Semi-Annual Environmental Monitoring Report

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Loan number: 3447 - KAZ

Reporting period: July - December 2020

Republic of Kazakhstan: Supporting Resilience of Micro, Small, and Medium-Sized Enterprises Finance Project

(Financed by the Asian Development Bank)

Prepared by the «DAMU» “Entrepreneurship Development Fund» Joint Stock Company (located in Almaty city, Republic of Kazakhstan), for the Asian Development Bank.

This environmental monitoring report is a document of the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff, and may be preliminary in nature.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

January 2021

**Content**

Page

Abbreviations 4

I. INTRODUCTION 5

1.1. Brief program description 5

1.2. Summary of activities and the progress of the project implementation for the previous 6 months 5

1.3. Organization of the project and environmental management team, including organizational relationships with PFOs, sub-investors, etc 7

1.4. Capacity building 9

II. ENVIRONMENTAL ISSUES 10

2.1. Environmental problems for the previous 6 months 10

2.2. Cases of violation of environmental standards or environmental incidents 10

III. COMPLIANCE WITH ADB SOCIAL PROTECTION REQUIREMENTS AND ADB'S LIST OF PROHIBITED INVESTMENT ACTIVITIES 11

IV: ESMS Activities 11

4.1. Brief description of the ESMS effectiveness for 6 months 11

4.2. Site inspections and audits 11

V. CONCLUSION AND ACTION PLAN 12

5.1. Conclusions 12

5.2. Recommendations 12

Annexes -

**ABBREVIATIONS**

|  |  |
| --- | --- |
| **ADB** | Asian Development Bank |
| **Agreement** | Framework agreement on financing between the Government of the Republic of Kazakhstan, ADB and the Fund dated 04.05.2014 |
| **ESMS** | Environmental and Social Management System |
| **Fund** | ‘Damu’ Entrepreneurship Development Fund JSC |
| **MSME** | Micro, Small and Medium-sized Entrepreneurship |
| **MFO** | Microfinancing Organization |
| **SME** | Small and Medium-sized Entrepreneurship |
| **STB** | Second-tier bank |
| **PFI** | Participating Financial Institution |
| **REPO** | Lending mechanism on the basis of a repurchase agreement between ADB and the National Bank of the Republic of Kazakhstan according to which the National Bank of the Republic of Kazakhstan agreed to provide liquidity to the ADB tenge |

1. **INTRODUCTION**
   1. **Brief program description**
2. The Asian Development Bank is working with Kazakhstan to provide much-needed financing in local currency to micro, small- and medium-sized enterprises. In order to implement the ADB Investment Program on financing of small and medium-sized businesses in Kazakhstan, an agreement was concluded between the Government of the Republic of Kazakhstan, ADB and the Fund on 04.05.2014, within the framework of which ADB opened a credit line in the public within the framework of the MSME project.
3. The project is helping to finance working capital and productive investments is increasing lending to women entrepreneurs, especially in regions outside Astana and Almaty.
4. This agreement was concluded for the purposes of development of MSMEs within the framework of the Business Roadmap 2020 through the Fund’s support programs, diversification of the economy and creation of new jobs and the possibility of obtaining resources from the third party.
   1. **Summary of activities and the progress of the project implementation for the previous 6 months**.
5. As part of the new loan, international consultants engaged by ADB, together with the Fund’s employees, conducted a pre-investment audit of the financial condition of the STBs and a review of the environmental and social management systems of the STBs (Due Diligence), resulting in the current list of participating banks:
6. «Bank Center Credit» JSC;
7. «Nurbank» JSC;
8. «Bank Kassa Nova» JSC;
9. «Forte Bank» JSC;
10. From July 01, 2020 to November 02, 2020 **no sub-projects** were financed from the funds of the new loan of Asian Development Bank due to short financing period as the PFIs have repaid the loan to Damu on November 2020, in accordance with loan agreement schedules. Consequently, Damu repaid the loan to ADB in November 2020.
11. All sub-projects underwent pre-environmental screening by PFIs in accordance with the procedures of their Environmental and Social Management System (ESMS).

According to the data provided by PFIs, all sub-projects were classified as category «C» in social safeguards and do not need developing a Resettlement Action Plan.

1. In environmental terms, 37 funded projects (0.33%) out of 11,362 project were classified as Category «B» and 11,288 projects (99.35%) were classified as Category «C». Project review results show that none of the projects fall to Category «A».
2. Table 1 shows that **no new sub-projects** funded within the July-December 2020.

**Table 1: Brief description of activities and progress of the project for 6 months (January-Dec 2020)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PFO** | **Total number of projects funded** | | **Environmental category «A» of projects** | | **Environmental category «B» of projects** | | **Environmental category «C» of projects** | |
| **Q-ty** | **%** | **Q-ty** | **%** | **Q-ty** | **%** | **Q-ty** | **%** |
| «Nurbank» JSC | **0** | - | - | - | - | - | - | - |
| «Bank CenterCredit» JSC | **0** | - | - | - | - | - | - | - |
| «Bank Kassa Nova» JSC | **0** | - | - | - | - | - | - | - |
| «ForteBank» JSC | **0** | - | - | - | - | - | - | - |

1. Distribution of projects per sectors is presented in Table 2 (status by end of December 2020).

**Table 2: Projects distribution per sectors (summarized for January-December 2020)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| # | PFO | Number of sub-projects | | | | | | | | | | | | | | | | | Total number |
| A-Agriculture | B-Mining industry and quarry development | C- Processing industry | F - Construction | G-Wholesale and retail; repair of cars and motorcycles | H- Transport and warehousing | I-Provision of accommodation and catering services | J-Information and communication | K- Financial and insurance activities | L-Real estate transactions | M-Professional, scientific and technical activities | N-Activities in the field of administrative and support services | P-Education | Q-Healthcare and social services for the population | R-Art, entertainment and recreation | S-Provision of other types of services | Consumption |
| 1 | «Bank CenterCredit» JSC | - | - | 2 | - | 48 | 5 | - | - | - | 1 | - | 1 | 3 | - | - | 6 | - | 66 |
| 2 | «Nurbank» JSC | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 |
| 3 | «Bank Kassa Nova» JSC | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 89 | - | 271 |
| 4 | «ForteBank» JSC | 26 | 130 | 258 | 233 | 1491 | 129 | - | 8 | 163 | 130 | 22 | 500 | 64 | - | - | - | 165 | 3 139 |

* 1. **Organization of the project and environmental management team, including organizational relationships with PFOs, sub-investors, etc**.

