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JSC Bank CenterCredit Environmental and Social Risk Management Policy

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Chapter 1. General

1. JSC Bank CenterCredit Environmental and Social Risk Management Policy (the Policy) is an internal regulatory document of JSC Bank CenterCredit (the Bank) that outlines the Bank's responsible financing targets, principles, objectives and approaches.
2. The Policy has been developed in accordance with regulatory legal acts of the Republic of Kazakhstan, including:
 - Concept for Development of the Financial Sector of the Republic of Kazakhstan until 2030 as approved by the Decree of the President of the Republic of Kazakhstan No. 1021 dated 26 September 2022;
 - Environmental Code of the Republic of Kazakhstan No.400-VI LRK dated 2 January 2021;
 - Classification (Taxonomy) of Green Projects to Be Financed Through Green Bonds and Green Loans as approved by the Decree of the Government of the Republic of Kazakhstan No. 996 dated 31 December 2021;
 - Strategy for Achieving Carbon Neutrality of the Republic of Kazakhstan until 2060 as approved by the Decree of the President of the Republic of Kazakhstan No. 121 dated 2 February 2023;
 - Roadmap for Implementation of ESG Principles in regulation of the financial market of Kazakhstan as approved by the Order of the Chairman of the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market No.187 dated 16 March 2023;
 - Methodological Manual on Environmental and Social Risk Management for Financial Institutions as approved by the Order of the Chairperson of the Agency of the Republic of Kazakhstan on Regulation and Development of Financial Market No. B-228 dated 15 July 2024;
 - Rules for Formation of Risk Management and Internal Control System for Second-Tier Banks, Branches of Non-Resident Banks of the Republic of Kazakhstan as approved by Resolution of the Board of the National Bank of the Republic of Kazakhstan No. 188 dated 12 November 2019, and takes into account a number of international sustainable development principles and documents, including but not limited to:
 - Sustainable Development Goals developed by the UN General Assembly;
 - Principles for Responsible Banking developed under the UNEP FI;
 - EU Taxonomy for Sustainable Activities;
 - International Capital Market Association (ICMA) Taxonomy for Green Projects.

3. The Policy shall apply to the Bank employees (in accordance with their functions), its structural subdivisions and branches involved in the process of financing the Bank's corporate customers.
 4. The Policy is a public document available on the Bank's information resources.
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Chapter 2. Key Sustainable Finance Goals and Objectives

5. As one of the largest banks in the Republic of Kazakhstan, the Bank shall strive to act in the best long-term interests of society and the state and to make a positive contribution to improving the quality of life of the population, socio-economic development, and environmental sustainability of the state. The Bank has identified for itself key focus areas in the field of sustainable finance:
 - ensuring comprehensive assessment of climate risks, and minimising their impact on the loan portfolio;
 - E&S due diligence (ESDD) to minimize potential liabilities and threats to the Bank when granting a loan;
 - provision of finance to activities and projects that have a positive impact on achieving the sustainable development goals;
 - gradual reduction of financing for activities and projects that conflict with the achievement of sustainable development goals.
 6. The Bank shall be guided by the following six responsible investment principles in its activities:
 - 1) incorporate ESG issues into investment analysis and decision-making processes;
 - 2) incorporate ESG issues into the strategy and practice;
 - 3) demand adequate disclosure of environmental, social and governance issues from investment recipients;
 - 4) promote the adoption and implementation of responsible financing principles within the investment sector;
 - 5) improve the efficiency of implementation of responsible financing principles;
 - 6) report on activities and progress made in implementing the sustainable finance principles.
 7. The Bank shall employ a comprehensive approach to achieve its sustainable finance goals by phased implementation of the following tasks and initiatives:
 - 1) identification of ineligible activities, project types and business practices;
 - 2) identification of key industries and projects for the Bank in terms of green economy;
 - 3) launching and/or development of sustainable banking products;
 - 4) building the internal green lending processes based on requirements of the national and international taxonomy;
 - 5) introduction of tools to assess borrowers and projects for their exposure to climate, E&S risks and ESG factors;
 - 6) definition of sustainable finance goals (including: formation of green loan portfolio);
 - 7) expansion of the Bank's participation in the state support programmes aimed at supporting green lending.
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Chapter 3. Environmental and Social Risk Management System

