

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
V.N. KARAZIN KHARKIV NATIONAL UNIVERSITY**

Name of the faculty **EDUCATION AND RESEARCH INSTITUTE
"KARAZIN BANKING INSTITUTE"**

Name of the department **Management, Business and Professional
Communications**

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QUALIFYING MASTER'S THESIS

on the topic:

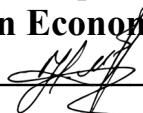
**FORMATION OF AN ENVIRONMENTAL
MANAGEMENT SYSTEM IN THE COMPANY**

student of higher education **Hou Yuxin**

The work is accepted for defence in the EC


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25 September 2024

TASK
FOR A QUALIFYING MASTER'S THESIS
Hou Yuxin

1. Topic of work: "FORMATION OF AN ENVIRONMENTAL MANAGEMENT SYSTEM IN THE COMPANY".

Scientific adviser Anna Chkheailo PhD in Philosophy, Associate Professor
(full name, academic degree, academic title)

Approved by order of the university dated September 17, 2024 № 4601-5/1025.

2. The deadline for student submission of work November 18, 2024.

3. List of topics to be developed:

- In Chapter 1: to reveal scientific approaches to understanding the concept of "ecological management"; to generalize the regulatory and legal support of the environmental management system; to consider the goals of sustainable development in the context of environmental and social management of companies.
- In Chapter 2: to provide a comprehensive description of JSC "ProCredit Bank" activity; to describe the environmental policy of ProCredit Bank JSC; to analyze the environmental activities of ProCredit Group in achieving the goals of sustainable development.

• In Chapter 3: to justify the concept of "green banking" in ensuring the goals of sustainable economic development; to provide proposals for the development of an environmental risk management policy at ProCredit Bank JSC; to propose a methodology for assessing environmental and social risks of ProCredit Bank JSC.

4. Plan of qualifying master's thesis

No	Names of work sections
1	THEORETICAL BASICS OF THE FORMATION OF THE ENVIRONMENTAL MANAGEMENT SYSTEM OF THE ENTERPRISE
2	STUDY OF THE LEVEL OF ENVIRONMENTAL RESPONSIBILITY OF PROCREDIT BANK JSC
3	IMPROVEMENT OF THE ENVIRONMENTAL MANAGEMENT SYSTEM OF BANKS IN MODERN CONDITIONS

5. Date of issue of the task September 25, 2024.

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ABSTRACT

The qualifying master's thesis contains 68 pages, 9 figures, 11 tables, and a list of 40 references.

The object of research is the process of forming the system of environmental management in banks.

The subject of research includes the theoretical, methodological, and practical principles of forming environmental management systems for banking institutions under modern conditions.

The purpose of the master's thesis is to generalize the theoretical foundations of environmental management organization and analyze current practices related to the formation of environmental management systems in banks.

Tasks of a qualifying master's thesis include:

- to explore scientific approaches to understanding the concept of "environmental management";
- to summarize the regulatory and legal framework supporting environmental management systems;
- to examine the goals of sustainable development in the context of environmental and social management within companies;
- to provide a comprehensive description of the activities of JSC "ProCredit Bank";
- to analyze the environmental policy of JSC "ProCredit Bank";
- to evaluate the environmental initiatives of the ProCredit Group in achieving sustainable development goals;
- to substantiate the concept of "green banking" as a tool for achieving sustainable economic development;
- to develop proposals for enhancing the environmental risk management policy at JSC "ProCredit Bank";
- to propose a methodology for assessing environmental and social risks at JSC "ProCredit Bank".

Based on the results of the research, theoretical and practical provisions have been formulated and transformed into specific proposals to improve the environmental management systems of banking institutions. The findings emphasize the critical role of environmental management in aligning banking operations with sustainable development goals. The proposed recommendations include strengthening regulatory compliance, enhancing environmental risk assessment methodologies, and integrating "green banking" practices into the strategic framework of banks.

The results of the research are practical and can be implemented to enhance environmental management systems in banks, providing them with tools to contribute to sustainable economic development and meet global environmental standards.

Year of completion of the qualifying master's thesis: 2024.

Year of defense of the qualifying master's thesis: 2024.

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INTRODUCTION

Formation of the environmental management system in the company is an important step in ensuring sustainable development and responsibility towards society and the environment. Environmental management is aimed at integrating ecological principles into all aspects of the organization's activities, which allows minimizing the negative impact on nature, rationally using resources, and increasing the efficiency of production processes. Such a system covers planning, control and improvement of environmental indicators, ensuring compliance with the requirements of national legislation and international standards. Successful integration of environmental management also contributes to improving the company's image, increasing its competitiveness and reducing operational risks related to environmental issues.

The purpose of the qualifying master's thesis is the generalization of the theoretical foundations of the organization and disclosure of current practice on issues of formation of environmental management systems in banks.

The following tasks were defined for the realization of the research goal:

- reveal scientific approaches to understanding the concept of "ecological management";
- generalize the normative support of the environmental management system;
- consider the goals of sustainable development in the context of environmental and social management of companies;
- provide a comprehensive description of JSC "ProCredit Bank" activity;
- describe the environmental policy of ProCredit Bank JSC;
- analyze the environmental activities of ProCredit Group in achieving the goals of sustainable development;
- justify the concept of "green banking" in ensuring the goals of sustainable economic development;
- to provide proposals for the development of an environmental risk management policy at JSC "ProCredit Bank"
- to propose a methodology for assessing environmental and social risks of

ProCredit Bank JSC.

The object of the research is the process of forming the system of environmental management of banks.

The subject of the research is the theoretical-methodical and practical principles of formation systems of environmental management of banking institutions in modern conditions.

Research methods were used in the process of completing the master's thesis: analysis and synthesis - to summarize information and sources, the method of the historical approach - to track the chronology of processes, graphic - to visualize analytical information, comparative. A systematic approach, quantitative and qualitative research methods were used to solve the tasks set in the work.

According to the results of the research, theoretical and practical provisions were formulated, which the author brought to specific proposals for improving the formation of the environmental management system of banking institutions.

The qualifying master's thesis consists of an introduction, three sections, conclusions, and a list of used sources.

Keywords: management, environmental management, bank, environmental and social risks, sustainable development goals, certification.

CHAPTER 1

THEORETICAL BASICS OF THE FORMATION OF THE ENVIRONMENTAL MANAGEMENT SYSTEM OF THE ENTERPRISE

1.1. Scientific approaches to understanding the concept of "ecological management"

The formation of an environmental management system in the company allows minimizing the negative impact on the environment, rationally using resources and increasing the efficiency of work, which contributes to compliance with environmental standards, improves the company's image and reduces operational risks associated with environmental challenges.

Environmental management is a complex and multifaceted concept, so scientists distinguish different approaches to its interpretation.

In table 1.1. approaches to the interpretation of the concept of "ecological management" are given [1-5].

Table 1.1

Generalization of scientific approaches to the interpretation of the concept of
"ecological management"

Author	Interpretation of the concept
Fedulova L.	Environmentally safe production management, which achieves the optimal ratio between environmental and economic indicators
Burlakova A. and Cherednichenko Yu.	a system of measures that are used to manage those types of enterprise activities that cause or may potentially cause damage to the environment; as a type of management, fundamentally oriented to the formation and development of ecological production and ecological culture of human life,

	which is built on the socio-economic and socio-psychological motivation of the harmony of human relations with nature
L. Kozhushko	purposeful, conscious activity related to the development, implementation, implementation, control of various nature protection measures, which should ensure the rational use and preservation of natural resources, compliance with environmental safety
According to the international standard ISO 14001	it is a part of the general management system, which includes the organizational structure, activity planning, division of responsibilities, practical work, as well as procedures, processes and resources for the development, implementation, evaluation of the achieved results of the implementation and improvement of the environmental policy, its goals and objectives

Thus, environmental management is a part of the general system of corporate management, which has a clear organizational structure and aims to achieve the provisions specified in the environmental policy through the implementation of environmental protection programs

Environmental management is based on the environmental policy of the organization and involves a step-by-step approach to the goal, the selection of real goals and the determination of the real time for their achievement. Declaring its own environmental policy and implementing it in practice through the system of environmental management, the organization eliminates the formalism of administratively regulated environmental protection activities. From the moment of announcing the existence of its own environmental policy, the environmental component of the organization's activity ceases to be a forced "appendix" to its main activity.

For the implementation of eco-management, two main blocks should be developed and implemented: an internal eco-strategy, which should include the

implementation of eco-management standards, and an external eco-policy, which concerns relations with state institutions, public organizations, and most importantly, with consumers and the community.

The basis of the formation of the environmental management system should be an understanding of the enterprise's impact on the environment: how the enterprise itself, its products and services interact with the external environment in order to prevent pollution.

Environmental management can be classified [6]:

1. By objects:

- Environmental management of subjects of environmentally hazardous activities;
- Ecological management of sources of ecological danger;
- Ecological management of individual natural complexes.

2. By subjects:

- Internal – carried out within the control object itself;
- External – is carried out by external subjects of management in relation to this object of management.

3. By volume:

- Holistic – covers all environmental characteristics of the management object;
- Partial – covers only part of the environmental characteristics of the management object.

4. According to sources of legal regulation:

- Systemic - implemented by implementing the environmental management system established by legislation at the management facility;
- Unsystematic - carried out in accordance with the general norms of environmental legislation.

5. By directions of managerial influence:

- Ecological management of nature use;
- Environmental risk management;
- Service environmental management (covers information provision, interaction with state bodies, public organizations, creation of environmental funds, environmental

insurance, environmental training and other types of service activities that are included in the system of environmental management, but do not directly concern either nature use or environmental risk management).

In the publications of Ukrainian specialists, the concepts of "environmental protection" and "ecological management" are equated. In our opinion, this approach is incorrect, since the first definition is considered broader, as it considers the entire set of measures aimed at preserving, improving, and restoring environmental parameters. While the second definition characterizes the process of managing the named activities, the process of including environmental protection issues at any of the management levels. Analysis of modern literature indicates the presence of features of the concept of "ecological management" relative to the concept of "ecological management" (Table 1.2) [1, 2, 5]

Table 1.2

Meaningful filling of the concepts of environmental management and
environmental management

Environmental management	Environmental management
It is carried out by state authorities and economic entities	It is carried out exclusively by economic entities
Externally motivated activity, conditioned by the requirements of environmental legislation	Internally motivated activity, determined primarily by the principles of eco-efficiency and eco-justice
Essentially an activity	The activity is initiative and voluntary in its basis
Activities carried out within the framework of official duties and instructions	Activities that depend on the manager's personal interest in the final results and are determined by his qualifications and experience

The advantages of managing the process over the result. Ignoring negative results	Predominance of management results over the processes of their achievement. Active use of negative results
Primordial formality, conservatism and limitation	Primordial activity, the need to find new opportunities and ways, creative aspects
Relative ease of imitation and falsification of effective activity	Practical impossibility of imitation and falsification of effective activity

In environmental management, the enterprise usually lacks clearly formulated policies, goals and objectives in the environmental field, because, as mentioned above, it has no interest in improving these parameters of its activity due to the lack of necessary knowledge in this field. The principle is the approach to elimination of pollution. If in environmental management there is an identification of actions on the environment, the result of which is a payment for the damage caused to it, then in the case of environmental management, the negative impact of the company's actions on the environment is expected, and it makes a payment for preventive measures. Thus, the possibility of various emergency and unforeseen situations is significantly reduced. Moreover, as already emphasized, modern studies indicate that the prevention of environmental pollution in the vast majority of cases is much cheaper for enterprises than the measures aimed at eliminating the consequences of pollution (in the form of payment for pollution or compensation for damage caused to third parties). . Positive results of environmental management are also due to the cooperation of enterprises with interested parties, which in Western literature are considered as: bodies of state environmental control; the population living in the zone of influence of the enterprise; mass media; educational and research organizations; ecological public (properly ecological, as well as scientific, political, entrepreneurial, local territorial and federal public); charitable organizations; intermediaries and suppliers; consumers of manufactured products and services; related industry enterprises and competitor

enterprises; foreign partners; investors; shareholders; international environmental organizations and the international environmental community.

