

PRINCIPLES FOR RESPONSIBLE BANKING

3rd Reporting and Self-Assessment Template



2022

THE SIX PRINCIPLES FOR RESPONSIBLE BANKING



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.



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.



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.



Principle 4: *Stakeholders*

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



Principle 5: *Governance and culture*

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



Principle 6: *Transparency and 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.

Sovcombank is a Founding Signatory the Principles for Responsible Banking launched by the United Nations Environment Programme Finance Initiative 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.

Reporting and Self-Assessment Requirements	High-level summary of our response	Links to our full response
1.1. Business Model 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.	<p>Sovcombank is a universal systemically important federal financial institution, one of the largest players of the Russian banking sector. Its total assets reach RUB 2.3 trillion. Given the large office network (about 2.7 thousand offices) in 79 out of 89 constituent federal entities of the Russian Federation, Sovcombank manages to serve 6.1 million active retail clients and 200 thousand corporate clients ranging from individual clients, entrepreneurs, small and medium-sized enterprises to corporates. The Bank offers a variety of financial products and services, tailored to client needs: retail and corporate loans, including consumer loans, car loans and mortgages, installment cards, term deposits and current accounts, payments, financial services, wealth and asset management, dealing with securities, derivative financial instruments and precious metals. The Group operates primarily in the Russian Federation.</p> <p>Sovcombank's business model rests on three key pillars: domestic retail banking, corporate banking, and treasury segments supplemented by different non-banking financial services. In addition to its banking business, Sovcombank is extensively developing insurance, leasing, factoring businesses and its own e-procurement platform.</p>	<u>Integrated annual report 2022 (p.2-4)</u>

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<p>1.2. Strategy Alignment</p> <p>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.</p>	<p>Bank seeks to strike the right balance between maintaining stable shareholder returns, providing decent living conditions for employees, ensuring a high quality of services for clients and making a difference for the wider society. To this end, Sovcombank has set several environmental and social objectives aligned with SDGs, Paris Climate Agreement and national frameworks, such as the Strategy for the socio-economic Development of the Russian Federation with low greenhouse gas emissions until 2050 and Russia's Updated Climate Doctrine. Since 2019 Sovcombank has been committed to the UN Global Compact principles. In 2021, the Bank has become the first Russian financial institution to support the TCFD initiative and since then Sovcombank discloses climate-related risks and opportunities, conducts scenario analysis.</p> <ul style="list-style-type: none"> Aligning with the relevant SDGs: Sovcombank determined the most relevant SDGs based on impact analysis and stakeholders' expectations – No Poverty (1), Gender Equality (5), Affordable and Clean Energy (7), Decent Work and Economic Growth (8), Sustainable Cities and Communities (11), Responsible Consumption and Production (12), Climate Action (13). In 2023 the Bank's priority SDGs were partially revised. The key areas remain climate change, financial health and inclusion, sustainable lending & investing, economic support for SMEs and infrastructure projects. Sovcombank contributes to climate change by accelerating low-carbon transition, mitigating ecological risks and engaging its clients in ESG transformation. In terms of inclusion, the Bank provides trainings on financial education and improves access to basic financial products. As SMEs constitute the core part of the Bank's portfolio, Sovcombank joined the ranks of authorized banks of multiple concessional lending for SMEs programs. Aligning with the Paris Agreement: Since 2021, Sovcombank has been a member of the international Net-Zero Banking Alliance (NZBA), established under the aegis of the United Nations. The Bank has committed to achieve carbon neutrality by 2050 and strengthen its ESG management. To reduce its financed emissions and help clients achieve low-carbon business transformation, Sovcombank has focused on developing ESG-linked loans. Reaching carbon neutrality under the Scopes 2 has been made possible through the purchase of green certificates. Aligning with national frameworks: Sovcombank complies with the national socio-economic development strategy. This includes Russia's Nationally Determined Contribution targets, national projects, Central Bank guidance on priorities of the financial inclusion, socio-economic development initiatives 2030, national development goals 2024. 	<p>Integrated annual report 2022 (p.36, p. 42, p.43, p.45)</p> <p>https://sovcombank.ru/en/about/sustainability</p> <p>https://prod-api.sovcombank.ru/upload/policy/13/63f4f27a011b4.pdf</p> <p>http://government.ru/news/43451/</p> <p>https://xn--80aapampemcchfmo7a3c9ehj.xn--p1ai/projects</p> <p>http://www.cbr.ru/content/document/file/133266/prioritet_n_aprav_finuslug_2022-2024.pdf</p> <p>http://kremlin.ru/events/president/news/57425</p>

