

Sustainable Business

Creating Sustainable Opportunities

We believe in shared success, and our approach to sustainability stems from this belief – that the resilience and value of our business depend on the success of the communities where we operate. To create shared opportunities, we are committed to running our business sustainably –

that is with the highest standards of corporate governance and robust risk management practices. This ensures that we effectively mitigate the negative impacts we may have, directly or indirectly, on the economy, people and environment, and that we create opportunities that support and

empower more people. Bank of Georgia, the core entity of the Group, is a leading organisation and financial institution in Georgia, and we are committed to being a driving force for good and enabler of Georgia's sustainable development.

Evolving strategy

For many years Bank of Georgia Group has sought to maintain exemplary corporate governance practices. With the key strategic priority areas that we outlined on page 19, we have increasingly focused on the social aspects – on customers and employees. In 2020, we linked our corporate strategy with the five UN Sustainable Development Goals 2030 (SDGs) which we consider material for our organisation and where we have, or can have, the greatest impact.

To evolve and formalise our ESG strategy, we undertook our first formal ESG materiality assessment in 2021. As a result, we identified material issues and defined commitments for each of them. In 2021 we also enhanced our understanding of climate change and related risks and opportunities, developed a climate action strategy, and started to prepare for the implementation of climate risk and opportunity management processes

across Bank of Georgia in 2022. This is the first annual report of the Group where we included climate-related disclosures consistent with the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures. Please see "Climate-related disclosures" on pages 138-148 for further information on how Bank of Georgia has implemented the TCFD recommendations.

You can see our selected SDGs on page 99. Our contributions to these goals in 2021 are signposted by the SDG icons throughout the report.

The information throughout this section is presented in relation to Bank of Georgia, unless otherwise stated. Bank of Georgia Group's impacts mainly stem from Bank of Georgia given that the Bank is the core entity of the Group, representing 94.7% of the Group's total assets and 89.7% of the Group's operating income.

We believe that the impacts and the data presented in this section are representative of the Group's impacts.

Throughout the Annual Report, including the Sustainable Business section, we used Global Sustainability Reporting (GRI) standards, a global sustainability reporting framework. This year we have produced the report with reference to the GRI 2021 standards. You can find the GRI Content Index at the end of the Annual Report on pages 370 to 373.

The whole Annual Report, including the Sustainable Business section, also serves as a Communication on Progress for the UN Global Compact.

If you have any questions on this report or on our ESG strategy and performance, or you would like to provide feedback, please reach out at ir@bog.ge.

Materiality assessment

The aim of the materiality assessment was to determine the relative priority of relevant

environmental, social, and governance (ESG) topics and to define the material topics to base our ESG

strategy on. The materiality assessment followed a four-stage process summarised below:



Desk-based research

To identify a list of potentially relevant ESG topics, we conducted a screening exercise that included an analysis of:

- sustainability megatrends;
- sector-specific ESG topics based on peer benchmarking, sector research, and ESG ratings reviews;
- global sustainability standards, including GRI and SASB;

- Bank of Georgia's mission, business model, including strategic objectives, and existing ESG practices and commitments.

We also analysed the sustainability context, including economic, environmental, and societal, including human rights, challenges facing the communities where we operate, as well as Georgia's sustainable development and climate action

agenda. Considering that stakeholder engagement is an ongoing process for us, we also considered internal data and feedback from stakeholders, such as customers and employees, to understand concerns raised or topics that matter most to those groups. As a result of this exercise, we identified a list of 27 potentially relevant ESG topics for the Group.

Stakeholder engagement: feedback from internal and external stakeholders

The second and third stages included targeted stakeholder engagement. We reached out to both internal and external stakeholders to determine the relative priority of the 27 ESG topics and thus define our material topics.

An online survey was sent out to middle and senior management and the Management Team of Bank of Georgia to get their views on the

identified ESG topics, including questions that asked them to rank each of the 27 topics.

An online survey was sent out to external stakeholders – investors and lenders. We also held one-on-one online meetings with a number of our institutional investors to get their perspectives on the ESG topics that they considered priority areas for our

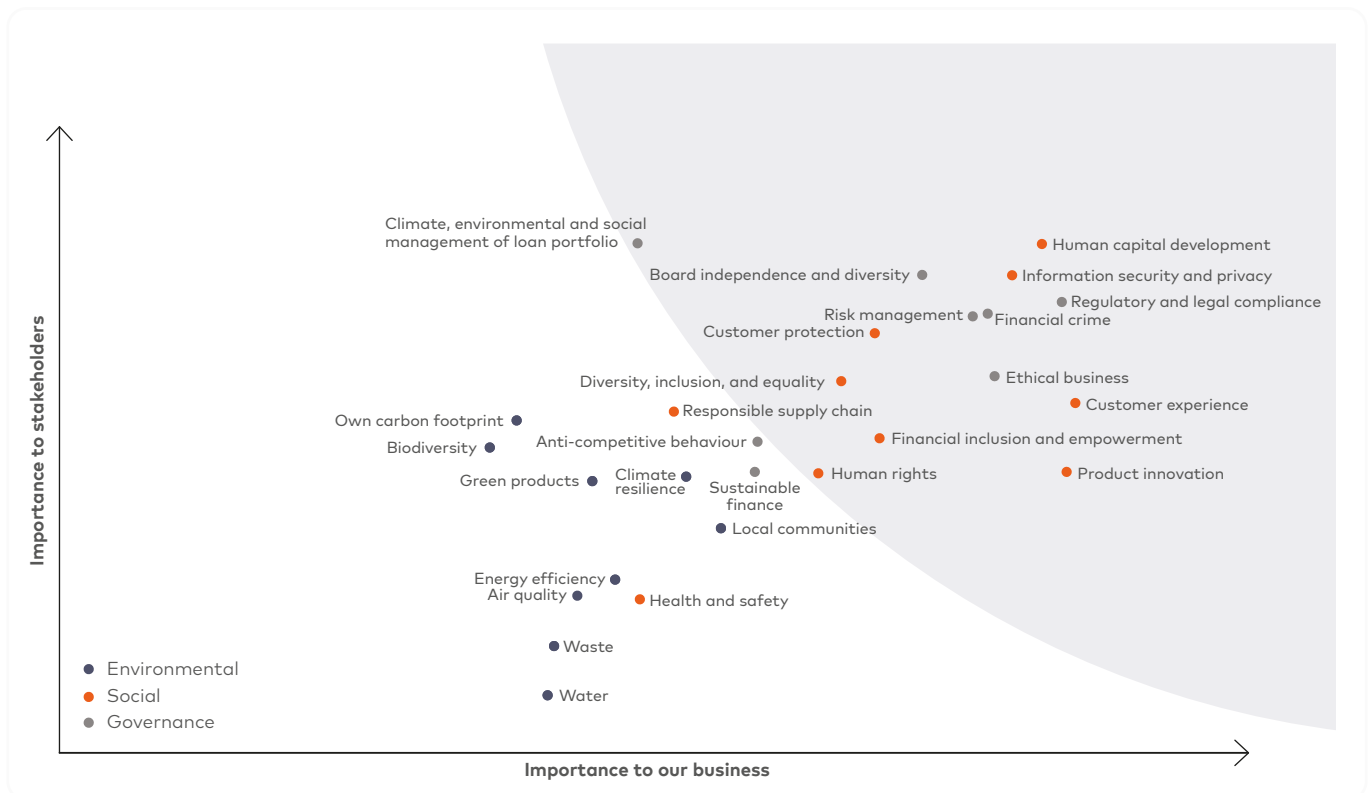
sector and geography in general, and for the Group specifically. We discussed some of the key ESG risks and opportunities that they had noted in pre-interview questionnaires. The stakeholder engagement process ensured that we had not overlooked any topics that are likely to be material for our sector and our organisation.

Data analysis

The stakeholder engagement exercises enabled us to assign a relative importance score to each ESG topic. We averaged the scores for each stakeholder group – internal stakeholders and external

stakeholders, and developed a Company-level materiality analysis, which is presented graphically in a materiality matrix. The topics that received higher scores from either internal or external stakeholders,

presented in the shaded area on the matrix, are defined as the Group's material topics – **14 topics in total**. The materiality matrix will enable us to focus our priorities, initiatives and programmes.



Given the importance of this robust materiality assessment process to the Group's ESG strategy, we will work on enhancing the process the next time we carry out a formal assessment, taking into account new guidelines and developments in the sustainability space. Our materiality assessment process identified and assessed our ESG impacts in alignment with the GRI guidance

for determining material topics. In the coming years, we will build on our inaugural materiality assessment by continually monitoring and assessing our most important ESG impacts and topics. Through ongoing engagement with key stakeholders and experts, we will evaluate any emerging trends and impacts that may impact our ESG focus areas.

The results of our inaugural materiality assessment helped us review and rethink existing governance systems for our most significant ESG impacts. Our governance systems aim to enhance data collection, oversight and accountability, and management of our most important ESG topics.

Approval of the material topics

The Board of Directors reviewed the findings of our materiality assessment in detail, including the materiality matrix, and approved

the list of material topics. The Board will regularly review the list of material topics to determine the ongoing relevance of the topics for

the Group, considering organisation-wide, local and global sustainability developments and stakeholder interests.

ESG governance

Oversight of the majority of material ESG topics and related impacts on the economy, people, and environment is allocated to specific Board Committees: Risk, Audit, Nomination, and Remuneration Committees. While the standing 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 on the key pillars of ESG strategy and oversees the Group's overall communications strategy around ESG topics and impacts.

The full Board also retains primary responsibility for the development and implementation of the Group's climate action strategy and the management of climate risks and opportunities. In addition to climate-related matters, the full Board 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 Board Committees.

At Bank of Georgia, the management of ESG topics and implementation of ESG strategy are delegated to the Management Team of the Bank. Discrete ESG matters are managed by individual members of the

Management Team. The development and implementation of the Bank's climate action strategy will be the responsibility of the newly created Environmental and Social Impact Committee, comprising Management Board members. The Committee will receive quarterly updates and will report to the full Supervisory Board semi-annually.

ESG strategy

WE ARE HERE TO HELP PEOPLE ACHIEVE MORE OF THEIR POTENTIAL

Employee empowerment

Financial inclusion

Communities

Robust governance and risk management

OUR OBJECTIVES

To be the employer of choice for top talent, providing equal opportunities for development and ensuring best employee experience based on our values and business principles

To use the power of technology and product innovation to drive digital financial inclusion in Georgia

To give more school students in Georgia access to quality educational infrastructure and opportunities

To do business in line with the highest standards of corporate governance and highest ethical principles and effectively manage risks, including climate-related and other E&S risks in our loan portfolio

OUR MATERIAL ISSUES

- Human capital development
- Diversity, inclusion and equity
- Human rights

- Customer satisfaction
- Customer protection
- Financial inclusion and empowerment
- Product innovation

- Financial inclusion and empowerment
- Product innovation

- Ethical business
- Regulatory and legal compliance
- Enterprise risk management
- Board independence and diversity
- Human rights
- Climate, environmental and social management of loan portfolio
- Financial crime
- Information security and privacy

UN SUSTAINABLE DEVELOPMENT GOALS



KEY PERFORMANCE INDICATORS: 2022 TARGETS

eNPS: in the range of 54% - 62%

Monthly active digital users: 1 million
Payment MAU (customers with at least one card payment in the last month): 1 million

Reach: 100k school students in Georgia

Key risk indicators within risk appetite (as defined by the Risk Committee)

Memberships and external recognition

Bank of Georgia became a member of the UN Global Compact

In 2021, Bank of Georgia became a member of the UN Global Compact, highlighting its commitment to the Ten Principles of the UN Global Compact and to sustainable development of the communities where it operates.

Bank of Georgia received two awards in the UN Global Compact Corporate Responsibility Competition

In 2021, Bank of Georgia was selected the winner of the UN Global Compact Georgian Network Corporate

Responsibility Competition – "Business for Sustainable Development 2021" – in two nominations – "Quality Education" and "Decent Work and Economic Growth," reflecting the Bank's contribution to these SDGs as part of overall ESG strategy.

Bank of Georgia received the "Meliora 2021" Responsible Business Competition Award

Bank of Georgia won the "Meliora 2021" Award for Responsible Georgian Business for supporting education during the pandemic. The winner in this category was selected among companies that supported local communities amid the COVID-19

pandemic. "Meliora" is organised annually by the Georgian Center for Strategic Research and Development ("CSR DG") with the support of the European Union and the Konrad Adenauer Foundation (KAS).

The Group has been included in the global responsible investment index **FTSE4Good** since 2017. This index is designed to track the business performance of companies that demonstrate strong and transparent ESG practices.

Other memberships of industry and other associations

Georgian Banking Association

Business Association of Georgia

American Chamber of Commerce

International Chamber of Commerce

Deutsche Wirtschaftsvereinigung (DWW)

International Investors Association

Georgian Financial Markets Treasuries Association

Women for Tomorrow

Pro Bono Network of Georgia

Georgian Stock Exchange

International Association of Privacy Professionals

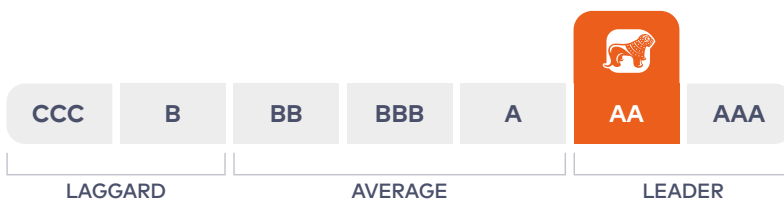
Our ESG performance based on independent ratings agencies

ISS*



MSCI**

Bank of Georgia falls into the highest scoring range relative to global peers



2X CHALLENGE FINANCING FOR WOMEN

In 2020, Bank of Georgia was recognised by its lending partner Development Finance Institutions (DFIs) as meeting the criteria of the

2X Challenge for women's economic empowerment and gender equality. The 2X Challenge was launched in June 2018 as a major new

commitment of the DFIs from the G7 countries to unlock resources that will help advance women's economic empowerment and gender equality.

* ISS uses 1-10 scale. 1 indicates lower governance risk, while 10 indicates higher governance risk versus its index or region. 1 indicates higher E&S disclosure, while 10 indicates lower E&S disclosure. Last governance data profile update – 14 March 2022; Last E&S data profile update – 10 June 2021.

** MSCI score is as of 24 December 2021.

Sustainable financial inclusion

Objective

To use the power of technology and product innovation to drive digital financial inclusion

Our material topics

Financial inclusion and empowerment

At Bank of Georgia our core activity is developing new tools and innovative products that enable greater financial inclusion in Georgia. Financial inclusion is a complex topic, and for us it boils down to two key dimensions: **use of digital payments instead of cash and use of financial mobile app.** We believe that measuring the usage of our products and services better reflects the level of financial inclusion in the country rather than just focusing on metrics, such as the number of cards or accounts. Georgia already has one of the highest rates of bank card and account ownership

Product innovation

compared with peers, but we dive deeper to increase the use of products and services to drive more digital financial inclusion in the country.

Our goal is to make our tools, products, and services **more accessible** and to **increase their usage** and do so sustainably. Sustainability means that we create opportunities for our customers, while mitigating potential or actual negative impacts, and that we simultaneously ensure the resilience and success of our business over the longer run.

Customer protection

Family prosperity, GDP growth and reduction in poverty have been linked to financial inclusion. Considering how integral financial inclusion is to individual wellbeing and the prosperity of our communities, and our unique position as a leading financial organisation in Georgia with market-leading payments business and our popular financial mobile app, we have defined this area as one of the core pillars of our ESG strategy that is interlinked with our business strategy.

Customer experience

How inclusion creates opportunity for people

Use of cashless payments

- Lower risk of losing money and greater convenience
- More digital transactional activity enables people to build a financial history and allows us to better understand customer preferences so that we deliver more personalised offers and recommendations to them
- Increased control over personal finances, enabling people to have a clear and full view of where and how they spend their money so that they can better manage personal finances
- More benefits through the Loyalty programme
- Greater visibility of customers' incomes and behaviours, enabling us to better assess their creditworthiness, and enabling them to access finance when they need it

One of the key metrics we track to understand the use of cashless payments is what we refer to as Payment MAU – that is customers with at least one card payment in the past month.

