



PRINCIPLES FOR RESPONSIBLE BANKING

2nd Reporting and Self-Assessment Template

Sovcombank became the first Russian bank to sign the Principles for Responsible Banking (PRBs) launched by the United Nations Environment Programme Finance Initiative (UNEP FI) in September 2019. The PRBs help to align banks with society's goals as expressed in the Paris Climate Agreement and the United Nations Sustainable Development Goals (SDGs).

Reporting and Self- Assessment Requirements

High-level summary of bank's response (limited assurance required for responses to **highlighted** items)

Reference(s)/
Link(s) to bank's full
response/ relevant
information



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.

1.1. *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, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

Sovcombank is the third largest privately - owned Russian bank. It has a branch network of 2 334 offices and 18 thousand employees, providing services to 8.5 million customers in 988 municipalities within 76 constituent federal entities of the Russian Federation.

The Bank's Business Model is based on three key pillars: the retail banking, corporate banking, and treasury segments, which contribute equally to the Bank's bottom line:

- Retail banking: The Bank has a leading position in the retail segment, providing banking services to low- and middle-income retail customers, as well as to individual entrepreneurs active primarily in small towns.
- Corporate business: extending loans, providing investment, and banking services to major Russian corporations, micro and small business customers, state-owned companies, and the constituent federal entities of the Russian Federation.
- Treasury & capital: managing a portfolio of securities, liquidity & capital.

These operating segments are complementary; they generate strong synergies and provide important diversification to the Bank's income streams throughout the economic cycle.

See Bank's
[Sustainability Report 2020](#): p. 6

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1.2. <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	Our Sustainability Strategy sets out the areas where we believe we can create sustainable, long-term value for our stakeholders, aligning with the Sustainable Development Goals and the Paris Agreement. Building on this, we are working to align our business strategy with the most relevant goals in the SDGs, the Paris Agreement, and relevant national frameworks. We determined that climate change, financial inclusion, sustainable lending & investing, economic support for SMEs, ethics & gender equality are the key areas of the Bank. The primary SDGs: 1 No poverty, 6 Clean water and Sanitation, 7 Affordable and Clean Energy, 8 Decent work and Economic growth, Good Health & Wellbeing, Industry, Innovation & Infrastructure, 11 Sustainable Cities and Communities, 12 Responsible consumption and Production. We set out our longer-term ambitions in alignment with the SDG's and established key areas. We focus on those sustainable development targets that enable us to contribute to the achievement of these goals at the global level. Our strategic goals contribute to the key areas: • Climate change: the Bank fosters the transition to a low-carbon economy with minimal greenhouse gas emissions by financing green projects and introducing incentives to improve clients ESG indicators; • Decent employment: the Bank views its investments in employees as investments in the business's efficiency and resilience; • Gender equality: our primary target within diversity and equality area is to ensure gender balance; • Responsible product offering: the Bank contributes to the economic growth and prosperity of the regions in which it operates. We achieve our goals by developing affordable financial products for retail and corporate customers and lending to businesses that have a positive social and environmental impact; • Financial inclusion: we provide educational materials and courses about money management, budgeting, saving, and spending for our customers and thereby promote the financial inclusion and improve overall access to financial services. Our product Halva is also aimed to both support our customers and society in general.	See Bank's Sustainability Report 2020: p.10, p. 23, p.49, p.53, p.34, p.32

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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:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.

We conducted a materiality analysis to identify the areas that are most important to our stakeholders and to the business itself. We identified the topics which have a significant impact on the economy, the environment, and society as a whole, and which are relevant in the financial services sector (i.e., in our retail, corporate, investment, and treasury services).

We have also conducted impact analysis using UNEP FI Impact analysis Tool. We performed this analysis on our investment business based on our 2021 financial results. Through the analysis, we figured out that most of our negative impact refers to our ecological policies: waste, climate, resource efficiency, soil, air, etc. The analysis outlined that our investment business have highly positive impact on many social aspects: inclusive and healthy economics, housing, health and sanitation, employment, mobility, justice. We are planning to expand our usage of Impact analysis Tool and perform the analysis on other business-segments in 2022.