Reporting and Self- Assessment Requirements

High-level summary of our response

Links to our full response

2.1. Impact Analysis

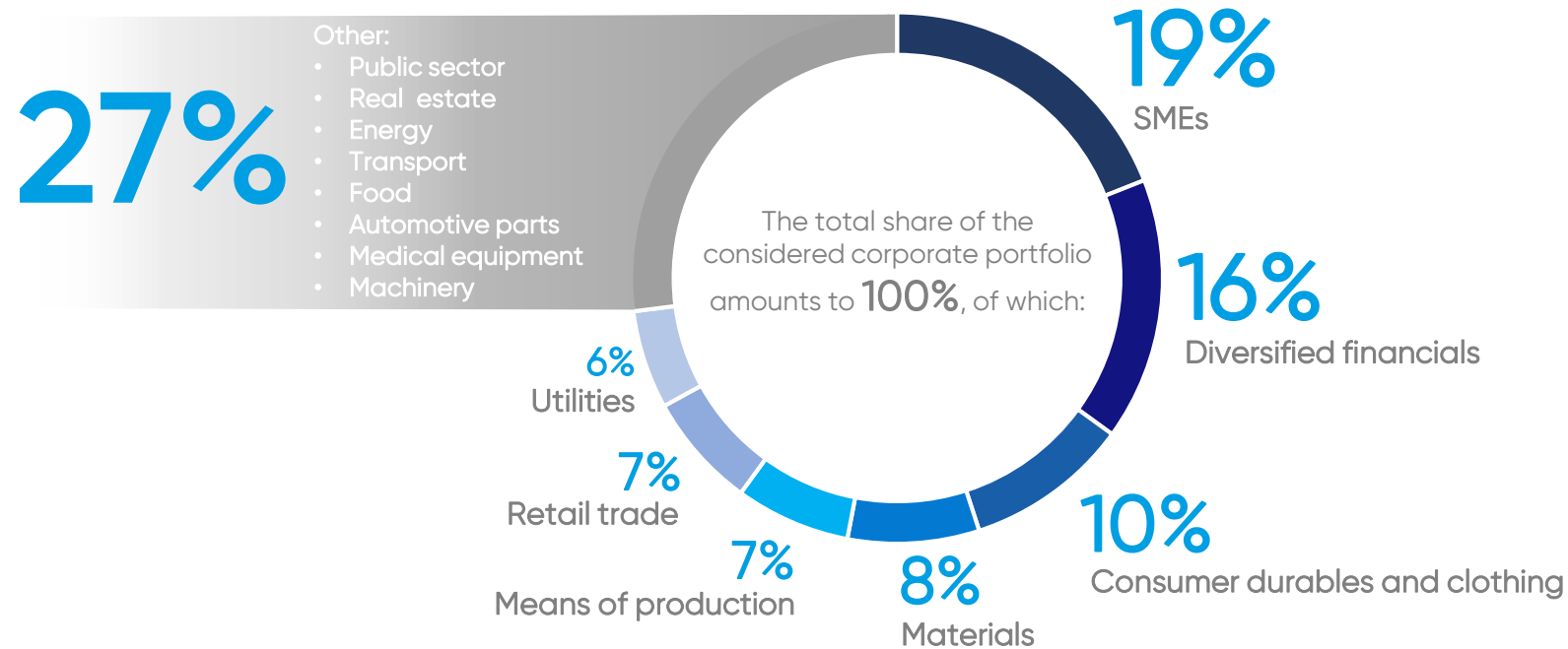
Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements:

- a) Scope
- b) Portfolio composition
- c) Context
- d) Performance measurement






a) Sovcombank undertakes its impact analysis on a regular basis building on the UNEP FI Portfolio Impact Analysis Tool. It proves to be particularly useful in screening internal products and services to reveal which of them are the most affected by sustainability issues. Sovcombank's activities are entirely localized in the Russian market. The Bank has a full service-setup for its clients and a wide national branch network. The analysis perimeter consists of credit and deposit retail, corporate and investment banking portfolios.

b) Sovcombank has a diversified business model. The retail portfolio share accounts for 35%, corporate portfolio share – 42%, securities portfolio share – 23%. Sovcombank has conducted an analysis of its corporate portfolio structure in 2022.