Number of customers with at least one card payment in the last month

781 thousand individuals

As of 31 December 2021

2022 TARGET: 1 MILLION CUSTOMERS

Decreasing cash usage needs a two-pronged approach: on the one hand, it is about targeting individuals who use cash and increasing the accessibility to and use of card payments, and on the other hand, it is about targeting merchants and increasing the acceptance of card payments both in-store and online. We focus on both aspects and develop solutions that fulfil the needs of our individual customers as well as those of our merchant clients.



Individuals

Our market-leading loyalty programme is one of the main enablers of cashless payments in Georgia.

Within our loyalty programme we offer our customers different status levels based on their activity and reward points (different by status level) accumulated through card payments. These can be redeemed in exchange for partner companies' products or services, utility payments, public transport payments or mobile top-ups.

In 2021, we changed the loyalty programme to include transactional activity (card payments) as another component that allows customers

to accumulate points and upgrade to a higher status within the programme, thus becoming eligible for more benefits. Focusing on transactional activity has also helped us promote more card payments and has made the loyalty programme more engaging for our customers. These changes have been reflected in increased customer activity: the number of transactions per customer per month increased from 20 in 4Q20 to 24 in 4Q21.

Another milestone in 2021 was the launch of a new debit card – PLUS card – in partnership with American Express. PLUS card enables us to transfer more benefits to our customers (for example, more

cashbacks and discounts), especially in daily spend categories, as a result of lower transaction costs. PLUS card will be a strong incentive for our customers to use cards instead of cash for payments and will further increase the number and the volume of cashless payments in the country.

Our payments business constantly develops and enhances payment solutions for individual cardholders to make cashless payments easy and flawless.

In 2021 we launched a buy now, pay later payments product for online purchases and are now working on expanding it to in-store purchases.

Diversity of Bank of Georgia's payment methods

Contact and contactless card payments	Apple Pay	QR	Payment with PLUS points (accumulated within our loyalty programme)
Online instalment/BNPL	Account transfers	Recurring payments	E-invoicing

Over the last two years, we have launched a number of innovative features in our mobile application to make payments and transfers easy and smooth – at the fingertips of our customers. For details on the functionalities of our financial mobile app, please see pages 20 to 25 of this report.

Merchants

To increase the acceptance of our digital payment methods both in-store and online, we regularly engage with merchants and develop and enhance our solutions to address their needs, and facilitate cashless economy in Georgia.

Merchant needs

- Cheaper payment acceptance solutions
- Fast settlement
- Simple onboarding process without complex steps and intermediaries
- Simple integration of payment methods to sell online
- Access to analytics

Our solutions

- No monthly fee on POS terminals
- Mobile POS for Android (cheaper solution for smaller merchants)
- Lower fees on Bank of Georgia transactions
- Instant settlement
- Simple, online onboarding with smart contracting (no paperwork required) and online activation
- Ready-made solutions for e-commerce merchants with embedded payment methods, including online instalments and BNPL – in partnership with a popular platform that builds e-commerce websites for merchants
- Merchant portal to manage sales, do refunds/cancellations, and view transaction stats

Use of financial mobile application

To fully unlock some of the benefits of using cashless payments as well as additional benefits, more people need to become active users of the financial mobile app. Key benefits of our financial mobile application are:

- Greater convenience and access to our products and services ("few clicks" user experience; no need to visit a branch). During the past two to three years, we have added a number of innovative products to our mobile application and redesigned end-to-end digital product journeys so that customers can now onboard, order a digital card or a physical card with delivery, activate a loan, open

a deposit, send and receive money, including remittances, manage personal finances, look up personalised financial and non-financial offers, invest, and chat with our representatives without needing to leave their homes.

- Greater control and visibility of personal finances coupled with simple tools to manage money better and access to information and educational content to raise financial literacy.
- Easy access to the benefits of the Loyalty programme: seeing accumulated PLUS points and transactions, redeeming PLUS points (through a mobile top-up,

for instance) and accessing personalised recommendations and current offers on the Offers Hub (launched in November 2021), underpinned by our recommendation engine (developed in 2021).

As at 31 December 2021, we had c.1.6 million active individual customers. Around 59% of these customers – 921,018 – were active digital users – up 21.2% y-o-y. The number of monthly active digital users stood at 852,711 at year-end, up 22.0% y-o-y. Our goal is to make more people monthly active digital users, and we are setting an ambitious target for 2022.

Number of customers who are monthly active users of digital channels (mBank/iBank)

853 thousand individuals

2022 TARGET: 1 MILLION CUSTOMERS

How we ensure the accessibility of our products and services

- Our customers don't need Wi-Fi or mobile data to access our financial mobile application – they can access the full functionality of mBank even without Wi-Fi or mobile data
- Free or low cost current accounts and debit cards
- Free basic product bundle for people under 25
- Cheaper payment acceptance solutions for smaller merchants
- Wide network of ATMs and self-service terminals across Georgia
- Digital onboarding in mBank/iBank
- Tutorials on new digital products and web-based instructions

Access to credit

While using cashless payments and the financial mobile application is critical for financial inclusion and for getting increased benefits, our core products are loans to customers, and we believe that through the use of cashless payments and financial mobile application, more people will have access to credit – they will have greater visibility on what's available to them and we will have greater visibility on who they are.

In 2021 we transformed our retail lending process, significantly improving the end-to-end customer experience and facilitating frictionless access to credit for those who are eligible. Before the transformation, individuals encountered several challenges as they applied for a consumer loan:

- lack of clarity on the loan limits available when pledging different types of collateral;

- no guidance on "how to get to yes" – individuals who were denied loans were not aware of the steps they could undertake to improve their access to credit in the future;
- complexity in managing the loan application process in digital channels (mBank/iBank), thus requiring branch visits; and
- same flow during the loan application process irrespective of whether an individual had applied for a similar type of loan previously.

What we changed in 2021:

We reviewed the end-to-end process from a customer's perspective and initiated a major redesign of the process to solve customer pain points:

- Focusing on our mobile application, we simplified the process in all digital channels, enabling customers to request access to credit in just a few steps.

- Rapid response in all channels – customers promptly receive a decision, including the amount that they are eligible for.
- Accessing credit is possible through all digital channels.
- In case of a rejected application, customers are informed on the reason for rejection as well as the conditions they need to fulfil to get credit in the future.

The redesign of this process boosted product sales through mobile application and internet banking platforms to 30%, from 19% at the end of 2020. 58% of all consumer loans activated in the Bank in December 2021 were activated through mBank/iBank, compared with 37% in December 2020.

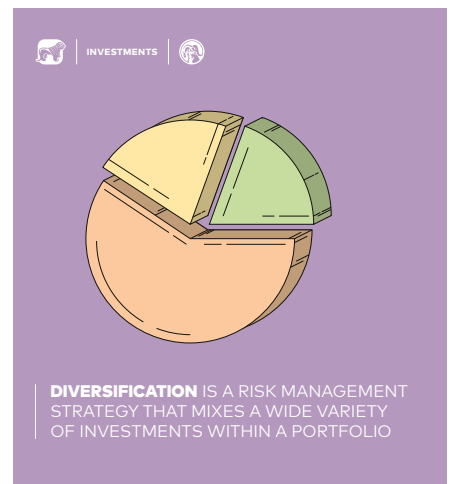
Access to investments

Launching retail brokerage in our financial mobile application to facilitate access to investments

We continue to bring financial innovation to our customers. With the onset of the COVID-19 pandemic globally, retail investing has become more popular, with millions of retail investors accessing capital markets and starting investing. A similar trend has been observed in our region as well. Until now, investing in Georgia was accessible only by high-net-worth individuals, leaving much of the population without access to liquid stock markets. We have closed this

gap and given more people in Georgia an opportunity to benefit from an alternative way of saving and building their wealth.

In December 2021, we launched a brand new investment platform for retail investors, embedded in our mBank. Together with the Group's investment banking arm, Galt & Taggart, we partnered with DriveWealth, to create a simple, affordable and accessible platform. Our customers can now invest in over 6,000 US stocks and ETFs on a Dollar-equivalent basis (i.e. fractional shares).



To increase customer awareness of the risks and benefits of investing, we have launched educational campaigns and developed comprehensive content to help our customers build more knowledge in this area. Our key initiatives include:

- educational videos – investing basics;
- extensive media coverage to provide articles on investing basics as well as current market news and analyst recommendations;

- a course on investments – available for everyone in the Georgian language via our e-learning platform businesscourse.ge;
- stock market weekly updates – we provide weekly stock market updates to our customers, covering key financial news and company updates of the week; and

- video series and podcasts covering key market news and other interesting topics on investments.

This educational content is becoming popular, with **c.200,000** people reached, on average, with each social media post.

Sustainable financial inclusion is responsible financial inclusion

Financial inclusion enables individuals to participate in and benefit from the formal financial system, with the potential to improve their quality of life. However, the only type of

financial inclusion that empowers individuals and supports economic development of communities is responsible financial inclusion. The sustainability of our business and

sustainable development of the local economy depend on how responsibly Bank of Georgia delivers its products and services to its customers.

Three pillars of responsible financial inclusion

Responsible lending

Customer protection

Customer experience

Responsible lending

- We do not lend without assessing and checking a customer's income.*
- We adhere to the PTI and LTV limits set by the NBG.
- The monthly debt load for any individual cannot exceed 50% of their monthly income, and this ratio is set even lower for individuals with lower incomes (maximum 25%) as well for those who face currency risk – that is if a borrower's income is in GEL while the loan is in foreign currency, maximum debt burden cannot be more than 30% (and 20% for those with lower income).
- LTV: maximum 85% for GEL loans and maximum 70% for loans in foreign currency.

- We set an income threshold below which an individual is not eligible for a loan.
- We perform regular portfolio monitoring to identify any signs of potential loan repayment problems.
- We send regular automatic loan repayment reminders to all customers.
- We provide information on existing Government programmes to our customers to help them benefit from Government subsidies if they are eligible.
- For floating-rate loans, we always inform our customers when the interest rate changes.

- Responsible collections: early collections – we offer our customers the possibility to restructure loans in all channels, including our mobile application.
- During the pandemic, we offered our customers payment holidays to help them weather the crisis. 70.5% of individual customers used payment holidays. As at 31 December 2021 92.7% of customers whose payments holidays had ended, resumed regular loan payments.

Customer protection

We are committed to always treating our customers fairly

Bank of Georgia is the most trusted bank in Georgia. We aim to maintain the trust of our customers and communities by adhering to the highest ethical standards in doing business. Fairness and customer-centricity are two of our six business principles. This is reflected in our Code of Conduct and in the Customer Protection Policy, which was updated in 2021 to reflect new local regulatory requirements. The Policy covers all stages of the product and services lifecycle and includes requirements

related to transparent product offerings and clear and accurate communications to enable customers to make informed decisions. We are developing an online training module on the responsible treatment of customers to ensure that all employees clearly understand our commitments.

Our commitment to customer-centricity implies that we offer our customers the products and services that are suited to their needs and preferences, while adhering

to our internal policies and procedures as well as applicable laws and regulations.

We clearly disclose all features and terms and conditions, including applicable fees and charges, for the products and services offered so that our customers can make informed decisions. All marketing communications must be fair, clear, and not misleading. The communications in all the Bank's channels must meet minimum standards and requirements

* Excluding pawn loans, which constituted 2.5% of retail loans to individuals as at 31 December 2021

defined in the Customer Protection Policy. The Legal department serves as a second line of defence, monitoring the Bank's marketing communications and ensuring they are fully compliant with internal policies and procedures as well as applicable laws and regulations.

The Bank has a Customer Claims Management procedure that defines how to handle customer complaints and concerns in a timely and effective manner. The Customer Claims Management and Support Centre reviews and manages all incoming claims. In case of a material violation, the Customer Claims Management and Support Centre is obliged to escalate the matter to the Bank's Compliance Committee.

Customers can file complaints via any channel, including the Bank's website. The Compliance department reviews all customer complaints to identify any trends and recurring claims potentially indicating a systemic issue.

If the Compliance department identifies a systemic issue from customer complaints or reports received through the Whistleblowing channel, it reports such findings to the Audit Committee in its quarterly compliance reports.

The Bank has in place a product and service approval process, which includes an assessment of compliance risks related to new products or services. The assessment and approval are required for new

products and for changes to existing products. We aim to ensure that our products and services are in line with relevant regulatory and legal requirements as well as internal compliance and control framework. The Legal department serves as second line of defence in the product and service approval process and reviews the compliance of products and services from a legal and regulatory perspective. All product developments, including changes to existing products, are reviewed by key control functions.

Customer experience

We are committed to being a truly customer-centric organisation – putting customers first and creating customer experiences that are aligned with our mission and values

Few years ago Bank of Georgia began a customer-experience transformation, embedding a customer-centric model across its operations. Customer satisfaction has been defined as one of the key enablers of the Bank's resilience and success. A customer experience (CX) management department supports the Bank in delivering its customer-centric strategy and ensures that a rigorous and systematic approach is in place to not only mitigate negative impacts we may have on people, but also and most importantly to be the type of organisation that always learns and improves with customer feedback. The department reports to the Head of Customer Experience and Human Capital Management, a member of the Management Team who reports directly to the CEO.

As customer needs, preferences and expectations evolve, having a strong customer-centric culture is what will enable the Bank to maintain and build on its competitive advantages. We are serious about customer feedback. The Bank's senior management regularly receives and discusses the reports prepared by our CX team, including action plans and how those have been executed. We gauge information about what our customers value so that we can prioritise the experiences that matter most. The CX team continuously monitors and collects real-time customer feedback. When we define priorities, we then identify the internal processes and capabilities we need to reimagine and improve customer experiences. The CX team develops and updates a road map that identifies critical activities quarter-by-quarter.

The customer-experience management process has been incorporated across all levels of the Bank. We recognise that robust CX governance is crucial for the success of the Bank's overall strategy. Our CX governance framework covers all key elements:

- measurement framework/data collection framework;
- senior management ownership (monthly meetings to discuss key issues raised by our customers);
- customer-centric culture (employee KPIs framework, measuring employee experience, etc.); and
- continuous improvement process based on customer's voice (processes/products/channels) (surveys after new product launches, access to daily reports for key staff, CX product improvement initiatives sent quarterly to agile teams).

A variety of data collection methods are used to understand what our customers think about Bank of Georgia, and whether the interactions and the experiences they have with us are aligned with what we promise and aspire to.

Telephone surveys

We collect, measure, and analyse customer feedback across all sub-segments of the Retail Banking business (Mass Retail, SOLO, MSME) monthly via telephone surveys. The surveys include NPS questions as well as in-depth questions to analyse different processes, end-to-end product journey experiences, and satisfaction with the Bank's main channels. The key findings and actionable insights from monthly surveys are regularly shared with businesses and improvement initiatives are discussed, prioritised, developed and executed.

Operational data and reporting

We monitor and report operational data and SLAs monthly. We analyse customer experience at different touch points across multiple channels, including our digital channels, call centre, branches, and ATMs. If performance drops or is not in line with our expectations, we investigate the root causes together with relevant business and operational teams and design solutions to improve customer experience.

External survey

We measure the Bank-wide NPS using an external independent service provider. External NPS is measured through a random sampling of the Georgian population that uses our products and services. Based on detailed parameter scores ranging from NPS to satisfaction with key channels (branches, call centre, ATMs, digital channels), the company conducts a comparative analysis of the Bank and our main competitor on the market. The results of quarterly external surveys are shared with all internal stakeholders and are used to determine the Bank-wide NPS target that is included in the Management Team's KPIs.

Medallia

In 2019 we partnered with Medallia, the world's leading customer experience management platform, and we have since integrated it into all key channels, including all digital channels, retail branches, and call centre. Medallia enables us to engage daily with our customers, collect and analyse their feedback, identify the root causes of problems and prioritise improvement projects.

- We collect feedback in real-time across digital channels (mBank, iBank, Business iBank and Business mBank, website) via pop-up questionnaires and use SMS surveys to connect with customers who have used our call centre or a retail branch.
- We monitor the feedback received and customer satisfaction with different channels, and analyse data by segments, using Medallia dashboards.
- We use 'alerts' for the customers who were not fully satisfied with our channels or services to "close the loop" efficiently: we provide immediate help and support – we get in touch with them, answer questions and resolve their issues. We also use the "close the loop" process to identify actionable insights and then work closely with businesses to implement systemic improvements across the Bank that will improve customer experiences and increase customer satisfaction.

Net Promoter Score (NPS) is a key metric for the whole organisation.