1.2. Regulatory and legal support of the environmental management system.

Environmental management issues are regulated by a number of international documents. First of all, the International Standard ISO 14001:2015 should be indicated, which defines the framework, the framework that the organization can follow. The standard provides recommendations for the formation of an environmental management system, which is considered as a part of the organization's management system, that is, as a management subsystem aimed at managing the issue of environmental management.

The international standard ISO 14001 focuses on the "Plan-Do-Check-Act" cycle, is suitable for any organization, is designed to define the control and monitoring of environmental aspects, and also contains information on how to control and improve environmental management as a whole [7].

The ISO 14001 standard has a number of advantages, namely:

- increasing the trust of customers, society and companies that invest in the development of your business, by demonstrating that you comply with international standards for managing the environmental aspects of your enterprise;
- lower prices for your products/services due to energy savings and reduced material costs;
- reduction of the number of incidents that have a negative impact on the environment and related insurance payments;
- certified enterprises can receive loans from the EBRD and the World Bank. The conditions for obtaining are certification of environmental management systems;
- responsible attitude to waste, its management and disposal;

- the internal advantages of the enterprise, which relate to the regulation of processes, essential aspects, taking into account the elements of the life cycle of products or services.

The basic concept of the environmental management system in accordance with ISO 14001 is presented in fig. 1.1 [7].

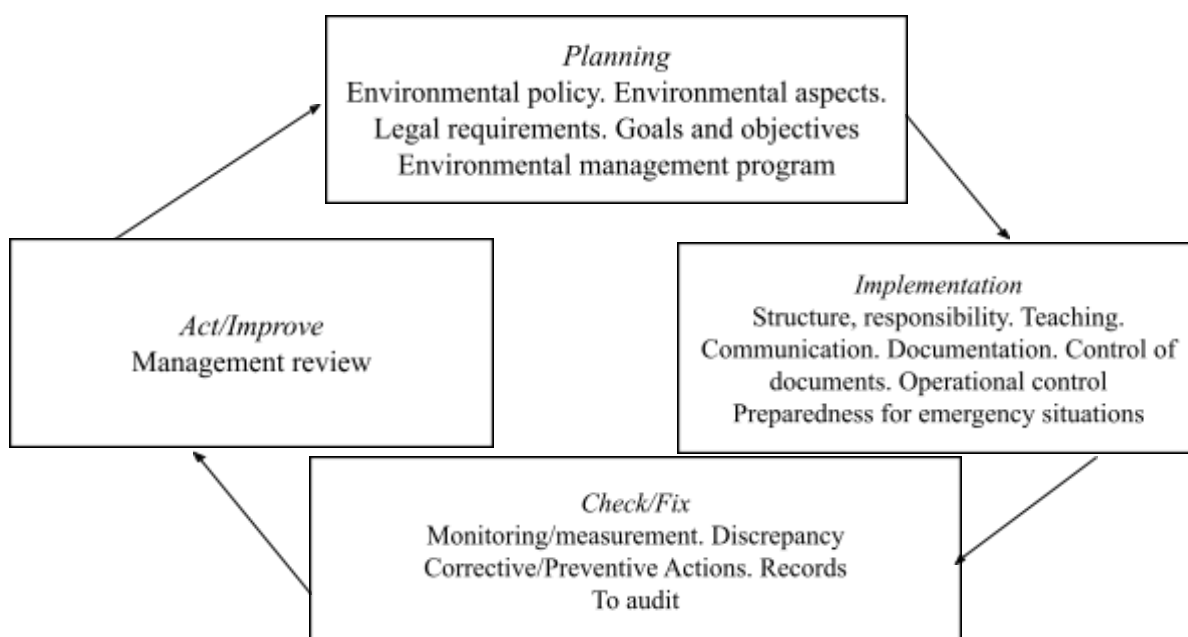


Fig. 1.1. Model of the environmental management system (SEM)

The SEM model reflects the iterative process that organizations use to achieve continuous improvement. It can be applied to the environmental management system, as well as to each of its individual elements.

This model can be briefly described as follows:

1. Plan: establish environmental goals and processes needed to achieve results consistent with the organization's environmental policy. This stage involves the analysis of existing production processes at the enterprise in order to identify aspects of activity that interact with the environment, i.e. ecological aspects. Environmental aspects are direct (as a result of production) and indirect (as a result of activities of contractors, users, consumption/exploitation). Such a detailed analysis allows you to set future goals

and identify necessary processes that will not go beyond the requirements of environmental legislation and state regulations, at least.

2. Execute: Implement processes as planned. At this stage, the necessary resources and personnel who will be responsible for the implementation of the environmental management system should be determined. A key element of this stage is the involvement of all employees at all levels.

3. Check: monitor and measure processes against the environmental policy, including your commitments, environmental goals and performance criteria, and report the results.

4. Take action: take steps to continuously improve.

It is this chain that is used to interpret the concept of environmental management as a continuous cycle of planning, implementation, review and improvement of actions taken by the organization to fulfill its environmental obligations.

An environmental management system is a set of management tools that must establish policies, responsibilities and procedures related to solving environmental problems. Based on the above, the following main features of environmental management can be identified:

- 1) it is a component of the general system of environmental management;
- 2) it is a system of market environmental management;
- 3) its action is limited to the territorial hierarchical level within the framework of the region, corporation, enterprise in spheres with market relations, first of all, production.

The main reasons for the increase in the role of the environmental factor in industrial production include: the formation of new values in society aimed at respecting nature, which is manifested in the growth of consumer demand for environmentally friendly products; the need to comply with state and international environmental standards (Table 1.3)

Table 1.3

Advantages of using ISO 14000

Benefits for companies	Benefits for the environment
<p>Contributes to the formation of brand loyalty.</p> <p>Attracts customers looking to reduce their environmental footprint.</p> <p>Reduces energy and water costs.</p> <p>Opens opportunities for cooperation with governments at national and international levels.</p> <p>The possibility of receiving tax benefits in certain regions.</p> <p>Improves the company's reputation among customers, suppliers, employees and partners.</p> <p>Increases the motivation of future employees to work in the company.</p> <p>Optimizes production processes, providing a better understanding of operations.</p> <p>Strengthens competitiveness in the market.</p> <p>Stimulates employee engagement, increasing their motivation.</p> <p>Thanks to the means of control and constant review of processes, continuous improvement is achieved.</p> <p>Integrates management systems within the company.</p> <p>Increases organization and productivity according to international standards.</p> <p>Creates an environmental control system useful for both environmental and quality audits.</p> <p>Helps to prevent the risks of corruption and bribery.</p>	<p>Less greenhouse gas emissions, less energy consumption.</p> <p>Reducing the use of non-renewable energy sources.</p> <p>Promoting the development and transfer of technologies that can help other enterprises, which in turn will join this initiative, which will improve the state of the environment in the future</p>

The main goal of the ISO 14000 series of standards and the requirements established by them is to promote the most effective and efficient environmental management practices in organizations, as well as to provide: useful, usable, cost-effective, systematized, flexible and adaptable tools for the activities of various organizations.

The ISO 14000 series standards, along with the ISO 9000 series standards, can serve as both an internal management tool and a way to demonstrate environmental responsibility to your customers and consumers.

The standard can be implemented at different levels of the company's activity, from the organizational level to the level of production and service provision.

List of ISO 14000 series standards:

- ISO 14001 Environmental Management Systems. Requirements and application guide
- ISO 14004 Environmental management systems. Guidelines for the principles, systems and methods of ensuring functioning
- ISO 14015 Environmental management. Environmental assessment of sites and organizations
- ISO 14020 Environmental labels and declarations. Basic principles
- ISO 14031 Environmental management. Assessment of environmental efficiency
- ISO 14040 Environmental Management. Life cycle assessment. Principles and structure.
- ISO 14050 Environmental management. Dictionary.
- ISO 14062 Environmental management. Integrating environmental aspects into product design and development
- ISO 14063 Environmental management. Exchange of environmental information. Recommendations and examples
- ISO 14064 Measurement, Quantification and Reduction of Greenhouse Gas Emissions.

The ISO 14000 series includes three groups of documents:

- principles of creation and use of environmental management systems;
- environmental control and evaluation tools;
- product-oriented standards [7].

ISO 14001 establishes requirements for an environmental management system that organizations can use to improve their environmental performance. The purpose of this standard is to provide organizations with a general scheme of activities for environmental protection and response to changes in environmental conditions in a balanced combination with socio-economic needs.

The ISO 14000 series of standards are voluntary. In parallel, there is an environmental audit of the European Union, which sets higher requirements than ISO 14001.

The Eco-Management and Audit Scheme (EMAS) was developed as a unified system for the member states of the European Union in the first half of the 1990s. Organizations received the opportunity to be certified under EMAS in 1995. The main goals of the development of EMAS were to assess and improve the environmental characteristics of organizations' activities, as well as to create appropriate conditions for obtaining environmental information by interested parties. This system was created exclusively for industrial enterprises. Registration (certification) of organizations in accordance with EMAS requirements is voluntary. The EMAS system consists of several stages that depend on each other. It is believed that the basis for the development of EMAS was the British standard BS 7750, so the main points of the pan-European environmental management and audit system and the British standard are quite similar.

The main components of establishing an environmental management system, according to EMAS, are:

1. Development of an environmental policy and publication of a statement of the company's intentions to implement this policy.
2. Assessment of the situation that developed at the time of the adoption of the environmental policy and compared to which the effectiveness of the further functioning of the environmental management system will be evaluated.
3. Formulation of specific tasks of the enterprise's environmental policy, i.e. identification of those characteristics of activity that must be improved.
4. Development of a detailed program for achieving the set goals.
5. Conducting an environmental audit for the purpose of constant assessment of progress in the fulfillment of assigned tasks.

There are some differences between these two environmental management systems: The European Union Environmental Audit Regulation is part of the legislation in force in the European Union, while the ISO 14001 standard is a private legal agreement. The regulation on environmental audit of the European Union contains a requirement for the company to submit an official statement to inform the public, while the ISO 14001 standard does not contain such a requirement. The environmental audit of the European Union also demands continuous modernization of production,

improvement of production conditions in order to increase the enterprise's contribution to environmental protection. Compliance with all applicable laws is a requirement of the environmental audit of the European Union, while the ISO 14001 standard only calls for it [4, 7].

In Ukraine, international standards ISO 14000 were adopted back in 1997. However, they have not yet been widely distributed. On the other hand, it is difficult to call the ISO 14000 standards standards in the literal sense of the word, because they do not contain quantitative requirements and standards at all, do not impose strict requirements on the enterprise and its activities, do not declare the need to comply with specific environmental indicators and are of a recommendatory nature.

Thus, the regulation of the environmental management system provides a clear framework for the environmental responsibility of enterprises, defines the standards and rules that must be followed to minimize the impact on the environment. It contributes to the effective management of natural resources, reducing environmental risks and increasing the company's sustainability. Clearly established standards and regulations facilitate the integration of environmental practices into business processes, which helps achieve both environmental and economic benefits.

1.3. Goals of sustainable development in the context of environmental and social management of companies

Sustainable development plays a key role in the environmental and social management of companies, directing it to ensure a balance between economic, environmental and social aspects of activity. Sustainable development goals encourage businesses to integrate sustainability principles into their strategy and operations, contributing to responsible use of natural resources, reducing negative impact on the environment, and improving living and working conditions in society. Companies that adhere to the goals of sustainable development not only increase their competitiveness

and reputation, but also contribute to global initiatives to overcome challenges such as climate change, social inequality and responsible consumption.

Sustainable development of an enterprise is a complex concept that depends on a large number of economic, environmental and social factors. In the conditions of solving the tasks of comprehensive modernization of the economy, the problem of preserving and evaluating the sustainable development of the enterprise becomes relevant, since different strategies of modernization have different effects on the indicators of its sustainable development.

The basis of sustainable development of enterprises is a combination of three components, namely economic, social and environmental (Fig. 1.2).

