



Tashkent

No. 294

06.11.2023

**On Adoption of the New Version of Certain Internal Regulatory Documents of
the Bank**

"Procedure for managing environmental and social risks of JSCB "Uzpromstroybank" was approved by the Resolution of the Bank's Board No. 94/2 dated 2 August 2022, and "Policy for managing environmental and social risks of JSCB "Uzpromstroybank" was approved the Resolution of the Supervisory Board No. 2022/18 dated August 25, 2022.

Currently, in the process of banking transformation, the adaptation of all areas of banking activities to international standards, including the management of environmental and social risks, is becoming increasingly important.

The independent consulting company ENSOR was engaged as part of the technical assistance provided by the EBRD to improve the environmental and social management system (ESMS) at the bank, and the roadmap was developed for the successful implementation of this project, included in the portfolio of projects of the Project Management Office.

Based on clause 3.1 of this roadmap, the revision of the "Procedure for managing environmental and social risks of JSCB Uzpromstroybank" and the "Policy for managing environmental and social risks of JSCB Uzpromstroybank" has been determined.

In order to ensure the timely implementation of the tasks defined in this roadmap, in agreement with the relevant structural divisions and the independent consulting company "ENSOR", these internal regulatory documents were developed in the new edition by the Risk Management Department, and submitted in the prescribed manner for discussion by the Bank's Management Board.

According to clause 22 of the Regulations on the Management Board of the Bank, approval of procedures, regulations, instructions and internal regulatory documents of the bank in other forms falls within the competence of the Management Board of the Bank.

According to paragraph 51 of the Regulations on the Supervisory Board of the Bank, in order to organize the bank's risk management system, the Supervisory Board: approves internal policies and other internal documents in accordance with the requirements of the legislation of the Republic of Uzbekistan, including the requirements of regulatory documents on the formation of a risk management and internal control system.

Based on the above, the Board of the Bank

DECIDED:

1. To approve the “Policy for managing environmental and social risks of JSCB “Uzpromstroybank” in a new edition in accordance with Appendix 1, and submit it to the Supervisory Board of the bank for approval

After approval of this Policy by the Supervisory Board, the Environmental and Social Risk Management Policy of JSCB “Uzpromstroybank”, approved by the decision of the Supervisory Board of the Bank dated August 25, 2022 No. 2022/18, shall be considered invalid.

2. To approve the “Procedure for managing environmental and social risks of JSCB “Uzpromstroybank” in a new edition in accordance with Appendix 2.

In connection with the approval of this Regulation in the new edition, the Procedure for managing environmental and social risks of JSCB “Uzpromstroybank”, approved by decision of the Bank’s Board No. 94/2 dated August 2, 2022, is considered invalid.

3. The Director of the Risk Management Department (K. Karimov), after approval of the internal regulatory documents approved by this decision and submitted for discussion by the Supervisory Board of the Bank, is to ensure that they are communicated to all structural divisions and branches.

4. The Methodology Department of the Legal Department (S. Rakhmatullaev), after approval of the internal regulatory documents approved by this decision and submitted for discussion by the Supervisory Board of the Bank, is to submit them to the Central Bank within the period established by law.

5. Control over the implementation of this decision is entrusted to the Chief Risk Officer K.A. Akbarova.

Chairman of the Board

Aziz Akbarjon o'g'li Akbarjonov

A.A.Ergashev, S.N.Gulturayev, X.G.Akbarov

S.I. Yakubov, B.N.Norxujayev, K.I.Karimov



"REGISTERED"

APPENDIX

by the Methodology Directorate
of Legal Department
"15" December 2023
under No. 580

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

**The Procedure for Managing Environmental and Social Risks of JSCB
"Uzpromstroybank"
(in the new edition)**

I. General provisions

1. This Procedure was developed on the basis of the Law of the Republic of Uzbekistan "On Banks and Banking Activities", the Regulations "On the requirements of the Central Bank for internal regulatory documents of commercial banks" (reg. No. 916 dated April 5, 2000) and other regulatory documents.

This Procedure defines the procedure for managing environmental and social risks in the system of JSCB Uzpromstroybank (hereinafter referred to as the Bank).

2. Environmental and social risks are managed in accordance with the Environmental and Social Risk Management Policy of JSCB "Uzpromstroybank" in order to determine the compliance of the borrower's planned or ongoing activities with the environmental and social requirements of the Bank and the conditions for providing financial resources.

3. The main objectives of the environmental and social risk management system are:

ensuring compliance of the Borrower's projects (activities) with the environmental and social requirements of the Bank;

identifying and minimizing environmental and social risks associated with the activities of borrowers and developing measures to manage these risks;

monitoring the compliance of the borrower's activities with national environmental and social standards, safety standards of the investment object, as well as best practices and standards;

preparation of recommendations on environmental and social conditions for the Bank's participation in the project.

