

**APPENDIX**  
to the Resolution of the Board  
of JSCB "Uzpromstroybank"  
No. 294  
dated "06" November 2023

**" APPROVED "**  
by the Resolution of the Supervisory  
Board of  
JSCB "Uzpromstroybank"  
No. 2023/34  
Dated 22 November 2023

**"REGISTERED"**  
by the Methodology Directorate  
of Legal Department  
"15" December 2023  
under No. 579

**Environmental and Social Risk Management Policy**  
**JSCB "Uzpromstroybank"**  
**( new edition )**

**I. General provisions**

1. This document (hereinafter referred to as the Policy) determines the environmental and social risks management policy of JSCB "Uzpromstroybank" (hereinafter referred to as the Bank) when carrying out lending and investment activities, as well as mandatory environmental and social requirements for projects financed and aimed at ensuring the sustainable development of the Bank's clients in the long term by managing these risks.

2. The policy aims to achieve the following goals:

reducing potential negative environmental and social impacts and increasing positive environmental and social impacts arising in the course of the Bank's lending and investment activities;

encouraging clients to conduct business in accordance with the requirements of national legislation in the field of environmental protection, labor relations, labor protection, safety and social aspects, as well as to apply international best practices in the field of environmental and social risk management.

3. This Policy is developed on the basis of the Laws of the Republic of Uzbekistan "On Nature Protection", "On Environmental Expertise", the Housing and Land Code of the Republic of Uzbekistan, the Regulations "On State Environmental Expertise" ( reg. No: 541, dated September 07, 2020 ), and also in accordance with the recommendations of international financial institutions in the field of environmental protection and social policy.

4. The provisions of this Policy apply if provided for in agreements concluded between the Bank and borrowers.

**II. Obligations of the Bank**

5. In its activities, the Bank voluntarily assumes the environmental and social obligations to promote the global values in the field of protection of human rights, a responsible approach to labor relations, environmental protection, in accordance with best practices, governing documents of International financial institutions (hereinafter

referred to as IFI) and the Global Sustainable Development Goals (hereinafter referred to as SDGs).

6. The administrative, legal and legislative documents of the Republic of Uzbekistan contain the following provisions defining the environmental obligations of banks:

The Bank does not participate in the implementation of investment projects that do not meet the requirements of environmental protection and environmental efficiency standards.

The Bank shall not allow funding and lending for the projects that do not have a positive conclusion from the state environmental assessment;

priority financing of investment projects aimed at increasing the efficiency of natural resource use, environmental protection and improving the environmental situation.

7. The Bank believes that the bank's interaction with other sectors of the economy and with consumers when issuing loans and implementation of investment activities , as well as their financial , investment and trade activities make an important contribution to sustainable development in accordance with the commitments made by the Republic of Uzbekistan within the framework of the UN Global Initiative "Sustainable Development Goals" (SDGs). The Bank, in accordance with its development strategy and this Policy, will contribute to the implementation of the Sustainable Development Goals in the areas of gender equality (SDG 5), clean water and sanitation (SDG 6), affordable and clean energy (SDG 7) and climate change (SDG 13) ).

8. The Bank undertakes to carry out environmental and social assessments of the activities of borrowers and financed projects in order to identify environmental and social risks and negative impacts, as well as timely planning and implementation of measures to prevent, minimize or timely compensate.

9. The Bank takes reasonable and economically feasible actions to reduce the concentration of its resources in projects and industries that could cause serious environmental damage and lead to serious social consequences , and will not finance certain types of activities included in the list of exceptions (the list of exceptions is specified in the Appendix "Procedure for managing environmental and social risks in JSCB Uzpromstroybank").

10. Understanding the complexity and diversity of environmental and social impacts and risks, the Bank applies social and environmental standards of IFIs (hereinafter referred to as SES) when financing complex projects that may have serious and irreversible negative consequences for the local population and natural biological diversity and ecosystem services, cultural heritage sites, and also during the implementation of which the resettlement of people will be required , or the implementation of which may threaten the life, health and safety of the population.

11. The Bank fulfills, on the basis of environmental and social risk management processes, obligations accepted and agreed upon with IFIs to finance activities and projects for the extraction, processing, transportation and storage of coal, including the production of thermal and electrical energy by burning coal.

12. In the field of labor relations and working conditions, the Bank undertakes to apply responsible labor practices in accordance with the requirements of the SES

IFI, and adheres to approaches to ensure the health and safety of the bank's clients, the population and its own employees in cases of anthropogenic and natural emergencies.

13. The Bank recognizes the right of minority nationalities to create, disseminate and promote traditional forms of cultural expression of their mentality, and to use them for their own development, and supports them when necessary.