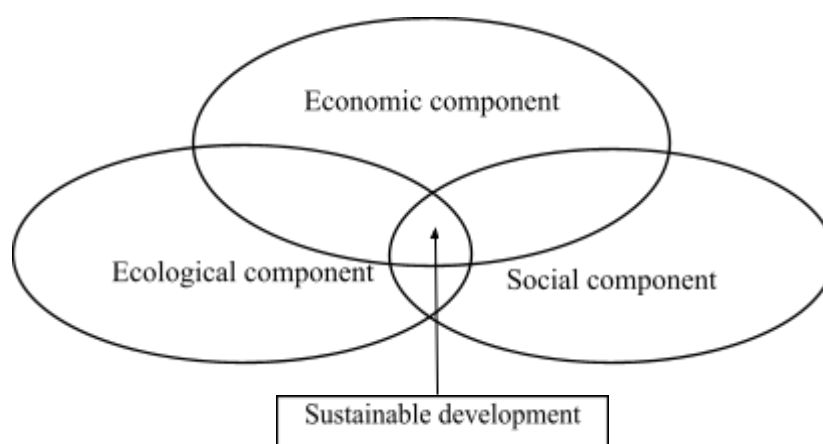


Fig. 1.2. Components of sustainable development.

The economic component of the sustainable development of the enterprise includes the state of financial resources, their distribution and use, which ensure the development of the enterprise on the basis of profit growth, maintaining solvency in the conditions of changes in the external environment.

The social component of the enterprise's sustainable development includes the direction of the enterprise's activities to increase the standard of living of the population and the enterprise's employees in general due to the improvement of working conditions, wage growth, and improvement of the level of personnel qualifications [8].

Ecological component of sustainable development focuses on the conservation and rational use of natural resources in order to minimize the negative impact of human activity on the environment. This component involves the integration of ecological principles into all spheres of life to achieve harmony between economic development and ecosystem protection. The main aspects of the ecological component of sustainable development include:

1. Rational use of natural resources. Sustainable management of natural resources, such as water, soils, forests, and biodiversity, aims to prevent their depletion and preserve them for future generations.

2. Reduction of greenhouse gas emissions. Reducing emissions that cause climate change is an important aspect of the environmental component. This includes implementing clean technologies, using renewable energy sources and improving energy efficiency.

3. Reducing pollution. Sustainable development involves reducing air, water and soil pollution through limiting the use of toxic substances, reducing production waste and implementing recycling systems.

4. Preservation of biodiversity. The ecological component involves the protection of natural ecosystems and the species that live in them to support biological diversity, which plays an important role in maintaining the ecological balance.

5. Circular economy. Supporting a circular economy model that involves recycling and reusing materials reduces pressure on natural resources and helps reduce waste.

6. Environmentally friendly technologies. The introduction of innovations that reduce the impact of production processes on the environment contributes to more sustainable production and consumption.

7. Climate change and adaptation. The environmental component also includes measures to adapt to climate change and mitigate its consequences, which is key to preserving ecosystems and ensuring sustainability.

The ecological component of sustainable development provides a balance between economic activity and nature conservation, stimulating businesses and societies

to adapt their strategies in such a way as to preserve ecosystems for future generations while supporting the well-being of the current generation [9].

External factors, including negative ones, in particular limited large energy resources, act to build confidence in the national economy, and the rational use of labor force should serve as an incentive to use the need for innovation to increase the potential return from internal and external imported resources, as well as to ensure economic standards of production and consumption of a sustainable economy in general. In addition, the low level of added value is not responsible for the negative economic consequences of Ukraine, as well as for resource and environmental problems caused by pollution and simplification of procedures, increasing the number of threats.

The sustainable development of an enterprise is understood as its ability to conduct economic activity at each individual moment of time under the influence of the external environment, which disrupts the normal functioning of the enterprise [8, 9]. Since the basis of sustainable development, as well as social responsibility, is the parity of relations in the chain "man - business - nature", it is the basis for building the concept of social responsibility of the enterprise in the 21st century. should become the principles of the company's sustainable development strategy, key among which are the following:

- the precautionary principle (preserving the current state of the environment, despite irreversible changes);
- the principle of "anticipate and prevent" (cheaper and less risky alternative to elimination of damage to the environment);
- the principle of greening production (transition to environmentally safe technologies to reduce the level of man-made load on the environment);
- the "polluter pays" principle (obligation to compensate the full cost of environmental damage);
- the principle of accountability (determination by the company of the level of impact of its activities on the environment and the need to take responsibility for such actions; mandatory environmental examination and audit at the enterprise).

The functional organizational model defines the functional structure and organization of space in the main organizational units. Most enterprises adhere to the concept of sustainable development in a harmonious relationship with three pillars, such as economic activity, social protection and environmental protection. During the formation of the foundations of the management of sustainable development of the enterprise, it is necessary to formulate the strategy, goals, functions, principles and methods of enterprise management, as well as specify the subject and object of management within the framework of the concept of sustainable development of the enterprise [9].

So, the theory of sustainable development is a functional law related to the organization as a process. It exists and will be implemented regardless of the wishes of the head of the enterprise. However, if it is studied and researched, consciously used in the enterprise, the development process will go much faster and more efficiently. For this, each enterprise must have a well-founded plan of activity and development, monitor strategic, tactical and operational changes, adjust the functioning mechanism, etc. Having carried out research, we can say that enterprises are recommended to organize their activities with an orientation towards sustainable development in order to achieve the specified advantages and care for future generations.

Thus, the key idea of sustainable development is the search for such a ratio of nature use and socioeconomic development that would ensure the effective use of natural resources, maintain the environmental safety of society, and guarantee the necessary quality of life and well-being of the population.

CHAPTER 2

STUDY OF THE LEVEL OF ENVIRONMENTAL RESPONSIBILITY OF PROCREDIT BANK JSC

2.1. Comprehensive characteristics of JSC "ProCredit Bank" activity

JSC "ProCredit Bank" began its activities in Ukraine in February 2001 as a bank specializing in providing financing to Ukrainian micro, small and medium enterprises. Until autumn 2003, the bank operated under the name "Microfinance Bank". The change of the current name took place on the basis of the decision of the founding shareholders to unite under a single name the banks founded by them around the world, which focus on lending to small businesses. In 2004, ProCredit Bank decided to expand the range of services for both entrepreneurs and the public.

As of December 31, 2023 the direct parent company of the Bank is ProCredit Holding AG (hereinafter - ProCredit Holding or the Group, Germany), which owns 100% of the registered shares as of December 31, 2023.

On September 27, 2023, ProCredit Holding changed its legal form from a limited liability company (KGaA) to a joint-stock company (AG), which resulted in a change of name to ProCredit Holding AG & Co. KGaA on ProCredit Holding AG [8].

The purpose of the bank's activities is to provide a full range of commercial banking and corporate financial services with an emphasis on financial services provided to small and medium-sized businesses with the aim of making a profit and contributing to the socio-economic development of Ukraine.

In its activities, the bank adheres to several basic principles: it values transparency in communication with clients, does not promote consumer lending, strives to minimize the impact on the environment, and provides services based on understanding the situation of each client and careful financial analysis.

As of December 31, 2023 the bank has 4 branches in Ukraine and 4 separate self-service zones.

A schematic representation of the organizational structure of JSC "ProCredit Bank" is shown in Figure 2.1[10]

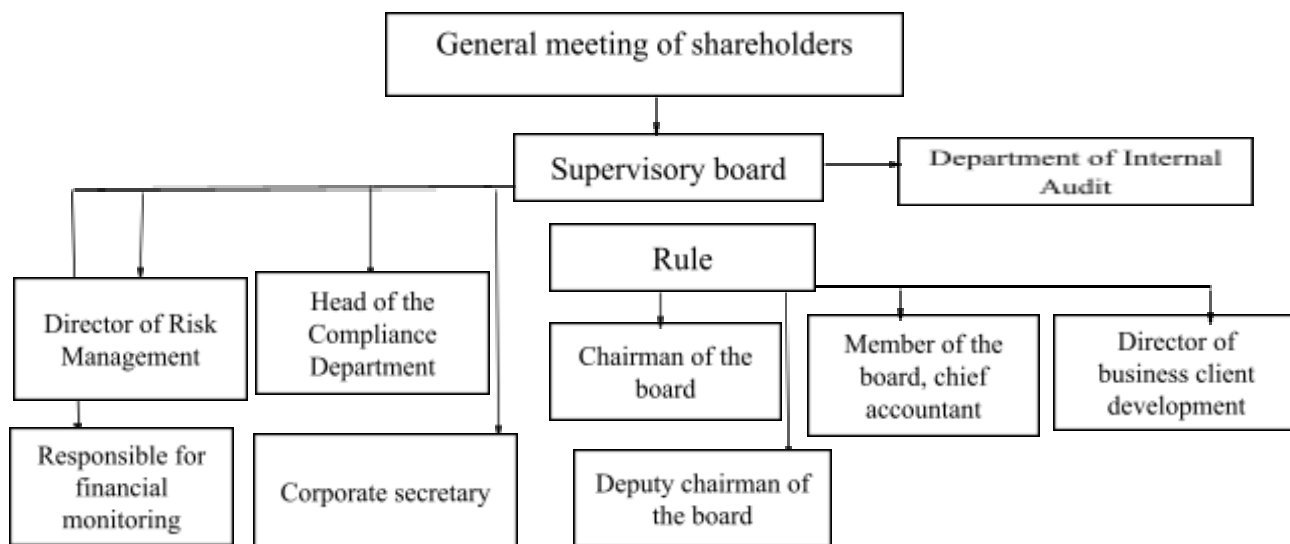


Fig. 2.1. Organizational structure of ProCredit Bank JSC

To finance its customers, representatives of small and medium-sized businesses, the bank aims to improve banking for private customers, offering all transactions and savings services through direct banking. This includes a modern e-banking platform and mobile application, full flexibility for savings, the latest security standards and an overall holistic and state-of-the-art service.

As part of its strategic orientation, the bank sees the need to increase its exposure to the manufacturing and processing sectors in Ukraine, with a special emphasis on companies engaged in exports.

The structure of the loan portfolio by economic sector in 2023. shown in Figure 2.2.

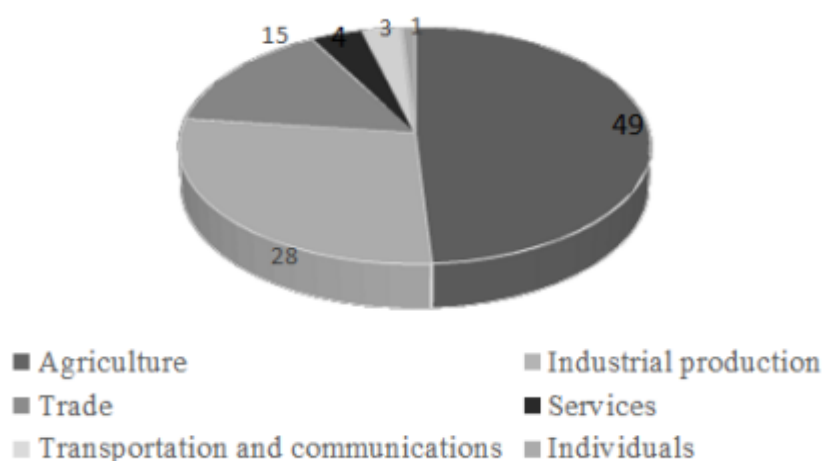


Fig. 2.2. The structure of the loan portfolio by economic sector in 2023, %.

The bank's loan portfolio is highly specialized in financing agriculture, which accounts for 49% of the total volume of loans. This indicates the bank's strategic focus on supporting the agricultural sector, which may be related to its importance for the regional economy. Industrial production occupies 28%, which is also a significant indicator, but less significant compared to agriculture. Lending to trade is 15%, which indicates a certain diversification of the portfolio, but still remains significantly lower than the indicators of agriculture. The services (4%), transport and communication (3%) and individuals (1%) sectors have smaller shares, which may indicate limited funding in these areas.

In general, the structure of the loan portfolio demonstrates a strong focus on the agricultural sector, which can be both an advantage and a risk in the event of fluctuations in the agricultural economy, especially during the war in Ukraine.

The dynamics of sleep indicators of ProCredit Bank JSC is presented in Figure 2.3[8-10]

Financial data indicate a stable growth of the bank's assets, which were recorded at 37.99 billion hryvnias, which is an increase compared to the previous period (32.90 billion hryvnias). The main factor of this growth is a significant increase in cash, which increased from 11.85 billion to 17.94 billion hryvnias, which may indicate an improvement in the bank's liquidity and its ability to meet short-term obligations.

