



BANK OF GEORGIA
GROUP PLC

Environmental Policy

ENVIRONMENTAL POLICY

ADOPTED BY

The Board of Directors of Bank of Georgia Group PLC

DATE OF ADOPTION

September, 2023

APPLIES TO

Bank of Georgia Group PLC and its Group Companies

GROUP POLICY OWNER

ESG and Sustainability Direction, Legal Department

REVIEWED BY

Environment and Climate Risk Department

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DEFINITIONS

Group Entities

Bank of Georgia

JSC Bank of Georgia

Board

The Board of Directors of Bank of Georgia Group PLC.

Group Companies

Means companies (a) whose affairs and policies Bank of Georgia Group PLC directly or indirectly controls or (b) companies of which Bank of Georgia Group PLC owns directly or indirectly more than 50% of their capital, voting stock or other rights of ownership. "Control", as used in this definition, means the power to direct the management and the policies of that company, whether through the ownership of share capital, by contract or otherwise.

The Group

The Bank of Georgia Group and its Group Companies.

ESI Committee

Respective Committee established and governing environmental and social matters within the Bank of Georgia.

ESG GOVERNANCE

Oversight of the majority of material ESG topics and related impacts on the economy, people, and the environment is allocated to specific Board Committees: the Risk, Audit, Nomination, and Remuneration Committees. While the Committees retain continued responsibility for discrete ESG-related matters, the full Board retains primary responsibility for the Group's overarching ESG strategy, which has been framed around material ESG topics.

The Board ensures the alignment of ESG strategy with the business strategy, receives updates on progress of the key pillars of the ESG strategy, and oversees the Group's overall communications strategy around ESG topics and impacts. The Full Board also retains primary responsibility for overseeing the management of climate risks and opportunities, and it oversees the management of other Environmental and Social risks and opportunities that may arise in the Bank's loan portfolio. Updates on material ESG topics are regularly reported to the full Board or respective Committees.

Management of ESG topics and implementation of ESG strategy are delegated to the Bank's Executive Management team. Discrete ESG matters are managed by individual members of Executive Management. A Management-level Environmental and Social Impact Committee (ESI Committee) has been established, comprising the Management Team and senior managers, including the Bank's CEO, CRO, COO, CFO, CLO, Head of HR, Chief Marketing Officer, Head of Investor Relations, and Head of Funding.

The Committee is responsible for managing the Bank's climate, environmental and social impacts, focusing on those arising from its lending activities. It holds overall responsibility for designing, implementing, and enhancing environmental, social and climate strategies and policies, and for setting and monitoring targets. The Committee intends to further embed Environmental and Social risk management in the Bank's daily operations.

SCOPE AND OBJECTIVES

At the Bank of Georgia Group PLC, we are committed to taking meaningful action towards environmental sustainability. We recognise that the environment is intricately connected to the wellbeing of our communities, economies and future generations. As a financial institution, we understand our role in addressing environmental challenges and promoting sustainable practices.

Our Environmental Policy sets out our commitment to integrating environmental considerations into our business strategy, operations, lending practices and decision-making processes. It outlines our objectives, strategies and practices, and the actions we will undertake to minimise our environmental impact and contribute to a greener and more sustainable future.

We strive to promote sustainable development, support clean technologies, foster innovation that benefits both the environment and our stakeholders and embrace a proactive approach towards environmental stewardship

Our Environmental Policy encompasses various areas, including our internal operations, lending and investment practices, stakeholder engagement, reporting, and continuous improvement. By focusing on these aspects, we aim to mitigate environmental risks, support sustainable projects, engage with stakeholders, and ensure transparency and accountability in our environmental efforts.

We understand that environmental sustainability is a shared responsibility, and collaboration is key to achieving meaningful change. We actively communicate with our clients, suppliers, investors and all the stakeholders to collectively address environmental challenges and drive sustainable development.

