

Environmental and Social Management System Arrangement

30 June 2015

Uzbekistan: “Small Business and Entrepreneurship Development Project”

Prepared by Joint-Stock Innovation Commercial Bank “Ipak Yuli” for the Asian Development Bank.

CURRENCY EQUIVALENTS

(as of 30 June 2015)

UZS1.00 = \$ 0.0003912

\$1.00 = UZS 2555.60

ABBREVIATIONS

JSICB “Ipak Yuli”	–	Joint Stock Innovation Commercial Bank “Ipak Yuli”
ESMS	–	Environmental and Social Management System

NOTE

This environmental and social management system arrangement 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.

Semi - Annual Environmental and Social Annual Performance Report under ADB “Small Business and Entrepreneurship Development Project”

Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered Yes. Ipak Yuli Bank is required to submit the annual performance report to ADB.

Name of Organization	Joint-Stock Innovation Commercial Bank “Ipak Yuli”		
Completed by (name):	Rustamkhon Azizov		
Position in organisation:	Coordinator for Environmental and Social Risk Management System	Date:	29 July 2015
Reporting period	From: 1 January 2015		To: 30 June 2015

A. PORTFOLIO INFORMATION

Report Covering Period:	
From: 1 January 2015	To: 30 June 2015

For the reporting period, please provide the following information about your portfolio where applicable:

Business Lines

Product line	Description	Total exposure outstanding for most recent FY year end (in US\$)	Average loan or transaction size (in US\$)
Short-term Retail banking/Consumer loans	Loans or other financial products for individuals	4 145 653	10 062.3
Long term: Transactions with tenor greater than 12 months			
Small business	Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions less than US\$ 100 thousand	9 741 979	16 359.3
Trade finance			
Other			
Microfinance			
Other (if applicable)	Please describe		

Exposure by Industry Sectors

1. *If there is any exposure in the area of SME finance please provide an indicative % of portfolio that these sectors represent of the total SME portfolio.*

Industrial Sector	% of Corporate Portfolio
Apparel	1.05%
Chemicals	
Collective investment vehicles	
Common carriers	0.48%
Construction and real estate	3.61%
Consumer goods	0.34%
Crop production	0.26%
Electrical equipment, appliances and components	0.09%
Fabric mills	0.79%
Fabricated metal product manufacturing	0.65%
Finance & insurance	0.07%
Finishing (dyeing, printing, finishing, etc.)	0.03%
Fishing	
Food & beverages	3.26%
Forestry	0.02%
Furniture and related products	0.34%
Integrated textile operation (spinning, weaving/knitting, but no garment)	
Internet subprojects	
Leather and allied products	0.07%
Livestock	
Machinery and other industrial	0.1%
Nonmetallic mineral product manufacturing	0.13%
Oil, gas and mining	
Plastics & rubber	0.69%

Primary metals	
Printing & publishing	0.14%
Pulp & paper	0.52%
Spinning (yarn, including integrated with fiber production)	
Telecommunications	2.29%
Textiles - others	0.02%
Transport service	0.29%
Transportation equipment	
Utilities	1.1%
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 or biological wastes or materials	0.0%
Wood products	0.03%
Other	2.35%

Note: Please attach environmental and social audit or due diligence reports and environmental and social monitoring reports for each Project Company, if available.

Project name	Type of Financing	Tenor of loan (months)	Value of exposure (US \$)	Industry Sector	ENV Category	Any environmental and social risks and measures taken to mitigate the risks
LLC "SAODATFAYZELI T"	Microloan	24	19 014	Public catering	C	State Committee of the Republic of Uzbekistan for Nature Protection 11-193 d.d. 23.01.2015
LLC HUAOBODFAYZT EKS	Microloan	36	62 597	Production of knitwear	B	State Committee of the Republic of Uzbekistan for Nature Protection 11/217 d.d. 28.01.2015
ART DESIGN LLC	Microloan	36	19 561	Production of glass mosaic	B	State Committee of the Republic of Uzbekistan for Nature Protection 04-214 d.d. 14.04.2011
LLC ZINIT MED	Microloan	36	15 649	Assembly of window frames finished plastic and aluminium profiles	C	State Committee of the Republic of Uzbekistan for Nature Protection 04-37 d.d. 14.01.2014
BERMUD BUSINESS SERVICE LLC	Microloan	36	12 128	Plant for the production of window and door openings	C	State Committee of the Republic of Uzbekistan for Nature Protection 04-132 d.d. 12.02.2015
MEGA BUSINESS GROUP LLC	Microloan	36	11737	Sewing plant	C	State Committee of the Republic of Uzbekistan for Nature Protection № 04-330 d.d. 16.04.2015.
SOFT GOODS LLC	Microloan	36	26 775	Sewing plant	C	State Committee of the Republic of Uzbekistan for Nature Protection №04-59 d.d. 23.01.2015
SEW WORK TEXTILE LLC	Microloan	36	21 449	Sewing plant	C	State Committee of the Republic of Uzbekistan for Nature Protection №04-80 d.d. 29.01.2015
KOJTKANPLAST	Transfer	24	30 907	Sewing plant	C	State Committee of the Republic

