

Annex 1
to minutes to the meeting of the Board of Directors
of Halyk Bank JSC by absent voting
No.27 dated 26 June 2024

Halyk Bank JSC
Green Finance Framework

Almaty
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Chapter 1. General

1. This Green Finance Framework of Halyk Bank JSC (the “Framework”) has been developed in accordance with the laws of the Republic of Kazakhstan, the Environmental Code of the Republic of Kazakhstan, the Charter of Halyk Bank JSC (the “Bank”), other internal regulatory documents (the “IRD”) governing the Bank’s activities, and is consistent with the recommendations of the Green Bond¹ Principles of International Capital Market Association, and Green Loan Principles² of Loan Market Associations (Loan Market Association, Asia Pacific Loan Market Association, and Loan Syndications & Trading Association) (the “Principles”).

2. The Framework provides a formalized approach to the use of proceeds from green finance instruments to finance and/or refinance Eligible Projects that is consistent with the vision of this Framework and the Bank’s other IRDs.

3. The Bank considers the use of the Green Bond and Green Loan Principles as a prerequisite for ensuring that its operations are in line with international best practice and meet its goals and objectives for green financial instruments.

4. The Framework may be amended and/or supplemented in case of changes in international and national standards and recommendations in green finance, and the Bank's IRD.

5. The provisions of the Framework shall be complied with by all employees of the Bank to the extent affecting the Bank’s core activities and stakeholder engagement, development of the IRD and disclosure of the Bank’s information on green financial instruments.

6. The Framework shall also support and contribute to the achievement of the UN Sustainable Development Goals (SDGs)³.

Chapter 2. Basic Definitions

7. The Framework shall use the following key terms and definitions:

1) Green Bond Principles (the “Principles”) – voluntarily applied framework provisions of the International Capital Market Association the main objectives whereof are to increase transparency and to disclose information, and to encourage uniformity in the development of the green bond market by clarifying the approach to the issue of such bonds;

2) Green Loan Principles (the “Principles”) – voluntarily applied international framework provisions of loan market associations aimed at supporting borrowers in financing environmentally sound and sustainable projects that contribute to the creation of a zero-emission economy, environmental protection and restoration, facilitating adaptation to climate change and/or providing other environmental benefits;

3) Taxonomy of green projects of the Republic of Kazakhstan – a statutory regulation of the Republic of Kazakhstan on approval of classification (taxonomy) of “green” projects to be financed through “green” bonds and “green” loans;

4) International Green Project Taxonomy – an indicative list of categories of eligible green projects presented in the Principles;

5) Eligible Project – a green project financed and/or refinanced with funds from green financial instruments and aimed at improving the efficiency of utilization of existing natural resources, reducing the level of negative environmental impact, mitigating and adapting to climate change, and contributing to the achievement of the SDGs. The Bank categorizes eligible projects into the green project categories outlined in the Annex hereto;

6) Credit Committee (Commercial Directorate, Branch Network Credit Committee, Branch Credit Committee, SB Decision-Making Center) – a collegial body of the Bank authorized to pass resolutions on financing and/or refinancing of Eligible Projects from the proceeds of green financial instruments;

7) Register of Eligible Projects (the “Register”) – a list of projects financed and/or refinanced from green financial instruments in accordance with the categories of Eligible Projects (Annex hereto).

¹ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

² <https://www.lsta.org/content/green-loan-principles/#>

³ <https://sustainabledevelopment.un.org/sdgs>

Chapter 3. Basic Objectives of the Framework

8. The objective of this Framework is to determine the fundamental norms, principles, rules and approaches to be followed by the Bank with regard to green financial instruments and disclosure of information thereon.

9. The Framework is intended to ensure transparency in the processes of attracting investments through green financial instruments, and is designed to encourage financing and/or refinancing into projects with transparent environmental characteristics, the provision of information necessary to increase investment in Eligible Projects, the targeted use of funds from green financial instruments aimed at achieving positive environmental effects, and achieving sustainability in the course of the Bank's operations.

