

“APPROVED”

**By the Decision of the Management Board
of JSC “Damu” Entrepreneurship
development fund”**

**Appendix №1
to the Minutes of meeting
of JSC “Damu” Entrepreneurship
development fund”
dated “21” July 2020,
№ 61/2020**

**JSC “DAMU” ENTERPRENEURSHIP DEVELOPMENT FUND” POLICY IN
“GREEN BOND FRAMEWORK”
(Green Bond Framework)**

JULY, 2020

6) MFO – a legal entity, being a commercial organization, an official status of which is determined by the state registration at the State corporation “Government for citizen” and record registration, and which carries out activities on provision of microcredits as well as secondary activities, permitted by Law of the Republic of Kazakhstan dated November 26, 2012 “On microfinance activities”;

7) Product certificate – an internal document of the “Damu” Fund, approved by an authorized body of the “Damu” Fund, stating the terms and procedure for the implementation of conditional investment of funds, which has a set of specific conditions and intended to support end borrowers with certain designated properties and (or) with the help of a definite credit instrument.

8) Project – is a project, intended to introduce a small RES project, to be implemented by means of purchasing and/or constructing and/or upgrading and/or reconstructing and/or major repairing of fixed assets, procurement of biological and/or non-material assets (including VAT expenses), which complies with this Policy requirements;

9) UNDP-GEF – UNDP and ME RK project “Investment in renewable energy sources risk mitigation”;

10) Unified program – Unified program of supporting private entrepreneurship by way of conditional investment of funds in regulated banks and other legal entities has been approved by the decision of the Board of JSC “Damu” Entrepreneurship development fund” on January 30, 2018, minutes of meeting №09/2018.

Review

1. About JSC “Damu” Entrepreneurship development fund”

“Damu” Fund has been formed as per the decree of the Government of the Republic of Kazakhstan “On formation of a small entrepreneurship development fund” № 665 issued on 26.04.1997.

Up to 2001 the “Damu” Fund served as an agent to record and monitor the usage of state budget funds under the Domestic Commodity Producers Supporting Actions Program also the credit lines of the European Bank for Reconstruction and Development and Asian Development Bank.

Since 2002 the “Damu” Fund has started to provide loans to small business directly from its own funds. The “Damu” Fund has implemented the “Small business entities credit financing from the republican budget means program” and “Small cities development program for 2004-2006”.

In May of 2005 the Government of the Republic of Kazakhstan has adopted the “Accelerated methods program for the development of small and medium business in the RK for 2005-2007”. In accordance with the above program the “Damu” Fund supported small business (hereinafter – SB) within 2005-2007 by way of implementing the project financing and leasing programs, microcredit system development program in the Republic of Kazakhstan, assurance of credits received by small business entities from regulated banks.

Since September of 2006 the “Damu” Fund operated as part of the joint stock holding of JSC “Kazyna” sustainable development fund”.

Since the end of 2007 the “Damu” Fund served as the conditional investment of funds operator under the Stabilization program of the Government of the Republic of Kazakhstan.

Since 2010 the «Damu” Fund is the financial agent, which implements the financial assistance to private entrepreneurship (subsidization of fee rates under entrepreneurs’ loans and assurance of entrepreneurs’ loans to banks and leasing companies) and also serves as the training and consulting programs operator within the frames of the “Business Road Map 2020”.

Within 2012-2014 in all regional centers and cities of Astana, Almaty, Semey and Turkestan 18 Business service centers and 14 mobile Business support centers have been established.

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General provisions

This JSC “Damu” Entrepreneurship development fund” Policy in Green Bond Framework (hereinafter – the Policy) has been developed in accordance with the “Astana” International Financial Center Rules for the purpose of issuing “green bonds” based on the “Astana” International Financial Center platform.

A number of government policies, strategies and programs is aimed for environmental problems solving. JSC “Damu” Entrepreneurship development fund” (hereinafter – “Damu” Fund), as the special entrepreneurship development fund is prepared to support micro, small and medium private entrepreneurship (hereinafter – MSME) within the frame of its Sustainable Development Policy by way of implementation of “green” financing strategy.

