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SUMMARY

Opinion on compliance/non-compliance of the Green Finance Framework of Halyk Bank of Kazakhstan JSC with the Green Bond Principles.



We assess Halyk Bank of Kazakhstan's Green Finance Framework as consistent with the Green Bond and Green Loan Principles.

Opinion on the assignment of the degree of compliance from "Excellent (High)" to "Unsatisfactory (Low)"



Following the results of the analysis, according to the Principles Compliance Scorecard, we determined the degree of compliance with the Green Bond and Green Loan Principles as "Excellent (High)" – Halyk Bank of Kazakhstan JSC shows an excellent level of management, use of proceeds, project selection, quality of management of raised proceeds, reporting and disclosure of information on projects that are of environmental importance.

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1. METHODOLOGY

The External Review is an independent assessment (Second Party Opinion) and expresses GIG's opinion on the management, administration, allocation, reporting, and disclosure of eligible green bond projects financed with proceeds from specific financial instruments and their compliance with the Principles of the International Capital Markets Association (hereinafter referred to as the Principles).

The Green Bond Principles 2021 were developed by the International Capital Market Association.

The Green Loan Principles, the latest version of 2023, is a joint effort of APLMA (Asia Pacific Loan Market Association), LMA (Loan Market Association), and LSTA (Loan Syndications and Trading Association)

The preparation of the External Review includes a review of relevant documentation, regulatory documents, reports, and presentations of the issuer if any, as well as other publicly available information that may serve to describe, detail, and confirm compliance with the issuer's Green Finance Framework implementation processes and green project approaches in general. The information used for these purposes is obtained through direct interaction with the issuer and/or from any open and closed official sources that GIG considers reliable.

Evaluation criteria

The opinion (conclusion) is expressed in the following order according to the criteria evaluation:

1. Opinion on the compliance/non-compliance of the Issuer's Green Finance Framework with the Green Bond and Green Loan Principles.

In this case, it is envisaged that the minimum thresholds for all evaluation criteria will be met simultaneously so that GIG can confirm that the Issuer's Green Financial Instruments Framework complies with these Principles.

2. Opinion on assigning the degree of compliance from "Excellent (High)" to "Unsatisfactory (Low)" according to the evaluation criteria on the Principles Compliance Scorecard.

In this case, an assessment is provided by calculating a weighted score of the criterion considering its relevance. This opinion is supplementary information and is intended to form a measure of compliance with the Principles. This opinion should not be regarded as a credit rating, or any other rating that reflects the degree of creditworthiness or financial

attractiveness and vice versa. Any degree of compliance with the Principles other than "Unsatisfactory (Low)" should be considered to be consistent with the Principles.

The preparation of the External Review is assessed against four criteria:

- Use of Proceeds
- Project Evaluation and Selection Process
- Management of Proceeds
- Reporting and Disclosure.

The weighted scores for all criteria are summarized and the degree of compliance is determined according to the obtained threshold scores on the Principles Compliance Scorecard:

Threshold score in points	Assessment	Definitions
High >4.5	Excellent	The Issuer shows an excellent level of management, allocation of monies raised, project selection, quality of management of monies raised, reporting, and disclosure of information on the implemented projects of environmental importance
Average 3,5-4,5	Good	The Issuer shows a good level of management, allocation of monies raised, project selection, quality of management of monies raised, reporting and disclosure of information on implemented projects of environmental importance
Satisfactory 3-3,5	Satisfactory	The Issuer shows a satisfactory level of management, allocation of monies raised, project selection, quality of management of monies raised, reporting and disclosure of information on the implemented projects of environmental importance
Low <3	Unsatisfactory	The Issuer shows a poor level of management, allocation of monies raised, project selection, quality of management of monies raised, reporting, and disclosure of information on the implemented projects of environmental importance

The final External Review shall be submitted to the Issuer and then subject to public dissemination. Public dissemination shall be made by posting the External Review on Green Investment Group's website - www.greeninvest.kz, and may also be made via press release of news services and/or relevant web resources.