8. The Environmental and Social Risk Management System (the ESMS) shall provide for:
 - conducting a comprehensive assessment of climatic, E&S risks, and ESG factors (comprehensive assessment) for corporate borrowers and projects;
 - assessing the inherent exposure of Kazakhstani industries to climate, environmental and social risks, and other ESG factors;
 - labelling of “green” loans issued to legal entities, individual entrepreneurs and individuals for makings to invest for purposes that meet the criteria of “green” projects.

9. The Bank shall conduct due diligence of corporate borrowers and projects, subject to the borrower's business segment and materiality threshold in terms of the amount of its liabilities to the Bank. Materiality thresholds shall be set by the Sustainable Development Committee.

3.1. Due Diligence Tools and Procedures

10. As key assessment tools, the Bank shall define:

- 1) Exclusion List – verification if the borrower's activities and applicable practices are compliant with the Exclusion List according to Annex 1 hereto, with refusal to finance such activities. All corporate borrowers shall be subject to verification.
- 2) ESDD:
 - **Self-declaration:** a borrower completes the questionnaire depending on the type of its activity, under which, based on the selected answers, the borrower's exposure to climate risks, and the significance of environmental, social and corporate governance factors in the borrower's activity are identified. Corporate borrowers shall be screened subject to the materiality thresholds;
 - **ESG scoring:** a differentiated assessment of the borrower's exposure to climate risks and the relevance of sustainability factors in its operations, such as environmental impact, social responsibility and corporate governance, subject to its minimization measures and adaptation initiatives taken and based on verifiable data and information. Corporate borrowers shall be screened based on the materiality thresholds;
 - **Project Assessment:** assessment of project implementation risks, including assessment of management practices and general information, and positive project effects in accordance with the green and social taxonomy criteria. Corporate borrowers shall be screened based on the materiality thresholds.
- 3) Taxonomy Compliance Assessment: small, medium and large loans shall be screened against the green or social taxonomy criteria. Corporate borrowers shall be screened based on the materiality thresholds.

11. As a result of due diligence, the Borrower and/or the project shall be assigned the E&S risk level correlated with one of the following categories: low, reduced, medium, high, and critical.

12. The Bank shall provide financing to corporate borrowers and/or projects with low and reduced E&S risk level in accordance with the standard internal procedure and the Bank's Lending and Credit Risk Management Policy. The E&S risk level shall be reassessed at least once a year.

13. Borrowers and/or projects assigned with medium, high and critical E&S risk levels shall be financed subject to detailed analyses (beyond standard internal procedures) that includes:

- identification of additional covenants;
- development of a roadmap for implementing adaptation initiatives;
- implementation of measures to minimize climate risk exposure.

14. The E&S risk level shall be reassessed for borrowers and/or projects assigned with medium and high level once every 6 months, with critical level – once every 3 months.

3.2. Organizational Structure for Sustainable Finance Management

15. The Bank has a multi-tier structure for sustainable finance management structure, which distributes lending-related powers between collegial bodies and structural subdivisions:

- 1) the Bank's Board of Directors;
- 2) Committees of the Board of Directors: Sustainable Development Committee, Credit Committee;
- 3) the Bank's Management Board;
- 4) Committees of the Management Board: Risk Management Committee, Credit Committees;
- 5) an automated decision-making system;
- 6) the Bank subdivisions responsible for organization and coordination of activities aimed at the Bank's compliance with the sustainable development principles;
- 7) the Bank subdivisions involved in the lending processes.

