

## 6.5 Environmental management

### Sustainable Development

MKB is a key player in the Russian banking sector and seeks to not only offer best services and solutions to its customers, but also carry out educational activities, and promote the nation's well-being, economy, welfare and ecology.

Russian companies increasingly adhere to the responsible business approach, which has already become a global trend, with corporate responsibility being a key value of modern companies.

In the pursuit of sustainable development goals, MKB actively expands its customer base, improves its public image and business reputation locally and internationally, and builds trust-based, transparent and long-term relations with customers, employees, shareholders, NGOs and investors, focusing on social responsibility and ecological culture.

MKB endorses the Sustainable Development Goals (SDGs) included in the global strategic programme Transforming Our World: the 2030 Agenda for Sustainable Development adopted by the UN General Assembly at its 70th session in September 2015. MKB identified 6 strategically prioritised SDGs in 2019 and is carrying out a number of projects and initiatives to achieve them.

#### MKB's strategically prioritised Sustainable Development Goals (SDGs)

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 industrialisation and foster innovation

Goal 12. Ensure sustainable consumption and production patterns

Goal 17. Strengthen the means of implementation and revitalise the global partnership for sustainable development.



🔍 MKB's contribution goes beyond the above listed goals: more information on its sustainable development projects and activities can be found in the Sustainability Report published on its official website.

MKB is committed to solving any social or environmental issues arising in the course of lending. It has a Social and Environmental (S&E) Management Policy that establishes a system integrating ecological risk management procedures and socially and ecologically-responsive management principles into its business model. This approach ensures compliance with leading international financial institutions' standards and applicable social and environmental laws, which underpins the bank's competitive advantages and business reputation.

The S&E management system's functions and authorities are clearly distributed among the bank's management bodies and subdivisions involved in the lending process. That system not only serves as the framework for analysing environmental and social risks and related mitigation opportunities, but also sets out a comprehensive environmental, health and safety management approach designed to improve that system through integration of environmental risk management mechanisms into the bank's business processes.

The bank's environmental policy is being regularly improved to ensure that the credit process adapts to the current requirements of national environmental laws and international S&E risk management requirements and standards used by leading international financial institutions in assessing financed projects. Such activities promote social responsibility of the bank's employees and their involvement in evaluating the environmental impact of clients' activities and their projects financed by it, at all stages of the lending process.

With the aid of its international shareholder, European Bank for Reconstruction and Development, MKB has built an efficient and internationally aligned process for the provision of classic lending and in other forms of financial support offered to customers (in accordance with EBRD Performance Requirements (PR1-PR10)).

The EBRD not only delegated to the bank the responsibility for initial appraisal and monitoring of current transactions as regards S&E risks, but also the overall management of the entire loan portfolio in terms of its compliance with applicable S&E standards.

Guided by the aforesaid regulations and adhering to the fundamental values in its activities, the bank focuses especially on preventive risk management, monitoring and control of residual risks and assessment of their impact on its loan portfolio's sensitivity to S&E components. The bank is expanding its S&E responsibility with every year, standing to its principles and complying with the requirements and provisions of Russian environmental laws and international S&E standards.

Regular internal audits, monitoring of the loan portfolio for identification and assessment of the S&E risks as well as analysis of the bank’s credit process in general notably improve the S&E efficiency of the bank’s lending activities, which are based on an understanding of the significance of the S&E component in due diligence of projects financed by the bank.

The EBRD’s experts visit the bank on a regular basis to monitor its loan portfolio in terms of compliance with international environmental standards. Such monitoring gives the bank a full and impartial picture of its S&E efforts made during a year.

The bank makes annual S&E reports on its borrowers’ compliance with S&E requirements and overall S&E indicators of its total loan portfolio. As at the end of 2019, the bank’s loan portfolio did not contain any loans which would involve environmental problems, no events were identified where a deal already made was later turned down for S&E reasons, or where any borrowers faced a lawsuit, had accidents, received complaints, were fined or otherwise sanctioned due to their non-compliance with any requirements of the applicable environmental laws.

The bank made an important step towards the integration of its sustainability activities by creating a Sustainable Development Workgroup uniting officers from subdivisions that are keen and able to partake in shaping internal processes so as to expand the bank’s contribution to the achievement of a sustainable future.

MKB’s sustainable development efforts also gained independent recognition by Rating-Agentur Expert RA GmbH, which assigned a “BBB[esg]” ESG rating to the bank in 2019, making MKB the first Russian bank to receive an ESG rating. The consolidated rating grade “BBB[esg]” reflects the bank’s achievements and development areas as regards sustainability and corporate social responsibility.