4. The borrower's production activities must be carried out on the basis of the following principles:

- a) ensuring favorable living conditions for people;
- b) respect for the human right to a pleasant environment;
- c) protection and rational use of natural resources to ensure environmental safety;
- d) the obligation to assess the impact on the environment when making decisions on carrying out economic and other activities;
- e) taking into account the natural and socio-economic characteristics of regions when planning and implementing economic and other types of activities;
- f) priority of preserving the natural ecological system, natural landscapes and natural complexes;

g) ensuring a reduction in the negative impact of economic and other activities on the environment;

h) the obligation to participate in environmental activities;

i) liability for violation of legislation in the field of environmental protection;

j) payment for the use of natural resources and compensation for damage to the environment;

k) the obligation to conduct a state environmental assessment of projects and other documents justifying economic and other activities that may have a negative impact on the environment and threaten the life, health and property of citizens;

l) organization and development of a system of environmental education, upbringing and formation of environmental culture.

5. The Bank requires Borrowers to comply with national and international labor rights standards. The main official body dealing with labor relations is the International Labor Organization. This organization developed the Declaration of Fundamental Principles and Rights at Work, and it included the following fundamental rights:

a) abolition of all forms of forced labor;

b) prohibition of the use of child labor;

c) eliminating discrimination in matters of employment and career choice;

d) actual recognition of freedom of association and the right to negotiate a collective agreement.

6. Economic and other activities of borrowers are carried out in accordance with the Labor Code of the Republic of Uzbekistan and basic social principles, including:

protection of labor resources and public health;

compliance with occupational safety and health regulations and provision of decent working conditions;

preventing violations of the basic rules of the normative documents of the international labor organization, including discrimination in the workplace, the use of child and forced labor, restrictions on the activities of trade unions, etc.;

respect for human and labor rights;

ensuring gender equality;

the Bank's requirements for managing environmental and social risks formulated in the Policy, the national legislation, the performance standards of the International Finance Corporation (hereinafter referred to as the IFC), requirements of the European Bank for Reconstruction and Development (hereinafter referred to as the EBRD), requirements of the "Regulations on the Safeguard Policy of the Asian Development Bank" (hereinafter referred to as ADB) and other principles based on the requirements of environmental and social standards of other international financial institutions (hereinafter referred to as IFIs).

II. Environmental and social risk management system

7. The Bank's environmental and social risk management system covers credit and investment activities, including lending, trade, loan and project financing, guarantees, leasing, factoring, carried out in the segments of microfinance, small and medium-sized businesses, as well as corporate business.

Environmental and social requirements of the bank and their application

8. In accordance with the adopted Environmental and Social Risk Management Policy of JSCB Uzpromstroybank, when carrying out lending and investment activities, the Bank applies the following environmental and social requirements to the Borrower's activities:

list of unfunded activities (Appendix 1);

environmental protection, labor relations, occupational health and safety, industrial and fire safety, social aspects, including national legislation in the field of population health and safety, relationships with stakeholders (Appendix 2);

the EBRD's internationally recognized requirements for project implementation in the field of environmental and social risk management, the requirements of the ADB Safeguard Policy Statement, IFC performance standards and the environmental, health and safety standards of the World Bank Group Management;

When a bank finances projects at the expense of other financial institutions, it applies the standards of these financial institutions.

Distribution of responsibilities and tasks

9. Director of the Risk Management Department (Coordinator of the environmental and social risk management system) – The Director of the Risk Management Department is responsible for the implementation of the environmental and social risk management system, organizing work for its effective functioning, implementing general management, monitoring activities, and is also responsible for coordination issues of the environmental and social risk management system with other structural divisions of the Bank and branches of the Bank.

Director of the Risk Management Department – provides the Board with information and reporting on the current status and effectiveness of the environmental and social risk management system, and on environmental and social risks in the Bank's loan portfolio, and also assists the Credit Committee/ Board of the Bank in making decisions, if any, identified inconsistencies in relation to unresolved environmental and social risks.

Head of the Department of Environmental, Climate and Social Risks (Manager of the Environmental and Social Risk Management System) – is directly responsible for the implementation and effective functioning of the environmental and social risk management system. The manager of the environmental and social risk management system ensures the effective operation of the environmental and social risk management system, organizes, coordinates and controls its activities, and plans regular reviews of the environmental and social risk management system. Within the limits of his powers, he participates in the assessment of environmental and social risks of projects of categories A, B+ and B, and also advises on the assessment of the Bank's loan portfolio. Assists the Bank's Board in preparing information on environmental and social risks.

