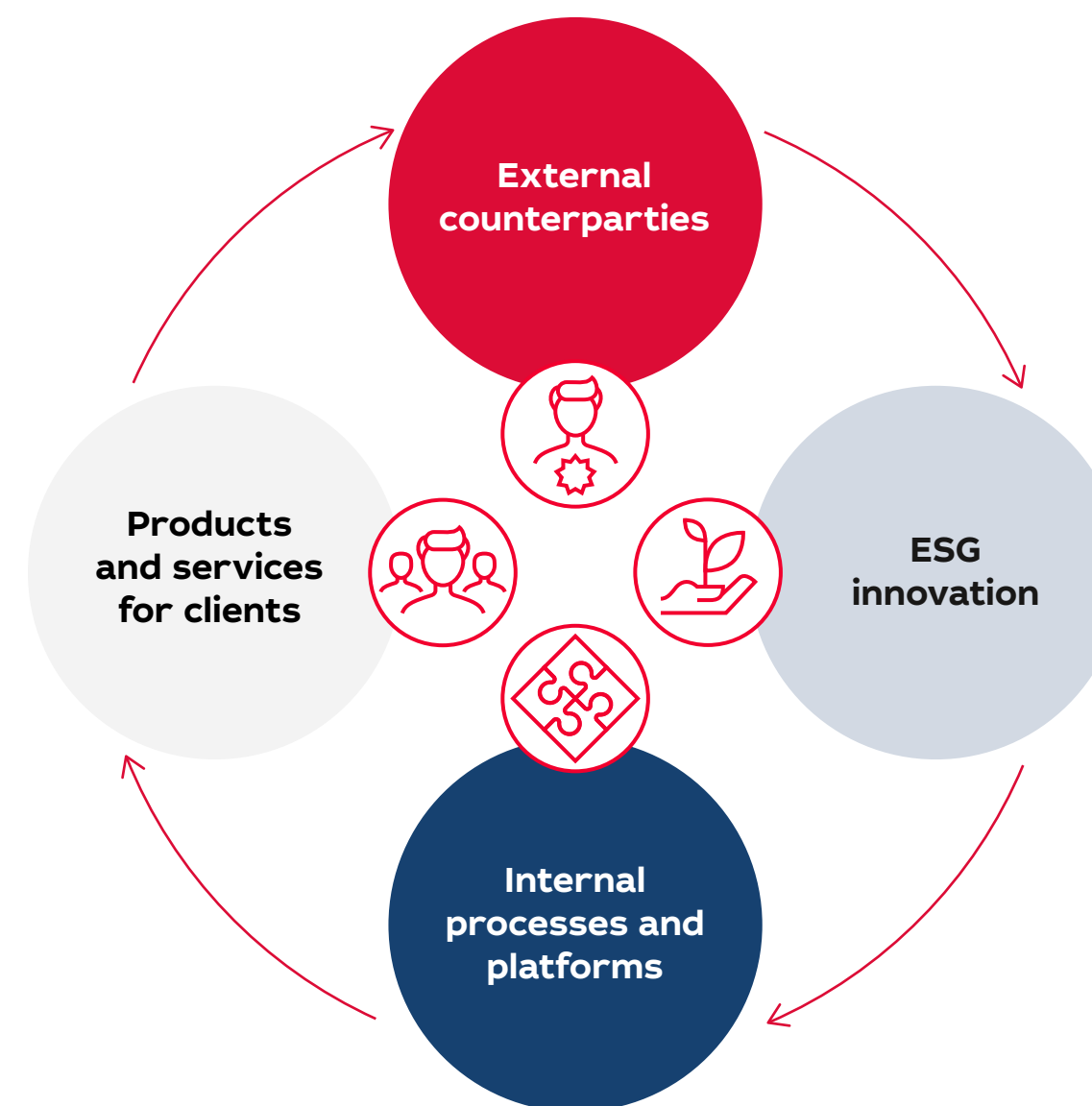
**Electronic Bank concept:** minimization of paperwork in all areas of business

**Accelerating the digitalization of the entire ecosystem** in a remote environment

### Acceleration programs

**Ecosystem transformation** in collaboration with FinTech Association

**Consolidation of the best product expertise, as well as unique digital platform NORMA** for bidders with the acquisition of Vesta and Rusnarbank in 2020.



**Interaction virtualization** (with investors, creditors, counterparties, clients)

**Lobbying for regulatory transformation** to stimulate investment in best available technologies and other green/social projects

**Standardization of best world practice** with the support of international shareholders, independent directors, and foreign partners

### Smart Office pilot project

- Minimization of resource use

**Work to improve disclosures,** digitization of non-financial results

**Training and development programs** for employees, retirees, children, projects with universities

**Project with the Moscow Zoo** for contactless ticket purchase

**Implementation of donations** through a mobile application, online bank, terminals

**Replication of local and international best practices** to regions as the network expands



## 4.1 Implementation and development of acceleration processes (Fintech)

One of the priority areas for MKB's development is the introduction of advanced digital solutions to optimize business processes. Today, a technology based on big data is being introduced at MKB, which analyzes all the client's actions and all the events that take place with regard to said client. This technology makes it possible to digitize the client experience and understand what is particularly inconvenient for the client or what the client does not like, as well as get an idea of the expectations of all clients on a mass scale, rather than justing analyzing the problems of a certain number of people who make complaints. As a result, it will be possible to improve the Bank's services and products, and to make the client's experience of using these products and services more understandable and productive.

In 2019, MKB joined the FinTech Association (FTA), and also implemented a number of acceleration programs. Cooperation continued in 2020, and, together with FinTechLab, the preparatory stage for the new (second) round of Acceleration began.

Preparations for participation in working groups were launched. Work commenced in April 2021, and the active phase is scheduled for the second half of the year.

Within the framework of cooperation with the FinTech Association (FTA), the following activities are planned for 2021:

**Remote identification and management of digital identity.** Digital Profile of Individuals and Digital Profile of Legal Entities projects

**Development of distributed ledger technologies.** Digital Mortgage, Digital Bank Guarantees and Digital Factoring projects

**Development of the retail payment space.** C2B Fast Payments and Cross-Border Transfers projects

**Development of Open APIs.** Transfer of Information on Accounts of Individuals and Transfer of Information on Accounts of Legal Entities projects

## 4.2 Artificial intelligence

In August 2020, in order to improve the quality of client service, MKB introduced Smart IDReader by the company Smart Engines, a client data recognition technology that uses artificial intelligence to recognize clients' passport data, bank cards, and barcodes.

The Smart IDReader technology is used in the Bank's mobile application, MKB Online, to recognize bank cards and barcodes for the purpose of making payments. Now, in order to perform transactions in their account, clients only need to place their bank card in front of their phone camera to read the card number and expiration date. The required data is recognized and automatically entered into the appropriate fields of the payment form. At the same time, the card is recognized almost instantly, even with insufficient or excess lighting, while on the move, in a taxi, etc.

In the application used by MKB employees to provide field service to clients, the data from Russian passports are automatically recognized and extracted when concluding contracts using this technology. To fill out a card for a new client, the Bank's employee just needs to scan the client's passport, placing it for a few seconds in front

of the smartphone's camera. Smart IDReader allows for safe recognition of documents since all calculations are performed on the device itself without transferring images to third-party services for processing. Also, a unique technological solution minimizes the energy consumption of users' devices, reducing the negative impact on the environment.

In addition to the introduction of Smart IDReader technology in MKB Online and its use in field service, this technology was previously integrated into the distribution systems of banking and insurance products of the subsidiary SKS Bank at gas stations and into the World of Privilege banking application. Smart IDReader has proven itself to be effective, so we continue to use this technology for solving other problems.

Sergey Evgenievich Putyatinsky  
Deputy Chairman of MKB's Management Board

## 4.3 IT training

### Opening of the Siebel Training Center

Together with the Inveka Training Center, MKB launched the Siebel Training Center in Tver in December 2020. Out of more than 50 candidates, 23 students were selected and training began. The training program is set up in the form of two flows. The first flow has already passed the main theoretical material and is preparing for the first exam once they have successfully passed, the students will already be able to begin internships in the production teams of MKB. There they will be able to tackle their first tasks and continue to master new, more complex material as part of the training program. It is planned for the first students to finish in August 2021 they will graduate as qualified specialists with a level of knowledge higher than similar positions on the market.

Cooperation with the specialized Inveka Training Center will make it possible for students to achieve this high level. The format is based on an individual approach to the training program as a whole and to specific students, in particular, experienced teachers with many years of experience, certified courses, and well-coordinated teamwork.

It is planned for at least 15 specialists to graduate by September 1, 2021, thereby reducing the

share of outsourcing employees in teams. This, in turn, will reduce the cost of teams, improve the quality of software being developed and increase production capacity.

### MKB IT Academy

At the end of 2020, MKB launched the IT Academy project. One of the main objectives of this project is to meet the demand for IT specialists who would be highly motivated to develop their careers at the Bank and create breakthrough products based on the latest technologies.

The first students of the academy included specialists who had already worked in a related field and had basic competencies, as well as specialists who had received special training and gained experience in other organizations.

There are no regional restrictions at the academy: the students included both residents of Moscow and the Moscow region, as well as from other regions, including Ufa, Sevastopol, Ekaterinburg, etc.

The learning process consists of three stages. The first consists of theoretical training, courses on various topics, and qualification assignments. At the second stage, each student works with

a mentor from among the Bank's employees. Together, they implement one task: for one month, the employee writes program code on their own, under the strict guidance of a mentor. At the end of the pair programming stage, the mentor summarizes the process and gives their expert opinion regarding the employee's competencies.

In the third stage, a student joins the team. The student begins to perform minor tasks on their own, and takes part in the implementation of specific projects at the Bank and in the work of the team and the unit as a whole.

"The first enrollment of our academy consisted of 21 students, all of whom joined the Bank's staff. I think this is the best indicator of the effectiveness of our new project. I am also glad that the students stand out for their team spirit they continue to communicate closely, share problems and solutions. As a result, a very friendly team was formed, which was characterized by its willingness to offer mutual support despite working in different areas, as well as a great shared desire to create interesting IT solutions", **Aleksey Aleksandrovich Karpunin, Head of MKB's Information Technology Directorate.**





# 5. Company employees





Key results in 2020

>1,000 jobs

created and saved over 4 years

Launched MKB's universal internship program in online format

84 %

employee engagement level

Launched a **long-term incentive programme** for top management based on the value of shares

92 %

of personnel covered by transparent incentive systems

30.97 hours

average training time per employee

Material topics

- Employment
- Diversity and equal opportunity
- Training and education
- Non-discrimination
- Relationship between employees and management
- Assessment of human rights activities

UN Global Sustainable Development Goals



GRI indicators

GRI 102-8, GRI 103-1, GRI 103-2, GRI 103-3, GRI 401-1, GRI 401-2, GRI 401-3, GRI 404-1, GRI 404-2, GRI 404-3, GRI 405-1, GRI 405-2, GRI 406-1

GRI 103-1, GRI 103-2, GRI 103-3

CREDIT BANK OF MOSCOW PJSC puts priority on developing human capital and building an effective team. In order to maintain a stable success rate in terms of achieving the strategic goals of the Bank, it is extremely important to attract the best talent and create conditions for maximizing the potential of existing employees, by involving them in the process of solving both daily operational and non-standard project tasks facing the Bank. In the pursuit of its business goals, the Bank is constantly searching for opportunities to achieve synergistic effects in interaction with society, making decisions that, among other things, have a social focus. Thus, over the past 4 years, the Bank has created or retained more than 1,000 jobs in 21 regions around Russia, not including Moscow and the Moscow region.

The Bank pays significant attention to developing corporate culture, creating and maintaining trusting relationships between employees and management, and providing employee incentives. The culture of business relationships has a large impact on the effectiveness of both the individual employee and the organization as a whole. Special requirements are imposed on the communication process between a manager and their employees. The manager is a significant figure at the company the quality of their work and their level of involvement and loyalty to the organization depend on their behavior and attitude towards employees.

To maintain the efficiency of human capital management, MKB implements a HR policy, whose main objectives are:

- To create an effective employee management system aimed at maximizing profits and ensuring the Bank's competitiveness, based on economic incentives and social guarantees.
- To create a close-knit team with the necessary professional competencies and qualifications in business units and at the Bank as a whole.
- To ensure a sufficient level of employee satisfaction and a harmonious balance between the interests of the employer and the employees.
- To comply with the rules and regulations of the labor legislation of the Russian Federation and the regulatory requirements of the Bank of Russia in the implementation of the HR policy.

The Bank is guided by the following key internal documents on HR management:

- HR Policy
- Internal Labor Regulations
- Regulations on Labor Compensation and Aggregate Remuneration

- Code of Corporate Ethics
- Corporate Competencies Model
- Employee Training and Development Policy
- Procedure for Annual Employee Assessment
- Regulations on the Hotline of the Audit and Risk Committee of the Supervisory Board

The Bank's management is involved in HR management issues at all levels.

Thus, **the Bank's Supervisory Board** approves the HR Policy, documents establishing the remuneration policy, the size of the Bank's wage fund, and also monitors their implementation. In addition, the Supervisory Board reviews internal and external independent assessments of the remuneration system and proposals from the units exercising control and risk management on improving the remuneration system and also monitors the payment of large remuneration amounts. The Bank operates a Remuneration, Corporate Governance and Nomination Committee under the Bank's Supervisory Board, whose task is to prepare the above issues for consideration by the Supervisory Board.

For consideration and subsequent adoption by the Management Board of staffing decisions for the Bank's activities, processes and procedures for working with personnel, and organization of an effective HR management system, an HR Committee has been established and is functioning. The main functions of the HR Committee are: determining the directions of HR management resourcing, implementing the HR policy approving internal documents governing HR management issues determining and optimizing the organizational and functional structure, staffing table and the total number of employees of the Bank ensuring personnel development and training processes regulating employee motivation and incentive systems, as well as individual payments arranging an efficient production process for the Bank's employees managing payments, social guarantees and compensations not related to remuneration ensuring the functioning of recognition programs approving an additional budget for these activities, if necessary.

The unit responsible for organizing the HR management system and executing resolutions adopted by the Bank's management bodies in the field of HR policy is the Bank's HR Department, headed by the HR Director.

The units within the HR Department carry out processes aimed at personnel management and creating comfortable working conditions, as well as personnel incentives and training:

The **Recruitment Office** is responsible for finding and selecting candidates, providing candidates with support up until the hiring stage, and assessing the effectiveness of HR indicators in terms of recruiting.

The **HR Records and Labor Relations Office** deals with the registration of labor relations with candidates and employment, as well as HR records management.

The functional responsibilities of the **Incentives and Benefits Division** include determining a strategy to provide cumulative incentives for employees, developing and implementing approaches to the management of fixed and non-fixed employee remuneration, developing, implementing and updating approaches to benefits and recognition programs provided to employees, as well as approaches to maintaining a healthy work-life balance, managing legal and regulatory risks in terms of employee incentives, and generating HR analytics.

The **HR Office**, which assesses the performance of HR indicators, including the analysis of reasons for employee outflow, deals with identifying employees who are at risk of outflow, and engages with employees in order to minimize the risks of employment termination. The HR Office's functional duties also include providing support for employees in relation to personnel issues, identifying training needs, conducting

assessment activities for managers, participating in the process of identifying high-performing and talented employees, and formulating development programs.

The **Talent Development and Training Office** develops and implements onboarding and mentoring programs for new employees, implements tools for the development of managerial competencies, evaluates managers, conducts interviews to assess the level of managerial competencies, holds training events, applies tools for working with talented employees, conducts regular research of the level of employee engagement, and carries out activities aimed at team building and improving interaction. The management is also involved in the process of managing employee performance using the Performance Management tool.

The **Organizational Development Function** is responsible for supporting, monitoring and implementing control over changes in the organizational and functional structures of the Bank's units, as well as carrying out work on labor rating in order to improve work organization and eliminate non-productive costs and worktime losses.





In 2020, the first employee engagement survey was conducted, which showed an engagement level of 84%. Our survey partner was Happy Job, which ranked first in Russia in 2020 in terms of research volume, including in large banks. The study was conducted in the form of a confidential, impersonal survey. As part of the study, the following indices were assessed:

- Engagement – a physical, emotional and intellectual state in which employees strive to do their work as best as possible. The index reflects the internal attitude of employees (motivation to achieve results) and the productivity of the working environment in the unit and the company.
- Loyalty – the commitment to the company. The index reflects the readiness of employees to recommend the company and continue to work at it. Employee loyalty affects the desire to be productive and stay at the organization now and in the future, as well as the likelihood of supporting changes.
- Satisfaction – a state in which employees are satisfied with their work, working conditions and working atmosphere in the company. Satisfied employees are more loyal and engaged.

The survey results provided an opportunity to identify areas of development and assess the strengths and weaknesses of HR management.

The study is planned to be conducted on an annual basis, and the goal is to increase engagement. After a detailed analysis of the results of 2020, goals and objectives will be set to improve HR procedures and further develop corporate culture.

A performance assessment is carried out for each employee as part of the annual performance assessment.

## Annual assessment activities (Performance Management)

The Performance Management (PM) system was launched in 2019. This performance management tool provides a consistent approach to employee development. PM helps maintain regular communication between employees and the management and structure relationships. Within the framework of PM, an individual development plan is created for the employee based on the assessment of competencies and taking into account the needs of the employee and the company. The plan entails a list of measures to improve the employee's performance and develop corporate and professional competencies.