1. The Figure 1 below presents project organizational relationships between involved parties.



***Figure 1. Project organizational charts***

**Note:** ADB = Asian Development Bank; Damu = «Damu» Entrepreneurship Development Fund; STB = Second-tier banks, MFO = microfinance organizations, MSME = business entities.

1. PFIs and MFO are responsible for:
2. Selection of borrowers: STBs up to 1,080,000,000 KZT, MFO - up to 8,000 MCI[[1]](#footnote-1) in accordance with the criteria set out in the project agreements;
3. (Monitoring of borrowers’ activities, including analysis of financial condition, verification of targeted use of the loan;
4. Providing actual loan granting reports to the Fund;
5. Assignment of personnel to the project implementation department;
6. Implementation of the Gender Action Plan (GAP);
7. Providing annual financial statements to the Fund.
   1. **Capacity building**
8. In accordance with the information provided by the PFIs, only Forte Bank JSC, Kassa Nova Bank JSC and Bank CenterCredit JSC conducted intra-group trainings via video conferencing.

Due to the pandemic situation with COVID-19 and announced quarantine in Kazakhstan the planned set of trainings for new/remaining credit specialists in 2020 were not conducted. DAMU did not provide instructions to the PFIs in regards to COVID-19 pandemic in particular, however for other instruments, such as guaranteeing and subsidizing, DAMU has provided additional opportunities for MSME borrowers via financial institutions.

1. **ENVIRONMENTAL ISSUES**

**2.1. Environmental problems for the previous 6 months**

1. According to the reports provided by the STBs, no environmental and social problems were identified for July-December 2020 period.

**2.2. Cases of violation of environmental standards or environmental incidents**

* + 1. *Noise and vibration*

1. Reports provided by PFIs do not contain this information.
   * 1. *Water quality*
2. All category B projects sites are located far from the water bodies. No need was identified for the instrumental measurements. No any complaints were received or recorded by PFIs and DAMU on this issue within reporting period.
   * 1. *Air quality*
3. No any complaints were received or recorded by PFIs and DAMU on this issue within reporting period.
   * 1. *Monitoring of flora and fauna*
4. Reports provided by PFIs do not contain this information. However no any complaints were received or recorded by PFIs and DAMU on this issue within reporting period. Most part of the projects was implemented in the cities within fenced areas or urban areas.
   * 1. *Accidents or incidents*
5. No any accidents or incidents were recorded by PFIs and DAMU during reporting period.
   * 1. *Complaints*
6. No any complaints were received or registered by DAMU and PFIs for reporting period.
7. **COMPLIANCE WITH ADB SOCIAL SAFEGUARDS AND ADB PROHIBITED INVESTMENT LIST.**
8. Reports provided by STBs do not contain information how many sub-projects were excluded as related to ADB Prohibited investment list.
9. Approved projects in 2020 did not require any resettlement.
10. **ESMS ACTIVITIES**

**4.1. Brief description of the ESMS effectiveness for 6 months**

1. All PFIs have developed and approved ESMS which were reviewed by ADB representatives, and no updates were made within the reporting period.
2. Table 3 provides information on time when the ESMS policies were approved by PFIs.

**Table 3: Dates of ESMS document approved by PFIs**

|  |  |  |
| --- | --- | --- |
| **PFI** | **Date of ESMS approval** | **Document updated and approved (date):** |
| «Bank CenterCredit» JSC | **27.05.2013 №210** |  |
| «Nurbank» JSC | **30.12.2016 №135** |  |
| «Bank Kassa Nova» JSC | **24.11.2016** | **31.01.2019** |
| «ForteBank» JSC | **25.05.2017** |  |

1. All PFIs appointed ESMS Implementation Officers. Table 4 below presents staff of PFIs responsible for the ESMS implementation.

**Table 4: PFI’s employees responsible for implementation of ESMS**

|  |  |  |
| --- | --- | --- |
| **PFI** | **Name of PFO’s employee responsible for implementation of ESMS, position** | **Contacts** |
| «Bank CenterCredit» JSC | Natalya Li - Head of Directorate, Corporate Finance Department | Natalya.Li@bcc.kz |
| «Nurbank» JSC | Kurmanbekova Aizhan, Head of Sales Support Department for Small and Medium Enterprises | [AKurmanbekova@nurbank.kz](mailto:AKurmanbekova@nurbank.kz)  +7 (727) 599-710, int.5329 |
| «Bank Kassa Nova» JSC | Adil Mukhanov, Leading Expert | [Adilm@kassanova.kz](mailto:Adilm@kassanova.kz)  *8-700-111-23-06* |
| «Forte Bank» JSC | Gulbanu Primbetova, Director, SME Division | +7 (727) 258-40-40 |

