

Sustainable Finance Framework



Welcome

At Business Development Bank we strive to become the leading innovative bank for micro, small, and medium-sized businesses, adapting to changing market needs and offering cutting-edge solutions to our customers. Our values are an integral part of our culture and guide employees at all levels. We continuously strive to improve by introducing new technologies and processes to provide the best experiences and results for our customers. We are committed to our customers and their needs, ready to resolve issues and inquiries promptly while delivering personalized service. We aim to exceed customer expectations by offering innovative and unique solutions that go beyond traditional banking services.

**Our mission is
to serve for the benefit of
society, the country, and
business.**



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Introduction

History and Evolution

Established in 1994 as JSCB “Gallabank” the institution initially focused on delivering banking services to the agricultural sector, particularly grain production. By November 1994, Gallabank had expanded its reach with 12 branches and employed a workforce of 160. In 2009, the bank was restructured and rebranded as JSCB “Qishloq Qurilish Bank.” This transition marked its entry into the Housing for Integrated Rural Development State Program, positioning it as a key player in rural development projects.

Current Focus and Mission

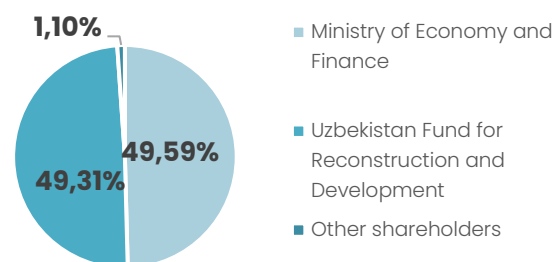
On 4 September 2023, a presidential decree rebranded Qishloq Qurilish Bank as Business Development Bank (BDB). This strategic reorientation has shifted BDB’s focus to providing long-term financing for small businesses, emphasizing below-market rates and relaxed collateral requirements. The bank is set to become the principal operator of state support for the small business sector in Uzbekistan. Business Development Bank is committed to nurturing entrepreneurship across all industries and stages of business development. It achieves this through its regional banking service centers and offices throughout Uzbekistan. This reorganization aligns the bank more closely with government policies and enhances its role in economic development.

Government Support and Capitalization

The recent reorganization strengthens BDB’s ties with the government, reflecting its enhanced policy role and the substantial near-term government capital and funding support it will receive. In line with a decree signed on 14 September 2023, the government is mandated to increase BDB’s common equity to UZS 3 trillion by the end of 2024, further solidifying the bank’s capacity to support small and medium enterprises (SMEs). Furthermore, the Presidential decree issued on 7 September 2024 significantly strengthened the Business Development Bank’s role in supporting small businesses by increasing its capital by \$200 million. This allowed the bank to expand microcredit offerings and support entrepreneurial growth, especially in underserved regions, while implementing risk-sharing mechanisms to ensure sustainable business development.

Ownership Structure

The Business Development Bank is a fully state-owned entity dedicated to advancing SME business in the Republic of Uzbekistan. Its shareholders include: Ministry of Economy and Finance: 49,59% Uzbekistan Fund for Reconstruction and Development: 49,31% Other shareholders: 1,1% Through its robust support framework and significant government backing, Business Development Bank is positioned to play a pivotal role in the growth and development of small businesses in Uzbekistan.



Sustainability Strategy

We’re committed to the long-term success of Uzbek entrepreneurs and we understand that a business is more than just money and profit. Behind every business is a human story – a unique entrepreneur with aspirations and plans. We help them create economic value by providing financing and expert advice that enables them to succeed and grow in a quickly changing business landscape. We are committed to supporting entrepreneurs by: – Offering entrepreneurs various financing options for every stage of growth. – Acting as a strategic partner for the country’s most innovative and high-growth companies through the Bank. – Offering non-financial support and training through regional small business support centers and advisory services.

UN Sustainable Development Goals

The banking sector plays a vital role in mobilizing financial resources that contribute to building and sustainably developing the Uzbek society.

Through the nature of our activity, we have undertaken the responsibility of supporting and contributing to the implementation of the 16 out of 17 Sustainable Development Goals (SDGs) launched by the United Nations in 2015. The Bank’s operations and projects can significantly contribute to meeting the following targets:



Green or Social Bonds issued by Business Development Bank will further particularly support achieving the following targets:



Sustainable Finance Framework

Alignment with Market Principles

The Framework is aligned with the International Capital Market Association’s (“ICMA”) Green Bond Principles (GBP)¹ published in June 2021 (with June 2022 Appendix 1), Social Bond Principles (SBP)² published in 2023, Sustainability Bond Guidelines (SBG) published in June 2021³ and Green⁴ and Social⁵ Loan Principles published in 2023 by the Loan Market Association (LMA). These subsequently are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green, social and sustainable bond markets.