We have delivered a substantial shift in our approach to customer experience, leading to a major increase in customer satisfaction. External Bank-wide NPS reached 55%, our highest result, by the end of 2021, from 27% four years ago.

Customer satisfaction scores (CSAT) for the Bank's channels:

- mBank: from 85% in December 2020 to 86% in December 2021
- iBank: from 75% in December 2020 to 80% in December 2021
- Business iBank increased from 59% in December 2020 to 73% in December 2021
- Call centre increased from 83% in December 2020 to 90% in December 2021

Products and services tailored to specific sub-segments

As we mentioned in our Segment discussion, we focus on two sub-segments in Mass Retail – youth and Georgian emigrants – to tap opportunities for future growth of our business and to enable greater

financial inclusion in Georgia. Youth and Georgian emigrants are the sub-segments that need a tailored approach to bring them into the formal financial system and help them benefit from it. Georgian

emigrants have a variety of daily financial needs that they often cannot fulfil where they reside. Young people (ages 0-25) have diverse financial and non-financial needs that we look at holistically to serve this segment.

Youth:

Through our sCool Card and Student Cards, we offer a variety of daily benefits to school and university students:

- Discounts in public transport in Tbilisi, Batumi, Zugdidi, and Rustavi.

- Weekly offers in daily categories preferred by students as well as discounts on educational platforms.
- Enrolment in our loyalty programme to accumulate PLUS points.

- Recommendations on how to save better, personalised offers to promote cashless payments (push notifications and SMS).

Georgian emigrants

Georgian emigrants are a critical sub-segment, not only for Bank of Georgia, but for Georgia as well, given the value of remittances they send to Georgia – \$2.3 bln in 2021, up 24.6%, accounting for 11.9% of GDP in 2021.

Many Georgian emigrants do not have quality access to the usual Georgian banking services on the back of lower levels of digital inclusion in this segment. As a result, they face difficulties when managing their

personal finances and do not fully benefit from existing financial products and services in Georgia.

Pain points

- **Lack of dedicated information source**
 - No special space for products based on migrants' interests
- **Complex process for remote consultation**
 - The only available channel was a call centre with redirection processes
- **No digital identification**
- **No solution for account top-up**
- **No remote process for mortgage application**

Our solutions

- **Special web page for migrants – migrants.ge**
 - Dedicated products, services, promotions, special information
- **Consultation request from web – call-back booking**
 - Requests are transferred to dedicated bankers who provide a comprehensive consultation
- **Digital onboarding is launched**
- **Cash2Account solution via remittance systems**
 - The solution is already available with the top three remittance systems
- **Migrants' mortgage leads management process**
 - A Georgian migrant can access pre-approved mortgage limits

We expect to gain 35-40% of the potential market in the medium term. Going forward, we will continue to upgrade our digital channels, add new features specifically for Georgian emigrants, and develop solutions to create a superior experience for Georgians living abroad.

For more information on these sub-segments, please see pages 39 to 41 of this report.

Empowering local businesses



As a leading financial institution in Georgia, we support local businesses with a wide range of financial and non-financial solutions. MSMEs are the engine of the Georgian economy. We provide financing and value-added services to our MSME clients, which constitute 23.9% of the Group's total gross loan portfolio.

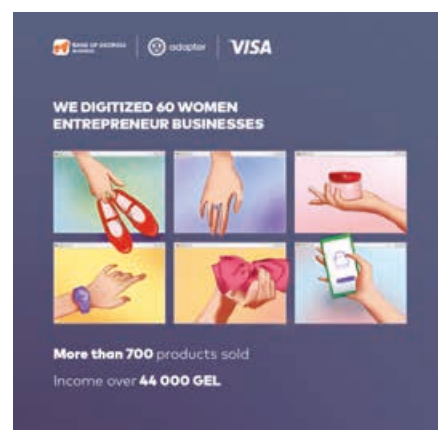
How we empower MSMEs

In addition to providing financing, we offer our client MSMEs a range of value-added services, including tailored advice and support programs, to address their varied needs and help enhance and accelerate their productivity.

In 2020, we developed an MSME educational portal – www.businesscourse.ge – to provide local MSMEs with access to relevant and timely information as well as quality business-related educational content in Georgian. Through this portal we help MSME customers find the right solutions at the right time. We cover a variety of topics, including accounting, legal documents, tax, business development, sales, and marketing, among others. In 2021 we added 14 courses to the platform (now we have 17 courses in total), and had 15K+ registrations.

We continue to organise webinars for our clients and local businesses to discuss recent developments and trends, including Georgian economy and economic scenarios, as well as other key issues, such as taxes, accounting standards, operational excellence, human capital, marketing and sales, and digitalisation, among others. **We held 24 thematic webinars in 2021, with more than 4,000 MSME customers attending these events.**

In addition to providing our MSME clients with relevant and quality content to support their operations and development, we also develop a network of local quality advisory and business service providers and connect our MSME customers with experts in a variety of fields, including finance and accounting, tax, legal, marketing, sales, and operations. At the end of 2021, 70 advisory service providers were part of our network.



These companies provide consulting services to our customers either free of charge or at a significant discount. We are now focusing on expanding this network across the country to enable more of our customers to benefit from professional advice and other services so that they can better manage their businesses.

Business support programmes

In partnership with local and global organisations, we develop business support programmes to address the needs of specific business segments. In 2021, we designed and implemented three programmes:

- **Export and sales programme**
– Together with USAID and the Georgian Export Association, we helped businesses in the light industry develop a plan to export their products and then supported them to execute the plans.
- **Digitalisation programme for women-owned businesses** – Together with Visa and Adapter (one of the directions of the Group's Digital Ecosystem), we helped 60 women-owned MSMEs undergo a digital transformation – digitising their inventories with Optimo, optimising logistics, and selling online on Georgia's largest online B2C marketplace – extra.ge.
- **Agro accounting programme**
– Together with the European Fund for South-east Europe ("EFSE"),

we supported smaller agricultural businesses in organising and digitising their accounting processes. Disorganised accounting is one of the major obstacles in accessing credit, and this programme enables more local companies to implement appropriate accounting practices that will facilitate the access to financing in the future.

Sector-specific approach

Throughout 2021 we continued to develop sector-specific approaches:

- We offered a special packaged product for acquiring solar energy panels when the fees on energy increased. In addition to providing credit, the package included information on relevant companies that could help businesses with the process of purchase and installation.
- We developed value chain projects for the agricultural sector to provide expertise and financing to the whole value chains of meat, nut, olive, and blueberry production.
- We introduced unique financial limits for developers and developed an innovative product – Guaranteed Purchase – to enable smaller-scale developers to increase sales, while providing a guarantee to home-buyers.

Employee empowerment



Objective

To be the employer of choice for top talent, providing equal opportunities for development and ensuring best employee experience based on our values and business principles

Our material topics

Human capital development

Our employees are one of the key enablers of the success and sustainability of our organisation. Through digital enablement and challenging and motivating work experiences, we empower individuals, teams and our entire organisation. This contributes to our ability to learn quickly and deliver innovative solutions and excellent customer experience to our clients. We believe that by creating opportunities for our employees, we create opportunities

Diversity, inclusion, and equality

for our entire communities because our people are the main drivers of the value we deliver to our stakeholders.

Our Human Capital Management team (HCM) plays a critical role in delivering on our key objective. As a strategic partner for all business and operational lines, the HCM combines HR expertise with business knowledge and connects customer experience with employee experience. The HCM designs and implements policies and

Human rights

practices in line with the Bank's mission, values, business principles, and strategic objectives. The HCM team reports to the Head of Human Capital and Customer Experience Management, member of the Bank's Management Team, who reports directly to the CEO. The Supervisory Board of the Bank and its Committees – Nomination, Remuneration, Audit, and Risk – oversee all matters related to the Bank's employees.

Our policies

Our policies reflect our non-negotiable commitment to respecting human rights and taking necessary steps to prevent, and, where appropriate, eliminate any adverse human rights impacts. We are committed to walking the talk on our values and business principles. The HCM policies are based on the Labour Code of Georgia, principles of professional ethics, the Code of Ethics and Standards of Professional Conduct for Commercial Banks of Georgia, effective legislation of Georgia and relevant international regulations. Our policies include, but are not limited to:

- Code of Conduct and Ethics <https://bankofgeorgiagroup.com/governance/documents;>
- Human Rights and Grievance Policy, including equal opportunities and non-discrimination, and work environment free from harassment policies;

- Anti-Bribery and Anti-Corruption Policy <https://bankofgeorgiagroup.com/governance/documents;>
- Whistleblowing Policy <https://bankofgeorgiagroup.com/governance/documents;>
- Diversity Policy <https://bankofgeorgiagroup.com/governance/documents;>
- Anti-Nepotism Policy;
- Remuneration Policies;
- Retrenchment Policy; and
- Employee Corporate Handbook, including Employee Code of Conduct.

Through our policies and practices we aim to cultivate an environment free from harassment, where employees and all other stakeholders are treated with dignity and respect. The Bank provides all employees with the same conditions of employment specified in

the Code of Conduct – Employee Corporate Handbook, subject to applicable conditions of employment prescribed by law. We are committed to respecting human rights when doing business. We ensure that we comply with fundamental conventions regarding the effective abolition of child and forced labour, freedom of association and the effective recognition of the right to collective bargaining, and the elimination of discrimination. All these conventions are ratified by Georgia, and Bank of Georgia acts in accordance with the Labour Code of Georgia.

We regularly review our policies and procedures to ensure that they reflect best practices, organisational developments and regulatory and legal requirements.

Culture: living our values and business principles

As an organisation we are committed to the highest ethical standards in everything we do. The sustainability of the opportunities and of the value we create for our stakeholders depends on each of us considering the potential impacts of our activities, transactions, products and services and acting in accordance with the values and business principles that we determined as our compass. We expect each of our employees to apply our values and business principles every day in their job and comply with all applicable laws, regulations and internal policies and procedures. We communicate our expectations of employee conduct through multiple channels, including Employee Corporate Handbook (the Handbook). The Handbook is available to all employees on the Bank's intranet, in Georgian and English.

The Code of Conduct, an integral part of an employment agreement between the Bank and employees, is fundamental to fostering the culture based on our values and business principles. It clearly sets the expectation that all employees act legally, ethically, and transparently in all their dealings. Employees joining the Bank commit to following the

Code of Conduct in all their activities. Failure to do so may lead to disciplinary action up to and including the termination of employment.

We empower our employees to act ethically and in line with our values and business principles by giving them the tools and clear information about the resources available to escalate concerns. We encourage employees to speak up and promptly escalate concerns about actual or potential misconduct. The Bank has a whistleblowing tool in place that allows employees to report any concerns anonymously or confidentially. The Bank uses an external vendor, WhistleB, an advanced independent whistleblowing reporting channel and case management tool. We prohibit any form of retaliation against an employee who raises a concern or question regarding ethics as well as against anyone who participates in an investigation.

Through our grievance mechanism, which is part of our Human Rights and Grievance Policy, employees are encouraged and able to communicate legitimate concerns about illegal, unethical or questionable practices, confidentially, if necessary, and

without the risk of retaliation. The Bank provides several options for submitting a grievance: via email, anonymous hotline call or electronic form. In 2021 we had one case reported under the Grievance Policy, which was resolved based on respective policies and regulations.

For more information on ethical business, please see pages 125 to 126 of this report.

As an organisation that is fully committed to the prevention of bribery and corruption, Bank of Georgia ensures that appropriate internal controls are in place and operate effectively. We have Know Your Employee (KYE) procedures in place, including different screening procedures at recruitment, employment and departure stages of employment. In 2021, there was no bribery and corruption incident registered in the Bank, nor did the Bank incur any bribery or corruption fines.

For more information on financial crime, please see pages 126 to 127 of this report.

Diversity, inclusion and equality

We are committed to creating equal opportunities in the workplace

We are committed to ensuring inclusion and equal opportunities in our organisation. Non-discrimination, welcoming and celebrating diversity are one of our priorities. We are committed to ensuring that no individual or group is directly or indirectly discriminated against for any reason, be it gender, marital status, sexual orientation, race, ethnic origin, nationality, age, disability, political or religious beliefs. The universal human rights are incorporated into the Handbook and the Human Rights Policy. Our Anti-Nepotism Policy ensures fair and transparent decision-making in all employee-related matters.

In 2020, our efforts to address barriers to the employment of women were recognised by 2X Challenge, an initiative that seeks to empower women and enhance their economic participation. The nomination was awarded based on the following criteria:

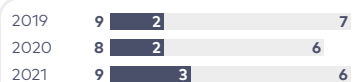
- 1) Over 40% of the Bank's employees are women,
- 2) The Bank commits to and implements policies or programmes beyond those required for compliance, thus addressing barriers to women's quality employment and
- 3) Across the organisation women represent at least 40% of senior management and at least 33% in three Board-level committees out of five.

We monitor the criteria of the 2X Challenge nomination as main indicators of gender diversity and inclusion and provide an annual update on diversity matters to the Nomination and Remuneration Committees.

Directors

Group headcount

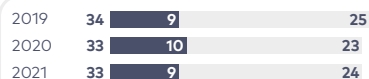
9



Senior managers

Group headcount

33



All employees

Group headcount

7,816

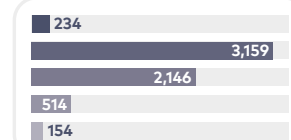


■ Female
■ Male

Employee headcount by age

Bank of Georgia

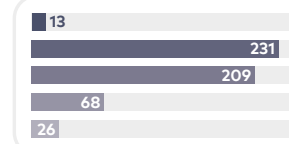
6,207



Employee headcount by age

BNB

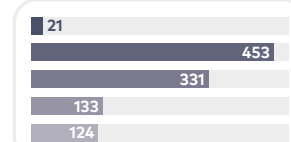
547



Employee headcount by age

Others

1,062



■ <21
■ 21-30
■ 31-40
■ 41-50
■ >50

Contract type – 2021

	Permanent	Temporary
Female	4,251	39
Male	1,916	1
Tbilisi	4,288	33
Regions	1,879	7
<21 years	232	2
21-30 years	3,142	17
31-40 years	2,130	16
41-50 years	509	5
>50 years	154	–
Total	6,167	40
Total rate	99.4%	0.6%

Turnover – 2021

	Number of employees	Rate
Female	669	16.1%
Male	444	23.6%
Tbilisi	769	18.4%
Regions	344	18.6%
<21 years	112	53.8%
21-30 years	703	22.5%
31-40 years	256	12.5%
41-50 years	37	7.5%
>50 years	5	3.5%
Total in 2021		18.5%
Total in 2020		19.5%

Fair rewards

Remuneration

The main principles of the Bank's Remuneration Policy are:

- **Competitiveness:** Compensation paid by the Bank should be in line with market practices and competitive when compared with respective positions in other banks and in the Georgian labour market.
- **Flexibility and fairness:** To ensure fair remuneration of employees in similar positions in line with their responsibilities, qualifications, and skills. Our approach and remuneration practices are gender neutral. We are committed to eliminating any bias and discrimination in our remuneration practices. The flexibility principle ensures that our remuneration practices are in line with the objectives of the Bank and can be adapted as business needs change and the competitive environment evolves locally and globally.

The Workforce Remuneration Policy is approved by the Supervisory Board of the Bank based on the recommendations of the Remuneration Committee. The Workforce Remuneration Policy complies with applicable regulatory and legal requirements and is aligned with the Bank's corporate culture, business activities and risk appetite. The updates related to the remuneration of Material Risk Takers and other new requirements of the National Bank of Georgia introduced in 2021 were considered, and we expect changes to the Remuneration Policy to be approved and implemented in 2022.

Our remuneration system consists of fixed and variable remuneration, and the Policy defines standards applied to the remuneration of the Management Board, Material Risk Takers, and the Workforce, including those employed in control functions (internal audit, risk management and compliance). Additionally, all

employees are eligible to participate in the state pension scheme. The Bank makes pension payments according to the terms and conditions defined by the Georgian legislation. Our remuneration system is based on employee performance reviews. The frequency of review varies by position and can be conducted monthly, quarterly, semi-annually and annually, depending on job specifics.

We monitor employee pay trends via labour market compensation surveys. The results of the 2021 survey and the analysis of internal data confirmed that we remain a competitive employer. Also, according to the National Statistics Office of Georgia, the country's subsistence minimum* was GEL 223.5 in December 2021, and average monthly nominal earnings per employee stood at GEL 1463.8 in the fourth quarter of 2021, while average monthly nominal earnings at the Bank in 2021 amounted to GEL 2873.0**.