1. According to PFI reports following has to be noted**:**

* **There were no transactions rejected due to environmental and/or social problems, difficulties and/or restrictions related to the ESMS implementation during the reporting period;**
* **The existing ESMS are functional;**
* **Approval of projects is carried out by PFIs committees, visits/monitoring for projects are carried out, targeted use of funds is checked.**
* **BCC reports that COVID-19 pandemic has brought significant corrections into the economy of Kazakhstan and along with, BCC takes part in all state programs that were developed in order to support small business for the period of quarantine, including the provision of payment deferral. Generally, BCC adopted the following in response to COVID-19 pandemic:**
* **For SMEs: payment deferral for loan payments granted for the term of 90 days, remote channels for receiving online services developed and implemented, concessional financing programs offered, donation of 100 million KZT to the Birgemiz Foundation (aid to those affected by the pandemic)**
* **For the employees of the Bank: 70% of the employees transferred to remote work mode, sanitary and epidemiological requirements followed in the offices, all meetings were held online, medication to treat COVID-19 bought for the availability of infected employees, financial assistance provided to employees admitted to hospitals with diagnosis of the virus.**
* **Moreover, the monitoring visits to the sites of financed/subsidized/guaranteed projects were postponed by DAMU due to restrictive measures employed by the government in several regions. The Bank however did not set deferrals for Category B projects. Information from the borrowers was received online, without site visits from the Bank employees.**
* **Forte Bank reports that due to the pandemic, the training planned for 2020 by the ADB consultant was cancelled. Moreover, the Bank reports that many companies have received approval for grace periods and have suspended their operations partly or fully.**
* **Bank Kassa Nova reports that during the pandemic in Kazakhstan, restrictive measures were introduced on the activities of business entities. This has led to decrease in demand for credit products. The measures affected the implementation of on-site monitoring of Category B projects.**

**4.2. Site inspections and audits**

1. Due to COVID-19 pandemic situation in the country and quarantine the PFIs monitoring and risk management specialists conducted only virtual monitoring inspections within reporting period, communicated with the borrowers only via phone/internet connections.
2. **CONCLUSION AND RECOMMENDATIONS**

**5.1. Conclusions**

1. No new loans were issued during the reporting period, due to short financing period as the PFIs have repaid the loan to DAMU on November 2020, in accordance with loan agreement schedules. Consequently, Damu repaid the loan to ADB in November 2020.
2. ESMSs are established at all PFIs. Environmental categories B and C projects were processed.
3. There were no complaints received/recorded and no incidents occurred in the implementation phase of the subprojects.
   1. **Recommendations**
4. Trainings on categorization and on reporting should be conducted for involved personnel of PFIs in similar projects.
5. The quality of the reports, to be submitted by clients should include more information on conducted inspections and contain more details on monitoring results.

Annexes

Annex 1. ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORT

OF NURBANK JOINT-STOCK COMPANY

|  |  |  |  |
| --- | --- | --- | --- |
| Name of Organization | Nurbank Joint-stock company | | |
| Completed by (name): | Kurmanbekova Aizhan | | |
| Position in organization: | Head of Sales Support Department for Small and Medium Enterprises | Date: | 05/01/2020 |
| Reporting period | From: 01/07/2020 To: 01/01/2021 | | |

**A. Portfolio Information**

|  |  |
| --- | --- |
| **Report Covering Period:** | |
| **From: 01.07.2020** | **To: 01.01.2021** |

No new loans were issued for the period from 01/07/2020 to 01/01/2021.

### Exposure by Industry Sectors

|  |  |
| --- | --- |
| **Industrial Sector** | **% of Corporate Portfolio** |
| Apparel |  |
| Chemicals |  |
| Collective Investment Vehicles |  |
| Common Carriers |  |
| **Construction and Real Estate** | **66%** |
| Consumer Goods |  |
| Crop Production |  |
| Electrical Equipment, Appliances and Components |  |
| Fabric Mills |  |
| Fabricated Metal Product Manufacturing |  |
| Finance & Insurance |  |
| Finishing (Dyeing, Printing, Finishing, etc.) |  |
| Fishing |  |
| Food & Beverages |  |
| Forestry |  |
| Furniture and Related Products |  |
| Integrated Textile Operation (Spinning, Weaving/Knitting, but no Garment ) |  |
| Internet Subprojects |  |
| Leather and Allied Products |  |
| **Livestock** | **7%** |
| Machinery and Other Industrial |  |
| Nonmetallic Mineral Product Manufacturing |  |
| Oil, Gas and Mining |  |
| Plastics & Rubber |  |
| Primary Metals |  |
| Printing & Publishing |  |
| Pulp & Paper |  |
| Spinning (Yarn, Including Integrated with Fiber Production) |  |
| Telecommunications |  |
| Textiles - Others |  |
| **Transport Service** | **4,6%** |
| Transportation Equipment |  |
| Hotel services | **14,2%** |
| Real estate operations |  |
| Health care | **8,2%** |
| Utilities |  |
| Warehousing & Storage |  |
| Wholesale and Retail Trade covering any of the following. Gasoline stations, dry cleaners, printing, large auto and truck fleets, photographic film processing and any operations involving the use of any chemical of biological wastes or materials |  |
| Wood Products |  |