“Damu” Fund intends to finance “green projects” on account of raised funds by means of conditional investment of funds in regulated banks and microfinance organizations. Implementation of such projects will provide assistance in replacement of fixed assets of MSME, that will allow to upscale finance to MSME, will specifically facilitate to increase the level of financial activity of MSME, will have social and economic effect in the form of MSME gross added value growth, creating new vacancies, increase of salary budget for MSME employees and taxes paid by them.

“Damu” Fund will increase cooperation with international financial organizations in respect to raising funds for the “green” economy development and environmental impact mitigation.

In terms of cash call the “Damu” Fund considers a possibility to attract additional financing by means of issuing bonds both classic and “green”. Depending on the MSME needs in finance the “Damu” Fund will work out the possibilities to attract additional financing by way of issue of bonds/ “green bonds” at domestic and external capital markets.

When raising debt funds by way of issue of bonds/ “green bonds” the work on increasing investment attractiveness of the “Damu” Fund will be accomplished, also the “Damu” Fund will maintain its credit rating higher than the sovereign one. Loans will be carried out provided that the “Damu” Fund’s financial stability is maintained in compliance with specified limits and maximum financial coefficients.

Definitions and abbreviations.

The main definitions and abbreviations are used in this Policy as follows:

1) Bank (Bank/Regulated bank) – a legal entity being a commercial organization which in accordance with Law of the Republic of Kazakhstan “On banks and bank operations in the Republic of Kazakhstan” is entitled to carry out bank operations and which is also registered at registering authorities of the Republic of Kazakhstan as a Bank and has a valid license of the National Bank of the Republic of Kazakhstan for carrying out banking operations;

2) RES – renewable energy sources;

3) Green bonds – bonds, which proceeds from placement are used solely for financing or re-financing (full or partial) of new and/or existing “green projects”. “Green projects” criteria are described in this Policy and other internal documents of the “Damu” Fund.

4) Small scale (small) RES project – is a project targeted towards introduction of renewable energy sources technology, to be implemented by way of purchasing and/or constructing and/or upgrading and/or reconstructing and/or major repairing of fixed assets, procurement of biological and/or non-material assets (including VAT expenses), which shall comply with the list of technologies, shown on the Table 3 of this Policy;

5) Mechanism – Investment in small RES projects risk mitigation mechanism, implemented within the frames of this Policy and an Agreement with a responsible party between the United Nations Organization Development Program in the Republic of Kazakhstan and JSC “Damu” Entrepreneurship development fund” under the UNDP-GEF “Investment in renewable energy sources risk mitigation” dated February 24, 2020;

In accordance with the Decree of the President of the Republic of Kazakhstan № 571 dated 22.05.2013 “Concerning some measures on optimization of the management system for development institutions, finance organizations and national economy development” 100% of “Damu” Fund shares have been handed over to JSC “National Management Holding “Baiterek” (hereinafter – JSC “NMH “Baiterek”). Before the Decree is entered into force, 100% of “Damu” Fund belonged to JSC “National Welfare Fund “Samruk-Kazyna” and since 28.12.2011 were in trust management of the Ministry of Economic Development and Trade of the Republic of Kazakhstan, and since 10.04.2013 – of the Ministry of Regional Development of the Republic of Kazakhstan. At the moment JSC “NMH “Baiterek” is the Sole Shareholder of “Damu” Fund.

The main objective of the “Damu” Fund’s activity is promotion to the high-quality development of private entrepreneurship in the Republic of Kazakhstan by means of providing financial aid to the private entrepreneurship.