Chief Specialist – environmental and social assessment of complex projects and projects of category A (analysis of a set of environmental documents provided by the

borrower), if necessary, with the involvement of external experts, and is also responsible for the implementation of projects of categories B+ and B with significant environmental and social risks. Conducts training for bank employees in the field of environmental and social risk management system, is responsible for monitoring information about environmental and social risks in the media and identifying environmental and social risks for business managers serving legal entities in the Bank's offices, and their management.

Assists the manager and coordinator of the environmental and social risk management system in preparing information on the current state of the environmental and social risk management system and on the environmental and social risks of the loan portfolio for management/management/external stakeholders.

Specialists from the Department of Environmental, Climate and Social Risks participate in the environmental and social assessment of projects within their competence and perform other tasks on behalf of the manager for managing environmental and social risks.

Business managers serving legal entities in the branches of the bank are responsible for identifying environmental and social risks associated with the Borrower's activities in projects of categories B+, B and C in the segments of small and medium-sized businesses (hereinafter referred to as SMEs) and corporate businesses (CBs), through communication with the borrower /relevant officials, site visits, collection of documents and permits related to the project to be implemented, correct completion of the environmental and social assessment checklist for projects of categories B+, B and C.

In addition, business managers serving legal entities in branches of the Bank are responsible for:

- checking (screening) the activities of the borrower;

- filling out a checklist of questions and preparing a conclusion on environmental and social risks at the stage of project approval within the limits of their authority based on the procedure for the environmental and social risk management system;

- collecting and providing additional information on environmental and social aspects of the borrower's activities at the request of business units and the credit committee;

- development of an environmental and social measures plan and its approval by the Borrower (if necessary).

The staff of the credit management subdivisions are responsible for:

- monitoring compliance of the Borrower's activities with the Bank's environmental and social requirements.

The manager of credit analysts/underwriting checks the availability of environmental documentation for decision-making (environmental assessment report) and the environmental and social assessment checklist for Category C projects.

Regional Manager/Head of SME/Head of Underwriting / Credit Committee in accordance with established level of responsibility and makes decisions about the conditions of allocation and financing of a loan, taking into account the conclusion about the environmental and social risks of the borrower/loan project.

The Bank's Management Board is responsible for the environmental and social responsibility obligations established in the "Environmental and Social Risk Management Policy of JSCB Uzpromstroybank".

The Board of the Bank determines the environmental and social requirements and conditions of the Bank for Borrowers. In the event of environmental and social problems and disagreements related to the transaction that cannot be resolved by business managers serving legal entities in the Bank's branches, responsible employees of the Risk Management Department, the Bank's Management Board, in order to reduce the identified environmental and social risk, determines the appropriate course of action, up to and including canceling the transaction or canceling the existing loan agreement.

The Bank's Supervisory Board determines the Bank's environmental and social strategy and approves the environmental and social risk management policy. Monitors the implementation and effectiveness of environmental and social policies. Provides reliable information about the effective operation of the environmental and social risk management system and ensures that decisions are made based on the environmental and social risks of the portfolio.

The Legal Department ensures that the Bank's environmental and social requirements are included in loan agreements for each transaction (except for retail lending). The Legal Department is responsible for notifying/confirming that the Borrower has breached the environmental and social provisions of the contract or has breached obligations requiring action by senior management.

Business unit specialists are responsible for ensuring and monitoring the availability of documents and opinions required under the Procedure for Managing Environmental and Social Risks on Credit Issues.

The Specialists of the Department for consideration of appeals from individuals and legal entities are responsible for the grievance mechanism established in the environmental and social risk management procedure.

The Human Resources Department, together with the Risk Management Department, organizes and conducts training for Bank employees in the field of environmental and social risk management systems, and forms a list of expert consultants for conducting training programs and training seminars.

Specialists of the Internal Audit Department are responsible for assessing the effectiveness of the implementation of the environmental and social risk management system, collecting and recording information.

The Bank must have and maintain a roster of qualified environmental and social consultants who can participate in the environmental and social assessment of complex projects (Category A) when necessary. External consultants must have knowledge and practical skills in applying EBRD requirements for project implementation, the requirements of the Bank's Safeguard Policy Statement, IFC operating standards and EBRD environmental and social standards of IFC.