### B. Environmental and Social Management System (ESMS)

|  |  |  |  |
| --- | --- | --- | --- |
| **Policies & Processes** | *Yes/No* |  | |
| Has your organization developed and implemented an ESMS? | Yes | The Bank has developed the Guidelines for compliance with the requirements of the environmental and social management system as part of the Program for financing small and medium-sized enterprises using funds from the Asian Development Bank (hereinafter referred to as the Guide). The documentation was submitted earlier to DAMU (in January 2017) |
| If there is an ESMS already in place, have there been any updates to the ESMS or policy and procedures adopted by your organization during the reporting period? | Yes | There were no updates for the reporting period. |
| Has senior management signed off on the updated policy/procedure? | Yes | The management was approved and approved by the Management Board of the Bank, Minutes of the meeting of the Management Board No. 135 dated December 30, 2016 |
| Has your organization appointed staff tasked to implement the ESMS? | Yes | The Bank has appointed a responsible employee for compliance with ESMS requirements - Aizhan Kurmanbekova Head of SME Sales Support Division of the SME Department, experience in SME methodology in the SME Department of Nurbank JSC 7 years, total experience in the banking sector 14 years (including SME methodologies) |
| Please give details of any transactions rejected due to environmetnal and/or social concerns. | No | There were no transactions declined due to environmental and / or social problems during the reporting period. |
| Please state any difficulties and/or constraints related to the implementation of the ESMS. | No | There were no difficulties |
| Please describe how you ensure that your subproject companies and their subprojects are operated in compliance with the national laws and regulations and applicable ADB’s requirements. | Yes | There are relevant provisions in the Bank's Environmental and Social Management Manual |
| Please give details of any material social and environmental issues associated with clients during the reporting period in particular. | No | During the reporting period, no significant social and environmental problems arose. |
| In case the existing ESMS is not fully funcional, what are the action plan beining implemented by your organization? | No | ESMS is functional. The ADB mission (September 2019) recommended regular training for new staff involved in project categorization. |
| **Capacity** | *Yes/No* |  |
| Please provide the name and contact information of the Environmental and Social Officer or Coordinator who has the overall responsibility for the implementation of ESMS. | *Yes* | Kurmanbekova Aizhan - Head of SME Sales Support Department, SME Department, tel. 2599 710 (5329), e-mail: AKurmanbekova@nurbank.kz | |
| Please provide current staffing of other core ESMS persons in the organization involved with ESMS implementation. | *Yes* | Employees of the Department of small and medium-sized businesses, Heads of customer service departments of small and medium-sized businesses. | |
| What was the budget allocated to the ESMS and its implementation during the year? | No | A separate budget for ESMS is not allocated. Responsible employees for ESMS work within the general staffing schedule. | |
| **Monitoring** | *Yes/No* |  |
| Do you receive environmental and social monitoring reports from subproject companies that you finance? | No | When receiving an application for financing with the attached documents from the client to analyze the loan application, it reconciles the client’s activities with a list of activities that are not subject to financing under the Program (list of prohibited activities). The project risk category (ranking) is determined. Each project under consideration is checked for the nature and extent of its potential impact, environmental vulnerability and scope. After financing the project, monitoring of compliance with the requirements of ESMS dule approved by the authorized body of the Bank for monitoring funded projects.  In connection with the introduction of a state of emergency throughout the territory of the Republic of Kazakhstan in the period from March 16, 2020, the activities of small and medium-sized businesses (hereinafter referred to as SMEs) were limited, with the exception of organizations that ensure the life of the population of objects, the functioning of transport, as well as enterprises included in the list of permitted activities. At the same time, today the quarantine regime is maintained in the cities of the republic. During the period of the emergency, the work of the regional branches and the Head Office was switched to a remote mode of operation and is maintained to this day (occasionally there are emergency situations associated with the self-isolation of employees of credit departments in the field). In this regard, the Bank did not carry out annual scheduled monitoring of projects, including those financed from ADB funds as of January 1, 2021. |
| Do you check for ongoing compliance of your subproject companies with national regulation and any other requirements? | Yes | Throughout the entire term of the loan, loan managers monitor the project, which includes verification of compliance with legal requirements. |
| Please describe how you monitor the subproject company and their subproject’s social and environmental performance. | Yes | When receiving an application for financing with the attached documents from the client to analyze the loan application, it reconciles the client’s activities with a list of activities that are not subject to financing under the Program (list of prohibited activities). The project risk category (ranking) is determined. Each project under consideration is checked for the nature and extent of its potential impact, environmental vulnerability and scope. After financing the project, monitoring of compliance with the requirements of ESMS dule approved by the authorized body of the Bank for monitoring funded projects.  In connection with the introduction of a state of emergency throughout the territory of the Republic of Kazakhstan in the period from March 16, 2020, the activities of small and medium-sized businesses (hereinafter referred to as SMEs) were limited, with the exception of organizations that ensure the life of the population of objects, the functioning of transport, as well as enterprises included in the list of permitted activities. At the same time, today the quarantine regime is maintained in the cities of the republic. During the period of the emergency, the work of the regional branches and the Head Office was switched to a remote mode of operation and is maintained to this day (occasionally there are emergency situations associated with the self-isolation of employees of credit departments in the field). In this regard, the Bank did not carry out annual scheduled monitoring of projects, including those financed from ADB funds as of January 1, 2021. |
| Please provide details of any accidents/ litigation/complaints/regulatory notices and fines:   * Any incidents of non-compliance with the applicable Environmental and Social Requirements * Covenants/conditionalities imposed   by the Fund Manager to the  subproject company as a result of  any non-compliance | No | There were no accidents / trials / complaints / regulatory notices and penalties for the reporting period, as well as cases of non-compliance with environmental and social requirements. |
| **Reporting** | *Yes/No* |  |
| Is there an internal process to report on social and environmental issues to Senior management? | Yes | Before the project is submitted to the Authorized Body of the Bank, the compliance of the project with the requirements of the ESMS is discussed |
| Do you prepare any social and environmental reports:   * For other multilateral agencies * Other stakeholders * E&S reporting in the Report * Sustainability reports | Yes | On a periodic basis (once every six months) reports are submitted on ESMS to Damu.  However, due to the introduced quarantine regime throughout the republic, as of 01/01/2021, SESU reports were not provided to Damu. |

|  |  |
| --- | --- |
| **Activities on ADB’s Prohibited Investment Activities List** | |
| If any, please indicate the dollar percentage of loans or investments out of your total outstanding exposure provided to clients who are substantially involved in ADB’s Prohibited Investment Activities List (Refer to Attachment 1). | No | |
| If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure. |  | |

**C. Subprojects Using ADB Funds**

**For the period from 01.07.2020 to 01.01.2021, there were no new projects approved and financed by ADB.**

**Name: Dina Saldanova**

**Title: Managing director**

Annex 2. ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORT

JSС "Bank Kassa Nova" (SB of JSC «ForteBank»)

|  |  |  |  |
| --- | --- | --- | --- |
| Name of Organization | **JSС "Bank Kassa Nova" (SB of JSC «ForteBank»)** | | |
| Completed by (name): | Adil Mukhanov | | |
| Position in organization: | **Leading expert** | Date: | 05.01.2021 |
| Reporting period | From: 01.07.2020 To: 02.11.2020 | | |

**A. Portfolio Information**

|  |  |
| --- | --- |
| **Report Covering Period:** | |
| **From: 01.07.2020** | **To: 02.11.2020** |

During the reporting period JSC "Bank Kassa Nova" there were no funded projects.

