

UNEP FI Principles for Responsible Banking Report

Principle 1:

Alignment

 We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business mode

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services.

Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

CREDIT BANK OF MOSCOW (the "Bank" / MKB) is one of the largest Russian non-state public banks and has been designated as a systemically important financial institution since 2017.

MKB operates in Russia through its regional network of more than 93 offices.

The Bank provides a full range of banking services to corporate clients, SMEs and individuals, including private banking services.

88% of operating income as at 31.12.2023 comes from corporate & investment banking.

12% of operating income comes from retail banking.

The Bank provides services for more than 45,000 corporate and more than 810,000 private clients.

[2023 Annual Report](#),
pages 13 and 19

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/is for your bank?

☒ Yes

☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- ☒ UN Guiding Principles on Business and Human Rights
- ☒ International Labour Organization fundamental conventions
- ☒ UN Global Compact
- ☐ UN Declaration on the Rights of Indigenous Peoples
- ☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk – please specify which ones:

MKB adheres to the following key regulatory requirements and recommendations, including:

- the Bank of Russia's Regulations "On Disclosure of Information by Emission Securities Issuers" (No. 714-P dated 27 March 2020) which contain data on the assessment of environmental and climate risks,
- the Bank of Russia's Recommendations on Non-Financial Disclosure by Public Joint-Stock Companies (Information Letter No. IN-06-28/49 dated 12.07.2021),
- the Bank of Russia's Recommendations on Sustainable Development Disclosure by Financial Institutions (Information Letter No. IN-02-28/44 dated 13.06.2023), and other regulatory recommendations.
- ☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery – please specify which ones: _____
- ☐ None of the above

In 2024, MKB has developed and approved its Sustainability Strategy 2024–2026 ("ESG Strategy 2024–2026") which is a continuation of the chosen sustainable development vector defined in its Sustainability Strategy 2021–2023, and sets out qualitative and quantitative KPIs for the new three-year period.

As part of its strategic planning, the Bank declares its commitment to the Sustainable Development Goals (SDGs) adopted by the UN General Assembly in 2015 and seeks to contribute to their achievement in the course of its business.

MKB focuses its efforts on 9 priority SDGs set out in its ESG Strategy 2024–2026:

- No. 3 Good health and well-being,
- No. 4 Quality education,
- No. 8 Decent work and economic growth,
- No. 9 Industry, innovation and infrastructure,
- No. 11 Sustainable cities and communities,
- No. 12 Responsible consumption and production,
- No. 13 Climate action,
- No. 16 Peace, justice and strong institutions,
- No. 17 Partnerships for the goals.


[ESG Strategy
2024–2026](#)

[Commitments](#)

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Principle 2:

Impact and Target Setting

 We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine prioritised areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

- a. Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

The Bank conducts its operations in Russia. In the reporting period the impact analysis covered the corporate & investment banking and retail banking loan portfolio.

As at 31.12.2023, the Bank's corporate & investment business covers 45,000 active corporate clients and offers a widerange of products, including:

- Trade Finance,
- Loans,
- Products for SMEs,
- Letters of Credit,
- Factoring,
- Overdraft,
- Guarantees,
- Fixed income instruments and derivatives.

The main consumers are:

- Oil & gas sector,
- Financial companies,
- Construction and development,
- Mining and metals,
- Commerce and wholesale,
- Leasing companies, and more than 20 other sectors.

Retail clients (810,000 active clients as at the reporting date) are offered the following products:

- Mortgage,
- General purpose loans,
- Credit cards.

[2023 Annual Report](#),
pages 19 and 34

[IFRS-based Bank
Presentation](#)

- b. Portfolio composition:** Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
- by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
 - by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

MKB analyses the composition of its corporate loan portfolio.

The analysis for 2023 was conducted along with the assessment of the environmental and social risk (the «ESG risk») in accordance with an internal Procedure for Managing E&S Impact of Proposed Financing (the "E&S Procedure").

