Sustainable Financing Policy of Eldik Bank OJSC

Sustainable Financing Policy of Eldik Bank OJSC

Content

I. General Provisions

1.1. This Sustainable Financing Policy of Eldik Bank OJSC (Sustainable Finance Framework) (hereinafter referred to as the Policy) defines the principles, approaches, criteria and procedures for the application of sustainable financing instruments of Eldik Bank OJSC (hereinafter referred to as the Bank), including the use of funds from green bonds, social bonds and (or) sustainable development bonds, loans and other financial instruments (hereinafter referred to as Sustainable Financing Instruments), as well as the process of evaluating and selecting projects, managing raised funds, monitoring, and reporting.

1.2. This Policy has been developed taking into account the applicable legislation of the Kyrgyz Republic, regulatory legal acts of the National Bank of the Kyrgyz Republic, internal regulatory documents of the Bank, as well as international principles and recommendations in the field of sustainable finance, including the principles and guidelines of the International Capital Markets Association (ICMA): Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), as well as international credit market principles: Green Loan Principles (GLP) and Social Loan Principles (SLP). Following the approval and entry into force of the Green Taxonomy of the Kyrgyz Republic (hereinafter referred to as the Green Taxonomy of the Kyrgyz Republic), the Bank applies its requirements when evaluating and selecting projects within the framework of this Policy.

1.3. When issuing Sustainable Financing Instruments and using the proceeds from them, the Bank, among other things, relies on its mission, the Strategic Development Plan of the Bank, the Sustainable Development Policy of Eldik Bank OJSC, and the Principles of the UN Global Compact.

1.4. This Policy is applied in conjunction with the Sustainable Development Policy of Eldik Bank OJSC, the Environmental and Social Policy of Eldik Bank OJSC, the Methodology for organizing the Environmental and Social Risk Management System at Eldik Bank OJSC, as well as other internal regulatory documents of the Bank.

1.5. This Policy is intended to ensure transparency in the Bank's investment raising through Sustainable Finance Instruments.

1.6. In accordance with this Policy, the Bank applies green, social and sustainable financing instruments, as well as other sustainable financing instruments in accordance with the legislation of the Kyrgyz

Republic, the internal regulatory documents of the Bank and the requirements of international financial organizations/donors:

1) green financing instruments – loans and bonds, the proceeds of which are used exclusively to finance the implementation of green projects, as described in Table 1;
2) social financing instruments – loans and bonds, the proceeds from which are directed exclusively to the financing of social projects, as described in Table 1;
3) sustainable development financing instruments – loans and bonds, the proceeds of which are used to finance green and social projects, as described in Table 1.

1.7. The Bank may use other sustainable finance methods and instruments in accordance with this Policy, as well as the Green Bond Principles (GBP), the Social Bond Principles (SBP), the Sustainable Bond Guidelines (SBG), the Green Loan Principles (GLP), and the Social Credit Principles (SLP). The Bank views the application of these principles as the basis for ensuring that the Bank's activities comply with international best practice and achieve its sustainable finance goals. 1

1.8. The owner of this Policy is the Sustainable Development Department (ESG), which provides methodological support for the application of the Policy and updates approaches, criteria, and requirements in the field of sustainable finance. Amendments and additions to this Policy are subject to mandatory approval by the Investment Promotion Department, credit divisions, and other interested structural divisions of the Bank within their competence.

1.9. The provisions of this Policy must be observed by all employees of the Bank insofar as they affect core activities and interaction with stakeholders and counterparties, the development of internal documents of the Bank and the dissemination of information.

II. Terms and definitions

1. Green project - an investment project (financing instrument) that meets the established categories and criteria, providing for activities aimed at implementing increased efficiency in the use of existing natural resources, reducing the level of negative impact on the environment, increasing energy efficiency, energy conservation, mitigating the effects of climate change and adapting to climate change, in accordance with this Policy and the environmental legislation of the Kyrgyz Republic;
2. Green bonds are a debt financial instrument in the form of a bond to raise funds for the purpose of financing or refinancing (in full or in part) new and/or existing green projects;
3. Green loans/credits – loans and credits directed exclusively to the financing or refinancing (in full or in part) of new and/or existing green projects;
4. Social project – a project that meets the categories and criteria of this Policy and provides for, among the measures for its implementation: mitigation of a specific social problem and/or achievement of positive social results, especially for the target group of the population, in accordance with this Policy and the Social Bond Principles of the International Capital Markets Association and the Social Credit Principles of the Association of Syndicated Lending and Secondary Credit Market (Loan Syndications and Trading Association (LSTA)
5. Social bonds are bonds, the proceeds from the placement of which will be used to finance (refinance) partially or completely new and (or) existing social projects;
6. Social loans/credits are targeted loans provided exclusively for financing (refinancing), in whole or in part, new and/or existing social projects;
7. Sustainability bonds bonds) – bonds, the proceeds from the placement of which will be used to finance (refinance) partially or completely new and (or) existing green and social projects;
8. Sustainable bonds (sustainable bonds) – a broad group of debt instruments that includes green, social bonds, and sustainability bonds bonds), bonds linked to sustainable development (sustainability-linked, ESG- linked, SDG- linked);
9. The International Capital Markets Association is an international self-regulatory organization and trade association for the international financial market, one of whose priority areas of work is the development of the sustainable bond market;

