



Sustainability Strategy

2024–2026

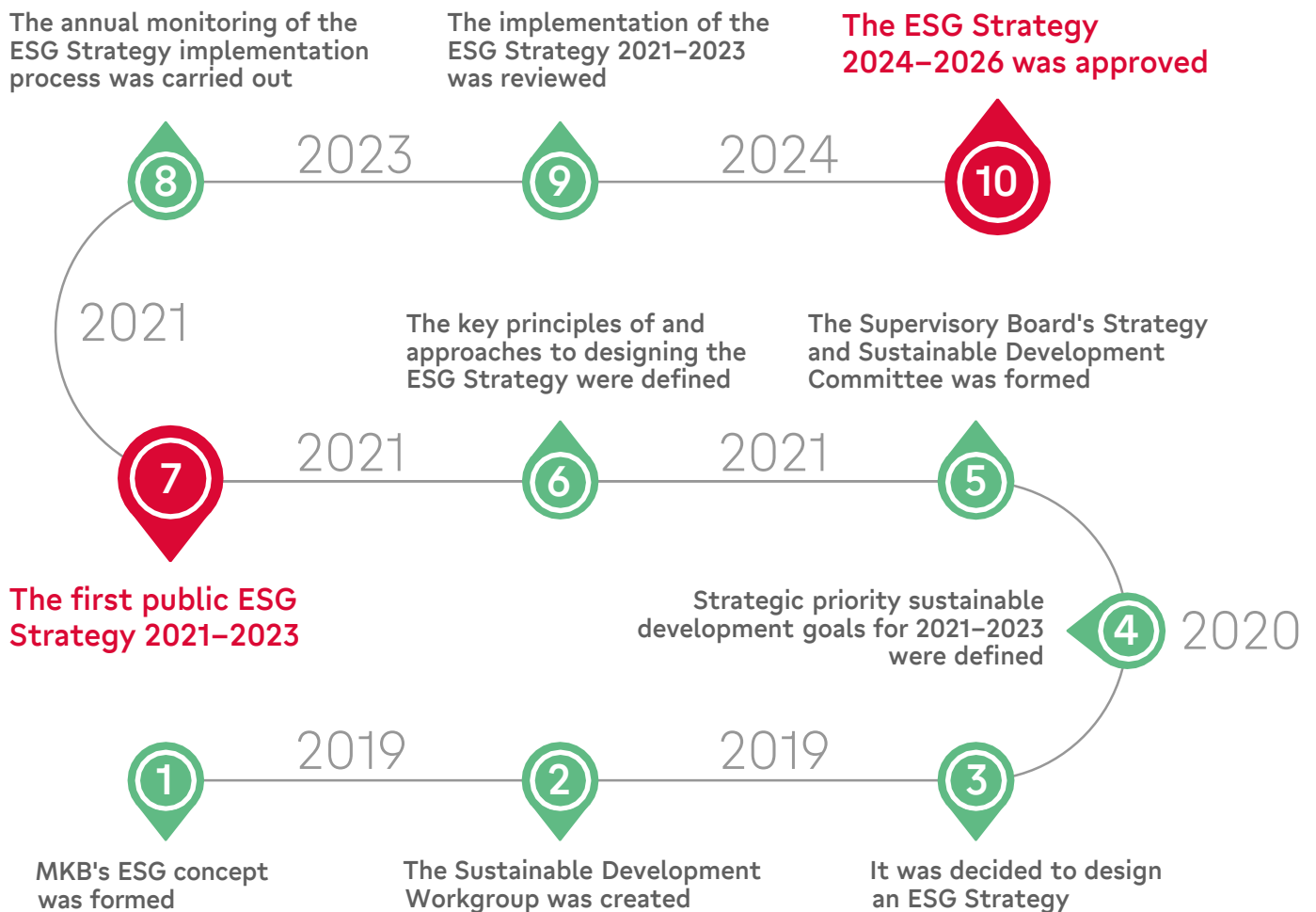
Sustainability Strategy for 2024–2026 (the "ESG Strategy") of CREDIT BANK OF MOSCOW (the "Bank" / MKB) puts in order its ESG and sustainable development approaches, priorities and goals. The ESG Strategy forms part of the Bank's overall corporate strategy, which in its turn is designed to address possible changes of macroeconomic indicators. The ESG Strategy only applies to MKB.