¹ ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1)
² ICMA Social Bond Principles (SBP) 2023
³ ICMA Sustainability Bond Guidelines (SBG) 2021
⁴ LMA Green Loan Principles 2023
⁵ LMA Social Loan Principles 2023

Rationale for Establishing a Sustainable Finance Framework

At Business Development Bank we are strongly committed to enhancing sustainability in our entire operations and value chain. This Sustainable Finance Framework (the “Framework”) is an important step in aligning our financing strategy with our sustainability commitments. We consider the alignment of our funding strategy with our sustainability objectives to be core and this Framework will offer a further opportunity to communicate with investors and other market participants on our commitments. The aim will also be to diversify Business Development Bank’s investor base and engage in a sustainable dialogue with socially responsible investors.



Business Development Bank’s Sustainable Finance Framework is designed as an umbrella framework that will allow the Bank to issue Green Bonds, Social Bonds, or Sustainable Bonds (together “Sustainable Bonds”), as the case may be. For each Sustainable Bond issued, Business Development Bank asserts that it will adhere to (1) Use of Proceeds, (2) Project Evaluation and Selection, (3) Management of Proceeds and (4) Reporting, as set out in this Framework. The Framework also follows the key recommendation of the ICMA Principles with regards to External Reviews. In formulating the Framework care was taken to reflect also the United Nations Sustainable Development Goals (“SDGs”) (more details in “Use of Proceeds”). To accommodate potential changes to voluntary market practices, ICMA Principles will be reflected in future versions of the Framework, which will either keep or improve the current levels of transparency and reporting disclosures and will provide for external review by an entity which is eligible or accredited under any such prevailing principles or standards.



Use of Proceeds

An amount equivalent to the Sustainable Bond net proceeds will be used to finance and/or re-finance, in part or in full, Eligible Green and/or Social Projects (together “Eligible Projects”) with a positive environmental and/or social impact. Eligible Projects may include projects, loans, investments and expenditures to private individuals, legal entities, municipalities and the public sector that meet the Eligibility Criteria specified in this Framework.




Business Development Bank intends to allocate the full amount of net proceeds of Sustainable Bond issuances to projects that have been financed within (i) 3 calendar years prior to issuance (the look-back period), (ii) the current calendar year, and (iii) 3 calendar years following issuance (the look-forward period).

| Eligible Green Projects | | |
|-------------------------|---|--|
| Eligible Green Category | Eligible activities | UN SDGs |
| Green Buildings | <p>Financing related to the planning, design, construction, operation, maintenance, renovation, acquisition and ownership of energy-efficient buildings which meet at least one of the following criteria:</p> <ul style="list-style-type: none">- Building has a recognized international certification (at least applied or pre-certified)⁶ with a minimum certification level of LEED Gold, BREEAM Excellent, or EDGE (Excellence in Design for Greater Efficiencies) certification⁷ or other equivalent or higher level of certification with high level of energy efficiency, selection of sustainable materials and sustainability clauses included in leasing contracts, or- buildings with a min. level A EPC (primary energy demand) are considered eligible. <p>In case of financing buildings renovations (via e.g. insulation of walls and roofs, facades) leading to the fulfillment of the following criteria:</p> <ul style="list-style-type: none">- reduction of net primary energy demand or carbon emissions of at least 30% in comparison with the performance of the building before the renovation. <p>Note: Any projects, activities, and operations related to oil and gas exploration and extraction, processing and refining, transportation and storage, oilfield services, and fuel distribution will not be financed under this Framework.</p> | <div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div></div> <p>Target 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p> |
| Renewable Energy | <p>Financing related to equipment purchase, acquisition, development, manufacturing, construction, installation, operation, distribution and maintenance of renewable energy projects including:</p> <ul style="list-style-type: none">- Wind power- Solar power- Hydropower <ul style="list-style-type: none">- Solar power set purchase, including solar panels, controllers and inverters;- Hydropower facilities⁸ ;- For new projects subject to an Environmental Impact Assessment (EIA), EIA by a credible body is to be carried out with no significant risk or expected negative impact identified.- Geothermal projects (with direct emissions lower than 100gCO₂/kWh according to GHG lifecycle assessment);- Other low-carbon energy sources with lifecycle emissions lower than 100gCO₂e/kWh.- Energy storage projects (pumped hydro storages, compressed air energy storages, thermal energy storages and flywheel energy storages);- Smart grid solutions for more efficient transmission/distribution of energy as well as monitoring of energy consumption;- Construction, renovation, or refurbishment of electricity grids that partly transmit renewable energy: Only assets aimed at increasing the share of renewables in the national electricity grid are eligible. | <div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div></div> <p>Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.</p> |

6 In case of a denied certification or a not sufficient final certification the loan will be excluded from the Eligible Project Portfolio.
7 Levels qualified: EDGE Certified, EDGE Advanced and EDGE Zero carbon.
8 Hydropower facilities should either comply with power density above 5 W/m² or direct GHG emissions below 100gCO₂e/kWh. For hydropower facilities in operation after 2020, power density above 10W/m² or direct emissions below 50 gCO₂e/kWh apply.