By implementing this Environmental Policy, we commit to making informed and responsible decisions that consider the environmental impact of our actions. We continuously assess our practices, and adapt to emerging environmental standards and best practices and strive for a more sustainable and resilient future for all.

PRINCIPLES

1 Integrating Environmental Considerations

We are committed to ensuring that environmental factors are thoroughly assessed and taken into account when evaluating the projects and industries we finance. All commercial transaction requests received by the Bank are assessed against the Bank's lending policies, Environmental and Social Risk Management System (ESMS), and the Exclusion List. We do not finance environmentally or socially sensitive business activities that do not comply with these policies or that are included in the Exclusion List (*please see Annex 1 – List of Activities Excluded from Financing by JSC Bank of Georgia*) through environmental impact assessment, risk evaluation, sustainable project selection, environmental compliance and environmental performance monitoring, we aim to support projects and industries that align with our commitment to environmental sustainability.

2 Climate Change Mitigation

We promote and encourage energy-efficient practices, renewable energy adaptation, GHG emission reduction, Sustainable Supply Chain, and Employee Engagement. Through these comprehensive measures, we strive to be a responsible financial institution that not only integrates climate change mitigation into our own practices, but also encourages and supports our stakeholders to embrace sustainable practices.

Bank of Georgia will regularly assess climate-related physical and transition risks across its entire portfolio, drawing on the most recently available data for climate change projections, scenarios and policies. We will ensure we appropriately manage our portfolio's climate risk profile and new credit origination in line with our overall risk appetite.

Please, also see our [Climate Action Strategy](#)

3 Sustainable Lending Practices

We are committed to adopting responsible lending practices that integrate ESG considerations into our decision-making process and promote sustainability. As Georgia's leading financial institution, we strive to provide our clients with attractive green finance options, compliant with the NBG's Green Taxonomy, to ensure that they can implement credible, safe, innovative, quality and sustainable solutions.

4 Environmental and Social Risk Management

We are committed to prudently managing environmental risks associated with our lending activities. The Bank's Environmental and Social Risk Management System (ESMS) enables us to identify, assess, mitigate, and monitor these risks effectively and ensure that our customers are properly managing those risks to avoid negative impacts on the environment and the communities where they operate.

We regularly monitor the Environmental and Social (E&S) risks associated with our existing lending portfolio. The frequency and type of monitoring are based on the type of transaction being financed and the level of E&S risk.

When Bank staff identify a client's non-compliance with the E&S covenants stipulated in the loan legal agreement, they should follow up with the client to resolve these in a reasonable timeframe. Depending upon the complexity of the Environmental and Social issues associated with a client's operations, Bank staff should develop a new Environmental and Social Action Plan. The reporting frequency should be tailored to each individual transaction or monitoring by independent third parties

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and/or regulatory authorities. In relevant cases the Bank may use independent external professionals to monitor implementation and progress.

The Group identified climate change as an emerging risk making climate-related risk an integral part of our risk inventory.

For more information, please also see our [Environmental and Social Risk Management System \(ESMS\)](#)

5 Environmental Due Diligence

We apply robust environmental due diligence processes to assess the environmental impact of the projects, industries and/or clients we finance and suppliers we work with. This includes evaluating compliance with environmental regulations, identifying and implementing measures to mitigate potential environmental impact, assessing potential environmental risks and promoting responsible business practices.

6 Reducing Our Operational Carbon Footprint

As a service business, our direct impact on the climate is less significant than the impact we have on the environment through the financing we provide to our customers. Nevertheless, it is imperative for us to mitigate the impacts related to our direct operations.

We undertake measures to identify and monitor environmental aspects relevant to our direct operations, for instance, how much business travel we undertake and how much electricity we use - and contribute to a low-carbon economy. We commit to incrementally expanding the monitoring of our operational carbon footprint and continuously improving our ability to measure our financed emissions.

7 Waste Management

We are committed to implementing waste management practices within the organisation. We prioritise minimising waste generation, promoting the reuse, reduce, recycle principle, ensuring proper disposal in compliance with local regulations, engaging employees and stakeholders, and continuously improving our waste management practices.

