

Corporate Governance Culture

Corporate Governance System

Changes and processes running in today's world become more complicated and require an informed approach toward the activities of the companies, particularly public and systemically important companies. Growing responsibility of business requires more competent governance and complex control and sets new objectives in terms of operational activity, regulation, and conformity to the uniform standards.

Target goals and scheduled initiatives cannot be implemented without a well-organized internal environment of the Bank and a well-built corporate governance system.

Improvement of the corporate governance system

MKB works actively to improve its corporate governance system and tracks the latest changes and innovations both at the national and international levels. The Bank strives to increase information transparency of its activities, in particular, by way of active interaction with Russian and international shareholders and investors. Besides, in 2019, MKB continued to bring into life Bank of Russia's recommendations for implementing the best corporate governance practices.

In 2019, MKB paid special attention to the development of a long-term strategy for the Bank as well as to further development of the internal audit function, including interaction with external auditors and monitoring of risk management issues.

Besides, as part of the integration of ESG principles with Bank activities, 2019 saw the emergence of the Sustainable Development Workgroup aimed at improving the internal procedures and discussing MKB initiatives in the sphere of sustainable development, including the elaboration of further ESG strategy in MKB. The importance of corporate social responsibility issues was recognized at all corporate governance levels of the Bank.

MKB's success in the field of corporate governance was highly appreciated by the experts of World Finance that honored MKB in 2019 with an award in the field of corporate governance for the «Best Corporate Governance in Russia».

Key sustainable development elements of the corporate governance system

MKB's corporate governance system rests upon the best national and international corporate governance practices. Using the criteria of the European Bank for Reconstruction and Development (EBRD), one of the leading international development banks, MKB follows the best social and environmental standards and principles of work with the customers.

Effective corporate governance is always supported by the Supervisory Board and senior management of the Bank, who also bear responsibility for compliance with the sustainable development principles. The role of the Supervisory Board consists in strategic management of the Bank's activities and in determining the priority areas of its business. The MKB Supervisory Board defines the key principles and approaches toward creating the risk management and internal control system and controls activities of the executive bodies of the Bank.

As of December 31, 2019, the Supervisory Board consisted of **10 directors** who are international experts, including **five independent directors**. The Supervisory Board elects the Management Board and appoints the Chairman of the Management Board, who is the sole executive body of MKB and bears general responsibility for the daily activities of the Bank.

Social and Environmental Management Policy of the CREDIT BANK OF MOSCOW (MKB Environmental Policy) is the main document governing the Bank's activities in the field of sustainable development.

The principles and approaches implemented by MKB as part of the MKB Environmental Policy meet the requirements and standards established by the Russian laws and international legal acts in the field of environmental protection and labor relations, including occupational health, safety, industrial safety issues, use of children and compulsory labor, prevention of discrimination during employment, freedom of association and conclusion of collective agreements.

Corporate social responsibility issues are also set out in other internal regulations of the Bank.

The main **documents of the Bank**, governing corporate social responsibility actions:

- Code of Corporate Governance of CREDIT BANK OF MOSCOW
- Code of Corporate Ethics of CREDIT BANK OF MOSCOW
- Regulation on the Supervisory Board of CREDIT BANK OF MOSCOW
- Regulation on the Audit and Risk Committee of the Supervisory Board of the Bank
- Regulation on the Remunerations, Corporate Governance and Nominations Committee of the Supervisory Board of CREDIT BANK OF MOSCOW
- Regulation on the Compensations and Total Remuneration of Employees of CREDIT BANK OF MOSCOW
- Other internal documents and regulations

These documents are analyzed on a regular basis to check their conformity with the best standards of the Russian and international practice and are updated or amended if necessary.

The work of the divisions and management bodies responsible for corporate governance and internal audit follows a regular assessment for the purpose of the effective operation of the corporate governance system.

Performance of social and environmental obligations, including environmental and social responsibility, which arise in the course of credit activity, are of priority for MKB in the sphere of sustainable development. An approach toward compliance with sustainable development principles promotes the distribution of advanced social and environmental standards and environmental protection and safety rules.

Keeping in mind its own experience accumulated as a result of interaction with the stakeholders as well as international standards in the sphere of corporate social responsibility and standards of nonfinancial reporting, in 2020, MKB plans to issue a number of documents to define the principles and areas of the Bank's activities in the sphere of sustainable development.

Detailed information on the existing corporate governance system is disclosed in the MKB Annual Report 2019.