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| С 23 января стартует прием заявок на использование пенсионных денег -  новости Kapital.kz | **Superior internal document** | Sustainable Development Policy of "Otbasy Bank" |
| **Owner of the internal document** | Treasury Department |
| **Developed by** | Antonova E.V. – Director of the Treasury Department, Danilenko I.V. – Head of Dealing Division of the Treasury Department. |
| **Approved by** | the decision of the "Otbasy Bank" JSC Board (decision No. 79 dated 21.06.2024 ) |
| **Date of entry into force** | \_\_\_\_\_\_\_\_\_\_\_\_\_\_year |
| **Restriction Label** |  |

Annex No. 1

to the circular resolution

of "Otbasy Bank" JSC Management Board

(Minutes No. 79) of 21.06.2024

**Social Bond Framework Regulation of "Otbasy Bank" JSC**

**Almaty, 2024**

**Table of Contents**

**[Chapter 1: General provisions 3](#Глава1)**

**[Chapter 2. Prerequisites for the issuance of social bonds\_\_\_\_\_\_\_\_\_ \_ \_\_\_\_ 4](#Глава2)**

[**Chapter 3. Use of Proceeds 4**](#Глава3)

[**Chapter 4. Selection and Evaluation Process of Social Programs**](#Глава4) **4**

[**Chapter 5.**](#Глава5) **Management of Proceeds 5**

[**Chapter 6. Reporting**](#Глава6) **5**

[**Chapter 7. External**](#Глава7) **Review 6**

[**Chapter 8: Final**](#Глава8) **Provisions 6**

**Chapter 1: General Provisions**

1. This Social Bond Framework Regulation of "Otbasy Bank" JSC (hereinafter referred to as the Regulation) is developed in accordance with:

- the Law of the Republic of Kazakhstan "On Securities Market" and internal documents of "Otbasy Bank" JSC (the "Bank");

- requirements of International Capital Market Association (ICMA) – Social Bond Principles Voluntary Process Guidelines for Issuing Social Bonds (2023) of International Capital Markets Association, reflected in Social Bond Principles Voluntary Process Guidelines (2023)[[1]](#footnote-2) ).

- Sustainable Development Policy of "Otbasy Bank" JSC.

1. This Regulation defines general provisions, directions, basic principles, goals and objectives of the Bank, when carrying out activities in the field of use of proceeds from the Bank's social bonds.
2. This Regulation is aimed at ensuring transparency in attracting investments by the Bank using financial instruments such as social bonds and their subsequent placement.
3. This Regulation is designed to stimulate investment in Social Programs in the field of providing the population of the Republic of Kazakhstan with affordable housing. Proceeds raised through the issue of social bonds will be intended for subsequent issuance of mortgage housing loans to improve the housing conditions of citizens of the Republic of Kazakhstan and kandas, persons registered as in need of housing (including as socially vulnerable segments of the population) on the date of application for a mortgage housing loan, as well as working youth, young families, recipients of housing payments, depositors of the Bank, residents of single-industry towns, district centers and rural settlements,.
4. The following basic concepts shall be used in this Regulation:
5. ESG is an abbreviated term for Environmental, Social, and Corporate Governance – a set of characteristics of company management, which achieves the involvement of the company in solving environmental, social, and governance problems;
6. Business process owner unit – a structural unit of the Bank responsible for the implementation of social programs within the limits of the allocated proceeds within the framework of this Regulation;
7. Program – a program developed and implemented on the basis of the legislation of the Republic of Kazakhstan, decisions of the State Commission for Modernization of the Economy of the Republic of Kazakhstan and (or) by decision of the authorized body of the Bank, representing a set of interrelated organizational, economic, financial and technical measures aimed at achieving specific goals, solving specific problems of development of sectors of the country's economy, industries, regions and individual areas of activity in accordance with strategic and indicative indicators
8. Social program – a program and/or eligible project aimed at achieving a positive social effect to solve or mitigate a specific social problem;
9. Product Line – an internal document of the Bank approved by the authorized body of the Bank, which determines terms, interest rates and other terms of savings and lending;
10. Social bonds – bonds, the proceeds from placement of which will be used to finance (refinance) partially or fully new and (or) existing social programs, aimed at solving social problems of citizens of the Republic of Kazakhstan and kandas in terms of improving housing conditions.