10. The Green Bond Principles (GBP) and the Green Lending Principles (GLP) are voluntary international standards whose main objectives are to enhance transparency and disclosure and to promote uniformity in the development of the green bond and green loan markets and green financial instruments such as green loans by clarifying the approach to the issuance of such financial instruments;
11. The Social Bond Principles (SBP) and the Social Credit Principles (SLP) are voluntary international standards whose main objectives are to enhance transparency and disclosure and to encourage uniformity in the development of the market for social bonds and social instruments such as social credits by clarifying the approach to the issuance of such financial instruments;
12. The Sustainability Bond Guidelines (SBG) are voluntary international standards whose main objectives are to enhance transparency and disclosure and to encourage uniformity in the development of the sustainable bond market by clarifying the approach to issuing such bonds;
13. Second party opinion (independent opinion of the consultant) (Second party opinion) – an assessment of the compliance of the issuer's Policy in the field of sustainable financing instruments with recognized international principles, such as GBP, ICMA, prepared by consultants with expertise in the specific industry in which the issuer's project is planned to be implemented;
14. Verification is the confirmation (in the form of an assurance report as part of assurance engagements) of the issuer's policies and processes in the field of sustainable finance instruments against an established set of criteria, including internationally recognized principles and standards. This form of assurance is carried out by audit firms and/or companies recognized as verifiers by the Climate Bonds Initiative (CBI) or accredited by the relevant regulatory authorities in the field of sustainable finance;
15. Certification is the recognition of a green bond issue according to an established standard by an authorized organization or standard developer in a certification format. In accordance with the requirements of the Climate Bonds Initiative (CBI), to obtain CBI certification, an issuer must obtain a compliance statement prepared by CBI-accredited verifiers and submit an application to the CBI for certification. CBI standards are the only standard available in the market aligned with the goals of the Paris Agreement. Verification confirms that the use of proceeds from the green bond issue is consistent with the CBI standard and industry criteria.
16. Rating (rating / evaluation) - rating agencies, which are based on the principles of green bonds, assign a rating according to their methodologies;
17. The UN Sustainable Development Goals (SDGs) are 17 goals and 169 targets adopted as part of the 2030 Agenda for Sustainable Development and aimed at ending poverty, preserving the planet's resources, and ensuring well-being for all. Each country, including the Kyrgyz Republic, has set a target to achieve all SDGs. The Kyrgyz Republic, in accordance with a previously submitted application, submitted the first National Voluntary Review on the implementation of the SDGs in the Kyrgyz Republic on July 16, 2020.
18. CO2 e – CO2 equivalent, an emission factor that includes the contribution of CO2 emissions as well as CH4 and N2O.
19. BREEAM – Building Research Establishment Environmental Assessment Method. The first building certification system, developed in the UK in 1990. The methodology involves assessment across several criteria, including health and well-being, energy, transport, water, materials, waste, land use and ecology, pollution, innovation, and governance. The standard allows for assessment to take into account local legislation and regulations, climatic conditions, and the nature of the building's use.
20. EDGE – Excellence in Design for Greater Efficiencies. Certification of real estate projects according to the EDGE standard was proposed by the World Bank Group. This methodology is primarily intended for developing countries that lack the capacity to invest significantly in green building development. It provides access to green financing for eco-projects and various financial incentives. The standard's key areas include water and energy conservation and carbon footprint reduction.
21. LEED – Leadership in Energy and Environmental Design. An American standard developed in 1998. The list of evaluation criteria includes design integrity, public transportation accessibility, sustainable development, water and energy efficiency, materials and finishes, indoor air quality, and the use of innovation and new strategies. A strong emphasis is placed on energy efficiency.
22. DGNB - Deutsche Gesellschaft für Nachhaltiges Bauen. This method, developed in Germany, utilizes six groups of criteria: environmental, economic, sociocultural and functional, technological,

operational, and location. DGNB places significant emphasis on design that considers the entire life cycle of a building and economic aspects such as sustainability of operating costs and the stability of the property's value over the long term.