As at the reporting date, the loan portfolio comprised borrowers from various sectors and of different risk levels, including:

ESG risk level	Share in corporate loan portfolio	Sectors Sectors
Low risk	30%	<ul style="list-style-type: none"> • wholesale and retail
Medium risk	5%	<ul style="list-style-type: none"> • oil refinery,
High risk	57%	<ul style="list-style-type: none"> • housing construction, • heavy industry, • production of building materials, • mining industry, • agriculture, forestry and fishing
Category A	8%	<ul style="list-style-type: none"> • mining, • oil & gas, • chemicals

The main share of the retail loan portfolio as at 31.12.2023 is attributable to mortgages (RUB 131 bln). General purpose loans stand at RUB 73 bln, and credit cards at RUB 3.6 bln.

[2023 Annual Report](#), page 187

[IFRS-based Bank Presentation](#)

- c. Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

To determine its priorities, the Bank analysed the national sustainable development objectives, prioritised areas for Russia set out in the UNEP FI Context Module, and opinions of its stakeholders.

- A.** To assess the national objectives, the following (among others) national statutes were taken into account:
- › Presidential Executive Order No. 474 dated 21 July 2020 «On the National Development Goals of the Russian Federation through 2030»,
 - › Russian Government Order No. 3052-r dated 29.10.2021 «On Approval of the Strategy of Social and Economic Development with Low Greenhouse Gas Emission through 2050»,
 - › and Presidential Executive Order No. 812 dated 26 October 2023 «On Approval of the Climate Doctrine of the Russian Federation».

Among the main national goals (Presidential Executive Order No. 474 dated 21.07.2020), MKB, in providing its financial services, prioritises the following:

- “environmental wellness”,
- “improving human well-being”,
- “comfortable and safe living environment”.

As part of its ongoing activities, MKB contributes to the achievement of the national goals, in particular:

- finances green, energy-efficient projects, and projects contributing to climate energy transition;
- develops inclusive products for vulnerable populations, primarily focussing on the elderly;
- helps develop infrastructure in the cities where it operates and create a comfortable and safe living environment by offering affordable housing projects financing and by offering subsidised mortgage products for different categories of individuals.

- B.** According to the UNEP FI Context Module, the impact areas for Russia are Climate stability, Availability, accessibility, affordability, quality of resources & services (including the following topics: Water, Food, Healthcare & sanitation, Information, and Culture & heritage), Integrity & security of person, Health & safety, Infrastructure, Strong institutions, Peace & stability, and Circularity.

- B.** The Bank took into account the opinions of its stakeholders through surveys to identify their key needs (see the section on the Principle 4 implementation for more details).

Areas identified as impact areas for the country and for the Bank’s stakeholders were taken into account in developing the Bank’s ESG Strategy 2024–2026 and setting its internal goals. The strategic SDGs adopted by MKB are given in the section on the Principle 1 implementation.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritise to pursue your target setting strategy? Please disclose.

Based on a holistic impact analysis in accordance with the general approach of UNEP FI (also, the UNEP FI Impact Radar), MKB preliminary determined in 2022, and confirmed in 2023, the following positive and negative impact areas:

- **Key positive impact areas:**
 - › Sustainable economy;
 - › Availability, accessibility, and affordability of resources and services, including financial services,
 - › Affordable and comfortable housing;
- **Key negative impact areas:**
 - › Climate change mitigation,
 - › Circularity, including both resource intensity and waste management.

Based on the analysis, MKB identified the following prioritised impact areas:

- a. Ensuring of climate stability, given the importance of this aspect for the sustainable development of the country (mitigation of negative impact);
- b. Provision and affordability of financial services, and support to social well-being projects (increase of positive impact).

These areas were already prioritised in the Sustainability Strategy 2021–2023 and retain this status in the new ESG Strategy 2024–2026. They are reflected in the following directions and objectives:

- **Climate change mitigation, including:**
 - › Financing projects that contribute to the climate transition;
 - › Developing and implementing a climate strategy;
 - › Supporting green and energy-efficient projects;
- **Expansion of positive social impact, and development of ESG products, including:**
 - › Improving financial health and inclusion;
 - › Supporting educational initiatives and projects.

[ESG Strategy
2024–2026](#)

[Sustainability
Strategy 2021–2023](#)

d. For these (min. two prioritised impact areas):

Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining prioritised areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

The Bank evaluated the sectors and financial products which may have a strong negative or positive impact on the identified prioritised areas.

