

**REPORT
ABOUT OPERATION OF THE ENVIRONMENTAL AND SOCIAL RISK
MANAGEMENT SYSTEM**

(submitted to the SB/BB by the Risk Department)

Name of the Bank's subdivision	Integrated risk management JSCB "Turon Bank"	
Filled out by (name):	Kresov Anatoly Vladimirovich	
Job title	General manager	Date: 10/11/2023

Period covered in the report:	
From: 03.01.2023	Up to: 09.31.2023

BASIC TERMS AND DEFINITIONS

ESRMS	Environmental and social risk management system
ESRMM	Environmental and Social Risk Management Manager
E&S	Environmental and social
SB	Supervisory Board
BB	Bank Board
LRA	Local regulatory act

1. Environmental and social risk management system

Work completed and plans for the next reporting period:

No.	Name	Description	Note
1. Brief description, implementation and status of ESRMS			
1.1	Components	Policy and Regulations	“Policy for E&S Risk Management” was approved by the National Assembly on August 8, 2023, Minutes No. K-37. The development of the Regulations on ESRMS is at the final stage.
1.2	Scope of application	Active bank operations	
1.3	Applicable E&S requirements	National and international legislation, IFC and EBRD performance standards, etc.	
1.4	Restrictions	List of exceptions	
1.5	WITHtattoo	Development and testing phase	
1.6	Resources	One manager in the DR	
2. Information on the work done within the framework of ESRMS			
2.1	Number of E&S assessments completed (by category and number of projects involving external consultants)	At present, the risk assessment process has not yet been automated; conclusions on the E&S part are drawn up for projects upon signing the protocol of the credit committee. During the reporting period, 69 assessments were carried out. For five projects, assessments were carried out on site.	

2.2	Number of visits within the framework of E&S monitoring by the ESRM Manager	Monitoring of E&S risks began in August 2023 and in August and September 11 visits were made to 5 branches (Samarkand, Karakalpakstan, Khorezm, Mirobod and Mirzo-Ulugbek).	
2.3	Number of trainings conducted by ESRM manager for staff	As part of the ongoing transformation of the bank, with the help of IFC consultants, two trainings were conducted on the topic of E&S risk management, one for members of the Supervisory Board and the Board, the second for heads of bank departments.	
3. Activities of the DR to ensure the effectiveness of the ESRMS			
3.1	Brief description of activities (for example, developing guidance documents, instructions, conducting consultations/surveys for client managers/underwriters), visiting branches, jointly visiting Clients with client managers to train them in collecting the necessary information	<p>- in the reporting period, a staff position was opened in the RD for an E&S risk management manager.</p> <p>- the “Plan for the development and implementation of ESRMS” was developed and approved by the Board.</p> <p>The ESRM Policy and Regulations were developed and agreed upon with IFC consultants. Currently, the “E&S Risk Management Policy” was approved by the National Assembly on August 8, 2023, Minutes K-37. The development of the Regulations on ESRMS is at the final stage.</p>	
3.2	Internal audit results, etc.	No audit conducted	
4. Main problems in the work of ESRMS / Plans for improvement/improvement of ESRMS			
4.1.	Difficulties	<i>Describe the difficulties and possible risks.</i> The main difficulty currently is the lack of organizational capacity (additional staff). During the reporting period, candidates were selected and analyzed. The candidate (leading sociologist) has been identified and the registration process is underway.	
4.2.	Next steps and plans	Introduction of ESRM System tools into the bank’s lending process (automation in Colvir and KFO). Conducting training for BSC employees and for large clients.	

2. Information about the loan portfolio for the reporting period

A. Bank portfolio by business area

Business - direction	Amount (in thousand soums)	Number of clients
Corporate segment	Currently, the bank has not yet carried out portfolio segmentation by business areas, but this work is planned.	
SME		
Uncategorized (individuals, etc.)		

B. Presence of clients on the exclusion list in the portfolio and future plans

No.	Name	Volume	Term
	The list of exceptions as an annex to the Policy has been approved.	There are no projects from the exclusion list in the portfolio and such projects were not assessed during the reporting period.	

C. Review of the bank's loan portfolio in terms of environmental and social risks (on 01.10.2023 of the year)

By international categorization					
No.		Sum (in thousand soums)	Percentage of total portfolio by amount	Amount of credits	Percentage of total portfolio by number
1	General portfolio	10 649 868 818	100%	73 365	100%
2	Category A (high risk)	906 589 127	8.51%	7	0.01%
3	Category B (high/medium risk)	5 525 879 047	51.89%	1986	2.71%
4	Category C (low risk)	1 714 507 766	16.10%	1007	1.37%
5	not subject to categorization	2 502 892 878	23.50%	70 365	95.91%
By national categorization					
No.		Sum (in thousand soums)	Percentage of total portfolio by amount	Amount of credits	Percentage of total portfolio by number
1	General portfolio	10 649 868 818	100%	73 365	100%
2	Category 1 (high risk)	766 519 816	7.20%	1	0.00
3	Category 2 (medium risk)	2 743 245 460	25.76%	127	0.17%
4	Category 3 (low risk)	3 998 299 880	37.54%	2726	3.72%
5	Category 4 (no risk)	641 909 178	6.03%	1171	1.60%
6	not subject to categorization	2 499 894 484	23.47%	69 340	94.51%

3. Category A projects

No.	Project name	The most significant E&S risks	Number of events on ESRM	Involvement of external experts
1	JV LLC MODERN METALL	- air pollution - waste generation - possible complaints from the population	The measures prescribed in the State Environmental Expertise Conclusion are sufficient.	No external experts were required
2	JSC "O'ZBEKGIDROENERGO"	The risk of forced relocation or economic	The measures prescribed in the State Environmental Expertise Conclusion are sufficient.	No external experts were required

4. Significant ES incidents or project-related incidents

During the reporting period, there were no accidents or incidents related to the ESRM.

5. Information about complaints received (including through the established complaint review mechanism for interested parties)

No.	Project name	The essence of the statement	Events held
1	There were no complaints received during the reporting period		
2			

6. Disclosure Information

No.	Information	Source of information disclosure	Note/additional information
1	On the official website of the bank there is a section "E&S Risk Management System", which contains 8 subsections. At the end of the reporting period, access was received from the site developers to fill out and enter the necessary information, and information in Russian has already been entered. Information in English and Uzbek is being prepared for publication.	Bank website	
2			

Executive:



Kresov A.V.