23. ESG – environmental, social and governance factors taken into account by the Bank when implementing sustainable development principles, risk management, product development and information disclosure.
24. The authorized body of the Bank is the management body, collegial body or official of the Bank, vested in accordance with the internal regulatory documents of the Bank with the authority to consider and make decisions on financing matters, including the Board of Directors, the Management Board, credit committees, financing committees and other authorized bodies and officials of the Bank.

III. Review of the Bank's activities and commitment to sustainable development

3.1. The bank supports the principles of sustainable development and implements environmental initiatives in its operations. The bank was the first in the Kyrgyz Republic to join the UN Global Compact (United Nationals Global Compact), declaring its commitment to align its activities and strategies with ten universally recognized principles in the areas of human rights, labor, environment and anti-corruption.

3.2. The Bank is taking measures to support the SDGs. The Bank's SDG priorities, as well as approaches to integrating them into the Bank's operations, are defined in Eldik Bank's Sustainable Development Policy.

3.3. The Bank is working to implement the SDGs through the development and implementation of projects aimed at minimizing CO2, building renewable energy sources, implementing programs to ensure food security, preserving the country's water resources, supporting waste recycling enterprises, and much more.

3.4. The Bank implements internal environmental initiatives aimed at reducing the negative impact of its own operating activities on the environment.

3.5. The Bank is developing cooperation with the Green Climate Fund, including as an accredited direct access institution, to attract climate finance and implement projects to mitigate and adapt to the effects of climate change.

3.6. The Bank develops cooperation with international organizations whose activities are related to the implementation of projects aimed at reducing (mitigating) the impact of and adapting to the consequences of global climate change.

3.7. In order to implement part of the Bank's strategy aimed at the sustainable development of an effective system for managing environmental and social risks, reducing the negative environmental and social impact of the Bank's and its clients' activities on the environment, and maintaining gender equality in the selection of employees and customer service, the Bank has adopted the Environmental and Social Policy of Eldik Bank OJSC.

3.8. The Bank's Environmental and Social Policy defines priorities, standards, principles, and methodology aimed at managing the impact of the Bank's activities and the Bank's clients on the environment, public health, and safety.

3.9. The Environmental and Social Policy is applied in conjunction with this Policy and regulates issues of development of the environmental and social risk management system, application of the list of excluded activities, environmental and social management, as well as other aspects related to responsible financing and sustainable development of the Bank.

3.10. In accordance with its Environmental and Social Policy, the Bank defines green finance as financing projects aimed at reducing harmful environmental impacts, mitigating the impacts of, and adapting to the consequences of global climate change. Projects considered by the Bank for green finance must focus on:
- comparative positive environmental effect;
- implementation of energy-efficient technologies;
- use of renewable energy sources;
- more efficient use of natural resources (resource efficiency);
- reduction of harmful emissions into the environment.

3.11. The Bank is developing various ways to support projects and initiatives designed to generate significant environmental and social benefits. This support is available through:
- the creation of more favorable flexible lending conditions that allow the Bank's clients to more effectively address environmental and social issues;
- funding pilot projects to explore opportunities for new business opportunities designed to generate significant environmental or social benefits.

3.12. In order to implement the Environmental and Social Policy, the Bank is developing a system for managing environmental and social risks in lending, within the framework of which a preliminary analysis of the activities of borrowers is carried out, an assessment and classification (categorization) according to the degree of environmental and social impact of their activities on the environment, the preparation of recommendations for reducing harmful impacts and periodic monitoring of the implementation of agreed measures, the environmental and social status of the financed project.

3.13. Credit projects financed by the Bank undergo a mandatory preliminary environmental and social assessment in order to make a decision on the possibility of lending not only based on financial feasibility, but also taking into account environmental and social factors.

3.14. In 2024, the Bank's Board of Directors approved the "Sustainable Development Policy of Eldik Bank OJSC." According to this policy, the Bank is interested in contributing to the development of a low-carbon economy through the development of green financing instruments, including the provision of green loans and the issuance of green bonds, and the promotion of sustainable banking products. The Bank is also interested in expanding its participation in government economic support programs aimed at expanding green and social lending.

3.15. The Bank has a range of green and gender products developed as part of the Bank's transition to environmental, social and governance (ESG) principles, including for the development of sustainable finance.

3.16. For every transaction using sustainable finance instruments, the Bank commits to adhere to the following key elements of the Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), Green Credit Principles (GLP) and Social Credit Principles (SLP):
- Use of funds;
- Project evaluation and selection process;
- Funds management;
- Reporting.