LLC						of Uzbekistan for Nature Protection № 04-44 d.d. 21.01.2015
FOREVER YOU TEX	Transfer	12	21 987	Production of textiles	C	State Committee of the Republic of Uzbekistan for Nature Protection №04-363 d.d. 28.04.2015
FRESKO SAMARKAND LLC	Transfer	18	95774,64	production and bottling of drinking water	B	State Committee of the Republic of Uzbekistan for Nature Protection №95 d.d. 02.02.2015
YUNON KELAJAGI BUYUK LLC	Transfer	18	15649,45	Production of soaps and detergents	B	State Committee of the Republic of Uzbekistan for Nature Protection №22 d.d. 22.07.2013 - №893 d.d. 03.09.2013
PF YIGIT BEK	Transfer	12	9 780.9	Manufacture of refractory products	B	State Committee of the Republic of Uzbekistan for Nature Protection №05/2-2269 d.d.05.12.2013
KESH GLOBAL STROY SERVIS LLC	Transfer	18	78 247.2	Production of of clay building materials	B	State Committee of the Republic of Uzbekistan for Nature Protection №963/8Л d.d. 15.05.2015
ЧП "KAMILOV KLEY"	Transfer	36	46948,35	Production of label adhesive	B	State Committee of the Republic of Uzbekistan for Nature Protection №04-152 d.d. 24.02.2015

B. Environmental and Social Management System (ESMS)

Policies & Processes	Yes/No	
Has your organization developed and implemented an ESMS?	Yes	<i>If yes, please attach a copy of the ESMS to this report.</i>
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	<i>Environmental and Social Management Guidelines for implementation of “Small Business and Entrepreneurship Development” Project of Asian Development Bank dated 06.03.2014. During the reporting period no amendments were introduced to the Regulation on Environmental and Social Risk Management System of JSICB “Ipak Yuli”.</i>

Has senior management signed off on the updated policy/procedure?	<i>N/A</i>	
Has your organization appointed staff tasked to implement the ESMS?	<i>Yes</i>	<p><i>Mr Rustamkhon K. Azizov, (Head of Risk Management Division)</i></p> <p><i>role in the ESMS implementation:</i></p> <ul style="list-style-type: none"> • <i>ensuring employees' awareness and competence with respect to the objectives and targets</i> • <i>reviewing progress of the ESMS and making improvements</i> <p><i>responsible for leading the effort of financial institution to develop the ESMS as well as for communicating with senior management on environmental and social issues and concerns.</i></p>
Please give details of any transactions rejected on environmental, health, safety or social grounds.	<i>Yes</i>	<i>Projects which involved production and trade of alcoholic beverages (except beer and wine), tobacco as well as construction projects and trade involving unbound asbestos fibres are rejected based on the Prohibited Investment Activities List include in ESMS of the Bank.</i>
Please state any difficulties and/or constraints related to the implementation of the social and environmental procedures.	<i>Yes</i>	<i>National environmental legislation does exist. However, commitment of state management institutions related to the strict enforcement of the provisions of the legislative acts is lacking. Therefore, it is difficult for JSICB "Ipak Yuli" to enforce the adherence to the requirements of the national legislation as well as requirements of ESMS regulation of the Bank on its own.</i>
Please describe how you ensure that your clients and their projects are operated in compliance with the national laws and regulations.	<i>Yes</i>	<i>All projects submitted for consideration by customers of the Bank are examined for compliance with the national laws and regulations in accordance with Regulation on Environmental and Social Risk Management System of JSICB "Ipak Yuli". Therefore, if the proposed project does not comply with national legislation related to the environmental protection the Bank does not finance such projects. In addition, all employees of structural units of the Bank engaged in lending operations are aware that they must screen all loan applications against the requirements of the ESMS of the Bank. Furthermore, in their loan memoranda presented to the consideration of relevant credit committee of the Bank, all responsible employees must include their conclusion as to the compliance of the proposed project with the requirements of the ESMS.</i>
Please give details of any material social and environmental issues associated with borrowers during the reporting period in particular.		<i>During the reporting period, no material social and environmental issues associated with the borrowers were identified.</i>
Capacity	<i>Yes/No</i>	
Please provide the name and contact information of the Environmental Officer or Responsible officer for Environmental and Social Risk Management System who has the overall responsibility for the implementation of ESMS.	<i>Yes</i>	<p><i>Mr Rustamkhon K. Azizov, (Head of Risk Management Division)</i></p> <p><i>role in the ESMS implementation:</i></p> <ul style="list-style-type: none"> • <i>ensuring employees' awareness and competence with respect to the objectives and targets</i> • <i>reviewing progress of the ESMS and making</i>