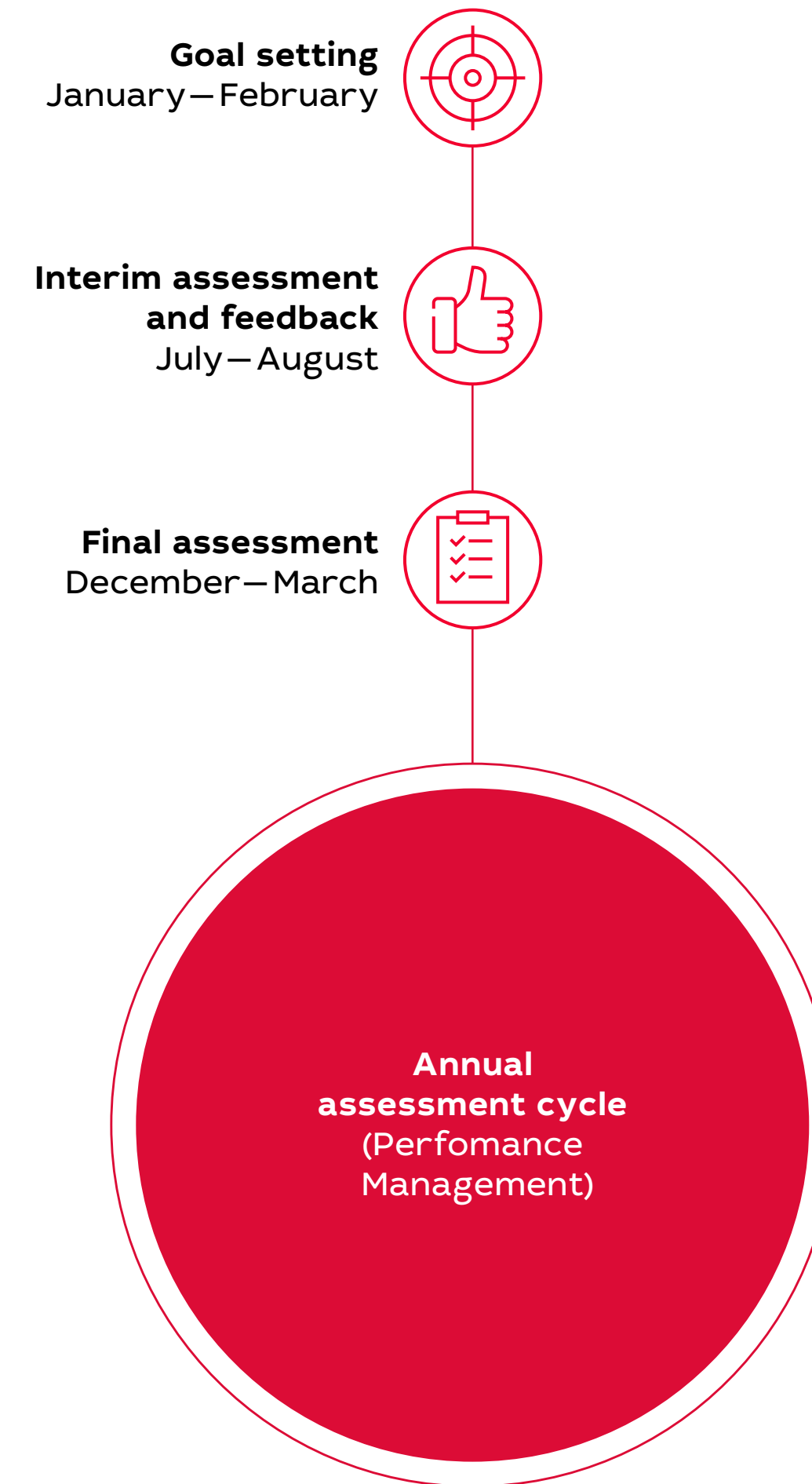
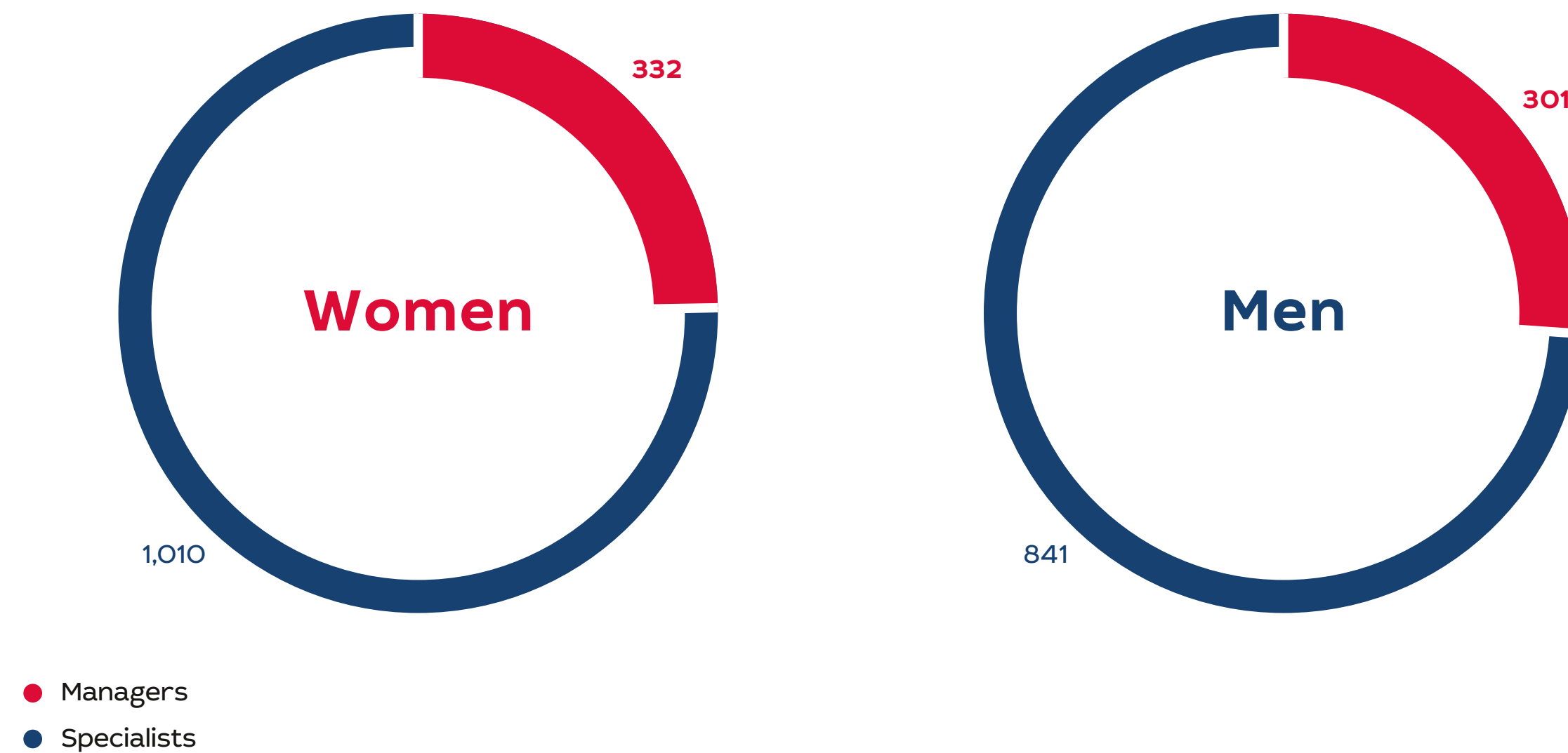
The annual HR assessment is part of the Bank's HR management system and is carried out with the aim of increasing the performance and effectiveness of each individual employee as well as the Bank as a whole.

The annual assessment allows us to solve the following tasks:

- Cascading the strategic goals of the Bank
- Structuring the activities of employees and establishing clear, understandable requirements for the performance of each employee
- Increasing the transparency of the results evaluation and the personal contribution of each employee, making decisions on incentives based on these results
- Determining the priority needs for employee training and development
- Identifying high-performing employees with the aim of further development and promotion
- Fostering a targeted culture that promotes performance and feedback.

In 2020, almost all of the Bank's employees who are not covered by specific performance management and bonus systems became participants in the incentive program in accordance with the Performance Management system, and the employee coverage level of transparent incentive systems reached a maximum of 92%.

**GRI 404-3**  
In 2020, 2,484 employees underwent performance assessments



Progress towards 2020 goals

| Goal   | Progress status | Summary of 2020 results   |
|--|-----------------|---|
| Recruitment  |                 |   |
| Improving and increasing the efficiency of the recruitment processes | Achieved        | <ul style="list-style-type: none"><li>• 1,562 vacancies were filled (567 prof./995 mass), 82% by the deadline</li><li>• Internal competition – 27 employees successfully passed the competition and moved to other units of the Bank</li><li>• Colleagues are chosen! – 60 people were accepted from among those recommended by employees</li></ul> |
| Launch of a new CRM for recruitment                                  | In progress     | The design phase was completed, and implementation started  |
| Development of the MKB Universe program                              | Achieved        | <ul style="list-style-type: none"><li>• The list of educational institutions with which the Bank cooperates has been expanded</li><li>• As part of the program, 8 interns were accepted for working remotely</li></ul>  |

Progress towards 2020 goals

| Goal   | Progress status | Summary of 2020 results  |
|--|-----------------|--|
| Adaptation   |                 |  |
| Automation of onboarding processes for new employees                             | In progress     | <p>An updated and automated onboarding system was launched for the entire bank:</p> <ul style="list-style-type: none"><li>• Updated onboarding course</li><li>• Updated onboarding workshop (also online).</li></ul> <p>The following processes are automated:</p> <ul style="list-style-type: none"><li>• Sending a welcome letter</li><li>• Assignment of required courses with reminders to take them</li><li>• Check of the onboarding process in the format of surveys on days 30 and 75.</li></ul> <p>The launch of the revised process for setting tasks for the probationary period at the Bank-wide level is scheduled for Q1 2021.</p> |
| Performance management   |                 |  |
| Conducting an employee engagement survey   | Achieved        | The survey was completed, the results are under consideration  |
| Study of managerial competencies development as part of the annual HR assessment | In progress     | The final assessment for 2020 is underway  |



Progress towards 2020 goals

| Goal   | Progress status | Summary of 2020 results   |
|--|-----------------|---|
| Training and development   |                 |   |
| Development of management skills and effective engagement with employees (within the framework of the Academy of Leadership and Management)  | Achieved        | Planned activities have been carried out  |
| Implementation of the annual HR assessment and other types of instrumental assessment  | Achieved        | The annual assessment covered about 2,500 employees, other types of assessments are carried out using internal and external resources |
| Implementation of an expanded training program for employees and managers aimed at developing soft skills  | Achieved        | The Academy of Management and Leadership for executives and the Business Academy for all employees were developed and launched.       |
| Development and implementation of a training system for employees of business areas, including distance learning for products, software, and skills. Launch of a training matrix, creation of documentation on TPM<br>Coverage: RB, SMB, Premium | Achieved        | Business line training systems have been developed and launched   |
| Development of a training program for function managers, approval by the Management Board, holding a tender to select a supplier   | In progress     | The manager development program was developed and approved, a tender has been held, a decision is pending on the service provider     |
| Automation of the learning processes: setting goals for a trial period, external training, automating the assignment of distance courses   | In progress     | The process of setting goals for the trial period has been automated, the process of automating external training is being finalized  |

# 5.1 Personnel structure

GRI 401-1, GRI 405-1

At the end of 2020, the number of the Bank's employees remained stable compared to the 2019 level.

GRI 102-8 Personnel by type of employment and type of employment agreement

|   | As of December 31, 2020, persons |
|---|----------------------------------|
| Total employees as of December 31, 2020 | 5,511                            |
| Full time                               | 5,394                            |
| Part time                               | 117                              |
| Fixed-term employment agreement         | 183                              |
| Indefinite-term employment agreement    | 5,328                            |

### Personnel by gender and age composition and position

|   | 2017  | 2018  | 2019  | 2020  |      |
|---|-------|-------|-------|-------|------|
| <b>Headcount as of December 31, 2020</b>      | 5,620 | 6,102 | 5,407 | 5,511 |      |
| <b>Number of employees by gender:</b>         |       |       |       |       |      |
| Men   | 2,641 | 2,709 | 2,021 | 2,036 | 37 % |
| Women   | 2,979 | 3,348 | 3,386 | 3,475 | 63 % |
| <b>By age:</b>                                |       |       |       |       |      |
| Employees                                     |       |       |       |       |      |
| up to 30                                      | 2,079 | 2,089 | 1,958 | 1,861 | 34 % |
| 30-50   | 2,979 | 3,408 | 3,089 | 3,240 | 59 % |
| over 50                                       | 562   | 560   | 360   | 410   | 7 %  |
| <b>Management Board</b>                       |       |       |       |       |      |
| Executive management                          |       |       |       |       |      |
| up to 30                                      | 0     | 1     | 1     | 1     | 1 %  |
| 30-50   | 43    | 41    | 49    | 60    | 90 % |
| over 50                                       | 3     | 3     | 5     | 6     | 9 %  |
| <b>By position:</b>                           |       |       |       |       |      |
| Managing positions                            | 46    | 45    | 55    | 67    | 1 %  |
| Other positions                               | 5,574 | 6,057 | 5,352 | 5,444 | 99 % |
| <b>Share of women in managerial positions</b> | 26%   | 20%   | 33%   | 33%   |      |



Employee by region

| City         | Number of employees<br>as of December 31, 2020 | City           | Number of employees<br>as of December 31, 2020 | City           | Number of employees<br>as of December 31, 2020 |
|--------------|--|----------------|--|----------------|--|
| Arkhangelsk  | 6  | Krasnogorsk    | 24   | Ramenskoe      | 16   |
| Balashikha   | 32   | Krasnoznamensk | 7  | Reutov         | 3  |
| Vidnoe       | 9  | Kursk          | 7  | St. Petersburg | 178  |
| Vladimir     | 7  | Lipetsk        | 11   | Severodvinsk   | 7  |
| Vologda      | 7  | Lobnya         | 8  | Sergiev Posad  | 9  |
| Voronezh     | 9  | Lyubertsy      | 25   | Serpukhov      | 11   |
| Voskresensk  | 12   | Moscow         | 4,086  | Smolensk       | 181  |
| Gatchina     | 9  | Murmansk       | 11   | Syktvykar      | 8  |
| Dolgoprudny  | 8  | Mytishchi      | 35   | Tver           | 88   |
| Domodedovo   | 12   | Naro-Fominsk   | 13   | Troitsk        | 11   |
| Ekaterinburg | 19   | Noginsk        | 9  | Khimki         | 28   |
| Zhukovsky    | 12   | Odintsovo      | 52   | Cherepovets    | 9  |
| Zelenograd   | 18   | Orel           | 6  | Chekhov        | 10   |
| Izhevsk      | 5  | Perm           | 321  | Shchelkovo     | 16   |
| Kazan        | 17   | Petrozavodsk   | 9  | Elektrostal    | 14   |
| Kaliningrad  | 9  | Podolsk        | 56   | Yaroslavl      | 6  |
| Korolev      | 14   | Pskov          | 9  |                |  |
| Kostroma     | 7  | Pushkino       | 15   |                |  |

Number of new employee hires<sup>1</sup>

| Year | Total | Men | Women | Under 30 years old | 30–50 years old | Over 50 years old |
|------|-------|-----|-------|--------------------|-----------------|-------------------|
| 2017 | 1,355 | 556 | 799   | 804                | 497             | 54                |
| 2018 | 1,984 | 773 | 1,211 | 978                | 921             | 85                |
| 2019 | 2,279 | 936 | 1,343 | 1,256              | 948             | 75                |
| 2020 | 1,813 | 726 | 1,087 | 1,017              | 746             | 50                |

Staff turnover, %<sup>2</sup>

|   | 2017   | 2018   | 2019   | 2020   |
|---|--------|--------|--------|--------|
| Total   | 21.60% | 25.00% | 58.8%  | 34.9%  |
| Total (market benchmark, reference group)     |        |        | 36.60% | 34.80% |
| Voluntary                                     | 17.30% | 19.80% | 27.00% | 24.10% |
| Voluntary (market benchmark, reference group) |        |        | 25.70% | 27.10% |
| Forced  | 4.30%  | 5.20%  | 31.8%  | 11%    |
| Forced (market benchmark, reference group)    |        |        | 7.50%  | 5.80%  |

Note: 1. Number of new employee hires in 2019 was specified and corrected. 2. Turnover rate, calculated in accordance with the GRI methodology.

Staff turnover by gender and age, %

| Year | Total   | Men     | Women   | Under 30 years old | 30–50 years old | Over 50 years old |
|------|---------|---------|---------|--------------------|-----------------|-------------------|
| 2017 | 21.60 % | 21.73 % | 19.81 % | 30.40 %            | 16.41 %         | 7.65 %            |
| 2018 | 25.00 % | 25.14 % | 24.88 % | 32.98 %            | 21.95 %         | 13.75 %           |
| 2019 | 58.80 % | 84.27 % | 40.67 % | 56.28 %            | 54.45 %         | 82.22 %           |
| 2020 | 34.9 %  | 35.31 % | 30.39 % | 47.72 %            | 24.48 %         | 22.93 %           |

GRI 102-8

The decrease in headcount and surge in staff turnover in 2019 is associated with the transfer of the cash collection function to NPO INKAKHRAN (JSC), the optimization of business processes, and a change in the functional and organizational structure of the company. The functions of operational support for the Bank’s real estate and technical support for subsidiaries in the Moscow region were also outsourced. In 2020, the transformation of the organizational structure and work to improve operational efficiency continued, which led to both a fairly high turnover and a high recruitment rate. In addition to increasing labor productivity by automating and modernizing internal processes, the potential of transferring back-office and mass personnel to regions around

the Russian Federation has been realized by creating jobs in “operational hubs” based in cities such as Perm, Smolensk, Kazan. The decision to expand employment opportunities in the Russian regions will continue to be implemented in 2021, and the economic effect from the measures being introduced is expected up to 2024 inclusive.

By providing equal employment opportunities, the Bank maintains a gender balance on the team – for the second year in a row, the share of women in the Bank’s team is 63%. The share of women in managerial positions also remains quite high at 33%, as in 2019.

HR Policy and the Code of Corporate Ethics provide for the commitment to the principles of non-discrimination. The Bank respects the

different cultures, worldviews and lifestyles of all its employees. All HR procedures are based on the principle of differentiating employees solely in terms of their corporate competency development and efficiency in their job preferential treatment on grounds other than professionally significant ones is not acceptable.

The structure of the Bank’s personnel is characterized by an optimal balance of youth and experience and has remained stable for several years, despite the organizational changes in progress in the Bank. At the same time, employees under the age of 30 make up one third of the total headcount. Programs that focus on working with universities, as well as a referral program for existing employees, play an important role.

GRI 401-3

100% of personnel (5,511 employees: 2,036 men and 3,475 women as of December 31, 2020) is entitled to parental leave. According to the labor legislation of the Russian Federation, not only the child's mother, but also the father, grandmother, grandfather, or other relatives or guardians who actually take care of the child have the right to parental leave until the child reaches 1.5 and 3 years of age. While on parental leave, these employees can also work part-time or work at home, while retaining the right to receive state social insurance benefits. For the period of parental leave, the employee retains his/her job position. Parental leave shall be counted as part of the total length of service, as well as part of the length of service according to the employee's specialty (except when taking early old-age pension).

| Total number of employees who took parental leave, by gender   | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------|
| women  | 176  | 186  | 173  | 180  |
| men  | 2    | 2    | 4    | 0    |
| TOTAL  | 178  | 188  | 177  | 180  |
| Total number of employees returning to work after parental leave, by gender  |      |      |      |      |
| women  | 107  | 104  | 84   | 73   |
| men  | 0    | 1    | 0    | 0    |
| TOTAL  | 107  | 105  | 84   | 73   |
| Total number of employees who returned to work after parental leave and continued to work twelve months after returning to work, by gender |      |      |      |      |
| women  | 97   | 91   | 81   | 10   |
| men  | 0    | 0    | 0    | 0    |
| TOTAL  | 97   | 91   | 81   | 10   |
| Percentage of employees retained/who returned to work after parental leave   |      |      |      |      |
| Average  | 2017 | 2018 | 2019 | 2020 |
| 51%  | 60%  | 56%  | 47%  | 41%  |



## 5.2 Job creation and recruitment

Among the Bank's significant indirect economic impacts, job creation plays a special role. MKB promotes the creation of jobs in its regions of presence, with workplaces complete with modern equipment and technologies that meet safe working conditions. At the same time, the positive effect of job creation is measured not only in terms of wages, but also in terms of providing stable employment to the population. An important element of this is to involve employees in the production process in order to develop and improve their professional level, along with each employee's ability to influence the overall result of the Bank. MKB is making efforts to promote the rational use of labor resources through the introduction of new automated solutions and training programs, the development and implementation of projects to improve efficiency and optimize business processes, which contributes to the productive employment of workers.

The main drivers for the creation of new jobs at MKB are the annual growth of business indicators and the expansion of the Bank's geographical

presence, which is reflected in the MKB's Public Strategy, as well as transformational processes aimed at increasing operational efficiency. As the network of regional offices develops within the framework of the strategy implementation, the Bank increases its contribution to the sustainable development of the regions. The strategy provides for further expansion of the regional network.

For the period of 2018–2020, projects were implemented to transform the management structure of the Bank. Initiatives to centralize and unify business support and support processes included in the project perimeter allowed for the creation of new jobs in Tver, Smolensk, Perm and Kazan, reducing negative consequences such as an increase in migration, especially among young people. This also contributed to the development of cooperation with leading universities in Moscow, Tver and Perm for employing young specialists to work at MKB. For students of educational institutions, the Bank launched an MKB Universe internship program.

### MKB Universe

MKB Universe is an internship program aimed at 4-5 year full-time undergraduate and graduate students. MKB Universe has been operating in all units of the Bank since 2019 and helps students to make maximum use of their study years and gain work experience before graduating from university. Interns try their hand at banking, gaining practical knowledge in the process that helps them get a successful start to their career. The largest universities in Moscow are involved in the program, including Moscow State Institute of International Affairs, Moscow State University, Bauman Moscow State Technical University, Moscow Institute of Physics and Technology and others. For graduate students, MKB arranges lectures and master classes, during which senior managers and experts from MKB share their practical experience with students.

In 2020, the format of the program underwent some changes due to the pandemic. To ensure the health and safety of employees and students, MKB Universe was arranged in a remote format.

**14** university students underwent an internship at MKB in 2019

**8** students were hired to work remotely in 2020

Recruitment is one of the key HR processes, which has the objective of creating a strong team of professionals. Recruitment is carried out according to an agreed application for recruitment and the approved profile of the position. Requirements for candidates are based solely on professional and business qualities (education, qualifications, knowledge, experience, skills, abilities, etc.).

All specialists working in the Recruitment Department undergo training, where they are familiarized with the procedure for recruiting personnel and the basic principles of assessment.

We comply to all laws and regulations and do not deny employment to candidates because of their gender, age, appearance, nationality, religion or other characteristics.

The Bank provides the possibility of internal personnel rotation. An employee can apply to participate in an internal competition with the aim of being subsequently transferred to a vacant position in another unit. Internal candidates are considered on a general basis in accordance with the requirements set out in the recruitment application. The results of internal recruitment do not affect the work and career advancement of the employees who were rejected at different stages. When an employee is transferred as a result of the internal recruitment process, the salary is established within the framework of the remuneration stipulated by the staffing table for the position to which the employee is transferred. In addition, the extent to which the internal candidate is suitable and qualified for the position is taken into account in accordance with the rules for determining fixed remuneration for hired employees established by the internal documents of the Bank (that is, according to the same principles used as a basis to determine remuneration for external candidates).

MKB has a referral program called "Colleagues are chosen!", as part of which current employees can recommend a candidate for open vacancies. The program has proven to have a beneficial effect on employee engagement in the team-building process.

To ensure that employees integrate as comfortably as possible, we carry out onboarding activities for new employees. These activities include taking training courses on the corporate online platform, getting to know the employees of the HR Office, and completing tasks from the checklist, which allows new employees to meet their colleagues and set up a comfortable workspace.