Full information on the GIG's Methodology for Preparation of Second Party Opinion on the Compliance of the Issuer's Green, Social, and/or Sustainable Financial Instruments Framework with the Green and Social Bond Principles, the Green and Social Loan Principles, and the Sustainability Bond Guidelines is available at www.greeninvest.kz.

2. A BRIEF DESCRIPTION OF THE BANK'S GREEN FINANCE FRAMEWORK AND OTHER STRATEGIC DOCUMENTS

To further stimulate the development of the green finance market in the Republic of Kazakhstan and the implementation of green projects, the Bank has adopted the Green Finance Framework (the "Framework") applicable to ensure transparency in attracting investments by the Bank using green bonds, green loans and/or other green financial instruments and implementation of green projects of the Bank or its clients. Eligible projects implemented by the Bank correspond to the categories of eligible projects according to the Principles.

The Bank's Framework provides for the disclosure of information on the use of proceeds from green bonds, loans, and other green financial instruments, areas of investment, and the impact of operations on environmental development and specific environmental issues annually.

The accounting, management, and monitoring of the use of proceeds is performed by the Bank's Credit Committee, whose detailed process allows for a positive assessment of compliance with the Principles.

For the implementation of eligible projects, the Bank shall ensure that:

- A transparent and objective process for selecting and evaluating eligible projects;
- Monitoring the targeted use of proceeds, reporting on green financial instruments and eligible projects.

Description of the Bank's activities

The Bank holds a leading position in the financial services market, being the Bank of first choice for 10.2 million active retail customers and 313 thousand active corporate and SME customers. The Bank's services are available in digital channels as well as in 570 service points across the country. Today, 84 of the 100 largest companies in Kazakhstan are the Bank's regular customers.

In 2021, the Bank adopted an Environmental Policy and a Sustainability Policy, and in 2023, to implement ESG principles, the Bank joined the UN Global Compact to adhere to relevant principles and support the UN Sustainable Development Goals and initiatives.

The Bank calculates greenhouse gas emissions from its loan portfolio following the international greenhouse gas accounting and reporting standard for financial institutions (PCAF). The Bank has also expressed its commitment to increase the share of low-carbon businesses in the Bank's loan portfolio, to help resource-intensive clients move towards their decarbonization, and to finance low-carbon projects in line with Kazakhstan's green banking product taxonomy.

Over the past few years, the Bank has issued a number of green loans for the implementation of projects on the construction and operation of power plants using renewable energy sources. In addition, the Bank actively supports environmental protection and conservation initiatives.

The Bank has adopted the Green Finance Framework approved by the decision of the Board of Directors of Halyk Bank of Kazakhstan JSC (dated 26.06.2024) to formalize its approach to raising proceeds, in particular, from the issue of green bonds and using them to implement eligible projects consistent with the Bank's objectives and principles.

The Bank intends to adhere to the key four elements of the Principles on monies raised from Green Financial Instruments:

1. Use of Proceeds
2. Project Evaluation and Selection process
3. Management of Proceeds
4. Reporting

The Bank's Framework is applicable for eligible projects financed and/or refinanced with proceeds from green financial instruments in accordance with the categories of Eligible Projects.

As a leader in responsible finance in the Central Asian banking sector, the Bank will play its part in achieving the UN goals at the country level. The Bank has set appropriate targets for its operations (Scope 1,2) and plans to set targets for the objects of financing (Scope 3, related to the Bank's portfolio), in line with the medium-term goals until 2025. In this regard, in 2023, Halyk Bank of Kazakhstan JSC developed the Methodology for calculating the carbon footprint from the sale of its financial products.

The Bank is committed to the UN Sustainable Development Goals (SDGs). Out of 17 SDGs, the Bank focuses on 11 which, due to the specific nature of its operations, the Bank can influence.

USE OF PROCEEDS

By adopting the Framework, the Bank declares that monies raised from green financial instruments, including issued green bonds, will be used to finance or refinance eligible projects that address specific environmental problems and achieve positive environmental impacts and can be measured by quantitative and qualitative characteristics.

Under Eligible Projects according to the Framework, the Bank accepts projects meeting the following categories, but not limited to:

- Renewable energy
- Energy efficiency

- Green buildings
- Sustainable use of water, waste
- Sustainable agriculture, land use, forestry, biodiversity conservation and eco-tourism
- Pollution prevention and control
- Clean transportation;
- other green projects identified or recommended by internationally recognized taxonomies.