Procedure for conducting environmental and social assessments of loan applications and investment projects

10. This Procedure is part of the process of reviewing and evaluating loan applications, which differs for projects in categories A, B+, B and C. The procedure includes the following main steps:

Stage 1: Preliminary verification of the borrower's activities (compliance with the list of exceptions, the presence of risks of damaging the Bank's reputation, carrying out activities related to coal). If financing is carried out at the expense of international financial institutions, the activity and the borrower are checked against the list of exceptions of the Bank (according to the list of unfinanced activities) and the exceptions specified in loan agreements concluded with international financial institutions;

Stage 2: Categorization of projects according to the level of environmental and social risks and impact (A, B+, B and C) (except for the retail lending segment);

Stage 3: Environmental and social assessment of the borrower's activities and decision-making, including:

Conducting assessments of environmental and social risks for the project category determined in accordance with the procedure, preparing a conclusion on the environmental and social risks of the project and, if necessary, drawing up a corrective action plan;

reviewing the conclusion on the environmental and social risks of the borrower's activities, making a decision on the conditions for issuing and financing the loan;

preparing environmental and social conditions and obligations and including them in the loan agreement.

Stage 4: Monitoring the borrower's environmental and social performance.

Stage 1: Preliminary verification of the borrower's activities (compliance with the list of exceptions, the presence of reputational risks, carrying out activities related to coal).

After receiving an application for a loan, business managers serving legal entities in the Bank's branches check the activities of the potential client/Borrower for compliance with the list of exceptions and the presence of serious conflicts in the past and reputational risks of the Bank (Annex 1). If financing is carried out at the expense of International Financial Institutions, the borrower's activities are checked against the Bank's list of exceptions (according to the list of unfinanced activities) and the exceptions specified in loan agreements concluded with International Financial Institutions (Appendix 4.2).

If the Borrower intends to carry out an activity included in the list of exceptions, the application is canceled and the Borrower is informed that it is impossible to provide financial resources. Also, at this stage, business managers serving legal entities in the Bank's branches check whether the Borrower is involved in projects related to the coal industry. If the Borrower intends to carry out business activities related to the coal industry, business managers serving legal entities in the Bank's branch should consult with specialists from the Risk Management Department about the existence of restrictions for financing such a project.

Also, business managers serving legal entities in the Bank's branches must check the borrower's activities in recent years for the presence of serious environmental and social problems and reputational risks. When significant environmental and social problems are identified, business managers serving legal entities in the Bank's

branches must consult with specialists from the Risk Management Department to make a decision on the significance and acceptability of the identified risks and the possibility of minimizing them.

Stage 2: Classification of projects by environmental and social risks and impact level (A B+, B and C).

11. After an environmental and social audit of the borrower's activities, all applications submitted for consideration are pre- categorized according to the level of environmental and social risk.

Categorizing a project according to the level of environmental and social risks and impacts allows you to determine the approach to environmental and social assessment, attract specialists with the necessary competencies to assess social and environmental impacts, and plan measures to minimize them.

Categorization of projects into categories A, B+, B and C according to the level of environmental and social risks is carried out by business managers serving legal entities in bank branches, with the help of responsible employees of the Risk Management Department, based on the following criteria:

Category A. Category A projects (high risk) – projects of a complex and long-term nature, high-risk with potentially significant, unprecedented and irreversible negative environmental and/or social consequences that may occur at a significant distance from the project area. Thus, Category A projects include large-scale new construction projects and large-scale expansion of existing facilities/industrial facilities with hidden but potentially significant negative environmental and/or social consequences.

Also, Category A projects include projects with high environmental and social risks, and if implemented, these projects will lead to significant negative impacts on (1) small and local nations, (2) cultural heritage sites, (3) biological diversity, natural ecosystems, natural habitats, and also cause (4) forced displacement of residents and communities, (5) danger to the life and health of local residents and employees, (6) public outrage and the causes of social unrest. In order to prevent, minimize and manage environmental and social risks identified in such projects, in accordance with the best practices of the IFI's IES and IPC operating standards, the EBRD's project implementation requirements and the requirements of the Bank 's Safeguard Policy Regulations, respectively, must be implemented.

For category A projects, the Borrower is required to conduct an environmental and social impact assessment process (ESIA procedure).

In environmental and social assessment of projects classified as Category A with a high level of risk, the Bank applies national legislation, EBRD requirements for project implementation, requirements of the ADB Safeguard Policy Statement, IFC operating standards and Group guidelines World Bank environmental, occupational health and safety standards (general and sectoral), as well as the requirements of environmental and social standards of other IFIs.

IFIs that are partners of the bank pay great attention to category A projects, and certain restrictions may be imposed on the financing of such projects.

The conditions for limiting funding for Category A projects and other additional obligations are determined by the relevant agreements. If a project is assigned Category A, it will be sent to the Risk Management Department for consideration and

implementation of the necessary actions, including refusal of financing, in accordance with the Bank's obligations to finance Category A projects.

The Risk Management Department maintains an up-to-date list of environmental and social restrictions imposed by MFI on Category A projects and promptly provides information to the Bank's specialists.