16. The Board of Directors shall take decisions on environmental and social issues related to granting a loan and (or) other financial instruments in the amount exceeding 5 (five) percent of the Bank's equity to a borrower having a high environmental and social risk level.

17. The Management Board shall ensure implementation of the Policy, and availability of internal regulatory documents that govern its business processes and procedures carried out in accordance with the Policy principles.

18. Within the limits of authority granted by the Board of Directors, the Credit Committees and the automated decision-making system shall make funding decisions subject to the results of the borrower's assessment for compliance with ESG principles, in accordance with the materiality thresholds.

19. Depending on the E&S risk rating, the Bank shall apply the following approaches when making credit decisions:

- refuse to finance ineligible activities;
 - escalate the decision-making level in cases of identified high or critical E&S risk rating, without any corresponding customer obligations to mitigate them;
 - incentivize the customer's mitigation and adoption of sustainable development practices through special terms and conditions and by providing sustainable loan and non-bank ESG products.
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Chapter 4. Contingency Management

20. Management of contingencies in the project financing process shall be a critical aspect of the Bank's stability and reliability. In the course of the Bank's lending activities, it may encounter unexpected events or situations that were not foreseen or accounted for in advance, and such events and circumstances may include, but not limited to:

- 1) direct complaints regarding the project financing that may pose environmental or social threat;
- 2) negative media coverage and NGO campaigns related to specific transactions financed by the Bank;
- 3) serious incidents, including accidents with potentially fatal outcomes;
- 4) labor unrest, riots, and street demonstrations;
- 5) natural disasters caused by natural calamities;
- 6) global pandemics;
- 7) environmental emergencies.

21. Contingencies shall be classified according to the nature of their origin as either external or internal.

22. Internal contingencies shall be managed through the following:

- 1) internal control covering all the Bank's business areas and processes;
- 2) prevention of contingencies through building of an effective business continuity management system that ensures uninterrupted operation of the Bank processes at an adequate level, and delivery of services and products to customers, partners, and subsidiaries regardless of the current state of affairs;
- 3) effective human resource management, implementation of HR policies, and adherence to the Human Rights Policy;
- 4) development and implementation of recovery and continuity plans for critical subdivisions ensuring continuity of the Bank's key processes.

Management of internal contingencies shall be aimed both to minimize risks and to enhance the Bank's adaptability to changing conditions, ensuring its competitiveness and maintaining the trust of stakeholders.

23. Each type of external contingencies shall require a tailored management approach. Once such an event becomes known, the Bank shall collect actual information and develop an action plan to mitigate negative consequences and avoid similar situations in the future.

24. The action plan shall be aimed not only at minimizing the consequences for the Bank, but also at mitigating the effects on borrowers and other stakeholders. Possible measures to be taken during the contingencies may include, but are not limited to, the following:

- 1) Identification of critical processes that must be protected as a priority;
- 2) defining “red zones” (high-risk areas), which may be subject to restrictions;
- 3) segregation of risks into realized risks (those that have already impacted operations) and unrealized risks (potential threats);
- 4) temporary suspension of financing application processing and disbursement of loan proceeds under financing instruments territorially located in the red risk zone;
- 5) daily monitoring of risk zones and updating information on the Bank's resources;
- 6) modification of financing terms for borrowers located in the areas exposed to contingencies.

25. The Action Plan shall outline the list of involved subdivisions/authorized persons in charge of damage mitigation and prevention of risks that may cause its growth and shall set out the powers of such persons/the Bank's competent collegial body to make decisions required for the Plan implementation.

Chapter 5.