Key elements of the application of Sustainable Finance Instruments

3.17. Use of funds

100% of the funds from each transaction using the Bank's Sustainable Finance Instruments are used exclusively for financing and/or refinancing (in part or in full) the implementation of eligible green and/or social projects in accordance with the criteria below.

3.18. In this Policy, the Bank defines the following categories of eligible green projects eligible for financing and/or refinancing using funds received from Green Financing Instruments in accordance with Table 1 and categories of eligible social projects eligible for financing and/or refinancing using funds received from social financing instruments in accordance with Table 2, but is not limited to these lists.

Table 1. Categories of eligible green projects

Relevant categories green projects	Description and criteria	UN Sustainable Development Goal
1. Renewable sources energy	Financing related to the construction, development, acquisition, maintenance and operation of renewable energy sources, including:	Sustainable Development Goal 7:

	• Solar energy, wind energy and biomass energy from waste, hydropower (small hydroelectric power plants up to 25 MW inclusive) • Geothermal energy and hydropower with a capacity from 25 MW to 100 MW inclusive - *the specific capacity of the facility (the ratio of the nominal capacity to the surface area of the reservoir) > 10 B t/m2.* • Supply chain and supporting infrastructure for renewable energy (including energy storage systems, pumped storage plants) To obtain energy from waste biomass, biofuels must be obtained from sustainable feedstocks (e.g. wood can only be represented by wood waste; feedstocks obtained from lands with high levels of biodiversity and/or high carbon stocks are excluded). As for the infrastructure for transmission and distribution of energy from renewable sources, renewable energy production facilities can be connected to it.	Affordable and Clean Energy	
2. Energy efficiency	Financing related to investments in the rational use of energy and resources, or in technical modernization that ensures the reduction of greenhouse gas emissions, including: • Increasing energy efficiency in various sectors, including: - energy-saving modernization of heating systems, including the installation of heat pumps for heating and cooling systems; - insulation of external walls, roofs and floors of buildings, houses and apartments; - purchase of refrigeration and freezing equipment (energy efficiency class "A++" and higher) - installation of energy-efficient lighting (LED lamps, sensors, automation), etc. - installation of split -system air conditioners (energy efficiency class "A++" and higher) - purchasing energy-efficient windows, glazing loggias and balconies - construction of private houses using energy-efficient and energy-saving technologies - purchasing real estate produced with a high energy efficiency rating (label) - the EBRD Green Technology Selector online platform for Kyrgyzstan - https://www.techselector.com/kyrgyzrepublic-en/. • The use of alternative energy sources, fuel replacement, providing a significant reduction in greenhouse gases, in particular, the conversion of fuel from coal to gas for heating homes (gasification), electrification. With regard to rational energy consumption in energy	Sustainable Development Goal 9: Industry, Innovation and Infrastructure	

	transmission and distribution networks, the minimum reduction in electricity losses is 10% compared to the baseline level.	
3. Pollution prevention and environmental protection	Financing related to investments in technologies and related services to create a sustainable environment by reducing environmental pollution, including: • Elimination or significant mitigation of environmental pollution in water, air and soil by biological, physical and chemical methods • Waste prevention, waste reduction, waste recycling	Sustainable Development Goal 12: Responsible Consumption and Production
4. Environmentally friendly transport	Financing related to the development, construction, acquisition, operation, maintenance and modernization of zero- and low-carbon transport assets: - Zero-carbon transport: Investments in zero-carbon passenger and freight vehicles such as electric vehicles, hydrogen cars, trains, etc. - Low carbon transport: - Investments in low-carbon passenger vehicles/ purchase of electric, hydrogen and hybrid (petrol/diesel/biofuel + electric motor) vehicles, or the transition of public transport from petrol/diesel fuel to gas or biofuel with an exhaust emission intensity of maximum 50 g CO2 /passenger-km until 2026 (from 2027 only vehicles with a direct emission intensity of 0 g are allowed) CO 2 / passenger-km) - Investments in infrastructure to support the use of zero- and low-carbon vehicles (investments in the construction of a biofuel station, charging station for electric vehicles, trolleybuses, electric buses and related infrastructure). Investments in mass transit infrastructure (train/metro network expansion, capacity-boosting projects, station modernization, digitalization of public transport management, and the implementation of smart transport systems). For the avoidance of doubt, no more than 25% of freight traffic of any zero/ low-carbon freight vehicles or rolling stock will be fossil fuel-based. Transport infrastructure intended For storage fossil fuel, not taken into account.	Goal 11: Sustainable Cities and Communities
5. Adaptation to the adverse effects of climate change	Measures to create more climate-resilient infrastructure (including climate observation systems, early warning systems, etc.)	Sustainable Development Goal 13: Climate Action
6. Eco-efficient and/or adaptive circular economy products, production	Development, production and implementation of environmentally friendly, reusable products, technologies and services (including eco-labeling, eco-packaging, certification, etc.)	Sustainable Development Goal 12: Responsible