Projects in Category B+ (Above Average Risk) are projects with a medium high degree of risk, their potential negative environmental and/or social impacts are limited by the location of the site, and mitigation measures are easier to develop than Category A;

Category B. Class B projects (medium risk) are medium risk projects with local impacts of an unacceptable social and environmental nature.

If the negative environmental and social impacts arising from the implementation of such a project are insignificant and are eliminated by the use of environmental measures, existing technologies and processes, as well as the implementation of organizational measures in accordance with applicable rules and regulations, if it is reduced or covered, the project may be classified as to category B.

Projects of categories B and B+ do not always require a comprehensive environmental impact assessment (environmental audit, special studies, instrumental studies of environmental quality, etc.), other methods for assessing environmental and social risks, i.e. it is required to develop a draft statement on the environmental impact and obtain a positive conclusion from the state environmental assessment and use assessment tools (Appendices 5, 6, 7, 8).

The draft environmental impact statement must be developed separately for each project and have a positive conclusion from the State Environmental Expertise (hereinafter - SEE).

Category C. Category C (low risk) includes projects with minimal or no environmental and social risks. For example, Category C projects include software development, retail banking, banking, consulting and other services. For category C projects, the Bank conducts a minimum audit of the borrower's activities in accordance with the requirements of national legislation.

12. The Republic of Uzbekistan has created a system for classifying the degree of impact of projects on the environment, which includes 4 categories:

Category I (high risk).

Category II (moderate risk).

Category III (low risk).

Category IV (local exposure).

13. To determine the category of environmental and social risk of a project, the preliminary assessment form given in Appendix 4 is used, based on the Bank's national legislation, operational standards of the International Monetary Fund, EBRD requirements for project implementation, the requirements of the "Regulations on the EBRD Safeguard Policy" and others environmental and social standards of MMI.

An explanatory note to the updated verification and classification forms is presented in Appendix 4.1.

Forms have been developed for checking (screening) projects according to the list of exceptions and determining the category of environmental and social risk, which consist of:

Updated list of prohibited activities for financing by the Bank, IFC, EBRD and ADB;

Pre-assessment forms to determine the project's environmental and social risk category;

List of areas requiring additional approval for lending through the EBRD;

The list of activities subject to state environmental impact assessment is given in the annex to Resolution of the Cabinet of Ministers dated September 7, 2020 No. 541.

14. After determining the category of the project, the Bank informs the potential borrower about the requirements in accordance with this Procedure. Responsible employees advise the borrower on compliance with national environmental, health and safety laws, regulations and standards, as well as additional requirements based on best practices, and provide information on the bank's environmental and social assessment process, and documents necessary for its implementation.

15. The Borrower submits documents to the Bank for examination and environmental and social assessment of the activity/project based on the list of documents (Appendix 3) and the assigned environmental and social category.

Stage 3: Environmental and social assessment of the borrower's activities and decision-making.

16. In accordance with the adopted approach specified in the order, the Bank is obliged to comply with the current environmental, labor and social legislation of the Borrower (including safety regulations, waste standards, emissions, etc.), as well as the EBRD requirements for the implementation of projects, EBRD Safeguard Policy Statement and evaluates against the requirements of the IFI's operating standards, the World Bank's environmental, health and safety guidelines, and the environmental and social standards of other IFIs.

Environmental and social assessment of the borrower's project/activity is carried out in accordance with the approach adopted for each category of projects:

Class A projects - specialists of the Risk Management Department check for restrictions on the financing of class A projects by MFIs and act in accordance with the obligations stipulated by agreements concluded with individual IFIs (for example, informing IFIs about projects of category A before making a decision, refusing funding, etc.). After checking the existing restrictions on financing category A projects by the IFIs and agreeing with the IFIs, further assessment of projects is carried out by specialists of the Risk Management Department, if necessary, with the involvement of external consultants who have special knowledge in the field of prevention and minimization of environmental and social impacts and risks. In some cases, the Bank may not involve external consultants (in cases where the Bank's experts have a sufficient and reasonable assessment). Category A projects must comply with applicable environmental, labor and social legislation, IFI best practices and environmental and social standards, EBRD project implementation requirements, ADB Safeguard Policy Statements, applicable IFC standards, and must be conducted in accordance with relevant World Bank guidelines Bank for Environmental, Health and Safety.

Projects of categories B+ and B - assessment is carried out using a universal form (checklist) for assessing environmental and social risks specified in Appendix 5,

by business managers serving legal entities in bank branches, if necessary (adequate assessment environmental and social risks for projects requiring professional knowledge and skills) is carried out with the involvement of responsible employees of the Risk Management Department.