We also monitor the Equal Pay Gap (EPG) as one of the indicators of equal opportunities and report this information to the Remuneration Committee annually. The EPG is the difference between the compensation of male and female employees in the same position. In 2021 our EPG was 4.9%.

The reason for the increase from -1% in 2020 is related to a large number of women among new hires at entry level in non-managerial positions and at the lower range within the managerial level. The Bank has various talent development activities in place to support professional and career progression of employees. We are committed to ensuring equal opportunities by fine-tuning our job architecture and grading structure. In 2021 we further developed our approach to compensation planning called "levelling." This framework considers job specifics to ensure fairness and transparency across the Bank. The first stage of this process was introduced in May 2021 for all managerial positions. It included:

- assessing and ranking all managerial positions based on their relative contribution to the organisation;
 - setting up job levels and assigning levels to each managerial position;
 - defining compensation packages for each job level; and
 - matching existing employees in managerial positions with a specific job level.
- baseline for setting pay grades and salary ranges that are comparable with similar jobs inside and outside the organisation, to attract top talent; and
 - additional guidance in the selection of employees.

Currently, we are reviewing non-managerial positions, and respective levelling will be introduced in the second half of 2022.

Levelling ensures:

- better management of employee mobility;
- baseline for aligning jobs and compensation packages;

* National Statistics Office of Georgia

** Excluding Management Board

Our benefits

The Bank offers competitive remuneration and benefits packages and supports work-life balance. We provide:

- a corporate health insurance package, including pregnancy and childbirth coverage. A standard package is fully paid by the Bank.

If employees select a non-standard package, they cover the price difference between standard and non-standard packages*;

- maternity leave, child adoption leave and childcare leave for employees as defined by the Labour Code. From 2021, maternity

leave (that was available only to an employee who was a mother of a child) was replaced with parental leave comprising maternity/childbirth and maternity/paternity/childcare parts available to an employee who is either a mother or a father of a child). The leave is available to all employees;

372 women were on parental leave during 2021 (289 women in 2020). Male employees have not used parental leave yet.

91% is the return to work rate for employees who took parental leave – 306 employees returned to work in the reporting period after parental leave ended.

87% is the retention rate for those whose maternity leave ended in 2020 and returned to work, staying for at least 12 months after returning – 241 employees (77% in 2020).

- parental leave compensation for six months provided by the Bank, subject to specific conditions*;
- support in back-to-work adaptation – training programmes for employees returning to work from parental leave*;
- special working conditions for pregnant and breastfeeding women and for employees who care for people with disabilities, in accordance with Georgian regulations;
- additional paid days-off and sick leave – on top of those required

by the Labour Code – available to all employees*;

- special terms for banking services (no fee for services related to a salary account, discounted rates on payment cards issued by the Bank, available to all employees)*;
- financial aid in case of childbirth, marriage or a grave illness of a family member*;
- financial aid in case of employee death, provided to the family*;
- coverage of an employee's uninsured debt at the Bank in case of employee death*; and

- in 2021, the Bank updated its process of overtime compensation – employees can bank overtime hours as TOIL (time off in lieu) and now are eligible to use them cumulatively as paid vacation within 12 months from the date of earning. If due to some unexpected circumstances employees will not be able to take earned hour/s in the predefined time period, upon 12 months they will be compensated in cash (in compliance with the Labour Code of Georgia) instead of respective overtime hours/TOIL*.

Talent strategy

The ability to attract, develop, and retain top talent is key to the delivery of our strategic objectives and the success of our organisation over the longer run. Our Talent Acquisition and Talent Management teams ensure the alignment of the Bank's talent strategy with changing needs by analysing, forecasting, and planning future business demands, and considering whether internal or outside talent can meet those requirements. Talent teams actively collaborate with executives from across the Bank, performing strategic talent planning that ensures having the right person in the right position at any given time. The planning is tied to our overarching objectives, includes relevant factors that can impact hiring and employee management processes, and ensures the design and delivery of the best candidate and employee experiences.

During 2021, we further developed the talent management strategy to ensure that we can attract, develop, and retain top talent.

Bank of Georgia is an equal opportunity workplace, where people with different backgrounds and experiences come together, empower each other and create value for our stakeholders. Our recruitment policy, with panel interviews, relevant control procedures and online applicant tracking system (ATS), ensures a fair hiring process, in line with our business principles, strategic objectives and new job requirements. We do not ask for date of birth, gender or a photo, we also do not collect information regarding candidates' and employees' race, religion and sexual orientation, ensuring that no candidate and/or employee is discriminated against on any grounds.

The HCM team actively supports the Bank in its digital transformation in all employee-related processes, including talent attraction, onboarding, and development. During the pandemic, we have moved the hiring process online, including a testing platform, interviews, and onboarding.

Given our strategic focus on digitalisation, IT, data and digital platforms-related hiring remained one of the priorities in 2021. The number of employees in these areas increased by 15.4% year-on-year.

Our Talent Acquisition team actively monitors the labour market and engages with prospective candidates in Georgia and abroad. At the same time, we aim to develop talent internally. Internal candidates have a priority when filling vacancies, especially for middle and senior management positions.

* Indicates benefits beyond compliance.

30% internal mobility rate* in 2021 (23% in 2020 and 22% in 2019)

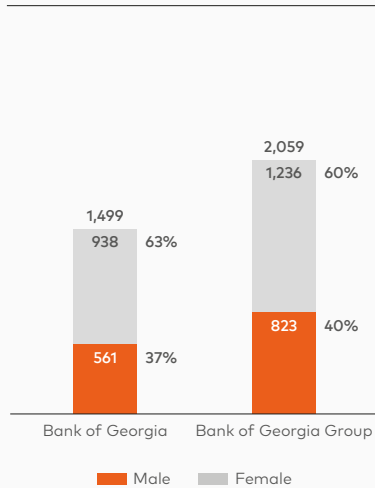
208 (138 women and 70 men) Group's employees were promoted to managerial positions in 2021 (237 – 130 women and 107 men – in 2020)

85% employee retention rate** in 2021 in line with market benchmark (83% in 2020)

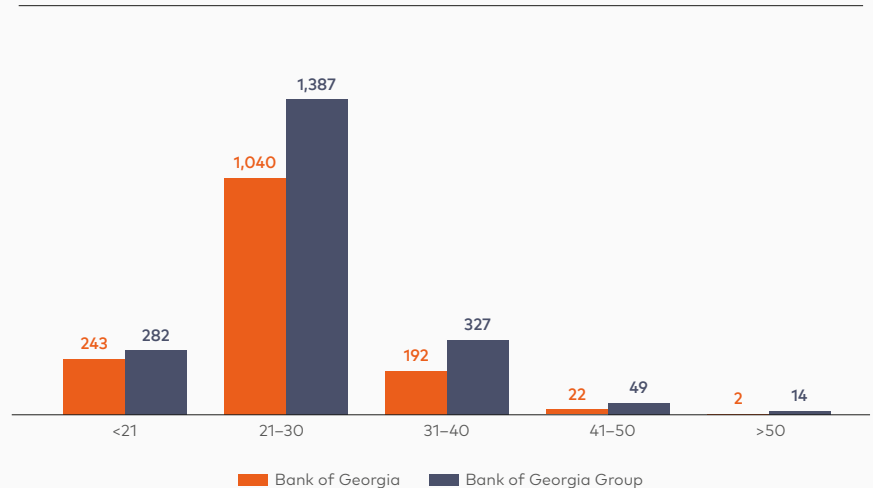
New positions filled in 2021 with **54%** internal candidates (54% in 2020, 44% in 2019)

Total number of new hires in 2021 by gender and age group

Total number of new hires in 2021 by gender



Total number of new hires in 2021 by age groups



Young talent

Bank of Georgia partners with leading Georgian business schools and universities. To promote diversity of backgrounds and experiences, we have broadened the range of degree disciplines that we consider for the talent pipeline. We regularly participate in job fairs and run internships and student development programmes.

Since 2017, we have run Leaderator, a highly recognised student

development programme on the local market. We enrol talented students in this programme and involve them in ongoing projects. Leaderators are mentored by our leading professionals – middle and senior management of the Bank. We offer flexible schedules and provide financial reward to support our Leaderators throughout the programme.

Leaderator has grown substantially over the past three years, as we have

added new programmes. In 2021 we offered three new programs in marketing, HR and digital products management. Top students from 11 universities were selected (compared with six universities in 2020), from a variety of fields, including business, economics, IT, natural sciences, social sciences, and law.

48% of 2021 programme participants were female. The participation of women in tech-related programmes increased by 8% compared with the prior year

94 undergraduates were selected and involved in the programme in 2021 (72 undergraduates in 2020)

47 candidates from the 2021 cohort already became full-time employees of the Bank. 41 candidates resumed the programme and will complete it in 2022 (68 Leaderators in total were hired during 2020-2021 from the 2020 cohort)

Leaderator in IT, data, and digital:

According to the feedback received from programme candidates, Bank of Georgia is the employer of choice among IT and tech students as the

experience with Leaderator helps talented young people jumpstart their professional career and enables them to grow professionally with one of the best tech teams in Georgia.

Most programme participants are promoted to different positions within our IT team, and some of them have already been promoted to managerial positions.

* Internal mobility rate: total number of promotions and lateral moves during the entire measurement period divided by average monthly number of employees for the period.
 ** Retention rate: percentage of employees who remained employed during the entire measurement period, calculated on an annual basis.

Talent management: creating opportunities for lifelong learning

In 2021 we implemented the following key talent management activities throughout the Bank:

- Completed the second Bank-wide employee performance and development review.
- Ran the first development programme for high-potential employees (HiPos).
- Introduced a new format of one-on-one coaching for professional development.

Employee performance and development reviews:

The review is based on an evaluation of employee performance and core competencies, skills and contributions to organisational objectives. At the end of the process, employees receive performance and development reviews from their managers. The outcome of this process is an individual development plan. Since 2020, the review process is managed through our internal human resources information system (HRIS).

In 2021 we held a live webinar with a management coach and discussed effective feedback strategies with the Bank's managers. We also developed a tailored evaluation model for employees working in agile teams in line with agile methodology and values.

- **78%** of the Bank's employees participated in the review process in 2021. **70% of them received feedback on their performance and development opportunities**, out

of whom 15% were managers, including senior managers, (female 60%, male 40%) and 85% - all other employees (female 74%, male 26%).

Talent development programme:

A new development programme was designed and launched for a pool of employees identified as HiPos based on the outcomes of the 2020 performance and development review. HiPos are employees with the potential, abilities and aspirations to undertake more responsibilities and fill in the positions that require greater contribution in the future. The purpose of the programme is to help HiPos develop a set of transferable skills that will enable them to succeed in different roles. The 2021 programme focused on cognitive, self-leadership, and interpersonal skills.

- **46 employees** completed the programme.
- **90% of participants** mentioned that their attitudes towards their professional life improved after the programme.
- **80% of managers of participants** noticed improvements in their direct reports' skills, motivation, and effectiveness after the programme.
- **20% of participants** (ten employees) were promoted to a managerial level and 16% (eight employees) moved laterally within the Bank.

In 2022 we will follow up with the programme participants to ensure their continuous personal and professional development. We will refine the programme based on the recommendations from the participants and their managers. In 2022 we also plan to renew the IT talent programme, aiming to better structure the tech talent identification process and ensure rapid promotion opportunities for IT HiPos.

Individual and team coaching programmes:

We introduced a new format for individual coaching programme and offered it to all employees, starting with senior managers and including those in non-managerial positions. The programme focused on team development, leadership and motivation, communication, and change management skills.

94 employees in managerial positions benefited from this programme. The programme is ongoing with 68 employees enrolled, including around 50% of participants in non-managerial positions. We plan to continue the programme in 2022.

The Talent Management team also initiated team coaching sessions for several departments to help teams increase effectiveness.

Bank of Georgia's continuous professional development:

Career entry programmes

Talent attraction:

- Leadership
- Internship by field

Professional programmes

for front- and back-office employees:

- Onboarding
- Risks and compliance programmes
- Banking products and services
- Software-related programmes
- Communication skills programmes
- HiPos programmes

Management programmes

- Management skills
- Feedback skills programme
- Leadership development: executive coaching programme (individual and team coaching)
- Financing MBA and other professional certifications

Executive programmes

- Leadership development: executive coaching programme (individual and team coaching, mentoring sessions)
- Individual business coaching programme
- Financing MBA and other professional certifications

The Bank's learning system comprises a broad range of internal and external training sessions designed to meet the needs of front- and back-office employees. Middle and senior managers are also given the opportunity to receive external training in well-known institutions in Georgia and abroad. Existing and future training topics, together with a training development plan, are aligned with business objectives and the outcomes of employee performance and development reviews. We continuously update

our training plans based on the outcomes of development reviews, the feedback from employees on existing programmes, as well as the business needs and specific objectives and KPIs of the business. The Employee Experience Management and the Customer Experience Management teams often work together to refine their approaches and implement joint initiatives. The Customer Experience Management team tracks and regularly analyses customer feedback from Medallia (see details on pages 108) and shares

insights with the Employee Experience Management team. The latter converts this information into specific initiatives for relevant business and operational functions to enable our employees to improve overall performance. This approach encourages employees to be more engaged with their work, leading to better customer experiences. We also use customer feedback from Medallia to update and design training programmes to help employees better respond to evolving customer needs.

- **Onboarding programme for all new employees:** The Bank runs an online onboarding programme where we share information about our culture, values and business principles, policies and practices with new hires. New hires are also informed about employee benefits, career opportunities, and personal and professional development programmes. Since 2020, this content is available on the LMS platform to ensure that all new employees have access to relevant information during onboarding.
- **Onboarding for front-office employees:** Additionally, the Bank has extensive training packages for front-office employees to provide them with relevant knowledge and skills for specific positions. The Bank's mentoring programme is also part of front-office training. Appointed mentors provide on-job training and practical guidance to new hires.
- **Development of hard and soft skills of current employees:** Based on periodic assessments, specific training sessions are held for front- and back-office employees.
- **Risks and compliance awareness programme:** To ensure compliance with legal and regulatory requirements and the resilience of our organisation, we run a comprehensive risks and compliance awareness programme. The programme includes mandatory training for all new hires and mandatory periodic training for all employees. The training is provided through online self-paced courses or live meetings, whether face-to-face or online. The topics covered in the programme include: operational risks, business continuity, information security and data protection, health and safety, corporate security, business ethics, ABC/AML risks, among others.

As at 31 December 2021, 85% of employees completed compliance training (excluding employees in their first month of employment or long-term parental leave). The team's completion rate was included in managers' KPIs in 2021.

- **Communication skills programme:** We help our employees develop communication skills. We run in-house training and hire external coaches as well. In house training packages include: (1) basic communication etiquette course for all front-office new hires; (2) a more comprehensive persuasive communication skills training; (3) customer-centric sales training for front-office sales teams. Additionally, based on the needs of specific business lines, we organise thematic training programmes.
- **Development of management skills:** To cultivate the culture based on our values and business principles, we help our employees develop their leadership skills. Since 2014, Bank of Georgia has run a leadership development executive coaching programme. In 2020, an in-house management training programme was developed, covering topics, including leadership and management and team development (delegation, motivation, assessment and feedback, among others). The training of all line- and middle-level managers started in 2020, and throughout 2021, Front office line managers were retrained. From 2022, all newly appointed managers' orientation packages will include management skills training
- **Data awareness programme** – What enables us to deliver outstanding performance today and what will enable us to create value sustainably is data-driven decision-making and our

capabilities to successfully deploy advanced data analytics and machine learning in our activities. That is why data literacy is a must-have skill for employees across different functions. In 2021 one of the priorities was to raise awareness of how we use data to be more customer-centric. We launched a data awareness programme. It consisted of an introductory course "AI for Everyone" and live meetings with mentors from the Bank's data team who discussed course materials in greater detail and shared real cases from their work at the Bank. We ran an internal training on Power BI after the programme for employees interested in data analysis and visualisation. We will develop this programme in 2022 based on the feedback received from the 2021 cohort.

