



THE EQUATOR PRINCIPLES

ENVIRONMENTAL
AND SOCIAL REPORT

2020

CREDIT BANK OF MOSCOW



THE EQUATOR PRINCIPLES

The Equator Principles (EPs)¹ is a proven benchmark for assessing and managing environmental and social (E&S) risks when financing projects². They have been adopted internationally and are based on the International Finance Corporation's Performance Standards on environmental and social sustainability (IFC PS). Compliance with the Equator Principles is a voluntary initiative of financial institutions.

CREDIT BANK OF MOSCOW (the "Bank") is not a signatory to the EPs, but it considers them as a best practice and, where possible, uses their methodological principles in drafting its sustainable development bylaws and identification E&S risks in its loan portfolio.

RESPONSIBLE FINANCING IN THE BANK

The Bank implements an approved sustainability strategy³, continuously increasing its ESG efficiency, and, in particular, improving its framework for managing indirect E&S risks in providing financial support.

In 2021 the Bank adopted a new Manual for Managing E&S Impact of Proposed Financing (the "Manual"), superseding, expanding and refining its E&S Management Policy applied since 2015.

The Manual regulates the assessment of all incoming banking transactions, differentiating the scope and format of E&S due diligence by the E&S risk level, type of financing and applicability of any international standard.

The Bank applies this Manual in line with the national legal requirements on environmental safety, occupational health and industrial safety, protection of human rights and cultural heritage, and, where possible, best international practices of managing E&S impacts, which include the EPs, the Environmental and Social Policy of European Bank for Reconstruction and Development (EBRD, the Bank's shareholder since 2012) and IFC PS.

¹ Available at the following [link](#)

² The Equator Principles describe a project as a development in any sector at an identified location, an expansion or upgrade of an existing operation leading to a material change in the output or production process

³ Available at the following [link](#)

II Reporting frequency and scope

The EPs E&S report (the "Report") is prepared on an annual basis. It reflects projects that reached financial close during 2020 as per the consolidated IFRS financials.

The Report covers the following types of financial products and services to which the EPs apply:

- 01** Project Finance Advisory Services where total project capital costs are US\$10 million or more.
- 02** Project Finance with total project capital costs of US\$10 million or more.
- 03** Project-Related Corporate Loans (including trade finance by way of buyer's credit) where all of the following three criteria are met:
 - The majority of the loan is related to a project over which the client has effective operational control (either direct or indirect).
 - The total aggregate loan amount and the Bank's individual commitment (before syndication or sell down) are each at least US\$50 million.
 - The loan tenor is at least two years.



II Reporting frequency and scope

- 04** Bridge Loans with a tenor of less than two years that are intended to be refinanced by Project Finance or a Project-Related Corporate Loan that is anticipated to meet the relevant criteria described above. As the EPs do not apply any specific reporting requirements to bridge loans (whereas they are provided earlier in the project timeline), they are not risk-categorised.
- 05** Project-Related Refinance and Project-Related Acquisition Finance, where all of the following three criteria are met:
- The underlying project was financed in accordance with the EPs framework.
 - There has been no material change in the scale or scope of the project.
 - Project completion has not yet occurred at the time of the signing of the facility or loan agreement.



Project categorisation

The risk categorisation was made according to Principle 1 "Review and Categorisation" based on such factors as recipients' sensitivity, the project's scale and location, and the magnitude and reversibility of its impacts. The projects were classified into the following categories of environmental and social risk:

Category **A** (high risk)

projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented

Category **B** (medium risk)

projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures

Category **C** (low risk)

projects with minimal or no adverse environmental and social risks and/or impacts

Categorisation of the projects is based on an internal bank model list of projects that takes into account the EBRD Environmental and Social Policy (2019) and the data of the portal FIRST (Financial Institutions: Resources, Solutions, and Tools)⁴, which is supported by the governments of Finland and Sweden and promoting IFC's approaches. The internal model list is not conclusive or exhaustive, but purely illustrative. Such factors as recipients' sensitivity, the project's scale and location, and the magnitude and reversibility of its impacts were considered on a case-by-case basis. We also refer to the EBRD Environmental and Social Risk Categorisation List.

⁴ firstforsustainability.org

In 2020, 7 project finance transactions and 5 bridge loan transactions reached financial close (fig.1). No project-related corporate loans, project finance advisory services, or project-related refinance were present in the loan portfolio.