[Integrated annual report 2022 \(p.37\)](#)




IMPACT AND TARGET SETTING

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<p>2.1. Impact Analysis</p> <p>Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements:</p> <ul style="list-style-type: none"> a) Scope b) Portfolio composition c) Context d) Performance measurement 	<p>b) As it can be seen, small and medium-sized enterprises are highly prioritized and form a major part of the corporate banking portfolio. The retail business includes credit and deposit portfolios. The key products are current and savings accounts, consumer loans, mortgage loans, car loans and installment cards.</p> <p>c) As the approach to sustainability matures, Sovcombank ensures its activities do not cause harm and contribute to potential positive impact in the society. Considering the international assessments, country-specific policy documents and statistics, the Bank has revealed the following sustainable development priorities:</p> <div style="display: flex; justify-content: space-around; align-items: flex-end; text-align: center;"> <div>  <p>Climate stability</p> </div> <div>  <p>Circularity</p> </div> <div>  <p>Infrastructure</p> </div> <div>  <p>Access to finance</p> </div> <div>  <p>Health and safety</p> </div> </div> <p>While assessing materiality, Sovcombank has actively engaged its key stakeholders – shareholders and investors, employees, clients. The Bank’s top managers provided feedback on the sustainability perspectives using an ad hoc questionnaire. In addition, a comparative study of the banking sector peers’ publications has been conducted. The impact analysis enabled Sovcombank’s positive and negative influence identification. Due to a substantial share of carbon-intensive and resources-consuming sectors in the corporate portfolio (>35%), one of the determined significant impact areas underlying target-setting strategy is climate stability. The Bank’s positive impact is observed in social-oriented areas such as health and social protection, ethics and justice, decent employment, financial well-being. In line with the positive contributions, Sovcombank seeks to improve availability and access to finance as the second impact area.</p>	<p>http://government.ru/news/43451/</p> <p>http://kremlin.ru/events/president/news/57425</p> <p>http://www.cbr.ru/content/document/file/133266/prioritet_naprav_finuslug_2022-2024.pdf</p> <p>https://xn--80aapampemcchfmo7a3c9eh.j.xn--p1ai/projects</p>

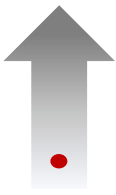
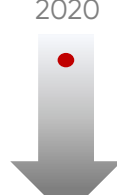
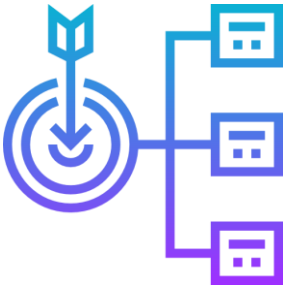

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IMPACT AND TARGET SETTING

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<p>2.2. Target Setting</p> <p>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. Disclose the following elements of target setting, for each target separately:</p> <ul style="list-style-type: none"> a) Alignment b) Baseline c) SMART-targets d) Action plan 	<p>a) Climate action remains one of the most urgent issue in the Russian Federation. Measures aimed at mitigating climate change implications are aligned with the Paris Climate agreement, as well as national policy documents. With reference to finance availability, the Central Bank has designed a strategy to improve financial inclusion in the Russian Federation by 2024. The national framework envisages financial inclusion enhancement for low-income population, people with disabilities, citizens in remote areas. In addition, it emphasizes the financial inclusion priority for SMEs. Thirdly, the strategy prioritizes financial literacy promotion.</p> <div data-bbox="496 558 741 801">  </div> <ul style="list-style-type: none"> • Paris Climate Agreement • Presidential Executive Order "On Reduction of Greenhouse Gas Emissions" • Federal Law "On Limitation of Greenhouse Gas Emissions" • 2050 Strategy of Social and Economic Development with Low Greenhouse Gas Emission • Priorities of the financial inclusion programme of the Russian Federation for 2022-2024 	<p>https://dashboards.sdginde x.org/profiles/russian-federation</p> <p>https://unfccc.int/sites/default/files/resource/Strategy%20of%20Socio-Economic%20Development%20of%20the%20Russian%20Federation%20with%20Low%20GHG%20Emissions%20EN.pdf</p> <p>https://www.cbr.ru/content/document/file/133266/prioritet_naprav_finuslug_2022-2024.pdf</p>