- **HiPos programme:** See details on page 117.
- We operate an online platform that enables flexible learning modes. We update and develop educational content to meet employee and business needs. Due to the pandemic, all face-to-face training sessions and onboarding events have been suspended. The training centre delivers training events remotely, with training programmes adapted accordingly. In 2021, 20 new training programmes were developed and 12 programmes were adapted to a remote learning format. On average, 3,000 employees accessed our online platform monthly in 2021. We also began measuring employee satisfaction with their learning experience at the Bank – using the eNPS method. **Our learning eNPS was 91% in 2021.**

Our 2021 training statistics

6,472

Unique employees participated in training sessions in 2021 (5,481 employees in 2020 and 5,723 in 2019)

30

Average training hours per employee in 2021 (23 average training hours in 2020 and 28 in 2019)

47

Average training hours per new hire in 2021 (36 average training hours in 2020 and 37 in 2019)

5

Average training hours per Management Team

18

Average training hours per senior manager

20

Average training hours per male employee

34

Average training hours per female employee

Meaningful and motivating employee experiences

Since 2019 Bank of Georgia has redesigned its employee experience management, putting employees first and putting in place a systematic approach for identifying employee needs, delivering solutions and interventions to create more positive experiences in each part of the employee journey across the Bank.

The Employee Experience Management (EXM) team was formed under the Human Capital Management direction and is responsible for enabling the entire organisation to create more positive and motivating employee experiences.

We have forums and communication channels to ensure that we hear employee voices from across the organisation. The EXM team has ongoing deep interviews with individual employees, conducts team reviews, as well as entry and exit interviews. The EXM team encourages idea sharing during the engagement process. This process enables us to proactively support our people, close the loop for individual employees and identify systemic issues that need our attention and interventions. We follow up on all identified issues.

The EXM team gets in touch with all new hires from the beginning of their journey with the Bank to ensure that onboarding runs smoothly and all concerns are heard and addressed.

We believe the culture of gratitude and recognition is key to creating a collaborative workplace and living one of our business principles – Teamwork. We promote this culture and expect our managers to role model this behaviour. We choose Best Employee and Best Team of the Year annually to highlight our people's contribution to the organisation. According to the Korn Ferry Engaged Performance™ survey, the number of employees saying they feel recognised at work increased by 6% in 2021 (+3% in 2020). To promote idea-sharing and make sure that employees are aware of each other's work, we run agile quarterly business reviews (QBRs) where we discuss new products and future plans with our agile teams and middle and senior management and the Management Board.

We provide regular updates to all employees on the Bank's strategy and performance, risks and opportunities and new policies and procedures through multiple channels, including managers, special presentations, employee onboarding, corporate intranet and social network – Workplace, emails and regular meetings. In accordance with the Labour Code of Georgia, the Bank updates employees on plans regarding significant operational changes that could substantially affect them at a minimum of 30 days prior to implementation.

We ensure that our employees can directly and openly communicate with the senior leadership and the Supervisory Board of the Bank. To this end, we have:

- town hall meetings with the CEO and the Management Board;
- CEO vlog on Workplace – regular live sessions with employees on current developments, the Bank's performance, key objectives, plans and any topics that matter to our employees. We foster an open dialogue through live Q&A; and
- Employee Voice meetings with the Supervisory Board, held since 2018. The meetings have promoted feedback culture, transparency, equal opportunities, recognition, trust and respect. Other members of the Board have also participated in the discussions. In 2021, we held two online meetings and 21 employees participated in these meetings.

We have implemented formal feedback systems, such as regular employee satisfaction surveys. This ensures that employee views and suggestions are considered when making decisions, especially in cases that may have an impact on them.

One of the challenges for the Bank in 2021 was related to attracting and retaining talented tech professionals due to increased international competition for tech talent and fast-growing IT team at Bank of Georgia. The EXM team closely

cooperates with respective managers, teams and individual employees in our tech talent pool to identify solutions to any concerns identified. The team covers IT onboarding throughout the first year of employment, with in-depth interviews at all stages, and

continues to analyse positions across all directions. Tech talent is primarily interested in exciting work, teamwork and learning opportunities. We are elaborating an updated IT talent strategy that will be implemented in 2022.

Measuring employee empowerment and culture

Our values and business principles that are foundational to our practices are based on the results of a Barrett Organisational Culture and Values Assessment that the Bank received and adopted in 2019. To measure the effectiveness of employee empowerment initiatives and monitor their sustainability, we closely track employee engagement and corporate culture using internal and external surveys. Specifically we use the:

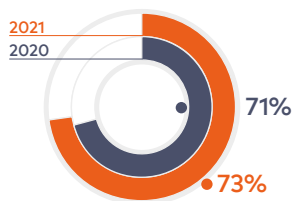
- Employee Engagement survey (Korn Ferry Engaged Performance™); and

- the Employee Net Promoter Score (eNPS) survey, which gives accurate and deep insights on the current state of employee engagement, inclusion, and other issues related to employee productivity. eNPS is a key performance indicator for the entire organisation.

We use surveys to identify what matters to our employees. We collaborate with each department to design and implement solutions in response to the identified issues. The results of the 2021 Korn Ferry survey confirmed the positive effects

of our improvement initiatives: positive responses to the statement **"the Bank shows care and concern for its employees"** increased by 13% from 2019 to 2020, and increased by 8% in 2021. We received similar feedback on employee productivity: positive responses to the statement **"Conditions allow me to be as productive as possible"** increased by 5% in 2021 (a 7% increase in 2020). In general, according to the 2021 Korn Ferry, employees are currently more engaged, with an overall engagement score of 73%.

Korn Ferry Engaged Performance™



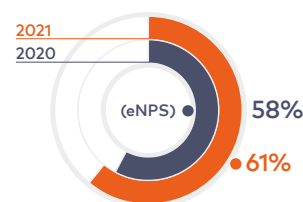
Here are some of the snapshots from the 2021 Korn Ferry survey:

- +10%** I have opportunities to have my ideas adopted and put into use.
- +7%** The company is open and honest in communications with employees.
- +10%** The company provides training so that I can perform my present job well.
- +8%** I receive clear and regular feedback on how well I do my work.
- +7%** There is a clear link between my performance and my compensation.
- +7%** There is good cooperation between departments in the company.
- +7%** My work area is safe.

Employee Net Promoter Score (eNPS)

A key success metric for our human capital management practices is eNPS. We started tracking eNPS in 2019. The Bank's eNPS score increased from 58% in 2020 to 61% in December 2021 (46% in 2019). Our goal for 2022 is eNPS in the range of 54% - 62%.

Overall, every day we come together to build a high-trust and values-based organisation, where employees understand and commit to the Bank's strategic objectives and share feedback to support each other in creating innovative solutions and seamless customer experiences.



eNPS asks: on a scale of 0-10, how likely is it that you as an employee would recommend our Bank as an employer to a friend or a colleague? The responses: 9 and 10 – are promoters; 7 and 8 – are neutral; 1 to 6 – are detractors. The final result, thus an eNPS, equals the percentage of promoters minus the percentage of detractors.

Health and safety

Providing a healthy and safe working environment is one of our priorities.

The Bank's Health and Safety team reports to the Deputy COO. The team covers fire and emergency, medical emergency, and occupational health and safety issues, and is responsible for developing and implementing

health and safety practices across the Bank.

In September 2019, a new law on labour safety came into force in Georgia, requiring organisations with more than 100 employees to have at least two labour safety specialists in the company. In compliance with the

law, the Bank created a dedicated unit and currently has two labour safety specialists. In 2022 our labour safety specialists will undergo the accreditation programme of the Institution of Occupational Health and Safety – a global organisation for health and safety professionals based in the UK.

Occupational Health and Safety (OHS) management system

In 2020, the Bank implemented the occupational health and safety management system, which covers all employees and third-parties in our workspaces. We developed the following policies and procedures:

- Occupational Health and Safety Policy;
- Occupational Health and Safety Risk Assessment Standard;
- Emergency Evacuation Standard;
- Fire Safety Standard;
- Occupational Accidents and Occupational Diseases Investigation and Reporting Standard; and

- Prevention of COVID-19 in the Workplace Standard.

The Occupational Health and Safety Risk Assessment Standard defines principles, rules, and responsibilities of occupational safety and health risk assessment. We continuously monitor our work spaces to identify, assess, and mitigate potential risks. The data and results of the risk assessment are reviewed and updated periodically, in line with existing legal requirements.

Bank of Georgia has preventive and control measures in place to ensure employee health and safety. We continue to raise awareness of employee health and safety-related matters. In 2018, the Bank launched

"My Lawyer" – a project to protect the rights of employees and their family members in case a crime is committed against them or if they themselves are accused of wrongdoing.

We also have a 24-hour monitoring hotline, including a dedicated mail-group and an intranet-based platform where employees can report security issues and occupational safety matters. The Infrastructure Security and Control Department is responsible for monitoring the hotline and responding to the reported concerns.

OHS training

Induction, online training, and practical training events are held annually for all employees of the Bank. The Bank regularly carries out fire and emergency drills and relevant practical training. Selected employees in major branches of the Bank are periodically trained in First Aid.

- The two Labour Safety Specialists in the team completed 130 hours of training in the Labour Safety

Specialist Accreditation Programme and received certificates, as required in Georgia. The programme covers fire and emergency, medical emergency, and occupational health and safety issues.

- In 2020, the Bank switched to online training sessions due to the pandemic, and mandatory online training on topics, such

as emergency response, fire safety, and COVID-19 prevention measures, were designed for the Bank's employees during the year.

COVID-19-related safety measures

As part of the Bank's Business Continuity Plan in response to the global COVID-19 pandemic, one of the priorities of the Bank has been the health of our employees and customers.

We have implemented the Standard for Prevention and Mitigation of COVID-19 in the Workplace, focused on two aspects:

- measures to protect the health of employees and customers and

prevent the spread of COVID-19 in the workplace; and

- infection control measures to manage tentative and confirmed infection cases.

Incidents in 2021

In 2021 we had three security incidents in the Bank's branches. All three incidents were resolved by

the police without injuries or damages. We have expanded the presence of physical security

personnel to additional branches throughout Georgia.

Communities



Objective

To give more school students in Georgia access to quality educational infrastructure and opportunities

Our material topics

Financial inclusion and empowerment

We focus on creating opportunities for the communities where we operate, to encourage more people in Georgia to pursue dreams, to contribute to Georgia that creates, acts, and succeeds. As a leading organisation and financial institution in Georgia, we have a huge impact on people and environment through our core business – the solutions that we

develop to empower our customers and drive more financial inclusion in the country. We also undertake initiatives and projects for our communities that go beyond the core business, and that amplify our positive impacts and ultimately reflect on the success of our organisation. We focus on the areas where we see the biggest need and

where we believe we can be a meaningful contributor. We are active in a number of areas and support a variety of projects. However, our primary focus area is education because we believe that education is key to the sustainable development of Georgia.

In 2022 we will primarily focus on school students. We aim to have multiple touch points with school students, including through the libraries that we finance and other educational projects.

OUR 2022 TARGET: REACHING 100,000 SCHOOL STUDENTS

Education

Improving educational infrastructure

Ideathecas – multifunctional libraries in schools

To provide access to books and modern technology to students living in Georgia's regions, Bank of Georgia, together with the Georgian Book Institute, has initiated a project to design multifunctional libraries in public schools. Our goal is to provide Georgian students with access to a learning space where they can find

reading resources, work with information technology, and just spend time together or work on team projects. We launched the project in 2020.

In two years, we opened multifunctional libraries in nine public schools in regions across Georgia, reaching 4,548 students. The project is ongoing in 2022.



Scholarships

Fulbright scholarship programme

In 2014, the Bank signed a partnership agreement with one of the most prestigious scholarships offered by the US Government – Fulbright Graduate Student Programme – to co-sponsor the programme and finance two-year master's degrees for Georgian students.

In 2021, we provided a scholarship to one more student. Since 2014, seven students have received scholarships in the amount of US\$ 600,000.

Chevening scholarship programme

In 2013, the Bank became the first Georgian company to cooperate with the Chevening Scholarship – the British Government's flagship scholarship scheme – to sponsor Georgian students studying in the UK. In 2021, we financed a master's degree programme for three students in the UK. 20 students have studied at UK universities since 2013, receiving a total support of GBP 605,000 from Bank of Georgia.

San Diego State University in Georgia

San Diego State University in Georgia offers students internationally accredited bachelor's degree programmes in engineering and technology. Since 2018, Bank of Georgia has sponsored a fully-funded bachelor's degree for 11 highly talented students from socially vulnerable families. Total scholarships amounted to US\$ 240,000.

Miami Ad School EU – Nika Gujejani scholarship

To honour a Miami Ad School Berlin alumnus and Bank of Georgia employee, Nika Gujejani, who sadly died in 2019, Bank of Georgia and Miami Ad School Europe have established a scholarship in Nika's name. Miami Ad School is one of the well-known schools in creative arts

Other educational opportunities

Business case competition

In 2021, in partnership with TBSC Consulting and the US Embassy, we organised a Harvard Business Case competition. We brought together 100 teams – around 500 students – from different Georgian universities and presented real Harvard business school cases to them. The purpose of the project is to help students develop critical thinking skills and connect them with each other in a fun and

Key sponsorships

Tbilisi World Book Capital

In April 2021, Tbilisi was named the World Book Capital for one year. The programme, comprising several large-scale activities, has focused on the use of modern technologies to promote reading among young people. The main objective is to popularise reading and increase accessibility to books. Tbilisi was

Georgian National Olympic and Paralympic Committee

Encouragement is one of our brand values. There is no better way to promote this value than by supporting Georgian athletes. Bank of Georgia has been a proud partner and the general sponsor of Georgian National Olympic and Paralympic Committees since 2016. We have helped develop sports infrastructure in Georgia to enable Georgian Olympic athletes to

Supporting protected areas of Georgia

The natural environment in Georgia is unique and precious – a valued and shared resource for all. We have partnered with the Caucasus Nature Fund for the past eleven years to support Georgia's protected areas. Each year Bank of Georgia contributes up to US\$ 100,000 to support 11 protected areas: Borjomi-Kharagauli, Lagodekhi, Tusheti, Vashlovani, Mtirala, Javakheti, Kazbegi, Algeti, Kintrishi, Machakhela and Pshav-Khevsureti. In 2021 four protected areas in Georgia – Mtirala

and business innovation.

The Nika Gujejani Scholarship will be awarded to one student from Georgia each year. In 2021, the second scholarship was awarded to a young woman pursuing the Art Direction master's degree. Total support provided since the launch of the programme was EUR 20,800.

collaborative environment. Three teams won the case competition and were awarded cash prizes.

Education fair

In 2021, the 11th International Education Exhibition was held remotely with the support from Bank of Georgia. The purpose of the event was to share useful information on career development with high school

the 21st city to become World Book Capital since the programme launched in 2001. Bank of Georgia has been the general sponsor of the programme. We have supported various activities and events for students, writers, publishers, illustrators, translators. More than ten book markets were held,

perfect their craft. We have also raised awareness of healthy lifestyle and motivated young people to follow their dreams through our campaigns. In 2021 more than 40 Georgian athletes participated in the 2021 Tokyo Olympic and Paralympic Games. Our athletes returned with 11 Olympic medals – the best outcome in the history of Georgia.

and Kolkheti National Parks, Kintrishi and Kobuleti were included on the UNESCO World Heritage List. For the first time in the Caucasus region, this recognition supports the preservation of unique ecosystems in Georgia and ecotourism as well.

In 2021, we also launched educational campaigns to promote the unique biodiversity of Georgia's protected territories.

<https://www.youtube.com/watch?v=wIEtoGW8NOU>



seniors and university students. The exhibit hosted 130 participants and up to 25,000 visitors. During the two-day event, 400 live meetings and 18,000 sessions were held. The visitors had the opportunity to learn more about various scholarships and educational opportunities supported by Bank of Georgia.

attracting more than 50,000 people, a collection of Georgian book illustrations was published with 100+ illustrations from 35 local illustrators, literature competitions were held both for students and experienced writers, and school libraries were equipped with new books.



Professions of the future

Besides providing employment opportunities ourselves and supporting job creation in the country by extending credit to businesses, Bank of Georgia also seeks to enable more employment opportunities by helping young people choose career paths and acquire the skills that will set them up for success in the future.

We have partnered with a local educational YouTube channel Fennec Tech Studio to support the

development of content on professions of the future and career paths in tech fields. The purpose of the project is to motivate more young people in Georgia to pursue learning and work opportunities in tech-related areas. We aim to create an inclusive digital community where everyone has access to useful information from the country's leading professionals. Bank of Georgia employees, including the CEO, have also participated in the

project. By promoting tech-related professions and encouraging more women to get involved in tech, we believe we can further support technological development and innovations in Georgia and at our organisation.