**Chapter 2: Prerequisites for the issuance of social bonds**

1. The Bank, being a financial partner of the state for solving social tasks, attaches paramount importance to social factors of sustainable development of the society and considers social responsibility as one of the key principles of its activity, strives to maintain inclusiveness, increase accessibility of socially significant financial products and services for vulnerable population groups.
2. ESG transformation is the Bank's strategic choice to ensure further sustainable development for the benefit of society and the environment. The Bank seeks to ensure the consistency of its economic, environmental and social objectives for sustainable development in the long term based on its commitment to ESG principles.
3. The Bank's activities and its product line have a significant social and economic impact. We pay special attention to the fact that when developing the product line, the Bank takes into account the interests of various social groups and works on the development and adaptation of its offers for the Bank's customers.

The Bank implements and seeks to increase financing of Programs, including Social Programs (for example, for such categories of citizens as: citizens registered as in need of housing, including as socially vulnerable segments of the population, working youth, young families, recipients of housing payments, residents of district centers and rural settlements, women and others).

1. The Bank chooses social bonds as one of the tools to support responsible financing practices and diversify funding sources. The Bank believes that the issue of social bonds will significantly increase the volume of financing under the Bank's Social Programs.

**Chapter 3: Use of Raised Proceeds**

1. The proceeds raised as a result of the placement of the Bank's social bonds on the organized and/or unorganized market will be directed to Social Programs in the field of providing the population of the Republic of Kazakhstan with housing, for the subsequent issuance of mortgage housing loans in order to improve the housing conditions of citizens of the Republic of Kazakhstan and kandas, persons registered as in need of housing (including as socially vulnerable segments of the population) as of the date of filing an application for a mortgage housing loan, as well as working youth, young families, recipients of housing payments, Bank depositors, residents of single-industry towns, district centers and rural settlements.
2. The proceeds from Bank's social bonds are intended to finance and/or refinance (partially or fully) Social Programs, in accordance with this Regulation and other internal documents of the Bank.
3. Social programs, the positive effect from the implementation of which can be measured by quantitative and/or qualitative characteristics, are subject to financing and/or refinancing.
4. The Bank shall classify Social Programs according to the eligibility categories indicated in Annex 1 to this Regulation, but shall not be limited to them.

**Chapter 4. Social Programs Evaluation and Selection Process**

1. The Banking Products and Technologies Division carries out activities to develop new lending programs and their main parameters in accordance with the provisions of the Bank's internal document regulating the terms of design, development and implementation of banking products, programs and projects. At the stage of preliminary analysis, the Banking Products and Technologies Division screens new lending programs for compliance with the categories of Social Programs that may be eligible for financing through issuance of social bonds specified in Annex 1 to this Regulation.
2. The Planning and Strategic Analysis Division assesses the compliance of new lending programs with the principles of sustainable development.
3. The Banking Products and Technologies Division submits for consideration and further approval of the Bank's authorized collegial bodies the issues on the terms and conditions of the implemented Social Programs. The authorized collegial bodies make a decision to determine the unit as the business process owner of the approved Social Programs.
4. After approval of the programs and their terms and conditions, the business process owner unit submits the issue of the necessity to raise funds for the purposes of program implementation to the Bank's authorized bodies for consideration in accordance with the Bank's internal documents.
5. The Treasury Department, after making the relevant decisions on raising funds through the issue of social bonds, implements measures in accordance with the Bank's internal documents.
6. If necessary, the Treasury Department may engage external consultants to select and evaluate the compliance of Social Programs with the required categories specified in Annex 1 to this Regulation.

**Chapter 5. Management of Proceeds**

1. In order to account for and control the targeted use of proceeds raised from the placement of social bonds, the Bank implements accounting of the use of proceeds raised from the placement of social bonds.
2. The business process owner unit monitors the total assets within the social bond proceeds on a daily basis to ensure that it is equal to and does not exceed the total proceeds received from the social bond placement.
3. The business process owner unit conducts a review of the intended use of the loans issued. If, based on the results of the control of the target use of the attracted investments, the business process owner unit concludes that the loan does not meet its intended purpose, the loan is excluded from the portfolio of loans issued under the Social Program.
4. The Bank is entitled to place the amount of raised proceeds not allocated for lending as a result of placement of social bonds into financial instruments permitted for investment in accordance with the Bank's internal documents regulating investment activities, namely, into liquid and highly reliable financial instruments that can be realized as soon as possible without creating cash gaps when the need for targeted financing arises, i.e., until these proceeds are used for lending.