PRINCIPLES

8 Sustainable Supply Chain

We are committed to promoting sustainable supply chain practices that minimise environmental impacts, enhance social wellbeing, and support the transition to a sustainable economy. We expect all our suppliers to minimise their environmental impact by reducing GHG emissions, conserving natural resources, and managing waste responsibly. We incorporate E&S risk management practices in our procurement processes. Suppliers are selected based on merit and in line with business needs. To decrease E&S risks in our supply chain, we require all suppliers to sign environmental and labour safety clauses, which constitute a key part of the contract and are mandatory for implementation. Additionally, we encourage our suppliers to identify and promote innovative solutions that reduce environmental impact, promote sustainability and drive economic growth.

Please also see our [Responsible Supply Chain Policy](#)

9 Stakeholder Engagement

By engaging with our stakeholders, we gain valuable insights, incorporate diverse perspectives, and ensure that our environmental policies and practices align with their expectations. We strive to foster transparency, accountability, and collaboration, creating a shared vision for a more sustainable future. Through ongoing stakeholder engagement, we aim to drive continuous improvement, respond to evolving needs, and build strong partnerships that contribute to positive environmental outcomes.

10 Disclosure and Reporting

We firmly believe in the importance of transparency and accountability when it comes to our environmental performance. We are committed to the transparent reporting of our environmental impacts, progress and efforts to ensure that our stakeholders have access to reliable information that enables them to make informed decisions. Our commitment to disclosure and reporting includes:

- Environmental Performance Metrics, to assess our impact and progress;
- Carbon Footprint Measurement, to help us understand our climate impact and renew the strategy for reducing our emissions over time;
- Sustainability Reports (Sustainable Business Chapter in our Annual Report and/or relevant report) that provide comprehensive information about our environmental performance, impacts and initiatives. These reports follow internationally recognised reporting frameworks and standards, such as the Global Reporting Initiative (GRI) and the Task Force for Climate-related Financial Disclosures (TCFD). Our Sustainability Business Chapter in our Annual Report covers a wide range of topics including, but not limited to the environmental risks, climate change strategy and operational environmental footprint.

We will incorporate additional reporting frameworks as deemed necessary or established industry standard and best practices.

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11 Education and Engagement

We understand the importance of increasing awareness of environmental issues and promoting sustainable practices. To achieve this, we provide comprehensive training and education programs that empower our employees and customers to integrate sustainability considerations into their work, businesses and daily lives. Our approach to education and engagement includes employee trainings and customer education programmes, as well as short informational flyers for our customers in order to understand [risks and opportunities of climate change for businesses in Georgia](#).

12 Continuous Improvement

We recognise that the environmental landscape is continuously evolving, with new standards, best practices, and regulatory requirements emerging over time. We are committed to ensuring that our environmental policies and practices remain aligned with these changes and reflect the latest advancements in sustainability. We believe, by staying proactive, adaptive and responsive, that we can drive meaningful change, contribute to a more sustainable future and meet the evolving expectations of our stakeholders and society at large.

EXTERNAL COMMUNICATIONS – GRIEVANCE MECHANISM

The Group encourages all its stakeholders to contact the Group in case they have questions, any concerns or suspicions of violation of any policy principle.

In case of questions regarding the Policy, please contact our ESG Legal Support Officer via esg@bog.ge

In case of questions about our Environmental and Social Risk Management or our Green Portfolio, please contact our Environmental and Climate Risk Department via risk_environment_and_climate@bog.ge

Customer, employees and all other stakeholders can contact us or make complaints through several channels, including in branches, by phone, website, social media presences and by post. The Group has a whistleblowing mechanism in place to ensure that any violation of the Policy principles will be managed appropriately.