technologies and processes	Sorting, collection, transportation and processing of solid waste/raw materials; composting of waste to produce biofertilizers.	Consumption and Production
7. Sustainable management of natural resources and land use	Financing related to the acquisition, maintenance and sustainable management of natural resources such as land, air, minerals, forests, wildlife, including: • Sustainable forestry, including afforestation or reforestation, is the creation of forest plantations, with full long-term care for the created forest stands on forest fund lands, the creation of green areas around populated areas, and the preservation or restoration of natural landscapes. Sustainable farming, climate-smart agriculture and sustainable livestock production: • Development and acquisition of water-saving technologies and irrigation systems (drip irrigation, mobile systems, sprinkling, hydroponic irrigation, irrigation using water pipes); • Production certified organic products; • Production of certified organic products, including organic fertilizers and vermicompost, which improve and enhance the health of the soil and increase land fertility; • Greenhouse modernization (e.g. with water recycling, use of renewable energy sources, reduction of energy consumption or greenhouse gas emissions by at least 20%)	Sustainable Development Goal Goal 15: Life on Land
8. Sustainable water and wastewater management	Financing related to the development, construction, acquisition, installation, operation and modernization of sustainable water management projects, including: • Investing in technologies to reduce overall water demand in water-stressed regions • Sustainable infrastructure for clean water; wastewater treatment Other water-related projects (e.g. freshwater infrastructure, wastewater infrastructure, rainwater or snowmelt harvesting systems, water recycling systems)	Sustainable Development Goal 6: Clean Water and Sanitation
9. Greens buildings	Projects aimed at constructing environmentally friendly and energy-efficient buildings that meet regional, national or internationally recognized green building standards or certifications (LEED, EDGE, BREEAM, DGNB, etc.) or the highest energy efficiency class	Sustainable Development Goal 11: Sustainable Cities and Communities

Table 2. Categories of acceptable social projects

Relevant categories of social projects	Description and criteria	Target audience	UN Sustainable Development Goal
1. Access to socially significant services	Financing projects related to the provision and development of healthcare, education, vocational training and financial services.	Rural areas, places where services are not yet easily accessible	Sustainable Development Goal 3: Good health and well-being Sustainable Development Goal 4: Quality Education Sustainable Development Goal 10: Reduced Inequalities
2. Accessible basic infrastructure	Financing projects related to the creation and development of infrastructure related to transport, access to clean drinking water, sewerage, sanitation and energy.	Low-income, vulnerable groups, low-income individuals	Sustainable Development Goal 11: Sustainable Cities and Communities Sustainable Development Goal 6: Clean Water and Sanitation
3. Job creation	Financing programs aimed at preventing and/or reducing unemployment caused by socio-economic crises.	Unemployed people	Sustainable Development Goal 8: Decent Work and Economic Growth
4. Food security and sustainable food systems	Funding projects that ensure physical, social and economic access to safe, nutritious and sufficient food that meets dietary needs and requirements; sustainable agricultural practices; reduction of food loss and waste; and increased productivity of small-scale producers.	Low-income, vulnerable groups, low-income individuals	Sustainable Development Goal 2: Zero Hunger
5. Socioeconomic development and empowerment	Funding local initiatives with positive social, environmental and business impact.	Low-income, poorly educated, people with disabilities	Sustainable Development Goal 5: Gender Equality

3.19. The above categories of green and social projects acceptable to the Bank for the placement of funds, including those raised through the issuance of green and social bonds, are not exhaustive or definitive. Project categories may be modified and expanded as the Bank's internal regulations governing the financing of sustainable development projects change.

3.20. The Bank does not finance activities specified in the List of Exclusions established by the Environmental and Social Policy of Eldik Bank OJSC. This List is applied within the framework of project selection, lending, and environmental and social risk management processes. In the event of discrepancies, the List of Exclusions established by the Environmental and Social Policy of Eldik Bank OJSC applies.