		<p><i>improvements</i></p> <p><i>responsible for leading the effort of financial institution to develop the ESMS as well as for communicating with senior management on environmental and social issues and concerns.</i></p>
Please provide current staffing of other core ESMS persons in the organization involved with ESMS implementation.	Yes	<p><i>Ms. Aziza N. Zayniddinova, (Chief Specialist of International Financial Institutions Department)</i></p> <p><i>role in the ESMS implementation:</i></p> <ul style="list-style-type: none"> <i>analysing environmental/social impacts and relevant legal requirements.</i> <p><i>monitoring and measuring progress in achieving the objectives of the Bank</i></p>
What was the budget allocated to the ESMS and its implementation during the year?		N/A
Monitoring	<i>Yes/No</i>	
Do you receive any non-financial reporting from industrial projects that you finance?	Yes	<p><i>Conclusion of the State Committee of the Republic of Uzbekistan for Nature Protection on the submitted project.</i></p> <p><i>This document is based on the environmental impact assessment and determines the possible sources of air, water, soil, noise pollution, waste management. Conclusion at certain cases establishes conditions, which must be fulfilled by the sponsors of the project before State Committee can approve the project.</i></p>
Do you check for ongoing compliance of your projects with national regulation and any other requirements?	Yes	<p><i>The projects are monitored for the ongoing compliance with national legislation as well as requirements of the State Committee of the Republic of Uzbekistan for Nature Protection stated in the report provided.</i></p> <p><i>Each quarter the team of the Loan Portfolio Monitoring Division carries out on-site inspections of the financed projects. The employees of the Bank examine the operations of the company for compliance with requirements of the Bank's Environmental and Social Management System. Moreover, in case there are any special conditions and requirements stated in the report of the State Committee of the Republic of Uzbekistan for Nature Protection, their implementation is also checked during the on-site inspections. During on-site inspections in the case of special conditions, team of monitoring department checks if the organization has implemented required improvements. In case of non-compliance, specialists set an action plan for organization in order to resolve non-compliance.</i></p>
Please describe how you monitor the client and project social and environmental performance.	Yes	<p><i>As mentioned above, the team of the Loan Portfolio Monitoring Division conducts on-site inspections for monitoring the current status of the project financed by the Bank.</i></p> <p><i>Monitoring of implementation of the project is conducted at the time of loan servicing. At the time of inspection of the borrower's business, attention is paid to the compliance with environmental and social legislation. For all loans classified in the category «B», environmental impact assessment report (ecological expertise) is</i></p>

		<p><i>required, where main aspects to mitigate the negative impacts on the environment, air, water and soil are prescribed.</i></p> <p><i>We study the performance under requirements of environmental agencies to mitigate the negative impact on the environment.</i></p> <p><i>For example: how effectively disposal plants operate, how often industrial waste is removed from territory of the enterprise, where it is stored.</i></p> <p><i>What measures are taken to reduce emissions to atmosphere, water, soil.</i></p> <p><i>For construction sites – how is construction site fenced, in terms of noise reduction and reduction of dust, spread of construction waste.</i></p> <p><i>Based on the examination, recording is made in act of monitoring, where in the "Compliance with requirements of ESMS" section, conclusion is made on compliance with ESMS requirements in the social and environmental performance of the borrower.</i></p>
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<p>Please provide details of any accidents/litigation/ complaints/regulatory notices and fines:</p> <p>Any incidents of non-compliance with the S&E Requirements</p> <p>Covenants/ conditionalities imposed by the Bank as a result of any non-compliance</p>	<i>No</i>	<i>No such issues were detected</i>
Reporting	<i>Yes/No</i>	
<p>Is there an internal process to report on social and environmental issues to Senior management?</p>	<i>Yes</i>	<p><i>Each quarter Risk Management division in cooperation with the Responsible officer for Environmental and Social Risk Management System prepare a report for the senior Management. Report includes information on whether the financed project or any other project considered by the Credit Committee of the Bank, corresponds to any of the categories from the list of prohibited activities, classification of the project by the risk category, compliance with the national legislation and internal policies and procedures of the Bank, presence of all the required documentation and other aspects.</i></p>
<p>Do you prepare any social and environmental reports:</p> <ul style="list-style-type: none"> - For other MLAs - Other stakeholders - S&E reporting in the Annual Report - Sustainability reports 	<i>Yes</i>	<p><i>Ipak Yuli Bank presents reports related to the compliance with the requirements of ESMS to foreign partners, where provision of such reports is envisaged in relevant agreements</i></p>

Activities on ADB's Prohibited Investment Activities List	
<p>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.</p>	<p><u>0</u> %</p> <p><i>The Risk Management Division of the Bank carefully examines all loan applications and rejects financing the ones that fall into ADB's Prohibited Investment Activities</i></p>

	<i>List.</i>
If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure.	<i>N/A</i>

C. Subprojects Using ADB Funds

2. Please provide information about all new subprojects using ADB funds approved during this reporting period.

All of the subprojects listed above were financed using ADB funds