Contact Information

BANK OF GEORGIA GROUP PLC	29 Farm Street, London, W1J 5RL
TEL:	+44 (0) 203 178 4052
JSC BANK OF GEORGIA	29a Iuri Gagarini Street Tbilisi, Georgia
TEL:	(+995 32) 2 444 444
CUSTOMER CARE	customerservice@bog.ge
WHISTLEBLOWING	https://bankofgeorgia.ge/en/anonymous-contact
WHISTLEBLOWING HOTLINE	*4004
SOCIAL MEDIA (FACEBOOK)	საქართველოს ბანკი / Bank of Georgia

LEGAL REQUIREMENTS AND INTERNATIONAL STANDARDS

In addition to our internal rules and policies, we are committed to complying with all applicable legal requirements and international standards related to environmental practices. This includes but is not limited to:

- Bank of Georgia's E&S Exclusion List
- Applicable international environmental, climate, social and health and safety conventions
- EBRD Performance Requirements (PRs)
- Georgia's environmental, climate, social, health and safety and labour laws and regulations
- IFC Performance Standards
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights

RELATED POLICIES AND PROCEDURES

- [Environmental and Social Risk Management System \(ESMS\)](#)
- [Climate Action Strategy](#)
- [Supplier Code of Conduct](#)

CHANGES TO THIS POLICY

We keep this Policy under regular review. Original/previous versions (if any) can be obtained by contacting ESG and Sustainability Direction (where necessary).

ANNEX 1

BANK OF GEORGIA'S E&S EXCLUSION LIST

List of activities which are excluded from financing by Bank of Georgia

1. Production or activities involving forced labour¹ or child labour².
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements applicable to the country.
3. Any business relating to pornography or prostitution.
4. Trade in wildlife or wildlife products regulated under CITES³ and the order of the Minister of Environmental Protection and Natural Resources of Georgia on the approval of the permit form of Georgia for the export, import, re-export and introduction from the sea of the species included in the appendices, their parts and derivatives and/or other applicable legislation.
5. Production or use of or trade in hazardous materials⁴ such as radioactive materials, unbounded asbestos fibers⁵ as amended in the law of Georgia on Radioactive Waste and resolution of the government of Georgia About the Rules of Export-Import of certain dangerous chemical substances and pesticides and the procedure of prior informed consent.
6. Cross-border trade in waste and waste products unless compliant with the Basel Convention.⁶
7. Drift net fishing in the marine environment as amended in the resolution of the government of Georgia Regarding the Approval of the Technical Regulation of Fishing and Protection of Fish Stock and/or other applicable legislation.
8. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats as amended in the Convention of Biological Diversity and/or other applicable legislation.
9. Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances⁷ and other hazardous substances⁸ subject to international phase outs or bans as amended in the Montreal Protocol, Law of Georgia on Pesticides and Agrochemicals, resolution of the government of Georgia Regarding the Approval of the Technical Regulations for the Issuance of Import, Export, Re-export and Transit Permits for Ozone-depleting Substances and the Distribution of the Annual Import Quota and/or other applicable legislation.
10. Destruction⁹ of Critical Habitat¹⁰ as amended in the law of Georgia on the Systems of Protected Areas, Administrative Offences Code of Georgia and/or other applicable legislation.
11. Significant alteration, damage, or removal of any critical cultural heritage¹¹ or cultural heritage¹² as amended in the Law of Georgia on Cultural Heritage, Administrative Offences Code of Georgia and/or other applicable legislation.
12. Production and distribution of racist, anti-democratic and/or neo-Nazi media.
13. Production or use of or trade in products containing PCBs¹³ as amended in the Stockholm Convention on Persistent Organic Pollutants and/or other applicable legislation.
14. Commercial logging operations for use in primary tropical moist forest, or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
15. Production or trade in wood or other forestry products other than from sustainably managed forests as amended in Forest Code of Georgia, Regulations on Forest use rules of Georgia and/or other applicable legislation.
16. Shipment of oil or other hazardous substances in tankers which do not comply with IMO requirements.
17. 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.