Sustainable Loan Products

26. The Bank's activities provide for the gradual introduction and development of sustainable loan products. This category of products shall include the following loan products:

- 1) Green Loan Product - a targeted loan product designed to finance projects aimed at improving the efficiency of using the existing natural resources, reducing the negative environmental impact, improving energy efficiency, energy saving, climate change mitigation or adaptation. These projects meet the national taxonomy of green projects (Decree of the Government of the Republic of Kazakhstan No. 996 dated 31 December 2021 “On Approval of the Classification (Taxonomy) of Green Projects to be Financed through Green Bonds and Green Loans”). The upper tier categories of these projects are reflected in subparagraphs 1-7, paragraph 20 of the Policy.
- 2) Transitional Loan Product - a targeted loan product that provides financing for projects aimed at improving the efficiency of using the existing natural resources, reducing the negative environmental impact, improving energy efficiency, energy saving, climate change mitigation or adaptation. These projects do not meet the national taxonomy of green projects, but contribute to achieving positive effects in the efficiency of using the existing natural resources, reduction of negative environmental impacts, improvement of energy efficiency, energy saving, climate change mitigation or adaptation. The upper tier categories of such projects are described in paragraph 27 of the Policy.
- 3) Social Loan Product - financing of projects related to development of healthcare, education, sports, culture and art facilities/systems, provision of affordable and comfortable housing and other areas. These projects meet the national taxonomy of social projects after approval of the national taxonomy for social projects, before approval of the national taxonomy for social projects - criteria for the use of funds as set out in the ICMA Social Bond Principles;
- 4) Green Economy Financing Facility (GEFF) - financing provided under the lending programme of the European Bank for Reconstruction and Development – “GEFF - Green Technology Financing Facility”;
- 5) Sustainability-Linked Loan Product - a non-targeted loan product that requires the borrower to achieve sustainability indicators as set out in the Loan Agreement terms.

27. The List of Green and/or Transitional Projects shall contain the following list of upper-tier project categories:
- 1) renewable energy (financing for the acquisition of: hydrogen production units using renewable energy; wind energy, solar energy, geothermal energy, hydro energy, and bioenergy production equipment; installation and acquisition of other launching works/services);
 - 2) energy efficiency (provision of loan proceeds for projects aimed at improving energy efficiency of existing and under-construction industrial facilities, improving energy efficiency in the budget and utility sector, energy efficient buildings, structures and facilities);
 - 3) green buildings (financing for construction of green buildings, related systems and construction materials, green infrastructure);
 - 4) pollution prevention and control (financing for projects aimed at improving air quality, soil quality);
 - 5) sustainable use of water and wastes (provision of loan proceeds for sustainable use of water and water saving, waste and wastewater, resource conservation and recovery);
 - 6) sustainable agriculture, land use, forestry, biodiversity conservation and eco-tourism;
 - 7) green transport (financing for the acquisition of green transport, low-carbon vehicles, green transport information and communication technologies);
 - 8) climate change mitigation (financing for projects aimed at reducing the greenhouse gas emissions or removing these gases from the atmosphere);
 - 9) climate change adaptation (financing for projects aimed at reducing vulnerability to real or expected climate change, while not having any negative environmental and/or social effects);
 - 10) transition to a circular economy (financing for projects that provide for a circular waste management system and production from recycled materials).
28. The corporate borrower financing conditions under the standard loan products may be supplemented with requirements to improve (relative to current values) environmental, social and/or governance non-financial parameters, targeted financing requirements or requirements to achieve sustainability indicators. These conditions shall be incorporated in the Financing Agreement in the form of a penalty or variable interest rate parameter.
- 28-1. As part of the responsible financing development in terms of consumer loans, the Bank shall issue loans for the purchase of “clean” transport, financing of construction and purchase of “green” buildings.
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Chapter 6.