Area I "Climate change mitigation"

In terms of determining the level of negative impact on climate stability, the following carbon-intensive sectors were identified in the loan portfolio as at 31.12.2022:

- › oil & gas (mining and processing) – 11%,
- › mining – 4%,
- › coal (mining and processing) – 3%,
- › ferrous metallurgy – 2%,
- › transport (sea, air and road) – 1%, and
- › other sectors – 2% in total (including energy, pulp and paper, etc.).

To assess climate impacts, MKB calculated financed emissions under the GHG Protocol (the detailed calculation approach is given in section 11.3 of MKB's Annual Report). In 2023, the total financed emissions (calculated in accordance with the Global GHG Accounting and Reporting Standard for the Financial Industry, PCAF) of carbon-intensive sectors amounted to 2.27 mln tonnes of CO₂-eq. The largest amount of financed emissions came from oil & gas (52%) and mining and metallurgy (34%).

The 2023 carbon footprint of the loan portfolio decreased by more than 3 times y-o-y due to repayment of loans by borrowers from the pulp & paper and mining & metallurgy sectors. In 2023, financed emissions from the coal sector shrank by more than 90 percent compared to 2022.

MKB takes into account the UNEP FI recommendations (Guidelines for Climate Target Setting for Banks, 2021) on accounting of sectors for carbon footprint calculation, though such sectors as agriculture and cement production are not singled out (they are included in the group of other sectors that together account for less than 2% of the loan portfolio).

[2023 Annual Report](#),
pages 234–238, 255
and 190–191, 197

Area II "Provision and affordability of financial services, and support to social well-being projects"

To set positive impact targets within its corporate loan portfolio, the Bank identified key types of clients, products and services.

As a key area of its retail business, MKB recognises work with senior clients: supporting socially significant events, training the «silver generation», and creating comfortable and affordable banking products for pensioners. As at end-2023, the pension card portfolio totalled more than 255,000 cards.

Among retail products contributing to social well-being, the Bank distinguishes subsidised mortgage loans. In 2023, over 50% of all mortgage loans were issued on preferential terms under state-supported programmes.

The Bank also seeks to support affordable housing projects with social infrastructure as part of its corporate lending. As at end-2023, the portfolio of socially oriented housing construction projects increased to RUB 110.5 bln.

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

How recent is the data used for and disclosed in the impact analysis?

- ☒ Up to 6 months prior to publication
- ☐ Up to 12 months prior to publication
- ☐ Up to 18 months prior to publication
- ☐ Longer than 18 months prior to publication

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

- a. Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

In setting its climate change mitigation targets, MKB took into account international and national framework programmes and strategies, in particular the goals of the Paris Climate Agreement, Russia's priority SDGs, National Strategy of Social and Economic Development with Low Greenhouse Gas Emission through 2050 with low greenhouse gas emissions, and Climate Doctrine.

Targets in this area are linked to SDGs 11 and 13 and outlined in the ESG Strategy 2024–2026.

With regard to the provision and affordability of financial services, MKB, in setting its targets, additionally followed the UN Global Compact Principles, as well as Russian strategic documents, regulations and regulatory provisions listed in the approved ESG Strategy.

Targets in this area are linked to SDGs 3 and 8 and outlined in the ESG Strategy 2024–2026.

In developing its strategy, MKB used scenarios of Russia's social and economic development and set its own ambitious targets, taking into account benchmarking and analysis of existing ESG strategies.

[ESG Strategy
2024–2026](#)

[Sustainability
Strategy 2021–2023](#)

- b. Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

If your bank has prioritised climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes.

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Baselines for indicators in two identified impact areas «Climate change mitigation» and «Provision and affordability of financial services, and support to social well-being projects» are taken into account in drafting of the Bank's updated Sustainability Strategy 2024–2026.

[ESG Strategy
2024–2026](#)

2023 is set as the baseline year.