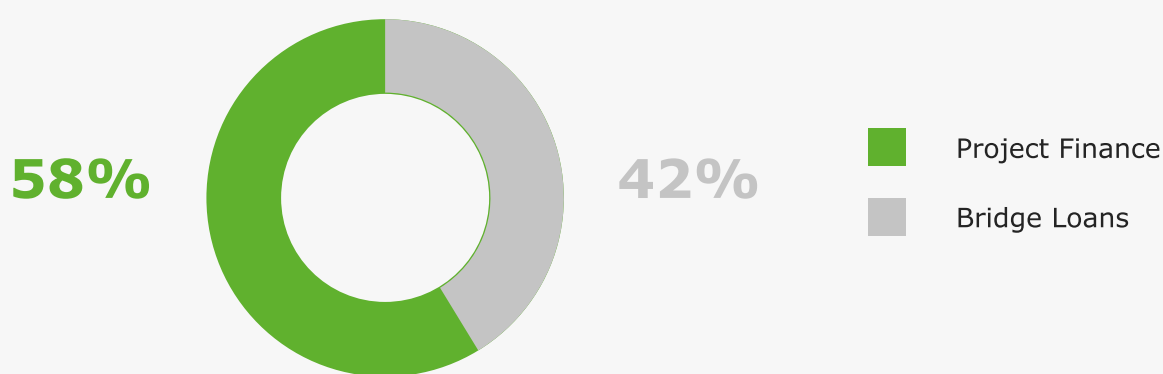


Fig.1. Structure of Financial Products Issued in 2020

Risk Categorisation Summary

Less than 30% of all project finance transactions with financial close in 2020 (less than 10% in value terms) fell into the category A (high risk), while medium-risk projects account for more than 70% and 90%, respectively (Fig.2)

a) Number of projects



b) Loan amount

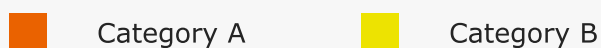
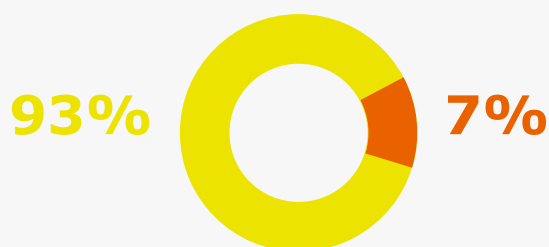


Fig.2 Risk Categorisation Results 2020

All project finance transactions are realised in the Russian Federation (fig.3), a Non-Designated country⁵ according to the EPs approach.

