

**“CONFIRMED”**

**«Turonbank» JSCB Management**

**Board**

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**No. 822**

## **ECOLOGICAL AND SOCIAL RISK MANAGEMENT POLICY OF JSCB “TURONBANK”**

### **I. General Rules**

1.1 This Policy has been developed in accordance with the Housing Code of the Republic of Uzbekistan, Laws of the Republic of Uzbekistan "Nature Protection" and "Ecological Expertise", Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated December 26, 2018 No 1047 "On the formation and use of funds of centralized funds to compensate for damage caused to individuals and legal entities in connection with the seizure of land for state and public needs", a set of standards "Equator Principles" approved by the World Bank Group, as well as the Bank's internal regulations.

1.2 Environmental and Social Risk Management Policy (hereinafter referred to as the Policy) of Turonbank (hereinafter referred to as the Bank) was designed to ensure the Bank's environmental and social responsibility.

1.3 The purpose of the policy is to strive to increase potential positive environmental and social impacts, to prevent or reduce negative environmental and social impacts in the financing of subprojects, to promote the contribution of funded projects to sustainable development.

1.4 This Policy applies to the activities of the Bank and its customers.

1.5 The policy forms the basis of the environmental and social governance structure and, if necessary, can be adapted to a separate document for the needs of the Bank at the request of the International Financial Institutions (hereinafter IFI).

1.6 The Bank gives priority to the comprehensive identification, assessment and management of environmental and social risks in its activities and during the period of its activities by customers.

1.7 The bank must make every effort to prevent, minimize, reduce or

compensate the impact on the environment, people and their health through the application of available best technologies and international practices, the allocation of available financial and technological resources in the process of implementing its activities and projects financed by it

1.8 The Bank seeks to completely limit or minimize changes in the physical or economic location of the population in its activities, as well as in the financing of projects.

## **II. Bank liabilities**

2.1 In order to ensure cost-effective, sustainable and secure operations, the Bank adheres to the best international practices in environmental and social risk management.

2.2 The Bank shall take all measures, including effective system monitoring and assessment of environmental and social risk management in its activities and the activities of its clients.

2.3 The Bank adopts principles and methods in its activities, taking into account the best practices for the rational use of resources, minimization and / or prevention of financially and technologically significant environmental pollution and prevention of adverse effects on human health and the environment.

2.4 The Bank shall prevent exposure to biodiversity, take into account the development of biodiversity and support the protection and conservation of natural resources. In its activities, the Bank does not allow significant changes or disruption of the natural environment of living things.

2.5 The Bank supports the approach to protecting the health and safety of the population and its employees, strives to minimize the negative impact on employees and the population within the scope of its activities.

2.6 The Bank recognizes the right of local peoples and minorities to create, disseminate and transmit traditional cultural traditions and use them for their own development and shall support them as necessary.

2.7 The Bank seeks to prevent negative impacts on the local population in the financing of subprojects, to provide access to benefits and sustainable development potential in a way that is acceptable to this culture.

2.8 The Bank recognizes the important role of cultural and historical heritage for present and future generations and ensures the protection of cultural heritage in its financing activities. The Bank has an interest in protecting cultural and historical heritage, whether or not law protects it.

2.9 In financing projects related to the implementation of architectural, urban planning and construction activities, the Bank ensures compliance with the

rules for the preservation of real historical and cultural heritage.

### **III. Customer obligations**

3.1 Ensuring environmental and social sustainability by the Bank's customers is an important result of cooperation. The Bank seeks to ensure that customers apply environmental and social standards in order to minimize environmental and social impacts in their operations.

3.2 The Bank recommends the following to its customers:

3.2.1 To identify and assess specific and potential impacts on the environment and people using an environmental risk management system; identification and effective implementation of appropriate management methods; control over the level of this system and environmental risks;

3.2.2 The application of human resource management system and ensuring (maintaining) workers' health. This system should ensure a fair treatment of workers, creating safe and healthy working conditions for them;

3.2.3 To create safe and healthy working conditions for their employees within the health and safety management system, as well as inform, train, monitor and advise employees on occupational safety;

3.2.4 To inform, assess and prevent or minimize the negative impact of health and safety on the local population and consumers in any situation.