Chapter 4. Basic Principles of the Framework

10. This Framework shall

- determine the principles of targeted use of funds from green financial instruments aimed at the implementation of Eligible Projects within the main categories of projects having a specific environmental effect;
- determine approaches to the organization of the assessment and selection of Eligible Projects to be financed from green financial instruments;
- ensure effective management and accounting of funds received from green financial instruments;
- ensure a regular and transparent reporting on the use of funds from green financial instruments, including environmental impact.

Chapter 5. Use of Funds

11. The Bank shall finance and/or refinance Eligible Projects aimed at increasing the efficiency of utilization of existing natural resources, reducing the level of negative environmental impact, mitigating the effects of climate change and adaptation to climate change, contributing to the achievement of the SDGs the effect whereof can be measured in quantitative and/or qualitative characteristics.

12. The Bank shall finance and/or refinance with funds from green financial instruments exclusively Eligible Projects in accordance with the provisions hereof.

13. The categories of Eligible Projects are based on the Taxonomy of Green Projects of the Republic of Kazakhstan and international taxonomy, do not contradict the recommendations specified in the Principles, and are provided in the Annex hereto.

14. Funds raised through green financial instruments shall not be knowingly directed to finance and/or refinance projects that have been assessed by the Bank as not meeting the categories of Eligible Projects or included in the list of ineligible activities in accordance with the Bank's Responsible Finance Policy.

Chapter 6. Project Assessment and Selection

15. Eligible Projects allowed to be financed and/or refinanced with funds from green financial instruments shall be categorized according to the Eligible Project categories.

16. In addition to categorization, the Bank shall be guided by the IRD and apply a separate process for the assessment and selection of Eligible Projects, including assessment of project eligibility for Eligible Projects and consideration of the environmental risks and effects of the projects, when assessing and selecting the projects that the Bank may finance and/or refinance with proceeds from green financial instruments.

17. The Bank shall designate responsible subdivisions to assess and select Eligible Projects and subsequently maintain the Register of Eligible Projects (the "Register"), monitor the targeted use of funds, and report on green financial instruments and Eligible Projects.

18. The final decision on financing and/or refinancing through the Bank's green financial instruments shall be made by the Credit Committee.

Chapter 7. Management of Funds

19. The Bank shall manage funds from green financial instruments in strict compliance with this Framework and other IRD of the Bank.

20. The Bank shall ensure separate accounting of funds from green financial instruments using the Bank's internal management accounting systems to control their utilization.

21. The Bank shall maintain a Register to record Eligible Projects financed and/or refinanced with funds from green financial instruments.

22. The Bank shall quarterly monitor the Register for compliance with the categories specified in the Annex hereto, and analyze the risks of negative environmental impact of the implemented projects, and monitor information on the targeted use of funds from green financial instruments.

23. If a project is found to be non-compliant with the categories of Eligible Projects, it shall be removed from the Register, and replaced with another Eligible Project as soon as possible. The relevant decision shall be reflected in the Bank's accounting systems.

24. The Bank shall monitor and control the balances of projects financed and/or refinanced through green financial instruments on a quarterly basis, and generate reports on the intended use of funds from green financial instruments.

25. The Bank shall be entitled to temporarily place the undistributed amount of funds attracted through green financial instruments into cash and cash equivalents and liquid securities in accordance with the applicable IRD. In this case, the Bank shall implement measures for the earliest possible allocation of free funds from placement of green financial instruments to Eligible Projects.

26. At the end of the financial year, an annual report on the use of funds from green financial instruments shall be generated on the basis of quarterly monitoring reports. This report shall be disclosed in accordance with this Framework and other IRD of the Bank.

27. To assess the management of funds from green financial instruments, the Bank shall arrange an independent audit, if necessary.

Chapter 8. Reporting and Monitoring

28. The Bank intends to publish annually a report on the use of net proceeds from all green financial instruments, including any new issues of green bonds and green financial instruments raised, at a level of detail that takes into account commercial considerations, confidentiality, and other relevant considerations.