## 5.3 Employee remuneration and incentives

The Bank is building an approach to employee incentives around its main goal – to be a reliable, convenient and expert financial assistant for its clients and partners, contributing to the development of each of them as well as of the country's economy as a whole. We strive to provide our employees with a decent salary within the framework of the corporate culture and values of the Bank, while strictly observing the labor legislation of the Russian Federation and regulatory requirements.

The cumulative incentive strategy aims to attract, motivate and retain highly qualified personnel in a sustainable manner. The Bank's remuneration programs are based on responsibility, risk minimization and compliance with legal and regulatory requirements. They support the Bank in achieving the desired level of high performance culture.

The Bank is establishing a cumulative incentive strategy according to unified principles and standards, applying a differentiated approach based solely on employee performance and level of

compliance with corporate competencies, without using any other criteria and principles other than professionally significant ones.

The remuneration system includes fixed and non-fixed parts. Remuneration requirements cover both fixed and non-fixed parts of compensation, including the best market practices and processes. The fixed remuneration is not related to performance, but rather to the quantity and quality of work produced over the given period. Non-fixed remuneration refers to any reward that is related to performance and efficiency, and is not related to other categories of incentives. The Bank strives to maintain an appropriate balance between fixed and non-fixed remuneration for all employees, corresponding to their functional responsibilities, business area, assumed risks and level of position. This means that the Bank establishes a different ratio of fixed and non-fixed remuneration for different categories of employees, taking into account the established legislative and regulatory requirements for the ratio.

The Bank has developed unified approaches to the amount of fixed remuneration when hiring new employees and in case of horizontal and vertical transfers, as well as a process of regular revision of the fixed remuneration, depending on each employee's performance and taking into account

the financial capabilities of the Bank. In any case, the fixed remuneration of each employee at the Bank is subject to revision at least once every three years.

In 2020, we focused on working with the fixed aspect of remuneration, which involved introducing a grading system for more efficient management of the wage fund, and taking into account the contribution made by each position to the overall results of the Bank. The Bank also established the option to revise the amount of fixed remuneration based on employee performance.

Non-fixed remuneration in the form of one-time bonuses is established by transparent incentive systems containing the definition of the target amount of bonuses, rules, parameters and a formula for calculating the actual amount of bonuses, as well as the conditions and procedure for their payment.

In 2020, the incentive strategy focused on striking a balance between the negative impact of market uncertainty and maximizing staff productivity against the backdrop of the coronavirus pandemic. Thus, in order to achieve maximum compliance amid rapidly changing external conditions, the Bank implemented more than 80 initiatives in 2020 to develop and modernize incentive payments, including 9 new incentive systems.



#### GRI 405-2

In 2020, the average fixed salary for specialists, excluding non-fixed remuneration, was at least 3 times the minimum salary established for Moscow, regardless of gender and region.

To create a social atmosphere and maintain informal communication while employees work remotely on a mass scale, most of the events were transferred to the online format. Throughout the year, we invited employees to take part in sporting and charitable events online, webinars on topical issues from experts in the medical field and financial spheres, and as soon as it became possible, in offline sports activities, including the Moscow Marathon, a hockey tournament, and Race of Heroes.

**>80** initiatives

**in 2020 to develop and modernize incentive payments, including 9 new incentive systems**

In response to the loss of employee identity felt both with the team and with the Bank as a whole, a comprehensive gamified employee loyalty program, MKB League, was developed for different teams during the period of self-isolation in the reporting year. The program aims to bring together all employees around socially oriented activities that support the corporate competency model.

#### GRI 401-2

We strictly comply with the legislation of the Russian Federation governing the relationship between employer and employees, including in terms of providing mandatory state benefits and guarantees to certain categories of employees:

- Combining work with training
- Carrying out work in the regions of the Far North and equivalent areas
- Temporary leave when unable to work (including leave for pregnancy and childbirth)
- Leave in case of donating blood and its components
- Leave due to childcaring needs (including a disabled child) and for other caregivers.

The Bank operates a system of additional benefits, which includes an extensive program of voluntary health insurance (VHI), compensation for lost income due to employee illness, financial assistance in the event of a child's birth, the death of a close relative, or due to emergency circumstances, as well as special offers and discounts for employees from partners, and New Year gifts for employees' children.

These benefits are provided to employees regardless of the region in which the employee works. Voluntary health insurance, compensation for lost income due to illness and material assistance are provided to all employees at the primary place of employment who have successfully passed the probationary period, regardless of the period of employment and whether its full-time or part-time employment. The rest of the above-mentioned additional benefits are provided to all employees without exceptions and conditions. For relatives, employees can pay for an insurance program on preferential terms at corporate cost.

In terms of benefits, 2020 was aimed at providing additional protection and support to employees in the area of health and wellness. The Bank took protective measures to prevent the spread of COVID-19, which including enforcing remote work for all employees whose business processes so allowed (more than 60% in the period from March to August), mandatory placement of personal protective equipment in offices, enhanced cleaning and disinfection in offices, physical separation of space to ensure social distancing, mandatory quarantine not only for tier-1 contact persons,



but also for tier-2 contact persons. In addition, mandatory measures for monitoring the health of employees were introduced. These included daily temperature-taking, diagnostics of COVID-19 infection rate every two weeks, diagnostics of immunity to COVID-19, and monitoring of the reasons for taking leave days.

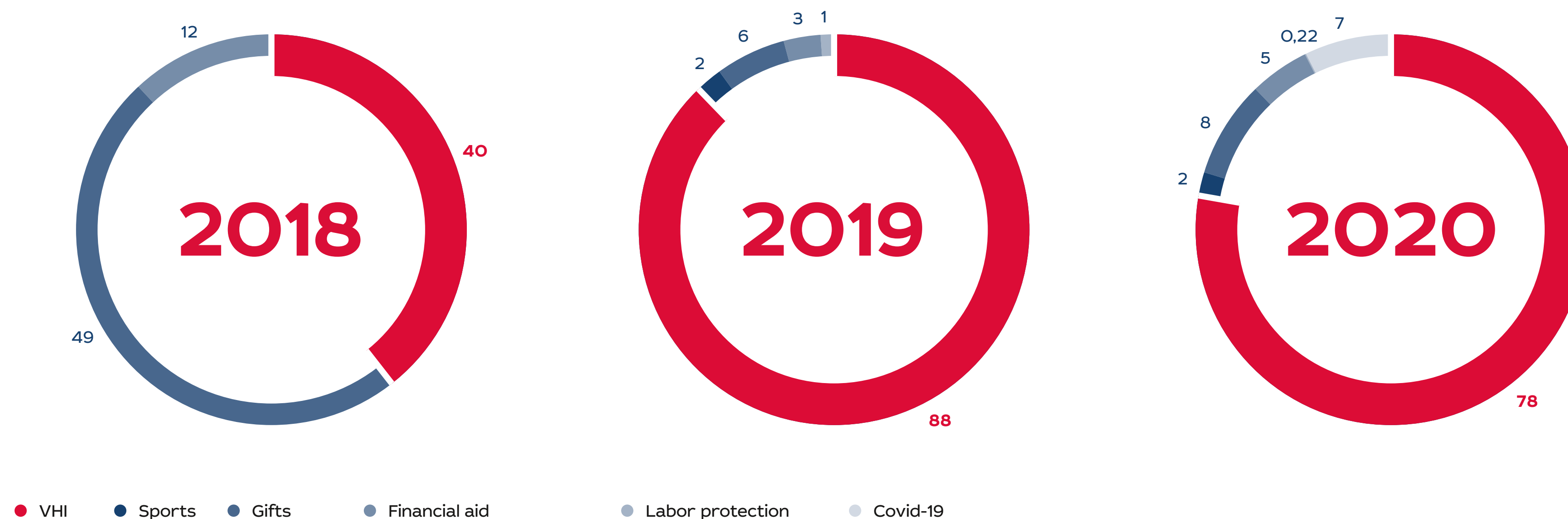
In addition, all employees who continued to work in the office were provided with life and disability insurance in case of contacting COVID-19.

Moreover, in response to transitioning to the online format and to help employees in the stressful circumstances of 2020, the Employee Assistant Program (EAP) was introduced in pilot mode. The program entails providing employees with remote consultations on psychological, financial, tax, legal issues, and telemedicine services.

Since 2020, a **Long-Term Incentive Program (LTIP)** has been in place for the Bank's senior

management, based on the value of MKB shares. For 2021, it is planned to extend this initiative to key and high-performing employees. Thus, the Bank seeks to align the interests of key personnel and key stakeholders.

Structure of social costs for personnel, %



## 5.4 Training and development

Employees are the main capital of the company. Their development is important in terms of forming a balanced and competent team that will contribute to the implementation of the Bank's strategy, encourage the Bank's prosperity, and ensure the growth of clients and profits.

The training is aimed at creating a professional, loyal team and increasing the return on labor of each employee. This helps to solve the problem of staff turnover and save money on training new employees. The company's labor productivity and efficiency are growing.

Career development helps employees to identify their professional capabilities and potential, plan and build a career, and quickly adapt to changing business conditions, new technologies and tools. As a result of implementing effective personnel development programs, the Bank is a leading company in terms of introducing technologies and innovations, which in turn makes it attractive for business and private clients.

The Bank has implemented and continues to conduct basic training for new employees in different business areas, who subsequently start working with the Bank's clients. The training is based on career models and includes the main aspects of the employees job duties in their respective positions. We strive to constantly

improve and enhance training and development programs, expanding training topics, applying modern technologies and increasing the convenience of the learning process.

In terms of developing professional and personal skills, employees are offered a wide range of courses, which are conducted both by the Bank and involving external experts. In the reporting period, employees were trained according to the Bank's internal professional training programs on products, software and processes in order to develop their hard skills, and they also participated in external professional development programs. To develop their soft skills, employees were given the option of choosing an interesting course from a variety of internal programs, such as Business Correspondence, Time Management in Remote Work, Emotional Intelligence and others.

A separate direction is the program for developing management personnel, which involves developing managers' leadership competencies and training an internal personnel reserve – Leadership Academy. The training includes courses covering both the history of management and the practical aspects of effective team management.

In 2020, the average number of training hours per employee was 30.97.

### Principles of the employee training and development

#### Focus on business results

Strategic and tactical business objectives are determining factors when it comes to deciding on the feasibility of training and development, as well as in the choice of methods, tools and resources for the implementation of training

#### Competence-based approach

All tools for all levels of personnel are based on developing competencies in accordance with the approved competence model

#### Performance

Ensuring ongoing performance assessment for specific activities and the entire system as a whole at all stages of the management cycle

#### Consistency

Management of the training cycle on an ongoing basis, applying unified approaches and principles

#### Innovation

Implementation of best market practices and application of advanced digital technologies

#### Obligation

Observing legal requirements in terms of compliance with the mandatory established deadlines for passing external trainings for certain positions

GRI 404-2

Key employee development programs implemented at MKB in 2020

| Training program   | Program description   |
|--|---|
| Internal development programs for middle management                        | 12 webinars on practical aspects of effective management  |
| Internal programs for the development of soft skills                       | 20 webinars aimed at developing personal and non-specialized skills that increase employee performance regardless of position and professional field  |
| Programs within the framework of corporate culture development             | A set of lectures and master classes of a general educational, informative and entertaining nature, aimed at promoting general development and awareness. As part of this program, a presentation was held for employees on measures to prevent COVID-19. |
| Internal vocational training programs for products, software and processes | Specialized vocational training courses for the Bank's employees, including in the Retail Block, the Underwriting Unit, the SME Department and others   |
| External professional development programs                                 | Programs to improve and develop employees' professional knowledge and skills, conducted by external experts   |

GRI 404-1

Average training hours per employee in 2020

| Gender | Training hours | Average number of employees | Average |
|--------|----------------|-----------------------------|---------|
| women  | 95,344.75      |                             |         |
| men    | 51,531.5       |                             |         |
| Total  | 146,876.25     | 4,743.29                    | 30.9651 |

| Composition          | Training hours | Average number of employees | Average |
|----------------------|----------------|-----------------------------|---------|
| Specialists          | 128,305.25     |                             |         |
| Management personnel | 18,571         |                             |         |
| Total                | 146,876.25     | 4,743.29                    | 30.9651 |



## 5.5 Non-discrimination and equal opportunities

MKB advocates for openness and fairness in the workplace. The corporate culture is characterized by open dialog, trust and mutual recognition. One of the key principles of the Bank's HR Policy is to prevent any discrimination against the Bank's employees for political, religious, national and other similar reasons when it comes to hiring, paying, and promoting them.

MKB promotes equal opportunity in both the recruitment and salary setting processes, and strives to prevent all forms of discrimination and pressure in the workplace, regardless of race, gender, nationality, language, origin, age, religion, sexual orientation, or property, family, social and official status. We strive to increase diversity and inclusivity with regard to the Bank's workforce. Quotas have been established with regard to recruiting people with disabilities. In this way, MKB provides support and equal treatment for all job candidates.

At each stage of personnel management, procedures have been introduced to prevent discrimination. This includes during recruitment,

in the processes of onboarding, training, and development, when providing employees with opportunities for occupying vacant positions within the Bank, and in the course of providing remuneration, compensation and benefits.

In matters related to non-discrimination and creating equal conditions and opportunities for all employees, the Bank strictly observes the Constitution and the Labor Code of the Russian Federation, as well as additional requirements set forth in internal documents:

- HR Policy
- Code of Corporate Ethics
- Regulations on the Hotline of the Audit and Risk Committee of the Supervisory Board

Any employee of the Bank can send a query or make a complaint using the Hotline of the Audit and Risk Committee, including anonymously. The query or complaint will be reviewed and passed on to the responsible employees.

In addition, in 2020 the option was set up to allow any employee to contact the HR Director directly via the internal corporate portal.

### GRI 406-1

There were no cases of discrimination in 2020, and no complaints or queries were filed by candidates or employees. As a result, the Bank did not need to take response measures.

Note: For more information on the Hotline, see the MKB's Code of Ethics and Standards section on p. 39.

## 5.6 Goals for the short and medium term

- Further expansion of the regional network.
  - Introduction of grade-based remuneration management into daily practice, linking the optimal composition of benefits to grades, assimilating the MKB League loyalty program, developing and implementing a well-being program for employees, and introducing predictive analytics to proactively deal with stress and burnout.
  - Expanding the existing Long-Term Incentive Program (LTIP) based on the value of MKB shares to key and high-performing employees.
  - Development and improvement of management skills and effective interaction with employees in the framework of training sessions
- of the updated Academy of Leadership and Management, as well as part of the planned training program for function managers.
- Implementation of measures based on the results of the employee engagement study.
  - Improving employee training and development programs:
    - Implementation and improvement of the training and development program for the management staff of the Bank
    - Expanding the topics of programs for employees and managers of offices, divisions, departments and groups to improve knowledge and business skills
- Implementation and development of a mentoring system for employees of the front offices of the Retail Block and the SME Department
  - Expansion of modern distance learning tools.
  - Supporting existing norms in terms of compliance with all requirements of non-discrimination laws. Absence of complaints and legal action on the part of applicants and employees.



## 6. Health and safety





MKB priorities health and safety practices to protect our employees and clients, as well as business partners, visitors to the Bank's offices and other stakeholders. We strictly comply with the legal requirements to health and safety. We as well implement additional measures to ensure health and safety for our stakeholders.

Health and safety became of particular importance in 2020, as COVID-19 pandemic affected the way people work and interact with clients.

Key results in 2020

Provided all employees who continued to work in the office after March 2020 with **life and disability insurance in case of contacting COVID-19**

Complied with **all recommendations and requirements of the Federal Service for Supervision of Consumer Rights Protection and Human Welfare (Rospotrebnadzor)** and authorities to customer health and safety regarding COVID-19

Material topics

- Employee health and safety
- Customer health and safety

UN Global Sustainable Development Goals



GRI indicators

GRI 103-1, GRI 103-2, GRI 103-3, GRI 403-1, GRI 403-2, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7, GRI 403-10



# 6.1 Caring for our employees

GRI 103-1, GRI 103-2, GRI 103-3

Health and safety is one of our major priorities. Comfortable and safe working conditions for employees is a paramount to any company's effective operation. A well-designed occupational health and safety management system allows us to minimize the risk of illness or injury as a result of incidents, both for employees and clients of the Bank.

The main corporate documents that regulate health and safety are the **Health and Safety Policy** and the **Regulations on the Health and Safety Management System**. The main objectives of the Health and Safety Policy are:

- To place priority on protecting the life and health of employees
- To ensure continuous improvement of working conditions and ensure health and safety for employees by improving technological processes, technical equipment, and through professional development

- To support health and safety measures
- To prevent incidents and protect employee health
- To investigate and record of incidents and occupational diseases in accordance with the applicable laws and regulations, and identify the root causes and responsible persons
- To provide employees with personal and collective protective equipment, sanitary facilities in accordance with the legal requirements at the expense of the Bank
- To provide systematic training on health and safety for employees and foster their professional development

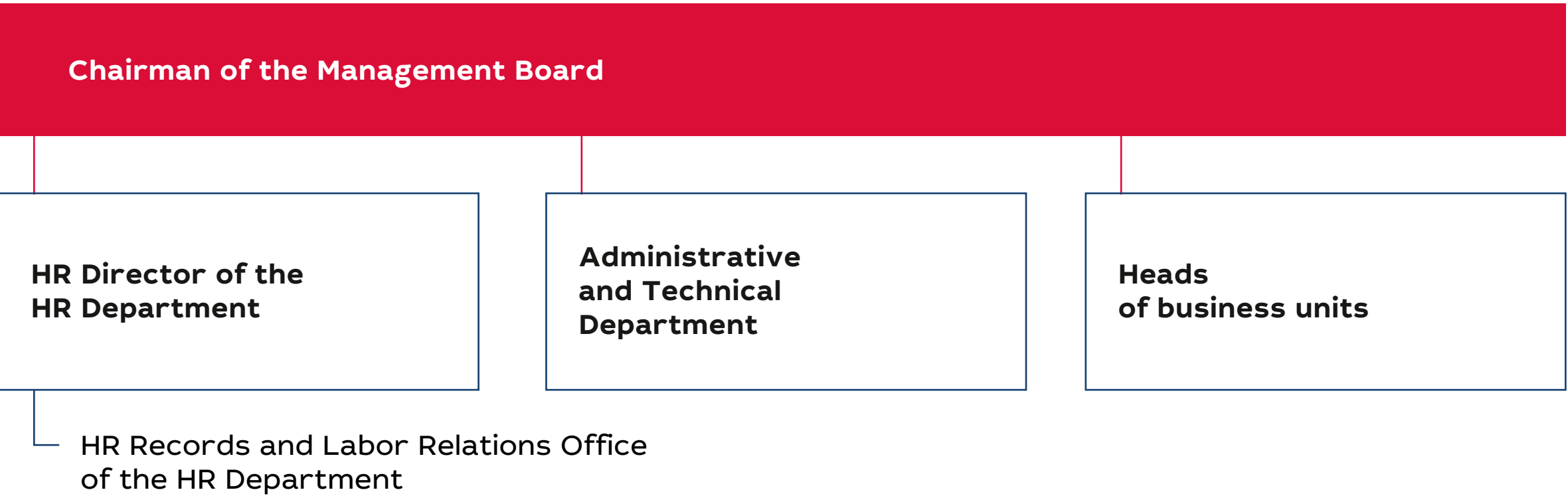
The Policy and Regulations on the Health and Safety Management System have been developed in accordance with the state health and safety policy, the Labor Code, federal laws, decrees of the Government of the Russian Federation and other legal acts regulating health and safety, taking into

account the specifics of the Bank's activities and the types of our economic activities.

The key performance indicator of our health and safety activities is the low level of injuries among employees, the results of a special assessment of working conditions, as well as the implementation of health and safety measures.

Bank employees at various levels, including executive management, are involved in the health and safety management process.

The **Chairman of the Management Board** of the Bank is responsible for ensuring safe working conditions and health and safety for employees. He/she delegates safety functions to the responsible employees of the Bank. The **HR Director** of the HR Department carries out general management, coordination and control in the field of health and safety, and ensures the fulfillment of the responsibilities and tasks assigned to the Bank in this area. The **HR Records and Labor Relations Office** of the HR Department deals with the development of internal documents on health and safety and ensures these are updated in a timely manner, as well as directly supervises and monitors the performance of health and safety work. The **Administrative and Technical Department** is responsible for ensuring the safe operation of buildings, structures and infrastructure of the Bank. The **heads of business units** carry out activities to ensure safety in the unit, including participating in the special assessment of working conditions, informing the employer in a timely manner of incidents (accidents) and cases of occupational diseases, and taking part in the investigation of such incidents etc.



GRI 403-1

The Health and Safety Management System (HSMS) adopted by the Bank has been developed to protect the life and health of all employees, as well as other individuals present to MKB offices, including contractors and suppliers, and its observance is mandatory for all. The system was developed taking into account the requirements of Russian law. There are various procedures in place which constitute an integral part of the regulations on the health and safety management system. These govern the distribution of functional duties, responsibilities and authorities regarding health and safety among the heads of the Bank's business units, ways to achieve the set goals, as well as methods for monitoring

and adjusting the results obtained. General control over the implementation of these procedures and the requirements of health and safety legislation is carried out by a full-time health and safety specialist.