14. The Bank recognizes the important role of cultural and historical heritage sites for current and future generations, and ensures their protection in its financing activities. The Bank is interested in protecting cultural and historical heritage, regardless of whether it is protected by law or not.

15. The Bank is committed to continually improving the effectiveness of environmental and social management in its activities. In order to ensure the effective functioning of the environmental and social risk management system, it should be periodically reviewed, updated and changed, including the results determined as a result of ongoing internal assessment of its activities, and the results achieved in the field of sustainable development.

### **III. Borrower's obligations**

16. Environmental and social requirements of the Bank to the borrower's activities are formed taking into account the above legal requirements and the Bank's obligations in the field of sustainable development.

17. The Bank requires borrowers to ensure that their activities reduce environmental and social impacts and apply a set of environmental and social standards in accordance with environmental and social risk management processes.

18. The Bank imposes the following environmental and social requirements on borrowers:

Not carrying out activities included in the Bank's list of exceptions;

compliance with legislation, state standards and norms of the Republic of Uzbekistan in the field of environmental protection, health care, safety, labor protection, labor relations, protection of human rights and freedoms and other social aspects;

conducting business activities and implementing complex projects in accordance with the requirements of the IFI's SES and the World Bank's environmental, health and safety guidelines in cases provided for by the Bank's environmental and social risk management system;

minimizing environmental risks, reducing negative impacts on the environment, implementing measures and measures to prevent possible emergency situations, including reducing the negative impact on humans and the environment through the introduction of modern technologies, equipment and materials;

carrying out work aimed at preventing, reducing social risks and increasing social responsibility;

introduction and application of advanced environmental and social practices in the implementation of activities and organization of projects in accordance with the recommendations of the Bank.

#### IV. Environmental and social risk management

19. To implement the principles of this Policy, the Bank undertakes to ensure the functioning of an environmental and social risk management system, which is part of the corporate practice of risk assessment and risk management.

20. Projects financed by the Bank must undergo environmental and social assessment in accordance with the provisions of this Policy and the Law of the Republic of Uzbekistan "On Environmental Expertise", to decide on the possibility of financing them not only on the basis of financial capabilities, but also taking into account environmental and social factors.

21. The procedure for managing environmental and social risks includes the following :

conducting a preliminary analysis (screening) of clients' activities in accordance with the Bank's list of exceptions;

categorization of objects according to the level of environmental and social risk in accordance with the standards of IFI (A, B, C), taking into account categories I, II, III and IV assigned to the project/activity of the borrower in accordance with the Regulations "On State Environmental Expertise";

Conducting environmental and social assessments and compliance of borrowers' activities applicable environmental and social requirements and, if necessary, development of a plan of corrective measures aimed at reducing negative environmental and social impacts and risks, which is part of the loan agreement, after agreement with the client.

22. Environmental and social monitoring of the Bank's portfolio. In order to verify the client's compliance with environmental and social obligations , the Bank continuously monitors the financed projects during the period of financial participation in the project .

The environmental and social risk management system implemented at the Bank allows for the following :

taking into account the potential environmental and social impacts of projects at the funding decision stage;

establishing requirements for borrowers taking into account the level and nature of the environmental and social impact of their project activities , and monitoring the implementation of these requirements;

making contributions to the implementation of action plans and recommendations based on the results of assessing the impact of borrowers' projects on the environmental and social environment, including requirements for taking into account public opinion;

exclusion from financing projects that are subject to significant environmental and social risks, and also, which, as a result of their implementation, lead to a significant deterioration in the quality of the environment and living conditions of people;

in matters of natural resource management , assigning priority to qualities environmental protection and implementation of environmentally friendly production;

ensuring openness and transparency in the implementation of the requirements set out in this Policy .

23. State environmental policy is implemented by the authorities Ministry of Ecology , Environmental Protection and Climate Change of the Republic of Uzbekistan. The Ministry of Ecology, Environmental Protection and Climate Change of the Republic of Uzbekistan (territorial departments), carrying out its state environmental assessment, constitutes a unified system of state environmental assessment.

24. The Bank's environmental and social risk management policy, after approval by the Bank's Supervisory Board, is implemented by the Management Board through the Investment and Credit Committees. The practical application of the policy is carried out by the Bank's Risk Management Department.

25. The Bank will have qualified personnel in the economic and social spheres to implement and apply this Policy. Persons responsible for the functioning of the environmental and social risk management system will be appointed.

26. This Policy applies to all structural divisions of the Bank, including branches, and the provisions of this Policy apply to all types of loans issued by the Bank.

## **V. Organizational structure and personnel composition**

27. Risk Management Department The Bank is responsible for the development, implementation and proper functioning of the environmental and social risk management system.