Through a review of number international resources including TCFD recommendations, we determined that our loan book includes companies from carbon-intensive industries (e.g., metals and mining, energy, etc.), as well as industries exposed to a changing climate (e.g., real estate). The main sectors, industries and technologies we finance across our business (share in gross portfolio) are SME (21%), trade (11%), mining (10%), energy (8%), construction (7%), and state financial development institutions (7%).

See Bank's [Sustainability Report 2020](#); p. 9

See Bank's [Climate risk management report 2021 \(TCFD\)](#); p. 6-16

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b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d)) Show that building on this analysis, the bank has • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts	Therefore, we see the Bank's role in supporting clients' low-carbon transition by financing green projects, stimulating companies to improve their ESG metrics. The materiality analysis helped us identify the topics with the greatest materiality and key areas in each topic, which are reflected in the Bank's sustainability targets. When conducting the materiality analysis, we also asked our key stakeholders, such as shareholders and senior managers, to suggest the issues they see as most important to address in their relationship with us and asked them to verify the results of our analysis, ensuring we had taken all relevant impacts into consideration.	See Bank's Sustainability Report 2020: p. 9 See Bank's Climate risk management report 2021 (TCFD): p.6-16
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis. We made a progress in assessing our positive and negative impacts, we undertook a detailed impact analysis and reviewed our loan portfolio according to TCFD recommendations risks classification. In 2022, we will continue to engage with stakeholders and peers to implement further tool improvements.		

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2.2 Target Setting Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services. Show that these 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. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline. significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.	In prior version of SAT we wrote about the results from impact analysis which helped us to set the SMART targets: • To become one of a country leader in green financing; • To become a carbon-neutral: to implement assessment of environmental and social factors for all large corporate borrowers. Last year we identified more detailed quantitative targets which are connected with SDG's objectives, Paris Agreement and the strategy of the Bank: • To become one of a country leader in green financing: 1) 30% of the Bank's loan portfolio is linked to ESG factors (ESG-linked loans) by 2025 2) 50% of the Bank's loan portfolio is linked to ESG factors (ESG-linked loans) by 2030 • Net-zero GHG emissions (including Scope 3) by 2055. In achieving these targets and priority SDGs we will work closely with our clients, we will assess the impact and support them in transition to a low-carbon, resource efficiency and circular model of business.	See Bank's Sustainability Report 2020: p. 10
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting. We have set several quantitative targets for some of our significant impact areas.		

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2.3 Plans for Target Implementation and Monitoring <i>Show</i> that your bank has defined actions and milestones to meet the set targets. <i>Show</i> that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.	Our plan for how to achieve intended targets includes: • to increase investments in socially and environmentally efficient projects • to develop internal methodology of portfolio ESG scoring process • to integrate ESG covenants into the loan agreements • to set the first targets in high-emissions-intensity areas We will report further on plans for target implementation and monitoring in our Sustainability Report 2021.	See the sector «Responsible banking» on the corporate web site
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring. <i>We have started to implement our plan to achieve our sustainability goals by setting intermediate targets, including science-based targets to achieve Net Zero.</i>		
2.4 Progress on Implementing Targets For each target separately: <i>Show</i> that your bank has implemented the actions it had previously defined to meet the set target. Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.	We conducted materiality and impact analysis, published our second Sustainability report and disclosed our strategic ESG targets, including to achieve Net Zero (Scopes 1 and 2) to 2030, developed risk management strategy based on the ESG factors and increase the percentage of women top managers, we also developed a number of ESG policies.	See the sector «Responsible banking» on the corporate web site See Bank's Sustainability Report 2020: p. 9, p. 10

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<i>Report</i> on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures).	We analyzed the climate change risks to our loan portfolio and scrutinized carbon-intensive segments. That work emboldened us to pay great attention to lending to corporate clients who run green and adaptation projects. We also priorities renewable and carbon neutral energy, clean water and energy efficiency projects. We keep track of our energy efficiency and water consumption, publish annual progress reports and are to reduce our climate and environmental footprint.	