18. Business activities involving the production of bio-liquids or bio-fuels from non-waste sources (for the avoidance of doubt, the Customer may invest in biogas or biomass projects) as amended in Law of Georgia on Promoting the Generation and Consumption of Energy from Renewable Sources and/or other applicable legislation.
19. Co-firing of biomass with fossil fuels, peat or hazardous waste (including waste wood that has been treated with wood preservation chemicals) as amended in Waste Management Code of Georgia and/or other applicable legislation.
20. Sourcing of biomass from primary moist tropical forests or from natural forests as amended in Forest Code of Georgia, Regulations on Forest use rules of Georgia and other applicable legislation.
21. Any activity related to the hazardous waste incineration and/or processing (other than landfill gas waste-to-energy schemes or flaring) that is not in compliance with Waste Management Code of Georgia and/or other applicable legislation.
22. Shipment of oil or other hazardous substances in tankers which do not comply with Maritime Code of Georgia, IMO requirements and/or other applicable legislation.
23. When providing support to the financing of the research, development or technical applications relating to (a) human cloning for research or therapeutic purposes; and (b) Genetically Modified Organisms ("GMOs"), the Bank will require from the Intermediary appropriate specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs as amended in the Convention for the protection of Human Rights and Dignity of the Human Being with regard to the Application of Biology and Medicine: Convention on Human Rights and Biomedicine, its additional protocol of Cloning Human Beings; in Law of Georgia on Living Genetically Modified Organisms and/or other applicable legislation.
24. Any impact on natural World Heritage Sites of Georgia <https://whc.unesco.org/en/list/> unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
25. Any impact on areas that are protected according to the Law of Georgia on the System of Protected Areas unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits according to the Environmental Assessment Code of Georgia and/or other applicable legislation.
26. Nuclear power projects, subject to the Law of Georgia on Nuclear and Radioactive Safety.
27. When investing in microfinance activities, FIs should apply the Bank of Georgia's Exclusion List.
28. Gambling (including online gambling, casinos and equivalent enterprises)¹⁴
29. Production or trade in weapons and munitions;¹⁴
30. Production or trade in tobacco;¹⁴
31. Production or trade in alcoholic beverages (excluding beer and wine)¹⁴

For more information, please see our [Environmental and Social Risk Management System \(ESMS\)](#)

¹ Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO Conventions and Labour Code of Georgia.

² Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2. unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

³ CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

⁴ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where the radioactive source to be trivial and/or adequately shielded. It applies to nuclear reactors and components thereof.

⁵ This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

⁶ Basel Convention of 22 March 1989 on the control of transboundary movements of hazardous wastes and their disposal.

⁷ Ozone-depleting substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in "holes in the ozone layer". The Montreal Protocol lists ODs and their target reduction and phase-out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates.

⁸ Reference documents are: Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; WHO Classification of Pesticides by Hazard.

⁹ Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat's ability to maintain its role (see footnote 10) is lost.

¹⁰ Critical habitat is a subset of both natural and modified habitats that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in Georgian legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary forest or forests of high conservation value shall be considered critical habitats.

¹¹ Critical cultural heritage consists of (i) the internationally recognized heritage of communities who use, or have used within living memory the cultural heritage for long-standing cultural purposes; and (ii) legally protected cultural heritage areas, including those proposed by Law of Georgia on Cultural Heritage and/or other applicable legislation.

¹² Cultural heritage – that part of culture that has inherited, preserved or restored value in the process of development of society and which is passed from generation to generation as amended in Law of Georgia on Cultural Heritage and/or other applicable legislation.

¹³ PCBs: polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil- filled electrical transformers, capacitors and switchgear dating from 1950-1985.

¹⁴ Total share of financing of: gambling (including online gambling, casinos and equivalent enterprises), production or trade in weapons and munitions, production or trade in tobacco and production or trade in alcoholic beverages, should not exceed 5% of the bank's credit portfolio.