PROJECT EVALUATION AND SELECTION PROCESSES

The detailed process for evaluating and selecting eligible projects is described in the Green Finance Framework and is complemented by the Bank's Methodology for Classifying Financed Activities by ESG Criteria. The project selection process includes, among others, ESG risk analysis, relevance to eligible activities and practices, full ESG screening of the client, determination of the aggregate ESG rating, evaluation, and decision on whether or not the project meets the categories of Eligible Green Projects.

If a project is found to meet the categories of Eligible Projects according to the Framework, it shall be accepted for implementation.

MANAGEMENT OF PROCEEDS

The Bank's Framework states that proceeds from green financial instruments are subject to separate accounting and control.

The Bank maintains a Register of Eligible Projects financed and/or refinanced with proceeds from green financial instruments. This Register is subject to quarterly monitoring for compliance with the categories of Eligible Projects and analyzes the risks of negative environmental impact of the projects being implemented. In addition, the Bank monitors and controls balances of projects financed and/or refinanced through green financial instruments quarterly and reports on the targeted use of proceeds from green financial instruments. The Bank has the right to temporarily place the undistributed amount of proceeds attracted through green financial instruments into cash and cash equivalents and liquid securities under the applicable IRD. In this case, the Bank implements measures for the earliest possible channeling of free proceeds from the placement of green financial instruments to Eligible Projects.

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

REPORTING

The Bank states that it will disclose information on the use of proceeds from green financial instruments, their intended use, distribution of income, and achievement of expected environmental effects annually in the manner outlined in the Bank's Green Finance Framework.

3. ASSESSMENT OF THE BANK'S GREEN FINANCE FRAMEWORK

In this section, we describe the assessment of the Green Finance Framework and other relevant documents of the Bank for compliance with the Principles according to the Green Investment Group's External Review Methodology. The information used for this purpose has been obtained through direct engagement with the Bank.

OVERALL ASSESSMENT AND DETERMINATION OF THE LEVEL OF COMPLIANCE WITH THE PRINCIPLES

The Bank has confirmed that the proceeds will be fully committed to financing and/or refinancing eligible green projects. The processes for project evaluation and selection, and management of proceeds are also in line with key elements of the Principles. The Bank's Framework requires reporting on the use of proceeds and expected environmental effects to be disclosed annually.

Opinion on compliance/non-compliance of the Bank's Green Finance Framework with the Principles

Based on our assessment of the threshold performance criteria, we have determined that the Bank's Framework meets the mandatory and partially optional values of the criteria, and **we confirm the compliance of the Green Finance Framework of Halyk Bank of Kazakhstan JSC with the Green Bond and Green Loan Principles.**

Opinion on the degree of compliance with the Principles from "High (Excellent)" to "Low (Unsatisfactory)"

Based on the results of the analysis, according to the Principles Compliance Scorecard, we have determined the degree of compliance as **"High (Excellent)"** – The Bank shows an excellent level of management, allocation of attracted proceeds, project selection, quality of management of monies raised, reporting and disclosure of information on implemented projects of environmental importance.

Degree of compliance	Weighted average score	Description
High (Excellent)	4.8	The Issuer shows an excellent level of management, allocation of monies raised, project selection, quality of monies raised management, reporting and disclosure of information on the implemented projects of environmental importance

ASSESSMENT BY THE CRITERION "USE OF PROCEEDS"

The Bank confirmed that the proceeds from green financial instruments, including green bonds issued, will be fully used for eligible projects.

The implementation of eligible green projects and, in general, the Bank's activities in the field of sustainable development, decarbonization of its operations, and the economy of the Republic of Kazakhstan are aimed at solving environmental problems and achieving positive environmental effects, which corresponds to the acceptable categories of projects in accordance with the Principles. Also, it should be noted that the Bank's activities are aimed at selecting and implementing projects following the SDGs.