29. The report shall be published annually until the aggregate net proceeds from raised green financial instruments have been fully utilized to finance Eligible Projects.

30. A report or update on the distribution of proceeds from any raised green financial instrument shall:

- contain a statement that the aggregate par value of all Eligible Projects meets or exceeds the aggregate amount of all outstanding green financial instruments, and/or
- in the event of any deviation, contain information regarding the temporary placement of the unallocated amount into cash and cash equivalents and liquid securities in accordance with the applicable IRD, and
- contain information regarding the expected environmental impact.

31. Where possible, the Bank will provide additional information on Eligible Projects financed and/or refinanced with proceeds from green financial instruments.

Chapter 9. External Review

32. The Bank shall engage a consultant to provide an external review for compliance of this Framework with the recommendations of the Principles.

33. If this Framework is amended and/or supplemented, the Bank shall ensure that the external review is updated to reflect the adopted amendments and/or supplements.

34. The Bank shall annually engage independent consultants to prepare a third party opinion on the reporting and the processes outlined herein for their verification.

35. External reviews, third party opinions, and reporting shall be published on the Bank's official website while funds raised from green financial instruments are available and until the liabilities thereunder are fully repaid.

Eligible Project Categories

Taxonomy of green projects of the Republic of Kazakhstan		International taxonomy, including but not limited to the following categories:		Commitment to achieving the SDGs
Project category	Examples of eligible projects	Project category	Examples of eligible projects	
Renewable energy	<ul style="list-style-type: none"> ▪ Electricity and heat production facilities ▪ Bioenergy product facilities ▪ Renewable energy supply chain and supporting infrastructure 	Renewable energy	<ul style="list-style-type: none"> ▪ Production, transmission and technology products 	Goal 7: affordable and clean energy Goal 12: responsible consumption and production Goal 13: combating climate change
Energy efficiency	<ul style="list-style-type: none"> ▪ Energy efficient equipment and technology improvement ▪ Installation of combined heat and power plant equipment /cogeneration or trigeneration plants ▪ Energy efficiency in energy production, transmission and distribution systems ▪ Central heating ▪ Energy-saving lighting or equipment ▪ Energy-saving lighting or equipment 	Energy efficiency	<ul style="list-style-type: none"> ▪ Improving energy efficiency in the service sector ▪ Energy efficient products ▪ Energy saving 	Goal 7: affordable and clean energy Goal 12: responsible consumption and production Goal 13: combating climate change
Green buildings	<ul style="list-style-type: none"> ▪ Construction of green buildings (energy, water, materials) ▪ Production and application of systems, green construction materials and products ▪ Green infrastructure (construction and modernization of private residences and surrounding areas; self-contained toilets and eco-san toilets for private homes, tourist camps, and small businesses) 	Green buildings	<ul style="list-style-type: none"> ▪ Green buildings that meet regional, national or internationally recognized standards or certificates of environmental performance 	Goal 1: poverty eradication Goal 8: decent work and economic growth Goal 9: industrialization, innovation, and infrastructure Goal 11: sustainable cities and settlements Goal 12: responsible consumption and production Goal 13: combating climate change