Use of Proceeds continued

| Eligible Green Projects | | | ▼ |
|-------------------------|---|---|---|
| Eligible Green Category | Eligibility Criteria | UN SDGs | |
| Energy Efficiency | <p>Financing related to the development, implementation, maintenance or repair of products or technologies that reduce energy consumption or improve resource efficiency. Examples include, but are not limited to:</p> <ul style="list-style-type: none">- Improving the energy efficiency of an industrial production process in a factory across various sectors, which aim to achieve an at least 30% improvement in energy efficiency;- Energy efficient lighting (e.g., LEDs);- Fiber-optic networks with minimal environmental impact to replace more energy intensive alternative networks. |  | Target 7.3: By 2030, double the global rate of improvement in energy efficiency. |
| | |  | Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities. |
| Clean Transportation | <p>Finance or refinance Eligible Loans for manufacturing, acquisition, and modernization of zero direct emission vehicles as well as related infrastructure⁹ and development, manufacture or purchase of key components for clean transportation.</p> <p>Financing related to the development, construction, acquisition, operation, maintenance and upgrades of zero-carbon and low-carbon transport assets:</p> <ul style="list-style-type: none">- Zero-carbon transport: investments in public transportation (buses, trains, trams, ferries etc) as well as passenger and freight vehicles with zero tailpipe emissions, such as electric and hydrogen vehicles- Infrastructure related to electric transportation of passengers and freight, such as electrified railways, charging stations for electric vehicles and bicycle paths. |  | Target 11.2: By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons. |
| | | | |

⁹ Excluding vehicles that are used for the purpose of transportation and storage of fossil fuels. Eligible infrastructure does not include parking facilities.







Use of Proceeds continued

| Eligible Green Projects | | | ▼ |
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| Eligible Green Category | Eligibility Criteria | UN SDGs | |
| Environmentally Sustainable Management of Living Natural Resources and Land Use, Agriculture and Forestry | <p>Financing related to environmentally sustainable management of living natural resources and land use including:</p> <p>Rehabilitation of Degraded Land: Projects aimed at restoring soil fertility and reducing erosion through sustainable agricultural practices (e.g., crop rotation, agroforestry)</p> <p>Agroecological Farming: Transition from traditional farming to agroecological methods that support biodiversity and soil health.</p> <ul style="list-style-type: none">- Projects should focus on promoting sustainable land use practices, such as erosion control, soil restoration, and sustainable farming methods.- Projects should be located in areas with degraded land or high land-use pressures.- Projects must be aligned with national environmental protection standards. <p>Organic Farming Initiatives: Supporting farmers in transitioning to organic farming, reducing dependency on chemical fertilizers and pesticides.</p> <p>Climate-Resilient Crop Cultivation: Adoption of drought-resistant crops and smart farming technologies to improve yields in the face of climate change.</p> <ul style="list-style-type: none">- Projects must focus on environmentally friendly agricultural techniques that reduce chemical inputs, promote organic farming, and conserve biodiversity.- Projects should aim to increase agricultural productivity while reducing environmental degradation. <p>Urban greening projects, such as park and green areas development and restoration.</p> | <div><p>Target 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.</p></div> <div><p>Target 15.1: By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetland, mountains and drylands in line with obligations under international agreements.</p></div> | |
| Pollution prevention and control | <p>Financing the development, construction, operation and maintenance of sustainable waste management, sorting, separation and recycling projects, activities, and operations, such as:</p> <ul style="list-style-type: none">- Waste prevention, waste reduction and waste recycling. This includes the development, operation and upgrade of recycling plants and recycling activities such as for metals, plastic and paper. <p>Note:</p> <ul style="list-style-type: none">(i) Chemical recycling of plastics will not be financed under the Framework,(ii) recycling of electronic waste will be accompanied by a robust waste management plan to mitigate associated risks,(iii) source segregation of waste will be carried out before waste collection,(iv) only zero direct emission waste collection vehicles will be financed. <p>- Reduction of industrial air emissions and greenhouse gas control: The purchase of new and refurbishment of existing equipment, technologies and facilities that provide at least a 20% reduction in carbon emissions and/or serve as fossil fuel replacements.</p> | <div><p>Target 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p></div> | |