At the same time, the Bank notes that the proceeds from the placement of green bonds can also be used to purchase green bonds issued by Kazakhstan issuers on the Kazakhstan Stock Exchange or Astana International Exchange Ltd. to finance projects under the Green Finance Framework of Halyk Bank Kazakhstan JSC. We consider such use of proceeds from issued green bonds by a financial organization acceptable only within the internal green bond market for its development (given the youth of the green bond market), provided that there is no double counting of financed green projects, both on the part of the issuer and the investor, as well as in the presence and compliance with procedures for monitoring the portfolio of eligible green projects and the use of proceeds.

Indicator	Score	Project category eligibility under the Green Bond and Green Loan Principles	Compliance with the threshold value	Weighted score according to the significance of the criterion - 45%
100% of the proceeds are used to finance/refinance green projects that demonstrate the achievement of a significant environmental effect and have been assessed by the issuer in terms of compliance with the categories of eligible projects in accordance with the Green Bond Principles in terms of qualitative and/or quantitative characteristics.	5	<ul style="list-style-type: none"> • Renewable energy • Energy efficiency • Green buildings • Sustainable use of water, waste • Sustainable agriculture, land use, forestry, biodiversity conservation and eco-tourism • Pollution prevention and control • Clean transportation; • Other green projects identified or recommended by internationally recognized taxonomies 	Yes	2.25

ASSESSMENT BY THE CRITERION "PROJECT EVALUATION AND SELECTION PROCESS"

The Bank's Framework and objectives are consistent with the Principles and allow for a thorough analysis of decision-making processes. According to the Framework and the Methodology for Classification of Financed Activities by ESG Criteria (hereinafter referred to as the Methodology), the project evaluation and selection process is consistent with the Principles. Decisions made under the Framework are implemented by the Bank's collegial authorized body. The Framework and the Methodology define the principles of activities, the powers of the Bank's responsible units, the processes for selecting eligible green projects, the criteria for their selection, record keeping, and monitoring of eligible assets. A project that meets the eligibility qualification is approved and entered into the Register of Eligible Assets for further record keeping. There are also procedures for deciding on the allocation of the unused balance of proceeds from the applied green financial instruments, including issued green bonds prior to the appropriate selection or substitution of eligible projects.

Indicator	Score
Mandatory indicators	
1. The issuer's strategy, policies, and objectives are consistent with the Green Bond Principles and allow for a thorough review of decision-making processes for selecting projects that meet the categories of eligible projects	1
2. Disclosure of key methodologies and assumptions used in determining whether projects meet the eligibility categories	1
3. Availability and disclosure of descriptions of eligible projects, actual and/or proposed (planned) for implementation	1
Optional indicators	
4. the Issuer has established/designated a special unit that, among other things, oversees the selection and implementation of projects. The staff generally understands the tasks assigned to them and has experience in supporting green projects. Involvement of an independent qualified party to select projects corresponding to the categories of green projects.	0,5
5. The Issuer shall have quality certificates of implemented green projects or conclusions of leading international or independent Kazakhstani verifiers confirming the compliance of projects with the required green standards, including conclusions on compliance with applicable regulatory requirements for infrastructure facilities prepared as part of project documentation. Lead verifiers are considered to be those with certificates and licenses to conduct expert reviews or proven experience in assessing green projects and/or compliance with sustainable development investment requirements	-
6. Existence of procedures for identification and management of environmental risks. Supplier/partner selection policy to take into account the achievement of positive environmental effects	0,5
Compliance with the threshold value	Yes
Weighted score on the significance of the criterion - criterion score "4.0", criterion weight 20%	0.8

ASSESSMENT BY THE CRITERION "MANAGEMENT OF PROCEEDS"

The Bank's green finance framework provides for the maintenance of records on the use of proceeds from green financial instruments, including outstanding green bonds. The Bank also reported that it will temporarily place the unallocated amount of monies raised through green financial instruments into cash and cash equivalents and liquid securities in accordance with the applicable IRD. At the same time, the Bank implements measures to channel the free proceeds from the placement of green financial instruments to Eligible Projects as soon as possible. A positive mitigation of the risk on the target compliance of the use and management of proceeds is that the Bank will monitor the compliance of Eligible Assets with the Principles and, if necessary, make adjustments to the Eligible Asset Register. The Bank's Framework provides for the possibility of engaging an independent audit; and the Bank states that in the event of changes to the Framework, it will ensure that the External Review is updated with an independent consultant to reflect the adopted changes and/or additions.