Taxonomy of green projects of the Republic of Kazakhstan		International taxonomy, including but not limited to the following categories:		Commitment to achieving the SDGs
Project category	Examples of eligible projects	Project category	Examples of eligible projects	
Sustainable use of water, waste	<ul style="list-style-type: none"> ▪ Manufacture, purchase and installation of water conservation, storage and distribution technologies and systems ▪ Water treatment facilities (plants) ▪ Wastewater treatment plants for further reuse of water. ▪ Waste utilization and recycling, equipment for recovery, reuse and recycling of secondary raw materials ▪ Waste composting equipment and machinery ▪ Waste water treatment plant ▪ Utilization of secondary raw materials for the manufacture 	Sustainable water and wastewater management	<ul style="list-style-type: none"> ▪ Sustainable infrastructure for clean and/or potable water ▪ Wastewater treatment 	Goal 1: poverty eradication Goal 3: good health and well-being Goal 6: clean water and sanitation Goal 8: decent work and economic growth Goal 9: industrialization, innovation, and infrastructure Goal 11: sustainable cities and settlements Goal 12: responsible consumption and production Goal 13: combating climate change Goal 14: conservation of marine ecosystems Goal 15: conservation of terrestrial ecosystems
Sustainable agriculture, land use, forestry, biodiversity conservation, and eco-tourism	<ul style="list-style-type: none"> ▪ Organic agricultural products (crops and livestock) (except textiles) ▪ Climate smart agriculture (= Sustainable pasture and livestock management) ▪ Conservation of biodiversity and ecosystems ▪ Products and services that support ecotourism development 	Environmentally sustainable natural resource management and land use	<ul style="list-style-type: none"> ▪ Sustainable agriculture ▪ Sustainable livestock production ▪ Climate-smart agricultural technologies: biological plant protection ▪ Sustainable fisheries and aquaculture 	Goal 1: poverty eradication Goal 8: decent work and economic growth Goal 9: industrialization, innovation, and infrastructure Goal 12: responsible consumption and production Goal 13: combating climate change Goal 14: conservation of marine ecosystems Goal 15: conservation of terrestrial ecosystems
Pollution prevention and control	<ul style="list-style-type: none"> ▪ Air quality (Air purification from industrial and urban air pollution, recycling equipment) ▪ Soil (Reduction of soil pollution; soil remediation equipment and infrastructure) 	Pollution prevention and control	<ul style="list-style-type: none"> ▪ Reducing emissions to the atmosphere ▪ Controlling greenhouse gas emissions ▪ Soil remediation, waste prevention, waste reduction ▪ Waste recycling and 	Goal 6: clean water and sanitation Goal 9: industrialization, innovation, and infrastructure Goal 11: sustainable cities and settlements Goal 12: responsible consumption and production Goal 13: combating climate change

Taxonomy of green projects of the Republic of Kazakhstan		International taxonomy, including but not limited to the following categories:		Commitment to achieving the SDGs
Project category	Examples of eligible projects	Project category	Examples of eligible projects	
			energy efficient / effective ways to convert waste into energy	Goal 15: conservation of terrestrial ecosystems
Clean transport	<ul style="list-style-type: none"> ▪ Low carbon vehicles (purchase of low carbon vehicles, manufacturing supply chains for low carbon vehicles) ▪ Low carbon transportation and freight transport ▪ Clean transport infrastructure (public transport infrastructure, low carbon transport infrastructure, low carbon transport planning) ▪ Clean transport ICT4 (ICT that improve asset utilization, flow and modal improvements, regardless of mode of transport) 	Clean transport	<ul style="list-style-type: none"> ▪ Electric, hybrid, public, rail, non-motorized, multimodal transport, infrastructure for clean energy vehicles, and emission reductions 	Goal 9: industrialization, innovation, and infrastructure Goal 11: sustainable cities and settlements Goal 12: responsible consumption and production Goal 13: combating climate change
		Adaptation to climate change	<ul style="list-style-type: none"> ▪ Efforts to make infrastructure more resilient to the impacts of climate change 	Goal 1: poverty eradication Goal 8: decent work and economic growth Goal 9: industrialization, innovation, and infrastructure Goal 11: sustainable cities and settlements Goal 13: combating climate change Goal 14: conservation of marine ecosystems Goal 15: conservation of terrestrial ecosystems
		Products, production technologies and processes adapted to the circular economy	<ul style="list-style-type: none"> ▪ Development and implementation of reused, recycled and recovered materials, components and products ▪ Tools, services and/or 	Goal 1: poverty eradication Goal 8: decent work and economic growth Goal 12: responsible consumption and production Goal 13: combating climate change

Taxonomy of green projects of the Republic of Kazakhstan		International taxonomy, including but not limited to the following categories:		Commitment to achieving the SDGs
Project category	Examples of eligible projects	Project category	Examples of eligible projects	
			certified environmentally friendly products	