Use of Proceeds continued

| Eligible Green Projects | | | |
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| Eligible Green Category | Eligibility Criteria | UN SDGs | |
| Eco-efficient circular economy adapted products, production technologies and processes ¹⁰ | <p>Financing resource use efficiency and circular and / or recyclable products – Circular Design and Production Projects:</p> <ul style="list-style-type: none">– Solutions that extend the product life cycle, such as applying modular design or design for disassembly, take-back schemes and redeploying products (reverse logistic), reuse, repair and/ or products regeneration and refurbishment.– Production technologies and processes that use recycled resources such as bio-based materials (the latter being sustainable sourcing certifications for bio-based materials, such as EU Ecolabel, IEC and RSB scheme¹¹, are considered eligible). |  <p>Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources.</p> | |
| Sustainable Water and Wastewater Management | <p>Financing related to the development, construction, acquisition, installation, operation, maintenance and upgrades of sanitary and sustainable water and waste-water management projects and facilities, such as:</p> <ul style="list-style-type: none">– Sustainable water and sewage infrastructure, wastewater treatment.– Water treatment facilities, activities and technologies that increase water quality, sanitation facilities.– Upgrades to wastewater treatment plants to remove nutrients, wastewater discharge infrastructure.– Water collection, treatment, and supply systems with improved energy efficiency by either decreasing the net average energy consumption of the system or improving the average leakage, by at least 20% compared to own baseline performance averaged for three years.– Technologies that increase water-use efficiency, water recycling and reuse, water saving systems and technologies and water metering. Construction, extension and operation of wastewater collection and treatment systems.– Flood mitigation infrastructure. |  <p>Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p> | |
| Terrestrial and aquatic biodiversity | <p>Financing related to terrestrial and aquatic biodiversity conservation (including the protection of coastal, marine and watershed environments). Projects targeting biodiversity include:</p> <ul style="list-style-type: none">– Financing infrastructure and management for national parks, wildlife sanctuaries, or eco-tourism zones.– Establishing parks, green roofs, and urban forests that support biodiversity.– Finance restoration programs, including planting native vegetation and constructing water flow regulation structures. |  <p>Target 15.1: By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.</p> | |
| Climate change adaptation | <p>Financing adaptation projects focused on enhancing preparedness and resilience to expected changes in climate, as well as any actual changes experienced. Includes projects that:</p> <ul style="list-style-type: none">– Seek to moderate or avoid potential harmful effects on people, nature and/or economic activities and assets (e.g. infrastructure, buildings), as well as– Investments that provide sustained adaptive solutions and enhance the overall resilience (e.g. fireproof roofs, other building elements to withstand higher temperatures, water-management systems for irrigation, and climate change monitoring systems). <p>Projects, as well as the impact reporting metrics, are organized according to type of climate hazard:</p> <p>Temperature-related: Heatwaves, increasing heat stress, temperature variability.</p> <p>Wind-related: Dust, storms, sandstorms.</p> <p>Water-related: Floods, droughts, heavy precipitation.</p> <p>Land-related: Mudflows, avalanches, landslides, locust invasion.</p> |  <p>Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p> | |



¹⁰ Virgin plastic-based solutions are excluded.
¹¹ <https://rsb.org/the-rsb-standard/about-the-rsb-standard/>



Use of Proceeds continued

| Eligible Social Projects | | |
|--|--|--|
| Eligible Social Category | Eligible activities | UN SDGs |
| Education and vocational training | <p>Financing related to:</p> <ul style="list-style-type: none">- Practical, education and hands-on vocational training in high-demand sectors: business planning, marketing, financial management, construction, hospitality, agriculture, IT, and renewable energy (financing for education and training centers construction, reconstruction and renovation, the acquisition of relevant equipment). <p>Target population: Young people (ages 16–30), unemployed individuals, women, particularly in rural and underserved areas¹², and those without formal higher education.</p> |  <p>Target 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p> |
| Access to essential services | <p>Financing related to:</p> <ul style="list-style-type: none">- Construction, renovation, expansion, modernization, equipment purchases or maintenance of health care facilities for provision of free or subsidized healthcare services. For example: hospitals, diagnostic and other laboratory services, rehabilitation centers, treatment centers, nursing homes, assisted living, homes for the elderly;- Production and distribution of vital medication, medical equipment and medical supplies needed for the prevention and /or treatment of public health emergencies, particularly common amongst a vulnerable group e.g., children, women, the elderly, etc.;- Regional development and/or infrastructure in underserved, underdeveloped regions in Uzbekistan¹³ (e.g., public transport and related infrastructure, sanitation infrastructure, high speed internet, telecommunications and electricity-related infrastructure, firefighting and rescue equipment, access to clean drinking water). Such infrastructure projects will be eligible only in underdeveloped regions where it is currently not present or is inadequate. <p>Target populations: children under 14 years of age, women, elderly individuals aged 60 years and over, people with chronic illnesses and disabilities, people living in remote or underserved areas.</p> |  <p>Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</p> |

13 Underserved, owing to a lack of quality access to essential goods and services in underdeveloped regions (defined in Annex A for social use of proceeds).

