



Eurasian Development Bank

EDB Materiality Assessment 2023

Summary of results

October 2023



THE EURASIAN DEVELOPMENT BANK CONDUCTED A MATERIALITY ASSESSMENT FOR THE FIRST TIME IN 2023

Materiality assessment is the best practice for mapping sustainability aspects against “importance to stakeholders” and “organisational impact” envisaged by sustainability reporting standards and market best practices. The results of the assessment allow the EDB to understand stakeholders’ expectations about sustainability and to better align its sustainability strategy and reporting with them.

The decision to perform a materiality assessment for the first time was made by the **EDB Sustainability Committee** in July 2023.

Materiality assessment process



¹ More than 20 institutions were analysed.

EXECUTION OF THE ASSESSMENT:

Stage 1 — Identification of the relevant aspects of sustainability

Sources of sustainability aspects for analysis:

External outlook²

- Sustainability aspects that are material for **development finance institutions** (direct analogues): IADB, EBRD, ADB, CEB, KfW, WBG, FMO, CAF and others
- Sustainability aspects that are material for **commercial banks** (other analogues): ING, Danske Bank, BofA and others
- Sustainability aspects that **ESG and credit rating agencies** consider when assessing ESG performance of banks: MSCI, Sustainalytics and S&P
- Sustainability aspects recommended for disclosure by **non-financial reporting standards**: SASB
- Sustainability aspects (literature, papers) that are considered relevant by **specialised consultants**: Bain, KPMG and others

Internal outlook

- Sustainability aspects that are mentioned **in the EDB Strategy for 2022–2026**

List of 19 sustainability aspects arranged in 3 groups:

Governance

- Corporate behaviour
- Corporate governance
- Reporting and transparency

Internal EDB operations

- Human capital and development
- Labour conditions
- Diverse, equitable and inclusive workforce
- Sustainable corporate culture

Impact of EDB projects

- Economic growth and regional integration
- Access to finance and affordability
- Green and climate finance
- Climate transition finance
- Environmental, social and governance due diligence
- Climate resilience and net-zero transition due diligence
- ESG add-on screening
- Contribution to the UN Sustainable Development Goals
- Stakeholder relations
- Commitment to global sustainability principles, standards and frameworks
- Sustainability-led technical support, research and analytics
- Digitalisation

² Cross-analysis of each issue and definition utilised by the peers.

Stage 2 – Drafting the questionnaire for stakeholders

The survey was prepared in the form of a questionnaire within the corporate web-page.

We asked respondents to rank each aspect from 1 to 5 by importance to them in EDB operations and by the attention the EDB should pay to this aspect (mandatory questions).

The respondents also had an option to add their own sustainability aspects that they consider important.

The screenshot shows a questionnaire interface. On the left, under the heading 'Governance', there is a section for 'Corporate behavior' with a list of aspects: 'commitment to standards and principles of good business conduct', 'compliance and ethical behaviour', and 'anti-corruption, anti-money laundering and anti-fraud'. A note at the bottom left says '* required Question 2 of 22'. On the right, there is a section titled 'Please rank the following aspects'. It contains two star-rating boxes: 'Importance to you in EDB operations' and 'The attention EDB should pay to this aspect', each with five stars. At the bottom, there are 'BACK' and 'NEXT' buttons.

Stage 3 – Preparing the list of respondents

The stakeholder groups were identified based on existing mapping as well as examples of other MFIs and DFIs. Each respondent had to select their own stakeholder group.