The assessment of category C projects is carried out by business managers serving legal entities in bank branches, according to the assessment form presented in Appendix 9, without the participation of specialists from the Risk Management Department and is sent to the credit analyst / underwriting manager for confirmation. If inconsistencies in the borrower's performance are identified during the assessment stage, the Bank shall take appropriate measures to ensure maximum compliance with legal requirements and best practices during the loan period.

Procedure for conducting environmental and social assessment and preparing a conclusion

17. Request for documents and review of documents submitted by the Borrower. The list of documents provided to the bank is given in Appendix 3.

Analysis of information available in independent and open sources: the media, the Internet, websites of regulatory authorities, information on the client's website and in its annual report, public organizations, etc.

The search for information is carried out in order to identify risks affecting the Bank's reputation, environmental and social problems/violations, fines, unresolved problems and work under consideration that may be related to the Borrower's activities.

Visit to the borrower's project site where the loan is planned to be issued.

Site visits for Category A projects are carried out by responsible employees of the Risk Management Department and, if necessary, with the help of external consultants engaged by the Bank who have knowledge and practical skills in applying IFC operational standards on environmental protection, occupational health and safety and social aspects, and EBRD requirements for project implementation, ADB Safeguard Policy Statements and environmental and social standards of other IFIs.

Objects of categories B+ and B are visited by business managers serving legal entities in bank branches, with the involvement, if necessary, of responsible employees of the Risk Management Department.

During the site visit, Bank specialists receive from the Borrower data on compliance with legal norms and standards, the results of government inspections and audits, conclusions of the Borrowers' independent environmental assessment for their needs, as well as other additional information and explanations.

Planning of visits and selection of sites to visit are carried out taking into account a risk-based approach, and it is mandatory to visit entities characterized by the largest production volume and exposure to environmental and social risks.

If non-compliance is identified, Bank employees or external consultants will develop a plan of environmental and social measures with deadlines for their implementation, and discuss it with the Borrower.

Preparation of reports and conclusions.

For category A projects, the external consultant prepares an environmental and social assessment report (ESDD) in the form presented in Appendix 10, and an environmental and social action plan to prevent and minimize the identified risks. The Environmental and Social Risk Management System Coordinator (ESDD) reviews the prepared report and prepares an environmental and social report with key findings for inclusion in the draft minutes of the Credit Committee meeting.

Checklists for environmental and social assessment of projects of categories B+, B and C are presented in Appendices 5, 6, 7, 8 and 9, respectively, they record the results of environmental and social assessment and conclusions for inclusion in the draft protocol of the Credit Committee.

The conclusion must include the following information:

- a) conclusion on compliance with the requirements;
- b) a conclusion on the presence and significance of unresolved (unresolved) environmental and social risks, as well as a conclusion on the adequacy and sufficiency of the measures taken by the Borrower to eliminate and minimize the relevant environmental and social risks;
- c) the need for an environmental and social action plan;
- d) proposals for environmental and social monitoring;
- e) on the inclusion of additional or special environmental conditions in the loan agreement (conditions for the provision/transfer of funds, etc.);

The results of the environmental and social assessment and its conclusion are transmitted to the business unit for review, verification and approval as part of the loan documentation package.

Making decision on the allocation of funds and financing the borrower's project/activity, and signing a loan agreement.

18. The results of environmental and social assessment as part of the loan application and documents, in accordance with the Procedure for carrying out credit and equivalent operations in the system of JSCB "Uzpromstroybank", are sent for consideration by authorized persons and/or the Credit Committee, for making decisions and confirming the terms of the loan.

The Legal Department ensures that the environmental and social conditions approved in the memorandum of approval are included in the loan agreement.

A diagram of the operational process for environmental and social assessment of the project is presented in the Diagram 1.2 of Appendix 9.

Stage 4. Monitoring environmental and social risks in the bank's loan portfolio.

19. After financing the project, the Bank continuously monitors the environmental and social performance of the Borrowers in accordance with the adopted monitoring procedure.

For category A projects, monitoring of social and environmental indicators is carried out twice a year during the construction period and once a year during the operation period, by experts from the Risk Management Department together with employees of the credit management department of the Bank's branches.

Monitoring of social and environmental indicators of projects in category B+ and B is carried out once a year by employees of the loan management department of bank branches. If necessary, based on a written request from the Head of the Bank's branch, responsible employees of the Risk Management Department can be involved, and monitoring is carried out until the loan is fully repaid (during the entire life cycle of the project). The monitoring results are presented in the form of a report in the prescribed manner (Appendix 13).

If an environmental or social risk arises for the borrower, unscheduled monitoring may be carried out until the environmental and social risks are eliminated in the Bank.

For Category C projects, environmental and social monitoring is not carried out.