| Eligible Social Projects | | | ▼ |
|---|---|---|---|
| Eligible Social Category | Eligibility Criteria | UN SDGs | |
| Affordable Housing | <p>Construction of Affordable Apartments and Houses. Eligibility criteria:</p> <ul style="list-style-type: none">- Compliance with local building standards ensuring energy-efficient and environmentally sustainable housing.- Projects must involve construction of residential housing priced below the established regional market rates for low-to-moderate-income populations.- Priority given to projects in underdeveloped or underserved regions lacking sufficient housing infrastructure. <p>Financing the Purchase of Affordable Apartments and Houses. Eligibility criteria:</p> <ul style="list-style-type: none">- Financing provided exclusively for housing units listed under government-approved affordable housing programs in the primary market¹⁴.- Loan applicants must meet specific income thresholds as per government-defined "affordable housing" benchmarks¹⁵.- Homes purchased must meet affordability criteria, including capped square footage and regional price limits. <p>Target population:</p> <ul style="list-style-type: none">- Low-Income Families: Defined by income levels below the regional median, with specific thresholds established in collaboration with local government.- Women: Single women, divorced or widowed women with dependents, identified through local welfare databases or community programs.- Women-Headed Households: Identified through government social welfare programs.- Public Sector Workers with Limited Means: Teachers, medical staff, and public servants earning below a specified income cap.- First-Time Homebuyers: Verified by the absence of property ownership in government databases.- Young Families: Newly married couples or families with children under 18, prioritized through local housing programs^{16, 17}. |  <p>Target 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p> | |
| | <p>To be eligible, the loans must be owned by enterprises that meet all the following criteria:</p> <p>Meet the definition of Micro-, Small- and Medium-size Enterprises¹⁸ (in line with the European Union's definition of MSME¹⁹);</p> <p>Micro-, Small- and Medium-size enterprises located in underserved, underdeveloped and rural regions in Uzbekistan;</p> <p>Target population:</p> <ul style="list-style-type: none">- Women Entrepreneurs: Female-owned MSMEs, particularly those in rural areas or those led by single mothers, widows, or women from low-income backgrounds.- Youth Entrepreneurs: MSMEs led by young people, under the age of 30, focusing on providing employment opportunities for other young people.- Unemployed Individuals: Projects aiming to employ people who are long-term unemployed, particularly in rural and underserved regions.- Migrants and Returnees: Support for businesses owned by or employing migrants and returnees, especially those from rural areas or regions with high migration rates.- Elderly Workers aged 50 years and over: Enterprises that offer job opportunities for older individuals, especially those at risk of exclusion from the workforce. | | |
| Employment generation and protection: Micro-, Small- and Medium-size Enterprises (MSME) financing | |  <p>Target 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p> | |

14 Decree of the President of the Republic of Uzbekistan, 28.11.2019, DP-5886 "On additional measures to improve mortgage lending mechanisms".

15 Decree of the President of the Republic of Uzbekistan, 30.04.2024, DP-70 "On additional measures to improve the mechanisms for allocating mortgage loans and improve the housing conditions of the population in 2024".

16 Relevant statistics can be accessed through the Integrated Information System Statistics.

17 Welfare databases, community programs, and other resources are available through the National Agency for Social Protection, Ministry of Employment and Poverty Reduction and its regional branches.

18 Business Development Bank defines MSMEs as customers and related customer groups with annual turnover of less than USD 5 million equivalent in the year preceding the segmentation date, or customers whose total liability balance to the bank at the date of segmentation is less than USD 5 million equivalent and a group of related customers.

19 https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en



Use of Proceeds continued

Exclusionary criteria

For the avoidance of doubt, Business Development Bank will not allocate proceeds from the issuance of Sustainable Bonds to financings related to the following activities:

- The production of or trade in any product or activity deemed illegal under host country (i.e. national) laws or regulations, or international conventions and agreements, or subject to international phase out or bans, such as:
 - (i) Production of or trade in products containing PCBs²⁰.
 - (ii) Production of or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances.
 - (iii) Production of or trade in ozone depleting substances.
 - (iv) Production or use of or trade in persistent organic pollutants.
 - (v) Trade in wildlife or production of or trade in wildlife products regulated under CITES²¹.
 - (vi) Transboundary movements of waste prohibited under public international law.
- Forced evictions²².
- Thermal coal mining or coal-fired electricity generation capacity.
- Projects, activities, and operations related to oil and gas exploration and extraction, processing and refining, transportation and storage, oilfield services, and fuel distribution.
- Activities involving force-feeding of ducks and geese.
- The keeping of animals for the primary purpose of fur production or any activities involving fur production.
- The manufacture, placing on the market and use of asbestos fibers, and of articles and mixtures containing these fibers added intentionally
- The export of mercury and mercury compounds, and the manufacture, export and import of a large range of mercury added products.
- Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Shipment of oil or other hazardous substances in vessels, which do not comply with IMO requirements.
- Trade in goods without required export or import licenses or other evidence of authorization of transit from the relevant countries of export, import and, if applicable, transit.