28. The responsible persons who have overall responsibility for all matters related to the environmental and social risk management system and its operation are the Environmental and Social Risk Management System Coordinator and the Environmental and Social Risk Management System Manager. The role of coordinator of the environmental and social risk management system is assigned to the director of the Risk Management Department, and the manager of the environmental and social risk management system is assigned to the head of the environmental, climate and social risks department.

29. The Bank constantly improves the knowledge, competencies and skills of its employees who implement the procedures and requirements of the environmental and social risk management system through regular training in the field of identifying, assessing and managing environmental and social risks.

Employee training by the Risk Management Department organized and conducted jointly with the structural unit of the Bank involved in improving the level of knowledge of employees.

## **VI. Monitoring environmental and social risks**

30. Monitoring of environmental and social risks is carried out by the Bank constantly, in accordance with the requirements of regulatory documents of the Republic of Uzbekistan, and, if necessary, the requirements of IFIs, based on the procedure provided for by the environmental and social risk management system.

31. The purpose of monitoring environmental and social risks is to assess existing and new environmental risks associated with the activities of the Bank's client,

as well as to monitor compliance with the terms of the contract during the period of full implementation of the project.

32. A detailed description of the environmental and social risk management monitoring system is defined in the "Environmental and Social Risk Management Procedures".

## **VII. Internal reporting**

33. The Risk Management Department, which is responsible for the functioning of the environmental and social risk management system, constantly, at least once a year, prepares a report on the achievement of the goals established in the field of operation and sustainable development of the environmental management system and social risks for the Management Board and the Supervisory Board of the Bank. The Bank strives to improve the quality of reporting on its environmental and social risk management activities through improved data collection, analysis and reporting.

34. The Bank pays great attention to assessing the effectiveness of the environmental and social risk management system and fulfilling its obligations. The environmental and social risk management system may be reviewed, updated and modified periodically to ensure that it operates effectively.

## **VIII. Public access and public awareness**

35. The Bank undertakes to contribute to the development of open communication on issues of sustainable development with stakeholders, including shareholders, clients, supervisory and regulatory authorities, as well as members of the public.

36. When issuing loans and carrying out investment activities, the Bank takes into account the interests and opinions of the public, as well as other stakeholders in the field of environmental and social impact.

37. In the area of information disclosure, the Bank in its annual report provides a section on the environmental impact of projects financed by the Bank, reflecting current activities in the field of the environmental and social risk management system, and also reflects the measures provided for the prevention and minimization of environmental and social risks projects.

38. The Bank's borrowers conduct meaningful negotiations with all interested parties. Borrowers provide stakeholders with timely, relevant and transparent information and consultation that is locally and culturally appropriate and free from manipulation, interference, coercion, discrimination and intimidation.

## **IX. Consideration of appeals**

39. The grievance mechanism is an effective and efficient mechanism for receiving and considering appeals, suggestions and complaints from stakeholders in the environmental protection system arising from the project ( if any ), as well as for the purpose of timely resolution of requests, in accordance with the risks and negative impacts of the project.

40. The mechanism for considering appeals is based on compliance with the requirements of regulatory documents, taking into account the principle of prompt consideration of appeals, and ensuring the transparency of this process.

41. The procedure for considering appeals is part of the environmental and social management system.

## X. Final provisions

42. In order to minimize environmental and social risks, the Bank is constantly improving the environmental and social risk management system and increasing its effectiveness, taking into account available financial and technological resources.

43. The Bank applies the relevant requirements of regulatory documents and other requirements in the process of managing environmental and social risks when financing projects at its own expense and at the expense of the Ministry of Finance.

44. Violation of the requirements of this Policy will be subject to measures in accordance with the law.

45. Employees and clients of the Bank, when acting in accordance with this Policy, undertake not to commit corrupt acts, including:

completely prohibit corrupt practices and completely reject the provision (direct or indirect) of assistance in any material form and the provision of other benefits;

comply with the requirements of current legislation, as well as internal documents of the Bank aimed at combating corruption and developed on its basis;

if specific facts or evidence of the presence of signs of a crime or offense are identified, they report this to law enforcement agencies in the prescribed manner.

46. In connection with the approval of this Policy, the "Environmental and Social Risk Management Policy of JSCB "Uzpromstrobank", approved by decision of the Supervisory Board of the Bank No. 2022/18 dated August 25, 2022, is deemed null and void.

### Introduced by:

Director of

Risk Management Department

signature

K. Karimov

### Agreed with:

Director of the Department  
of Compliance Control

signature

A. Yokubjonov

Director of Small and

medium-sized business Department

signature

S. Khalilov

Head of Methodology Directorate of  
Legal Department

signature

S. Rakhmatullaev

Director of Green

Banking Department

signature

N. Khusanov

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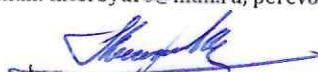
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