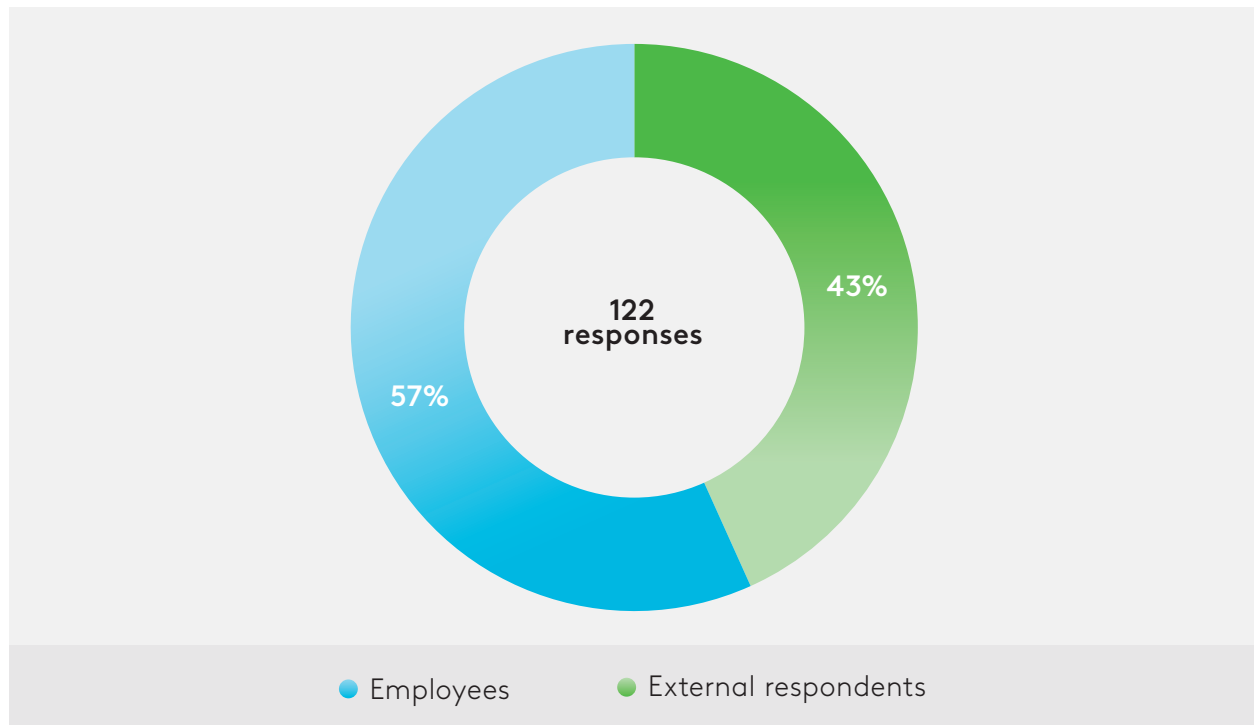
| External stakeholders | Internal stakeholders (employees) |
|--|--|
| <ul style="list-style-type: none"> • Business/enterprise • Commercial/corporate bank • Development finance institution • Eurasian Economic Commission • International agency • Media • Non-governmental organisation (NGO) • Shareholder • Professional service providers and consultants • Public authority and regulator • Rating agency • Researcher/Expert | <ul style="list-style-type: none"> • Chairman and Vice Chairman • Head of Directorate/Department/Division • Other staff |

Different channels were used to distribute the survey, including direct e-mail and social media. The respondents had three weeks to fill in the questionnaire, anonymously or with contact details provided.

Stage 4 — Processing the results

122 stakeholders participated in the survey. The research and expert community, as well as representatives of DFI and business, appeared to be more active and engaged.

33 stakeholders proactively provided their suggestions and feedback.



We appreciate all the responses and thank our stakeholders for taking part, including the IADB, AfDB, the Financial University under the Government of the Russian Federation, ISPI FNISC RAS, Refinancing Fund of Tajikistan, Aiyl Bank, the Youth Group for Protection of the Environment NGO, and others.