IMPACT AND TARGET SETTING

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<h3>2.3. Target Implementation and Monitoring</h3> <p>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.</p>	<p>Sovcombank strives to report transparently about its sustainability activities and progress. Current targets are monitored on a regular basis according to the set KPIs.</p> <p>For climate change target, Sovcombank has succeeded in engaging with both its corporate and retail clients via webinars, direct mailings and meetings to advance cross-sector low-carbon practices. In 2022 Sovcombank's financial volume of ESG assets (loans) amounted to 50 billion rubles. Despite the global post-COVID economic revival and the growing investment needs, Sovcombank has contributed to the energy sector's financed emissions reduction. Its share in the total financed emissions portfolio decreased by about 33%. Sovcombank is totally compliant with the GHG emissions intensity reduction target (1, 2, 3 Scopes) – the YoY decline constituted 2,7% YoY.</p> <div><div><div>Share of financed emissions covered by a decarbonization target</div><div><div>2022</div><div>24%</div><div>of all financed emissions</div></div><div><div>2020</div><div>36%</div><div>of all financed emissions</div></div></div><div><div>GHG emissions intensity (Scopes 1, 2, 3)</div><div><div>2020</div><div>4,6</div><div>tCO²e/FTE</div></div><div><div>2022</div><div>3,6</div><div>tCO²e/FTE</div></div></div></div> <p>Moreover, in 2023 Sovcombank has reached carbon neutrality by offsetting emissions associated with its operational activities in the previous period (2022). The Bank's Scope 1 and 2 GHG emissions are fully compensated through green certificates and carbon credits acquisition.</p>	<p>Integrated annual report 2022 (p.30,42)</p> <p>https://www.akm.ru/eng/press/sovcombank-has-become-carbon-neutral/</p>

IMPACT AND TARGET SETTING

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Reporting and Self- Assessment Requirements