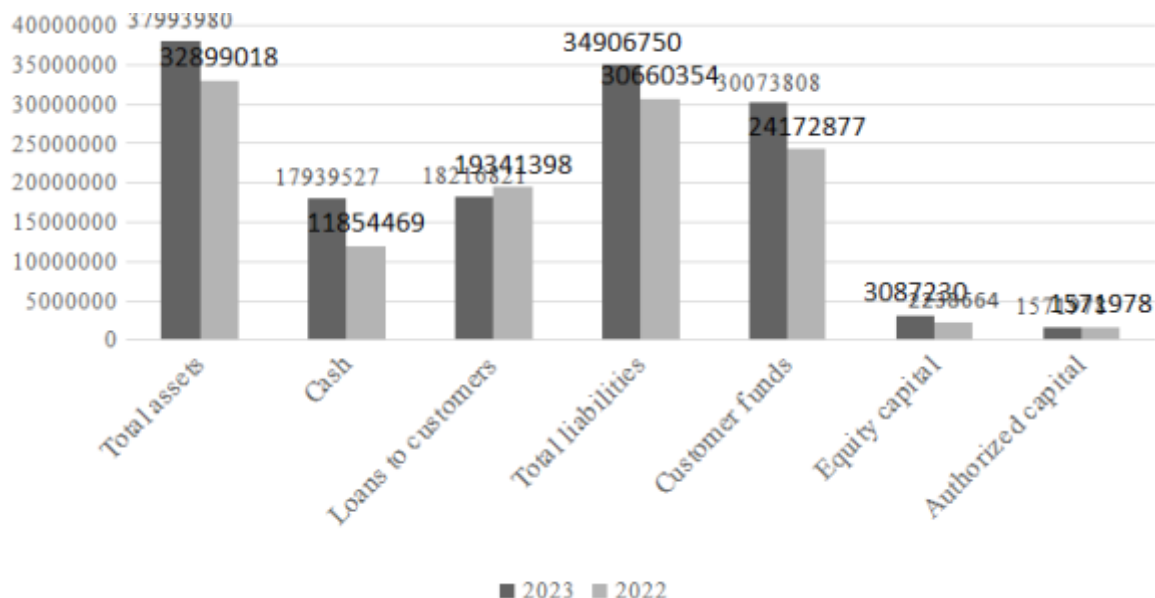


Fig. 2.3. Dynamics of the main indicators of ProCredit Bank JSC for 2022-2023, thousand UAH

However, the credit portfolio of customers decreased from 19.34 billion to 18.22 billion hryvnias, this indicates a decrease in the demand for loans from customers, and this is understandable during the war in the country. The bank's liabilities increased to 34.91 billion hryvnias, mainly due to the increase in customer funds, which increased from 24.17 billion to 30.07 billion hryvnias, which indicates the increased trust of customers in the bank.

The bank's equity increased from UAH 2.24 billion to UAH 3.09 billion, which indicates an improvement in the bank's financial stability and ability to meet its obligations.

Next, we will analyze the dynamics of profitability indicators of ProCredit Bank JSC for 2022-2023. (Fig. 2.4)[8-9]

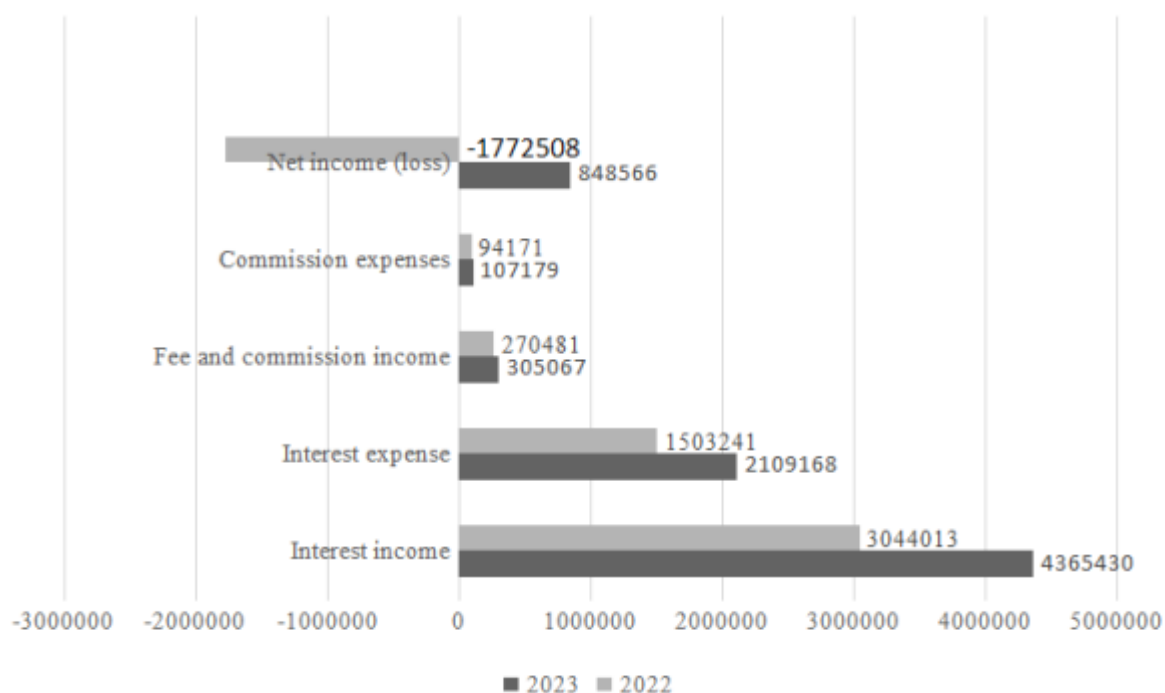


Fig. 2.4. Dynamics of profitability indicators of JSC "ProCredit Bank", thousand UAH

Interest income increased to 4.37 billion hryvnias in 2023, compared to 3.04 billion hryvnias in 2022. This indicates a successful growth in lending or an increase in interest rates, which has a positive effect on the bank's income. Interest expenses also increased to UAH 2.11 billion in 2023 from UAH 1.50 billion in 2022. This increase may be due to an increase in deposit rates or an increase in the cost of financing. Commission income increased to 305.07 million hryvnias in 2023, which is a positive signal of increased activity in the field of banking services and provision of additional products to clients. Commission expenses also increased to UAH 107.18 million in 2023 from UAH 94.17 million in 2022, but their increase is proportional to the increase in commission income. The bank posted a net profit of UAH 848.57 million in 2023, a significant improvement from a loss of UAH 1.77 billion in 2022, indicating successful cost management and an improvement in the bank's overall financial position.

In 2023, the bank earned a profit of 848,566 thousand. UAH The main driver of profit is net interest income, which increased by 46% mainly due to the increase in

market interest rates and the placement of accumulated liquidity in interest-bearing financial assets (short-term NBU certificates of deposit and government bonds).

We will also assess how the bank meets the requirements for financial stability and liquidity, which are determined by the National Bank of Ukraine (table 2.1) [11]

Table 2.1

Economic regulations of JSC "ProCredit Bank" as of September 2024.

Bank	H1, thousand UAH	H2, %	Nk1, %	H7	LCRbb	LCRib	NSFR
Normative value	H1 - regulatory capital, not less than UAH 200 million;	H2 - regulatory capital adequacy standard, not less than 8.5 percent	Hk1 - level 1 capital adequacy standard, not less than 7.5 percent	H7 - the norm of the maximum amount of credit risk per counterparty, no more than 25 percent	LCRvv - the norm of the liquidity coverage ratio for all currencies, not less than 100 percent	LCRs - the norm of the liquidity coverage ratio in foreign currency, not less than 100 percent	NSFR - the norm of the ratio of net stable financing, not less than 100 percent
JSC "ProCredit Bank"	3971753.55	20,25	15,20	7.01	434.24	517.08	179.26

The bank has regulatory capital in the amount of UAH 3.97 billion, which significantly exceeds the minimum requirement of UAH 200 million, indicating its high financial stability. The regulatory capital adequacy ratio (H2) is 20.25%, which is significantly higher than the required minimum of 8.5%, which indicates strong capitalization and the bank's ability to withstand risks. The capital adequacy ratio of level 1 (Nk1) at the level of 15.20% also exceeds the established minimum of 7.5%, which indicates a stable capital structure of the bank.

The total liquidity coverage ratio (LCRbb) is 434.24%, which is significantly higher than the required level of 100%, indicating the bank's high liquidity. LCR in foreign currency (LCRib) is 517.08%, which indicates sufficient liquidity in foreign assets. The Net Stable Funding Ratio (NSFR) at 179.26% is well above the norm of 100%, underscoring the bank's ability to attract stable sources of funding.

As of December 31, 2023, JSC "ProCredit Bank" ranks 15th among 63 banks in terms of total liabilities to clients. The amount of customer funds in 2023 increased by 24% and reached UAH 30.1 billion. The growth occurred mainly at the expense of funds from business clients as a result of accumulated liquidity and a decrease in demand for new investments. Deposits of business clients increased by 30% and reached UAH 18.7 billion, while funds of individuals increased by 14% and amounted to UAH 11.1 billion as of December 31, 2023. [10].

Thus, the bank demonstrates a steady growth of assets and equity, however, the decrease in client lending needs attention to maintain stable development. While the increase in cash and customer funds is a positive trend, it is important to maintain a balance between liquidity and lending to ensure competitiveness in market conditions. The results of 2023 indicate a significant improvement in financial indicators, in particular, the growth of interest and commission income. This confirms the positive trends in the banking business, but the increase in interest costs should be controlled so as not to reduce profitability. In general, the bank's strategy in 2023 made it possible to overcome past difficulties and return to profitable activities.

JSC "ProCredit Bank" demonstrates high indicators in all key economic standards, which confirms its financial stability, effective management of risks and liquidity. The bank has sufficient reserves to meet regulatory requirements and is able to maintain stability even in difficult economic conditions.

2.2. Characteristics of the environmental policy of JSC "ProCredit Bank"

Environmental responsibility is a key component of philosophy and identity JSC "ProCredit Bank" since its inception. The bank has developed a comprehensive three-component environmental management system (EMS) aimed at minimizing the negative impact on the environment, which was certified according to the ISO 14001 standard in 2016.

JSC "ProCredit Bank" received confirmation of the compliance of its eco-management system with the ISO 14001:2015 standard as part of the second supervisory audit. The certification of the eco-management system was carried out in March 2017 by TÜV Thüringen eV and confirmed in March 2018 and 2020.

The environmental management system allows ProCredit Bank to manage its impact on the environment. The bank is not able to have a significant negative impact on the environment directly; this is the specificity of the field of financial services.

JSC "ProCredit Bank" actively supports sustainable development, integrating environmental responsibility into its business strategy not only through credit operations and the provision of financial services, but also in daily activities.

Sustainable development is an important element of the bank's corporate strategy. ProCredit Bank has implemented an environmental management system, which includes analysis of the impact of both its own activities and the activities of clients on the environment. The bank also encourages investments in energy efficiency, use of renewable energy sources and environmental protection. The Bank does not finance activities that are socially, morally or environmentally questionable, or that do not meet current health and safety standards. The code of conduct, mandatory for all employees of the group, emphasizes mutual respect and responsible behavior in daily work.

Results of internal environmental management of ProCredit Bank JSC for 2023 (Table 2.2)

Table 2.2

Results of internal environmental management of JSC "ProCredit Bank" for 2023

Direction	
Own solar power plantsOwn solar power plants that have already generated more than 181,500 MWh	Electronic document management, using only recycled and ecologically certified paper
Electric and hybrid corporate cars	Energy-efficient office buildings equipped with a building automation system (BMS)
Waste sorting system in offices	Education and staff involvement

Main office building JSC "ProCredit Bank" in Kyiv is the first in Ukraine to be certified according to the EDGE (Excellence in Design for Greater Efficiencies) standard, which was developed by the International Finance Corporation (member of the World bank group) and is an internationally recognized indicator of the efficiency of the building's use of energy, water and energy included in building materials. EDGE ("Excellence in Design for Greater Efficiencies") is an innovation of the IFC (International Finance Corporation) company - a cloud platform that allows you to easily design and certify resource-efficient and carbon-neutral buildings around the world. To meet certification requirements, a building must achieve at least a 20 percent reduction in energy and water consumption, as well as the resources used to produce the materials from which it is constructed, compared to a conventional building.