We continuously improve the health and safety management system through developing measures based on the analyses of the HSMS effectiveness results. This includes an assessment of indicators such as the degree of achievement of health and safety goals, the need to adjust these goals, the need to redistribute resources and responsibilities, and the effectiveness of health and safety activities.

GRI 403-2, GRI 403-7

The Bank is taking preventive measures to ensure safety. Health monitoring is ensured by carrying out mandatory medical and psychiatric checks for certain categories of employees. Certified special clothing, special footwear and other personal protective equipment are provided for certain categories of the Bank's employees to prevent or reduce the impact of harmful and/or hazardous production factors.

In order to identify hazardous and harmful production factors, as well as to monitor the working conditions at workplaces, the Bank regularly conducts a special assessment of working conditions. The results are used to develop an annual action plan aimed at improving working conditions, labor safety, and reducing levels of occupational risks.

The procedure established at the Bank for personnel actions in the event of accidents and incidents ensures that:

- In the event of an accident, people in the working area are protected by means of an internal communication system and coordinated actions to eliminate the consequences of an accident

- Employees are able to stop working and immediately leave the workplace to reach a safe place
- Work is not resumed in case of an accident
- Information about the accident is provided to the relevant competent authorities, services and units in a timely manner
- First aid is provided to victims of incidents and accidents at work, including calling an ambulance and evacuating employees.

According to the results of a special assessment of working conditions in 2020, all workplaces were assigned Class 2 (permissible).

Investigation of incidents is carried out on a mandatory basis in accordance with the requirements of the Russian legislation.

The Bank encourages its employees to inform managers about work-related hazards and situations that, in their opinion, may lead to injury or endanger health. If an employee is uncomfortable to report such judgments to a manager or fears retaliation, he/she can contact the Hotline anonymously. In 2020, the Hotline received 2 queries on the issue of health and safety.

GRI 403-4

Employees are informed about the working conditions at their workplaces, the occupational risk levels, as well as the guarantees and compensations provided to them during briefings, training, seminars and conferences on health and safety, by means of information resources published online and information posted in public places, including the internal information portal of the Bank.

For the convenience of our employees, we have developed informational leaflets on health and safety focusing on various situations, for example, "Action plan for employees in case of security incidents", "Action plan for employees in emergency situations", "Safety procedures for employees" and others. The leaflets are designed in a convenient and understandable way and are available to employees.

Employees can offer ideas for improving the health and safety system and other processes by mailing a special e-mail. All incoming proposals are considered by the Bank's specialists.

Note: For more information on the Hotline, see the MKB's Code of Ethics and Standards section on p. 39.



Statistics on the special assessment of working conditions for the period of 2017–2020

| Year   | 2017 | 2018 | 2019  | 2020  |
|--|------|------|-------|-------|
| Number of workplaces where special assessment of working conditions (SAWC) was conducted | 460  | 430  | 1,250 | 2,220 |

GRI 403-5

Health and safety training and knowledge testing of health and safety requirements are carried out for the Bank’s employees in order to ensure preventive measures aimed at reducing injuries and prevent occupational diseases. All new employees are required to undergo introductory briefing when hired. Where necessary, briefings are carried out at the workplace (primary, repeated, unscheduled, and targeted). In the preparation process, various external and internal training sessions are also conducted with the Bank’s employees. Since 2019, a number of training sessions and tests have been conducted using the WebTutor distance learning system. Introducing this program made it possible to optimize the process of organizing training sessions (especially for regional workers), monitor compliance with the training frequency and participation percentage more quickly, as well as assess the effectiveness and accessible presentation of the training material.

All internal health and safety training for employees is provided free of charge. If necessary,

external health and safety trainings are provided for the Bank’s employees at licensed training centers. In 2020, 152 managers responsible for health and safety at the Bank’s business units underwent external training.

GRI 403-6, GRI 403-10

The Bank implements preventive measures to ensure employees health and safety by providing information, organizing safe spaces, providing protective equipment and overseeing compliance with the rules. No cases of occupational diseases were recorded.

We care about the health and well-being of our employees both when they are in and out of office. To maintain stable operation and protect the health of its employees, the Bank provides extensive voluntary health insurance (VHI), as well as compensation for lost income due to employee illness. These additional benefits are provided to all employees for whom the Bank is the primary place of employment and who successfully completed the probationary period, regardless of the length of employment or whether it is a full-time or part-time employment.

The VHI program includes: outpatient and polyclinic care, planned and emergency hospitalization, ambulance trips and home visits, dental care, and emergency care throughout Russia as well as traveler’s insurance. For relatives, employees can pay for an additional VHI program on preferential terms at corporate cost.

All employees who continued to work in the office in 2020 were provided with **life and disability insurance in case of contacting COVID-19.**

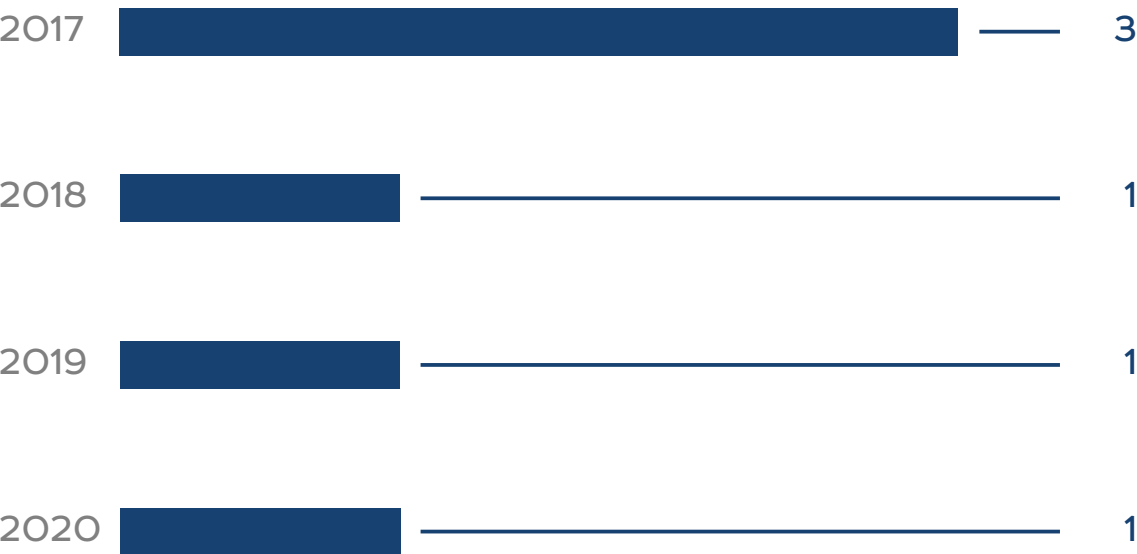
Every year we collect feedback from employees regarding their experience of using VHI and improve the insurance program.

The effectiveness of the Bank's activities in the field of health and safety can be assessed using the calculation of generally accepted indicators:

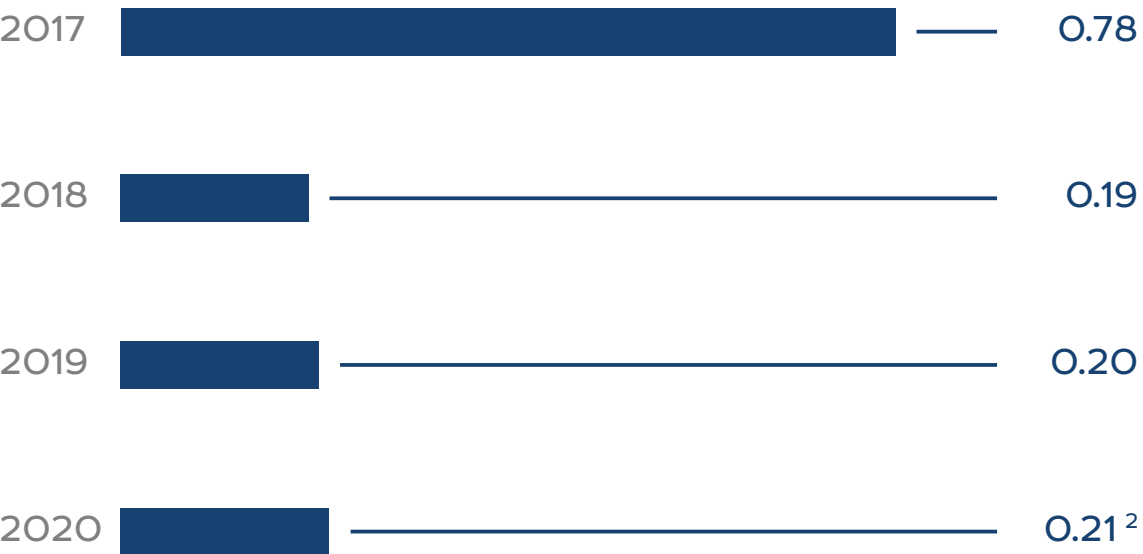
- Injury frequency rate ( $FR=T/E*1,000$ )
- Injury severity rate ( $SR=D/T$ ), where:
  - T – the total number of injured people during the accepted period, including all employees who spent more than one day on sick leave, regardless of whether the disability ended in the period under discussion or not
  - E – the average number of employees
  - D – the average number of leave days taken per injury

All accidents, if any, are investigated in accordance with the established procedure.

Number of injuries



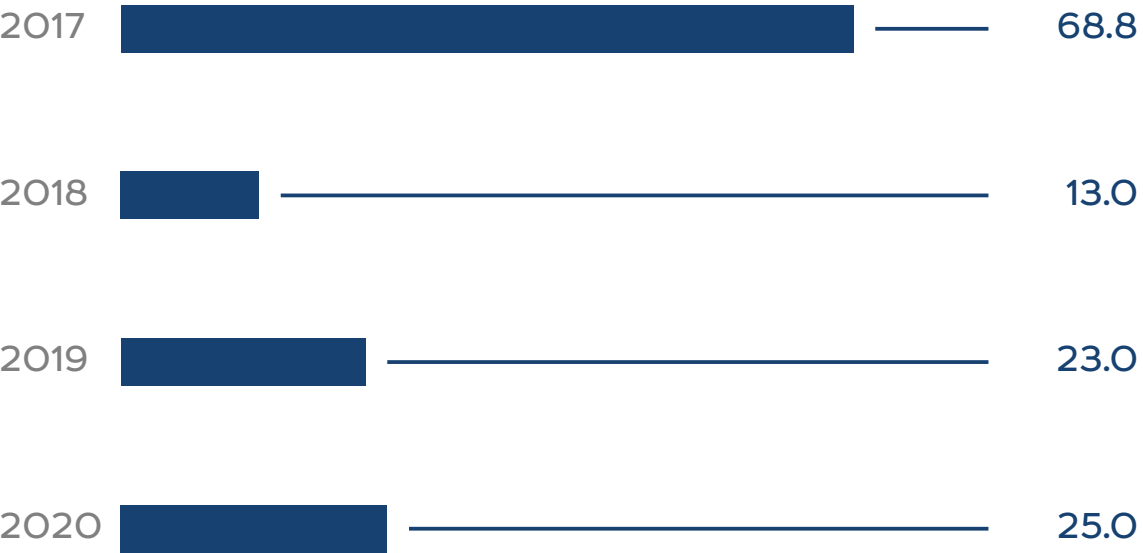
FR



Average number of employees



SR



Notes: The increase in the injury frequency rate is associated with a decrease in the average number of employees at the Bank

# 6.2 Caring for our clients

GRI 103

Our clients are one of the main stakeholders of MKB. Customer-centricity is a key principle in the implementation of the MKB strategy. The Bank strives not only to satisfy the needs of its clients but also to ensure their safety and well-being.

The branch employees ensure the comfort and safety of the Bank's visitors on a daily basis. We strive to prevent any unsafe situations. The Bank has developed instructions and action plans regulating actions in the emergency situations. Their main purpose is to protect the life and health of employees, clients and other visitors to the offices and branches of MKB.

All the Bank's offices and branches are equipped with security systems, which include burglar alarms, video surveillance, access control systems and fire warning systems. Information from the security system is collected in the MKB Monitoring Center, where the employees monitor security and take the necessary actions in the event of

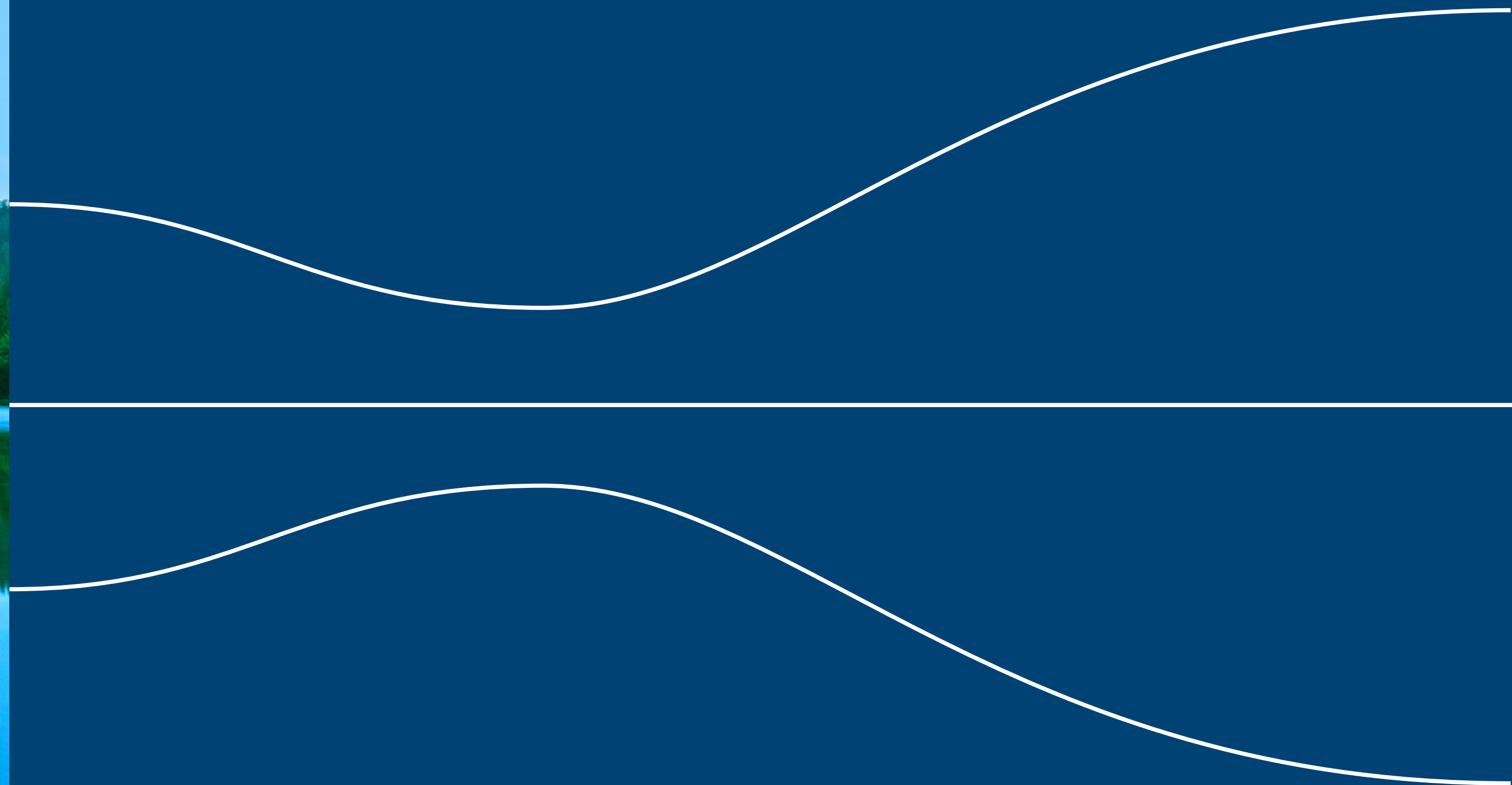
emergency situations, including calling emergency services. Employees of the **Security Office of the Security Department** are responsible for ensuring safety in the offices and departments of MKB. They undergo quarterly briefing on the action plan to follow in case of illegal acts and are strictly guided by the established rules and regulations of law in their work. Increased requirements are imposed on candidates who work in the Security Department, which makes it possible to effectively ensure the well-being of Bank employees and visitors on a daily basis.

In 2020, we put particular importance on caring for health in the Bank's branches. We provided antiseptics and personal protective equipment such as disposable masks and gloves for all clients and employees, as well as organized working processes in the Bank's branches with the observance of social distance at least 1.5 meters to reduce the risk of COVID-19 infection. The Bank complies with all recommendations and requirements of Rospotrebnadzor and other authorities in relation to client health and safety.





## 7. Environment



Key results in 2020

40 %

reduction of greenhouse gas emissions (scopes 1 and 2)

53 %

reduction in water withdrawal by of MKB's own offices



Calculation of direct and energy indirect greenhouse gas emissions (scopes 1 and 2) of the Bank conducted for the first time



Implementation of separate waste collection practice

Material topics

- Energy
- Water and Effluents
- Emissions
- Environmental Compliance

UN Global Sustainable Development Goals



GRI indicators

GRI 103, GRI 302-1, GRI 302-2, GRI 303-2, GRI 303-3, GRI 303-4, GRI 305-1, GRI 305-2, GRI 305-4, GRI 306-2, GRI 306-3, GRI 307-1.



GRI 103-1, GRI 103-2, GRI 103-3

Responsible business conduct, reducing negative environmental impact, as well as enhancing energy efficiency and energy saving are among the Bank's main priorities.

As noted earlier, the Bank's Sustainable Development Office is responsible for four main aspects:

- Direct impact management
- Indirect impact management
- Voluntary initiatives
- Stakeholder engagement and transparency of activities

In the context of these components, in relation to environmental issues, the Bank assumes the following obligations:

- The Bank undertakes responsibility to carry out its activities with due diligence. We strive to prevent or minimize negative environmental

impacts, in particular, by reducing water consumption and wastewater disposal, reducing waste generation and material consumption, reducing emissions of pollutants and greenhouse gas emissions, and reducing the intensity of climate impacts

- The Bank undertakes to comply with the principles of environmental protection, rational use of natural and energy resources, and to implement applicable best practices in water use and waste management
- The Bank aims to reduce the impact of its activities, procurement of goods, works and services that will increase energy efficiency in the future
- The Bank makes a great effort to implement social and environmental principles in its operations and services, as well as to offer a responsible product in order to increase its positive impact on the environment
- The Bank is committed to managing the environmental aspects of its customers, suppliers, contractors, and subcontractors

and expects its counterparties to meet or exceed the applicable environmental and energy legislation requirements and best practices

- The Bank strives to provide services to industries and support projects that contribute to green economy and the transition to sustainable development
- The Bank takes an active role in solving current environmental problems
- The Bank identifies its stakeholders and strives to foster an environmental culture and the concept of energy saving among all stakeholders. The Bank cooperates with stakeholders and takes into account their interests, needs and expectations to make decisions and achieve goals and objectives in environmental protection, energy efficiency and energy saving.



The Bank has implemented certain elements of the environmental management system. Some of them are based on the framework implemented in 2012 when the Bank became a shareholder of international development banks such as EBRD and IFC. In particular, the Bank has a Social and Environmental Management Policy that regulates an effective and internationally compliant process for providing classic loans and other financial support to clients, taking into account the IFC's Environmental and Social Sustainability Standards (2012), as well as the EBRD's Environmental and Social Policy (2014, 2019). In relation to environmental issues, this involves the assessment, monitoring and mitigation of environmental risks/impacts in the provision of funding. The Bank does not finance projects related to economic activities that appear in the list of industries excluded from EBRD's financing system. In addition to the financing agreement, the borrowers confirm in writing that they have fulfilled all the requirements of environmental legislation, obtained and complied with all the necessary environmental and other relevant permits, and ensured that they are not involved in, whether directly or indirectly, activities specified on the list of industries excluded from the EBRD financing system.

Responsibility for the management of environmental issues is assigned to individual functional units, as well as to senior management. As required by the EBRD's environmental and social policy, the Bank

has appointed an employee (Environmental and Social Manager) from among the executive management team, who is assigned overall responsibility for environmental issues, as well as an employee (Environmental and Social coordinator) responsible for day-to-day compliance with environmental requirements and assistance in their implementation.