### **IV. Institutional aspects of the environmental and social risk management system**

4.1 Legislative bases of the state ecological policy - Laws of the Republic of Uzbekistan "On Nature Protection" dated 09.12.1992 No 754-XII and "On Ecological Expertise" dated 25.05.2000 No 73-II. They determine the legal, economic and organizational basis for the preservation of natural conditions, the rational use of natural resources.

4.2 Ecological expertise is carried out in order to determine the following:

4.3 (I) compliance of the planned economic and other activities with the environmental requirements in the pre-decision stages; (II) the level of environmental risk that the planned or ongoing economic and other activities may have on the environment and adversely affect human health; (III) adequacy and validity of the measures envisaged for the protection of the environment and the rational use of natural resources.

4.4 Strategic goals are set by the Cabinet of Ministers of the Republic of Uzbekistan. According to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated September 7, 2020 No 541 "On further improvement of the

mechanism of environmental impact assessment", the procedure for conducting the state ecological expertise was defined.

4.5 Strategic goals are aimed at ensuring the balanced development of human-nature relations, protection of ecosystems, natural complexes and important objects, guaranteeing the rights of citizens to a comfortable environment.

4.6 The state ecological policy is carried out by bodies of the State committee of the Republic of Uzbekistan on nature protection. Bodies of the State Committee for Nature Protection of the Republic of Uzbekistan (territorial departments) conducting the state ecological expertise form a single system of the state ecological expertise and are organized in the city of Tashkent and all regions of the Republic of Uzbekistan.

4.7 The Bank's environmental and social risk management policy shall be implemented by the Bank's Credit Committee after approval by the Bank's Management Board. The practical implementation of the policy is carried out by the heads of departments responsible for banking operations related to environmental and social risks.

## **V. Risk classification and screening**

5.1 The classification of a project is based on the analysis of its environmental and social risks, its impact on the environment and society, and the risks associated with its implementation.

5.2 Projects to minimize environmental and social risks are divided into 4 categories: "High Risk (HR)" projects, "Significant risk (SR)" category projects, "Medium Risk (MR)" and "Low Risk (LR)".

5.3 Risk classification is carried out in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated September 7, 2020 No 541 "On further improvement of the mechanism of environmental impact assessment".

5.4 Classification of environmental risk categories:

- Category "HR" projects are classified as high risk projects (Category I and Category II);

- "SR" category projects are classified as significant risk projects (mostly category II projects);

- Projects of category "MR" are classified as projects with a medium level of risk (national categories III and IV);

- "LR" projects are classified as having minimal or zero risk (no environmental assessment required).

5.5 The Bank may finance at its own expense and at the expense of state

funds projects of the category "HR" in the presence of the relevant conclusion of the state ecological expertise approved by the Government of the Republic of Uzbekistan. Projects of category "HR" can be financed under the line of credit IFI only if provided by the financing / loan agreement and / or if the project is approved by IFI.

5.6 The Bank may finance projects of "SR", "MR" and "LR" categories from its own and IFI funds.

5.7 The Bank finances projects that do not affect the forced relocation, ie projects of the "LR" category on the impact of the forced relocation.

5.8 In order to reduce the risk of negative impact on the environment, the Bank carries out the classification and identification procedure for each financed project.

