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Minutes of the Board

of JSB UKRGASBANK

dd. \_\_\_\_\_\_\_\_2018 No.\_\_\_

Chairman of the Board

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ K.Ye. Shevchenko

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**Environmental and Social Responsibility Policy**

**of JSB UKRGASBANK**

Kyiv – 2018

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# Section 1. GENERAL PROVISIONS

* 1. This Environmental and Social Responsibility Policy of JSB UKRGASBANK (hereinafter referred to as the Policy) is designed to assess and minimize the adverse impact of JSB UKRGASBANK's activities on social harmony and to spread positive environmental and social impact.
  2. Being aware of responsibility for environmental and social consequences of its activities, JSB UKRGASBANK (hereinafter referred to as the Bank) strives for sustainable development of the society.
  3. This policy is binding for all structural and detached units of the Bank.
  4. The policy has been developed in accordance with the applicable laws of Ukraine and is based on the IFC Performance Standards on Environmental and Social Sustainability:

Standard 1 - Assessment and Management of Environmental and Social Risks and Impacts;

Standard 2 - Labor and Working Conditions;

Standard 3 - Resource Efficiency and Pollution Prevention;

Standard 4 - Community Health, Safety, and Security;

Standard 5 - Land Acquisition and Involuntary Resettlement;

Standard 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources;

Standard 7 - Indigenous Peoples;

Standard 8 - Cultural Heritage.

* 1. The basic principles of the Bank's Policy that influence the approach of the society to sustainable development are:
* taking into account public opinion in decision-making processes;
* disseminating the idea of environmental and social responsibility of the society;
* ensuring respect for human rights, eliminating discrimination;
* promoting decent working conditions;
* promoting environmental protection and minimizing emissions, waste and wastewater;
* implementing international best practices and standards in the area of social and environmental responsibility;
* promoting the preservation of our world's rich diversity: biological, cultural, linguistic, as well as historical and natural heritage.

1.6. **The Bank's Policy is based on three main areas:**

* Management of environmental and social risks of projects financed by the Bank;
* “Green” financing;
* Environmental management and social responsibility of the Bank.

# Section 2. TASKS OF THE POLICY

The Policy introduces environmental and social standards that promote the improvement of environmental indicators, minimization of environmental impact, ensure health and safety of the society.

Tasks of the Policy:

* in **“Management of environmental and social risks of projects financed by the Bank”** is setting the basic principles for the management of environmental and social risks of projects financed by the Bank;
* in **“Green” financing”** is development of the “green” economy;
* in **“Environmental management and social responsibility of the Bank”** is introduction of environmental and social standards that will improve the environmental and social performance, minimize the Bank's environmental impact, improve the quality of working conditions and health of the Bank's employees; in general, the scope of the Policy covers the introduction of annual reporting on the Bank's environmental and social indicators.

# Section 3. environmental and social risk management System of the Bank’s lending projects

Management of environmental and social risks of the Bank’s lending projects is based on:

* prohibition of financing of the most harmful activities;
* implementation of the system of assessment and monitoring of environmental and social risks in the Bank's lending projects.

**Prohibition of financing of the most harmful activities**

To prevent financing of the most harmful activities, the Bank shall create a **list of exclusions to financing** (exclusion of certain sectors of the economy is also part of the Bank’s Lending Policy). The list of exclusions includes types of business activity not financed by the Bank:

* production or trade in any product or activity deemed illegal in accordance with international conventions and agreements or subject to international prohibitions;
* production or trade in of products containing polychlorinated biphenols (PCBs);
* production and trade in pharmaceutical products, pesticides / herbicides and other harmful substances to be withdrawn from international circulation or subject to international prohibitions;
* production or trade in ozone-depleting substances to be withdrawn from international circulation;
* production or trade in radioactive materials (including storage and processing of radioactive waste);
* activities related to nuclear industry or nuclear materials (*this* *shall not apply to the purchase of medical equipment, equipment for quality control (measuring devices) and any other equipment with insignificant radioactive radiation and / or adequate protection*);
* transportation of oil and other hazardous substances in tankers that do not meet the requirements of the International Maritime Organization (IMO);
* production or trade in weapons (including hunting) and ammunition;
* production or trade in alcoholic beverages (other than beer and wine);
* production of tobacco products;
* gambling (including online), casinos and similar activities;
* production or trade in unbound asbestos fibers (*this shall not apply to the purchase and use of bound asbestos cement sheets, where the content of asbestos is less than 20%*);
* drift net fishing in the marine environment using nets in excess of 2.5 km in length;
* trade in species of wild fauna and flora or products from species of wild flora and fauna regulated under CITES;
* production or trade in timber or other forestry products, other than managed forests;
* production, trade, storage or transportation of large volumes of hazardous chemicals or use of hazardous chemicals on a commercial scale.