The ESG strategy was approved by the Bank's Supervisory Board on 01.07.2024

MKB's mission

To be a bank for people: to use its capabilities and expertise in finance for the benefit of its customers, shareholders, employees and the whole society. We want to exemplify sustainable development principles for our customers and partners, adhering to environmental and social responsibility principles.

MKB's ESG Strategy: key milestones



MKB consistently integrates ESG approaches and principles into its corporate governance system. Since 2020 it has a Board-level Strategy and Sustainable Development Committee, and the ESG agenda development and implementation process involves its top management and an absolute majority of its subdivisions. To achieve its goals and fulfil its commitments, MKB has created a dedicated subdivision – Sustainable Development and ESG Risk Group. The Bank’s bylaws formalise and assign responsibilities, competences and duties regarding the development and implementation of the ESG strategy. Furthermore, some topical documents were approved, such as the Procedure for Managing E&S Impact of Proposed Financing, the Responsible Investing Policy, the Human Rights Policy, the Code of Conduct for Suppliers and Contractors, etc.

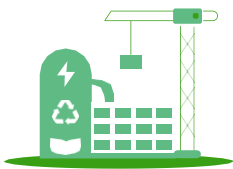
Track record of sustainable development projects



Financing of the construction of a cross-border cable way



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RUB bln



Financing of the construction of Russia's first electronic and electric waste recycling plant



6.4
RUB bln



Financing of the purchase / production of electric trains using the most up-to-date energy saving equipment



>5
RUB bln

The ESG Strategy continues MKB's chosen sustainable development vector and contains both qualitative and quantitative KPIs for 2024-2026. The baseline year is 2023.

If interim control shows that MKB misses the set quantitative KPIs by more than 15%, it revises their target levels, the underlying initiatives, and related action plans.

Compliance Obligations and Endorsed Practices of Sustainable Development

MKB undertakes to comply with applicable Russian laws, seeks to comply with international treaties and conventions. The Bank's strategic goal setting is aligned with applicable recommendations on the integration of SDGs and Paris Agreement goals.

Russian statutes, strategic documents and regulatory standards, including without limitation:

- National projects and goals of Russia's low GHG emission socio-economic development strategy 2050 / 2060
- Russian Government's Order No. 1912-p dated 14.07.2021 "Approval of the goals and key areas of Russia's sustainable (green) development"
- Russian Government's Decree No. 1587 dated 21 September 2021 "On approval of the criteria for sustainable (green) development projects in Russia and requirements to the system of verification of sustainable development finance instruments in Russia"
- Bank of Russia's Regulation No. 706-P dated 19 December 2019 "On Securities Issue Standards"
- Bank of Russia's Recommendations No. IN-02-28/76 dated 29 December 2023 on designing sustainable development and climate transition strategies
- Bank of Russia's Recommendations No. IN-02-28/44 dated 13 June 2023 on sustainable development disclosure by financial institutions
- Bank of Russia's Recommendations No. IN-02-28/145 dated 28 December 2022 on addressing ESG factors and sustainable development matters by financial institutions in their corporate governance frameworks

Other principles and standards, including international ones:

- Principles for Responsible Banking, UNEP FI
- Principles of UN Global Compact
- Equator Principles (2013, 2020), and others

Sustainability risks and opportunities

MKB evaluates on an ongoing basis external environment's impact on its operations through comprehensive analysis of risks and opportunities, including sustainability-related ones. It has in place sophisticated risk management and internal control systems, designed to protect its assets, improve its business processes and ensure its compliance with national laws

ESG risks

Opportunities

Environment and climate



Damage from physical climate risks stemming from the climate change



Sanction-restricted access to technological solutions promoting energy efficiency and transition to renewable energy sources

- 1 Broadening of responsible financing services:
 - Financial products for sustainable companies;
 - Expansion of ESG lending;
 - Issue of green bonds;
 - Advising customers on responsible financing.
- 2 Developing a carbon trading system
- 3 Promoting the development and implementation of new decarbonisation technologies
- 4 Reducing the direct climate impact
- 5 Improving MKB's position as sustainable company