### B. Environmental and Social Management System (ESMS)

|  |  |  |
| --- | --- | --- |
| **Policies & Processes** | *Yes/No* |  |
| Has your organization developed and implemented an ESMS? | Yes |  |
| If there is an ESMS already in place, have there been any updates to the ESMS or policy and procedures adopted by your organization during the reporting period? | No | There are no updates. |
| Has senior management signed off on the updated policy/procedure? | - | Approved on November 24, 2016 by the Management Board of the Bank and as amended on January 31, 2019  Document without number |
| Has your organization appointed staff tasked to implement the ESMS? | Yes | Adil Mukhanov |
| Please give details of any transactions rejected due to environmetnal and/or social concerns. | No |  |
| Please state any difficulties and/or constraints related to the implementation of the ESMS. | No | There are no difficulties. |
| Please describe how you ensure that your subproject companies and their subprojects are operated in compliance with the national laws and regulations and applicable ADB’s requirements. | Yes | There are relevant provisions in the Bank's Environmental and Social Management Policy |
| Please give details of any material social and environmental issues associated with clients during the reporting period in particular. | No |  |
| In case the existing ESMS is not fully funcional, what are the action plan beining implemented by your organization? | Yes | ESMS is functional |
| **Capacity** | *Yes/No* |  |
| Please provide the name and contact information of the Environmental and Social Officer or Coordinator who has the overall responsibility for the implementation of ESMS. | Yes | *Adil Mukhanov*  [Adilm@kassanova.kz](mailto:Adilm@kassanova.kz)  *8-700-111-23-06* |
| Please provide current staffing of other core ESMS persons in the organization involved with ESMS implementation. | Yes | Employee training is conducted through video conferencing |
| What was the budget allocated to the ESMS and its implementation during the year? | *-* | There is no separate budget for ESMS |
| **Monitoring** | *Yes/No* |  |
| Do you receive environmental and social monitoring reports from subproject companies that you finance? | Yes | These reports are received regularly. |
| Do you check for ongoing compliance of your subproject companies with national regulation and any other requirements? | Yes | This check is carried out before financing, as well as subsequently during monitoring. |
| Please describe how you monitor the subproject company and their subproject’s social and environmental performance. | Yes | All financing issues are addressed through the head bank committee. Photographic material is provided from the place of business. The place of business is visited by a loan officer with a risk manager who checks the compliance of the policy. After financing, the targeted use of funds is verified. |
| Please provide details of any accidents/ litigation/complaints/regulatory notices and fines:   * Any incidents of non-compliance with the applicable Environmental and Social Requirements * Covenants/conditionalities imposed   by the Fund Manager to the  subproject company as a result of  any non-compliance | No | There were no cases during the reporting period. |
| **Reporting** | *Yes/No* |  |
| Is there an internal process to report on social and environmental issues to Senior management? | Yes | Adil Mukhanov |
| Do you prepare any social and environmental reports:   * For other multilateral agencies * Other stakeholders * E&S reporting in the Report * Sustainability reports | Yes | These reports are prepared on a semi-annual basis for JSC “Damu" |

During the pandemic in Kazakhstan, a restriction / ban was introduced on the activities of business entities, which subsequently led to a decrease in demand for credit products. In addition, these restrictive measures affected the implementation of on-site monitoring of category B projects.

|  |  |
| --- | --- |
| **Activities on ADB’s Prohibited Investment Activities List** | |
| If any, please indicate the dollar percentage of loans or investments out of your total outstanding exposure provided to clients who are substantially involved in ADB’s Prohibited Investment Activities List (Refer to Attachment 1). | 0% | |
| If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure. | - | |

**«Bank Kassa Nova» JSC**

**SB of JSC «ForteBank»**

**Authorized Representative**

**Akhmetova G.A.**

**Title: Chairman of the Board**

Annex 3. ENVIRONMENTAL AND SOCIAL EFFICIENCY REPORT (Implementation of environmental social safeguards)

JSC Bank Сentercredit

|  |  |  |  |
| --- | --- | --- | --- |
| Name of Organization | JSC Bank Сentercredit | | |
| Completed by (name): | Shamarov A.T. | | |
| Position in organization: | Expert | Date: | 30.11.2020 |
| Reporting period | From: 01.07.2020 To:30.11.2020 | | |

**A. Portfolio Information**

|  |  |
| --- | --- |
| **Report Covering Period:** | |
| **From: 01.07.2020** | **To:30.11.2020** |

### Business Lines

|  |  |  |  |
| --- | --- | --- | --- |
| **Product line** | **Description** | **The total amount of unfulfilled obligations for the last end of the year (in USD)** | **Average loan or transaction size (in USD)** |
| Retail banking/Consumer loans | Loans or other financial products for individuals (includes retail housing finance and vehicle leasing) | 203 353 348 | 12 295 |
| **Long term:**  **Transactions with tenor greater than 12 months** | | | |
| SME | Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions less than US$ 1 million | 52 765 352 | 105 320 |
| Subproject Financing / Large Corporate Finance | Any lending, leasing or other financial assistance to any legal or legal person other than an individual with individual transactions exceeding US $ 1 million | 46 996 029 | 1 468 626 |
| Trade finance |  | 13 475 394 | 89 836 |
| **Short term (ST):**  **Transaction with tenor less than 12 months** | | | |
| ST Corporate finance |  | 214 623 611 | 87 316 |
| ST Trade finance (SME) |  | 26 736 890 | 27 338 |
| **Other** | | | |
| Microfinance | No | No | No |
| Other (if applicable) | No | No | No |