“Damu” Fund implements the following types of activity:

- 1) participation in design, implementation and financing of programs (including government ones) in the field of private entrepreneurship support;
- 2) resource support of organizations providing microfinance;
- 3) assistance to involve institutional and private investors in microfinancing (microcredit);
- 4) act as an agent to service targeted foreign credits in the field of private entrepreneurship support and development in the manner set out by Law of the Republic of Kazakhstan;
- 5) assistance in development of business-centers and incubators of private entrepreneurship, consulting, learning and teaching, leasing and other market infrastructures in private entrepreneurship;
- 6) subsidization of fee rates under loans granted and other leasing deals made by regulated banks, Kazakhstan Development Bank and other legal entities, which carry out leasing operations, private entrepreneurs;
- 7) subsidization of coupon fee rate under bonds, issued by private entrepreneurship in accordance with law of the Republic of Kazakhstan and included into the list of stock market, operating at the territory of the Republic of Kazakhstan;
- 8) provision of assurance to private enterprise subjects when receiving loans from regulated banks and other legal entities;
- 9) Monitoring of the private entrepreneurship support programs implementation;
- 10) Secondary activities, directed to achieve statutory objectives and specified by appropriate decrees of the Government of the Republic of Kazakhstan for the “Damu” Fund.

The “Damu” Fund has 17 regional local branches.

The “Damu” Fund’s mission is the active role in micro, small and medium enterprise sustainable development in the Kazakhstan by implementation of comprehensive and effective support tools.

“Damu” Fund carries out works on two key strategic development trends:

1. First-time and active entrepreneurs support and development:
 - Expansion of crediting for micro-business, design and implementation of support tools for MSME through banks, microfinance organizations and other legal entities.
 - Increase of the existing MSME coverage by financial programs of the “Damu” Fund.
 - Enhancement of supported MSME economic efficiency.
2. The “Damu” Fund sustainable institutional development:
 - Raising funds from additional sources of financing.
 - Achievement of the planned level of financial results of activity.
 - Business processes automation.
 - Corporate management level increase.

2. The “Damu” Fund and climate changes

Starting from 2015 pursuant to:

- 1) The “Kazakhstan-2050” Strategy in respect to environmental protection and use of natural resources;
- 2) The Republic of Kazakhstan transition to the “Green economy” concepts in respect to the energy saving and increase of energy efficiency;
- 3) Nation plan - 100 specific steps on implementation of five institutional reforms of the Head of State Mr. Nursultan Nazarbayev (May of 2015),
The “Damu” Fund has attracted UNDP to cooperation to involve business in the implementation of “green projects”.

As a result of such cooperation the Agreement has been signed between the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan and the “Damu” Fund.

The entrepreneurship support program for those, who implements investment projects, related with energy saving technologies under the “Sustainable cities for low-carbon development” project, initiated by the United Nations Development Program (UNDP), Global Environmental Fund (GEF) and the Government of the Republic of Kazakhstan has been designed.

Interest rate subsidization and (since March of 2020) subsidization of the part of a principal of commercial credits/microcredits, provided to MSME, which implements projects, focused on reduction of energy consumption in city districts and, as a result, reduction of greenhouse gas emission. Such initiative promotes to develop business and provides valuable insights into provision of environmental security of the society.

Within the period of activity (end of 2017) and up to date the above program has allowed to support more than 100 energy efficiency projects in cities and settlements (with a number of population more than 2 000 people) including 2 large cities of the Republic of Kazakhstan (Nur-Sultan and Almaty). As of June of 2020 already 37 projects have received financing and other projects are at the stage of contracting and getting approval from regulated banks.

Terms of the Program:

Maximum project loan amount to receive the potential financial support, provided under the Program shall not exceed 350 000 000 (three hundred and fifty million) tenge.

Within the period of implementation, a project shall reach at minimum:

- energy usage reduction by 15% in city heating and water supply systems; public facilities; apartment blocks, including row houses which are not fully off-the-grid houses; municipal sewage lines and cleaning systems;
- at least 45% in street and internal lighting.

Table 1. Support program by numbers, 2018

Aggregate investments	Credit to be provided to SME by “Damu” Fund	Reserved interest, that will be subsidized by UNDP-GEF	CO ₂ anticipated reduction	Usage of anticipated energy reduction
17,638,466,125 KZT (53,915,531.48 USD)	5,441,884,115 KZT (16,634,217.07 USD)	975,157,459 KZT (2,980,765.58 USD)	57,872 tonnes	from 15% up to 95%