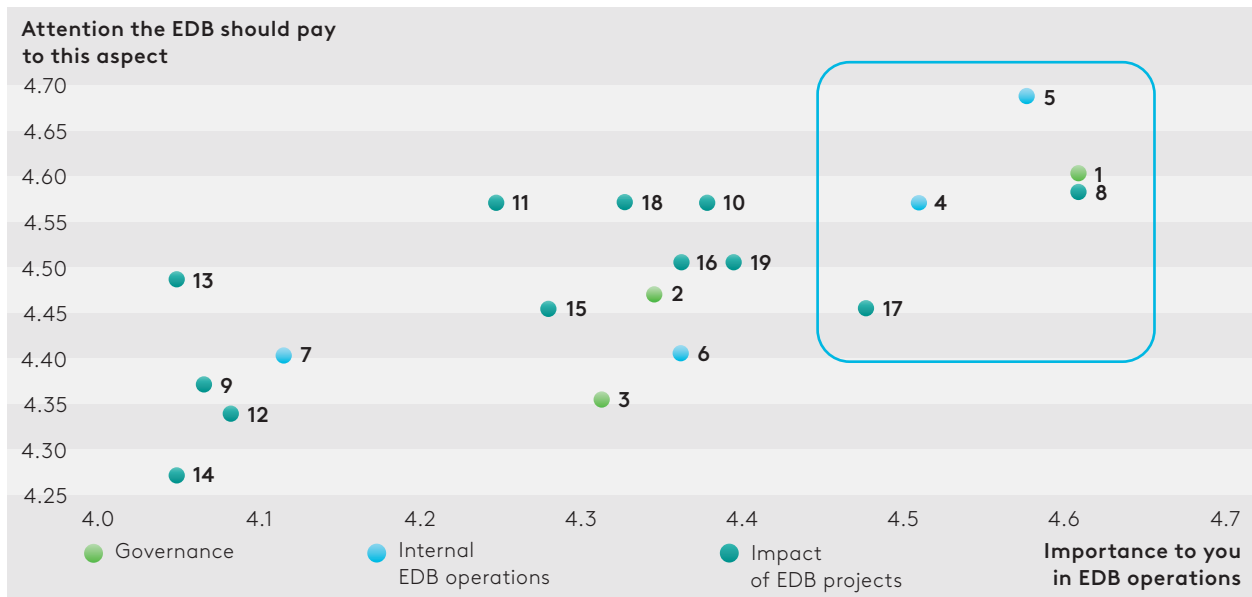
Apart from the listed sustainability aspects, our stakeholders also frequently mentioned openness and transparency, dialogue and close work with NGOs and media, analytical capabilities, harmonisation of regulatory provisions among the member states, and financing of large infrastructure projects.

The insights of the materiality assessment will drive future improvements to achieve better alignment with stakeholders' expectations

- Will be considered when drafting the EDB Sustainability/Annual Report and other disclosure initiatives, in order to pay more attention to the aspects that appeared to be more material.
- Will reflect the sustainability priorities of the Bank.
- Confirmed the need to raise awareness about the Bank's ESG activities and promote sustainability standards in the region of operations.
- Will be updated on a regular basis, yearly or every other year.

The key outcome of the materiality assessment is the materiality matrix

The aspects in the upper right corner are significant both in terms of their importance and their potential EDB impact



Governance

1. Corporate behaviour
2. Corporate governance
3. Reporting and transparency

Internal EDB operations

4. Human capital and development
5. Labour conditions
6. Diverse, equitable and inclusive workforce
7. Sustainable corporate culture

Impact of EDB projects

8. Economic growth and regional integration
9. Access to finance and affordability
10. Green and climate finance
11. Climate transition finance
12. Environmental, social and governance due diligence
13. Climate resilience and net-zero transition due diligence
14. ESG add-on screening
15. Contribution to the UN Sustainable Development Goals
16. Stakeholder relations
17. Commitment to global sustainability principles, standards and frameworks
18. Sustainability-led technical support, research and analytics
19. Digitalisation