The premises of the Head Office in Ukraine, designed in the 1980s, have an area of 2,500 square meters and are located in the capital of the country — Kyiv. Thanks to the measures taken to increase the efficiency of the use of resources, the ProCredit office is certified according to the EDGE green building standard, reducing the use of energy by 52%, water - by 45% and using materials that require 86% less energy to produce, which is equivalent to reducing emissions 84 tons of carbon dioxide per year. The building was certified by the independent company Sintali, and the audit of the premises was carried out by the leading international company in the field of environmental optimization of premises SGS[14].

In addition to thermal insulation of external walls and energy-efficient windows, the building is equipped with efficient systems of ventilation, air conditioning, heating, and hot water supply. An automated monitoring and control system (Building Management System or BMS) helps control the work and optimize the energy consumption of the engineering systems of the building. BMS also constantly monitors the consumption of resources by the building and its individual consumers, receiving data from numerous smart meters.

For economical water consumption, low-flow faucets and aerators, as well as a weather-dependent automatic irrigation system, are installed in the office. Part of the building's need for electricity is provided by its own rooftop solar power plant.

The head offices of banks in Kosovo, North Macedonia, Georgia and Bulgaria have already been certified within ProCredit Group. The office in Bulgaria became the first building in Europe to receive EDGE Zero Carbon certification (a building that generates zero carbon emissions).

The Bank is committed to promoting sustainable development in all its aspects, emphasizing that the economic development it supports is as environmentally and carbon-neutral as possible. For this, a comprehensive approach to environmental management has been implemented, based on the three main principles of the Environmental Management System (EMS). The bank sets strategic goals for increasing the portfolio of "green" loans (principle 3 of the EMS), which corresponds to the five-year horizon of the general business strategy . Operational goals for reducing energy and resource consumption (principle 1 of EMS) are also determined, which are prescribed in the Bank's Annual Environmental Plan.

An integral part of these efforts is raising environmental awareness among entrepreneurs, as well as among our staff. The bank is committed to providing its business customers with green financing products to increase environmental awareness and understanding. By the end of December 2022 the portfolio of "green" loans of the group has already exceeded 1.2 billion euros and accounted for 20.2% of the total loan portfolio [12, 14]

Figure 2.5 shows the growth of the green loan portfolio in 2017-2022. The portfolio of green loans includes financing of investments in energy saving, renewable energy or other environmentally friendly technologies [12].

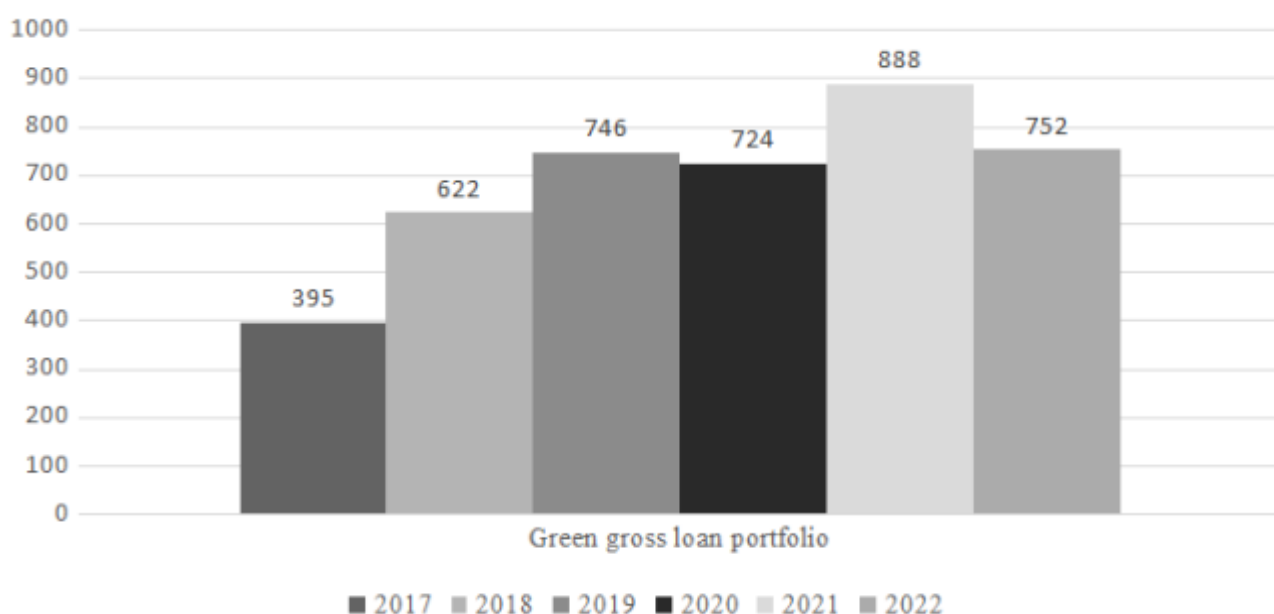


Fig. 2.5. Green gross loan portfolio of business clients of ProCredit Bank JSC, bln. UAH

From 2017 to 2021, there is a general trend of growth in the portfolio, which increased from 395 billion to 888 billion, which indicates the gradual expansion of "green" investments. The highest figure was recorded in 2021, when the portfolio reached 888 billion. UAH In 2022, the volume of the portfolio decreased to 752 billion. hryvnias, the bank limited the financing of "green" technologies due to the large-scale Russian invasion of Ukraine and the high risk of damage and destruction.

The bank is making steady progress in the development of its green loan portfolio, which is an important step towards achieving the goals of sustainable development. By focusing on balancing investments across categories, especially energy efficiency, the bank aims to make a significant contribution to environmental sustainability.

In the future, the bank plans to continue actively attracting new business clients of the appropriate profile, while focusing on increasing the efficiency of the main business areas.

2.3. Analysis of ProCredit Group's environmental activities in achieving the goals of sustainable development

The UN's Sustainable Development Goals (SDGs) are a global initiative aimed at achieving sustainable development that encompasses social, economic and environmental aspects. In the field of environmental protection, the SDGs identify key priorities that are crucial for ensuring the preservation of natural resources and combating climate change. ProCredit Group, aware of its responsibility for sustainable development, has included these goals in its ESG strategy (environmental, social and governance aspects) and has committed itself to achieving significant progress in these directions.

The priority directions for ProCredit Group are the implementation of projects that contribute to the reduction of greenhouse gas emissions, the introduction of renewable energy sources, as well as the support of environmentally friendly technologies in its activities and in the loan portfolio. Thanks to a systematic approach to the integration of environmental aspects into the business model, the company strives not only to achieve financial goals, but also to make a significant contribution to the preservation of the environment for future generations.

The sustainable development goals of the UN in the field of environmental protection, which ProCredit Group included in its ESG strategy and undertook to achieve progress, are listed in the table. 2.3 [16].

Table 2.3

Goals and projects of ESG strategy of ProCredit Group		
TsSR		ActionsProCredit Group
Goal 7: Affordable and clean energy	By 2030, significantly increase the share of renewable energy in the global energy balance.	Energy consumption: 67% of the bank's electricity consumption in 2023 came from renewable energy sources, up from 65% the previous year. Total energy intensity was 4,746.3 kWh/employee (full-time equivalent) in

	<p>Double the global rate of improvement in energy efficiency by 2030</p>	<p>2023, compared to 5,127.2 kWh/employee (full-time equivalent) in 2022.</p> <p>Installed capacity of renewable energy at our facilities: 466.3 kW.</p> <p>Total energy consumption increased by 2.3% between 2022 and 2023.</p> <p>Renewable energy projects in the loan portfolio amounted to €459.9 million in 2023, compared to an average balance of €337.8 million in 2021 and 2022.</p> <p>Energy efficiency credits amounted to 591.2 million euros in 2023, which helped raise industry standards with a minimum of 20% energy savings to qualify for the credit.</p> <p>Banks offer green deposit facilities, allowing private savers to directly support green lending.</p>
Goal 9: Industry, innovation and infrastructure	<p>Increase the access of small-scale industrial and other enterprises, particularly in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.</p> <p>By 2030, modernize infrastructure and adapt industry to ensure sustainability by improving resource efficiency and increasing the adoption of clean and environmentally</p>	<p>In 2018, green bonds for developing countries were issued in partnership with the IFC to stimulate green investment by small and medium-sized enterprises (SMEs).</p> <p>The Bank constantly promotes investments in energy and resource efficiency, renewable energy sources and environmentally friendly practices, mainly among SMEs.</p> <p>Banks provide financing to energy communities.</p> <p>Invested in the greening of own premises in accordance with EDGE standards for green buildings: six buildings received EDGE certification at the group level, and ProCredit Bank Ukraine received certification in 2023.</p> <p>The bank's lending activities support investments in innovation and green technologies: 26% of investment loans are</p>

	<p>sound technologies and industrial processes, with all countries taking action according to their capabilities.</p>	<p>classified as green, and around a quarter of our business portfolio is aimed at productive sectors, with industry playing the most important role.</p>
Goal 13: Action on climate change	<p>Strengthen resilience and adaptive capacity to the risks associated with climate change and natural disasters in all countries.</p> <p>Improve education, awareness raising and human and institutional capacity for climate change mitigation, adaptation, mitigation and early warning.</p>	<p>Green loans make up 20.4% of our total loan portfolio. Specialized green training is provided to specialists, while general green training is offered to all employees. The bank aims to achieve zero emissions by 2050.</p> <p>The bank's science-backed (SBTi) near-term targets for Scope 3 emissions associated with the funded loan portfolio involve customers responsible for 28% of the group's portfolio emissions setting their own science-based targets by 2027, as well as ongoing funding renewable energy projects until 2030.</p> <p>A regular impact newsletter is sent to all employees. Over the past six years, investments in the financing of renewable energy projects have avoided a continuous increase in tons of CO2 emissions in our green portfolio: in 2023, 154.1 tons of CO2 were avoided.</p> <p>The bank has committed to reducing its own emissions by 42% by 2030. The reduction will be achieved by increasing the share of renewable energy suppliers among the bank's suppliers, as well as the number of electric vehicles in the fleet, as well as implementing more energy efficiency measures in the bank's premises and processes.</p> <p>Analysis of transition risks and physical risks of climate change at the portfolio level are carried out from 2022.</p>

Thus, JSC "ProCredit Bank" Group actively implements the principles of sustainable development, in particular in the environmental direction, by integrating the UN Sustainable Development Goals into its business strategy and ESG policy. Through commitments to reduce greenhouse gas emissions, support renewable energy sources, and promote investments in green technologies, the bank demonstrates a commitment not only to financial stability, but also to responsible business with regard to the needs of the environment.

Thanks to the implementation of green bonds, the financing of energy communities and the support of small and medium-sized enterprises in the implementation of environmentally friendly practices, ProCredit Bank Group makes a significant contribution to the achievement of global goals in the field of environmental protection. Thus, the bank not only fulfills its obligations to clients and partners, but also actively works to improve the quality of life in the societies where it operates.

In summary, ProCredit Bank Group aims to set an example for other financial institutions, demonstrating that economic success and environmental responsibility can and should go hand in hand, promoting sustainable development and preserving our planet for future generations.

CHAPTER 3

IMPROVEMENT OF THE ENVIRONMENTAL MANAGEMENT SYSTEM OF BANKS IN MODERN CONDITIONS

3.1. Green banking in ensuring the goals of sustainable economic development.

Sustainable development of the economy and a harmonious relationship with the environment are priority and vital guidelines for the world economy. In this context, it is important to define a holistic vision in Ukraine of the key principles for the development of sustainable financing, which will inevitably lead to the adaptation of the banking system of Ukraine in order to improve the corporate governance of banks, taking into account ESG factors.

In 2015, the Sustainable Development Agenda was adopted at the international level, which provided for measures and tasks until 2030 and included 17 global Sustainable Development Goals (SDGs) [17]. The SDGs are complex in nature and are relevant for all countries, but each state compiles a list of priority goals for itself, the need to solve them first of all.

The 17 Sustainable Development Goals demonstrate that achievement of results in any of the specified areas interacts with achievement of results in others. In the context of the concept of sustainable development, social sustainability is defined as the main end goal, and economic sustainability acts as a means for its realization. Economic stability is a prerequisite. The emergence of key global initiatives - the 2030 Agenda for Sustainable Development, the Sustainable Development Goals and the Paris Agreement - indicates the intention to gain a global consensus on the importance of environmental aspects for international organizations and institutional investors. As a permanent member of the UN, Ukraine joined the initiative to ensure sustainable development and took responsibility for achieving the 17 Sustainable Development Goals. From the moment the President of Ukraine signed the Decree "On the Sustainable Development Goals of Ukraine for the period until 2030" in 2019 until today, the central agencies

have been preparing monitoring reports on the assessment of the progress of achieving the SDGs in Ukraine.