## **VI. Organizational structure and staffing table**

6.1 The Head Bank appoints the Manager of the Bank's Environmental and Social Risks Management (hereinafter referred to as the ESRM), and the branches appoint the ESRM coordinators. At the parent bank, the functions of the ESRM Manager are delegated to the Director of the Center for Investment Coordination and Project Management. The ESRM Manager, together with the Bank's divisions, is responsible for:

- (I) To review and submit proposals for changes and additions to the Bank's Environmental and Social Risk Management Policy for consideration and approval by the Bank's Management Board;
- (II) To prepare and submit to management and other stakeholders annual reports on the Bank's Environmental and Social Risk Management Policy and the procedures developed to implement this Policy (hereinafter referred to as the Procedure);
- (III) To monitor all aspects of safeguards during project implementation.

6.2 ESRM Coordinators shall assist the ESRM Manager and ensure that:

- (I) adequate compliance with policy and procedural requirements by all divisions of the bank's branches;
- (II) to make decisions on all loans with the obligatory execution of relevant documents on environmental and social risks in accordance with policies and procedures;
- (III) adherence to appropriate forms and formats established for environmental and social risk documentation;
- (IV) documentation of the environmental and social risks considered for each borrower, their management and monitoring process, and

storage in credit documents;

- (V) to monitor the compliance of loan officers with environmental and social risk requirements by borrowers.

6.3 The ESRM Manager should work with the Bank's management to ensure that sufficient resources are available to effectively implement the policies and procedures of the environmental and social risk management system. It should be technically competent to conduct inspections and expertise and oversee the work carried out by any consultants.

6.4 The Bank periodically conducts trainings for existing and new staff who meet ESRM requirements. Qualifications of all relevant staff organize trainings / seminars on ESRM system, checklists, forms, reports and procedures, including screening of prohibited activities, classification of environmental and social risks, credit approval, preparation of ADB procedures, environmental and social compliance projects, is constantly being improved through regular inspections on record keeping and reporting.

## **VII. Procedure for review and approval of the project**

7.1 The procedure for consideration and approval of projects is carried out in accordance with national regulations and best international practices.

7.2 Risk classification is carried out on the basis of screening of financed projects in accordance with the normative legal acts of the Republic of Uzbekistan in the presence of environmental and social risks. The risk classification in the financing of the project within the lines of IFI credit is carried out in accordance with the requirements of IFI.

7.3 When a "LR" category is assigned to a project, the project is approved and funds are raised to finance it from the bank's own funds or IFI funds.

7.4 When assigning a category "SR" to the project, the Bank requires an initial environmental assessment to ensure compliance with regulations. In this case, the fundraising will take place after all relevant procedures have been completed in accordance with national regulations; when a project is financed under an IFI credit line, such a project is funded after the IFI requirements are met.

7.5 When assigning a category of "HR" to the project, the Bank will finance such a project only after obtaining all permits in accordance with the regulations of the Republic of Uzbekistan. The project can be financed only if it is provided for in the Loan / Loan Agreement and approved by the IFI.

7.6 A detailed procedure for reviewing and classifying risks is provided in Annex 1.

### **VIII. Monitoring of environmental and social risks**

8.1 Monitoring of environmental and social risks is carried out by the Bank on a regular basis in accordance with the requirements of the normative legal acts of the Republic of Uzbekistan, and, if necessary, in accordance with the requirements of the IFI.

8.2 The purpose of monitoring of environmental and social risks is to assess the current and potential environmental risks associated with the activities of the Bank's client during the operation.

8.3 Monitoring the client's compliance with environmental and social safety conditions should be provided in the loan agreement.

8.4 The monitoring process includes consideration of periodic reports on the activities of the client related to environmental and social guarantees and regular visits of the Bank's staff to the project site.

8.5 Where required, the Bank shall submit to international financial institutions periodic reports on the environmental and social performance of operations and measures taken to mitigate the overall impact of environmental and social risks..

8.6 A detailed description of the environmental and social risk management monitoring system is provided in Appendix 2.

### **IX. Complaint review mechanism**

9.1 The grievance mechanism is an effective mechanism for providing assistance and advice on the grievances of affected persons, as well as the prompt resolution of claims and grievances, if any.