Fennec Tech Studio's videos had more than a million views on various social networks and have more than 7000 subscribers on YouTube.

Supporting MSMEs

In addition to supporting MSMEs through the Bank's core financial products and value-added offerings, the Bank leverages its resources to contribute to the sustainable development and to the success of local businesses through a variety of other initiatives and partnerships.



Support for social entrepreneurship

Bank of Georgia has been a long-time supporter of local businesses that have a social purpose at the core of their business models. We have

supported different social entrepreneurship programmes. We were one of the first companies to support social entrepreneurship

projects. Since 2017, we have provided grants of up to GEL 800,000 to 18 social enterprises in different regions in Georgia.

500 Global

To promote entrepreneurial culture in Georgia and enable local startups to launch and develop their business models and access best-in-class mentoring, we launched 500 Georgia Acceleration programme in 2020,

in partnership with 500 Startups and Georgia's Innovation and Technology Agency. During 2020 and 2021, 28 companies completed the programme. Four companies – Payze, Cargon, Cardeal, and Agrolabs –

successfully completed the final acceleration process in San Francisco in 2021. For more details on 500 Georgia, please see page 58 of this report.

Charity

Supergmiri.ge

Around 50,000 children in Georgia live in poverty. Bank of Georgia became the main partner of the charity platform – supergmiri.ge – launched in June 2020. The purpose of the platform is to promote charity in Georgia and help and encourage children from vulnerable families.

Supergmiri.ge finds children in vulnerable conditions and connects them with people who are ready to help and support them. Beneficiaries are children aged 3-16. The platform creates their profiles, publishes their

stories, and matches them with their "superheroes". Children receive a monthly package from their superheroes, including products and service vouchers tailored to a child's development needs and interests. "Superheroes" can choose to mentor children as well.

Bank of Georgia supports supergmiri.ge in covering administrative costs and marketing communications to improve platform efficiency and increase awareness through social media and marketing campaigns.



The platform currently has 352 sponsored children and 385 "superheroes".

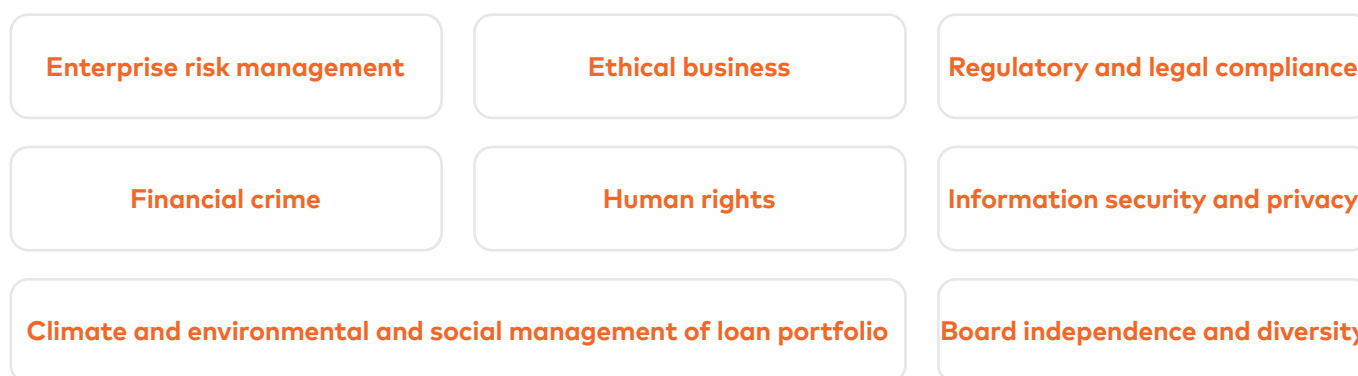
Robust governance and risk management



Objective

To do business in line with the highest standards of corporate governance and highest ethical principles and effectively manage risks, including climate-related and other environmental and social (E&S) risks in our loan portfolio.

Our material topics



The Bank is the principal driver of the Group's revenue and operates in the financial services sector; therefore, its risk management and internal control frameworks are fundamental to that of the Group. The work undertaken by the Bank's risk management bodies feeds back directly to the Group.

Over the course of the year the Bank actively worked to amplify the Enterprise Risk Management (ERM) function. This function supports senior management in maintaining an effective risk management framework, provides a holistic view, as well as the routine for risk management process by providing visibility of the relationships among

the various risk types, portfolio view of all significant risks, risk profile and guiding principles for the risk treatment. For more information on risk management, see pages 67 to 93. For more information on governance, see pages 169 to 243.

Ethical business

We are committed to the highest ethical standards in everything we do

We consider the potential impacts of our activities, transactions, products and services and act in accordance with the values and the business principles that we determined to be our compass. We expect each of our employees to apply our values and business principles every day in their job, while complying with all applicable laws, regulations as well as internal policies and procedures.

The Code of Conduct and Ethics and the Whistleblowing Policy are the primary documents governing culture and ethics at Bank of Georgia. The Code of Conduct and Ethics sets out core principles and defines general requirements for ethical and professional behaviour. The policies apply to all employees and temporary workers, including consultants or

contractors across the Bank. Upon joining Bank of Georgia, employees must acknowledge that they have read and will comply with the Code. As explicitly stated in the Code, violations can result in disciplinary action up to and including the termination of employment or other relationship with the Bank. The policies have been approved by the Supervisory Board of the Bank.

The Bank also has a Conflict of Interest Policy and Related Party Transactions Policy in place. These policies define the requirements for managing both personal and organisational conflicts of interest as well as the processes to identify and manage conflicts of interest in a timely and effective manner. Controls are also defined in these governing

documents. The implementation of those controls is the responsibility of the first line of defence and the second lines of defence – internal control, credit risk and compliance functions.

We empower our employees to act ethically, in line with our core values and business principles. We encourage employees to speak up and promptly escalate concerns about actual or potential misconduct. The Bank has a whistleblowing tool in place that allows employees to report any concerns in an anonymous or confidential manner. The Bank uses an external vendor, WhistleB, an advanced independent whistleblowing reporting channel and case management tool. We prohibit any form of retaliation against an

employee who raises a concern or question regarding ethics as well as against anyone who participates in an investigation. Employees who engage in retaliation against a colleague because he or she raised a concern or question, asked for a reasonable accommodation, reported a violation or was involved in an investigation are subject to disciplinary action, up to and including the termination of employment or other relationship with the Bank.

A strong "tone from the top" starting with the Supervisory Board, supports the Bank in ensuring ethical business

operations. Responsibility for the Whistleblowing Policy resides with the Board, and both the Board and Audit Committee receive quarterly and annual reports on the operation of the Policy. The Audit Committee receives quarterly reports on all complaints regarding Code of Ethics violations filed by internal and external stakeholders.

We have a Customer Complaints Management procedure enabling customers to inform the Bank on any actual or potential misconduct. The Bank's Compliance Committee is entrusted with the function to review

any material complaints on Code of Ethics violation either from employees or from customers. In 2021 we received 53 ethics-related concerns from our stakeholders.

In addition to internal and public-facing websites facilitating the submission of concerns, a telephone line is available 24 hours a day, seven days a week. Any stakeholder can submit a concern via (+995 32) 2 444 444 or <https://bankofgeorgia.ge/en/anonymous-contact>.

Financial crime

The landscape of financial crime has evolved over the last few years. Risks for banks arise from diverse factors, including massive growth in transaction volumes, and the greater integration of financial systems worldwide. In addition, regulators

continually revise rules and Governments increasingly use economic sanctions against public and private entities, and even individuals. We are committed to safeguarding the integrity of the Bank and of the financial system we

are part of as well as protecting our brand and reputation and mitigating any negative impacts on the economy and people by operating robust programmes to prevent financial crime.

ML/FT and sanctions

We are committed to doing business only with clients who meet our strictest criteria and are within our risk appetite

We have a risk-based anti-money laundering (AML)/counter-terrorist financing (CFT) programme, operating based on the three lines of defence model. The programme is designed to ensure the Bank's compliance with regulatory and legal requirements, international standards, such as Financial Action Task Force (FATF) recommendations and international financial sanctions programmes.

To strengthen our ability to detect and prevent financial crime, we continue to enhance our ML/FT risk management function. We have

invested significant resources to improve our ML/FT risk management capabilities, including implementing advanced analytics and transaction monitoring solutions to detect a suspicious activity. The reporting process for cash transactions report (CTR) and suspicious transactions report (STR) is automated.

We conduct an Anti-Financial Crime Enterprise-Wide Business Risk Assessment, which includes an assessment of inherent risk, the effectiveness of controls and residual risk. The assessment serves as a baseline for defining the Bank's risk

appetite towards ML/FT risks. Based on the outcomes, the AML and Compliance Department further defines appropriate measures to address the issues that were identified.

Employees receive annual mandatory training on the risks related to money laundering and terrorism financing and on sanctions programmes.

Financial crime risks are on the regular agenda of the Audit Committee. The Committee receives information on existing controls and implemented measures.

KYC

Customer risk assessment is a fully automated process. We manage customer risks throughout the relationship life cycle. Information on a client's ownership structure, ultimate beneficial owners and

source of funds/wealth is obtained during onboarding.

Our existing clients are subject to a regular due diligence process. The Bank has an online solution that

enables a fully automated screening of all transactions against sanctions lists (OFAC, the EU, the UK, the UN and other similar bodies, including global news databases).

Anti-bribery/anti-corruption

The Bank has zero tolerance towards bribery and corruption. We have written policies, procedures and internal controls in place to comply with anti-bribery and anti-corruption laws. The Anti-Bribery/Anti-Corruption programme includes: risk management processes (oversight, governance and escalation); communication and training; review and pre-approval processes; due diligence of third party relationships; anonymous reporting; and independent testing processes from Internal Audit. The Code of Conduct and Ethics, the Conflict of Interest Policy, the Anti-Bribery and Corruption Policy and Know Your Employee Procedures safeguard the integrity of the Bank. The Anti-Bribery and Corruption Policy and the Gift Acceptance Policy provide employees

with guidance on how to recognise and deal with bribery and corruption and outline steps employees are required to take when accepting or offering gifts, hospitality and inducement to/from external third parties. An enhancement programme to further improve our ABC risk assessment, controls and reporting is in progress. Internal Control and Compliance serve as a second line of defence in managing bribery and corruption risks.

We have developed online training modules on ABC risks, including Gift Acceptance Policy and the Whistleblowing platform. Annual training is mandatory for all employees. See page 85 for more information.

The Bank has in place the Know Your Employee procedure that includes:

- declaration process;
- background check process; and
- employee monitoring process.

The Bank's Compliance Committee reviews any complaint related to ABC incidents. The Audit Committee regularly receives information on any reported incidents.

In 2021, no bribery or corruption incidents were registered in the Bank, nor were any bribery or corruption fines imposed on the Bank.

Regulatory and legal compliance

We are committed to doing business in compliance with existing regulatory and legal requirements

The Group's core business is banking, through National Bank of Georgia (NBG)-licensed systemically important bank in Georgia (which as at 31 December 2021, accounted for 94.7% of the Group's total assets and 89.7% of the Group's operating income). The Bank operates in a highly regulated environment, which evolves annually. Apart from the developments in the legal system in Georgia, which affect the activities of commercial banks, the Bank's activities are subject to (1) banking and financial institution regulatory framework by the NBG; (2) health and safety regulations by Georgia's Employment Inspection; (3) personal data protection regulations by the Personal Data Protection Service (4) other state regulatory authorities, whose jurisdiction covers the review and regulation of activities of commercial entities in Georgia.

Under the Georgian Law on the Activities of Commercial Banks, banks operating in Georgia are regulated by the NBG, which has the power to issue decrees or resolutions on various issues within its competence, including, but not limited to, anti-money laundering and counter-terrorist financing, monetary regulation instruments, banking supervision regulations and payment system regulations. The NBG has guided itself by the Basel Committee best practice and Georgia's DCFTA-based harmonisation and

implementation efforts of EU legislation and has promulgated regulations relating to:

- corporate governance of banks and "fit and proper criteria" for administrators;
- capital structure, prudential ratios and requirements for financial institutions;
- liquidity requirements for financial institutions;
- credit risk management, risk weighting and credit loss provisioning;
- operational risk management;
- treasury operations, derivatives, financial collateral and netting;
- cyber security framework;
- anti-money laundering and counter-terrorist financing;
- client onboarding, strong customer authentication and verification;
- payment services and payment systems;
- crediting of individuals;
- management of conflicts of interest;
- consumer protection;
- code of ethics in general bank activities and code of ethics in recoveries;

- competition within the financial sector;
- brokerage and trading;
- custodian and settlement operations;
- depositary and asset management operations;
- disclosure standards;
- environmental, social, and governance framework for financial institutions; and
- bank resolution framework, among others.

The NBG's regulatory promulgation process is continuous and evolving in nature, and it publishes its supervisory strategy for three-year periods (current strategy is available at <https://nbg.gov.ge/en/page/supervisory-strategy>). Some regulations can be translated into a set of clear operational requirements—this is "rules-based compliance". Other regulations, such as consumer protections, reflect regulatory intent for a desired outcome. This is called "principles-based compliance", which does not readily translate into specific operational and control requirements. The NBG's supervisory arm operates with a hands-on approach with its regulated entities, whereby specific long-planned inspections are rare, but the NBG engages in daily engagement process with the

Bank and has access to all of the Bank's employees and information upon request.

The Bank has a high degree of comfort that its operations are conducted in compliance with applicable regulations, due to the involvement of the regulator being an ordinary part of its daily operations. Therefore, the Bank has adopted, subject to the confidentiality constraints as described below, the following metrics with regard to regulatory non-compliances regarding customer protection and credit information requirements, which would be considered material for its purposes and which the Group would disclose and describe in its upcoming annual reports:

- any fine over the threshold of 0.1% of the Bank's regulatory capital; or
- any incompliance which is due to a systemic failure of the Bank's controls.

The disclosure of such information by the Bank may be constrained if the information falls under the confidentiality categories as defined by the Resolution of the Council of the National Bank of Georgia #4 on the definition and treatment of confidential information, which establishes certain types of communications with a regulated entity as confidential and ascribes categories of confidentiality to them, which are necessary to be protected for the reasons of sound management of monetary policy and financial supervision in Georgia. As of today, the regulatory communication and measures (including fines) with regard to any consumer protection requirement breaches or credit information requirement breaches are not ascribed confidentiality category and therefore, could be considered as disclosable information by the Bank ("Disclosable non-compliance matters").

Apart from daily engagement with the primary regulator of the Bank, the regulatory compliance is managed on the basis of three lines of defence where the second line function is undertaken by compliance, legal and other risk functions, and the first line is considered to lie with all of the business directions of the Bank. In 2021, the Bank's Internal Audit further strengthened its third line function in regulatory compliance, creating a specific compliance audit unit.

The compliance operating model includes the following:

- identifying and prioritising areas of compliance risk;
- managing regulatory taxonomy and inventory of regulatory areas that impact the organisation;
- maintaining a proactive engagement approach with the regulators at an early, draft-stage of the adoption of regulations and providing feedback on the feasibility of due implementation.

This allows the Bank to be ready and plan its implementation processes ahead of the adoption of regulatory changes, which reduces the risk of non-compliance. We have adopted this approach for all legislative and regulatory changes that may impact the Bank, with the Legal department assisting the Bank in a timely identification of possible legislative changes and coordinating with the Compliance department to proactively manage the regulations promulgated by the NBG.

In 2021, the Bank further strengthened the compliance framework by standardising the regulatory change management process. The Bank's regulatory change management framework includes monitoring change, alerting the Bank on risks, and enabling accountability and cross-functional collaboration on the changes impacting the Bank. The process includes a system of record to monitor regulatory change, measure impact, and implement appropriate risk, policy, training, and control updates. We have developed a standardised impact analysis process to measure the impact of a change to determine if any action is needed and to prioritise action items and resources. In cooperation with the Legal department, the Compliance department translates its inventory and analysis of new and proposed compliance risk-related rules into internal compliance standards, procedures and guidelines to ensure that new regulatory requirements are duly incorporated into the procedures across the Bank. The regulatory change management process involves standardised workflow and task management with escalation capabilities when items are past due to ensure that corresponding procedures and controls are implemented in a timely manner to support the Bank in effectively managing compliance risks.