|  |  |  |  |
| --- | --- | --- | --- |
| **Sector:\*** | **Number of loans for the reporting period** | **Average loan amount (US $ `000)** | **Percentage of corporate portfolio%** |
| 18- Activities for the preparation of materials for printing and distribution | 2 | 42 623,92 | 0,1% |
| 22-Manufacture of rubber and plastic products | 44 | 47 769,43 | 2,1% |
| 45- Wholesale and retail trade in motor vehicles and motorcycles; their repair | 52 | 30 184,09 | 2,5% |
| 46- Wholesale trade, other than motor vehicles and motorcycles | 515 | 56 175,15 | 24,9% |
| 47- Retail trade, other than motor vehicles and motorcycles | 694 | 24 307,60 | 33,5% |
| 49- Land transport and pipeline transport | 131 | 17 755,82 | 6,3% |
| 52 – Warehousing and storage of non-food products, except grain and oil | 47 | 218 559,54 | 2,3% |
| 58- Publishing activities | 7 | 11 340,97 | 0,3% |
| 64 - Other types of lending | 69 | 1 719 281,20 | 3,3% |
| 68- Operations with real estate | 96 | 62 296,85 | 4,6% |
| 70 - Consultation on issues of commercial activities and management | - | - | 0,0% |
| 72- Research and development | 1 | 141 552,83 | 0,0% |
| 77- Car and passenger car rental | 31 | 13 429,82 | 1,5% |
| 85- Education | 32 | 184 482,27 | 1,5% |
| 96- Other individual services | 349 | 20 338,85 | 16,9% |
| **Total** | **2 070** | **96 813,78** | **100,0%** |

All reviewed and funded applications for the reporting period from July to November 2020 are classified as category C for environmental protective measures and involuntary resettlement. Loans contributing to the development of the oil economy were not considered in this report.

The situation with the COVID-19 pandemic has made significant adjustments to the economy of Kazakhstan. At the same time, the Bank, being a socially responsible organization, takes part in all government programs designed to support business during the quarantine period, including granting deferral of payments.

Generally

1) for SMEs, the Bank introduced and communicated the following points:

- deferred loan payments for SME borrowers are provided for up to 180 days.

- remote channels for receiving online services were developed and implemented in the shortest possible time (opening a social card to receive 42,500, an open account to support medical workers, extending the validity of all cards until the end of quarantine, starbusiness application, etc.)

- concessional financing programs are offered

- The bank transferred 100 million tenge to the affected by the pandemic to the Birgemiz fund.

2) support / protection measures for the period of emergency / quarantine related to the COVID-19 pandemic were also provided for the Bank's employees:

- 70% of the Bank's employees were transferred to a remote mode of work;

- Sanitary and epidemiological requirements were observed in all buildings of the Headquarters and the branches (sanitizers were installed, disinfection treatment of premises, a requirement for the use of personal protective equipment, the use of means for remote temperature measurement, etc.)

- Measures were taken to implement restrictive measures (90% of meetings, trainings, meetings and negotiations were canceled or they were transferred online)

- The bank has procured drugs for outpatient treatment of COVID-19 (if found from employees).

- If an employee is admitted to the hospital with a diagnosis of coronavirus / pneumonia, a decision was made to pay material assistance, remove contact persons for quarantine, and disinfect the working floor.

Conducting documentary monitoring/monitoring with a visit to the site of implementation of projects funded / subsidized / guaranteed under state programs carried out by the Fund, was postponed due to the adopted quarantine and restrictive measures on the movement of vehicles, as well as the setting up of checkpoints in several regions. Bank employees did not go to projects sites, they received information from borrowers remotely (in online mode).

### B. Environmental and Social Management System (ESMS)

|  |  |  |
| --- | --- | --- |
| **Policies & Processes** | *Yes/No* |  |
| Has your organization developed and implemented an ESMS? | Yes | The procedure for compliance with the Environmental and Social Management System (ESMS) was developed by employees of Bank CenterCredit JSC. Approved by the Decision of the Management Board No. 210 dated 27/05/2013. |
| If the ESMS already exists, have there been any updates to the concepts or policies and procedures adopted by your organization during the reporting period? | No | No changes were made during the reporting period |
| Has senior management signed off on the updated policy/procedure? | No | No amendments were introduced |
| Has your organization appointed staff tasked to implement the ESMS? | Yes | Li Natalia Alekseevna - Head of Directorate, Corporate Finance Department |
| Please provide information on any transactions rejected due to environmental and / or social concerns. | No | Clients and projects are standard, no important environmental and social issues have been reported. |
| Please state any difficulties and/or constraints related to the implementation of the ESMS. | No | The Bank's environmental and social management system is operational. |
| Please describe how you ensure that your subproject companies and their subprojects are operated in compliance with the national laws and regulations and applicable ADB’s requirements | Yes | There are relevant provisions in the ESMS Compliance Procedure.  When applying to the ADB program, borrowers confirm that they meet all the environmental parameters of the ESMS. With all the necessary documents attached. |
| Please give details of any material social and environmental issues associated with clients during the reporting period in particular. | No | Incoming applications were not rejected due to environmental and/or social issues. If problems are identified, detailed information will be provided. |
| In case the existing ESMS is not fully functional, what is the action plan being implemented by your organization? | Yes | An analysis will be carried out to identify the weaknesses of the existing ESMS, then changes will be made to it taking into account the current legislation of the Republic of Kazakhstan. |
| **Capacity** | *Yes/No* |  |
| Please provide the name and contact information of the Environment and Social Affairs Officer or Focal Point who has overall responsibility for the implementation of the ESMS. | Yes | Natalya Alekseevna Li - Head of Directorate, Corporate Finance Department, Natalya.Li@bcc.kz |
| Please provide the current staffing table for other key ESMS staff in the organization involved in ESMS implementation. | Yes | At the head office of the Directorate of Entrepreneurship Support Programs, the Small Business Department, in the branches of RM. |
| What was the budget allocated for the ESMS and its implementation during the year? | No | There is no special budget for ESMS. Heads of directorates are responsible for issues related to ESMS. |
| **Monitoring** | *Yes/No* |  |
| Do you receive environmental and social monitoring reports from the sub-project companies that you finance? | No | When submitting an application for financing, clients fill out checklists, according to which we build work with the client on financing.  During the entire term of the financing instrument, the branch employees monitor the client's activities. There is no need to request reports as all applications have received Category C. |
| Do you continuously verify that your sub-project companies are in compliance with national regulations and any other requirements? | Yes | During the entire duration of the financing tool, the branch employees monitor the client's activities. Monitoring of documents and monitoring is carried out on-site monitoring of the project activities. In the course of the above measures, a check is carried out for compliance with the current legislation of the Republic of Kazakhstan and ADB requirements. |
| Please describe how you monitor the performance of the subproject and the social and environmental indicators of your subprojects. | Yes | Departure to the project implementation site is carried out by the Branch RM for all applications. The results of the visit are reflected in the Expert opinion on the project. |
| Please provide details of any accidents / litigation / complaints / regulatory notices and fines:  - Any non-compliance with applicable environmental and social requirements  - Specified terms / conditions of a fund manager for a subproject company as a result of any discrepancy | No | No fines were allowed for non-compliance with applicable environmental and social requirements. |
| **Reporting** | *Yes/No* |  |
| Is there an internal process to report on social and environmental issues to Senior management? | No | At the time of the loan application approval, the environmental and social requirements are verified. |
| Do you prepare any social and environmental reports:  - for other multilateral institutions  - other interested parties  - reports on environmental and social aspects in reporting  - Sustainability reports | Yes | The Bank prepares reports for EBRD and for DAMU |