Parallel to the entrepreneurship support program already on-going, the UNDP together with “Damu” Fund within the frames of the joint UNDP-GEF and the Ministry of Energy of the Republic of Kazakhstan project “Investment in renewable energy sources risk mitigation” the Agreement with a responsible party has been signed on February 24, 2020 between the United Nations Development Program in the Kazakhstan and JSC “Damu” Entrepreneurship development fund” pursuant to the UNDP-GEF project “Investment in renewable energy sources risk mitigation” (hereinafter – the Agreement) and the mechanism, similar to the entrepreneurship support mechanism for those, who wants to establish and apply various renewable energy source technologies (hereinafter – the RES) for own needs has been started:

1. Fee rates subsidization under entrepreneurs' loans – up to 10% inclusive – the subsidization may be carried out only for entrepreneurs' loans granted by regulated banks and microfinance organizations (hereinafter – the MFO)/financial leasing agreements signed with leasing companies, the fee rate of which will not exceed 16% per annum (under loans granted by regulated banks and financial leasing agreements)/ 20% per annum (under microcredits).

2. Subsidization of the part of a principal under entrepreneurs' loans up to 30% inclusive – investment grant.

“Damu” Fund plans additionally to start up the third mechanism provided for by the Agreement – coupon fee rate subsidization on “green bonds” of the “Damu” Fund, issued on the “Astana” International Financial Center platform. In the meantime, according to the terms of the Agreement, signed with the UNDP, a part of coupon rate of the “Damu” Fund in the amount of up to 12% inclusive will be subsidized on the part of the UNDP. Funds raised by the “Damu” Fund shall be allocated in RB/MFO with the purpose of further financing MSME, implementing RES projects.

Moreover, the possibility to raise capital by way of issuing “green bonds” for further conditional investment of funds in banks and microfinance organizations, which will in its turn finance “green projects”, is considered.

“Green bonds” which will be targeted to finance low-profile (small) RES projects are planned to be issued at the first stage.

Primary cheapening of coupon rate on “green bonds” of the “Damu” Fund is supposed within the frames of the effective Agreement that will result in cheapening of the funds raised and reduction of a fee rate on MSME loans accordingly. At subsequent stages provided that the demands and conditions are available, the “Damu” Fund considers a possibility to issue bonds on other lines, such as:

- energy efficiency;
- large-scale RES;
- other lines.

“Damu Fund” is strongly committed to sustainable development and has accepted internal documents, which regulate the operations on sustainable development support directly or indirectly. The table of such documents is shown below:

Name	Date of approval
Joint-Stock Company “Damu” Entrepreneurship development fund” Sustainable Development Policy	April 17, 2019
JSC “Damu” Entrepreneurship development fund” Environmental Policy	January 30, 2018
JSC “Damu” Entrepreneurship development fund” Sustainable Development Activity Plan	Once per 2 years
JSC “Damu” Entrepreneurship development fund” Sustainable Development Activity Plan Performance Report	annually
JSC “Damu” Entrepreneurship development fund” Corporate Management Code	December 27, 2017
JSC “Damu” Entrepreneurship development fund” annual progress report	annually
JSC “Damu” Entrepreneurship development fund” Code of Business Conduct	July 25, 2011
JSC “Damu” Entrepreneurship development fund” Regulations on disclosure of information	May 19, 2020
JSC “Damu” Entrepreneurship development fund” Money obtained by criminal means laundering control and Terrorism	October 24, 2018

financing Policy	
Agreement with a responsible party between the United Nations Development Program in the Kazakhstan and JSC “Damu” Entrepreneurship development fund” within the frames of the implementation of UNDP-GEF Project “Investment in renewable energy sources risk mitigation”	February 24, 2020
Rules of providing the financial aid for the implementation of the investment in small projects of renewable energy sources risk mitigation mechanism under the Agreement with a responsible party between the United Nations Development Program in the Kazakhstan and JSC “Damu” Entrepreneurship development fund” within the frames of the implementation of UNDP-GEF Project “Investment in renewable energy sources risk mitigation”.	June of 2020
Rules of providing the financial aid for the implementation of the promotion of investments into energy efficiency of city infrastructure of the Republic of Kazakhstan mechanism within the frames of the Joint project of the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan and the United Nations development Program “Sustainable cities for low-carbon development in the Kazakhstan”	2018

3. 3. About “Damu” Fund Policy in “Green Bond” Framework

“Damu” Fund’s Green Bond Framework has been developed in line with the ICMA Green Bond Principles (the “GBP”) 2018¹ and is intended to provide transparency in “Damu” Fund’s Green Bond issuance and reporting processes. The framework is based on the four core components of the GBP, being “Use of Proceeds”, “Process for Evaluation and Selection”, “Management of Proceeds” and “Reporting”.