²⁰ PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950–1985.

²¹ CITES: The Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from the CITES secretariat.

²² “Forced eviction” refers to the acts and/or omissions involving the coerced or permanent or temporary involuntary displacement of individuals, groups and communities from homes and/or lands and common property resources which they occupy or depend on, thus eliminating or limiting the ability of an individual, group or community to reside or work in a particular dwelling, residence or location, without the provision of, and access to, appropriate forms of legal or other protection.

²³ The Green Economy Financing Facility (GEFF) provides financing, advisory services, and subsidies to private sector enterprises to enhance their competitiveness through high-efficiency technologies and methods.

Process for Project Evaluation and Selection

The evaluation and selection process for Eligible Projects is a key process in ensuring that amounts equivalent to the net proceeds from Sustainable Bonds are allocated to projects which meet the Eligibility Criteria outlined in this Framework.

All potential Eligible Projects are subject to Business Development Bank’s standard credit process in line with the normal course of business, including:

- Know-Your-Customer (KYC) procedure
- Compliance
- Credit risk analysis
- Relevance assessment (all loans which pass through Business Development Bank’s approval process)
- Sector policies (Sensitive business areas are regulated in individual sector policies, e.g., war material, nuclear power, coal, gambling)
- Code of conduct.

Only projects that have been approved through Business Development Bank’s standard regular credit process can be considered eligible for a Sustainability Bond.

Identification of Eligible Projects

Eligible Projects are sourced from various eligible sectors and result from the application of the Eligibility Criteria outlined in this Framework which is the responsibility of the Credit Committee (“CC”). The CC in Business Development Bank is comprised of an extended management and expert team from multiple divisions within the bank, including Treasury, Communication, Sales Management, Risk Controlling, Credit Risk Management and Compliance.

In addition to the CC, the Financial Institutions department (“FI”) is actively working on reviewing potential eligible projects and implementing Environmental and Social risk management, thus categorizing potential eligible projects based on their environmental and social impact. Based on their thorough assessment, FI will provide the CC with a report summarizing their recommendations and findings on each potential project.

In addition to the various eligible sectors listed above, FI will also perform eligibility checks for potential projects using the following tools:

- Climate assessment platform provided by multilateral development banks;
- The Green Technology Selector (GTS) platform from the EBRD’s Green Economy Financing Facility (GEFF)²³.

The evaluation and selection process for Eligible Projects is a key process in ensuring that amounts equivalent to the net proceeds from Sustainable Bonds are allocated to projects which meet the Eligibility Criteria outlined in this Framework.



Process for Project Evaluation and Selection continued

The Credit Committee is responsible for:

- Reviewing, selecting, and validating the Eligible Projects based on the recommendation of the Financial Institutions department, and ensuring the recommended and potential Eligible Projects are aligned with the categories, Eligibility Criteria and Exclusionary Criteria as specified in the Use of Proceeds section above;
- Annually reviewing and approving any proposed changes to the Eligible Projects Portfolio;
- If a project no longer meets the Eligibility Criteria set forth in this Framework, the project will be removed from the register and replaced as soon as a substitute has been identified;
- Ensuring the proposed allocations are aligned with the relevant general policies and Business Development Bank’s ESG strategy;
- Overseeing, approving, and publishing the Allocation and Impact Report, including external assurance statements.

Identification and Mitigation of Environmental and Social Risks

Business Development Bank has put in place a strong evaluation and selection process, that leverages its existing sustainability and risk management framework, to ensure the mitigation of potential environmental and social risks associated with the Eligible Projects. This is in addition to ensuring that Eligible Projects meet applicable national and international environmental and social standards and regulations.

Business Development Bank has undertaken clear trade-off analysis with regards to the material risk of negative social and environmental impacts from the Eligible Projects. A monitoring process has been established for any risks deemed to be significant.

Key steps in the evaluation and selection process of Eligible Projects:

| | |
|-------------|---|
| 01 stage | Regular Credit Process <ul style="list-style-type: none">- Local business and supporting units gather the relevant information for identifying potentially Eligible Projects- Necessary information is transferred to the Financial Institutions department (FI) for further evaluation |
| 02 stage | Analysis of potential Eligible Projects <ul style="list-style-type: none">- The counterparty and the asset are fully evaluated by the FI department, including environmental impact assessment- FI department proposes to the Credit Committee to include selected Eligible Projects to the Eligible Project Portfolio |
| 03 stage | Credit Committee (CC) <ul style="list-style-type: none">- The CC takes the decisions to include/exclude Eligible Projects in/from the Eligible Project Portfolio- The CC takes place bi-weekly (or more/less often based on volume of projects) until full allocation or in case of material changes in the portfolio and reviews the Eligible Project Portfolio |
| 04 stage | Monitoring and reporting <ul style="list-style-type: none">- The approved Eligible Projects are included in the Eligible Project Portfolio- FI department, together with respective client managers, monitors the Eligible Project Portfolio and prepares the Allocation and Impact Report- Replacing projects that no longer meet the Eligibility Criteria- CC oversees, approves and publishes the Allocation and Impact Report |

Management of Proceeds

An amount equivalent to the net proceeds of any Business Development Bank Green, Social and/or Sustainability Bond will be managed by Business Development Bank’s Finance Department on an aggregated basis for multiple Sustainability Bonds (portfolio basis).