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.
In 2021, Sovcombank made a significant progress towards our sustainable activities as part of our ambition to be the one of country's leaders in green financing.

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 Principle 3: Clients and Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.		
3.1 <i>Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</i>	We have updated and developed a list of policies to promote transparency in our governance structure and convey our vision and mission to all our employees: • Sustainability Policy • Code of Corporate Ethics • Responsible Finance Policy • Code of Responsible Supplier • Policy of Human Rights • Diversity & Inclusion Policy • Code of Corporate Governance • Tax Policy • Cybersecurity Policy Code of corporate ethics The policy outlines key principles of business ethics and establishes standards for the Bank’s activities and employee behavior, which determine human relations, relations with customers, business partners, the public and competitors. Responsible Finance Policy The Policy outlines funding approach, affirms the commitment to the six UNEP FI Principles for responsible banking, and describes the mechanism of interaction with customers through the responsible investments and lending.	See Bank’s Sustainability Report 2020, p. 16 See the sector «Policies» on the corporate web site

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	Code of Responsible Supplier The supply chain is an important element of the Bank's activities, therefore our goal is to cooperate with Suppliers who share the principles of sustainable development. The Code outlines a set of basic moral, ethical and business standards, principles of social and environmental responsibility. In addition, we have zero tolerance for any form of corruption, fraud, money laundering, or the financing of terrorism, and we formulated an Anti-corruption policy especially for this purpose.	
3.2 <i>Describe</i> 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. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.	We have incorporated sustainability in our products and engagement process with clients. The main category of customers that obtained our socially orientated product Halva cards is employees and pensioners, and 82% of cardholders have an income of less than ₺50 thousand (US\$ 673)*. We have adopted internal policy for some financial products and established the criteria that corresponds to the Green Bond Principles (GBP), the Social Bond Principles (SBP), and the Sustainability-Linked Bond Principles of ICMA, the Green Loan Principles and Social Loan Principles of LMA as well as our National Taxonomy. By developing ESG criteria and implementing them into our lending conditions, we encourage our customers to focus more on ESG issues. Now we are in the process of integration an ESG risk analysis into our credit analysis processes and perform an ESG risk assessment at the business customer level in order to ensure more sustainable operations. Our large-scale project "Halva" instalment card provides instalment loans for purchases of goods and services from the Bank's 225K partner retailers and online shops for up to 12 months (in special cases, loans can be provided for up to 36 months). In addition, we have the digital public procurement platform which integrates a special mechanism called the online guarantee factory that provides the following services to our customers. The Bank's goal is to be the platform of first choice for SME customers. The Bank also provides financial literacy education programs for its customers to promote the responsible use of the Halva card.	See Bank's Sustainability Report 2020: p. 27, p.30, p.32

* As at 31 December 2021

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 Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.		
4.1 <i>Describe</i> which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.	In building relationships with our stakeholders and team (including all team members, clients, investors, and regulators), we exercise good faith and integrity. We act professionally and foster confidence between us and our clients with their interests as our top priority. We always carry out our commitment and disclose all the required information, including marketing. Integrating our stakeholders’ opinion across practices and approaches by surveying, conversing via social media, advising and answering requests and questions, we always work to maintain high NPS levels (76 at 2020). For our clients to be able to take balanced and meaningful decisions, we keep them informed about our product terms and conditions via our website including the newswire, and via Push messages and texts. We train our team in better servicing our clients, sales integrity, and non-financial risk management.	See the sector «Our Approach» on the corporate web site See Bank’s Sustainability Report 2020: p. 49

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Principle 5: Governance & Culture

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

5.1 *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 effective implementation of the Principles.