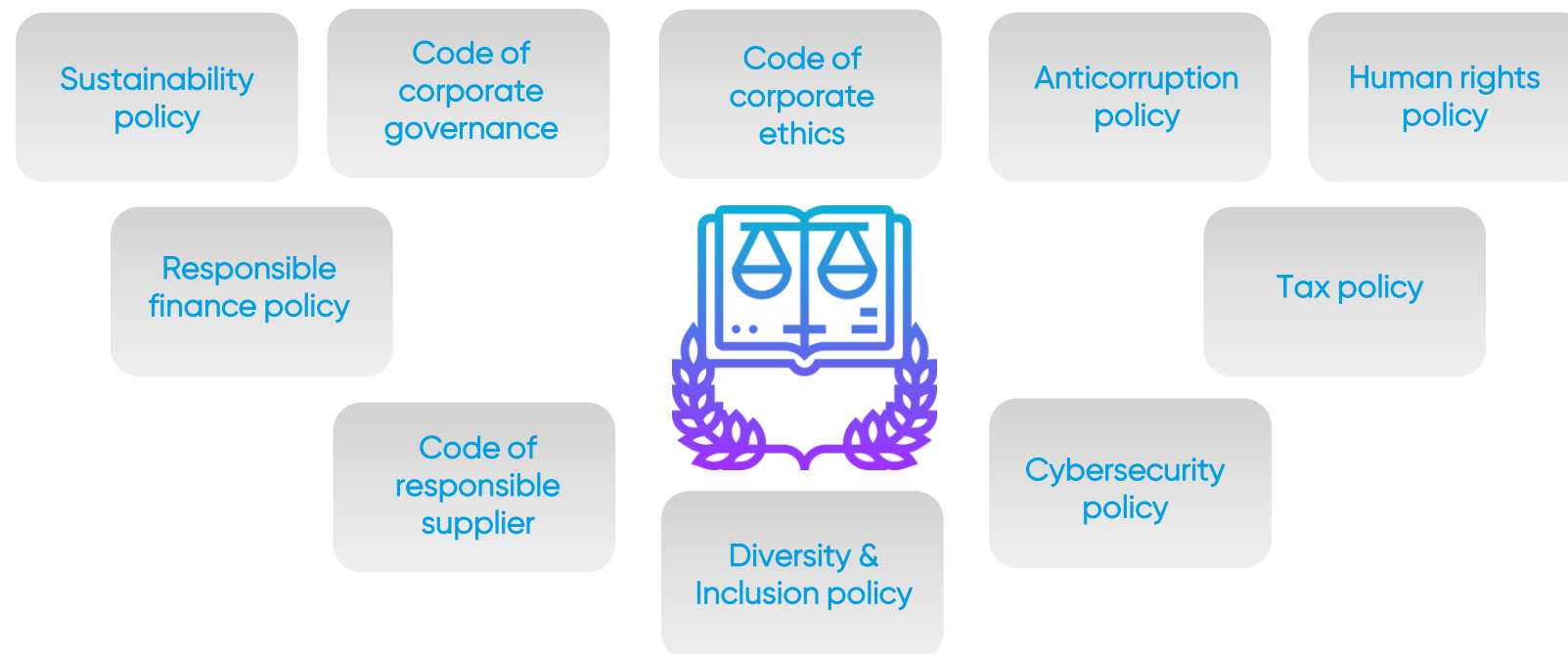
High-level summary of our response

Links to our full response

3.1. Client Engagement

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.

Sovcombank builds solid relationships with its clients through healthy corporate culture and a wide array of internal policies:



The Bank seeks to facilitate its key clients' transition to low-carbon economy and alignment with the Paris Climate Agreement. Sovcombank can influence its clients' investment decisions by managing access to capital and the cost of capital and by providing clients with sound financial advice. To this end, Sovcombank is currently elaborating internal ESG-scoring to make loans to clients and invest in companies complying with sustainable development principles.

<https://sovcombank.ru/en/about/sustainability>

Reporting and Self-Assessment Requirements	High-level summary of our response	Links to our full response
<p>3.1. Business Opportunities</p> <p>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 and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on.</p>	<p>Sovcombank believes it is essential to have commercial basis for its sustainability work. The Bank is willing to increase business volume in sectors that are potentially promising for climate change mitigation. This mainly refers to deploy additional sustainable finance solutions and boost clients' interest in current ESG-linked loans. Sovcombank succeeds in providing its clients with expertise and professional support on bonds issue and verification arrangement. Sovcombank is one of the Russian sustainable financing market leaders. In 2021 the Bank launched ESG deposits for corporate clients. The raised funds may be used only to finance eligible ESG projects. The compliance process is guided by the ESG deposits policy and ensured by the Bank's specialized committees. In addition, Sovcombank boosted expertise in green and social bonds issue organization. In 2022 about 27 ESG bond issues, organized by Sovcombank, traded on the Moscow Exchange. The total volume of the bond issues is 380 billion rubles.</p>	<p><u>Integrated annual report 2022 (p.40)</u></p>

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<p>4.1. Stakeholder Identification and Consultation</p> <p>Describe which stakeholders you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impact+--s. 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.</p>	<p>The Annual report 2022 summarises the regular interactions the Bank has with its various stakeholders. Sovcombank identified five stakeholder groups. The interaction format with stakeholders includes conference calls, meetings, e-mails, webcasts, ad hoc questionnaires. Sovcombank always discloses all the required information, ensuring transparency for its stakeholders.</p> <p>The Annual report also presents outcomes from the materiality assessment that is based on the key stakeholders' responses and expectations. The methodology for the Materiality assessment was guided by the Global Reporting Initiative and the UN's Sustainable Development Goals. It considered internal inputs (business model, corporate strategy, risk framework, policies) as well as external inputs (peer review, global megatrends, media review, industry research). Sovcombank assigned a certain weight to each topic reflecting the issue's relevance to the Bank and its major stakeholders. The appropriateness of the topics' weighting has been confirmed by top managers and shareholders. Outcomes from the assessment indicate the primary importance of sustainable lending and investment to Sovcombank's stakeholders. The opportunity to create a long-term value through financially supporting SMEs and managing personnel potential is also a strong and emerging theme.</p> <div data-bbox="509 856 2063 1156">      <div> <div>Clients</div> <div>Employees</div> <div>Investors</div> <div>Society</div> <div>Regulator</div> </div> </div>	<p>Integrated annual report 2022 (p.34-35)</p>