The indicators used as baselines for target setting are given in the table below:

Indicator	Response
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I. CLIMATE CHANGE MITIGATION

Policies and procedures

A.1.1. Climate strategy	In development (in line with the ESG Strategy)
A.1.2. Paris alignment target	In respect of scope 1 and 2, MKB has adopted a target to become neutral by end-2026 (ESG Strategy) Corporate portfolio targets will be added to the Climate Strategy
A.1.3. Policy and process for client relationship	Yes. See the Procedure for Managing E&S Impact of Proposed Financing (page 186 of the 2023 Annual Report (the "AR"))
A.2.1. Client engagement process	

Financial health&inclusion

A.3.1. Financial volume of green assets/low-carbon technologies	Green loan portfolio as at end-2023 was RUB 123 bln, ESG loans amounted to RUB 152.2 bln; ESG bond portfolio was RUB 6.2 bln, of which 67% were green bonds (electric transport) (pages 190–193 of the AR)
A.3.2. Financial volume lent to/ invested in carbon intensive sectors and activities and transition finance:	% of carbon-intensive sectors totalled 23% (page 232 of the AR)
A.1.5. Business opportunities and financial products	Yes, ESG-loans and bonds (pages 190–193 of the AR), and socially responsible banking (page 195–198 of the AR)

Carbon footprint of the loan portfolio

A.1.4. Portfolio analysis:	Yes, MKB analyses its loan portfolio (pages 237–238 of the AR)
A.2.2. Absolute financed emissions	Financed emissions in the lending portfolio in 2023 were 2.27 mln tonnes CO2e-eq. excluding the investment portfolio. (pages 237–238 of the AR).
A.4.1. Reduction of GHG emissions	Financed emissions shrank by more than three times from 2022 to 2023 (pages 237–238 of the AR)

II. PROVISION AND AFFORDABILITY OF FINANCIAL SERVICES, AND SUPPORT TO SOCIAL WELL-BEING PROJECTS

Affordable banking products

C.1.1. of affordable products and services	General information is given on pages 19 and 195–198 of the AR
C.2.2. % of customers with effective access to a basic banking product	As at end-2023, the portfolio of pension cards was 255,000 cards

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B. 2.2., C.3.3.* % of customers actively using the online/mobile banking platform/tools	Monthly audience of unique retail clients who use remote banking services is 560,000 users (page 21 of the AR)
C.2.3 of new customers per month	In 2023, daily audience increased to 175,000 users per day; monthly audience increased to 560,000 users. (page 50 of the AR)

Financial literacy training (courses, programmes, trainings, sms training, etc.)

B 2.1., C.2.1. of individuals supported with dedicated and effective financial and/or digital education initiatives	See the section Financial Literacy (page 255 of the AR)
C.1.3. Partnerships to achieve financial health & inclusion targets	See pages 60 and 255 of the AR

- c. SMART targets** (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

The ESG Strategy 2024–2026 sets out and approves the following targets in the prioritised impact areas:

[ESG Strategy
2024–2026](#)

1. Climate change mitigation

- › ensure at least 35% growth of the current ESG portfolio by end-2026, including financing of projects that contribute to the climate transition;
- › ensure at least 10% growth of the current ESG securities by 2026, including decarbonisation and climate change adaptation projects;
- › reduce the Bank's carbon footprint and reach carbon neutrality (scope 1 and 2) by end-2026.

2. Financial health and inclusion

- › ensure growth of active small business clients by at least 80% by end-2026;
- › 300,000 active "Pension" cards by end-2026;
- › annually hold at least 20 events for pensioners, including on financial literacy improvement.

- d. Action plan:** which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Interim targets and milestones for achieving the set goals for “Climate change mitigation” and “Provision and affordability of financial services, and support to social well-being projects” are set out in non-public bylaws.

MKB intends to report information on the actions taken and on achievement of milestones in its annual reports starting from 2025.

Not applicable.

The information will be included in the annual reports starting next year.

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	...first area of most significant impact: Climate change mitigation	...second area of most significant impact: Provision of financial services
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 3)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank’s progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to prioritised impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Information on the implementation of the actions defined to meet the set targets will be reported in annual sustainability reporting starting from 2025.

Not applicable

Principle 3:

Clients and Customers

 We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

☒ Yes ☐ In progress ☒ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☒ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

MKB seeks to use a responsible approach in its interactions with its clients, suppliers and business partners.

To identify and promote sustainable practices among its corporate clients and manage potential negative impacts, the Bank developed in 2021 and updated in 2023 its E&S Procedure.