The responsibilities and obligations of the key employees involved in environmental protection are as follows:

- The **Supervisory Board** and the Strategy and Sustainable Development Committee approve the bank's internal environmental documents and determine the vector of strategic development in the field of environmental protection
- The **Chairman of the Management Board** organizes the implementation of decisions taken by the Supervisory Board regarding environmental protection, ensures that the requirements of approved internal environmental documents are integrated into the Bank's business processes, provides guidance and support to employees who contribute to implementation of environmental protection goals and objectives , enhanced energy efficiency and energy saving,

and provides resources and training for the effective implementation of environmental protection goals and objectives , enhanced energy efficiency and energy saving

- The **Social and Environmental Manager** oversees environmental issues, analyzes information on environmental problems of borrowers and makes decisions on the possibility of granting or continuing financing, and controls the preparation and timely submission of the Bank's annual environmental and social report to EBRD
- The **Social and Environmental Coordinator** ensures day-to-day compliance with environmental requirements, provides assistance in assessing the compliance of borrowers and Bank-funded projects with environmental requirements, as well as the quality of environmental management, consolidates information on the environmental problems of borrowers and coordinates the preparation and timely submission of the annual environmental and social report to EBRD
- The **Sustainable Development Division** monitors the implementation of environmental protection measures, goals and objectives, provides methodological support, carries out environmental assessment and monitoring

in the provision of financial products and services, verifies the results of excluding prohibited projects / activities, coordinates projects / activities with EBRD, verifies the results of project classification, carries out comprehensive Bank portfolio data consolidation, prepares and translates reports, including the annual environmental and social report for the EBRD, structures ESG products and interacts with internal and external stakeholders on environmental issues

- The **Administrative and Technical Department** implements environmental protection measures, goals and objectives, implements control over fuel, energy resources, materials and water consumption, ensures wastewater management and waste management (separate collection, removal and disposal, etc.), keeps accounts and makes payments for negative environmental impact, and supports representatives of the Sustainable Development Office in the preparation of reporting documents

- The **Risk Management Directorate** classifies projects under consideration by categories of social and environmental risk and supports representatives of the Sustainable Development Office in the preparation of reporting documents
- The **Client Management Unit** notifies the Sustainable Development Office of the intention to provide financial products and services, communicates with clients about providing ESG products and obtaining the necessary environmental documentation, excludes prohibited projects / activities, notifies the SD Office of the need to coordinate the project / activity with the EBRD, and if necessary, provides support to representatives of the Sustainable Development Office in the process of monitoring the borrower, as well as preparing reporting documents.

Secondary entities involved in the management of environmental issues include the Legal Department, which is in charge of monitoring

changes made to the current national environmental legislation, the Human Resources Department, which is involved in the development and organization of training programs on environmental issues, as well as the Information Technology Directorate, which is responsible for the implementation of the Smart Office and Paperless Bank projects. The management approach is evaluated as part of regular internal audits conducted by the Internal Audit Department.

On an annual basis, the Bank reports on the compliance of its borrowers with environmental requirements and on the environmental performance indicators of the total loan portfolio as a whole, submitting an annual social and environmental report to EBRD.

# 7.1 Compliance with environmental requirements

GRI 307-1

The context of the Bank's activities does not entail significant areas of potential violation of environmental legislation. There were no violations of environmental legislation, orders issued by environmental regulatory authorities or non-financial sanctions for 2020 for any entities of the Bank. MKB timely pays fees for negative environmental impact, as evidenced by the payment orders.

As noted earlier, due to the international development institute's participation in the capital, the Bank has assumed additional obligations in terms of compliance with international treaties, conventions and recommendations of international credit institutions (World Bank, IFC, EBRD). No violations of such compliance obligations were identified.

According to the results of 2020, there are no loans in the Bank's loan portfolio that are doubtful regarding environmental component, and there

Payment for negative environmental impact and the status of compliance with environmental requirements of facilities owned by CREDIT BANK OF MOSCOW PJSC

|  | 2017  | 2018  | 2019  | 2020  |
|--|-------|-------|-------|-------|
| Payment for negative environmental impact, RUB thousand                | 387.0 | 485.0 | 119.0 | 107.9 |
| Accrued fines for violation of environmental legislation, RUB thousand | 1.2   | 13.9  | 0     | 0     |
| Non-financial sanctions, number of cases                               | 1     | 1     | 0     | 0     |

were no cases of an already concluded transaction being rejected due to environmental problems or legal proceedings, complaints, notifications of

fines and other actions against borrowers that were caused by their non-compliance with current environmental legislation.



## 7.2 Consumption of fuel and energy resources

### GRI 302-1, GRI 302-2

The Bank consumes electricity, thermal energy, diesel fuel, gasoline and gas. All fuel and energy resources are purchased from third-party organizations. The Bank does not sale fuel and energy resources. Both stationary and mobile fuel consumption take place. Stationary fuel consumption is carried out in the gas energy center located in Ochakovo-Matveevsky district of Moscow. Mobile fuel consumption is related to the Bank's vehicles usage, which consume diesel fuel and gasoline.

The total consumption of fuel and energy resources by the Bank's offices and own/leased vehicles amounted to approximately 47,099 GJ in 2020. At the same time, the consumption of all fuel and energy resources by the Bank's assets continues to show a downward trend since 2017 and has significantly decreased YoY, due to the following reasons:

- Implementing remote work
- Liquidating the cash collection department in mid-2019 (transferred to NCO INKAHRAN (JSC))

- Decommissioning corporate automobiles as the Bank's employees were transferred to Elecsnet and organizing business trips using corporate taxi
- Increasing the rental car fleet
- Implementing a number of measures to improve energy efficiency, including:
  - Installation of low power consumption equipment
  - LED light bulbs usage
  - Adjustment of the ventilation systems operation schedule in the Bank's offices allowing to switch off the systems during non-working hours, holidays and weekends
  - Minor repairs of thermal insulation of pipelines within the heating and hot water supply system
  - Reconstruction and modernization of engineering systems
- Introduction of modern methods of energy consumption control and accounting. Regular monitoring of equipment operation allowing to reduce energy consumption when using household appliances and climate control systems

### Smart Office project

In order to reduce the bank's overall energy consumption, we piloted the Smart Office project at one of the Bank's offices. The project involved installing adaptive lighting and motion sensors in common areas and setting up an air conditioning schedule. Based on the pilot project results, we will make a decision on scaling the project and the optimal timeframe for replicating the technology at other offices.

### Consumption volume of fuel and energy resources by CREDIT BANK OF MOSCOW PJSC's own offices and vehicles

| Consumed fuel and energy resource | 2017      | 2018      | 2019      | 2020      | 2020 vs 2019 | Average annual change in fuel and energy resource consumption for 2017–2020 |
|-----------------------------------|-----------|-----------|-----------|-----------|--------------|---|
| Electricity                       |           |           |           |           |              |   |
| kW h                              | 7,644,437 | 7,960,397 | 6,497,103 | 5,653,909 | -13%         | -9%   |
| GJ                                | 27,520    | 28,657    | 23,390    | 20,354    |              |   |
| RUB thousand                      | 41,756    | 45,371    | 39,571    | 35,401    | -11%         | -5%   |
| Thermal energy                    |           |           |           |           |              |   |
| Gcal                              | 4,284     | 4,225     | 3,436     | 2,646     | -23%         | -14%  |
| GJ                                | 17,936    | 17,688    | 14,387    | 11,077    |              |   |
| RUB thousand                      | 8,307     | 8,633     | 7,633     | 6,156     | -19%         | -9%   |
| Diesel fuel                       |           |           |           |           |              |   |
| thousand liters                   | 1,929     | 1,584     | 463       | 9         | -98%         | -62%  |
| GJ                                | 70,504    | 57,908    | 16,910    | 321       |              |   |
| RUB thousand                      | 66,744    | 63,875    | 21,310    | 401       | -98%         | -56%  |

Consumption volume of fuel and energy resources by CREDIT BANK OF MOSCOW PJSC's own offices and vehicles<sup>1</sup>

| Consumed fuel and energy resource | 2017    | 2018    | 2019   | 2020   | 2020 vs 2019 | Average annual change in fuel and energy resource consumption for 2017–2020 |
|-----------------------------------|---------|---------|--------|--------|--------------|---|
| Gasoline                          |         |         |        |        |              |   |
| thousand liters                   | 176     | 180     | 155    | 14     | -91%         | -34%  |
| GJ                                | 5,875   | 5,997   | 5,154  | 458    |              |   |
| RUB thousand                      | 7,076   | 8,011   | 7,457  | 626    | -92%         | -28%  |
| Gas supply                        |         |         |        |        |              |   |
| thousand m <sup>3</sup>           | 445     | 567     | 460    | 365    | -21%         | -4%   |
| GJ                                | 15,224  | 19,399  | 15,764 | 12,541 | -20%         |   |
| RUB thousand                      | 3,141   | 4,098   | 3,389  | 2,716  | -20%         | -2%   |
| Total, GJ                         | 137,059 | 129,649 | 75,605 | 44,751 | -41%         | -29%  |

The volume of electricity and heat consumption has been determined based on the readings of commercial metering devices, with the exception of the Akademichesky and Lefortovo branches, where a calculation method based on the area of the premises was used to determine the amount of heat energy.

To convert kWh and Gcal to GJ, conversion coefficients of 0.0036 and 4.1868 were used, respectively. The average density of gasoline and diesel fuel is calculated based on data from GOST R 51105-97, GOST 32513-2013 and GOST 305-82. The calorific value of gasoline and diesel is taken from the 2006 IPCC Guidelines for National

Greenhouse Gas Inventories. The calorific value of gas is calculated based on the data provided by the gas supplier.

Note: 1. Number of the volume of fuel and energy resources consumption in 2019 was specified and corrected.



Fuel consumption by leased vehicles of CREDIT BANK OF MOSCOW PJSC

| Fuel consumption | 2019  | 2020    |
|------------------|-------|---------|
| Diesel fuel      |       |         |
| thousand liters  | 0     | 0,8     |
| GJ               | 0     | 29,3    |
| RUB thousand     | 0     | 36,5    |
| Gasoline         |       |         |
| thousand liters  | 2.8   | 68.4    |
| GJ               | 93.6  | 2,279.1 |
| RUB thousand     | 139.0 | 3,121.4 |
| Total, GJ        | 93.6  | 2,308.4 |

## 7.3 Climate impact management

### GRI 305-1, GRI 305-2, GRI 305-4

The problem of climate change has come into a spotlight in recent years, and anthropogenic greenhouse gas (GHG) emissions has a significant impact on climate. The international community and national authorities are developing and implementing approaches aimed at curbing the rise in global temperatures. This goal can be achieved by engaging the corporate sector in efforts to mitigate climate change by reducing GHG emissions.

MKB understands the risks of climate change, and, therefore, we conducted a quantitative assessment of GHG emissions for the first time in 2020. According to ISO 14064-1:2018 international standards and the GHG Protocol, we determined the scope of our GHG inventory analysis, which includes organizational and operational boundaries. In accordance with our approved organizational boundaries, we consolidate GHG emissions and removals at the facility level using a control-based approach: MKB accounts for GHG emissions and/or removals on assets that the Bank manages financially.

The operational boundaries established in 2020 include accounting for direct (Scope 1) and indirect energy (Scope 2) emissions. In accordance with this approach, all quantified GHG emissions and/or removals from assets that the Bank does not manage financially will be further included in the category of indirect non-energy (Scope 3) GHG emissions.

The calculation of direct and indirect energy GHG emissions is based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The Global Warming Potential (GWP) published in the IPCC's Fifth Assessment Report was used in the calculation. The volume of direct GHG emissions includes CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O emissions, and the volume of indirect energy emissions includes CO<sub>2</sub> emissions from purchased electricity and heat. Indirect GHG energy emissions were calculated using the location-based method. The coefficient of GHG emissions from purchased heat energy is calculated using data from the International Energy Agency on the structure of the fuel and energy balance of Russia. For the calculation of GHG emissions from the consumption of purchased

electricity, the most up-to-date reference network coefficient of GHG emissions from electric power production in Russia was used.

According to the results of GHG emissions calculation, direct GHG emissions (Scope 1) in 2020 amounted to 761 tons of CO<sub>2</sub>-e, and indirect energy emissions (Scope 2) amounted to 2,536 tons of CO<sub>2</sub>-e. The specific GHG emissions, including Scopes 1 and 2 and reduced to a unit of personnel, amounted to 1.35 t CO<sub>2</sub>-e/person in 2020. The average number of employees working in proprietary offices was used as the denominator, given that energy consumption is largely determined by personnel needs and there is a relationship between the number of employees and GHG emissions.

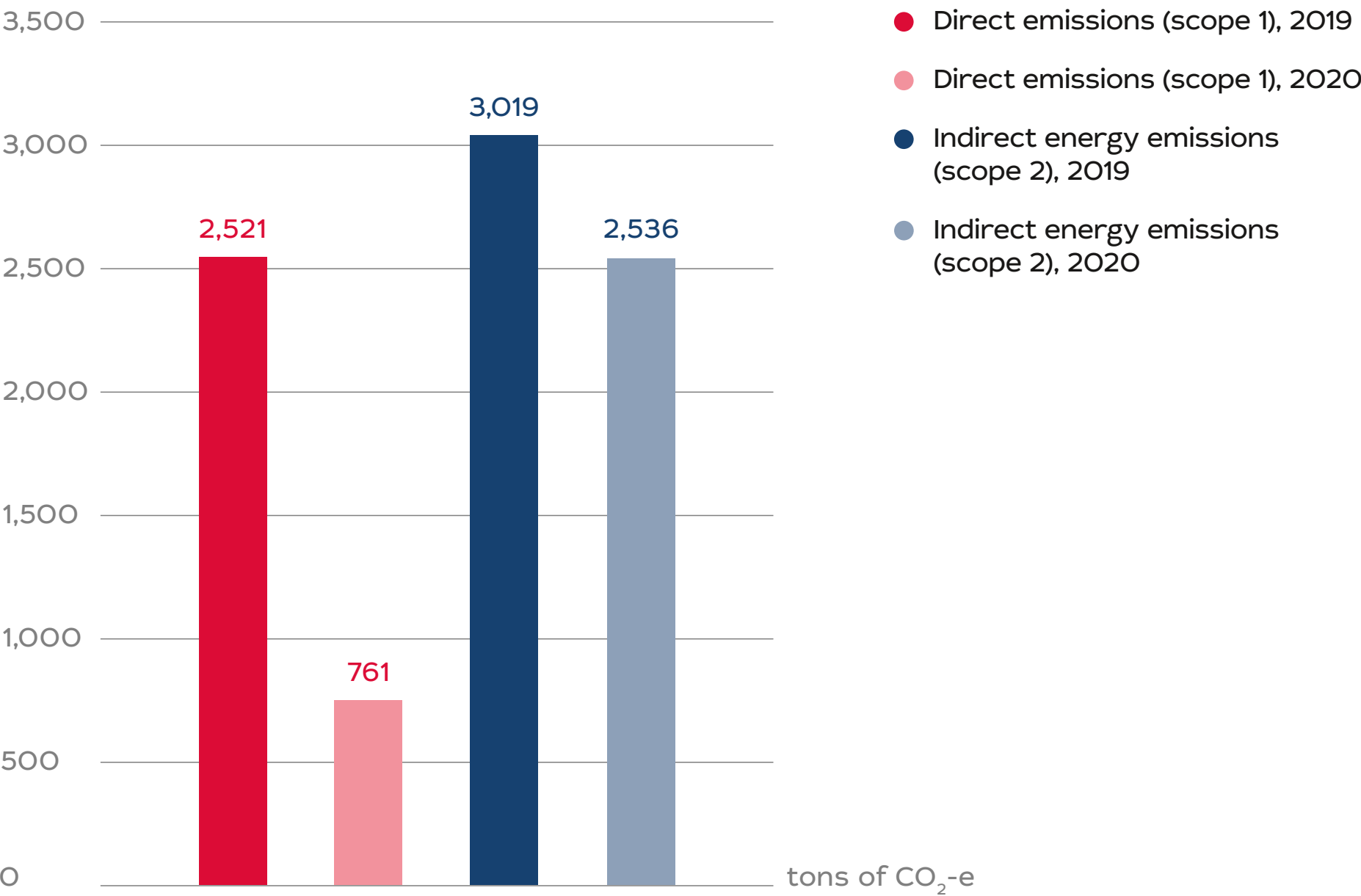
The decrease in direct and indirect energy GHG emissions in 2020 compared to 2019 is due to factors that caused a decrease in the consumption of fuel and energy resources.

Note\* See "Consumption of fuel and energy resources" on page 133

The Bank’s plans for 2021 in terms of greenhouse gas emissions include:

- Developing and implementing measures to reduce managed GHG emissions
- Expanding the scope of GHG inventory analysis, including quantifying indirect non-energy (Scope 3) GHG emissions, including those associated with rented offices and branches
- Digitizing the carbon footprint of part of MKB’s loan portfolio
- Initiating an assessment of climate risks affecting MKB

Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions from proprietary offices and vehicles of CREDIT BANK OF MOSCOW PJSC





# 7.4 Use of water resources

GRI 303-3

## Water withdrawal

The Bank’s proprietary offices take water from a third-party organization for household needs. The Bank does not take water from natural water

bodies such as surface water and groundwater bodies. The Bank’s proprietary offices do not take water from water-deficient areas.

The total volume of water withdrawn by the Bank’s offices amounted to 11,116 thousand liters in 2020.

At the same time, the consumption of both cold and hot water by the Bank’s own offices continues to show a downward trend since 2017 and has significantly decreased YoY, which is mainly due to the transfer of some employees to remote work.

### Water withdrawal by proprietary offices of CREDIT BANK OF MOSCOW PJSC

| Volume of water withdrawn         | 2017   | 2018   | 2019   | 2020   | 2020 vs 2019 | Average annual change in the volume of water withdrawn in 2017–2020 |
|-----------------------------------|--------|--------|--------|--------|--------------|---|
| Cold water supply, thousan liters | 38,421 | 35,947 | 19,595 | 8,057  | -59%         | -37%  |
| Hot water supply, thousand liters | 4,145  | 3,844  | 3,828  | 3,059  | -20%         | -9%   |
| Total, thousand liters            | 42,566 | 39,791 | 23,423 | 11,116 | -53%         | -33%  |

Note: The volume of water withdrawn is determined based on the readings of commercial water metering devices.

GRI 303-2, GRI 303-4

### Water disposal

The Bank’s proprietary offices only generate household wastewater, which is sent to third-party organizations for treatment. The Bank does not discharge wastewater into natural water bodies, whether surface or groundwater bodies. The Bank’s proprietary offices do not discharge wastewater in water-deficient areas. The Bank prepares an annual plan for implementing water protection measures.

With the support of a specialized laboratory, MKB independently monitors the quality of wastewater and storm water (4 times per year). At present, we use only the state standards and regulations established in the Russian Federation regarding the quality of wastewater discharge, which are outlined in Decree No. 644 of the Government of the Russian Federation dated July 29, 2013, “On Approval of the Rules of Cold Water Supply and Disposal and on Amendments to Certain Acts of the Government of the Russian Federation.” The monitoring results are reflected in the report on the average concentration of

pollutants in wastewater. During 2020, there were no deviations from the maximum standard values. There are no violations of water legislation or of orders issued by regulatory authorities for the proprietary facilities.

Water disposal by proprietary offices continues to slow down since 2017 and has significantly decreased YoY, which is mainly due to a water withdrawal reduction as a result of transition to remote work.

### Water disposal by proprietary offices of CREDIT BANK OF MOSCOW PJSC<sup>2</sup>

|  | 2017   | 2018   | 2019   | 2020   | 2020 vs 2019 | Average annual change in the volume of water withdrawn in 2017–2020 |
|--|--------|--------|--------|--------|--------------|---|
| Volume of waste water, thousand liters | 42,566 | 39,791 | 23,423 | 11,116 | -53%         | -33%  |

### Consumption of drinking water

Drinking water consumption in 2020 significantly decreased compared to 2019, which is due to the transition to remote work during COVID-19 pandemic in 2020.

### Drinking water consumed by CREDIT BANK OF MOSCOW PJSC<sup>3</sup>

| Unit            | 2018  | 2019  | 2020  |
|-----------------|-------|-------|-------|
| thousand liters | 808   | 725   | 418   |
| RUB thousand    | 4,024 | 3,801 | 2,284 |

Note: 2. The volume of wastewater is determined by the calculated balance method, assuming that the volume of wastewater is equal to the volume of withdrawn water due to the Bank’s lack of significant sources of irrevocable water consumption. Storm water was not taken into account due to the lack of metering devices at the outlet. 3. The consumption of drinking water is determined based on data from the Bank’s Supply and

# 7.5 Waste management

## GRI 306-2, GRI 306-3

The Bank keeps internal records of waste management in accordance with the applicable classification within the Russian Federation and provides the division of waste into 5 hazard classes depending on the degree of negative environmental impact.

In general, the total amount of waste generated by the Bank's own offices is decreasing. The volumes of waste generation of hazard class 1 and 4 show negative dynamics over a long period. Waste of hazard class 1 and 2 is characterized by the most noticeable reduction in the volume of formation compared to the previous year.