ANNEX: SELECTED SUSTAINABLE DEVELOPMENT ISSUES

| | | |
|-------------------------|---|--|
| Governance | Corporate behaviour | <ul style="list-style-type: none"> • commitment to standards and principles of good business conduct • compliance and ethical behaviour • measures to combat corruption, money laundering and fraud |
| | Corporate governance | <ul style="list-style-type: none"> • transparent and accountable corporate governance structure • competences and effectiveness of collegial bodies • control over executive compensation • control and oversight over the processes |
| | Reporting and transparency | <ul style="list-style-type: none"> • comprehensive and accessible disclosure of ESG data • disclosure of financial information and data on the Bank's projects |
| Internal EDB operations | Human capital and development | <ul style="list-style-type: none"> • attraction and retention of a highly skilled, competitive and talented workforce • continued development of employees and professional growth |
| | Labour conditions | <ul style="list-style-type: none"> • ensuring health and safety requirements • employee compensation and incentives • employee engagement, satisfaction and well-being • employee performance and turnover management |
| | Diverse, equitable and inclusive workforce | <ul style="list-style-type: none"> • ensuring equal opportunities for all employees, avoiding discrimination • creating an inclusive working environment and promoting staff diversity • treating employees equally and tolerantly • disclosure of information on staff distribution by gender, age, nationality |
| | Sustainable corporate culture | <ul style="list-style-type: none"> • considering environmental impact in procurement • use of eco-friendly goods and supplies • reduction of waste generation, rational use of water, energy and paper • environmental education |
| Impact of EDB projects | Economic growth and regional integration | <ul style="list-style-type: none"> • financing large and critical infrastructure projects, promoting cross-country and cross-border long-lasting and sustainable economic effects |
| | Access to finance and affordability | <ul style="list-style-type: none"> • support for small and medium-sized businesses • supporting projects with impactful social effects and targeting vulnerable groups of the population • eliminating gender inequality • empowerment of local business and entrepreneurship |
| | Green and climate finance | <ul style="list-style-type: none"> • scaling up green projects with a positive impact on the environment • financing climate mitigation and adaptation projects • development of clean, low-carbon and nature-based technologies, renewable energy • development of circular economy solutions |
| | Climate transition finance | <ul style="list-style-type: none"> • improvement of decarbonisation technologies • industrial and infrastructure modernisation • implementation of measures aimed at reducing greenhouse gases and at increasing efficiency of resource use |
| | Environmental, social and governance due diligence | <ul style="list-style-type: none"> • incorporation of industry-specific ESG risk management as part of the investment process • monitoring of environmental and social risks and impacts throughout the project lifecycle • maintaining a blacklist of industries with unacceptable levels of environmental, social and ethical risks |
| | Climate resilience and net-zero transition due diligence | <ul style="list-style-type: none"> • management of industry-specific climate change risks as part of the investment process • evaluation and monitoring of GHG emissions of counterparties • analysis of climate scenarios, physical and transitional climate risk exposure throughout the project life cycle |
| | ESG add-on screening | <ul style="list-style-type: none"> • consideration of cross-industry ESG and climate change risk factors • collection of data for ESG profiling of borrowers and underlying projects, complementing industry-specific due diligence |
| | Contribution to the UN Sustainable Development Goals | <ul style="list-style-type: none"> • assessment of the project's sustainable impact and its contribution to the achievement of the UN Sustainable Development Goals |
| | Stakeholder relations | <ul style="list-style-type: none"> • active, equitable and transparent engagement with stakeholders and communities • respect for human rights in the area of project impact • holding public hearings, measures for grievance and conflict resolution |
| | Commitment to global sustainability principles, standards and frameworks | <ul style="list-style-type: none"> • adherence to and alignment with the leading market-based sustainability best practices, taxonomies and initiatives of international and regional organisations |
| | Sustainability-led technical support, research and analytics | <ul style="list-style-type: none"> • development of applied research • skills and capacity building with clients and other stakeholders • engagement with academic, scientific and research-oriented institutions and other partners to examine under-researched sustainability topics in the region of operation |
| | Digitalisation | <ul style="list-style-type: none"> • fostering the digital agenda and digital transformation of the member states • identifying funding and financing channels for new digital projects and initiatives |



Eurasian Development Bank

**DIRECTORATE OF SUSTAINABILITY
EURASIAN DEVELOPMENT BANK**

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The electronic version of the report is available at the Eurasian Development Bank website at <https://eabr.org/sustainability/>.

Your comments and suggestions concerning this report are welcome at: esg@eabr.org.

For more information on sustainability activities of the Bank, as well as a monthly ESG news digest in Eurasia, please visit the Eurasian Development Bank Telegram channel: t.me/eabr_bank.

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