|  |  |
| --- | --- |
| **Activities on ADB’s Prohibited Investment Activities List** | |
| If any, please indicate the dollar percentage of loans or investments out of your total outstanding exposure provided to clients who are substantially involved in ADB’s Prohibited Investment Activities List (Refer to Attachment 1). | 0% | |
| If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure. |  | |

**C. Subprojects Using ADB Funds**

|  |  |
| --- | --- |
| Name of Subproject | According to Appendix 1 - a list of sub-projects of category C |
| Sub-project location: | Appendix 1 |
| Industry sector: | Retail trade, Wholesale trade, excluding automobiles and motorcycles, Accommodation and catering services, Manufacture of rubber and plastic products, Advertising and market research |
| Value of exposure (US$) | 574 618 |
| Category of protective measures: | Environmental: C  Involuntary resettlement: С |
| Has your organization conducted any environmental assessment (survey)? | Not required for category C |
| Any environmental assessment or audit reports reviewed by your organization? | Not required for category C |
| What were the main environmental and social issues related to this sub-project that were identified in your organization's research and what were the issues (i.e. the survey)? | A format with questions to determine the C category is available. No further investigation is required. |
| Have you discussed with the subproject applicable environmental and social safeguards and their implementation? | Not applicable |
| Were there any environmental and social conditions or covenants with the investment? | Not required |
| Does the subproject meet government requirements? | Yes |
| Does the subproject comply with applicable ADB security policy requirements? | Yes |

**Attachment:**

1. List of projects under category C with indication of names, executors, sector and place of implementation

**Corporate Finance Department Director Li V.V.**

*Prepared by: Shamarov A.T.*

*Tel.:8-727-2-598-598 ext.10889*

**Annex 4. ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORT OF FORTEBANK JSC**

(implementation of environmental and social safeguard measures)

|  |  |  |  |
| --- | --- | --- | --- |
| Name of Organization | ForteBank JSC | | |
| Completed by (name): | G.E. Aiboltanova | | |
| Position in organization: | Leading Banker | Date: | 25.01.2021 |
| Reporting period | From: 01.07.2020 To: 31.12.2020 | | |

**A. Portfolio Information**

|  |  |
| --- | --- |
| **Report Covering Period:** | |
| **From: 01.07.2020** | **To: 31.12.2020** |

### Business Lines

*($ exchange rate as of 31.12.2020 =420,71)*

|  |  |  |  |
| --- | --- | --- | --- |
| **Product line** | **Description** | **Total exposure outstanding for most recent FY year end**  **(in US$)** | **Average loan or transaction size**  **(in US$)** |
| Retail banking/Consumer loans | Loans or other financial products for individuals (includes retail housing finance and vehicle leasing) | 352 422,0 | 2,4 |
| **Long term:**  **Transactions with tenor greater than 12 months** | | | |
| SME | Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions less than US$ 1 million | 125 987,6 | 17,2 |
| Subproject finance/Large Corporate finance | Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions larger than US$ 1 million | 138 094,4 | 1 438,5 |
| Trade finance |  | 37 446,0 | 24,0 |
| **Short term (ST):**  **Transaction with tenor less than 12 months** | | | |
| ST Corporate finance |  | 32 414,1 | 126,6 |
| ST Trade finance |  | 13 527,0 | 5,0 |
| **Other** | | | |
| Microfinance |  | - |  |
| Other (if applicable) | Please describe | - |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **Industrial Sector:\*** | **Number of loans for the reporting period** | **Average amount of loans, million KZT** | **Corporate portfolio percent** |
| Extraction and processing of mineral natural resources, metal and chemical industry | 166 | 91 | 9,14% |
| Manufacturing/consumer goods industry | 178 | 31 | 1,86% |
| Medicine, science, education | 106 | 47 | 8,77% |
| Oil and gas | - | - | 0,00% |
| Real estate transactions and lease | 165 | 50 | 5,57% |
| Manufacturing and sale of cars, machinery and equipment | 101 | 44 | 2,39% |
| Agriculture | 79 | 65 | 3,44% |
| Civil engineering | - | - | 0,00% |
| Industrial engineering | 210 | 43 | 4,57% |
| Telecommunications and mass media | 9 | 587 | 3,56% |
| Consumer goods trading | 1 618 | 35 | 28,05% |
| Shipping and logistics services | 177 | 55 | 5,76% |
| Services | 529 | 39 | 12,70% |
| Financial services | 190 | 41 | 4,72% |
| Other | 1 | 12 | 0,01% |
| Consumer goods manufacture | 302 | 47 | 8,71% |
| Power industry | 17 | 84 | 0,77% |
| **TOTAL** | **3 848** | **1 272** | 100,0% |