The Policy also describes the manner in which “Damu” Fund supports and contributes towards meeting the United Nations Sustainable Development Goals² (SDGs). Under this Policy “Damu” Fund’ may issue Green Bonds in various formats, according to the prevailing terms described in the documentation.

“Damu” Fund Policy in “Green Bond” Framework

4. Use of Proceeds

The proceeds of Green Bonds will be allocated exclusively to finance or refinance, in part or in full, eligible projects which contribute to environmental objectives such as: renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, green buildings (“Eligible Assets/projects”).

Eligible assets/ projects may include among other things the loans for projects, which meet the acceptance criteria of Damu Green Bond (column IV), as described in the Table 2.

Additional categories and acceptance criteria may be described in other internal documents of the “Damu” Fund.

Table 2. Eligible assets/ projects

I. Eligible	II. Sub-category	III. Description	IV. CO ₂ allowable	V. Compliance with UN
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category			emissions (in %)	SDG
1. Energy efficiency	1.1. Modernization(baseline energy consumption reduction)	a) Lighting systems	0.98 t CO ₂ / 1 MW/h	SDG 7. Affordable and clean energy
		b) Heat supply and heat transfer systems	0,48 t CO ₂ / 1 Gcal	SDG 11. Sustainable cities and communities
		c) Water supply and drainage systems	0.98 t CO ₂ / 1 MW/h	SDG 13. Climate action
		d) Building envelope improvement measures	0,48 t CO ₂ / 1 Gcal	
	1.2. New construction	a) Construction of boiler plants with an efficiency level of more than 92%	0,48 t CO ₂ / 1 Gcal	
2. Renewable energy	2.1. Existing systems modernization and creation of new systems for the energy production and transmission	a) Sun	0.98 t CO ₂ / 1 MW/h	SDG 7. Affordable and Clean Energy SDG 11. Sustainable cities and communities
		b) Wind		
		c) Water		
		d) Geothermal	0,48 t CO ₂ / 1 Gcal	SDG 13. Climate action
		e) Air		
		f) Biomass		
3. Pollution prevention		a) Cleaning of drains		SDG 6. Clean water and sanitation
		b) Air contaminant emissions reduction (nitrogen oxide, methane, Sulphur hexafluoride and others)		SDG 11. Sustainable cities and communities
		c) Restoration of soils		SDG 12. Responsible consumption and production
		d) Waste recycling		SDG 13. Climate action
		e) Waste collection and recycling		
4. Management of living natural resources and land use		a) Climate smart sustainable agriculture and livestock		SDG 11. Sustainable cities and communities
		b) Afforestation and reforestation		SDG 15. Life on land
		c) "Green" park areas		
5. Ground and aquatic biodiversity		a) Restoration and purification of land and water resources		SDG 15. Life on land
6. Clean transport		a) Electric vehicles and infrastructure		SDG 7. Affordable and clean energy
		b) Gasification of transport and associated infrastructure		SDG 11. Sustainable cities and communities
		c) Urban mobility systems (bicycle lanes, marked lines LRT, BRT, infrastructure and etc.)		