Management Reporting on Sustainable Financing

29. To assess the Bank's activities and progress achieved in implementing the sustainable finance principles, the Bank shall control and monitor its loan portfolio and prepare management reports that provide for the results of asset classification by E&S risk levels.
30. The list of indicators included in the management reporting on sustainable finance shall provide for disclosure of information in accordance with the Agency's requirements as set out in the Environmental, Social and Governance (ESG) Disclosure Guidelines for Banks and Other Financial Institutions, and subject to the international non-financial reporting standards (Global Reporting Initiative) as approved by the Order of the Agency Chairman No. 291 dated 28.04.2023.
31. The Sustainable Development Committee shall determine:
- the list of indicators included in the management reporting on sustainable financing, the format and frequency of their submission to the Board of Directors, subject to the sustainable finance practice implementation stage in the Bank;
 - the Bank subdivisions responsible for provision of information to prepare the management reporting.

32. The Bank's subdivision in charge of sustainable development shall summarize indicators of the management reporting on sustainable financing to be further submitted to the Sustainable Development Committee and the Board of Directors.

33. The Board of Directors and the Sustainable Development Committee shall review the management reporting on sustainable financing and, based on the review results, may take decisions related to ensuring improved efficiency of implementation of the responsible financing principles.

Chapter 7.

Final Provisions

34. The provisions of this Policy may be set out in details in the Bank's internal regulatory documents, subject to the scope of activities and responsibilities of subdivisions.

35. All Bank employees shall be liable for failure to implement/improper implementation of provisions of this Policy when preparing and approving the internal regulatory documents, developing and introducing processes, exchanging information and other types of communications, when planning and carrying out activities governed by this Policy.

36. The type of disciplinary penalty for failure to implement/improper implementation of provisions of this Policy shall be determined in accordance with the laws of the Republic of Kazakhstan and internal regulatory documents of the Bank.

37. The Management Board shall be charged with control over fulfillment of the requirements established by the Policy.

38. The Bank shall improve this Policy subject to changes in legislation and emergence of new sustainability standards in the international and domestic practice, and subject to development of the Bank's sustainable development practices.

39. The Policy shall be approved by the Bank's Board of Directors.

40. Any matters not covered by this Policy shall be settled in accordance with the laws of the Republic of Kazakhstan, the Bank's Articles of Association, internal regulatory documents, and decisions of the Bank's bodies and officials made in accordance with the established procedure within their competence.

41. The Policy shall be revised at least once in three years.

Annex 1. Non-Financing Activity List

Exclusion List*

№	Sector/Type of Activity
1	<p>Production or trade of any product or activity considered illegal under the laws of the Republic of Kazakhstan, or international conventions and treaties, or banned internationally, such as pharmaceuticals, pesticides, herbicides, ozone-depleting substances, polychlorinated biphenyls, wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).</p> <p>UN List of Banned Chemicals and Products: http://www.un.org/esa/coordination/Consolidated.list-13FinalFinal.pdf</p> <p>CITES List of Endangered Species: http://www.cites.org/eng/app/E-Apr27.pdf</p>
2	<p>Transboundary movement of waste if fails to comply with the Basel Convention and its underlying regulations.</p>

3	Activities threatening the UNESCO-listed World Heritage Site
4	Illegal logging and timber harvesting or land conversion to use as cropland or pastureland; production or trade in timber or other forest products, except for sustainable forestry .
5	Production or activities involving harmful or forced labor or child labor .
6	1) Manufacture or trade of weapons and military equipment 2) Production of tobacco products in the absence of appropriate permits and licenses as required under the laws of the Republic of Kazakhstan 3) Production and distribution of racist and/or Neo-Nazi media 4) Gambling business, gambling, casino or similar enterprises in the absence of appropriate permits and licenses as required under the laws of the Republic of Kazakhstan 5) Pornography (goods or stores) 6) Production of alcoholic beverages in the absence of appropriate permits and licenses as required under the laws of the Republic of Kazakhstan.
7	Production or activities adversely affecting lands owned or judicially claimed by the local community without the full documented consent of the local community.
8	Manufacture or trade of unbonded asbestos fibers; this is not applicable to the purchase and use of bonded asbestos cement sheets containing at least 20% of asbestos.
9	Production or trade of radioactive materials in the absence of appropriate permits and licenses as required by the laws of the Republic of Kazakhstan. <i>This is not applicable to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is insignificant or adequately protected.</i>
10	Trade in goods without the necessary export or import licenses or other evidence of transit authorizations from the relevant countries of export, import and, if applicable, transit in the absence of appropriate permits and licenses as required by the laws of the Republic of Kazakhstan
11	Export of mercury and mercury compounds and the manufacture, export and import of a large range of mercury-added products
12	Production, trade, storage or transportation of significant volumes of hazardous chemicals (gasoline, kerosene, and other petroleum products) or use of hazardous chemicals on a commercial scale, in the absence of appropriate permits and licenses as required under the laws of the Republic of Kazakhstan.