### B. Environmental and Social Management System (ESMS)

|  |  |  |
| --- | --- | --- |
| **Policies & Processes** | *Yes/No* |  |
| Has your organization developed and implemented an ESMS? | Yes | If yes, please attach a copy of the ESMS to this report. |
| If there is an ESMS already in place, have there been any updates to the ESMS or policy and procedures adopted by your organization during the reporting period? | No | If yes, please provide a copy of the updates including dates and reasons for the same. |
| Has senior management signed off on the updated policy/procedure? | No |  |
| Has your organization appointed staff tasked to implement the ESMS? | Yes | IF yes, please provide information on number of staff and qualification (experience and education backgroud) to implment the ESMS.  Implementation took place previously in 2017, involving raising EBRD funds |
| Please give details of any transactions rejected due to environmetnal and/or social concerns. | No |  |
| Please state any difficulties and/or constraints related to the implementation of the ESMS. | No |  |
| Please describe how you ensure that your subproject companies and their subprojects are operated in compliance with the national laws and regulations and applicable ADB’s requirements. |  | Contracts with the borrowers contain terms and requiements related to compliance with ADB policy; additionally, various fines and limitations/sanctions are provided by the law |
| Please give details of any material social and environmental issues associated with clients during the reporting period in particular. | No |  |
| In case the existing ESMS is not fully funcional, what are the action plan beining implemented by your organization? | Yes | Please provide information or cite recommendation made by ADB’s review mission to improve the ESMS and its implementation.  Current ESMS is functional. |
| **Capacity** | *Yes/No* |  |
| Please provide the name and contact information of the Environmental and Social Officer or Coordinator who has the overall responsibility for the implementation of ESMS. | *Primbetova Gulbanu – Director SMED* | Please describe the training or learning activities the Environmental/Social Officer or Coordinator attended during the year.  At the beginning of 2019, ADB representative (Malika) taught an online training course for the loan managers on the environmental and social risks.  ADB coordinator has been planning to conduct training for the Bank employees in Q1 2020, however, due to the COVID-19 pandemic, state of emergency, quarantine and other restrictive measures implemented in the country, the traning was cancelled. |
| Please provide current staffing of other core ESMS persons in the organization involved with ESMS implementation. | *No* | Please describe the training provided to the ESMS persons and other team members during the year. |
| What was the budget allocated to the ESMS and its implementation during the year? | *no* | Please provide budget details including staff costs and training as well as any actual costs.  All employees of the Bank involved in ADB program |
| **Monitoring** | *Yes/No* |  |
| Do you receive environmental and social monitoring reports from subproject companies that you finance? | no | If yes, please describe and provide supporting documents including any social and environmental considerations if applicable.  All employees are working according to the Policy, without allocation of any additional budget. |
| Do you check for ongoing compliance of your subproject companies with national regulation and any other requirements? | yes | If yes, please describe the process including any social and environmental considerations if applicable.  According to the internal documents, we seek permits/licenses, etc. |
| Please describe how you monitor the subproject company and their subproject’s social and environmental performance. |  | Please describe and provide supporting documents such as environmetnal and social monitoring reports and please provide information on the number of subprojects where a field visit was conducted by staff to review aspects including social and environmental issues.  We conduct onsite checks/monitoring and seek permits (please see above) |
| Please provide details of any accidents/ litigation/complaints/regulatory notices and fines:   * Any incidents of non-compliance with the applicable Environmental and Social Requirements * Covenants/conditionalities imposed   by the Fund Manager to the  subproject company as a result of  any non-compliance | no |  |
| **Reporting** | *Yes/No* |  |
| Is there an internal process to report on social and environmental issues to Senior management? | yes | If yes, please explain the process, reporting format and frequency and actions taken if any.  According to the Policy, the annual report on meeting the environmenal and social requirements within the framework of funding under IFI programs is subject to consideration by the members of the Management Board of the Bank at least once a year. |
| Do you prepare any social and environmental reports:   * For other multilateral agencies * Other stakeholders * E&S reporting in the Report * Sustainability reports | no | If yes, please provide copies of these reports. |

|  |  |
| --- | --- |
| **Activities on ADB’s Prohibited Investment Activities List** | |
| If any, please indicate the dollar percentage of loans or investments out of your total outstanding exposure provided to clients who are substantially involved in ADB’s Prohibited Investment Activities List (Refer to Attachment 1). | 0 % | |
| If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure. |  | |

It was planned that the Bank would additionally forward EMP (Environmental Management Plan) regarding each B-category subproject to the Fund and ADB after conclusion of the Bank employees’ training to be conducted by ADB consultant in Q1 2020 regarding filling out of EMP, subprojects examination and determination of the subproject categories according to the environmental and social criteria. Due to the fact that the training has been cancelled as the result of the situation in the country, as well as due to the absence of inspections on the part of the regulatory authorities throughout the 1st half-year period of 2020 and the negative impact of the COVID-19 pandemic on the operations of the numerous economy sectors, many companies have received grace periods and have suspended their operations, in full or in part. Consequently, the Bank hereby forwards the aforementioned commentary (including B, C and D) without any modifications.

**C. Subprojects Using ADB Funds** *(the Bank has not extended any new loans to the borrowers in the 2nd half-year period of 2020)*

Attachments:

1. Filled out reports (templates 3) from the borrowers regarding B-category projects (with photographs)

2. Photographs (2-6) of the sites taken during the monitoring on the part of the Appropriate Financial Institution (AFI)

Director

Small and Medium Enterprises Division

ForteBank JSC G.G. Primbetova

Drafted by G.E. Aiboltanova

1. MCI - monthly calculated index established annually in accordance with the law of the Republic of Kazakhstan on the republican budget for the corresponding year. [↑](#footnote-ref-1)