Up until the maturity of the Sustainable Bonds, Business Development Bank will strive to maintain a volume of Eligible Projects in the Eligible Projects Portfolio that matches or exceeds the balance of net proceeds of outstanding Sustainability Bonds and will continue to finance and promote new Eligible Projects. All Eligible Projects included in the Eligible Projects Portfolio will be registered in Business Development Bank’s Sustainability Portfolio which will be established to manage the allocation process.

Quarterly, the Financial Institutions department will review the Sustainability Portfolio to ensure the eligibility of the Eligible Projects selected. If any allocated Eligible Projects are not deemed eligible anymore and are removed from the Sustainability Portfolio, Business Development Bank will strive to substitute these with other Eligible Projects on a best-efforts basis, as soon as practicable and within a reasonable time period of 24 months.

Pending full allocation or reallocation, as the case might be, of an amount equivalent to the net proceeds of Business Development Bank’s Sustainability Bonds to Eligible Projects, unallocated net proceeds will be held in form of temporary investments such as cash, cash equivalents and/or other liquid marketable investments in line with Business Development Bank’s treasury management policies.

As this framework may evolve from time to time to consider the evolution of market standards and regulation, the loans must meet the Eligibility Criteria at the time they are flagged as Eligible Projects, but subsequent changes to the Framework will not apply to outstanding Sustainability Bonds (grandfathering). Any new Sustainability Bonds shall be aligned with the most recent version of the Framework.



Reporting

Business Development Bank commits to publish an Allocation and Impact Report that will provide information on the environmental and social impacts of the Eligible Project Portfolio, highlighting the progress on allocation of net proceeds.

Reports will be published on an annual basis, starting one calendar year after issuance and until full allocation, and in the event of any material changes, until the maturity of the Sustainability Bonds.

Allocation Report

Via the Allocation Report, Business Development Bank will disclose information on the allocation of Green and Social net proceeds on its website. The report will contain at least the following details:

- Total volume and net proceeds outstanding of Sustainability Bonds issued;
- Total amount of net proceeds allocated to Eligible Projects as defined in the Use of Proceeds section of this Framework;
- Breakdown by net proceeds allocation per Eligible Category;
- Subject to confidentiality considerations, a list of the Eligible Projects financed through Business Development Bank's Sustainability Bonds, including a description of the projects and their geographic distribution, where feasible;
- The proportional allocation of net proceeds between existing projects (refinancing) and new projects; and
- Balance of unallocated proceeds, if any.

Impact Report

For its Impact Report, Business Development Bank intends to align, on a best effort basis, with the reporting recommendations as outlined in ICMA's "Handbook – Harmonized Framework for Impact Reporting (June 2022)"²⁴.

When relevant and feasible, Business Development Bank will provide impact reporting in aggregate at the Eligible Category level, including project level information and case studies to highlight qualitative impacts, where possible.

The following table below summarizes examples of estimated impact reporting metrics that could be disclosed:

Category

Green

| Eligible Green Categories | Example of Impact Reporting Metrics |
|---|--|
| Green Buildings | <ul style="list-style-type: none">- Certification Standards- Type of scheme, certification level- Level of Energy Performance Certificate (EPC), if applicable- Annual energy savings (MWh)- Final and/or Primary Energy Use (kWh/m²)- Estimated annual GHG emission reduced/avoided (tCO2e) |
| Renewable Energy | <ul style="list-style-type: none">- Annual energy savings (MWh)- Estimated annual GHG emission reduced/avoided (tCO2e)- Number of smart meters installed, if applicable |
| Energy Efficiency | <ul style="list-style-type: none">- Installed renewable energy capacity (MW)- Expected annual renewable energy generation (MWh)- Estimated annual GHG emission avoided (tCO2e) |
| Clean Transportation | <ul style="list-style-type: none">- Number of people using public mass transportation- Number of retail and/or public transportation vehicles financed- Number of EV charging stations units installed, if applicable- Estimated annual GHG emission avoided (tCO2e)- Passenger-kilometres (i.e., the transport of one passenger over one kilometre) and/or passengers; or tonnekilometres (i.e. the transport of one tonne over one kilometre) and/or tonnes- Annual GHG emissions reduced/avoided in tCO2-e p.a.- Reduction of air pollutants: particulate matter (PM), sulphur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs) |
| Agriculture and Forestry | <ul style="list-style-type: none">- Total sustainable agriculture land area certified (e.g. by FSC, PEFC etc.)- Estimated annual GHG emissions avoided (tCO2e)- Agricultural Certifications- Type of scheme, certification level- Land areas covered by urban greening projects (hectares)- Land restored (hectares) |
| Pollution prevention and control | <ul style="list-style-type: none">- Type and annual amount of recycled waste (tonnes)- Amount of waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a.- GHG emissions avoided from waste management activities (tCO2-e p.a.) |
| Eco-efficient and / or circular economy adapted products, production technologies and processes | <ul style="list-style-type: none">- Annual savings of relevant resources (e.g. tonnes raw material/year)- Estimated annual GHG emissions avoided or reduced (tCO2e) and/or energy savings (MWh per year), if applicable |
| Sustainable Water Management and Wastewater Management | <ul style="list-style-type: none">- Annual water savings (m3)- Volume of wastewater treated, reused or avoided (m3)- Area covered by sustainable land and water resources management practices (hectares) |