* Additional exclusions are possible under the laws of the Republic of Kazakhstan.

Annex 2. Terms and Abbreviations

Agency means the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market.

Green infrastructure means a strategically planned network of natural sites integrated into urban and rural areas, one of the key objectives of which is to preserve biodiversity and the environment.

Green buildings mean buildings constructed or reconstructed to reduce resource consumption and minimize environmental impact both during construction and operation.

Green loans mean targeted loans designed to finance green projects.

Green projects mean projects as defined based on the approved classification (taxonomy) and aimed at improving the efficiency of using the existing natural resources, reducing the negative

environmental impact, improving energy efficiency, energy saving, climate change mitigation and adaptation.

Green finance means investments aimed at implementation of green projects and raised through such instruments as green bonds, green loans and other financial instruments determined by the authorized body for regulation, control and supervision of the financial market and financial organizations.

Climate risks mean potential risks that may arise due to climate change (physical risks) or measures to mitigate its effects (transition risks).

Due diligence means analysis of potential climate, environmental and social risks, as well as ESG factors associated with activities of the financial institution's potential customer with the view to ensure that the loan disbursement does not pose climate, environmental and social risks or other ESG factors that may constitute a potential liability or risk to the Bank.

UN means the United Nations; an international organization whose goal is to maintain and strengthen international peace and security and to promote international cooperation.

RoK means the Republic of Kazakhstan.

Transition risks mean risks associated with transition to a low-carbon economy.

Environmental and Social Risk Management System (ESMS) means a set of policies, procedures, tools, and internal resources intended to identify and manage environmental and social risks in lending to the Bank borrowers.

Social risks mean probability of losses arising from interaction with society, including customers, suppliers and other stakeholders;

Exclusion List means a list of activities not funded by financial institutions;

Carbon footprint means an amount of greenhouse gas emissions generated by a particular human or business activity.

Sustainable loan products mean loan products encouraging customers to mitigate and adopt sustainability practices.

Sustainable finance means consideration in the Bank's lending activities of environmental and social risks associated with the financed projects and customers, and establishment of adequate systems to manage such risks, as well as financing of socially and environmentally significant projects.

ESG factors mean environmental, social and governance factors affecting the Bank's profit and loss.

Physical risks mean risks associated with natural phenomena arising from climate change.

Sustainable Development Goals mean globally accepted goals aimed at ending poverty, combating inequality and injustice, protecting the planet, and ensuring peace and prosperity for all people.

Environmental risks mean risks of causing environmental damage with significant and irreversible consequences for the natural environment and (or) its individual components, or harm to human life and (or) health.

E&S risks mean environmental and social risks.

ESG (Environmental, Social, Governance) means the Bank's approaches to financing, investing and other activities, involving assessment of the following factors in decision making:

- environmental and climate factors that determine the Bank's role in protecting the environment and in the global and national climate agenda;
- social factors that determine approaches to relations with employees, suppliers, customers and society;
- corporate governance factors that reflect approaches to governance in terms of the Bank's management, executive remuneration, audit, internal control, and shareholder rights.

GRI means Sustainability Reporting Guidelines of the Global Reporting Initiative.