Furthermore, the Bank approved its Responsible Investment Policy in the reporting year.

The E&S Procedure and the Responsible Investment Policy set out, among other things, the following measures for managing the E&S aspects of clients' negative impacts:

- Commitment not to provide financial support to any projects or borrowers whose activities belong to sectors with an unacceptable level of negative impact included in the E&S exclusion/restrictive list;
- Higher requirements for Category A projects (projects with significant adverse environmental and social risks) in accordance with the Bank's approved model list of such projects.

By developing its ESG finance system, MKB endeavours to encourage its clients to mitigate their adverse environmental and social impacts and support the transition to sustainable development.

[2023 Annual Report](#),
pages 144, 168,
and 184

[Supplier
and Contractor Code
of Conduct](#)

By assessing ESG risks of its borrowers, recommending measures to improve their environmental and social responsibility and providing them with green financing, MKB facilitates their transition to a sustainable and responsible business model.

MKB has created a set of bylaws in respect of suppliers and contractors to ensure sustainable practices:

- Supplier and Contractor Code of Conduct;
- Procedure for Managing Environmental and Social Impact at Design and Procurement Stages;
- Code of Corporate Ethics;
- Anti-Corruption Policy.

In 2024, MKB plans to update its current E&S, H&S and EE&C Integrated Management System Policy or develop a dedicated extended Sustainability Policy.

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial health and inclusion, etc.).

One of MKB's strategic ESG goals is to contribute to the development and progressive growth of the responsible finance market.

In 2023, the total responsible finance portfolio grew by more than 15% in terms of outstanding loan amounts and reached RUB 152.2 bln. The loan portfolio includes green, social and sustainable loans.

Around 50% of the Bank's ESG project portfolio comprised sustainable projects that met both green and social criteria. Most of them were energy-efficient (A or better energy efficiency class, green criterion) and affordable housing projects with social infrastructure facilities (social criterion).

In terms of outstanding loan amounts, the share of green energy-efficient housing projects exceeded 90% of total green financing as at end-2023. Other green investment products represent energy efficiency projects in the energy sector and clean transport projects (7% of the green portfolio). The projects contribute to:

- SDG 7 – Affordable and clean energy
- SDG 9 – Industry, innovation and infrastructure
- SDG 11 – Sustainable cities and communities
- SDG 13 – Climate action

MKB also seeks to expand its portfolio of green and social bonds, which in 2023 aimed at projects in various areas, including electric transport development (67% of the portfolio) and other social sectors.

[ESG Strategy
2024–2026](#)

[2023 Annual Report,](#)
pages 190–193

Principle 4:

Stakeholders

 We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☒ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

The Bank identifies and annually updates the list of its stakeholders based on the extent of stakeholders' impact on the Bank, as well as their dependence on MKB's performance (impact level).

In 2023, MKB identified 12 major groups of stakeholders: shareholders and investors, employees, clients, suppliers and contractors, state authorities, regulatory bodies (the Bank of Russia), financial institutions, professional and expert communities, rating, ranking and ESG agencies, local communities, non-profit organisations, and mass media.

For each category of stakeholders, the Bank uses dedicated channels of interaction to identify their needs in the most efficient way.

To monitor the effectiveness of communication with its stakeholders, MKB periodically conducts satisfaction surveys. In addition, the Bank annually surveys its stakeholders to assess the significance of material topics which are subsequently disclosed in the Bank's annual reports.

The key channels, methods and results of interaction with stakeholders in 2023 are presented in the relevant section of MKB's Annual Report.

[2023 Annual Report](#),
pages 275–277

Principle 5:

Governance & Culture

 We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☒ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Responsibility for managing sustainable development, in particular for implementing the Principles, is assigned to dedicated subdivisions and executive management. Since 2020, MKB has had a Strategy and Sustainable Development Committee of the Supervisory Board responsible for the sustainability strategy, as well as for approving and monitoring relevant goals.

The Supervisory Board, the Strategy and Sustainable Development Committee and the Bank's executives are responsible for approving bylaws, monitoring the climate targets implementation status, and analysing changes in significant environmental and social aspects and sustainability risks.