9.2 The grievance redressal mechanism is based on compliance with the requirements of national legislation and the legal framework, and includes the prompt resolution of victims' complaints and the transparency of the process.

9.3 Complaints mechanism; (I) minimizing conflicts, unnecessary delays and difficulties in project implementation; (II) improving the quality and results of project activities; (III) ensuring that the rights of victims are respected; (IV) identifying and preventing unintended consequences of projects for individuals; (V) aims to provide maximum support, support and benefits for people affected by the project.

9.4 The ESRM Manager will record the following information:

a) Complaints, claims or protests from the local community, the organizations involved, setting the dates of registration, the measures taken to resolve complaints, unresolved issues and the proposed measures to address them;

b) information on disclosure of information and advice, if any, on victims, local communities, civil society groups and other stakeholders;

c) information on the issues raised during the consultations and a complete approach / methodology for solving the problems.

9.5 A schematic procedure for reviewing complaints is provided in Appendix 3.

## **X. Final rules**

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

10.2 When financing projects at its own expense and at the expense of IFI, the Bank applies relevant legal and regulatory standards and other requirements in the management of environmental and social risks.

10.3 The Bank ensures the functioning of the external information support system on environmental and social issues, through the appointment of a contact person to deal with inquiries, including the receipt and processing of complaints related to environmental and social issues.

10.4 This Policy shall enter into force on the date of its approval by the Bank's Management Board.

**Annex 1 to the Environmental and  
Social Risk Management Policy  
"Turonbank" JSCB**

**To review procedure and risk classification**

The Bank follows the following principles aimed at taking into account environmental and social risks in the course of investment activities:

1. Transparency of investment activity - Banking is carried out on the basis of transparency and openness of the investment process using the best corporate governance methods.
2. Environmental and social responsibility - The Bank finances projects that do not lead to significant deterioration of the environment, work and living conditions.
3. Refusal to finance hazardous activities - The Bank does not finance the following:
  - projects involving forced and child labor;
  - gambling;
  - production and sale of weapons and ammunition;
  - production and sale of radioactive materials, including nuclear reactors and their components;
  - activities prohibited by the legislation of the Republic of Uzbekistan or international agreements related to the protection of biological diversity, resources and cultural heritage;
  - Other activities at the discretion of the Bank's Management Board (for projects financed by the Bank's own funds) and // or international financial institutions (for projects financed through IFI credit lines).

Other activities not financed by the bank may be included in the list in accordance with the agreements concluded by the bank with IFI.

In order to minimize environmental and social risks, the projects financed by the Bank are divided into 3 categories: high risk (HR), significant risk (SR), medium risk (MR) and low risk (LR).

Classification of environmental and social risks:

1. Category "HR" projects are classified as high-risk projects (Category I and Category II);
2. Category SR projects are classified as significant risk projects (mostly Category II projects);
3. Projects of category "MR" are classified as projects with a medium level of risk (national categories III and IV);

4. Projects in the "LR" category are classified as projects with minimal or zero risk (environmental assessment is not required).

Consideration and assessment of environmental and social risks in project review consists of the following steps:

1. Review of the project for activities not financed by the Bank;
2. Categorize the project and determine the accounting procedures required to study environmental and social risks;
3. Submission of requirements to the project initiator for further procedures by the Bank for the inclusion of environmental and social risks.

In accordance with the relevant conclusion of the state environmental impact assessment approved by the Government of the Republic of Uzbekistan and the decision of the Board of the Bank, the Bank may finance projects of the "HR" category from its own funds and public funds.

The HR category project can be financed from the IFI credit line only if it is stipulated in the loan agreement and if it is approved by the IFI.

The Bank can finance projects with risk levels of categories "SR", "MR" and "LR" at the expense of own and borrowed funds of the IFI.

The Bank implements screening and categorization procedures for each funded project to minimize the risk of adverse effects on the environment.