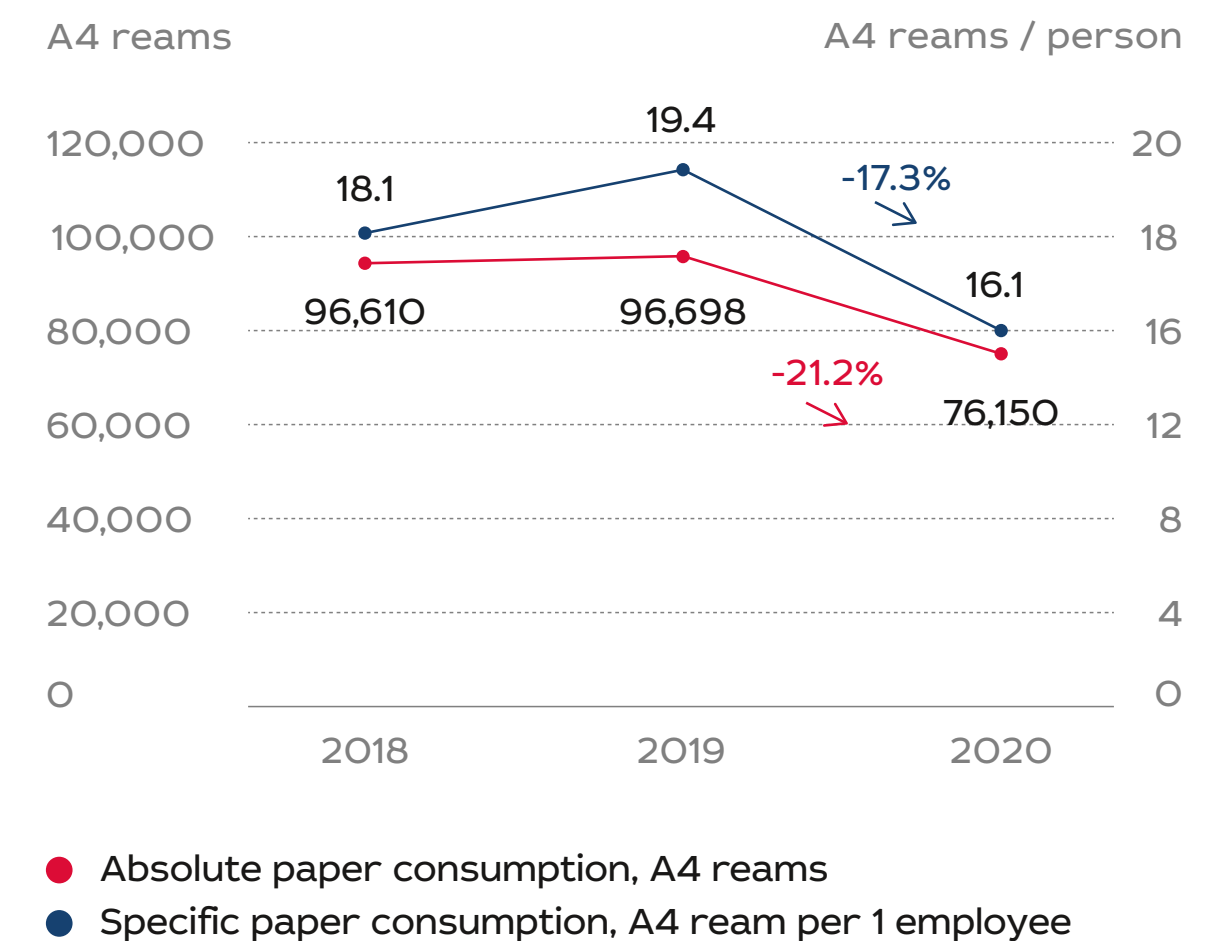
The Bank regularly implements management measures aimed at reducing the volume of waste generated. Reducing the volume of waste generated is achieved by working in several areas. The first direction involves the development and implementation of management measures to reduce the amount of waste generated at the Bank. Such measures include electronic document management, double-sided printing and reusing

office equipment, for example, refilling cartridges, mercury-containing lamps usage refusal. Transitioning to electronic document management entails measures to automate and digitize both internal and external processes and services. These measures include transferring existing internal functions to the electronic document management system, signing contracts with counterparties in electronic form, introducing mobile agreement procedures, arranging paperless workflow with employees, etc. Within the framework of the Paperless Bank project (the Green Bank concept), one of the initiatives to omit paper document management was implemented. This involves signing documents generated at the Bank's additional offices with a simple electronic signature (SMS confirmation) in the MKB Online Mobile Bank. Initiatives have been launched to convert paper documents into electronic documents, such as the "Electronic Archive for Bank Guarantees" and the "Electronic Credit Dossier", which are planned to be implemented in the first half of 2021.

As a result of transfer to remote work during COVID-19 pandemic in 2020 and implementing

the measures described above, the absolute and specific consumption of paper decreased by 21.2% and 17.3% for the year, respectively.

## Paper consumed by CREDIT BANK OF MOSCOW PJSC



The total amount of waste generated by MKB's own offices

| Type of waste  | Unit             | Volume of waste generated, tons |       |       |       | Sent for allocation, tons |       |       |       | Transferred to other operations, tons |       |       |       |
|--|------------------|---------------------------------|-------|-------|-------|---------------------------|-------|-------|-------|---------------------------------------|-------|-------|-------|
|  |                  | 2017                            | 2018  | 2019  | 2020  | 2017                      | 2018  | 2019  | 2020  | 2017                                  | 2018  | 2019  | 2020  |
| Hazardous waste, total, including (class 1 and 2)  |                  |                                 |       |       |       |                           |       |       |       |                                       |       |       |       |
| Mercury lamps, mercury-quartz, fluorescent, lost consumer properties, waste mercury thermometers | number of pieces | 5,381                           | 5,513 | 5,509 | 2,848 | 0                         | 0     | 0     | 0     | 5,381                                 | 5,513 | 5,509 | 2,848 |
| Galvanic cells (batteries) undamaged spent   | tons             | 0                               | 0     | 0,2   | 0,1   | 0                         | 0     | 0     | 0     | 0,0                                   | 0,0   | 0,2   | 0,1   |
| Low-risk and practically non-hazardous waste, total, including (class 4)                         |                  |                                 |       |       |       |                           |       |       |       |                                       |       |       |       |
| Garbage from office and household premises   | tons             | 302.9                           | 305.8 | 226.1 | 224.8 | 302.9                     | 305.8 | 226.1 | 224.8 | 0                                     | 0     | 0     | 0     |

Note: The volume of waste generation in 2017-2020 is assumed to be conditionally equal to the volume of transferred waste. The volume of waste generation of hazard class 1 and 2 does not take into account the volume of waste generation for Lefortovskoye and Akademicheskoe DO due to the neutralization and processing of waste of hazard class 1 and 2 by the operating company.



The second direction involves recycling generated waste after it is removed from the Bank’s territory by a specialized organization. The Bank strives to conclude agreements with contractors whose activities are focused on recycling waste. This applies primarily to hazardous waste (Hg-lamps, batteries), waste paper, used office paper, office equipment and electrical equipment. In 2020, 20 tons of waste paper were sent for recycling. It is 19.4% less than in 2019 due to a general reduction in paper consumption (see above).

Waste paper sent for recycling by CREDIT BANK OF MOSCOW PJSC, tons



And, finally, the third direction is related to financing the companies working for environmentally friendly waste disposal. In 2020, we continued our cooperation with Ecopolis Corporation to build a complex of plants that deal with the eco-friendly disposal of plastic waste, electronic and electrical equipment.

The Bank understands the importance of the waste sorting for ensuring proper recycling. We have begun to implement the practice of separate waste collection at our facilities. By the end of 2020, the practice of separate waste collection was implemented at 5 Bank’s offices. All sorted hazardous waste (Hg-lamps, batteries) is sent to specialized organizations on a regular basis. In addition, MKB launched a joint campaign with the environmental project Trashback, which was set up to increase the proportion of municipal solid waste being recycled and encourage residents to care for environment (see the section “MKB’s Voluntary Initiatives” on the page 144).

Disposal of electronic equipment

Since September 2020, MKB, together with the State Corporation Elecsnet, has sent more than 200 tons of electronic waste (unused ATMs, payment terminals and computer components) for eco-friendly disposal. In total, about 400 ATMs and terminals were transferred for disposal, as well as more than 1,000 computer units.

The disposal of electronic, plastic and metal waste is carried out by ECOPOLIS Corporation JSC. At the first stage, the equipment is disassembled and sorted. The scrap metal becomes a secondary raw material for metallurgical enterprises. Plastic is turned into secondary pellets, which are used in the production of machine parts, household appliances, building materials, garden furniture and other goods.



## 8. MKB's voluntary initiatives





Key results in 2020

>10 RUB million

donated to improve children's welfare as part of the Chance program of the Arifmetika Dobra charitable foundation



Installed terminals for contactless tickets purchase at the Moscow Zoo



Held a number of charitable and social events online



Launched joint project with WWF-Russia to conserve melliferous forests in the Amur tiger natural habitat



Launched a joint project with the environmental Fintech project Trashback

Material topics

- Indirect economic impacts
- Marketing and marking

UN Global Sustainable Development Goals



GRI indicators

GRI 103-1, GRI 103-2, GRI 103-3, GRI 203-1, GRI 403-6.

GRI 103, GRI 203-1

We are confident that the task of the financial sector is not only to support business, but also to create conditions for the development of social and environmental projects, including those implemented by charitable foundations and public organizations. Traditionally, MKB pays attention to supporting socially oriented projects, participating in charity events, volunteer and sports programs, both external and internal ones. In 2020, we paid ever greater attention to the social sphere.

The restrictions imposed in 2020 put public organizations and charities at risk, while their need for support was even higher than usual. One of the most important goals for MKB is to promote the principles of social and environmental responsibility both when working with clients and partners, and during interaction within the Bank's team. At the same time, MKB seeks to develop and raise awareness among broader groups of the population on sustainable development and the changing climate agenda.

In order to encourage a social life for employees in 2020 and to maintain informal communication during remote work, most of the events were held online. Throughout the year, we organized online sports and charity events, webinars with experts in such spheres as medicine and finance and participation in offline sports activities when it was possible, such as the Moscow Marathon and Race of Heroes.

Progress towards 2020 goals

| Goal  | Progress status | Summary of 2020 results   |
|---|-----------------|---|
| Promoting charitable activities (at least 3 activities per year)                                | Achieved        | During the year, 8 charitable activities were carried out:<br>1. Charity instead of gifts: gifts to employees for Defender of the Fatherland Day and International Women's Day have been replaced with a charitable donation to the Arifmetika Dobra charitable foundation<br>2. Campaign for Children's Day: fundraising for the Backpack of Care program of the Arifmetika Dobra charitable foundation<br>3. Campaign for Day of Knowledge in conjunction with the Arifmetika Dobra charitable foundation: fundraising for the Chance program<br>4. Let's Save the Forest campaign: MKB employees took part in planting 2,000 pine and fir trees<br>5. Employee charity run at the Moscow Marathon 2020: 78 employees participated<br>6. Employee participation in the Heartbeat charity race (online)<br>7. Transfer of gift certificates from the Detsky Mir network to those cared for by the Arifmetika Dobra charitable foundation<br>8. Participation of employees in the New Year's charity event "The Magic Tree of Wish Fulfillment": employees could make a donation to the Chance program and get a New Year's souvenir made by children cared for by the foundation |
| Maximum transfer of charity and sports activities to the online format due to COVID-19 pandemic | Achieved        | 6 out of 8 charity events were held online  |
| Systematization and development of sports activities at the Bank                                | Achieved        | <ul style="list-style-type: none"><li>• Work with existing corporate teams (hockey, football) has been systematized: the budget has been approved, its planned and actual indicators are being analyzed, and the areas of responsibility of HR team captains have been delimited, etc</li><li>• The MKB Runners running club has been relaunched in a new format</li><li>• An online sports classes were introduced for MKB employees working remotely: in 2020, the first online fitness marathon took place</li><li>• MKB team took part in Race of Heroes, a military and patriotic sporting event</li></ul>   |



# 8.1 Support for social projects

## #HelpTogether

In partnership with many caring banks, MKB has joined the campaign launched by Expobank LLC, #HelpTogether. The campaign participants came together under a common desire to combat COVID-19 pandemic and provided assistance to medical institutions in more than 20 regions throughout Russia.

The Bank provided support to City Clinical Hospital No. 52 by purchasing personal protective equipment and machinery for patients with pneumonia. The hospital received sets of nebulizers, pneumatic compression systems, and a video bronchoscope – an endoscopic device for examining the inner surface of the trachea and bronchi by transmitting HD images to a monitor. With our support Solnechnogorsk central regional hospital was able to purchase respirators and protective suits.

## Arifmetika Dobra charitable foundation

In March 2014, the Arifmetika Dobra charitable foundation was founded by the famous Russian entrepreneur and the main beneficial owner of MKB, Roman Ivanovich Avdeev (father of 23 children,

17 of which are adopted). Arifmetika Dobra helps orphans and children left without caregivers to find a new family and find their place in life.

Arifmetika Dobra cares for:

- 1,132 teenage orphans
- 1,028 foster families
- in 33 regions around Russia

Gifts from strangers will not make children happier. Usually, they become an exchange currency: in an orphanage phones and expensive clothes are exchanged for cigarettes or simply taken away from the children. Moreover, children do not always want to see visitors. Uninvited guests come to their house, hug them without asking, and take photos of them as if they were dolls.

This is not care. Real care is to help the child find a family, get an education, and find a mentor who will become their guide in adult life. Helping in the right way is made easy with Arifmetika Dobra.

Therefore, together with the Arifmetika Dobra charitable foundation, MKB launched a new phase of the Chance social educational project to benefit children in care facilities across Russia. With the Bank's support, the foundation's specialists can find the teachers and help the children to get the best education possible to discover their potential and get a place at university.

100 children from 18 children's institutions in 9 regions around Russia took part in the new stage of the Chance program.

### Foundation



**Support for the foundation's programs by the Bank in 2020:**

- RUB 10.7 mln donated by the Bank as part of the project to support 100 students cared for under the Chance educational program. This covered funding for a full school year for each child, including lessons, trainings and career guidance. The project will run 4 years and provide funding for 4 study periods for 100 children
- RUB 5 mln donated by employees as gifts for Defender of the Fatherland Day and International Women's Day. Employees that made a donation received electronic postcards drawn by children from the orphanages
- The foster families received 98 gift cards for the Detsky Mir chain of stores amounting to RUB 147,000

**Support from the Bank's clients:**

During 2020, the foundation was supported by more than 3,800 clients of MKB.

In total, thanks to the support of the Bank's clients in 2020, the foundation managed to raise RUB 8,055,575. This amount covers:

- 5,837 individual lessons with tutors for children from children's homes to prepare for exams and take a step towards a successful future

- 2,014 consultations with psychologists for orphans for the purpose of finding them loving parents

With the help of information campaigns for clients (e-mails and phone calls), an amount of RUB 1,031,787 was raised during the year.

RUB 565,659 was raised by placing information about the foundation at MKB terminals in branches and in shopping centers.

**Support from the Bank's employees:**

- In 2020, 85 of the Bank's employees became benefactors of the foundation by taking part in the Moscow marathon in support of the foundation and in the Heartbeat charity run. This helped raise RUB 319,120.
- Employees took part in fundraising for the children under foundation's timed to Children's Day (June 1), Knowledge Day (September 1) and New Year. A total of RUB 156,284 was raised.
- The employees of the MKB's ESG team held a lecture on the environment and organized an exciting quiz for the children under foundation's care – teenagers and their foster families.

I am sure that problems of great significance for our society and state should be solved by the joint efforts of citizens, government and business.

Last year, the phrase "sustainable development" went beyond the agenda of business and political summits to become firmly entrenched in our daily life. It is great that it is not only caring activists, but also businesses who are now actively developing the necessary guidelines.

I am glad that the expansion of social initiatives and support of ESG projects is becoming a strategic direction of our bank. I support the efforts of the Supervisory Board, the Management Board and the entire MKB team and look forward to seeing the bank's progress in the field of sustainable development.

R.I. Avdeev,  
controlling beneficiary owner of MKB.

## Moscow Zoo

In the summer 2020, MKB launched a social project to implement contactless purchase of tickets to the Moscow Zoo. Self-service terminals are located in the zoo and allows to purchase tickets for internal exhibitions. Installing terminals helped to decrease the number of visitors in ticket offices and reduce queues, which was especially important during the pandemic, as social distancing became of utmost importance.

Tickets for 4 exhibitions can be bought at the terminals, including Arachnolandia, Exotarium, Confiscate, as well as for an integrated exhibition on flora and fauna. In order to attract younger visitors and teach them financial literacy, MKB created amusing animal models available on the payment terminals. At these terminals, visitors can use a special interactive gaming interface to perform a range of operations, from choosing and printing a ticket to topping up a Troika card.

The global pandemic has brought about a number of changes for people, and it is also difficult for animals to adapt to the harsh new reality. Therefore, it is important and essential for businesses to take part in initiatives aimed at supporting them.

For the second year in a row, MKB has been participating in the guardianship program of the Moscow Zoo by sponsoring an amazingly beautiful and graceful predator – the Amur leopard.

MKB has created not just a ticket sales service, but a fully-fledged product, personalized for a unique location and target audience. The contactless payment terminals installed allow to perform a wide range of tasks. This helps to protect the health and safety of zoo visitors, minimize personal contact and reduce payment queues, as well as diversify the possible ways of purchasing tickets. When implementing this project, the social component was extremely important for us enabling fast, convenient, and most importantly, remote and safe ticket purchasing is an effective measure in the fight against the spread of the virus. This will remain a priority even after the restriction period is over.

Igor Mayorov,  
Head of the Transaction Business Development  
Department of MKB



## 8.2 Education

### Educational project for entrepreneurs

Together with the portal klerk.ru, MKB launched an [educational project](#) aimed at both existing entrepreneurs and those who are just thinking about starting a business.

The course "How to start a business" consists of a series of video lessons (8 sections/15 lectures), explaining how to avoid "pitfalls" when starting a business and how to look at business from the "outside". The course contains practical advice on bank issues, compiling personnel documents, payroll and taxation, acquiring and electronic cash registers.

We were delighted to conduct this online course with MKB. There is a lot of information online for novice businesspeople, but very little has been proven and applied in practice. This educational project was implemented with the utmost care. It is written in simple language, but it definitely won't disappoint. We look forward to seeing everyone on the course and good luck to everyone in business.

Marina Snegovskaya,  
head of the Clerk Training Center

### Financial Literacy Week for children

In honor of International Children's Day, MKB organized a Financial Literacy Week for the employees' children. The event was held by experts from the National Center for Financial Literacy. Webinars were arranged for children of different age groups, from the youngest group aged 5-7 years old, to older children aged 8-11 and teens aged 12-18 years old. About 120 children took part in the webinars.

Financial education teaches children not only to take care of their finances, but also to understand where money comes from, how to use it, save and multiply it. Children often don't see their parents working to earn money or what this money gets spent on. Therefore, it is important to make it clear where money comes from, and teach them how to save, even for the smallest desires.

The oldest children took part in the Summer in Business educational challenge, where they had the opportunity to live independently without their parents for a whole month. In dealing with financial tasks, the children learned to plan and manage a budget to achieve their financial goals.

In the middle age group, the participants tried to save money for their dream of buying a dog in the Financial Superhero educational game.

In each round of the game, they made financial decisions independently, and then received points depending on how successful their decisions were. This helped the young participants understand what expenditures might put a strain on the budget and how to resist temptations and wasteful habits.

During the Adventure of the Piggy Bank webinar, the children in the younger group visited the Japanese Museum of Piggy Banks, where they learned how to save money and for what purpose.

**~120** children took part in the webinars

## Online lecture for children from foster families on the topic of climate change in Russia

Together with the Club of Foster Families of the Arifmetika Dobra, the ESG team at MKB held an online lecture for children from foster families on the topic of climate change in Russia. The lecture materials were developed by WWF Russia in partnership with the ECA movement and with the financial support of the European Union to foster environmental awareness among children in grades 5-11.

The webinar consisted of three stages: first, the children learnt about the principles of sustainable development and why leading companies and banks, including MKB, introduce them in their business. Then, the young students received a lecture on the current situation related to climate change. They learnt about the impact of weather and climate on human life, the causes of climate change, the impact of natural and anthropogenic factors on climate, etc. At the end, an interactive online quiz was held to improve the understanding of course information. All the young participants were active in the webinar, showed good results in the quiz and received gifts from the Bank.

Photos of the winners



## 8.3 Corporate volunteering

### Save the Forest 2020

For the second consecutive year, the Save the Forest campaign aimed at planting trees on a mass scale took place across the country. The main objective of the campaign is to draw public attention to the topic of forest conservation and reforestation. As part of the campaign, more than one million hectares of forest will be restored by planting 40 million trees in various regions around Russia, especially in the regions most affected by forest fires.