The Supervisory Board conducts meetings (in accordance with the calendar schedule) at which it reviews the status of achievement of the Bank's sustainable development goals and implementation of the principles for responsible banking.

Also, the Bank has appointed an environmental and social manager who is assigned overall responsibility for environmental and social issues, and an environmental and social coordinator responsible for day-to-day compliance with environmental and social requirements for providing financing and assistance in their implementation.

The strategic sustainable development goals are distributed among different dedicated subdivisions, and the achievement of the established KPIs for certain key subdivisions are factored into annual remuneration.

[2023 Annual Report](#),
pages 142–143

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

MKB regularly performs educational trainings for its employees, including those on sustainable development, training courses on sustainable banking for responsible employees, courses and consultations on non-financial reporting, compliance training, anti-corruption training, corporate culture development training programmes, health & safety training, etc.

As part of the development of a culture of responsible banking, MKB pays attention to human rights (including the development and approval of a Human Rights Policy and publication of educational materials). In 2023, a course on 'Diversity and Inclusion' was posted on the staff training portal, training on the types of government social support was conducted, and a series of publications on rights and obligations in different life situations were released.

In addition, the Sustainable Development and ESG Risk Group conducts, as part of the implementation of internal sustainability procedures, relevant trainings for the business units involved.

In 2023, training was organised for all Supervisory Board members on the consideration of ESG factors in MKB's operations, including on climate risks.

The Bank's employees have opportunities to receive external training necessary for their professional development.

[2023 Annual Report](#)
[Human Rights Policy](#)

5.3 Policies and due diligence processes:

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks. remuneration structures and performance management and leadership communication, amongst others).

MKB has the E&S Procedure regulating the assessment of banking transactions with a differentiated approach to the E&S due diligence depending on the sectoral risk level, type of financing and applicability of any international standard (see also clause 2.1.c of the section on the Principle 2 implementation and clause 3.1 of the section on the Principle 3 implementation).

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The Bank applies this E&S Procedure in line with the national legal requirements on environmental protection, occupational health and safety, protection of human rights, cultural heritage, and best international E&S risk management practices, such as EBRD's Environmental and Social Policy, the Equator Principles (EPs), the International Finance Corporation's Performance Standards (IFC PS), etc.

If the E&S risk assessment identifies any elevated risks, the Bank endeavours to develop and propose recommendations for the borrower to improve its system for managing these issues. An additional E&S action plan may be developed for project finance, depending on the project risk category. In this case, the implementation of developed and agreed measures is regularly monitored. In 2023, the Bank adopted a Responsible Investment Policy which sets out its approach to making investment decisions. The Bank prefers securities identified as green, adaptation, sustainable or socially responsible.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No

Principle 6:

Transparency & Accountability

Q We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☒ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

PRB commitments have been publicly disclosed on the official website and are stated in the 2023 Annual Report.

[Commitments](#)
[2023 Annual Report](#)

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☒ GRI
- ☒ SASB
- ☐ CDP
- ☒ IFRS S2 Sustainability Disclosure Standards
- ☐ TCFD
- ☒ Other: Russian Ministry of Economic Development's Methodological Recommendations on the Sustainable Development Reporting Preparation

Starting 2019, MKB regularly publishes its annual Sustainable Development Reports developed in accordance with GRI standards and assured by an independent consultant.

In developing its ESG Report, which has formed a part of MKB's Annual Report since 2023, the Bank also took into account SASB Standards, IFRS S1 and S2 Sustainability Disclosure Standards developed by the International Sustainability Standards Board (ISSB), and the Russian Ministry of Economic Development's Methodological Recommendations on the Sustainable Development Reporting Preparation (Russian Ministry of Economic Development's Order No. 764 dated 01.11.2023).

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page 6

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

Based on a comprehensive impact analysis, including stress tests, MKB plans to develop a Climate Strategy detailing targets set in the ESG Strategy 2024–2026, and to define intermediate indicators of their achievement.

[ESG Strategy
2024–2026](#)

[2023 Annual Report](#)

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritised to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritised to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|---|---|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input checked="" type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input checked="" type="checkbox"/> Other: Significant changes in externalities and high volatility of the market | <input checked="" type="checkbox"/> Prioritising actions internally |