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<p>5.1. Governance Structure for Implementation of the Principles</p> <p>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 impacts and support the effective implementation of the Principles.</p>	<p>Monitoring of established programs and targets is overseen by the Sovcombank Supervisory Board, Sovcombank Management Board, Sustainability Working Group under the Chairman of the Board and ESG Committee (in 2023 ESG Committee was renamed Social Investment and Sustainable Development Committee). The Sovcombank Supervisory Board approves the PRB strategy and goals, sustainability policies and codes. The Chairman of the Management Board is responsible for the implementation of the Principles. He takes the relevant decisions to mitigate negative impact and risks. The Working Group and Social Investment and Sustainable Development Committee monitor the Bank's compliance with its sustainability commitments. The Supervisory Board, being the key element of the governance structure, reports directly to the General Meeting of Shareholders and controls other committees to integrate responsible banking considerations into the Bank's operations.</p> <p>Sovcombank is planning to develop KPIs and establish a system of the Management Board Members' remuneration linked to sustainability targets. Sovcombank reviews its carbon offsetting plans – currently ensuring a total absolute compliance with the national.</p>	<p><u>Integrated annual report 2022 (p.32)</u></p>

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<p>5.2. Promoting a culture of responsible banking</p> <p>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).</p>	<p>Sovcombank actively engages in education and awareness raising for employees, staff, clients on corporate responsibility and material sustainability topics. Through employee onboarding and education, the Bank ensures that its employees assume their responsibilities in complying with current policies and priorities. Better understanding of Sovcombank sustainability targets and actions is promoted through a wide range of training and awareness-raising activities at the corporate web portal.</p> <p>In general, the culture of responsible banking is built on:</p> <ul style="list-style-type: none"> • Comprehensive training programs that should be completed by new hires and regularly updated for all employees. These include Sustainable Development, Anti-corruption, Conflict of Interests education programs. Additional trainings on financial literacy and gender equality are available through digital communications channels; • Competitions aimed at increasing resource intensity among all Sovcombank branches, competitions of the ecological/social projects best ideas launched on the corporate intranet; • Internal ethics alert system, based on dedicated communications channels, available to employees through the Compliance Hotline. Employees are strongly encouraged to report any ethical concerns or violations. 	<p><u>Integrated annual report 2022 (p.57, p.82)</u></p>

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<p>5.3. Policies and due diligence processes</p> <p>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.</p>	<p>Striving to align environmental and social risks with the overall Bank's risk exposure, Sovcombank has committed to devise a risk management strategy with ESG factors taken into account by 2023. While assessing climate risks, Sovcombank is guided by TCFD recommendations. It considers both direct (energy use and GHG emissions) and indirect (sustainable financing) impact indicators. To that end, Sovcombank estimates the global climate change possible impact by analyzing the climate change scenarios developed by NFGS for transition risks and SSP5-8.5 for physical risks.</p> <p>The general meeting of Shareholders endorses the Sovcombank's approach to manage risks (including environmental risks). The Supervisory Board regularly addresses climate risk issues, reported by the Social Investment and Sustainable Development Committee. The risk management committee annually reviews the risk management strategy and considers the need for changes to the methodology and substantial risk identification procedures.</p>	<p>Integrated annual report 2022 (p.32, p.38)</p>

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<p>6.1. Assurance</p> <p>Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?</p> <p>6.2. Reporting on other frameworks</p> <p>Does your bank disclose sustainability information in any of the listed below standards and frameworks?</p> <p>6.3. Outlook</p> <p>What are the next steps your bank will undertake in next 12 month-reporting period?</p> <p>6.4. Challenges</p> <p>What challenges have you prioritized to address when implementing the Principles for Responsible Banking?</p>	<ul style="list-style-type: none"> • Assurance: After the imposition of sanctions in 2022, Sovcombank has faced unprecedented restrictions. To reduce sanctions risks, the Bank limited the disclosure of sensitive information. In this regard, the Principles for Responsible Banking (PRB) Report and Self-assessment has not been reviewed by an independent assurer. Sovcombank will provide an assurance statement for its next report. • Reporting: Sovcombank reports openly and transparently about its sustainability activities. The core medium for the Bank's sustainability disclosure is its Integrated Annual Report. Sovcombank uses the GRI framework as the basis for the report and applies a careful process weighing up the materiality and relevance of the information reported and the stakeholders' expectations. The Bank also discloses data on climate-related financial risks using the TCFD standard. • Outlook: Sovcombank's further steps are disclosed in Principle 2 (p.10). The Bank carries on promoting high quality ecological, social and governance standards. • Challenges: The TOP three challenges the Bank has prioritized are choosing the right performance measurement methodology, Data availability, Access to resources. 	<p>https://sovcombank.ru/en/about/sustainability</p>

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