7. Green buildings	7.1. Construction	a) Construction of passive buildings with zero carbon footprint	0.98 t CO ₂ / 1 MW/h 0,48 t CO ₂ / 1 Gcal	SDG 9. Industry, innovation and infrastructure
		b) Buildings with high energy efficiency level **	0.98 t CO ₂ / 1 MW/h	
			0,48 t CO ₂ / 1 Gcal	SDG 11. Sustainable cities and communities

* National coefficient (needs to be re-calculated depending on type of fuel), Order № 222 of the Ministry of Energy of the Republic of Kazakhstan

** National Construction Rules and Regulations, "C" class (class "A-B" advanced)

According to this Policy, the “Damu” Fund reviews RES projects of two streams:

1. Small-scale (small) RES projects;
2. Large-scale RES projects.

Table 3. The technologies and maximum output by energy generation shown below are the small-scale (small) RES projects:

Technologies for financing	Plant unit capacity
Production, transmission including usage of energy for own needs using the following renewable resources:	For the purpose of electric power generation – up to 3 MW, for the purpose of heat generation and hot water supply up to 1 MW*
✓ sun – solar plants (solar PV)- for electric power generation, solar collector – for heat and hot water supply generation;	
✓ wind – wind generators for electric power generation;	
✓ water – mini hydro-electric power station, dam less, without water balance storage for electric power generation;	
✓ geothermal sources – for heat and hot water supply generation;	
✓ air – air heat pumps for heat and hot water supply generation;	
✓ biomass (garden waste – straw, woodchips, etc.)/biogas (organically bioerodible waste – manure, oil and fat production waste, commercial dairy farms waste and so on) – for electric power generation, heat and hot water supply. Also any other combination of the above-listed technologies.	

Exceptional criteria

Funds, raised by way of “green bonds” issue will not be intentionally used to finance any business, which current main enterprise or main activity has been assessed by the “Damu” Fund as any of the listed below:

End borrowers cannot be participants of the “Damu” Fund programs, if they:

- 1) are not private entrepreneurs;
- 2) do not comply with the Product certificate terms;
- 3) implement projects, provided for the production or supply of arms (including components for arms production), drug-containing substances or other things, removed from the stream of commerce;
- 4) implement projects, provided for organization and (or) development of gambling industry;
- 5) implement projects, provided for the activity related with terrorist or any other activity, prohibited by Law of the Republic of Kazakhstan;

- 6) implement projects, provided for output and sale of excisable goods or products, except for the projects, provide for motor vehicles production;
- 7) have founders (including members, shareholders) which are national management holdings, national holdings, national companies and organizations, where fifty or more percent of shares (interest in the charter capital) are owned directly or indirectly by the state, a national management holding, a national holding, a national company (except for a social-entrepreneurship corporation as well as entrepreneurs, established under a public-private partnership agreement);
- 8) noncommercial organizations;
- 9) state enterprises, including those, based on the right of economic management or being a public enterprise.

End borrowers are prohibited to be granted with loans for the purpose of:

- 1) equity holdings of legal entities;
 - 2) compensation for expenses, incurred earlier by an end borrower, debt redemption appeared due to the financial aid received by an end borrower from natural persons and (or) legal persons, including members, shareholders, officials and employees of an end borrower;
 - 3) consumer crediting;
 - 4) distribution of dividends to founders (including members, shareholders of an end borrower);
 - 5) payment for attorneys (agents) services.
- An attorney (agent) is a person, who fulfils certain assignments, related with budget crediting (budget credits servicing, settle accounts with borrowers, carry out end borrowers and projects monitoring, debt collection and so on) based on a contract of delegation on behalf and on account of a creditor (grantor) or a budget program administrator and in accordance with its instructions;
- 6) payment of commissions, duties and (or) other payments related with an end borrower's loan;
 - 7) purchase of securities (portfolio investment).

5. Process for Project Evaluation and Selection

All projects to be financed on account of funds, raised by way of "green bonds" issue shall comply with Section 4 "Use of proceed" of this Policy, the Unified program and the Product Passport.

According to this Policy and the Unified program the "Damu" Fund will allocate funds raised by way of "green bonds" issue for further financing of RES projects of MSME. RB/MFO and UNDP will search for MSME which are planning/implementing RES projects. MSME will submit a RES project for a RB/MFO consideration to receive financing. After preliminary decision a RB/MFO will forward a set of RES project documents to the "Damu" Fund.

A Working group, formed by the order of the Chairman of the "Damu" Fund which will include subdivisions of the "Damu" Fund, responsible for raising and investment of funds (Borrowing and International Relations Department, Software Tool Department and Apex Department) with engaging other subdivisions and external accountants as necessary, will consider RES projects received for the compliance with the terms of this Policy, the Unified program and the Product Passport.