Sovcombank established an ESG Committee, which is responsible for overseeing the Bank's activities in the field of sustainable development.

Its tasks include monitoring the Bank's work for compliance with the accepted obligations and recommendations of international standards on responsible financing, labor protection, health, social responsibility, diversity, equality, and inclusion, environmental action, and its corporate governance structure in order to build an effective system for managing environmental and social risks.

Our corporate governance model complies with Russian legislation and the requirements of the Central Bank of Russia. The Bank takes account of the key recommendations for financial organizations from the Basel Committee on Banking Supervision and the Financial Stability Board, as well as the Principles of Corporate Governance developed by the G20 and the Organization for Economic Co-operation and Development.

See Bank's [Sustainability Report 2020](#): p. 16, p. 12

5.2 *Describe* the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

We create a transparent corporate governance framework where the ESG Committee sets out the directions for ESG strategy development. The Committee reports to and recommends the Bank's Supervisory Board on its activities on a quarterly basis. The Bank's Supervisory Board oversees the implementation of its sustainable development goals, and reviews sustainability report.

We value and respect our team's individuality and needs, with the diversity, equality and inclusiveness as our major priority. We support our team members on their career path through mentoring and sponsoring and foster their professional development at all levels.

We have developed and launched at the corporate web portal a number of trainings: mandatory training for employees about sustainability informational course on ESG Policies

We held a competition of the best ideas of ecological and social projects.

See the sector «[Policies](#)» on the corporate web site

See Bank's [Sustainability Report 2020](#): p. 12

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5.3 Governance Structure for Implementation of the Principles <i>Show</i> that your bank has a governance structure in place for the implementation of the PRB, including: a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.	Sovcombank has ESG Committee that sets and monitors implementation of the PRBs Principles. ESG Committee also monitors the Bank's work for compliance with the accepted obligations and recommendations of international standards on responsible financing, labor protection, health, social responsibility, environmental protection and corporate governance. We track our progress towards achieving our sustainability targets.	See the sector «Responsible banking» on the corporate web site See Bank's Sustainability Report 2020: p. 12
Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles. Our governance structures cover significant part of ESG strategy development.		

Reporting and Self-Assessment Requirements

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Principle 6: Transparency & Accountability

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 Progress on Implementing the Principles

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

We are integrating our ESG targets into our business strategy and operational processes and strive to make further progress in their achievement. We have already established quantitative goals, designed the roadmap for implementation of the goals, developed sustainability policies, which either reflects our values, mission and business principles, or employee relations, requirements to responsible business operations we request from our suppliers and our position on responsible product offering.

We also assessed the impact of climate risks on our business and portfolio as well as the opportunities we see, we set up decarbonization targets. We have started to develop methodology of ESG scoring of our clients and the implementation of ESG covenants to the loan agreements.

We launched a number of initiatives not only for our employees (learning courses, competitions, knowledge-based issues) but also for our clients. We have planted about 20 000 trees as part of our ecological project called «Plant the Forest».

Our commitment to PRB Principles is reflected in our official web site, social media, policies, sustainability and climate report.

See the sector
«[Contribution to global initiatives](#)»
on the corporate
web site

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Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.	We are an active participant in working groups and initiatives (PRBs, UNEP FI TCFD Modules, UN SDG Ambition, UN Climate Ambition, UN Target Gender Equality etc), we also participate in various commitments (TCFD, NZBA), which contribute in international and national best practice.	
Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking Sovcombank made a good progress of implementing the principles into its business strategy and remains an undisputed leader in ESG in Russia. We will continue to work relentlessly with stakeholders, peers and clients in the field of implementation of the Principles.		

Annex: Definitions

- a. Impact: An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.*
- b. Significant Impact: Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of significant impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of “materiality”.*

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