We recognise that legal risk is ubiquitous in our operations and can stem from legislative changes, incorrect interpretation of legislative or regulatory norms, or unfavourable interpretations of legislative or regulatory norms by relevant authorities in particular instances. The Legal department carries out the function of prevention and early mitigation of legal risk, its management as well as damage control through its different research, transactional and dispute teams. The Legal department operates as a second line risk function and is involved in oversight over all products, services, transactions and processes of the Bank, to proactively identify and manage any possible legal non-compliance.

We have implemented a process of developing and implementing risk mitigation measures, including the policies and procedures to prevent, mitigate or minimise compliance and legal risks and to detect, report and respond to compliance violations. We have developed an online training platform for all employees where we run relevant compliance training programmes. Mandatory training is reviewed and updated annually, and specific legal and compliance training sessions are also regularly conducted by legal and compliance teams for targeted colleagues from different functions.

In 2021, we had no disclosable non-compliance matters.

Information security

We are committed to ensuring the security of our customers' financial assets and personal data and ensuring the security, reliability, and sustainability of our products and services

Information security risks represent one of the major threats that organisations worldwide are facing. The external threat profile is dynamic, and these threats continue to increase. The Bank remains a subject of a growing number of attempts to compromise its information security. We understand that if these attempts are successful, they could have a negative impact on our customers and employees, as well as on subsidiaries, partners, and, given that the Bank is part of Georgia's critical infrastructure, the country as a whole. We have relationships with customers and partners from other countries as well, and thus, the negative consequences of a compromise of our information security could extend beyond Georgia. Such compromise could expose us to potential contractual and regulatory liability, lead to a loss of current and future customers and partners, damage our

brand and reputation, and result in financial losses.

Information security is a priority area for the Bank. As we develop new digital products and services, we implement complementary measures to ensure the robustness of our information security systems.

To successfully deliver on our commitments, we undertake a number of initiatives. We devote significant human and financial resources and engage globally renowned technology companies to respond to information security threats accordingly. We recognise the importance of establishing and maintaining a rigorous information security management system that is compliant with current business and regulatory requirements and commensurate with existing and emerging threat landscape.

The Bank has a dedicated Information Security department, responsible for developing and maintaining the Bank's information security management system, including policies and procedures that are reviewed regularly and amended to reflect any lessons learned. The Information Security department is headed by Chief Information Security Officer (CISO) who directly reports to the Deputy CEO-Chief Risk Officer. The CISO presents quarterly updates to Risk and Audit Committees. As a result, the Bank's Management Team and the Supervisory Board remain up-to-date on information security risks.

We employ highly qualified security professionals across multiple lines of business. Additionally, we run regular trainings to ensure that they are aware of and clearly understand current security trends and issues.

Cross-functional team of 26 employees

27 active professional certifications

16 professional courses completed by employees

We also run a Bank-wide information security awareness programme to ensure that our employees understand information security matters and their applicability to the Bank's daily operations. We view each employee as a "human firewall", and therefore we continuously refine our approach to employee training and testing. General information security

training is mandatory for all employees during onboarding or internal rotation and afterwards – annually. The purpose of the general training is to raise awareness on key attack vectors and proper responses to different types of information security incidents (e.g. ransomware). The Information Security department monitors the completion of

mandatory information security training. Quarterly, the Information Security Department runs a phishing campaign to test if our employees can detect phishing and respond duly. The Information Security department monitors performance and requires additional training for employees who were unable to detect and duly respond to a phishing email.

88% completion rate of the information security training

87% completion rate of the cybersecurity training

4 phishing campaigns conducted

62.3% decrease in the number of employees who did not respond to phishing campaign emails accordingly

We also engage with our customers on information security-related matters through multiple channels, including our website, digital platforms and text messages. We regularly create and share content, including articles, interactive games and questionnaires, through various media.

As our organisation becomes more digital and further relies on cloud computing and third-party providers, we are increasingly exposed to and

a target of cyber attacks, such as a supply chain attack, distributed denial of service (DDoS), among others. We are taking measures to mitigate the risks of a supply chain attack (for more information, please see page 86 of this report). Although DDoS attacks targeting the Bank are rising, we had a 99.97% uptime in 2021.

Although the Bank was not involved in any significant negative impact in 2021, we maintain a thorough

Information Security Incident Response Policy to prevent an information security incident, and if it does occur, to limit its impact on our stakeholders. This policy defines roles and responsibilities throughout each phase of an information security incident response and enables effective cross-functional collaboration and the management of public and internal relations. Controls and monitoring continue to be embedded across the Bank

as part of the overall internal control framework and are continuously re-assessed. Each year the Bank is subject to at least 11 types of security

assessments to evaluate the effectiveness of our actions and to manage actual and potential impacts. These assessments include

penetration testing, breach and attack simulation, NIST self-assessment, internal and external audits.

11 types of security assessments conducted

4 breach and attack simulations

1 third-party penetration testing

4 independent internal audit engagements

These assessments give us insight into how effectively the policies and processes have been implemented. As a result, the Bank sets goals and targets that may be mandatory

(based on legislation) or voluntary, for example, for automation or optimisation purposes. The results are satisfactory, and we have been recognised by the Global Finance

Magazine for having the Best Information Security and Fraud Management in Central and Eastern Europe.

0 GEL loss due to a cyber security incident or a regulatory fine

0 security breaches (external intrusion into the Bank's network or systems)

0 data breaches (personal or financial data leaked to the public)

0 customer-targeted phishing attacks (through websites and emails)

Best Information Security and Fraud Management in Central and Eastern Europe (Global Finance Magazine 2021)

We support and contribute to the development of information security in Georgia. We regularly participate in collaborative efforts with our financial industry peers, law enforcement authorities, regulatory bodies and the Government to share knowledge and prevent negative impacts. Our goal is to enable more efficient and effective information security supervisory

oversight, streamline and align the fragmented information security regulatory framework with international standards, and help increase the overall security and resilience in Georgia. The Bank has a dedicated team to coordinate threat intelligence sharing and develop external relationships. We are a member of the Financial Services

Information Sharing and Analysis Centre (FS-ISAC) through which the Bank has access to a threat intelligence platform, resilience resources and a trusted peer-to-peer network of experts to anticipate, mitigate, and respond to information security threats specifically targeting financial institutions.

Cyber security awareness month together with the NBG, the Banking Association of Georgia, and commercial banks

Privacy

We are committed to protecting personal data, preserving the integrity, confidentiality and availability of data, increasing control over data protection risks, and giving full control to individuals over their personal data

In a data-driven world, security threats continue to evolve and, if materialised, may have a significant negative impact on our customers and on their human rights, especially the right to privacy. Any breach, attack or compromise may result in financial loss, damage to our brand and reputation, and regulatory censure. We are committed to protecting our customers' privacy, ensuring that personal data is handled in accordance with the requirements of the applicable privacy legislation and best practice.

Information is one of our most valuable assets and data privacy is a priority. We have embedded good privacy standards and practices within the corporate operations and structure.

We fully comply with applicable data protection legislation and adhere to the highest legal and information security standards. We have established a rigorous privacy programme, which is aligned with current business and regulatory requirements, and we continuously enhance the programme to effectively

respond to an emerging threat landscape.

Effective implementation of privacy strategy requires a strong organisational structure. To this end, we have appointed the industry's first ever Data Protection Officer (DPO), whose responsibilities include, but are not limited to: providing recommendations to the Bank's employees to ensure compliance with the requirements of the applicable legislation; researching data processing procedures within the Bank and evaluating their compliance

with the applicable legislation; advising and assisting business units on privacy matters, particularly when implementing a new process or a product; liaising with the supervisory authority – the Personal Data Protection Service, regarding privacy matters; drafting and maintaining internal policies and procedures as well as awareness programmes on

privacy matters. The DPO reports to the Audit Committee semi-annually on the status of the Bank's privacy strategy implementation. As a result, the Bank's Management Team and the Supervisory Board remain up-to-date on privacy matters at all times.

Awareness raising is one of the key aspects of our privacy framework.

As part of the privacy programme, we conduct awareness campaigns to help our employees recognise privacy concerns and respond accordingly. We provide continuous and role-based privacy training that keeps employees abreast of privacy risks and clarifies their role in mitigating them.

86% completion rate of data protection training

Policies

We maintain a comprehensive set of information security and privacy policies and standards to ensure that we operate in compliance with applicable privacy regulations and in line with best practice. These policies and procedures outline privacy principles and standards we observe

while processing personal data and are:

- regularly revised to ensure that they reflect current legal, regulatory, best practice and internal policy requirements;
- annually reviewed and approved by relevant governance bodies; and
- aligned with recognised industry standards.

Vendor security

We understand that vendors can pose significant risks to our operations and our customers' privacy. To this end, we

perform comprehensive due diligence of a vendor's organisational and technical measures during the

selection process and make sure that necessary contractual and technical controls are implemented.

Transparency

Transparency is a core element of our privacy programme. Our customers are informed in a simple language about our privacy practices, including

how we collect, use, disclose, transfer, and protect their personal information. Our privacy commitments are reflected in our

Privacy Statement and Information Security Statement.

Embedded into operations

Privacy matters are considered in all new processes and projects. We undertake data privacy impact assessments to ensure that our

processes and products comply with data protection legislation once they go live.

Breach of customer privacy

One of the major threats that financial services companies face are cyber incidents. Over the past few years, we have witnessed a number of major organisations falling victim to cyber attacks. Fortunately, neither have our operations been materially

affected, nor have we suffered a breach to date. In 2021, we received six complaints regarding breaches of customer privacy and losses of customer data from our regulatory body – the Personal Data Protection Service. Only one has been identified

as a substantiated complaint. The Personal Data Protection Service has not fined the Bank on any data protection-related complaints.

1

Substantiated complaints concerning breaches of customer privacy and losses of customer data

0

Total number of identified leaks, thefts, or losses of customer data

Operational environmental footprint

As a service business, our direct environmental impact 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 be a more resource-efficient company, to mitigate the negative impacts we may have on the environment,

and to contribute to climate change mitigation. 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. We strive to adopt a “reduce, re-use, and recycle” approach wherever possible.

The direct environmental impact of our business activities arises from electricity, natural gas, and fuel consumption, water use, paper use, as well as through other types of waste produced. We regularly monitor and strive to reduce the use of these resources.

Energy consumption

Types of energy used by the Bank include electricity, natural gas, and fuel oil, the principal type being electricity provided by the national grid.

To be more energy-efficient, our branches are equipped with LED lighting. Remote control lighting systems are installed in new branches.

Since 2018, the majority of our newly opened branches have operated remote heating and air conditioning systems that ensure efficient electricity consumption during non-working hours. Remote control lighting, heating, and air conditioning systems have been installed in 47 Retail branches – covering almost half

of all Retail branches (excluding Express branches).

For information on greenhouse gas emissions, please see pages 145 to 146.

Energy consumption data*

	2019	2020	2021
Electricity (kWh)	17,151,989	17,104,700	17,489,358
Gas (m3)	455,126	432,312	448,718
Gas (kWh, assuming that 1 m³ gas = 9.7 kWh)	4,414,722	4,193,426	4,352,565
Total energy consumption (kWh)	21,565,711	21,298,127	21,841,923

Water consumption

Water consumption by the Bank is limited to “domestic-type use” and cleaning purposes.

Water consumption in 2021 amounted to 59,316m³ (55,052m³ in 2020 and 70,064m³ in 2019).

Paper consumption

In addition to digital records, the Bank retains paper records of some transactions in line with regulatory requirements. In all other cases, we reduce the paper consumption by using digital media and more efficient printing.

Some of the Bank’s departments, such as branches and cash centres, are paper-intensive. In these locations, we have encouraged the use of two computer monitors at work stations and this has also led to a reduction in paper waste.

Since 2018, paper consumption per full time employee (FTE) has reduced significantly.

In addition:

- Back-office paper from the Bank’s headquarters and several large back-office locations is collected and shredded by a secure paper recycling firm. In 2021, c.1.6 tonnes of paper was collected for recycling in this way.
- Documentation from the Bank’s archive, when the retention period expires, is recycled annually. The Bank uses a specialised third-party contractor for this service based on the appropriate service agreement. Approximately 52 tonnes of paper was recycled in 2021.

Paper usage (kg) per FTE**

2019	54
2020	34
2021	35

* Figures on electricity consumption in MWh and gas use in m³ of gas were obtained from BoG’s operational department. To arrive at total energy consumption in kWh, m³ of gas were converted into MWh of gas (1m³ of gas = 0,0097 MWh according to Georgia’s Fourth National Communication to the UNFCCC) and figures were multiplied by 1000. For more information, please see page 147.

** Consumption data from previous years has been updated and paper usage has been recalculated accordingly.

Waste management

In 2019, a new project, Development of a Company Waste Management Plan, was launched by the Bank with the support of Green for Growth Fund (GGF) as part of the Green for Growth Fund Technical Assistance Facility (GGF TAF). The aim of this project was to assist Bank of Georgia in developing a company-wide Waste Management Plan aligned with relevant Georgian legislation. A Waste Management Plan, covering all main

Working with suppliers

Bank of Georgia is one of the largest purchasers in the country, with a variety of suppliers in its supply chain. We are committed to dealing fairly with our suppliers, acting with integrity, and ensuring a responsible supply chain. We are also committed to involving local suppliers in our supply chain and contributing to local business development.

In 2021, local suppliers accounted for 94% of the Bank's total spend on suppliers and represented 93% of all suppliers.

Largest categories of suppliers by spend in 2021:

16%	IT
10%	Professional services
5%	Rent
3%	Marketing
3%	Security and banking equipment
2%	Maintenance and repair

We work with suppliers that share our values and our commitment to having a positive impact in the communities. To this end we incorporate social and environmental risk management practices in our procurement processes.

Suppliers are selected based on merit and in line with business needs. The Bank has a Purchasing Policy and Tender (RFP) Procedures, which define the requirements for supplier selection and appointment:

- We have transparent and objective selection criteria and procedures that ensure fair competition.

locations of the Bank, has been prepared for a three-year period – 2020-2022. Highlights of the Waste Management Plan include:

- training for the Bank's Operations Support department who are responsible for the Bank's waste management process;
- the Bank replaced plastic bags with biodegradable ones, widely

- As part of the Bank's third-party screening process to identify the level of risk which third parties might pose, the Bank carries out the following due diligence processes: indirect investigations, including general research of the activities undertaken by the proposed business partners, such as agents, non-resident vendors, joint venture partners, contractors, suppliers and other third parties, and their reputation.

The Purchasing Policy defines requirements with respect to process transparency to mitigate anti-bribery and corruption (ABC) risks associated with procurement processes.

In 2020, we integrated environmental and social risk management topics into the supplier selection/ procurement process. Environmental and social topics are part of the request for proposal (RFP) form, which is communicated to potential suppliers during the selection process.

To decrease environmental and social 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.

Strong and responsible relationships with suppliers are key for the Bank's operations. Our relationships with suppliers are based on a clear understanding of the Bank's expectations and requirements. We have developed Information Security Policy for Supplier Relationships to ensure the protection of confidentiality, integrity, availability and accountability of the Bank's information assets which may be accessible to or affected by suppliers.

used in the cash collection process; and

- the Bank's old branded inventory was disposed of alongside the waste in line with the environmental regulations through a licensed third-party company at the municipal recycling and sanitation landfill.

To refine our procurement processes and align them with international best practice, in 2021 SAP ARIBA procurement modules were implemented: Suppliers Lifecycle and Performance Management Module (SAP SLP) as part of supplier registration and qualification process and sourcing module (SAP sourcing) as a part of a transparent selection process.

SAP SLP enables us to enhance several aspects of the supplier qualification process, including:

- background check (security screening) and checking conflicts of interest;
- information security due diligence questionnaires for those suppliers who have access to the Bank's information assets;
- personal data protection (Privacy Due Diligence Questionnaire) questionnaires, when relevant; and
- general questions to all suppliers regarding: child labour, illegal immigrants, discrimination, minimum salary, modern slavery statement.

Suppliers' evaluation and qualification on environmental and social issues is done on an annual basis.

SAP sourcing enables us to improve supplier selection process, including the possibility to open RFPs or auctions in one space. Since December 2021, all selection processes have run through the new system, thus ensuring greater transparency and comprehensive reporting in the procurement process, which will enable us to manage supply chain processes and related risks more effectively going forward.