3.21. Similarly, if the Green Taxonomy and/or Social Taxonomy of the Kyrgyz Republic are adopted, the assessment and selection of projects must comply not only with the criteria set out in Table 1 of this Policy, but also with the Green and/or Social Taxonomy for the relevant or adjacent project categories and sectors. If projects assessed by the Bank fall into subsectors of the Green Taxonomy of the Kyrgyz Republic that are excluded from financing through the Bank's Sustainable Finance Instruments, as noted above, or if the emission intensity or energy efficiency thresholds specified in Table 1 are more stringent than those in the Green Taxonomy of the Kyrgyz Republic, the criteria set out in Table 1 will take precedence.

3.22. Project evaluation and selection process

The process of evaluation and selection of green and social projects is carried out in accordance with the legislation of the Kyrgyz Republic, regulatory legal acts of the National Bank of the Kyrgyz Republic, internal regulatory documents of the Bank governing the procedure for reviewing, financing, monitoring and implementing projects, this Policy, the Environmental and Social Policy of Eldik Bank OJSC, the Methodology for organizing the Environmental and Social Risk Management System in Eldik Bank OJSC, as well as the Green Taxonomy of the Kyrgyz Republic.

3.23. In case of attracting financing from the State Development Bank of the Kyrgyz Republic, the European Bank for Reconstruction and Development and other sources of financing, the criteria and requirements of the relevant source of financing are additionally applied, including the Green Taxonomy of the State Development Bank of the Kyrgyz Republic and the Green Technology Selector of the European Bank for Reconstruction and Development, if their application is provided for by the terms of financing.

3.24. Where there are differences between the criteria for eligible green projects set out in Table 1 of this Policy, the Green Taxonomy of the Kyrgyz Republic and the applicable requirements of the funding source, the more stringent criteria shall apply, unless otherwise provided by the legislation of the Kyrgyz Republic or the terms of the relevant funding.

3.25. All projects considered for financing and/or refinancing through the Sustainable Finance Instruments are pre-screened for compliance with the categories and criteria of eligible green and social projects set out in Table 1 and Table 2 of this Policy, respectively.

3.26. The decision to finance and/or refinance a project using Sustainable Financing Instruments is made by the Bank's authorized body in accordance with the Bank's internal regulatory documents governing the lending process, decision-making procedures, and established authority limits.

3.27. For a project to be considered under the Sustainable Finance Instruments, the following conditions must be met:

- the project does not relate to the types of activities specified in the List of Exclusions established by the Environmental and Social Policy of Eldik Bank OJSC;
- the project has passed a preliminary screening for compliance with the categories and criteria of green and/or social projects provided for in this Policy;
- projects meet the criteria of this Policy, the Environmental and Social Policy, the Environmental and Social Risk Management Systems and the applicable taxonomy/requirements of the funding source;
- the project complies with the requirements of the Bank's internal regulatory documents, including the requirements of repayment, payment and urgency.

3.28. Potential green and/or social projects are initiated by the Bank's head office and branch offices within the framework of existing lending processes. The Bank's responsible departments assess the project's compliance with the green and/or social project categories and criteria within their respective areas of responsibility. The results of this assessment are used in the Bank's authorized body's decision on financing and/or refinancing the project.

3.29. When making a decision, in addition to assessing compliance with the criteria for acceptable projects, the presence of a positive environmental or social effect is also taken into account, which is characterized by materiality and is quantified in the form of an indicator/indicator of the effect of a potential acceptable project (expected and/or actually achieved), as well as the absence of significant side effects on the environmental or social environment (Do No Significant Harm). This principle of no harm is implemented when projects comply with the requirements of the legislation of the Kyrgyz Republic and take into account the environmental and social risk management system implemented by the Bank.

3.30. If a positive decision is made on the project’s compliance with the criteria of green and/or social projects, it may be financed and/or refinanced using funds from Sustainable Financing Instruments, taking into account all requirements and procedures established by the Bank’s internal regulatory documents.

3.31. A project that is found to be ineligible for green or social project funding will not be eligible for financing and/or refinancing under the Sustainable Financing Instruments.

3.32. Funds management

The Bank ensures the accounting, internal monitoring and control of the distribution of funds raised through the Sustainable Finance Instruments through an internal register, analytical accounting and/or separate accounts, if this is provided for by the terms of issue, raising of financing or requirements of the investor/lender.

3.33. Credit divisions monitor the use of funds raised through Sustainable Financing Instruments within the framework of existing credit monitoring and in accordance with the Bank’s internal regulatory documents.

3.34. The Department for Sustainable Development (ESG) provides methodological support for the application of this Policy and participates in the assessment of projects’ compliance with the criteria of green and/or social projects within its competence. Projects financed through Sustainable Finance Instruments are recorded in the Bank's information systems by assigning relevant attributes, objectives, and credit products based on decisions by the Bank's authorized bodies. Information on such projects is compiled and provided by the relevant Bank divisions within their respective areas of responsibility.