Indicator	Score
Mandatory indicators	
1. Proceeds from green bonds are recorded in a separate sub-account/s or transferred to a separate portfolio or otherwise separately accounted for by the issuer	1
2. The Issuer has a procedure for accounting for the proceeds of the Green Bonds	1
3. the Issuer monitors proceeds (including by sub-account(s)) on an ongoing basis during the period of validity of the applicable financial instruments and has recorded a procedure for removing eligible assets that have become non-compliant from the register/portfolio.	1
Optional indicators	
4. Existence of rules for temporary investment of unused proceeds	1
5. Audit by an external organization or independent internal audit team	1
Compliance with the threshold value	Yes
Weighted score on the significance of the criterion - criterion score "5", criterion weight 15%	0.75

ASSESSMENT BY THE CRITERION "REPORTING AND DISCLOSURE OF INFORMATION"

The Bank has committed to posting relevant IRDs on green financial instruments, selection procedures, and assessment of eligible assets.

To improve information transparency, regularity and timeliness of disclosure, reliability, and completeness of content, the Bank confirms its position on information transparency, regularity, and timeliness of disclosure of information on the use of proceeds from green financial instruments, including issued green bonds, on the achievement of positive environmental effect. Reporting is provided annually.

Following the Bank's Green Finance Framework, a report on the use of net proceeds from all green financial instruments, including any new green bond issues and green financial instruments raised, will be published, with a level of detail taking into account commercial, confidentiality, and other relevant considerations. A report or update on the allocation of the proceeds of any green financial instrument raised will:

- contain a statement that the aggregate face value of all Eligible Projects meets or exceeds the aggregate amount of all outstanding green financial instruments, and/or
- in case of any deviation, contain information on the temporary placement of the retained amount in cash and cash equivalents and liquid securities under the applicable IRD; and
- contain information regarding expected environmental impacts.

Indicator	Score
Mandatory indicators	
1. Provides for itemized (with a list of projects) reporting and disclosure of green bonds regarding the use of proceeds	1

2 Reporting provides for disclosure of the nature of the investment and the achievement of positive environmental effects Availability of methodologies and assumptions used to calculate environmental performance indicators.	1
3. It is envisaged that the disclosed statements will be issued at least once a year and there is a procedure for monitoring the correctness of the data	1
Optional indicators	
4. the Issuer provides for the engagement of independent qualified parties to assess its reporting in relation to the implementation of the Green Bond Framework	1
5 The Issuer conducts internal monitoring of reporting and tracks the correctness of data in public reports at least once a quarter	1
Compliance with the threshold value	Yes
Weighted score on criterion significance - criterion score "5", criterion weight 20%	1

Assumptions and limitations

All rights reserved. No part of this External Review may be reproduced, transmitted, or published in any form or by any means without the prior written permission of GIG.

The external review reflects our opinion on the expected outcomes from the use of green, social, and/or sustainable financial instruments and the compliance of the company's green, social, and/or sustainable financial instruments framework with the Green and Social Bond Principles, the Green and Social Loan Principles, and the Sustainability Bond Guidelines. There is a possibility of inaccuracy in the final conclusion due to unforeseen changes in the economic environment and financial market. The external review is an independent assessment, based on information provided by the company according to the GIG assessment methodology, of the compliance of the company's Green, Social, and/or Sustainable Financial Instruments Framework with the Green and Social Bond Principles, the Green and Social Loan Principles, the Sustainability Bond Guidelines, does not disclose any confidential information of the company and does not constitute an indication for any investment decisions. The External Review is for informational purposes only and GIG does not accept any form of liability for damages resulting from the use of this External Review and/or the information provided therein. It is permissible to update the External Review after publication, stating the reasons for such update. To learn more about Green Investment Group's External Review Methodology for compliance with an issuer's Green, Social, and/or Sustainable Financial Instruments Framework with the Green and Social Bond Principles, Green and Social Loan Principles, and Sustainability Bond Guidelines, please visit www.greeninvest.kz.

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