Session 4: What is ESG?

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VLADIMIR CHUBAR
CEO, Chairman of the Management Board, Member of the Supervisory Board

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Global trends in investment landscape indicate that trillions of dollars could be allocated to ESG-oriented investments in the nearest future (Bank of America research).

**Growing customer base and investment volumes potential**
- An increasing number of investors (mainly European) introduce in their compliance procedures and risk assessments requirements to the level of the counterparts immersion in the principles of CSR and its ESG rating (these factors makes the investment decisions easier).
- Today, about $30 trillion (of which 46% from EU) are managed according to ESG principles, for example, the green bond market is $390 billion.
- According to experts, in the near future, non-compliance with the minimum ESG criteria may lead to the imposition of sanctions against the relevant companies, or the so-called financial embargo.

**Government support**
- Ministry of Economic Development of the Russian Federation together with Russian Foreign Trade Academy preparing a national plan to implement responsible business standards.
- The Russian government issued an order to ensure the early launch of green bond mechanism, which will increase the competitiveness of Russian companies and reduce the cost of borrowing.

**Compliance with the ESG principles for any organization is a sign of «good taste»**
- Involvement in ESG principles reflects the organization’s level of responsibility to society and indicates on the importance, solvency and status of the company.
- On the part of society and customers, an organization that sets itself not only the goals of profitability, but also helping the community is highly regarded.
Responsible investment as a world trend

There is a worldwide increase in the number of international investors taking into account ESG principles.

Factors for investments in ESG projects

<table>
<thead>
<tr>
<th>Factors</th>
<th>Main factor</th>
<th>Secondary</th>
<th>Not a point</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social responsibility</td>
<td>21%</td>
<td>15%</td>
<td>64%</td>
</tr>
<tr>
<td>Risk decline</td>
<td>73%</td>
<td>27%</td>
<td>18%</td>
</tr>
<tr>
<td>Ethic side</td>
<td>55%</td>
<td>27%</td>
<td>18%</td>
</tr>
<tr>
<td>Equity</td>
<td>30%</td>
<td>25%</td>
<td>45%</td>
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<tr>
<td>Yield impact</td>
<td>30%</td>
<td>45%</td>
<td>25%</td>
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% of respondents mentioning the factor

UN ESG investors assets under management

<table>
<thead>
<tr>
<th>Year</th>
<th>USD tln</th>
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<tbody>
<tr>
<td>2006</td>
<td>7</td>
</tr>
<tr>
<td>2007</td>
<td>10</td>
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<td>2008</td>
<td>13</td>
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<td>2009</td>
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<td>2014</td>
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<td>2015</td>
<td>59</td>
</tr>
<tr>
<td>2016</td>
<td>62</td>
</tr>
<tr>
<td>2017</td>
<td>68</td>
</tr>
</tbody>
</table>

ESG investors (incl. CBM investors)

Source: UN PRI Research, Bank of Montreal, SRI Connect and Extel research
ESG in Banking sector

ESG ORIENTED PRINCIPLES IN BANKING SECTOR

Environmental
✓ Environmental-oriented projects

Social
✓ Social-oriented projects
✓ Focusing on corporate social responsibility

Governance
✓ Information transparency
✓ Team, corporate culture and human capital, responsible business standards (incl. human rights)
ESG in Banking sector

BANKS DEVELOPING THE PRINCIPLES OF RESPONSIBLE BANKING
<table>
<thead>
<tr>
<th>Benefits of involvement in ESG principles</th>
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<tbody>
<tr>
<td>Mitigates risks</td>
<td>Heights the organization's level of responsibility to society and importance, solvency and status of the company</td>
</tr>
<tr>
<td>Raises public profile</td>
<td>On the part of society and customers, an organization that sets itself not only the goals of profitability, but also helping the community is highly regarded</td>
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<td>Lowers the cost of borrowing</td>
<td>Responsible organization is wealthy organization</td>
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<tr>
<td>Increases the capitalization of the company in future periods</td>
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<tr>
<td>Evaluates investment attractiveness</td>
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Credit Bank of Moscow ESG implementation

**ESG INITIATIVES**

- Publication of **Sustainability Report Based on GRI Standards**
- ESG Rating Assignment (In Progress)
- Emphasis on **Green Projects of Corporate Clients**
- Socially oriented Retail products
- Collaboration with **WWF Fund**
- Corporate Volunteer programs
- Charity Events

Focus on getting higher ESG ratings and creating real **Green Bank**
Credit Bank of Moscow ESG implementation

RESULTS AND ACHIEVEMENTS
Credit Bank of Moscow **ESG implementation**

**ENVIRONMENTAL**
Minimization of Environmental Impact

- ✔ Reduction of energy consumption
- ✔ Waste management
- ✔ Reduction in paper consumption and recycling
- ✔ Containers for recycling batteries

**SOCIAL**
Socially oriented business

- ✔ Availability of CBM’s products
- ✔ Creation of green corporate culture
- ✔ Implementation of ESG principles in CBM’s business process
- ✔ Development of motivational programs
- ✔ Updating anti-corruption policy
- ✔ Arifmetika Dobra charity
- ✔ Organized running team

**GOVERNANCE**
Most CBM’s processes comply with ESG standards

- ✔ Creation of new committees that determine decisions in the sphere of ESG (CSR)
- ✔ Performance of ESG principles, aspects and benefits for CBM’s employees and management
- ✔ Creation of an appropriate management unit responsible for preparation of a strategy taking into account the principles of corporate social responsibility