In the conditions of globalization changes, interest in the problems of sustainable development has increased significantly, especially due to global climate changes and environmental deterioration, which inevitably led to the formation of new paradigms in the scientific world - "green economy" and "green finance". "Green economy" has become an integral part of sustainable development. In the global context, there is a widespread trend of transition from the traditional model of economic growth to a green economy. This global trend is defined by the use of the green economy as a means of achieving sustainable development, aimed at improving people's well-being while simultaneously reducing economic risks. The green economy, which has become a new trend and is recognized as an important direction of structural reforms, aims to promote the transition to sustainable production and consumption, meeting the global goals of sustainable development. It also involves incorporating economic aspects into the decision-making process to achieve a balance between environmental sustainability and economic growth

The Green Banks Network defines green banks as follows: A green bank is a publicly traded financial institution created specifically to facilitate private investment in climate-resilient domestic infrastructure and other low-content areas carbon, and other "green" sectors [17]. From this, we conclude that "green" banks are becoming specialized institutions that are part of the local financial infrastructure and are primarily focused on supporting clean energy projects in local markets through the use of public and private capital. "Green" banks are distinguished by the fact that they use advanced financial strategies and incentives to attract private investors to projects in the field of sustainable energy.

"Green" banking in practice is a bank management strategy aimed at minimizing the negative impact on the environment and efficient use of resources in the course of the bank's day-to-day operational activities. This strategy also includes the provision of monetary credit resources to support environmental projects, the production of "green" technologies, as well as the creation and sale of ecological goods, products and services.

Objectively, it is important to note that the main incentive for the introduction of the "green" philosophy in Ukrainian banking was not only concern for the environmental situation, but also the desire to ensure savings in current costs. For this purpose, energy-saving technologies are introduced in bank offices to reduce operating costs, and banks invest in information technologies.

It is quite fair to say that mechanisms for stimulating investments in the field of energy saving are necessary for the promotion of innovative technologies. These instruments are designed to provide financial support for projects on energy efficiency and conservation of natural resources (Fig. 3.1).

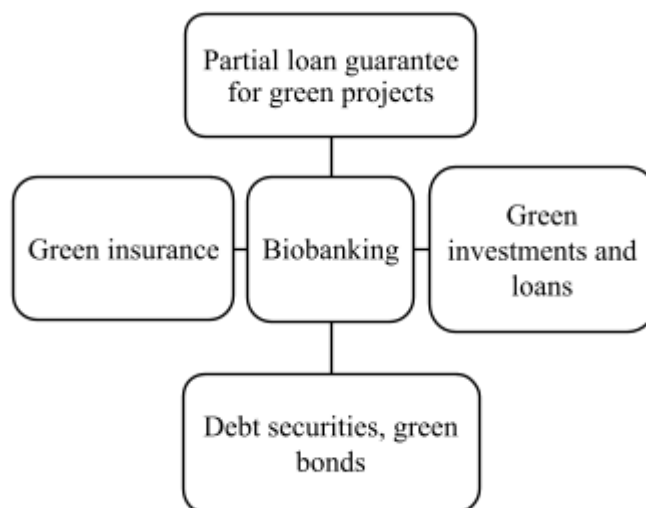


Fig. 3.1. A complex of the main tools of the implementation mechanism of "green" banking.

In this context, a significant catalyst for fundamental transformations of the global stock market is the gradual expansion of the green bond segment under the conditions of the establishment of models of sustainable (environmentally friendly) development on a global scale. Issuance of "green" bonds became a new stage that changed the way investors, experts on sustainable development, politicians and scientists cooperate. It is worth noting that among the leading global corporations, various financial intermediaries, state authorities and local self-government bodies, as well as experts and scientists, there is still no consensus on the definition of "green" bonds. In general, "green" bonds can mean bonds issued to attract funds for financing

projects aimed at adaptation to mitigating the consequences of climate change. This type of bonds can become a more efficient and economically profitable source of financing or refinancing compared to traditional bank loans. Depending on the formation of financing (cash flows), "green" bonds are classified as follows [17-19].

1. Standard green bonds are ordinary bonds, the proceeds of which are intended for the implementation of "green" projects. This is a typical instrument of the debt market with the right of claim against the issuer.

2. Green bonds, confirmed by income, are debt obligations where there is no right of recourse to the issuer. Credit risk is associated with cash flows generated by relevant revenues, such as rewards, taxes, etc.

3. Project green bonds are bonds aimed at financing one or more "green" projects. The investor bears the direct credit risk associated with these projects.

4. Securitized "green" bonds are debt securities that have collateral in the form of one or more projects, including bonds; asset-backed securities; mortgage-backed securities.

In Ukraine, the "green" bond market is currently at the stage of its initial development. In particular, from July 2021, the Law of Ukraine "On Capital Markets and Organized Commodity Markets" entered into force, which defines the introduction of "green" bonds as a separate category of securities and establishes rules for participants in this market. Later, on February 23, 2022, the Concept of the introduction and development of the green bond market in Ukraine was approved with the following action plan, which is aimed at forming the "green" bond market in accordance with the best global standards [40]. On June 19, 2020, the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine with the Purpose of Simplifying Investment Attraction and Introduction of New Financial Instruments" was adopted as a landmark for the regulation of the "green" bond market.

Thus, the creation of regulatory and legal prerequisites for the formation of the "green" bond market in Ukraine will allow it to achieve a number of competitive advantages in the global financial market and declare its position regarding environmental finance. An important place in the implementation of the mechanism of

"green" banking is occupied by "green" lending, since a considerable number of "green" projects are financed through banking institutions. By considering aspects of ecology in decision-making, banks can optimize the management of risks associated with the financing of industries that have a negative impact on the environment, and at the same time contribute to increasing the stability of the financial system. An important obstacle to "green" lending is the limited application of the principles of sustainable banking due to insufficient understanding of their significance. There is also no consistency between the principles of risk management and recommendations for the implementation of "green" lending at the level of both the country and the banking sector.

Through the prism of the study of the main approaches to the implementation of the principles of "green" banking, we can rightly state that the initiative of "green" banking is gradually spreading in Ukraine as well. Let's briefly trace how the main principles of "green" banking are implemented in the activities of Ukrainian banks. Thus, the Ukrainian Energy Efficiency Improvement Program (UKEEP) operated from 2007 to 2016 and was a credit line developed by the European Bank for Reconstruction and Development (EBRD). Banks-partners of this Program were PJSC "Ukreximbank", PJSC "Bank Forum", PJSC "OTP Bank", PJSC "Megabank" and PJSC "Raiffeisen Bank Aval", which implemented 133 projects during this period. The Government program on energy efficiency, which was launched in 2016, is currently operating in Ukraine. Partners in the implementation of this program became state banks - PJSC "Oschadbank", PJSC "Ukrasbank", PJSC "Ukreximbank" and PJSC "PrivatBank", which issued so-called "warm" loans for condominiums and individuals at the expense of budget funds.

Today, Ukraine has become the center where world financial support is directed. But investments that are focused on countering the aggressor must also meet the principles of stability and ESG criteria. The European Investment Bank has approved financial assistance in the amount of 668 million euros to meet the needs of critical infrastructure and to restore social infrastructure that was damaged by the aggressor. At the beginning of 2022, this bank strengthened the standards of social and environmental responsibility for all its projects. The European Bank for Reconstruction and

Development (EBRD) announced the provision of financial assistance in the amount of 2 billion euros in accordance with the situation with the war in Ukraine. Since the beginning of the bank's operation in Ukraine, the amount of loans issued amounted to 16 billion euros for the implementation of 511 projects. All investment activities of the bank are built in accordance with the social and environmental policy and standards of the EBRD, it is a world leader in the field of climate financing and undertakes to become a majority "green" bank by 2025.

In Ukraine, the state banking institution JSC "UKRGASBANK" is already positioning itself as a "green" bank and potentially provides financing for projects in the field of clean energy generation, energy efficiency and energy supply, and reduction of greenhouse gas emissions. Having become a driver of "green" financing and the development of environmental awareness in Ukraine, JSC "UKRGAZBANK" has formed 35% of the loan portfolio with eco-projects aimed at energy restoration and energy-efficient modernization. In 2023, the portfolio of sustainable development projects of JSC "UKRAGAZBANK" increased by UAH 550 million. In total, since 2016, the bank has implemented more than 900 large sustainable development projects [41]. This bank is one of the first financial institutions in Ukraine that implements international standards in the field of ecology, social responsibility and corporate governance (ESG) in its work, has been following an eco-strategy for five years, which indicates the success, popularity and effectiveness of "green" banking in Ukraine. As for "green" bonds, they can become a kind of source of help in the reconstruction of cities after the war, play a significant role in this reconstruction, as they create a multiplier effect and increase investment attractiveness. Ukraine already confirms successful cases of issuing "green" bonds. Thus, in 2022, the National Energy Company "Ukrenergo" issued "green" bonds in the amount of 825 million dollars. USA. As part of the restoration of Ukraine, international investors, in turn, are interested in projects that meet the principles of sustainable development and circular economy. The Association of Cities of Ukraine intends to attract environmentally friendly financing during the reconstruction of Ukrainian cities and to promote it among municipalities as one of the components of the decentralization reform. Recently, the Metinvest group (on

September 20-21, 2023 at the International Sustainable Development Forum 2023) participated in the formation of the main foundations of Ukraine's Green Strategy for the next 20 years. The strategy is based on the principles of sustainable development, taking into account the requirements of European and Euro-Atlantic integration, international partnership and current challenges. The fact that a business formally complies with ESG standards does not guarantee its transition to the "green" economy, because it meets the expectations of only financial institutions. It is worth focusing on the values of customers, which are constantly growing. Summing up the study of the conceptualization of the essence of sustainable development, "green" banking as a format of social responsibility in an ecologically oriented economy, it is worth reflecting on the urgent need for further theoretical and methodological identification of the essence of this conceptual construct. Let us add that the continuation of Ukraine's transition to a "green" economy, particularly in the context of financing "green" projects through the issuance of "green" bonds, will face many barriers caused by the war. Therefore, we cannot ignore the fact that, perhaps, it is the war that will be the catalyst for the rapid practical reformation of Ukraine to implement the Sustainable Development Goals in the context of preserving a safe and healthy environment.

In its strategy for sustainable financing, published in November 2021, the National Bank of Ukraine identified measures aimed at ensuring consistency and adaptation to changes in both the banking system and non-banking financial institutions, which will contribute to the preservation of financial stability. As a result of the full-scale war in Ukraine, it is necessary to make adjustments to the process of integrating ESG factors into the corporate governance system of banks from the beginning of 2022, as well as to the integration of the environmental and social risk management system into the general risk management system of financial institutions, which was planned until the end of 2022.

Since the Ukrainian sector of the "green" financial market is only being formed, it is important for it to make a justified choice of tools of the "green" banking mechanism, effective examples of which are demonstrated by the world's "green" segment of the banking sphere. New instruments that can be introduced into the mechanism of

providing credit resources by Ukrainian "green" banking include preferential rates for financing environmental projects, the production of "green" technologies and goods, extended loan terms for large-scale infrastructure projects for environmental protection, providing loans for the purchase of certificates on emissions of pollutants, the emission of "green" securities, as well as the sale by financial institutions of municipal bonds to finance projects from environmental protection. In connection with the modern context of aggression against Ukraine, the discussion of global practices and strategies for attracting "green" financing for the processes of urban reconstruction and development is becoming relevant. Post-war urban reconstruction can be supported by using green bonds as an effective means of raising finance. In turn, the European Investment Bank is developing a concept of initiatives for the reconstruction of Ukraine in both the short and long term.