In addition to the exclusions to financinglisted above, for environmental and social reasons the Bank does not finance:

* production or activities on land used to maintain means of subsistence for vulnerable groups (e.g., in heads of rivers used for fishing and / or water supply, on land for grazing, hunting, hayfields, etc.);
* activities that may result in forced resettlement;
* activities that may have adverse impact on places of cultural or archaeological heritage.

The list of exclusions to financingshall be revised annually as part of updating the Lending Policy of the Bank.

* 1. **Implementation of the system of assessment and monitoring of environmental and social risks in projects financed by the Bank**

The system of assessment and monitoring of environmental and social risks in the Bank’s projects shall be developed on the basis of international best practices and the IFC standards in the area of assessment of social and environmental performance indicators and shall be implemented as an integral part of the Bank's lending process. The system shall consist of two elements: risk assessment and risk monitoring.

* + 1. **Assessment of environmental and social risks of projects**

Assessment of environmental and social risks is an integral part of the Bank’s risk management system. Based on the results of the assessment of social and environmental risks, the Bank may set a list of additional requirements to borrowers aimed at minimizing or eliminating such risks.

**3.2.2. Monitoring of environmental and social risks of projects**

Monitoring of environmental and social risks shall be carried out by the Bank on an annual basis by obtaining from borrowers standardized annual reports on environmental and social issues, processing information contained in such reports in order to improve the process of assessing environmental and social risks, and generating accounting to the relevant collegial body based on such reports.

# Section 4. “green” financing

Implementation of “green” financing is based on financing of projects with positive environmental effect.

In order to implement this Policy, given the urgency of enhancing the energy efficiency of the Ukrainian economy and achieving energy independence, the Bank has identified “green” projects as a priority area for financing. Such projects should be aimed at:

* introduction of energy-efficient technologies;
* use of renewable energy sources;
* more efficient use of natural resources (resource efficiency);
* reduction of harmful emissions into the environment.

The implementation of this priority area of financing will facilitate the Bank’s development as a financial institution, increase the competitiveness of the country’s economy in general and improve the environmental situation in the country. The Bank develops a responsible attitude to environmental impact of project implementation and defines key indicators for its evaluation. When determining the values of key indicators, estimation of the reduction of carbon emissions and reduction of energy consumption for each project is carried out. Key indicators are summarized in annual reports, which are integral part of the Bank’s annual report on its environmental and social indicators.

**Section 5.** **Environmental management and social responsibility of the Bank**

Environmental management and social responsibility of the Bank provides for the introduction of a mechanism for managing and monitoring the environmental and social performance of the Bank.

This mechanism is developed on the basis of international best practices and standards in this area, regulates daily activities of all divisions of the Bank and includes the following areas:

* management and monitoring of the Bank’s social performance indicators;
* management and monitoring of the Bank's environmental performance indicators.

**5.1. Management and monitoring of the Bank’s social performance indicators**

Management and monitoring of the Bank’s social performance indicators is provided by:

* implementing a procedure for accounting of social indicators of the staff policy;
* implementing a procedure for regulating internal conflicts.

**5.1.1. Procedure for accounting of social indicators of the Bank’s staff policy**

The procedure for accounting of social indicators of the Bank’s staff policy is part of the staff policy that describes key social indicators and reporting on compliance with current labor laws, the Code of Corporate Governance and internal regulations on occupational safety and health of the Bank’s employees. Results of this monitoring are summarized in annual reports, which are integral part of the Bank’s annual report on its environmental and social indicators.