3.35. If a project is found to be non-compliant with the criteria of this Policy, it will be excluded from the portfolio of eligible projects and, if possible, replaced by another eligible project. If necessary, the Bank may engage an external auditor or other third party to verify the use of funds raised through the Sustainable Finance Instruments.

3.36. Funds raised for sustainable financing that are not allocated to relevant projects will be managed in accordance with the Liquidity Management Policy of Eldik Bank OJSC.

IV. Reporting

4.1. The Bank shall be guided by the current International Capital Markets Association guidelines on allocation and impact reporting in effect on the date of preparation of the relevant report, as well as the requirements of the applicable funding source and/or the terms of issue of the relevant Sustainable Finance Instrument.

4.2. Following the issuance/attraction of a Sustainable Finance Instrument, the Bank shall ensure the preparation of annual reporting on the relevant Sustainable Finance Instrument.

4.3. The Investment Attraction Department coordinates the preparation of reports on issued green, social and sustainable bonds, as well as information on funds raised and their distribution.

4.4. The Bank's credit divisions and/or other responsible divisions provide information on financed projects within the scope of their competence.

4.5. The Department of Sustainable Development (ESG) is involved in the preparation of information on the compliance of projects with the criteria of this Policy, as well as on the environmental and/or social impact of projects.

4.6. Reports are posted on the Bank's official website **www.eldik.kg** annually until the funds raised through the relevant Sustainable Finance Instrument have been fully disbursed, and in terms of impact reporting, within the period specified by the terms of the issue/financing or the requirements of investors, creditors and/or donors.

4.7. The reporting includes, but is not limited to, the following information:

1) distribution of funds under Sustainable Financing Instruments:

- net proceeds received under each Sustainable Finance Instrument;
- the amount of funds allocated to each green and/or social project, or to the relevant category of green and/or social projects, taking into account the availability of information and confidentiality requirements;
- balance of undistributed funds at the end of the reporting period;
- if necessary, information on the temporary placement of unallocated funds.

2) environmental and/or social impact of green and/or social projects:

- progress and status of project implementation;
- expected and/or actually achieved environmental or social effect;
- quantitative and/or qualitative impact indicators applicable to the relevant project category.

4.8. Indicative impact indicators may include those provided for in this Policy, as well as other indicators determined taking into account the project category, data availability, requirements of investors, lenders, donors and/or the terms of the relevant Sustainable Finance Instrument.

Green category, meeting the established requirements	Indicative indicators of potential impact
1. Renewable energy sources	• Annual greenhouse gas emission reduction/avoidance in tons of CO2 equivalent /year • Annual energy production from renewable sources in MWh/GWh (electricity) and GJ/TJ (other energy) • Additional capacity of constructed or restored station(s) for the production of renewable energy in MW
2. Energy efficiency	• Reduction/saving of energy losses or energy costs/increase in energy efficiency (in percent, in MW or GJ, or in monetary terms) • Greenhouse gas emissions avoided/reduced in tons of CO2 equivalent • Number of units of goods/equipment/installations with high and highest energy efficiency class • Number of individuals/businesses benefiting from energy efficiency projects/energy efficient products/equipment
3. Prevention and protection of the environment	• The amount of waste reduced, minimized, reused or recycled before and after the project as a % of the total waste and/or in absolute quantities in tons per year. • Reduction of air pollution levels: particulate matter, sulphur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and non-methane volatile organic compounds • Absolute or % reduction of local air, land and water pollutants
4. Environmentally friendly transport	• Annual greenhouse gas emission reduction/avoidance in tons of CO2 equivalent per year. • Reduction of air pollution levels: particulate matter, sulphur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and non-methane volatile organic compounds