Thus, the globalization of "green" finance has become an objective process that coincided in time with the global reforms that stimulate it, and it is also the newest stage in the development of the modern world financial system. The peculiarity of the analyzed process is the formation of the global market of "green" financial instruments and the innovative nature of initiatives at the global and national levels. The green segment of the world economy has great prospects, and therefore the presence of a large number of unsolved problems proves the lack of a systematic approach to their solution. The path to the creation of a "green" economy in Ukraine is becoming more and more relevant, and for this it is necessary to develop and put into practice the mechanisms for the creation and development of a green economy cluster, using more actively such a tool as public-private partnership. The dynamic development of its green bond segment became a powerful trend of fundamental transformations of the global stock market in the context of sustainable development. It reflects a global trend where global investors are increasingly focused on implementing corporate strategies and business models defined as "responsible financing". One of the key advantages of using green bonds as a capital market instrument is that it forms an alternative financing mechanism that allows issuers to implement their environmental, social and governance strategies or comply with environmental legislation without incurring the additional costs often inherent in

ordinary bonds. The study of the fragmented market of "green" bonds in Ukraine indicates a low level of awareness of the central and local authorities and local self-government bodies regarding global practices of the organization of the "green" bond market. This is especially true for access to green finance. The introduction of a full-fledged "green" bond market in Ukraine requires the development of a comprehensive and consistent state strategy that would be consistent with international legislation, take into account leading world practices and peculiarities of national conditions, opportunities, needs and prospects, especially in the post-war period.

3.2. Proposals regarding the development of the environmental risk management policy at ProCredit Bank JSC

In today's world, where climate change and environmental issues are becoming increasingly relevant, effective management of environmental risks is critical for financial institutions. JSC ProCredit Bank, aware of its responsibility to society and the environment, strives to implement an environmental risk management policy that will not only meet international standards, but also contribute to sustainable development.

The development of such a policy will allow the bank to systematize approaches to the identification, assessment and monitoring of environmental risks associated with credit operations, investments and other business processes. It will also ensure the integration of environmental criteria in management decision-making, which will increase transparency and responsibility in the bank's activities.

In order to ensure long-term financial stability and reduce the negative impact on the environment, the proposal to develop an environmental risk management policy will be an important step towards the sustainable development of ProCredit Bank JSC, contributing not only to increasing competitiveness, but also to improving the quality of life in the communities where the bank operates its activity.

This Policy regulates the implementation of an effective environmental and social risk management process, the roles and limits of responsibility of divisions, approaches to the management and control of environmental and social risks in PUMB JSC.

Environmental risks - the probability of negative consequences from a set of harmful effects on the environment that cause irreversible degradation, including as a result of human activity.

Social risks - potential or actual effects that have an impact on the population of the territories and, in particular, on the workforce (for example, occupational health and safety, supply chains, diversity and inclusion). Social risks cover the following aspects: labor standards and conditions of hiring personnel, impact on the state of the local population, including on its health, safety, gender equality, impact on the situation of indigenous peoples and cultural heritage sites, as well as land acquisition and possible damage to people's livelihoods as a result of project activities.

The goals and objectives of the environmental and social risk management policy are systematized in Table 3.1.

Table 3.1

Goals and objectives of the environmental and social risk management policy of
ProCredit Bank JSC

Policy goals	Task
1) promotion of sustainable economic development of Ukraine; 2) promotion of environmental awareness and social responsibility in the financial sphere sector of Ukraine; 3) promoting compliance in the activities of regulated financial institutions National Bank of Ukraine, environmental goals, principles of sustainable economic activity and the principle of energy efficiency as a priority, defined according to the European the Green Pact; 4) promoting the development of the closed cycle economy in Ukraine as a decisive	1) improvement of the bank's corporate management taking into account ESG standards; 2) introduction of environmental and social risk management requirements in the bank; 3) introduction of ESG disclosure standards; 4) carrying out measures to increase the level of responsible financing; 5) taking into account climatic changes to ensure the sustainable development of the bank; 6) increasing clients' awareness of the need to comply with ESG principles and goals

factor in achieving climate-neutral, resource-efficient and competitive economy in Ukraine.	
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The management of environmental and social risks is integrated into the overall Risk Management System and the Bank's Internal Control System, and operates according to uniform principles and levels of control.

Key participants in this process should become:

- Supervisory Board of the bank;
- Risk Management Committee of the Bank's Supervisory Board (SRB);
- The bank's board;
- Credit Council of the bank;
- Risk management units (Department of Bank-wide Risks, Department of Risks of Corporate Clients, Department of Risk Management of Small Businesses, Department of Micro-lending Risks);
- Business Units/Support Units.

The functions of participants in environmental and social risk management are listed in Table 3.2.

Table 3.2

Functions of participants in the management of environmental and social risks
(EU-risks)

Key participants	Functions
Supervisory Board (Risk Management Committee)	<ul style="list-style-type: none"> - approves the EU risk management policy and supervises its implementation and timely updating (updating); - determines the qualitative risk appetite of the Bank (borders of the "green" and "red" zones) in relation to environmental and social risk, monitors its compliance; - carries out control over the results and efficiency of environmental and social risk management; - reviews and approves reports on responsible financing within ESG reporting in accordance with the Sustainable Development Strategy; - monitors the state of implementation of measures to eliminate deficiencies in functioning environmental and social risk management;

The Board ensures the development of this Policy	<ul style="list-style-type: none"> –implements the Policy approved by the Supervisory Board, ensures the implementation of procedures for the identification, assessment, control, monitoring and reporting of environmental and social risks, ensures the development and approval of the bank's internal documents on the management of environmental and social risks within the delegated powers; –ensures the allocation of adequate financial resources, personnel and information systems to maintain sufficient capacity on environmental and social issues for the effective implementation of the process; –considers reporting on the assessment of environmental and social risks, takes operational actions based on the results of the review.
Risk management: General Banking Risks Department	<ul style="list-style-type: none"> –ensures the process of environmental and social risk management; –develops the Environmental and Social Risk Management Policy; –prepares and submits to the Supervisory Board, the Risk Management Committee and the Board a report on the assessment of environmental and social risks within the scope of ESG reporting; –initiates the approval of the list of industries prohibited for financing; –keeps records of EC events regarding social and environmental risks.
Department of risks of corporate clients	<ul style="list-style-type: none"> - control of compliance with the requirements of the EC-risks Policy when considering Borrowers' financing applications; –taking into account the bank's approaches and standards for EU risk management when forming the Bank's credit policy; –to participate/make suggestions regarding the methodology for determining the level of EC risks of borrowers.
Micro-lending risk management	timely identification and reporting of ES risks of Borrowers
Business Units/Support Units:	<ul style="list-style-type: none"> - initial contact with the client-borrower in order to obtain information about the financing project and a package of documents for assessing its environmental and social risks; - provision of a complete package of documents necessary to assess the environmental and social risks of the Borrower and/or financing projects;

		<ul style="list-style-type: none"> - carrying out EU expertise of credit applications and presenting them at meetings of collegial bodies of the Board; - compliance with the requirements of the EC-risks Policy when considering Borrowers' financing applications; - to participate/make suggestions regarding the methodology for determining the level of EC risks of borrowers
Internal Department	Audit	<ul style="list-style-type: none"> - checks and evaluates the effectiveness of the bank's environmental and social risk management process; - develops recommendations for elimination of detected violations, for improvement internal control systems and the state of the environmental management system and social risks, exercise control over their implementation and implementation; - informs the Supervisory Board and the Management Board of the Bank about the results of the performed inspections, the state of the internal control system and the effectiveness of environmental management and social risks.

In conditions of growing attention to environmental responsibility and sustainable development, financial institutions, in particular JSC "ProCredit Bank", are obliged to define and adhere to clear criteria when providing financing. One of the key aspects of this process is the formation of a list of activities that are not subject to financing due to their potential negative impact on the environment, social justice or economic stability (Table 3.3) [21]

Table 3.3

List of activities that are not subject to financing by JSC "ProCredit Bank"

It is forbidden to establish or maintain business relationships with clients who are engaged in the following types of activities:	
Unethical practices and working conditions	1) production or activity related to the use of harmful or exploitative forms of forced labor/harmful child labor, discriminatory practices or practices that prevent employees from lawfully exercising their rights to form associations and conclude collective agreements; 2) production or trade in narcotic drugs;

	<p>3) production or trade in weapons (including hunting weapons) and ammunition;</p> <p>4) gambling (including online gambling), casinos and similar enterprises;</p> <p>5) creation and issuance of cryptocurrencies or operation of a cryptocurrency exchange platform;</p> <p>6) prostitution and any other activity directly related to pornography;</p> <p>7) reproductive medicine clinics and other medical institutions that directly or indirectly engage in surrogacy (for example, through mediation or other systematic facilitation) or other ethically questionable medical treatment, including the modification and manipulation of genetic material or mitochondrial replacement therapy⁶ and the practice of trading in human organs.</p>
Activities that adversely affect health, safety and the environment	<p>8) production, trade or use of unbound asbestos fiber, products containing asbestos;</p> <p>9) production or trade of products containing polychlorinated biphenols;</p> <p>10) production and trade of pharmaceutical products, pesticides/herbicides and other harmful substances substances subject to withdrawal from international circulation or subject to international prohibitions;</p> <p>11) production of radioactive materials or their trade (including storage and processing of radioactive waste); activities related to the nuclear industry or nuclear materials;</p> <p>12) unsustainable fishing;</p> <p>13) transportation of oil and other dangerous substances in tankers that do not meet the requirements of the International Maritime Organization (IMO);</p> <p>14) activities involving the introduction of genetically modified organisms into the natural environment without the permission of the competent authorities or where the relevant authority has announced a ban on the use of GMOs on its territory;</p> <p>15) trade in species of wild flora and fauna regulated by the CITES Convention or products from species of wild flora and fauna;</p> <p>16) hunting activity;</p> <p>17) transboundary movement of waste, prohibited according to international legislation;</p> <p>18) hydroelectric power plants (HEP) of any type with a production capacity of more than 15 MW and hydro-accumulating HPPs with large dams;</p> <p>19) production or trade in ozone-depleting substances subject to withdrawal from international circulation;</p> <p>20) unsustainable methods of forest management;</p>

	<p>21) development of diamond deposits and commercialization of diamonds in a country that is not a signatory of the Kimberley Agreement (participant of the certification scheme of the Kimberley Process) or other similar international agreements on resource extraction;</p> <p>22) underground mining (mine or closed method) of ores, coal, oil shale and other minerals;</p> <p>23) production of charcoal by a non-retort method (pyrolysis in a hermetic metal installation);</p>
Activities that have a negative impact on local communities	<p>24) production, trade in any products or activities prohibited by the legislation of the country of operation (i.e. national legislation) or international agreements and treaties, including legislative acts and conventions related to the protection of biodiversity or cultural heritage;</p> <p>25) activities on lands, in areas adjacent to lands or located in the upper reaches of rivers on lands inhabited by indigenous peoples and/or population groups that are in a vulnerable position, such as lands and watercourses used to support means of livelihood - grazing, hunting or fishing;</p> <p>26) activities that may have an adverse effect on places of cultural or archaeological heritage;</p> <p>27) activities that may lead to forced resettlement.</p>
Customers who engage in the following activities will be denied funding	<p>the main production of alcoholic beverages or their trade (except for beer and wine);</p> <p>29) the main production of tobacco products or their trade;</p> <p>30) activities carried out in nature protection territories of I-IV categories, according to the classification IUCN, and on lands adjacent to these territories;</p> <p>31) production of single-use plastic products or plastic pellets used for the production of products prohibited from being placed on the market in accordance with Directive (EU) 2019/904 of the European Parliament and the Council.</p>

This list allows the bank not only to avoid investments in risky projects, but also to actively contribute to positive changes in society by supporting environmentally friendly and socially responsible initiatives. This emphasizes JSC ProCredit Bank's commitment to implementing the principles of sustainable development in its activities, as well as to ensuring long-term financial success that does not conflict with the interests of society and the environment.

3.3. Assessment of environmental and social risks of ProCredit Bank JSC

The bank, aware of its responsibility for the impact on the environment and society through the financing of corporate clients, should develop a classification of its existing portfolio of corporate clients into four categories of environmental risks and set target indicators of risk appetite (percentage of the corporate business portfolio) for lending volumes with a high level risk

For this, the bank must create its own classification of activities of corporate clients according to KVED (Classifier) of the main type of activity, which takes into account the Sustainable Development Strategy. The credit portfolio of the corporate business will be divided into four categories of environmental risks.