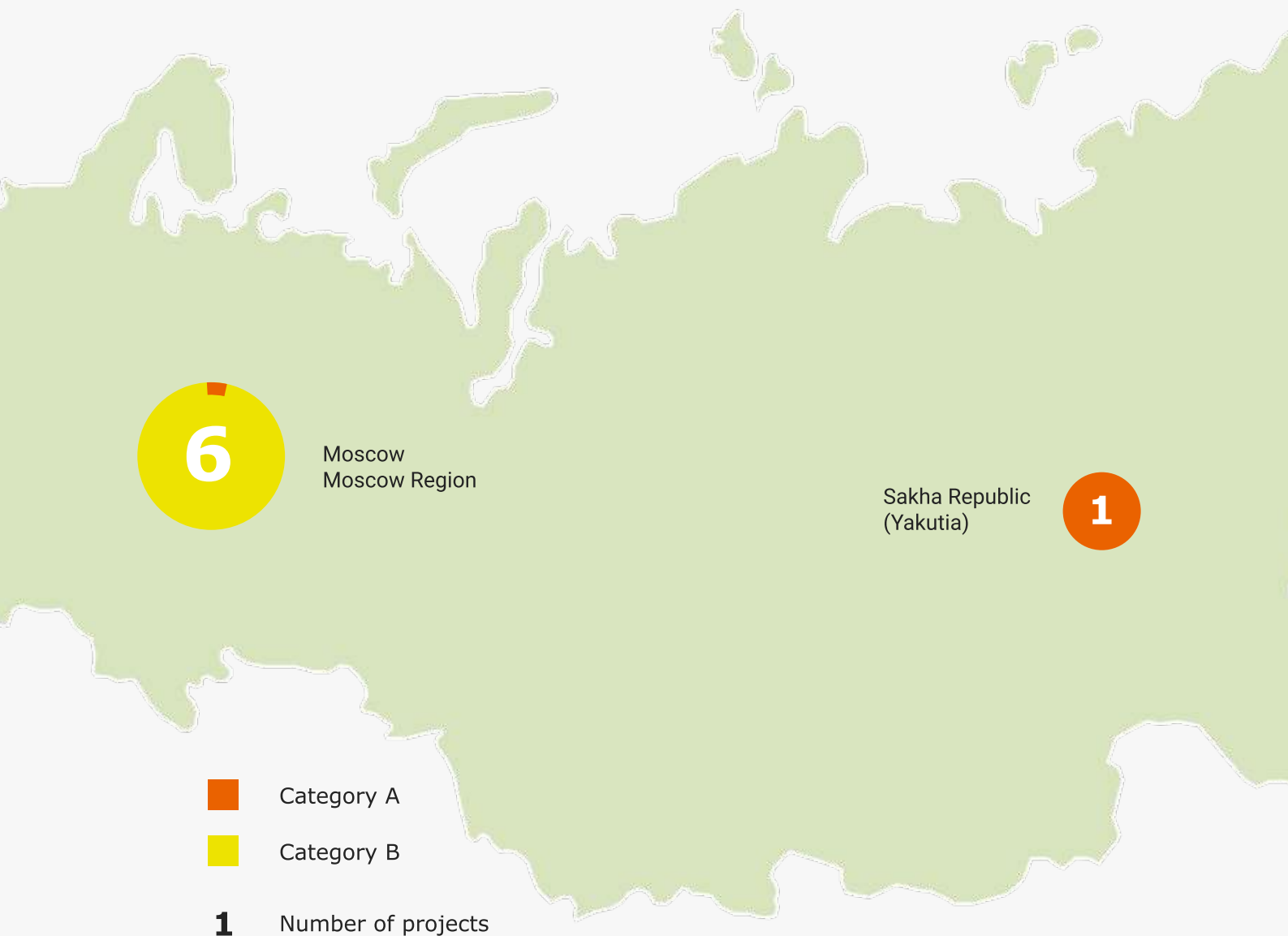


Fig. 3. Location of Projects by E&S Risk Category in 2020

⁵ Non-Designated countries are those countries not found on the list of Designated Countries on the Equator Principles Association website (<https://equator-principles.com/designated-countries/>). Laws of non-designated countries usually do not meet the requirements related to environmental and social assessment (Principle 2), management systems and action plans (Principle 4), stakeholder engagement (Principle 5) and grievance mechanisms (Principle 6). The impacts of projects carried out in such countries should be assessed in accordance with the then applicable IFC PS and World Bank Group EHS Guidelines

Breakdown by Sector

The sectoral breakdown of project finance transactions by number and value is set out in figure 4 below. The category A (high risk) projects belong to the energy sector (construction of a high-voltage power line) and infrastructure construction (construction of a four-lane motorway). All category B (medium risk) projects come from the housing construction sector (table 1).

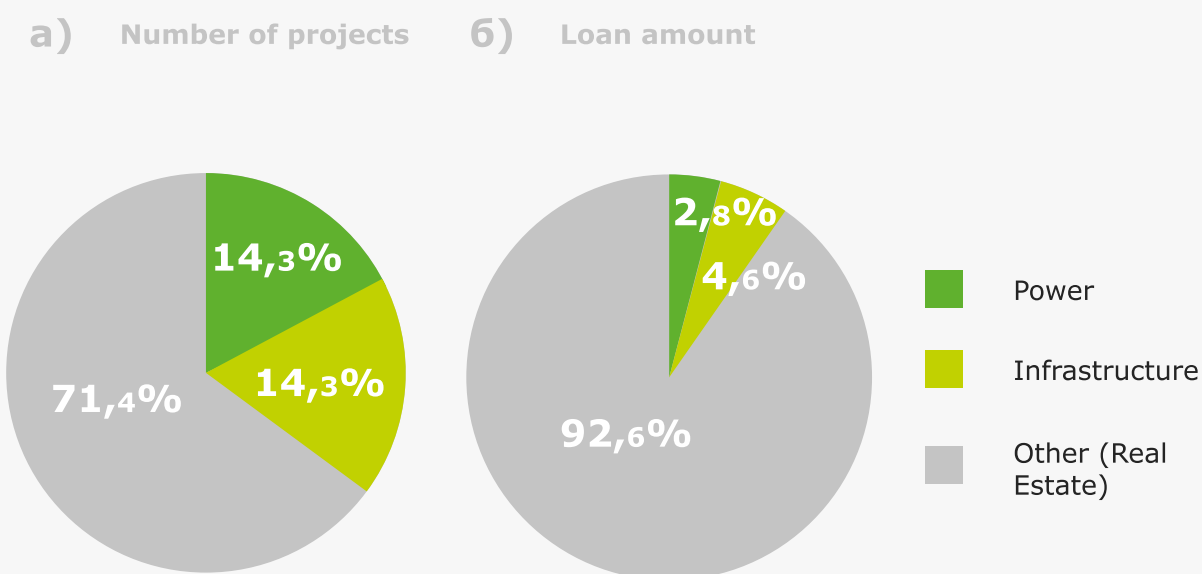


Fig. 4. Sectoral Breakdown of Project Finance Transactions by Number and Value

Table 1

Breakdown of Project Finance Transactions by Sector and E&S Category in 2020

Sector ⁶	Category A	Category B	Category C
Power	1	-	-
Infrastructure	1	-	-
Other (Real Estate)	-	5	-
Total number of projects	2	5	-

⁶ Breakdown by sector in line with the Equator Principles reporting approach

Contact information

To provide feedback on our EPs Report, please contact the Sustainable Development Division of CREDIT BANK OF MOSCOW's at ESG@mkb.ru.



ESG@mkb.ru