Project parameters, subject to be considered by the Working group, the liaison protocol with RB/MFO and other matters will be specified by internal documents of the "Damu" Fund.

After the Working group conclusion is received, a concerned subdivision of the "Damu" Fund will forward a confirmation of the project's compliance with the Product Passport to a RB/MFO.

6. Management of Proceeds

The "Damu" Fund may have a single portfolio of Eligible assets/projects within the Product Passport in respect to "green bonds" issue.

All Eligible assets/projects in the “Damu” Fund “green bonds” portfolio of assets/projects will be marked as “Eligible green bonds” at the special account of the “Damu” Fund. “Damu” Fund “green bonds” portfolio of assets/projects will reflect as current so new Eligible assets/projects.

The Working group for “green bonds” will check quarterly the total assets/projects in the “Damu” Fund “green bonds” portfolio of assets/projects to make sure, that it is equal or exceeds total funds raised from “green bonds” issued by the “Damu” Fund.

“Damu” Fund is entitled to invest unallocated funds raised from “green bonds” issue into financial instruments, which are permitted for investment in accordance with the Available Cash Assets Management Rules of JSC “Damu” Entrepreneurship development fund” until such funds are transferred to the “green bonds” portfolio of assets/projects.

External audit of the raised funds management process will be carried out within the frames of an annual audit of “Damu” Fund, performed by an independent audit company.

7. Reporting

“Damu” Fund intends to provide and keep in the public domain the annual updated reports of “green bonds” issued from the date of issue till full repayment and in case of any significant changes. Such reports will be published on the “Damu” Fund’s official site www.damu.kz and may include, but not limited to:

Allocation Reporting

- Funds, received from each “green bond” of the “Damu” Fund;
- Aggregate amount of funds, allocated for each of Eligible assets/projects (as shown on the Table 2);
- The balance of unallocated proceeds at the end of reporting period.

Impact Reporting

Where feasible, “Damu” Fund will provide further information and examples of eligible projects financed or refinanced by Damu Green Bonds, including quantitative performance measures as described in Table 4. Disclosure of information related to Use of Proceeds, Impact Reporting, and projects financed or refinanced will be made subject to Damu’s confidentiality obligations and the availability of information.

Table 4: Measurement of impact

Acceptable categories	Potential quantitative index of effectiveness
1. Energy efficiency	Expected energy saving per year (MW/h) GHG emissions avoided (tCO ₂ e) Additional/Optional: Decrease in water use
2. Renewable energy	Total installed capacity (MW) GHG emissions avoided (tCO ₂ e) Additional/Optional: Number of people provided with access to clean power Decrease in water use
3. Pollution prevention	Reduction of fine particulate matter (PM 2.5) GHG emissions avoided (tCO ₂ e) Additional/Optional: Decrease in water use
4. Management of living natural resources and land use	GHG emissions avoided (tCO ₂ e)
5. Terrestrial and aquatic biodiversity	GHG emissions avoided (tCO ₂ e)
6. Clean transport	Reduction of fine particulate matter (PM 2.5) GHG emissions avoided (tCO ₂ e)
7. Green buildings	According to local green building codes, if applicable, or internationally recognized green building certificates like LEED, EDGE, BREEAM.

	<p>energy certificates such as US Energy Star, and energy labeling schemes such as EU Energy Performance Certifications</p> <p>Additional/Optional: Decrease in water use, reduction in the number of cars required</p>
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8. External review

For the purpose of this Policy the “Damu” Fund reserves its right to provide any type of external review: an external consultant’s opinion, Verification, Certification or Rating/ “green” rate.

First annual report of raised funds usage and management will be reviewed and signed by an independent auditor to confirm the “green” status of a bond. It can be done in the form of a letter, signed by an independent auditor and may also include a financial auditor’s application concerning external financing. Follow-up annual reports of usage and management of proceeds may be reviewed by an independent auditor at the discretion of the “Damu” Fund.

External review and annual reports of “green bonds” issued will be published on “Damu” Fund’s web-site during the issue and until the time of repayment of “green bonds”.