When considering and financing a project with the bank's participation in the capital or other significant participation of the bank in the project activities, the bank acquires the right to manage the project, the next procedures for categorizing environmental factors are determined in accordance with the assigned category.

**Annex 2 to the Environmental  
and Social Risk Management  
Policy  
“Turonbank” JSCB**

**Monitoring system for environmental and social risk management**

Monitoring of the environmental and social performance of borrowers is carried out in order to assess the existing and emerging environmental and social risks associated with the activities of the borrower during the entire operation.

From the moment the transaction is approved, the Bank constantly monitors the borrower's compliance with environmental and social regulations.

Once the project is approved, environmental and social standards can be tightened, and the borrower can make changes to its operations or production processes, which can increase previously identified risks or create new environmental and social risks.

Management of emerging environmental and social risks at the operational level ensures that environmental and social risks are managed at the portfolio level.

Systematic monitoring is carried out by visiting the location of the borrower's project through the implementation of procedures to verify compliance with environmental and social requirements, including any plans and measures to address the identified deficiencies.

The frequency and scope of monitoring depends on the complexity of environmental and social issues related to the borrower's activities, and project monitoring should be conducted at least once a year from February 25 of the year following the reporting year.

The monitoring process typically involves reviewing the borrower's periodic reports on environmental and social performance and regular visits to the site;

Special attention will be paid to the following issues:

- Evaluate the implementation of any mitigation measures identified in the remedial action plan;
- monitoring the availability of existing permits or licenses related to the environmental and social aspects of the project;
- any fines and sanctions for non-compliance with environmental and social standards and regulations;
- Recent reports from the relevant regulatory or supervisory authority confirming compliance with certain laws, including emission measurements, that the waste is within acceptable limits;

- environmental and social events, including accidents or incidents, such as worker injuries and spills, etc .;
- Focus media attention on environmental and social issues affecting the borrower;
- Any complaints of stakeholders against the borrower.

If the Bank staff identifies environmental and / or social problems, for example, if the borrower does not follow the environmental and social rules, they should interact with the borrower and resolve them within a certain period of time. Depending on the complexity of the environmental and social issues associated with the project, the Bank's staff may require the development of a new corrective action plan and / or periodic reports on environmental and social indicators during the operation.

The frequency of reporting should be determined by transactions and by the results of the borrower's self-monitoring or monitoring by independent third parties and / or regulatory authorities.

**Annex 3 to the policy of  
environmental and social risk  
management of JSCB  
"Turonbank"**

**Schematic layout of the grievance redress mechanism**

<b>Step 1</b>	<b>Receipt and registration of the complaint</b>	The complaint is sent to the legal department of the Bank during the working day
<b>Step 2</b>	<b>Determining compliance</b>	<p>First, the applicant's eligibility is determined. If the complaint is invalid, the legal department shall notify the complainant of the invalidity of the complaint within 1 working day after receipt of the complaint.</p> <p>If the applicant's complaint is relevant, the Legal Service Department will send the application to the Chairman or Deputy Chairman of the Board within 1 working day for consideration..</p>
<b>Step 3</b>	<b>Application review and evaluation</b>	<p>The complaint review process usually takes 3 days.</p> <p>If a detailed investigation of the complaint is required, the period for consideration of the complaint may be up to 30 days. In this case, a notice of the estimated period of not more than 30 days will be sent to the applicant's address within 3 days.</p> <p>Visits to more study locations, interviews, meetings with complainants, as well as meetings with other individuals whose opinions may be helpful in resolving the complaint may be arranged.</p>
<b>Step 4</b>	<b>Informing and monitoring applicants</b>	<p>After the decision on the complaint, not later than 1 working day, the decision will be sent to the applicant.</p> <p>The structural unit of the Bank, which received the application, monitors the decisions and prepares a report.</p>

*Information about the complainants will be kept confidential if they indicate this in the application. The confidentiality of information about the complainants' representatives is not ensured. Anonymous complaints will not be accepted.*