Social domain



Extra expenses on refresher courses and training in view of the digitalisation of business processes



Lack of highly qualified staff

- 1 Partnership for sustainable development
- 2 Providing refresher courses and training programmes, run by in-house or external experts
- 3 Providing internship programmes to develop young specialists (college and school graduates)
- 4 Developing a friendly corporate culture
- 5 Developing employee well-being and care programmes

Economic development



Possible losses and business development restrictions caused by the geopolitical situation



Losses related to cyber security and personal data protection incidents

- 1 Developing and implementing new digitalisation solutions and new technologies

Interaction with Stakeholders

MKB's activities affect the interests of a wide range of stakeholders and have a significant impact on the economic development and improvement of the quality of life in the regions where it operates.

Integration of sustainability principles into the Bank's operations allows it to maintain a responsible approach to its activities and high corporate standards. MKB strives to keep an open dialogue with and responds promptly to the needs and requests of its customers and other stakeholders. Regular communication with stakeholders helps the Bank to succeed in delivering its business processes and tasks.

Stakeholders

- Shareholders and investors
- Customers
- Employees
- Suppliers and contractors
- Local communities
- State authorities
- Mass media
- Financial institutions
- Rating agencies
- Non-profit organisations
- Professional and expert communities
- Regulatory bodies (Bank of Russia)

At the core of ESG Strategy is a focus on the stakeholders' needs and expectations, which allowed MKB to set its main priorities as a socially responsible bank.



MKB's priorities as a socially responsible bank

- ▶ Setting ESG finance goals
- ▶ Financial health and inclusion
- ▶ A united team with shared goals and values
- ▶ Accessible and transparent communication with stakeholders
- ▶ Robust digital infrastructure and innovation
- ▶ Contributing to SDG implementation
- ▶ Reducing emissions and direct impacts

Endorsement of the UN's Sustainable Development Goals

MKB endorses the sustainable development agenda and recognises its contribution to the environmental, social and economic components of sustainable development. Given the scale and nature of its activities, the Bank has prioritised the following Sustainable Development Goals:




-  Good health and well-being
-  Quality education
-  Decent work and economic growth
-  Industry, innovation and infrastructure
-  Sustainable cities and communities
-  Responsible consumption and production
-  Climate action
-  Peace, justice and strong institutions
-  Partnerships for the goals



MKB addresses these goals at the following time horizons:

- Strategic targets
(in line with the national development goals of the Russian Federation)
- Long-term targets until 2026 stated in this strategy as KPIs
- Short-term targets set in bylaws for each year covered by the strategy

MKB's Strategic ESG goals

-  Reach carbon neutrality and contribute to the national E&S agenda
-  Contribute to the development and progressive growth of the responsible finance market
-  Socially responsible bank for people: active social position and support of pivotal projects

Key Areas and MKB's Contribution to the UN's Sustainable Development Goals

Key areas

MKB's contribution

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- Climate and environmental mitigation
- Consumption reduction of and resource efficiency
- Responsible waste management
- Responsible finance
- Digitalisation

- Financing low-carbon projects
- Upgrading infrastructure in the regions of operations
- Reducing resource consumption
- Responsible waste management
- E&S risk management
- Reducing carbon footprint and reaching carbon neutrality
- Developing carbon market

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- Employee well-being and good health
- Occupational health and safety
- Training of employees
- Comfortable environment and decent working conditions
- Support of educational projects and initiatives
- Improvement of financial health and inclusion
- Support of innovation
- Partnerships for the goals

- Financing socially relevant projects
- Creating comfortable work environment
- Staff training and development
- Transforming offices for greater staff and customer convenience
- Promoting financial literacy
- Supporting educational projects

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- Ongoing improvement of the corporate governance system

- Providing equal treatment of all shareholders
- Ensuring accessible communication channels
- Developing antitrust practices
- Anti-corruption
- Regular information disclosure
- Risk management and mitigation

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Reduction of Direct and Indirect Environmental Impacts

The Bank embraces responsibility for its environmental impacts and seeks to avoid and prevent or, where impossible, mitigate adverse impacts. MKB recognises the importance of climate change and is building a comprehensive environmental, social and climate risk management system, including risk recording, management and assessment, as well as improvement of its own resource efficiency.