Record keeping and document flow management

20. In accordance with this procedure, records are kept and the following documents are drawn up:

Reports on the results of environmental and social assessments, including a plan of environmental and social remediation measures (according to the forms presented in Annexes 5, 6, 7, 8 and 10). Business managers serving legal entities in bank branches and specialists from the Risk Management Department are responsible for preparing reports;

The environmental and social report is included in the minutes of the meeting of the Credit Committee at the appropriate level. Business managers serving legal entities in bank branches and specialists from the Risk Management Department are responsible for preparing reports;

Report on the results of environmental and social monitoring (Appendix 13). Employees of the loan management department of bank branches and employees of the Risk Management Department are responsible for the preparation of reports;

Business unit specialists monitor and ensure the availability of documentation on credit information in accordance with this Procedure.

Reporting and Disclosure

21. The division responsible for the functioning of the environmental and social risk management system (Risk Management Department) at least once a year prepares for the Board and Supervisory Board of the Bank a report on the results of the environmental and social risk management system, containing the following information:

a) important results of the environmental and social risk management system (total number of loan applications for which an environmental and social assessment was carried out, the number of rejected exceptions, the number of interventions on environmental and social issues, compliance of the environmental and social risk management system with the terms of agreements with IFIs, difficulties in implementing an environmental and social risk management system and measures to eliminate them), general and systemic environmental and social risks, industries with high environmental and social risks;

b) description of the environmental and social risks of the loan portfolio by type of operation and industry, number of projects of different categories in the portfolio (A, B +, B, C);

c) the results of assessing the activities of the Bank's Borrowers and its compliance with modern environmental and social requirements;

d) the main shortcomings associated with the activities of borrowers and the environmental and social risk management system;

e) main measures to improve the environmental and social performance of its activities;

In accordance with the Bank's disclosure policy, the Bank's annual reports must include information on the environmental impacts of Bank-financed projects, as well as other information about environmental and social projects and proposed mitigation measures.

The conditions for the preparation and submission of reports are drawn up at least once a year in accordance with the conditions for the preparation and submission of annual reports by the Bank.

The Bank's annual reports on environmental and social performance for IFC, ADB, EBRD and other international financial institutions are presented in a uniform manner, as set out in Appendix 15 (**Annual Report on Environmental and Social Performance**).

Also, annual reports on environmental and social indicators can be provided to other MFIs in accordance with loan agreements, in the form established by them.

Assessing and reviewing the effectiveness of the management system

22. To ensure the effective functioning of the environmental and social risk management system, it should be reviewed, updated and supplemented from time to time based on the results of its internal assessment and according to the results of comparison of the achieved results with the established results in the field of sustainable development.

The Internal Audit Service, as part of the Bank's overall internal control system, is involved in assessing the effectiveness of the environmental and social risk management process.

III. Grievance Consideration and Public Relations Mechanism

23. Takes all necessary measures to contact or file a complaint with all interested parties whose interests may be affected during the implementation of a Bank-financed project. Borrowers/clients are required to ensure compliance with national and Bank requirements and IFI environmental and social standards as required by the Bank through public consultation.

The Bank's grievance procedure is designed to provide the public and stakeholders with an opportunity to submit inquiries or complaints regarding environmental and social issues related to the Bank's environmental and social risk management policies and/or Bank-financed projects.

The Department for handling requests from individuals and legal entities is responsible for receiving, considering and responding to requests from external interested parties.

The Bank creates communication channels that allow various stakeholders to submit applications and inquiries related to the environmental and social aspects of the implementation of a Bank-financed project.

If a question or problem relates to a Bank-financed project, it is recommended that you first discuss the problem directly with the company implementing the project. If the issue or problem cannot be resolved at the project company level, interested parties may contact the Bank with a written request, providing the following information:

- the name, address and contact information of the applicant;
- problem (name of the project and/or company associated with the complaint;
- description of the problem, complaint and attached documents;
- any other information requested by the applicant.

Appeals (claims, complaints and requests) are subject to registration in accordance with the procedure for issuing documents accepted by the Bank. Also, requests (claims, complaints and requests) are recorded in the registration log.

The division for working with requests from individuals and legal entities, with the participation of the relevant business managers serving legal entities in the branches of the bank and the Risk Management Department, processes requests (claims, complaints and requests) within a period of no more than one month from the date of receipt, as well as for applications that do not require additional study and verification, prepares a reasoned written response to the applicant no later than 15 (fifteen) working days.

If the applicant's report raises serious environmental and social issues related to the Bank/Client project, the relevant business managers serving legal entities in the Bank's branches, together with the Risk Management Department, immediately contact the client to obtain additional information and conduct an investigation.

If, as a result of the investigation, it is determined that the client's activity/project does not comply with the environmental and social risk management policy of JSCB Uzpromstroybank, business managers serving legal entities in the Bank's branch report this fact to the head of the underwriting department. The Environmental and Social Risk Management Coordinator prepares an additional Environmental and Social Action Plan for discussion with the client and implementation by the client.