MKB employees in different regions participate in the campaign. For example, in September 2020, the Bank's employees planted pine and fir trees in the Krasnopolyanskoye forestry, one of the regions that has suffered from a forest fire, in the area of the city of Lobnya near Moscow.

For the sake of our employees' health and safety, we suspended volunteer events, but encouraged our colleagues to talk about their hobbies or environmental initiatives. All their stories were published in the news digest and on the corporate portal of MKB throughout the year.

Sometimes we arrange spontaneous voluntary community work with our neighbors, and not only on Saturdays. If the weather is good, we will go for a walk and take bags with us just in case. We collect cans and bottles, sort them, and place them next to the trash can. They are then taken by the caretaker and handed over for recycling. We do it all for ourselves. The small forest in our area is an island that gives us clean air, we feed the squirrels that live in the trees and listen to the birdsong in the morning.

My niece is 15 years old, and she made a video clip on ecology and waste separation. She is very interested in this topic she won the Olympiad and went to the camp for Olympiad winners in Istra. There they held lectures and seminars on global warming, ecology, and ozone depletion, and now she teaches me more about what is right and what is wrong.

Marina Andreevna Zeverova,  
Head of the Superintendent Support Department of MKB





## 8.4 Promoting sports

### GRI 403-6

Supporting healthy lifestyle of our employees and the communities in our regions of operation is one of the Bank's Sustainable Development Strategy main priorities. MKB regularly holds various sports events and campaigns and invites its clients and employees to participate.

### #MKBworkingfromhome

Despite the fact that 2020 brought about certain changes in our usual way of life, this challenge was accepted. Unfortunately, team sports such as volleyball, futsal and ice hockey were temporarily suspended, but various online activities were arranged in their place, including sports under the #MKBworkingfromhome campaign. Anyone could join the online lessons or watch specially prepared video tutorials, which were created in such a way as to suit everyone.

The workouts included exercises for different muscle groups that could be done at home. All classes were adapted to suit any level of sports training and had no age restrictions. The main set of exercises included the following types of training:

- Morning exercises to wake up the whole body
- Intensive complex workout without equipment
- Physical exercises using own weight and a stick (such as a mop) to prevent and relieve discomfort in the back and neck
- Self-massage exercises, including a relax massage with a tennis ball to calm the nervous system and muscles





## MKB sporting events in 2020

### The MKB Runners team took part in the Moscow Marathon

In 2020, a record number of runners – 25,000 people – took part in the marathon.

The funds allocated by the Bank for taking part in the race were transferred to the Arifmetika Dobra charitable foundation.

### Russian Circuit Race Series 2020

Sponsorship of Ivan Tverdokhlebov's team in the Russian Circuit Race Series 2020 (RCRS) – (July-September 2020).

Geography: St. Petersburg, Kazan, Moscow, Smolensk, N. Novgorod.

### Home training with Torpedo FC

In 2017, the Torpedo Sports Foundation and Torpedo Moscow FC became part of the Rossium concern. In 2019, MKB and the Torpedo Moscow rugby club signed a cooperation agreement with MKB.

Together with the Torpedo football team, MKB launched a series of home workouts on IGTV, which will help people to keep fit in quarantine.

### Cybersport at MKB

Video games slow down aging and speed up decision-making, teach players how to focus and develop their learning abilities.

MKB has created a community of eSports fans united by their interests, as well as for the purpose of participating in tournaments.

### MKB team at the Race of Heroes

MKB employees took part in the Race of Heroes in summer. Navigating a difficult route, terrifying trials, testing the strength of the human spirit

and showing support for their colleagues – this was what every member of the MKB team experienced.

### Heartbeat charity run (online format)

The Heartbeat charity run organized by the pharmaceutical company Servier in support of the Arifmetika Dobra charitable foundation.

Participants chose the specific distance they wanted to run, which they could do anywhere, and turned on a tracker on their phone or watch while they ran – all for the benefit of children with disabilities.



## 8.5 Cultural and other events

### Point of Intersection lecture hall

In 2019, a unique project, Point of Intersection, was launched at MKB, as part of which each employee is given the opportunity to expand their horizons. This is a place where employees can meet in an informal setting, share their interests, knowledge, thoughts and opinions on different topics. In 2020, 3 events were held for MKB employees in the format of in-person lectures.

In 2020, we expanded the lecture hall program and transferred it to an online format, where employees could delve into topics such as psychology, fashion, culture, history, economics, technology and much more. The lectures held in 2020 included the following:

- **Ekaterina Dodonova**, memory development and speed reading trainer – a brief presentation on what memory is and what types exist, as well as the opportunity to test one's own auditory and visual memory

- **Natalya Vlasova**, makeup artist, founder of the Mosmake school of makeup artists – Make Up in Simple Words – a lecture and live demonstration on a model of the basics of applying makeup, as well as some everyday lifehacks
- **Vyacheslav Dubynin**, a specialist in cerebral physiology and professor of the Department of Human and Animal Physiology, Faculty of Biology, Moscow State University – online lecture "The Brain and Food: Why We Love Sweets and Overeat"
- **Health Week at the Point of Intersection** – a series of online webinars "Conversations about Medicine", held by Dmitry Soldatov, pulmonologist, candidate of medical sciences, scientific secretary of the Russian scientific and practical journal Pulmonology, and associate professor
- **Month of Heroes at the Point of Intersection** – meeting people who regularly make decisions

in situations of uncertainty, take risks and rise above themselves. These are people working in heroic professions, who face serious challenges on a daily basis. They are all different, but they are united by their love for their job, sincere dedication to the profession and constant self-improvement

- **Intelligence Week at the Point of Intersection** – online lectures on global economic changes, trends and tendencies in the economy:
- **lecture on the global economy by Evgeny Nadorshin**, chief economist of the consulting company PF Capital, senior lecturer at the Higher School of Economics, and former adviser to the Minister of Economic Development of the Russian Federation
- **lecture on Russia in global affairs by Fyodor Lukianov**, Editor-in-Chief of Russia in Global Affairs, and Chairman of the Presidium of the Council on Foreign and Defense Policy of Russia since 2012.



## The most notable social and cultural events implemented by MKB in 2020

### Competition — Become the Face of MKB

For MKB, it is important that its employees represent MKB as the Bank's most important brand ambassadors

### MKB Quiz

Intelligent team online game

### COVID-19 Prevention, Diagnosis and Treatment Webinar Series

Taking care of employee health and their families' health

### Interactive comics on Instagram

MKB launched a series of interactive comics in Stories

### Campaign: "I'm proud of my dad!"

Holiday photo campaign

### "We thank you!"

Campaign to support employees of the retail chain, so that those on the front line feel supported by their colleagues

### Children's drawing competition by FinancialOne magazine

Drawing competition for children under 14 years old on financial topics

### Lecture: Anthropogenic climate change

Online lecture on climate change issues, related problems, risks, current climate trends and their consequences. The lecture was given by the world-renowned climatologist and Nobel Prize winner Alexey Kokorin, head of the WWF Russia Climate and Energy Program.

## 8.6 Environmental protection

### Project to conserve melliferous forests in the Amur tiger range

This year, with the support of MKB, a WWF Russia project was launched to conserve melliferous forests in the tiger range with the participation of the Union of Beekeepers of the Primorsky Territory and three model hunting farms. The public anti-poaching brigade made up of hunting providers and beekeepers will help to prevent illegal logging of linden on an area covering more than 100,000 hectares. These categories of forest users are interested in preserving melliferous trees and preventing illegal logging of linden and other valuable species.

Hunting providers and beekeepers began to work together by patrolling the valuable forests of the Eastern Blue Ridge in the Anuchinsky and Yakovlevsky districts of Primorye. In addition, regular meetings among partners are held for the purpose of planning the careful development and protection of melliferous plants.

Thanks to the cooperation between beekeepers' associations in the Far East and WWF Russia as part of the People for Nature project, which is carried out with the support of the European Union, the international conference "Far Eastern Taiga – World Beekeeping Reserve" was held in 2019-2020. The aim of the conference was to draw attention to the problem of cutting down linden trees and to map the main apiaries for the further conservation of

lindens. In Primorye, it was decided to separate "dormant zones", with a restriction on linden logging in an area spanning more than 1.7 million hectares. The new project will continue this systematic work and make it possible to control forest management between beekeepers and hunting providers in the valuable territory of Sikhote-Alin.

The Bank's support for the project to preserve valuable melliferous forests in the tiger range is based on a desire to protect the forests and nature of the southern Far East. It is important for us to work towards not only reducing our own ecological footprint, but also helping to minimize the negative environmental impact caused by human activity, products and services. In terms of forest area, Russia ranks first in the world. This is our greatest treasure and it must be treated with care – especially considering that forests play a key role in solving climate change problems.

Elena Finashina  
Head of the Sustainable Development Division of MKB

### Campaign with the ecological fintech project Trashback<sup>1</sup>

MKB launched a joint campaign with the environmental project Trashback, which

was created with the aim to increase the proportion of municipal solid waste (MSW) being recycled and encourage residents to become more eco-friendly.

With Trashback, people can use a mobile application to track the journey of non-food waste from the container site to the sorting and processing location, thus increasing user confidence in the waste disposal and recycling system. To do this, the user only has to scan the barcode of a special bag that contains non-food waste. When the bag arrives at the sorting yard, the specialists there also scan the barcode. The user receives a notification that the bag with the sorted garbage has been accepted, and points are credited to the bonus account in the application. The application also allows users to purchase special garbage bags with barcodes and receive benefits, for example, when paying for utility services. The system has been operating since October 2019 in the city of Reutov, Moscow Region.

From November 1, 2020, to June 30, 2021, when users purchase garbage bags with barcodes through the Trashback application using an MKB card, the Bank returns the purchase price in the form of MKB Bonus points, minus one ruble from each payment. The points are awarded in addition to the points received under the basic conditions of the MKB Bonus loyalty program.

Source: Fauna, Sinegorye and Yakovlevsky procurement district offices. Note: 1. For more details, see the [promotion page](#).

## 8.7 Working with the media and public agenda

As one of the largest Russian banks with an extensive regional network, MKB strives to build relationships with the media on the principles of being open, providing information in a timely manner, and providing the high-quality expert examination.

The tasks of the MKB press service include not only preparing responses to media inquiries and regularly informing the Bank's clients, partners and other target audiences about new products, services, technologies, events, but also initiating articles, interviews, and columns with the Bank's experts on the most relevant topics in the spheres of the economy, government regulation, sustainable development, information security, personal finance and investments.

In 2020, the Bank issued about 350 press releases, provided more than 700 comments in the media, and published more than 120 major interviews and columns with the Bank's spokespersons. The total number of media publications containing a mention of the Bank amounted to 34,000 publications, which exceeds the 2019 indicator by 13%. At the same time, the share of positive messages in their total number increased from 21% to 34%.

MKB cooperated with major federal newspapers, online media, radio stations and TV channels (RIA Novosti, Interfax, RBC, Bloomberg, Reuters, Kommersant, Vedomosti, Expert, Komsomolskaya Pravda, Echo of Moscow, Russia 24, etc.), and with industry (Habr, CNews, Clerk, Banking Review, Banking Technologies, etc.), as well as with regional media (Kazan Financier, Ural Federal-Press, Tver Afanasy-business, Far East PrimaMedia).

Last year, MKB was listed on two occasions as one of the top 3 major banks in the country in terms of response to pandemic, in the Banking Anti-Virus Rating compiled by The Retail Finance magazine. The aim of the study was to determine the frequency of communications and the quality of client support measures taken by banks in terms of responding to the pandemic. MKB received this high rating as a result of its actions throughout the pandemic, including regularly publishing explanations about new financial practices related to anti-epidemiological measures, reporting on measures to support borrowers and clients, and holding charity events.

**34** thousand publications

the total number of media publications containing a mention of the Bank

In the midst of a pandemic, the task of our anti-crisis PR and digital communications team was to clarify the Bank's position on queries related to the stability of work, implementation of support measures, and changes in legislation. At the same time, the importance of verifying information, that is, fact checking, has grown significantly, since the measures discussed by the government and the Central Bank had to be assessed much faster than usual from the point of view of implementation prospects and mechanisms.

Viktoria Poygina,  
Vice President of the Marketing and PR Directorate



## 9. Participation in external initiatives and membership in organizations



GRI 102-12, GRI 102-13

MKB actively interacts with Russian and international associations and unions and is a member of the following organizations:

- Association of Banks of Russia (Russia Association) – the Bank is a member of the Association, leads the Committee for the Development of Small Business and is a member of the ESG-Banking project group
- Moscow Exchange MICEX-RTS Public Joint Stock Company (Moscow Exchange PJSC)
- Russian National Association SWIFT (ROSSWIFT)
- National Finance Association SRO
- Factoring Companies Association (FCA)
- National Council of the Financial Market (NCFM) non-profit partnership
- Factors Chain International (FCI)
- Russian-Chinese Financial Council (RCFC) (Deputy Chairman of the Council)
- Association of Realtors of St. Petersburg and the Leningrad Region
- Association for the Development of Financial Technologies (FinTech Association)
- Association of MasterCard Participants
- Association of Corporate Lawyers (ACL) non-commercial partnership association
- Subcommittee on Financial Cooperation between the Central Bank of the Russian Federation and the People’s Bank of China
- BRICS Business Council (participation in the Working Group on Financial Cooperation)



## 10. Annexes



# 10.1 Contact information

GRI 102-3, GRI 102-53

|                              |  |
|------------------------------|--|
| Full name                    | CREDIT BANK OF MOSCOW<br>(Public Joint Stock Company)        |
| Short name                   | CREDIT BANK OF MOSCOW  |
| Headquarters location        | 2 Lukov Pereulok, Bldg.1, Moscow, 107045                     |
| Mailing address              | 2 Lukov Pereulok, Bldg.1, Moscow, 107045                     |
| Telephone                    | 8 (495) 777-4-888<br>8 (800) 100-4-888 (toll-free in Russia) |
| Fax number                   | + 7 (495) 797-4210   |
| Telex                        | 614645 MCB RU  |
| E-mail address               | <a href="mailto:info@mkb.ru">info@mkb.ru</a>                 |
| Official website of the Bank | <a href="http://www.mkb.ru">www.mkb.ru</a>                   |

Contacts for ESG  
and non-financial reporting

**Elena Finashina**  
Head of Sustainable Development Division  
E-mail: [ESG@mkb.ru](mailto:ESG@mkb.ru)

Contact us:  
   [info@mkb.ru](mailto:info@mkb.ru)

# 10.2 GRI table

GRI 102-55

| GRI indicator                    | Indicator   | Page number and Report section                      | Comment  | RSPP basic indicator |
|----------------------------------|---|---|--|----------------------|
| GRI 102 General Disclosures 2016 |   |   |  |                      |
| Organizational profile           |   |   |  |                      |
| 102-1                            | Name of the organization                                      | ABOUT THE BANK, p. 4                                |  |                      |
| 102-2                            | Activities, brands, products and services of the organization | ABOUT THE BANK, p. 4                                | For more information, see the MKB Annual Report for 2020, section "Business Model. Competitive Advantages. Industry Position" on p. 20 |                      |
| 102-3                            | Location of headquarters                                      | ABOUT THE BANK, p. 4<br>CONTACT INFORMATION, p. 162 |  |                      |
| 102-4                            | Location of operations  | ABOUT THE BANK, p. 4                                |  |                      |
| 102-5                            | Ownership and legal form                                      | ABOUT THE BANK, p. 4                                |  |                      |
| 102-6                            | Markets served  | ABOUT THE BANK, p. 4                                |  |                      |
| 102-7                            | Scale of the organization                                     | ABOUT THE BANK, p. 4                                | For more information, see the MKB Annual Report for 2020, section "Business Model. Competitive Advantages. Industry Position" on p. 20 |                      |

GRI table

| GRI indicator                    | Indicator  | Page number and Report section  | Comment | RSPP basic indicator |
|----------------------------------|--|---|---------|----------------------|
| GRI 102 General Disclosures 2016 |  |   |         |                      |
| Organizational profile           |  |   |         |                      |
| 102-8                            | Information on employees and other workers                   | Personnel structure, p. 103   |         | 3.1.1, 3.1.12        |
| 102-9                            | Supply chain   | Supplier engagement, p. 56  |         |                      |
| 102-10                           | Significant changes to the organization and its supply chain | ABOUT THE BANK, p. 4<br>Supplier engagement, p. 56                                |         |                      |
| 102-11                           | Precautionary Principle or approach                          | Compliance commitments and supported sustainable development best practices p. 22 |         |                      |
| 102-12                           | External initiatives   | PARTICIPATION IN EXTERNAL INITIATIVES AND MEMBERSHIP IN ORGANIZATIONS, p. 160     |         | 3.3.1, 3.3.2, 3.3.4  |
| 102-13                           | Membership of associations                                   | PARTICIPATION IN EXTERNAL INITIATIVES AND MEMBERSHIP IN ORGANIZATIONS, p. 160     |         | 3.3.1, 3.3.2, 3.3.4  |



GRI table

| GRI indicator                    | Indicator  | Page number and Report section   | Comment  | RSPP basic indicator |
|----------------------------------|--|--|--|----------------------|
| GRI 102 General Disclosures 2016 |  |  |  |                      |
| Strategy                         |  |  |  |                      |
| 102-14                           | Statement from senior decision-maker                 | STATEMENT FROM EXECUTIVE MANAGEMENT, p. 10<br>Annual report, section “Statement from the Chairman of the Management Board”                         | The statement from the Chairman of the Management Board is given in the MKB annual report for 2020 |                      |
| Ethics and integrity             |  |  |  |                      |
| 102-16                           | Values, principles, standards, and norms of behavior | Contribution to the achievement of the UN Sustainable Goals p. 25<br>Ethical norms and standards at MKB, p. 39<br>Anti-corruption practices, p. 42 |  | 1.1                  |
| 102-17                           | Mechanisms for advice and concerns about ethics      | Ethical norms and standards at MKB, p. 39  |  |                      |

GRI table

| GRI indicator                    | Indicator  | Page number and Report section     | Comment  | RSPP basic indicator |
|----------------------------------|--|------------------------------------|--|----------------------|
| GRI 102 General Disclosures 2016 |  |                                    |  |                      |
| Corporate governance             |  |                                    |  |                      |
| 102-18                           | Governance structure   | Corporate governance system, p. 35 |  |                      |
| 102-19                           | Delegating authority   | Corporate governance system, p. 35 |  |                      |
| 102-20                           | Executive-level responsibility for economic, environmental and social topics | Corporate governance system, p. 35 |  |                      |
| 102-32                           | Highest governance body's role in sustainability reporting                   |                                    | The Report is approved by the Compensation, Corporate Governance and Nominations Committee |                      |
| Stakeholder engagement           |  |                                    |  |                      |
| 102-40                           | List of stakeholder groups   | Stakeholder engagement, p. 29      |  |                      |
| 102-41                           | Collective bargaining agreements   |                                    | Collective agreements are not accepted at the Bank   | 3.1.4                |
| 102-42                           | Identifying and selecting stakeholders                                       | Stakeholder engagement, p. 29      |  |                      |

GRI table

| GRI indicator                    | Indicator  | Page number and Report section | Comment  | RSPP basic indicator |
|----------------------------------|--|--------------------------------|--|----------------------|
| GRI 102 General Disclosures 2016 |  |                                |  |                      |
| Stakeholder engagement           |  |                                |  |                      |
| 102-43                           | Approach to stakeholder engagement                         | Stakeholder engagement, p. 29  |  |                      |
| 102-44                           | Key topics and concerns raised                             | Stakeholder engagement, p. 29  | The current methodology for identifying material topics does not allow for identifying material topics according to stakeholder group. The approach will be refined in 2021  |                      |
| Reporting practice               |  |                                |  |                      |
| 102-45                           | Entities included in the consolidated financial statements |                                | The consolidated financial statements in accordance with IFRS include information on the MKB Group, whose main members in 2020 were: CBOM Finance p.l.c, NPO Inkakhran JSC, INKAKHRAN-SERVICE LLC, SKS Bank LLC, VESTA Investment Bank (LLC) (since May 2020), CB RUSNARBANK JSC (since May 2020), MKB-Investments LLC (since November 2020), MKB-Invest LLC (until September 2020), Mortgage Agent MKB 2 LLC (until September 2020) |                      |



GRI table

| GRI indicator                    | Indicator                                    | Page number and Report section                                    | Comment  | RSPP basic indicator |
|----------------------------------|--|---|--|----------------------|
| GRI 102 General Disclosures 2016 |  |   |  |                      |
| Reporting practice               |  |   |  |                      |
| 102-46                           | Defining report content and topic boundaries | ABOUT THE REPORT, p. 3<br>IDENTIFICATION OF MATERIAL TOPICS, p. 8 |  |                      |
| 102-47                           | List of material topics                      | IDENTIFICATION OF MATERIAL TOPICS, p. 8                           |  |                      |
| 102-48                           | Restatements of information                  |   | Total number of new employee hires in 2019 has been restated. The change is caused by the correction of the approach to provide information;<br><br>Information related to fuel and energy consumption, waste generated and water discharge has been restated. The change is caused by improvement and specification of the approach to indicators accounting, including the decision to report them broken down by own and leased assets of the Bank. |                      |