* + 1. **Procedure for regulating internal conflicts**

The procedure for regulating internal conflicts describes the mechanism for filing, recording, monitoring, processing and responding to complaints from the Bank’s employees in order to create a sound corporate spirit.

* 1. **Management and monitoring of the Bank’s environmental performance indicators**

Management and monitoring of the Bank’s environmental performance indicators:

* Accounting for energy consumption, introduction of advanced technologies of energy consumption and lighting;
* Minimization of harmful impact on the environment that may be caused by waste arising from the Bank’s activities;
* Responsible consumption of resources, priority in the use of resources made from environmentally friendly or recycled raw materials;
* Minimization of harmful impact on the environment when using transport for operational needs, priority use of environmentally friendly (electric) transport.
  + 1. **Accounting for energy consumption, introduction of advanced technologies of energy consumption and lighting**

The Bank defines as a priority the introduction of efficient energy consumption, advanced lighting technologies and reduced consumption of energy resources used for lighting, conditioning and heating of premises. The Bank shall establish annual plans for the implementation of advanced technologies for efficient energy consumption and lighting, define the responsible persons, terms of implementation and control over their implementation.

* + 1. **Minimization of harmful impact on the environment that may be caused by waste arising from the Bank’s activities**

The Bank shall introduce, regularly update and improve a waste management procedure binding for all units of the Bank. The procedure shall determine the classification of waste, accounting procedure, safety measures when dealing with different categories of waste, requirements to collection, sorting and recycling for each category of waste generated by the Bank. The procedure shall also provide for the appointment of responsible persons, definition of their functions and tasks, as well as measures of compliance monitoring.

* + 1. **Responsible consumption of resources, priority in the use of resources made from environmentally friendly or recycled raw materials**

The Bank defines as a priority the use of resources made from environmentally friendly or recycled raw materials. The Bank shall establish annual plans binding for all units of the Bank describing measures to minimize resource consumption and transition to consumption of resources made from environmentally friendly or recycled raw materials. The plan shall also provide for the appointment of responsible persons, definition of their functions and tasks, as well as measures of compliance monitoring.

* + 1. **Minimization of harmful impact on the environment when using transport for operational needs, priority use of environmentally friendly (electric) transport**

The Bank defines as a priority the use of environmentally friendly (electric) transport. The Bank shall establish annual plans for reduction of carbon emissions when using transport for operational needs. The plan shall also provide for the appointment of responsible person, accounting and reporting procedures.

**Section 6.** **Ensuring information transparency regarding environmental and social responsibility of the Bank**

In order to ensure informational transparency regarding the environmental and social responsibility of the Bank, the Board of the Bank shall implement:

* a procedure for informing stakeholders about the Bank’s environmental and social responsibility;
* reporting on environmental and social responsibility of the Bank.
  1. **Procedure for informing stakeholders about the Bank’s environmental and social responsibility**

The procedure shall describe the process of informing stakeholders such as investors, clients, contractors, public associations, individuals, as well as mechanisms and channels of communication and feedback, responsible persons, etc..

* 1. **System of reporting and promulgation of the Bank's environmental and social performance indicators**

The reporting system shall be developed on the basis of the best global standards, applicable laws, international commitments of Ukraine and the Bank' obligations to investors and clients. The reporting system shall include principles for compiling and publishing reports on environmental and social responsibility of the Bank.

Annual reports shall reflect the following information:

1. results of monitoring of environmental and social risks of the Bank’s lending projects;
2. consumption of resources by the Bank;
3. generation of waste;
4. results of monitoring of social indicators of the Bank’s staff policy;
5. results of complaints handling work;
6. description of work with stakeholders: the society, local communities, media, non-governmental organizations.

# Section 7. FINAL PROVISIONS

7.1. This Policy shall be approved by the Supervisory Board of the Bank.

7.2. Amendments to this Policy shall be approved by the Supervisory Board of the Bank and documented as a new document or revised version hereof. Adoption of a revised version of this Policy shall automatically invalidate its previous version.

7.3. Should any part of this Policy be inconsistent with the applicable laws of Ukraine, including regulations of the National Bank of Ukraine, in particular, due to adoption of new regulations, this Policy shall only be applicable to an extent consistent with the laws of Ukraine.

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