The policy introduces environmental and social standards that contribute to the improvement of environmental indicators, minimization of the impact on the environment, and ensures the health and safety of the population of Ukraine.

JSC "ProCredit Bank" covers the following areas within the framework of responsible financing:

- responsible financing at the bank's expense - the introduction of environmental and social standards that will help improve environmental and social indicators, minimize the Bank's impact on the environment, improve the quality of working conditions and the health of the Bank's employees and society. Priority to "green" financing (financing of projects with a positive environmental effect, which contributes to the development of the "green" economy);

- responsible financing from the funds of international financial organizations/institutions and state programs - introduction of environmental and social standards of financial organizations/institutions that will contribute to the improvement of environmental and social indicators, minimization of the Bank's impact on the environment, improvement of the quality of working conditions and the health of the Bank's employees and society

When controlling the distribution of the portfolio of corporate clients from the point of view of risk categories, the aggregate risk will be taken into account, which is a balanced assessment of environmental and social risks in accordance with the main type of client's activity, the targeted use of funds under the loaned project and the scale of activity according to the environmental impact assessment (EIA).

According to the Declaration of Risk Appetite of ProCredit Bank JSC, the approach to determining the tolerance for cases of exceeding the established risk appetites should be similar to the management of significant bank risks (Table 3.4)

Table 3.4

levels environmental and social risk

Type of risk	Characteristic
1. "Green zone", low environmental and social risk	Risk appetite, the value of which is considered as a target indicator of risk appetite, is approved annually by the Supervisory Board. Within the framework of this zone, no additional actions are required from the Management Board and the Supervisory Board.
2. "Yellow zone", moderate environmental and social risk	Exceeding the target indicator ("green zone") to the authorized excess ("orange zone") of risk appetite. Within the framework of this zone, no additional actions are required from the Management Board and the Supervisory Board.
3. "Orange zone", significant EU risk	Exceeding the authorized indicator of risk appetite (exceeding the "yellow zone") in the range up to the Risk Capacity level. The collegial body responsible for the material risk, the level of which has reached the "orange zone", develops an action plan, on the basis of which decisions are made on the adjustment of the risk level (return to the "green zone"/"yellow zone").
4. "Red zone", high EU risk	Exceeding the Tolerable level of risk (Risk Capacity) is critical. It is necessary to find out the reasons for such an excess and to develop and implement, together with Business units, operational measures to reduce the level

The value of limits/ranges of tolerance zones ("green", "yellow", "orange", "red") is determined annually when the Supervisory Board approves the target values of risk appetite for the year.

The process and main tools of environmental and social risk management of bank-financed projects are shown in Figure 3.2.

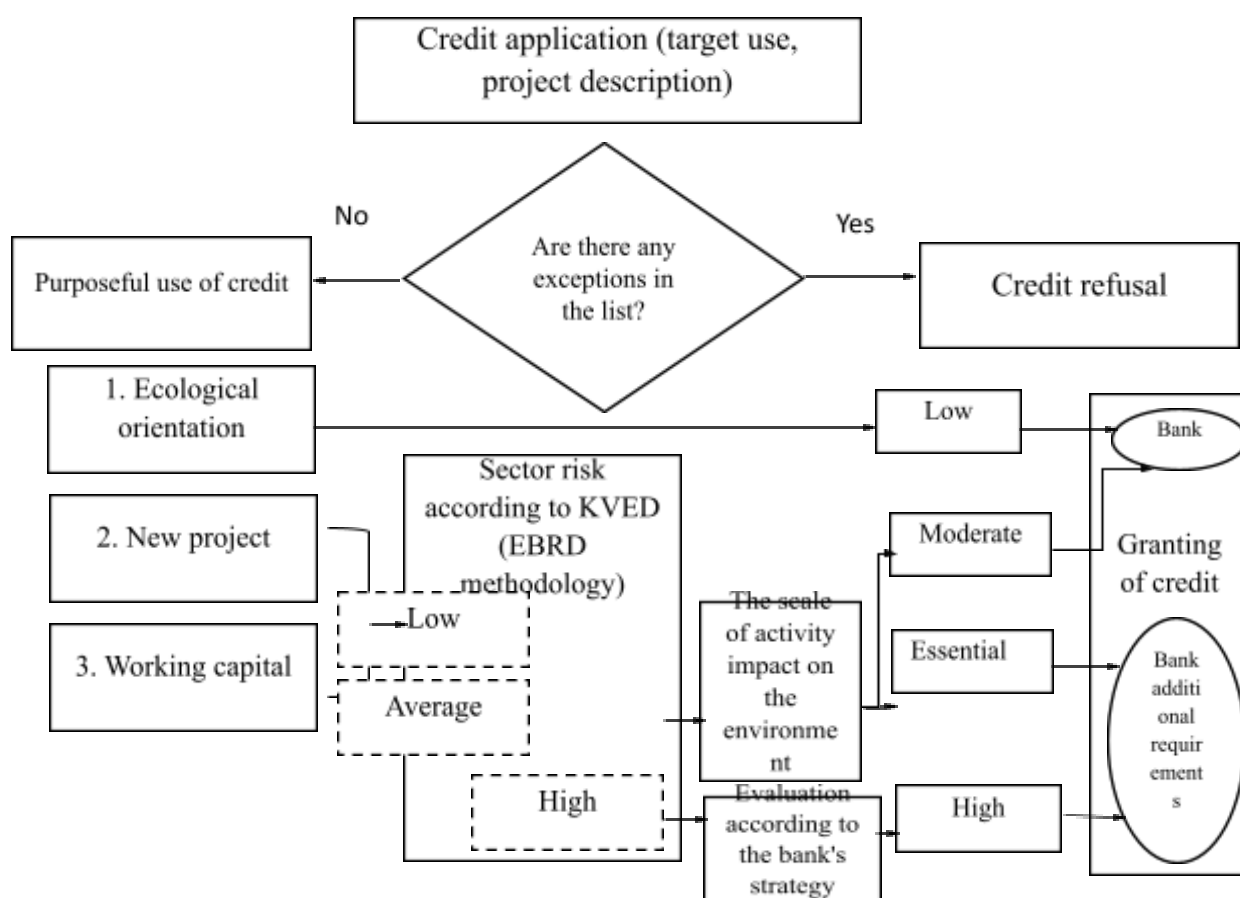


Fig. 3.2. The process and main tools of environmental and social project risk management.

Environmental and social risk assessment is not carried out for ecological projects, but the level of risk is "low". Environmental and social risk management of bank-financed projects is based on:

- exclusion from financing of the most harmful types of economic activity;

- implementation of assessment, monitoring and reporting procedures for environmental and social risks of bank-financed projects;

- establishment of restrictions (limits) on the volume of lending with a high level of ES - risk.

As part of the implementation of the environmental and social risk assessment procedure, the bank may use the following risk categorization (Table 3.5)

Table 3.5

Categorization of environmental and social risks

Risk category	Description of the risk category
High risk	Economic activity can significantly affect the environmental situation and/or society and can potentially cause significant and/or long-term environmental or social risks and impacts, but is not included in the list of activities prohibited for lending
A significant risk	Business activity can significantly affect the environmental situation and/or society, and can potentially cause significant and/or long-term environmental or social risks and impacts, taking into account the scale of activity and compliance with the Bank's Sustainable Development Strategy
Moderate risk	Economic activity has limited environmental or social risks and impacts that can be predicted, prevented and/or mitigated with the help of technically and financially feasible measures.
Low risk	The economic activity has minimal/negligible environmental and social risks and impacts associated with it.

Therefore, the assessment of environmental and social risks is an integral part of the strategy of JSC "ProCredit Bank" in the context of responsible business conduct and ensuring sustainable development. The Bank recognizes the importance of managing

these risks to minimize the negative impact on the environment and society, which necessitates the implementation of a systematic approach to their identification, assessment and monitoring. Thanks to the classification of corporate clients according to environmental risks and the determination of target indicators of risk appetite, the bank is able to effectively manage its portfolio and avoid investments in high-risk projects. This approach not only promotes transparency and accountability in its activities, but also ensures the integration of environmental and social aspects into credit decisions. By implementing this policy, JSC "ProCredit Bank" demonstrates its commitment to environmental and social responsibility, ensuring stability and competitiveness in the financial sector. Thanks to risk assessment, the bank can not only reduce potential negative consequences for the environment and society, but also support initiatives that promote sustainable development, thereby contributing to improving the quality of life in the communities where it operates.

CONCLUSIONS

The research carried out in the work allows us to draw the following conclusions.

Environmental management is a complex and multifaceted concept, so scientists distinguish different approaches to its interpretation. Thus, environmental management is a part of the general system of corporate management, which has a clear organizational structure and aims to achieve the provisions specified in the environmental policy through the implementation of environmental protection programs

Environmental management is based on the environmental policy of the organization and involves a step-by-step approach to the goal, the selection of real goals and the determination of the real time for their achievement. Declaring its own environmental policy and implementing it in practice through the system of environmental management, the organization eliminates the formalism of administratively regulated environmental protection activities. From the moment of announcing the existence of its own environmental policy, the environmental component of the organization's activity ceases to be a forced "appendix" to its main activity.

The regulation of the environmental management system provides a clear framework for the environmental responsibility of enterprises, defines the standards and rules that must be followed to minimize the impact on the environment. It contributes to the effective management of natural resources, reducing environmental risks and increasing the company's sustainability. Clearly established standards and regulations facilitate the integration of environmental practices into business processes, which helps achieve both environmental and economic benefits.

The key idea of sustainable development is the search for such a ratio of nature use and socio-economic development that would ensure the effective use of natural resources, maintain the environmental safety of society and guarantee the necessary quality of life and well-being of the population.

JSC "ProCredit Bank" demonstrates a steady growth of assets and equity, however, the decrease in client lending needs attention to maintain stable development.

While the increase in cash and customer funds is a positive trend, it is important to maintain a balance between liquidity and lending to ensure competitiveness in market conditions. The results of 2023 indicate a significant improvement in financial indicators, in particular, the growth of interest and commission income. This confirms the positive trends in the banking business, but the increase in interest costs should be controlled so as not to reduce profitability. In general, the bank's strategy in 2023 made it possible to overcome past difficulties and return to profitable activities. JSC "ProCredit Bank" demonstrates high indicators in all key economic standards, which confirms its financial stability, effective management of risks and liquidity. The bank has sufficient reserves to meet regulatory requirements and is able to maintain stability even in difficult economic conditions.

JSC "ProCredit Bank" demonstrates a consistent approach to the implementation of environmentally sustainable initiatives that contribute to minimizing the impact on the environment and increasing the efficiency of its operations. The bank's own solar power plants, which have already generated more than 181,500 MWh, are an important element of the strategy to reduce carbon emissions and transition to renewable energy sources. Important aspects of the bank's environmental activities are also the introduction of electronic document management, the use of recycled and environmentally certified paper, as well as a corporate fleet consisting of electric and hybrid cars. Such measures not only reduce the consumption of natural resources, but also reduce greenhouse gas emissions. The bank's energy-efficient office buildings, equipped with an automation system (BMS), together with a waste sorting system in the offices, demonstrate the bank's commitment to optimizing the use of energy and resources. In addition, the bank actively involves its employees in educational initiatives and environmental programs, which increases their awareness of sustainable development.

Thus, JSC ProCredit Bank's comprehensive approach to environmental responsibility allows it to effectively reduce the environmental impact of its activities, while increasing corporate sustainability and demonstrating leadership in the implementation of sustainable practices.

JSC "ProCredit Bank" Group actively implements the principles of sustainable development, in particular in the environmental direction, by integrating the UN Sustainable Development Goals into its business strategy and ESG policy. Through commitments to reduce greenhouse gas emissions, support renewable energy sources and promote investments in green technologies, the bank demonstrates a commitment not only to financial stability, but also to responsible business operations with regard to the needs of the environment.

A policy has been proposed that regulates the implementation of an effective process of environmental and social risk management, the roles and limits of responsibility of divisions, approaches to the management and control of environmental and social risks in JSC "PUMB". At the assessment of environmental and social risks is an integral part of the strategy of JSC "ProCredit Bank" in the context of responsible business conduct and ensuring sustainable development. The Bank recognizes the importance of managing these risks to minimize the negative impact on the environment and society, which necessitates the implementation of a systematic approach to their identification, assessment and monitoring.

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