| Eligible Green Categories | Example of Impact Reporting Metrics |
|--------------------------------------|--|
| Terrestrial and aquatic biodiversity | <ul style="list-style-type: none">- Annual GHG emissions reduced in tCO2e p.a.- Maintenance/increase of natural landscape area (including forest) in km² and % annual increase (if applicable, certified by benchmark standards for sustainable forest management, e.g., FSC, PEFC, Rainforest Alliance)- Maintenance/increase of protected area/habitat in km²- Absolute number of predefined organisms and species per km²/m² before and after the project- Changes in the CO2, nutrient and/or pH levels for coastal vegetation, and coral reefs in % |
| Climate change adaptation | <ul style="list-style-type: none">- Temperature related: Increase in grid resilience, energy generation, transmission/distribution and storage in MWh- Temperature related: Reduction in emergency and unplanned rail and tarmac replacement in km- Water related: Reduced/avoided water loss (in reservoirs/waterways/natural habitats etc.) in m³- Water related: Additional water availability and/or increased water catchment in m³/year- Land related: Reduction in repair costs and/or operating days lost due to landslides- Land related: Increase in area under wetland management in km² |

Category

Social

| Eligible Social Categories | Example of Impact Reporting Metrics |
|--|---|
| Education and vocational training | <ul style="list-style-type: none">- Number of education facilities- Number of individuals / students enrolled- Number of educational programmes or professional development measures- Number of students attaining standard for the targeted education level |
| Access to essential services | <ul style="list-style-type: none">- Number of new / renovated / expanded health care facilities- Number of patients reached with improved healthcare |
| Affordable Housing | <ul style="list-style-type: none">- Number of individuals benefiting from affordable housing- Number of affordable buildings or dwellings constructed or renovated- m2 of affordable living space constructed or renovated- Number of individuals / social housing organizations benefiting from housing mortgages |
| Employment generation and retention: Micro-, Small- and Medium-size Enterprises (MSME) financing | <ul style="list-style-type: none">- Number of financed enterprises- Breakdown by region and sector of MSME loans- Number of MSME loans- Average amount of the MSME loan- Number of jobs created / supported and split per region, when available |



External Review of the Framework – Second Party Opinion

In order to confirm the transparency and robustness of Business Development Bank's Sustainable Finance Framework, Business Development Bank shall approach an SPO provider in the future at their own discretion, to provide a Second Party Opinion ("SPO"), confirming the alignment with the ICMA GBP 2021, SBP 2023, SBG 2021 and LMA GLP 2023, SLP 2023 Principles.

Business Development Bank has appointed S&P Global Ratings to assess this Sustainable Finance Framework and its alignment with the GBPs, SBPs, SBGs, and/or GLPs and SLPs and issue a Second Party Opinion accordingly. The Second Party Opinion will be made publicly available on the Bank's official website <https://brb.uz/>.

External audit

Business Development Bank's external auditor will provide on an annual basis, starting one year after issuance and until full allocation of any Green/ Social/ Sustainability Bonds, an assurance report on the allocation of net proceeds of any Eligible Projects, as defined in this Framework.

Disclaimer

This Sustainable Finance Framework has been prepared by JSCB Business Development Bank (hereinafter – the Bank) and does not constitute an offer to sell or issue, purchase, subscribe, guarantee placement or otherwise acquire any shares of the Bank or its securities.

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Annex A – Scope of Regions

Regions, eligible for social use of proceeds

Andijan
Bukhara
Djizzak
Fergana
Kashkadarya
Khorezm
Namangan
Navoi
Samarkand
Surkhandarya
Syrdarya
Tashkent
Republic of Karakalpakstan



**Biznesni
Rivojlantirish
Banki**

Business Development Bank

18A Navoi st., Tashkent, Uzbekistan 100011

+998 (78) 150 00 55

www.brb.uz

headoffice@brb.uz