At the same time, the Bank will make its best efforts to use temporarily available proceeds for Social Programs as soon as possible in accordance with the Bank's internal documents in force.

**Chapter 6. Reporting**

1. The Bank shall provide and keep publicly available annual updated reports on the issued social bonds from the date of issue until full repayment and in case of any material changes. These reports will be published on the Bank's official website www.hcsbk.kz and may include, but are not limited to: A report on the distribution of proceeds received from the issuance of the Bank's social bonds.
2. The report on distribution of raised proceeds shall contain the following information, which is not exhaustive:

* the nominal value of placed social bonds with indication of their key characteristics (issue date, issue currency, type of coupon rate and its value, bond circulation term, etc.);
* information on the amount of proceeds used for lending, as well as unallocated balance of proceeds used for lending and temporarily placed in financial instruments in accordance with the Bank's internal documents regulating investment activities;
* categorization of eligible social projects in accordance with these Regulation.

1. Where possible, as part of the annual reports provided, the Bank provides aggregated information on the use of proceeds, including performance indicators such as (but not limited to):
2. funding levels;
3. number of borrowers lent in general and by target groups;
4. rate on loans issued by target groups.
5. Disclosure of information related to the use of raised proceeds, social impact reporting and projects financed or refinanced is subject to the Bank's obligations regarding confidentiality and availability of such information.
6. The units responsible for reporting and disclosure are the business process owner unit and the Consolidated reporting Division.

**Chapter 7. External Review**

1. The Bank shall ensure preparation of any of the following types of external review: external consultant's opinion, verification, certification or rating for compliance with this Regulation.
2. When making amendments and/or additions to this Regulation, the Bank will ensure that the external review is updated to reflect the adopted amendments and/or additions.
3. The Bank shall engage independent consultants – verifiers to prepare a Third-Party Opinion on the reporting and the processes outlined in these Regulations to confirm the status of social bonds at least once a year, or in accordance with the requirements of the legislation of the Republic of Kazakhstan in terms of verification/certification of Social Programs.
4. External reviews, Third Party Opinions and reports are subject to publication on the Bank's official website. Annual reports on the use and management of the raised proceeds will be reviewed and signed by independent reviewers to confirm the social status of the bonds. This may be in the form of a letter signed by the independent reviewer and may also include a statement from the financial auditor regarding the use of the proceeds raised.
5. External reviews and annual reports on social bonds issued will be published on the Bank's official website at the time of issuance and until the maturity of the social bonds.

**Chapter 8: Final Provisions**

1. The Regulation shall be binding on all structural units of the Bank participating in the process of work with the Social Programs and Social Bonds of the Bank.
2. Issues not regulated by this Regulation shall be resolved in accordance with the laws, regulations of the Republic of Kazakhstan and internal documents of the Bank.
3. Responsibility for monitoring and updating these Regulations rests with the Treasury Department.

Annex 1

to the Social Bond Framework Regulation of

"Otbasy Bank" JSC,

approved by the decision of "Otbasy Bank" JSC

Management Board

(Minutes #\_\_\_ of \_\_\_\_\_\_\_\_\_\_2024)

**Categories of Social Programs**

Social programs in accordance with the requirements of International Capital Market Association (ICMA) and the legislation of the Republic of Kazakhstan, in the field include but not limited to:

1) Ensuring access to finance and financial services;

2) Affordable Housing;

3) Gender equality projects;

4) other social projects defined by internationally recognized standards in the field of sustainable development, including but not limited to International Capital Markets Association's social bond standard.

Examples of target groups for eligible Social Programs include, but are not limited to, the following:

1) citizens of the Republic of Kazakhstan and kandas, persons registered as needing housing (including as socially vulnerable segments of the population) as of the date of application for a housing mortgage loan, as well as working youth, young families, recipients of housing payments, depositors of the Bank, residents of single-industry towns, district centers and rural settlements;

1. kandas;
2. women;
3. other vulnerable groups, including those affected by natural disasters.

1. https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf [↑](#footnote-ref-2)