Principles of responsible financing and green lending

centercredit

Prerequisites for the transition to ESG risk management

2015 — 2022 — 2023

01

Paris Agreement – an international treaty adopted by 196 Parties at the UN Climate Change conference (COP21).

02

The Sustainable Development UN Goals are a global call to action: to end poverty, protect the planet and ensure that all people live in peace and prosperity by 2030.

03

"Decree by the President of the Republic of Kazakhstan concerning the endorsement of the Financial Sector Development Concept in Kazakhstan until 2030."

04

"Creating Guidelines for ARRDFM on ESG Risk Exposure, Information Disclosure and ESG Risk Management."

05

The IFRS Board approved the standard IFRS S1 General Requirements for Financial Disclosures Relating to Sustainable Development

The financial sector has a significant role in fighting climate change.

- **The primary influence of financial institutions,** such as commercial banks, on the economy's **decarbonization is associated with their indirect Scope 3** emissions. This pertains to their involvement in offering financial, insurance, and other services to companies within the real sector of the economy, which bear direct responsibility for greenhouse gas emissions.
- **Through strategic capital reallocation**, shifting investments from carbon-intensive projects to initiatives that **accelerate decarbonization**, banks can directly influence the pace at which the global economy achieves its greenhouse gas emissions reduction targets.
- **Banks should identify, analyze, and manage** climate-associated risks. Primarily (both transitional and physical) risks can impact the financial **stability of bank borrowers**, consequently influencing the overall long term quality of the **corporate loan portfolio**.

Significance of the sustainable development concept.

The global interest in ESG is on the rise both among companies and investors.

80%

ESG reporting is provided by the top 100 companies worldwide.

15x

Growth in investments following the Principles of Responsible Investment (PRI) since 2006

500

corporate ESG ratings and rankings around the world

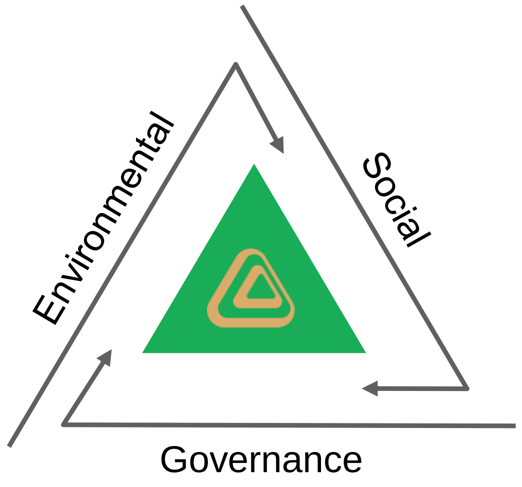
120

Voluntary guidelines for the reporting of ESG information

In Kazakhstan, sustainability reporting will become mandatory for banks from 2025

Incorporating responsible financing principles into bank activities.

Responsible financing the key element of our strategy



Through the implementation of responsible financing instruments, we achieve 2 main goals:

- **Evaluating and handling lending-related ESG risks.**
- **Providing and financing** projects with a **positive ESG effect**

As a component of the ESG transformation, we devised and put into operation tools to check borrowers/loans for compliance with ESG principles and evaluate the risks associated with their operations.

Measures for evaluating risks in alignment with responsible finance principles:

- – Evaluating the client's alignment with a list of prohibited activities, derived from best practices and the unique characteristics of the Kazakhstan market.
- – Conducting a comprehensive high-level evaluation of borrowers' ESG risks based on the industry of operation and responses to a specially designed questionnaire.
- – detailed evaluation of the client's exposure to ESG risks, considering the mitigation measures and adaptation initiatives.

In order to evaluate benefits and risks:

- **Instruments for evaluating substantial transactions (projects)** involve verifying loan alignment with green or social taxonomy criteria, assessing ESG risks, positive environmental or social impacts of the project, and assessing project management practices.

Bank "CenterCredit" actively promotes and supports sustainable development practices

United Nations Global Compact

- In 2023, the Bank joined the UN Global Compact
- An initiative focused on promoting business social responsibility.
- Support and implementation of the 10 core principles in the areas of human rights, labor relations, environmental protection and anti-corruption

International financing initiatives for sustainable projects

Partner of the GEFF* green economy financing program from the EBRD and UNDP Renewables

$20mil. Credit line from EBRD for green project financing.

Example of a completed project:

$4.7mil. Funded by Bank "CenterCredit" under the program

~14,200 tn./year Reducing CO_2 emissions into the atmosphere

Note: GEFF - Green Economy Financing Facility

Terms for funding entrepreneurs

Target audience:

Small and medium-sized enterprises (SME's), including micro-enterprises

Maximum limit amount:

4,5 bil. Kzt / 10 mil. USD

Loan duration:

for investments purposes – up to 84 months
for working capital replenishment – up to 36 months

Interest rate:

from 19% per annum (EAR – from 19.5%)

Potential subsidies

If the borrower/project meets the requirements of the subsidy programs, the final rate will be from **7%** per annum, the remaining amount will be paid by the state (max. limit for investments purposes - no more than 3 bn. Kzt, for replenishment of working capital - no more than 500 mil. Kzt.)

Opportunity to secure a guarantee from - JSC FRP "Damu"

If the borrower/project meets the requirements of the guarantee programs, JSC "Damu" guarantee amount will be up to **50%** of the limit amount (maximum limit for investments purposes - no more than 1 bn. Kzt, for replenishment of working capital - no more than 500 mil. Kzt.)

Credit and support acquisition mechanism:

1. An entrepreneur seeks a loan from a bank
2. Bank negotiates project terms with partners
3. The bank is issuing a loan

Program participants:
Legal entities, private customers– sole proprietors,
excluding government-run enterprises and non-profit entities

Credit amount: no limit
Interest rate: no limit

Target purpose: Investments / replenishment of working capital
(to generate electrical and/or thermal energy, and for other applications associated with harnessing renewable energy from the environment)

Subsidy amount: up to 112 500 000 (one hundred twelve million and five hundred thousand) tenge (Kzt) to reduce the principal loan amount. Not exceeding 35% of the original loan sum.

The project should be operational or completed within 150 calendar days from the date when it receives subsidy funding approval from the Fund.

Objects of public and/or private infrastructure, and as an independent object

- Solar power plants;
- Solar collectors;
- Mini HPP;
- Wind powered electric stations;
- Heat pumps;
- Biogas power stations;
- Biomass boiler houses;

Project requirements

- Maximum subsidy amount – **112,5 mil. Kzt.**
  (Loan only in the national currency)
- Minimal Project requirements:
  - Efficient use of natural resources;
  - Negative impact reduction on the environment,
  - Increasing energy efficiency/energy saving

Thank you for attention!