5. Adaptation to the adverse effects of climate change	• Improving power system resilience, generating, transmitting/distributing and storing energy in MWh • Reduction/avoidance of water losses (in reservoirs/water pipelines/natural habitats, etc.) in m3 • Increase the number of people/businesses/areas with safe and stable water supply • Number of kilometers of adapted roads, railways or other infrastructure facilities
6. Eco-efficient and/or adaptive circular economy products, production technologies and processes	• Increase in % of materials, components and products that are reusable, recyclable and/or certified for composting as a result of the project and/or in absolute volume in tons per year. • % and/or absolute quantity in tons per year of primary raw materials that are replaced by secondary raw materials and by-products of production processes
7. Sustainable management of living natural resources and land use	• Reduction in net greenhouse gas emissions, greenhouse gas emission intensity (e.g. tons of CO2 equivalent /unit of output) or energy intensity (e.g. GJ/unit of output) • Water savings through improved irrigation, stormwater and rainwater capture, groundwater recharge and/or reuse of highly treated wastewater (e.g. m3/year)
8. Sustainable water and wastewater management	• Annual absolute (gross) water consumption before and after project implementation in m3/year, reduction in water consumption in % • Annual absolute (gross) volume of wastewater treated, reused or prevented before and after project implementation in m3/year and equivalent number of inhabitants/year and in % • Number of people with access to clean drinking water (or annual volume of clean drinking water in m3/year supplied for human consumption) thanks to infrastructure that supports sustainable and efficient water use (where average consumption per capita meets internationally recognized standards for sustainable water use)
9. Green buildings	• Number of buildings/houses/premises labelled or certified as green/energy efficient buildings, indicating scheme type, certification level • The amount of waste minimized, reused or recycled as a % of the total amount of waste and/or in absolute (gross) volume in tons per year.

Social category that meets the established requirements	Potential Impact Indicators
1. Access to socially significant services	• The number of patients who received medical care or treatment • Number of hospitals and other medical institutions built/modernized • Number of funded research and development programs in the field of health • Number of educational institutions and/or initiatives
2. Accessible basic infrastructure	• Kilometers of access roads restored/built • Number of people with access to accessible transport systems • Number of constructed/modernized water infrastructure facilities • Number of new household electricity connections • The number of people who have access to clean and affordable energy

3. Job creation	• The number of people who received new jobs • Number of people trained in new professional skills • The number of people who benefited from the increase in employment • The number of people who obtained more skilled jobs as a result of training
4. Food security and sustainable food systems	• Number of people benefiting from agricultural projects and/or using improved agricultural technologies • The number of people provided with safe, nutritious, and sufficient food. The number of farmers receiving subsidized loans. • Reducing poverty among farmers • Fair Trade certified products Trade) • increase in crop yield and / or agricultural productivity in % • support for farmers affected by floods
5. Socio-economic development and empowerment	• Number of women accessing equal pay employment opportunities • Number of vulnerable people benefiting from climate change mitigation measures such as natural disasters

V. External evaluation

5.1. The Bank shall ensure that an independent external assessment is prepared prior to the issuance of bonds and/or raising of a loan to confirm the compliance of this Policy with the key components of the applicable sustainable finance principles, including the Green Bond Principles (GBP), the Social Bond Principles, the Sustainability Bond Guidelines, the Green Loan/Credit Principles and the Social Loan/Credit Principles. The external assessment may be in the form of an independent external consultant's opinion, including a second party opinion (Second Party Opinion, SPO), verification, certification or rating.

5.2. The first annual report on issued green, social, or sustainable bonds and/or loans raised is subject to review by a third party and/or external auditor regarding the use and distribution of funds raised, as well as their compliance with the green and/or social project criteria established by this Policy. Subsequent annual reports are subject to review at the Bank's discretion, unless otherwise provided by the terms of the issue, investor, creditor, donor requirements, or applicable standards.

5.3. External assessments and annual reports are posted on the Bank's official website from the moment of issuance/attraction of the relevant Sustainable Financing Instrument and for the period stipulated by the terms of the issuance/financing, the requirements of investors, creditors, donors or the Bank's internal regulatory documents.

VI. Final Provisions

6.1. This Policy shall enter into force upon approval and shall be subject to mandatory compliance by all structural divisions of the Bank and Bank officials who are participants in the described process.

6.2. This Policy is subject to review by the Department for Sustainable Development (ESG) at least once a year, and also as necessary unscheduled when new risks or vulnerabilities are identified, based on the results of internal and external audits, and also in order to bring the processes defined by the Policy into line with real conditions and current requirements requiring updating the document.

6.3. The Policy is subject to revision taking into account changes in international and national practices in the application of the Sustainable Finance Instruments, legislation of the Kyrgyz Republic, as well as when updating applicable international sustainable finance principles. When making significant changes and/or additions to this Policy, the Bank considers the need to update the independent external assessment, including the second-party opinion (Second Party Opinion (SPO), taking into account the nature of the changes made, the requirements of investors, creditors, donors and/or the terms of the relevant financing.

6.4. When changing the organizational structure of the Bank, the functions of the divisions/specialists involved in this document shall be performed by the divisions/specialists to which these functions will be transferred in accordance with the new organizational structure.

6.5. Issues not regulated by this Policy are governed by the current legislation of the Kyrgyz Republic and regulatory legal acts, decisions of the Board of Directors of the Bank, standards/requirements of international organizations and other internal documents of the Bank.