GRI table

| GRI indicator                    | Indicator  | Page number and Report section       | Comment  | RSPP basic indicator |
|----------------------------------|--|--------------------------------------|--|----------------------|
| GRI 102 General Disclosures 2016 |  |                                      |  |                      |
| Reporting practice               |  |                                      |  |                      |
| 102-49                           | Changes in reporting                                     |                                      | In this Report, a survey of various groups of stakeholders was conducted for the first time, on the basis of which material topics were identified. The change in approach is due to changes in material topics related to the 2019 Report. The reporting boundaries have not changed. |                      |
| 102-50                           | Reporting period   | ABOUT THE REPORT, p. 3               |  |                      |
| 102-51                           | Date of most recent report                               |                                      | 25.06.2020   |                      |
| 102-52                           | Reporting cycle  | ABOUT THE REPORT, p. 3               |  |                      |
| 102-53                           | Contact point for questions regarding the report         | CONTACT INFORMATION, p. 162          |  |                      |
| 102-54                           | Claims of reporting in accordance with the GRI Standards | ABOUT THE REPORT, p. 3               |  |                      |
| 102-55                           | GRI content index  | GRI indicators table, p. 163         |  |                      |
| 102-56                           | External assurance                                       | Independent Assurance Report, p. 183 |  |                      |

GRI table

| GRI indicator                    | Indicator  | Page number and Report section | Comment  | RSPP basic indicator |
|----------------------------------|--|--------------------------------|--|----------------------|
| GRI 103 Management Approach 2016 |  |                                |  |                      |
| 103-1                            | Explanation of the material topic and its boundary |                                | The information on material topics covers the activities and impact of CREDIT BANK OF MOSCOW PJSC. A description of the materiality of the issue is presented in the Report before the disclosure of information on each material issue.               |                      |
| 103-2                            | Management approach and its components             |                                | The management approach is presented in the Report before the disclosure of information on each material issue.  |                      |
| 103-3                            | Evaluation of the management approach              |                                | Information on the effectiveness of the management approach is mainly presented in the Report before the disclosure of information on each material issue.<br><br>The management approach is evaluated as part of the Bank's internal audit procedure. |                      |



GRI table

| GRI indicator                          | Indicator   | Page number and Report section                             | Comment   | RSPP basic indicator |
|--|---|--|---|----------------------|
| Material topics                        |   |  |   |                      |
| GRI 200 Economic                       |   |  |   |                      |
| GRI 201 Economic Performance 2016      |   |  |   |                      |
| 201-1                                  | Direct economic value generated and distributed   | Direct economic value generated and distributed, p. 85     |   | 1.2, 1.3, 1.4, 1.5   |
| GRI 203 Indirect Economic Impacts 2016 |   |  |   |                      |
| 203-1                                  | Infrastructure investments and services supported | Retail block, p. 79<br>MKB'S VOLUNTARY INITIATIVES, p. 145 | In 2020, no infrastructure investments were made. Gratuitous services were provided, but their monetary costs were not calculated | 1.7, 3.3.2           |
| GRI 204 Procurement Practices 2016     |   |  |   |                      |
| 204-1                                  | Proportion of spending on local suppliers         | Supplier engagement, p. 56                                 |   |                      |

GRI table

| GRI indicator                          | Indicator  | Page number and Report section   | Comment  | RSPP basic indicator |
|--|--|----------------------------------|--|----------------------|
| GRI 205 Anti-Corruption 2016           |  |                                  |  |                      |
| 205-1                                  | Units for which the corruption risk assessment was carried out                 | Anti-corruption practices, p. 42 | Risk assessment is carried out in relation to CREDIT BANK OF MOSCOW PJSC   |                      |
| 205-3                                  | Confirmed incidents of corruption and actions taken                            | Anti-corruption practices, p. 42 |  |                      |
| GRI 206 Anti-Competitive Behavior 2016 |  |                                  |  |                      |
| 206-1                                  | Legal action for anti-competitive behavior, anti-trust, and monopoly practices |                                  | In 2020, 2 violations of anti-trust requirements were recorded, in respect of which administrative cases were initiated and fines were imposed |                      |
| GRI 207 Tax 2019                       |  |                                  |  |                      |
| 207-1                                  | Approach to tax  | Tax, p. 49                       |  |                      |

GRI table

| GRI indicator                    | Indicator                                      | Page number and Report section                           | Comment  | RSPP basic indicator |
|----------------------------------|--|--|--|----------------------|
| GRI 300 Environmental            |  |  |  |                      |
| GRI 302 Energy 2016              |  |  |  |                      |
| 302-1                            | Energy consumption within the organization     | Consumption of fuel and energy resources, p. 133         |  | 1.2, 1.3, 1.4, 1.5   |
| 302-2                            | Energy consumption outside of the organization | Retail block p. 79<br>Support for social projects p. 147 | In 2020, there were no infrastructure investments, gratuitous services were provided, nevertheless, the costs for them in monetary terms were not calculated | 1.7, 3.3.2           |
| GRI 303 Water and Effluents 2018 |  |  |  |                      |
| 303-2                            | Management of water discharge-related impacts  | Use of water resources, p. 139                           |  |                      |
| 303-3                            | Water withdrawal                               | Use of water resources, p. 139                           |  | 2.3                  |
| 303-4                            | Water discharge                                | Use of water resources, p. 139                           |  | 2.7                  |



GRI table

| GRI indicator          | Indicator  | Page number and Report section    | Comment   | RSPP basic indicator |
|------------------------|--|-----------------------------------|---|----------------------|
| GRI 300 Environmental  |  |                                   |   |                      |
| GRI 305 Emissions 2016 |  |                                   |   |                      |
| 305-1                  | Direct greenhouse gas emissions (Scope 1)          | Climate impact management, p. 137 |   | 2.5                  |
| 305-2                  | Energy indirect greenhouse gas emissions (Scope 2) | Climate impact management, p. 137 |   | 2.5                  |
| 305-4                  | Greenhouse gas emissions intensity                 | Climate impact management, p. 137 | The number of employees was chosen as the denominator when calculating the intensity of GHG emissions, since division by the number of products is not applicable in the banking sector. At the same time, emissions directly depend on the number of employees at the Bank |                      |
| GRI 306 Waste 2020     |  |                                   |   |                      |
| 306-2                  | Management of significant waste-related impacts    | Waste management, p. 141          |   | 2.7                  |

GRI table

| GRI indicator                         | Indicator  | Page number and Report section | Comment   | RSPP basic indicator |
|---------------------------------------|--|--------------------------------|---|----------------------|
| GRI 300 Environmental                 |  |                                |   |                      |
| GRI 306 Waste 2020                    |  |                                |   |                      |
| 306-3                                 | Waste generated  | Waste management, p. 141       | Lamps and mercury thermometer waste is counted in units due to the absence of ability of conversion into different units of measurement. MKB is working to improve the approach of waste accounting |                      |
| GRI 307 Environmental Compliance 2016 |  |                                |   |                      |
| 307-1                                 | Non-compliance with environmental laws and regulations |                                |   | 2.9, 2.10            |
| GRI 400 Social                        |  |                                |   |                      |
| GRI 401 Employment 2016               |  |                                |   |                      |
| 401-1                                 | New employee hires and employee turnover               | Personnel structure, p. 103    | The share of newly hired employees in 2020 was 32.9%. A breakdown of the number of newly hired employees by region is not given in this Report due to the specifics of accounting systems           | 3.1.2, 3.1.3         |

GRI table

| GRI indicator                           | Indicator  | Page number and Report section               | Comment  | RSPP basic indicator |
|---|--|--|--|----------------------|
| GRI 400 Social                          |  |  |  |                      |
| GRI 401 Employment 2016                 |  |  |  |                      |
| 401-2                                   | Benefits provided to full-time employees that are not provided to temporary or part-time employees | Employee remuneration and incentives, p. 111 |  |                      |
| 401-3                                   | Parental leave   | Personnel structure, p. 103                  |  |                      |
| GRI 402 Labor/Management Relations 2016 |  |  |  |                      |
| 402-1                                   | Minimum notice periods regarding operational changes   |  | Employees and their elected representatives are given preliminary notice about the implementation of significant operational changes that may affect them in a material way in accordance with the legislation of the Russian Federation |                      |
| 403 Occupational health and safety 2018 |  |  |  |                      |
| 403-1                                   | Occupational health and safety management system   | Caring for our employees, p. 121             |  |                      |



GRI table

| GRI indicator                           | Indicator   | Page number and Report section                               | Comment  | RSPP basic indicator |
|---|---|--|--|----------------------|
| GRI 400 Social                          |   |  |  |                      |
| 403 Occupational health and safety 2018 |   |  |  |                      |
| 403-2                                   | Hazard identification, risk assessment and incident investigation   | Caring for our employees, p. 121                             |  |                      |
| 403-4                                   | Worker participation, consultation, and communication on occupational health and safety                       | Caring for our employees, p. 121                             | The Bank does not have joint OHS committees for the employer and employees. There are no dangerous factors at the Bank |                      |
| 403-5                                   | Worker training on occupational health and safety   | Caring for our employees, p. 121                             |  |                      |
| 403-6                                   | Promotion of worker health  | Caring for our employees, p. 121<br>Promoting sports, p. 153 |  |                      |
| 403-7                                   | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Caring for our employees, p. 121                             |  |                      |
| 403-10                                  | Work-related ill health   | Caring for our employees, p. 121                             | There were no fatal accidents in 2020  | 3.1.5, 3.1.6, 3.1.7  |

GRI table

| GRI indicator                                | Indicator  | Page number and Report section                                    | Comment   | RSPP basic indicator |
|--|--|---|---|----------------------|
| GRI 400 Social                               |  |   |   |                      |
| GRI 404 Training and Education 2016          |  |   |   |                      |
| 404-1  | Average hours of training per year per employee                                      | Training and development, p. 114                                  |   | 3.1.10               |
| 404-2  | Programs for upgrading employee skills and transition assistance programs            | Training and development, p. 114                                  | The Bank does not have programs to assist employees in finding subsequent employment, programs for employees of pre-retirement age, or support programs for employees when retiring or terminating employment | 1.8                  |
| 404-3  | Percentage of employees receiving regular performance and career development reviews | COMPANY EMPLOYEES, p. 94  |   |                      |
| GRI 405 Diversity and Equal Opportunity 2016 |  |   |   |                      |
| 405-1  | Diversity of governance bodies and employees   | Corporate governance system, p. 35<br>Personnel structure, p. 103 |   |                      |
| 405-2  | Ratio of basic salary and remuneration of women to men                               | Employee remuneration and incentives, p. 111                      |   |                      |

GRI table

| GRI indicator                        | Indicator   | Page number and Report section                     | Comment   | RSPP basic indicator |
|--------------------------------------|---|--|---|----------------------|
| GRI 400 Social                       |   |  |   |                      |
| GRI 406 Non-Discrimination 2016      |   |  |   |                      |
| 406-1                                | Incidents of discrimination and corrective actions taken                        | Non-discrimination and equal opportunities, p. 117 |   | 3.2.2                |
| GRI 410 Security Practices 2016      |   |  |   |                      |
| 410-1                                | Security personnel trained in human rights policies and procedures              |  | Neither internal nor external security personnel receive human rights training  |                      |
| GRI 412 Human Rights Assessment 2016 |   |  |   |                      |
| 412-1                                | Operations that have been subject to human rights reviews or impact assessments |  | In 2020, the Bank did not conduct a human rights assessment in the form of a human rights review nor a human rights impact assessment |                      |



GRI table

| GRI indicator                           | Indicator   | Page number and Report section                  | Comment  | RSPP basic indicator |
|---|---|---|--|----------------------|
| GRI 400 Social                          |   |   |  |                      |
| GRI 416 Customer Health and Safety 2016 |   |   |  |                      |
| 416-2                                   | Incidents of non-compliance concerning the health and safety impacts of products and services |   | In 2020, there were no incidents of non-compliance with the requirements for the health and safety impact of the Bank's products and services  |                      |
| GRI 417 Marketing and Labeling 2016     |   |   |  |                      |
| 417-2                                   | Incidents of non-compliance concerning product and service information and labeling           |   | In 2020, 2 cases of non-compliance with the requirements for product and service information were recorded, as a result of which fines were imposed. At the same time, FAS took into account the attenuating circumstances declared by the Bank, applying the minimum possible amount of liability for violations (101,000 RUB and 200,000 RUB, respectively). |                      |
| GRI 418 Customer Privacy 2016           |   |   |  |                      |
| 418-1                                   | Substantiated complaints concerning breaches of customer privacy and losses of customer data  | Information security and confidentiality, p. 51 |  |                      |

GRI table

| GRI indicator  | Indicator  | Page number and Report section       | Comment   | RSPP basic indicator |
|--|--|--------------------------------------|---|----------------------|
| GRI 419 Socioeconomic Compliance 2016  |  |                                      |   |                      |
| 419-1  | Non-compliance with laws and regulations in the social and economic area | Compliance control procedures, p. 46 |   |                      |
| Basic indicators of RSPP not included in the boundaries of the GRI material topics |  |                                      |   |                      |
|  | Payments to capital providers  |                                      | Information is given in the financial statements of the Bank in accordance with IFRS (Annual Report)  | 1.6                  |
|  | Investment in society  |                                      | Charity expenses and other similar expenses in 2020 amounted to RUB 31,189,000. (Source: reporting form in the Central Bank, 102, line 48607) | 1.7                  |
|  | Atmospheric emissions of pollutants                                      |                                      | Due to the specifics of MKB's main activity, accounting of atmospheric emissions of pollutants is not carried out                             | 2.6                  |
|  | Wastewater discharges  |                                      | The volume of discharged water is equal to the volume of water withdrawal   | 2.7                  |

GRI table

| GRI indicator   | Indicator   | Page number and Report section | Comment  | RSPP basic indicator |
|---|---|--------------------------------|--|----------------------|
| Basic indicators of RSPP not included in the boundaries of the GRI material topics <sup>1</sup> |   |                                |  |                      |
|   | Waste   | Waste management p. 141        |  | 2.8                  |
|   | Loss of working time due to morbidity for all reasons   |                                | This indicator is not taken into account   | 3.1.8                |
|   | Labor disputes  |                                | One labor dispute regarding the reinstatement of a former employee of the Bank. Based on the results of considering the civil case, a decision was made, according to which the claims were denied in full. The incident was resolved in favor of the Bank, and the Bank's actions to dismiss the employee were recognized as legitimate | 3.2.1                |
|   | Impact assessment of the organization's activities on the socio-economic development of local communities |                                | A community impact assessment has not been carried out   | 3.3.3                |
|   | Information and labeling  |                                | This indicator is not taken into account due to the specifics of the Bank's products and services  | 3.4.1                |

Notes: The source of information on the basic performance indicators of managers, specialists, and clerks is given at: <https://rspp.ru/document/1/1/c/1c2Od18467e6706867107ae48f648dd6.pdf>



# 10.3 Independent Assurance Report



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INDEPENDENT ASSURANCE REPORT

Independent practitioner’s limited assurance report by AO Deloitte & Touche CIS  
('Deloitte') to PJSC CREDIT BANK OF MOSCOW Board of Directors on the 2020 ESG Report  
for the year ended 31 December 2020

Scope of limited assurance

We have been engaged by PJSC CREDIT BANK OF MOSCOW to perform an assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) ('the Standard') to provide public limited assurance on accuracy of Selected Data presented in PJSC CREDIT BANK OF MOSCOW ESG Report prepared in accordance with GRI Standards ('the Report') for the year ended 31 December 2020.

Limited assurance procedures and roles

Selected Data

We carried out limited assurance on accuracy of the following data related to 2020 year and included into the Report:

- 1. Selected key performance indicators specified below in the section "Selected non-financial performance data for public limited assurance"; and
- 2. PJSC CREDIT BANK OF MOSCOW self-declaration in preparing its Report 2020 in accordance with the requirements of Global Reporting Initiative (GRI) Sustainability Reporting Standards as stated on page 3 of the Report.

Our key limited assurance procedures

To achieve limited assurance, the ISAE 3000 (Revised) requires that we review the processes, systems and competencies used to compile the areas on which we provide our assurance. Considering the risk of material error, we planned and performed our work to obtain all of the information and explanations we considered necessary to provide sufficient evidence to support our limited assurance conclusion.

To form our conclusion, we undertook the following procedures:

- Analysed on a sample basis the key systems, processes, policies and controls relating to the collation, aggregation, validation and reporting processes of the selected sustainability performance indicators;
- Conducted interviews with employees of PJSC CREDIT BANK OF MOSCOW responsible for sustainability performance, policies and corresponding reporting;
- Conducted selective substantive testing to confirm accuracy of received data to the selected key performance indicators;

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- Made enquiries of management and senior executives to obtain an understanding of the overall governance and internal control environment, risk management, materiality assessment and stakeholder engagement processes relevant to the identification, management and reporting of sustainability issues;
- Performed selective review of disclosures in the Report on compliance with GRI Standards.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally non-financial information, such as that included in reporting documents is subject to more inherent limitations than financial information, given the nature and methods used for determining, calculating and sampling or estimating such information.

Our work has been undertaken so that we might state to the Company those matters we are required to state to them in this Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than PJSC CREDIT BANK OF MOSCOW for our work, for this Report, or for the conclusions we have formed.

Our engagement provides limited assurance as defined in ISAE 3000 (Revised). The procedures performed in a limited assurance engagement vary in nature and timing form, and are less in extent than for, a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Roles and responsibilities

- The Directors are responsible for the preparation, accuracy and completeness of the sustainability information and statements contained within the Report. They are responsible for determining PJSC CREDIT BANK OF MOSCOW sustainability objectives and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.
- Our responsibility is to express a conclusion on the selected Subject Matter based on our procedures. We conducted our engagement in accordance with the ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board.

Independence and quality control

- We have complied with the independence and other ethical requirements established by the *Rules on Independence of Auditors and Audit Firms* and the *Code of Professional Ethics for Auditors* approved by the Audit Council of the Ministry of Finance of the Russian Federation and by the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.



- The firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Selected non-financial performance data for public limited assurance

We have been engaged by the Board of Directors of PJSC CREDIT BANK OF MOSCOW to perform limited assurance procedures on accuracy of the following key performance data of the 2020 reporting year included into the Report:

|                          |   |
|--------------------------|---|
| Energy consumption       | <ul style="list-style-type: none"><li>• Fuel consumption from non-renewable sources per fuel type, GJ</li><li>• Electricity consumption, kWh</li><li>• Heat energy consumption, Gcal</li></ul>  |
| Water consumption        | <ul style="list-style-type: none"><li>• Total water withdrawal by type, thous. l.</li></ul>   |
| Greenhouse gas emissions | <ul style="list-style-type: none"><li>• Gross direct GHG emissions (Scope 1), t. of CO2-equivalent</li><li>• Gross indirect GHG emissions (Scope 2), t. of CO2-equivalent</li><li>• GHG emissions intensity per employee, t. of CO2-equivalent /employee</li></ul>  |
| Employees                | <ul style="list-style-type: none"><li>• Number of employees by gender and age group, people</li><li>• Percentage of top managers by age group and gender, %</li><li>• Percentage of employees by age group and gender, %</li><li>• Total number of hired employees for the reporting period, people</li><li>• Employee turnover rate, %</li><li>• Average number of training hours per employee, hours.</li></ul> |

Limited assurance conclusion

Based on the scope of our work and the assurance procedures performed nothing has come to our attention that causes us to believe that the aforementioned Selected Data, which we were engaged to provide limited assurance on, as specified in the 'Roles and responsibilities' section above are materially misstated.

  
Nataliya Kaprizina  
Engagement partner  
10 August 2021  


|  |  |
|--|--|
| The Entity: CREDIT BANK OF MOSCOW                                  | Audit Firm: AO "Deloitte & Touche CIS"   |
| General license №1978 issued by the Bank of Russia on 06 May 2016. | Certificate of state registration № 038.482, issued by the Moscow Registration Chamber on 30.10.1992.  |
| Primary State Registration Number 102773955282.                    | Primary State Registration Number: 1027700425444   |
| Location:<br>10/045, Lukov pereulok 2 (Bldg. 1), Moscow, Russia    | Certificate of registration in the Unified State Register<br>№ 77-004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39. |
|  | Member of Self-regulatory organization of auditors Association "Sodruzhestvo", OIRN 12006020384.   |

1. **Uvod**

2. **Opis projekta**

3. **Metode**

4. **Rezultati**

5. **Zaključci**

6. **Priloge**

7. **Sklepi**

8. **Priloge**

9. **Priloge**