The Department for handling applications from individuals and legal entities may send a repeated response to the applicant, and the Bank may inform the Borrower about the measures taken and agreements reached (if this does not contradict the confidentiality agreement between the Bank and the Client).

Information about this Procedure should be available on the Bank's website, as well as in all branches of the Bank. On its website, the Bank provides contact information (email address, postal address, etc.) for sending inquiries on environmental and social issues.

The Department of Executive Control registers appeals received in accordance with this Procedure by date of receipt, date of response and subject of appeal, and monitors their execution.

In order to facilitate the receipt and resolution of complaints from stakeholders arising in connection with the project in the framework of the Borrower's environmental protection system, including those related to the effectiveness of the Borrower's activities in the social and environmental sphere, the Bank requires the creation of a mechanism or procedure for filing and reviewing complaints in accordance with the risks and negative consequences of the project. Grievance mechanisms should be commensurate with the level of risk and impact of the project.

The borrower promptly responds to concerns and complaints of parties related to the social and environmental activities of the project. To this end, it proposes and implements a grievance mechanism to receive and resolve grievances and to alleviate concerns and problems.

The grievance mechanism should be open to all stakeholders and should ensure that problems are resolved quickly and effectively in a transparent and orderly manner that is sensitive to local and cultural traditions and does not penalize their use. Such mechanism, process or procedure does not preclude the use of judicial or administrative remedies.

The borrower informs the affected (victim) parties to the project about the procedure for submitting and considering complaints in the process of interaction with the relevant communities, and also provides a wide range of documents recording the measures taken to respond to complaints and brings them to the attention of the public.

The grievance review will ensure that local cultural traditions are respected and that the staff conducting the review will be careful, objective, courteous and sensitive to the needs and concerns of project stakeholders.

IV. Emergency Preparedness and Fire Safety

24. All measures must be taken to ensure fire safety of employees and clients in the bank and its branches.

The Bank and its branches have installed an automated fire alarm and fire protection system, have emergency exits, and provide evacuation plans and signs for Bank employees and clients.

The territory of the bank and its branches is equipped with fire shields and fire-fighting equipment.

The Bank has developed "Instructions for ensuring sanitary, hygienic, fire-fighting and safety measures in office premises", "Requirements for the storage of fire-fighting equipment" and "Procedures for using fire-fighting equipment".

Persons responsible for fire safety and evacuation of people in emergency situations have been appointed.

The bank has developed a plan for mutual cooperation between the civil protection units of JSCB "Uzpromstroybank" and the regional services of the emergency prevention and response system in the Yunusabad district of Tashkent, to prevent and eliminate emergency situations of a man-made, natural and environmental nature."

The department responsible for emergency preparedness and fire safety of the Bank is the Security and Information Protection Department.

Employees of the bank and its branches are regularly trained and conduct training on the rules of behavior in the event of a natural disaster or fire.

V. Final Provisions

25. This Procedure comes into force from the date of its approval by the decision of the Bank's Management Board.

26. Violation of the requirements of this Procedure entails liability in the manner prescribed by law.

27. Employees and clients of the Bank, when working in accordance with this Procedure, must not commit corrupt acts, including:

completely prohibit corrupt practices and completely refuse to provide assistance (directly, or indirectly) and other benefits in any material form;

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

If specific facts or evidence of signs of a crime or offense are discovered, they are obliged to report this to law enforcement agencies in the prescribed manner.

28. In connection with the approval of this Procedure in new edition, the Procedure for managing environmental and social risks of JSCB "Uzpromstroybank" approved by decision of the Bank's Board No. 94/2 dated August 2, 2022, is deemed as null and void.

Introduced by:

Director of Risk Management Department	signature	K. Karimov
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Agreed:

Chief Credit Officer	signature	B. Mullajanov
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Director of Small and medium-sized business Department	signature	S. Khalilov
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Acting Director of the Department of Loan Approval	signature	L. Ramazanov
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Director of Corporate Business Department	signature	M. Nabiev
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Director of Green Banking Department	signature	N. Khusanov
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Department Director Credit Management	signature	S. Sanjarov
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Acting Director of the Department
of Compliance Control

signature

A. Y. Kubjonov

Head of Methodology Directorate of
Legal Department

signature

S. Rakhmatullaev

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Тел: (+998 71) 232-27-82, 71 233-62-45, (+998 98) 309-30-63, (+998 93) 397-87-63

telegram: (+998 98) 309-30-63

www.interbyuro.uz, e-mail: interbyuro@mail.ru, perevodmir@mail.ru, info@interbyuro.uz

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