▶ Mitigation of adverse effect on climate and the environment



Finance projects that contribute to the climate transition



Reduce the Bank's carbon footprint and achieve carbon neutrality (scope 1 and 2) by end-2026



Develop and carry out a climate strategy



At least 10% annual increase in systemic investments in environmental protection and biodiversity

▶ Consumption reduction and resource efficiency



Carry out external audit (diagnostics) of energy resources utilisation efficiency in 2024 in 3 largest offices of the bank (Tsvetnoy Boulevard, Akademika Korolyova, Lukov Pereulok)



Develop and implement a consumption reduction and resource efficiency plan

▶ Responsible waste management



Ensure that 100% of decommissioned MKB ATMs are disposed of and recycled

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Reduction of Direct and Indirect Environmental Impacts

By implementing the concept of responsible product offerings, the Bank expands its positive impact on the environment and society. MKB strives to foster the growth of the Russian responsible finance market and provide more support to sustainable projects and investments.

► Responsible finance



Ensure at least 35% growth of the current ESG portfolio by end-2026



Support green and adaptation projects



Ensure at least 10% growth of the current ESG securities portfolio by 2026



Assist customers with ESG bond issuance



Co-arrange at least 3 ESG bond issues by 2026

Banking development is directly linked to the application of new technologies. MKB's objective is to ensure a high level of security and make customer-bank interaction convenient, easy and comfortable.

► Digitalisation




Increase the share of digital mortgages to 20% of the total number of transactions by end-2026


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Employee Good Health and Well-being


People are the foundation of MKB's business. The well-being and health of employees always remain the focus of MKB. A comfortable working environment helps employees achieve their goals and fulfil their potential. We strive to provide a diverse and inclusive work environment free from harassment and discrimination.


▶ Employee well-being and good health

 Develop and expand the use of well-being tools: hold at least 10 events annually


 Ensure steady increase in social benefits per employee (at least 5% growth by 2026 vs 2023)

▶ Occupational health and safety

 Annually conduct OHS inspections


 Develop and implement a programme to reduce workplace injuries and protect employees' health


▶ Training of employees

 Develop and provide remote ESG courses for employees in at least 3 fields annually:

- Environmental protection
- Climate risks and climate change
- Society and significant social aspects

▶ Comfortable environment and decent working conditions

 Transform the current network: 100% of MKB offices operating as at the end of 2026 reformatted or opened under a new concept


 Maintain decent and equal working conditions for employees and provide opportunities for their development


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Social Aspects of Activities


Taking care of customers and contributing to socially relevant projects are the focus areas of MKB's activities. The bank seeks to improve financial health and inclusion, promote financial literacy and support vulnerable populations.


► Support of educational initiatives and projects


 Train at least 60 people at the MKB's IT Academy annually

 Increase system investments in education and science by at least 10% annually


► Financial health and inclusion


 300 thousand active "Pension" cards by end-2026


 Issue debit cards for foreign citizens in at least 3 countries by end-2026

 Ensure growth of active small business customers by at least 80% by end-2026

► Support of innovations


 Develop and improve in-house technological solutions


 Annually increase the number of entries to MKB Reactor by at least 300 seeds (start-up funnel)

 Implement and use at least 6 Open Banking APIs

 Develop digital products and services together with FinTech Association: cooperation in 9 areas annually

► Partnerships for the goals

 Hold at least 20 events for elderly persons each year

 Improve financial literacy of people, pay special attention to the most vulnerable populations (elderly, children)






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Corporate Governance and Transparency of Operations

Corporate governance at MKB is based on clear goals, mutual trust and is an important tool for business stability. The bank seeks to systematically integrate ESG principles and business ethics into our operations and improve the information disclosure quality.

▶ Ongoing improvement of the corporate governance system



-  Bring the Supervisory Board (SB) composition in line with best practices as to the number of independent SB members, as well as the requirements for the issuers of the first quotation list
-  Improve the responsible procurement standards based on ESG principles
-  Optimise and create an effective integrated environmental, social and climate risk management system
-  Conduct regular assessments of the corporate governance system's compliance with best practices
-  Improve non-financial disclosure practices



Contact information

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