Environmental and social management of our loan book



The Group recognises that its operations have both an indirect and a direct impact on people and the environment, and therefore has established management and mitigation approaches. Indirect

environmental and social impacts are mainly associated with the projects that Bank of Georgia finances whereas direct environmental impacts are mainly related to the Bank's own operations. This section

presents the management approach towards indirect environmental and social aspects related to the Bank's lending activities.

Bank of Georgia effectively manages the potential risks for the natural environment and the communities where it operates associated with the financed projects.

Indirect environmental and social impact

Bank of Georgia is committed to providing responsible finance. The environmental and social management of the Bank's loan portfolio encompasses a systematic identification, assessment, management and mitigation of environmental and social risks associated with the projects that are financed by the Bank's Corporate Banking (CB) and MSME business

segments. All such projects and companies are evaluated based on Bank of Georgia's Environmental and Social (E&S) Risk Management Policy, which was introduced in 2012 and was updated in 2020. The E&S Risk Management Policy is based on international best practice, ensuring responsible lending and monitoring processes to avoid adverse environmental or social impacts.

The E&S Risk Management Policy seeks to facilitate cooperation on environmental and social matters with our partner International Financial Institutions, who have guided us through creation and enhancements of this Policy.

Environmental and social management system

At Bank of Georgia, we are committed to prudently managing the risks associated with our lending activities. The Bank's environmental and social management system (ESMS) enables us to identify potential risks and ensure that our customers are properly managing those risks to avoid negative impacts on the environment and the communities where they operate

The Bank's environmental and social management system (ESMS) integrates E&S risk management into the Bank's decision-making processes for extending credit to our business clients. The Bank's ESMS is based on IFC Performance Standards (PS) and the EBRD Performance Requirements (PRs), which have become the benchmark for environmental and social risk assessments in the lending process. The ESMS enables us to identify, assess, document, mitigate, and monitor the risks and the actual or potential impacts associated with our lending. We also use technical reference documents with general and industry-specific examples of best practices to identify and manage environmental and social risks.

The ESMS and the associated E&S procedures are periodically updated and approved by the Supervisory Board of the Bank to ensure that the Bank's E&S Policy remains fit for purpose and reflects changes in the legal and regulatory environment as well as any changes in the Bank's operations or strategic priorities.

We continue to evolve our approach in response to emerging risks. In 2021, as we started to develop the Bank's climate action strategy and roadmap, with support from the European Investment Bank (EIB), we have started to develop a draft of enhanced procedures to integrate the identification, assessment, and proper management of climate-related risks

and opportunities. We aim to integrate new climate-related procedures throughout 2022 and continue to refine our disclosures in line with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations. For more information on the Bank's climate-related action, see pages 138 to 148.

Environmental and social risk management system

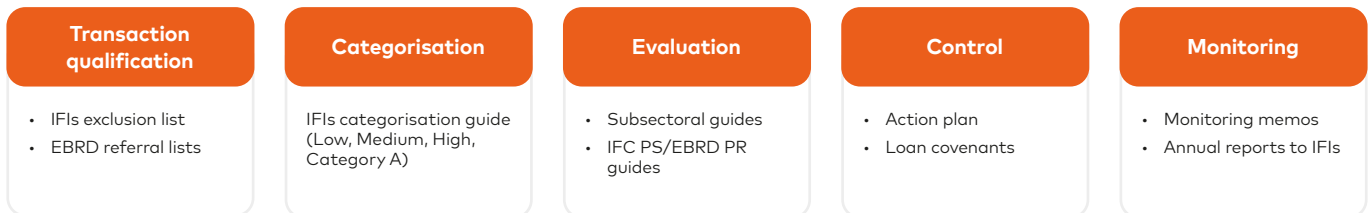
The Bank follows commercially sound practices to ensure that all commercial lending transactions are reviewed and evaluated against applicable environmental and social requirements of Georgia, and any of Bank of Georgia's funders, should those requirements be more stringent than Georgia's legal and regulatory requirements, to the extent such compliance is allowed and feasible in accordance with the Georgian legislation. These requirements include:

- Bank of Georgia's Environmental and Social Management Policy.
- Georgia's environmental, social, health and safety and labour laws and regulations.

- International Labour Organisation Core Labour Standards.
- Applicable international environmental, social, and health and safety conventions that Georgia has ratified.
- IFC Performance Standards (PSs) and EBRD Performance Requirements (PRs).
- Relevant environmental and social requirements of Bank of Georgia's funders, as reviewed from time to time.

For the purpose of E&S risk assessment and management, commercial transactions assessed through ESMS are loans, guarantees, letters of credit and overdrafts issued to clients that are managed by the Bank's Corporate Banking (CIB) and MSME business segments ("commercial transactions").

To ensure effective E&S risk management, we take the following actions:



- All commercial transaction requests received by the Bank are assessed against the Bank's lending policies, Environmental and Social Policy, and the Exclusion List. We do not finance activities that do not comply with these policies or that are included in the Exclusion List. The list of excluded activities can be found in Annex 1 of Environmental and Social Risk Management Policy <https://bankofgeorgia.ge/en/about/management#docs>.
- We do not finance environmentally or socially sensitive business activities outlined in the exclusion lists of Development Finance Institutions, including EBRD, IFC, DEG, FMO and ADB.
- The Bank reviews and monitors the E&S performance of clients with credit exposure of more than US\$ 2 million in accordance with the requirements of the IFC Performance Standards.
- We aim to assess the relative level of environmental and social risk associated with clients' businesses. We require some customers to implement specific environmental or social action plans to avoid or mitigate the environmental and

social impacts and adhere to specific monitoring and reporting requirements that are set to minimise specific E&S risks. These requirements are included as covenants in agreements between our customers and the Bank.

- We aim to regularly monitor environmental and social risks associated with the Bank's activities and assess clients' compliance with the terms of respective agreements. The frequency and type of monitoring is determined based on the type of activity being financed and the level of E&S risk.

The level of E&S risk (low, medium, high or category A) varies greatly for different types of financial transactions and by sector. An E&S risk category for the proposed activity is determined by checking the Environmental Assessment Code of Georgia and by using the E&S risk categorisation lists of IFIs.

Category A projects (developments on greenfield land, or major extension or transformation-conversion projects, which may lead to significant or long-term environmental and social risks and impacts) constituted **5.8% of total MSME and CIB loan portfolio,**

and 3.4% of the Bank's total gross loan portfolio as at 31 December 2021.

In addition, we engage with our customers and provide information on relevant laws and regulations and the Bank's ESMS during our E&S due diligence processes. Our aim is to increase awareness of E&S risks and impacts and support the capacity building in these matters.

In 2021, we initiated a new project – "Training on environmental issues for customers of Bank of Georgia" – to provide training to our business clients on local environmental regulations and requirements, as well as on mechanisms for ensuring compliance with these requirements, on legal sanctions, on state control mechanisms, and on the requirements and implementation mechanisms of the international environmental management system standard ISO 14001:2015.

An information leaflet on Bank of Georgia's approach to managing environmental and social risks is available on the Bank's website at <https://bankofgeorgia.ge/en/about/management#docs>.

Environmental and social risk assessment

The Bank's E&S Due Diligence (ESDD) includes a review and assessment of environmental and social risks and impacts and proposes mitigation measures that are commensurate with the impacts and risks identified. ESDD also evaluates a client's measures to avoid, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment.

Bank of Georgia's ESDD identifies actions that are required for a client to address environmental and social risks and impacts, to ensure that transactions comply with relevant national or international standards and legislation, including the IFC performance standards, where applicable, and the Bank's loan approval conditions. These are set out in the Environmental and Social Action Plan (ESAP), which describes the actions necessary for a borrower to take, such as: (i) implementing mitigation measures or corrective actions; (ii) prioritising these actions; (iii) including the timeline for their implementation and (iv) describing the schedule for reporting to the Bank on the implementation of the action plan. Implementation of the ESAP is monitored by the Bank and includes a timeline and relevant covenants in the loan documentation. Mitigation measures may also be included as separate covenants in a loan agreement.

For E&S risk assessment and management, we routinely rely on a variety of publicly available

environmental and social risk management tools including, but not limited to, EBRD's Environmental and Social Risk Management Manual, IFC's First for Sustainability web-based tools, training modules and guidance for financial institutions available on the IFC's website, as well as IFC and EBRD's sector guidelines.

During the E&S risk assessment process, we engage with our customers to:

- raise customer awareness of environmental, health and safety (EHS) issues and regulations;
- establish a framework for customers to achieve good environmental and social standards;
- encourage companies to adopt best EHS practices and challenge them on ES risks;
- support companies to better understand sector-specific EHS risks and impacts;
- make recommendations and measure EHS progress; and
- support customers in fulfilling their environmental and social obligations

In 2021, based on environmental and social due diligence, Environmental and Social Action Plans were developed for 340 customers, who as at 31 December 2021 had an exposure of GEL 727 million (4.6% of the Bank's total gross loan portfolio).

Environmental and social risk assessment and monitoring process involves a review of periodic E&S performance reports submitted by our customers as well as site visits that we undertake. We pay attention to:

- how effectively the mitigation measures specified in the ESAP have been implemented (if applicable);
- the validity of E&S permits or licences;
- any fines and penalties incurred for non-compliance with E&S regulations;
- recent reports from relevant regulating or inspection authority confirming compliance with specified laws, including any emissions measurements confirming that emissions are below the permitted limits;
- E&S occurrences, including major accidents or incidents associated with a client's operations, including, but not limited to worker injuries and spills;
- media attention to E&S issues related to the client; and
- any complaints submitted by stakeholders.

During 2021, no projects were rejected due to non-compliance with the Bank's Environmental and Social Policy or due to being included in the Exclusion List.

Environmental and social monitoring

We regularly monitor the 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. Our E&S team conducts portfolio-wide reviews of specific sectors, where E&S risks are considered high and, in some cases, we visit high-risk customers on a regular basis. The monitoring of Category A projects and IFC PS-triggered transactions happens annually.

When faced with complex E&S issues or those beyond the in-house team's competencies, a qualified external consultant(s) is hired to undertake the

E&S assessment, especially for Category A projects. We ensure that all activities are environmentally and socially prudent and compliant with applicable legal and regulatory environmental and social standards. All high-risk clients are required to provide the Bank with an annual report on their environmental and social performance, and on the implementation of applicable ESAPs. Any Category A client is required to provide the Bank with an annual E&S performance report. For Category A and high-risk projects, we have our E&S staff visit the sites of operations until major E&S issues are resolved and satisfactorily monitored by our client.

In 2021, we carried out an E&S monitoring and developed ESAPs for 43 customers, with a total exposure of GEL 778 million as at 31 December 2021. The Bank has not received any reports from its customers on any significant accidents or incidents. In addition, during 2021, customers, who were provided with the action plans to identify, avoid or mitigate environmental and social risks, have started to implement our recommendations and consider introducing environmental and social management systems aligned with international standards.

The Bank's Environmental and Climate Risk Management department

Furthermore, to address the challenges of climate change and to ensure the screening of proposed projects to identify potential climate-related risks and impacts in addition to other E&S risks and impacts, the Bank expanded the responsibilities of the Environmental and Social Risk Unit in 2021 and established an Environmental and Climate Risk Management department. A dedicated E&S expert team has been in place since 2013, under the Risk function. The head of this department reports directly to the Deputy CEO-Chief Risk Officer.

The team undertakes preliminary environmental and social due diligence of customer operations and projects funded by the Bank and recommends appropriate covenants to be included in credit documents that are monitored throughout the credit cycle.

The team ensures the implementation of Bank of Georgia's environmental and social risk management policies, monitors the Bank's environmental, social, and climate risk profile and performance, ensures data consolidation with respect to

environmental, social, and climate-related risks within the Bank, and handles environmental, social, and climate-related communications. Going forward, the team will report the progress and the performance achieved in the area of environmental, social, and climate-related risk management to the Environmental and Social Impact Committee, comprising members of the Management Team, which will be reporting to the Supervisory Board of the Bank semi-annually.

Reporting to our international stakeholders

In 2021, Bank of Georgia reported on its environmental and social performance as part of its commitment to provide annual environmental and social performance reports to multiple international development finance organisations. These reports take

into consideration Bank of Georgia's E&S performance when granting loans as well as internal operations and policies. The reports include portfolio information broken down by industry and transaction type, as well as a progress report on the implementation of Bank of Georgia's

ESMS. We value keeping an open dialogue on our ESMS with our partner international financial institutions to get their feedback on our management system and best practices.

External communications – grievance mechanism

Procedures for addressing external queries and concerns, developed within the framework of ESMS, enable any stakeholder to submit queries or concerns related to the Bank's E&S Policy or any other aspects related to the Bank's operations. We are committed

to responding to those queries in a timely and effective manner. The grievance mechanism is available on the Bank's website and anyone can send an email with questions or concerns to customerservice@bog.ge (as listed on the website), or can submit their questions or concerns

in a written form to the Bank's Chancellery department.

In 2021, no major E&S complaints were received by the Bank. We will continue to engage with our stakeholders and address any issues or concerns raised.

Training

Training activities play a critical role in the effective management of E&S and climate-related risks in our lending portfolio. In 2021, to enhance our understanding of environmental and climate-related issues and build internal capacity, we held training sessions for the E&S team and relevant employees of the Bank involved in environmental, social and climate risk management processes.

The training included webinars and covered a variety of topics, including climate and sustainable finance, ESG standards and SDGs, sustainability reporting, green taxonomy, IFC Performance Standards, renewable energy investments and energy efficiency, green and affordable housing.

To increase awareness of environmental and social risk

assessment and management across the Bank, we, together with an international sustainability consultant, developed an online E&S training module, now accessible to all employees via our corporate learning system. A mandatory training course on E&S risk assessment, reflecting key E&S Policy requirements and international standards, is undertaken by relevant employees and new hires.

273

Training hours spent on environmental and social topics in 2021

Climate-related disclosures

Background on climate change

Climate change is one of the most pressing global challenges as it impacts lives and whole socioeconomic systems across the world

The release of greenhouse gas (GHG) emissions into the atmosphere has led to rising global temperatures and more unpredictable weather patterns, posing major threats to current and future generations. In 2015, 197 nations, including Georgia, committed to the goals of the Paris Agreement to limit global warming to 2 degrees Celsius (°C) above preindustrial levels, while pursuing the means to limit the increase to 1.5°C.

Climate change issues in Georgia:

With its rich biodiversity and economic dependence on climate-sensitive sectors, such as agriculture and tourism, Georgia is vulnerable to the effects of climate change. As described in Georgia's Fourth National Communication to the UNFCCC (2021), the impacts of climate change have already been observed in Georgia:

- In 1986-2015, compared to 1956-1985, mean annual ground air temperature increased in the range of 0.25–0.58°C.
- During the same period, precipitation in western Georgia mainly increased, although it decreased in some eastern regions.
- The trend to intensive and frequent natural hydrometeorological events (floods/flash floods, snow avalanches, strong winds, droughts, etc.) has increased.
- The level of the Black Sea rose by 0.7 metres on the Georgian coast between 1956 and 2007, and the

frequency of storms increased by more than 50% over the same period.

Expected impacts of climate change:

The adverse impacts of climate change are projected to increase in the future. Without mitigation and adaptation measures, climate-sensitive sectors will become more vulnerable. The following projections have been made for Georgia:

- Under a high emissions pathway, average temperature may increase by up to 4.9°C above the 1986–2005 baseline by the 2090s; the frequency of heat waves is projected to rise significantly.
- Rapid retreat of glaciers is expected. By the end of the 21st century, rivers that are fed by glaciers and snow might see reduced flow levels of 30% to 55%.
- More intense rainfall will increase the likelihood of landslides, floods, avalanches, and mudflows.
- The probability of severe droughts is projected to rise, especially for the eastern and central areas of Georgia.
- Global sea level could rise by 0.74 metres or more by the end of the 21st century.

These changes may have negative effects on biodiversity, agricultural output, human health, energy supply and other parts of Georgia's nature, economy, and society.

Policies to address climate change:

In 1990, Georgia's GHG emissions amounted to 45,813 gigagrams CO₂ equivalent (Gg CO₂eq). When the Soviet Union collapsed, emissions fell sharply and reached a low in 2001 (9,592 Gg CO₂eq). Following a subsequent rebound in economic activity, GHG emissions have continued to rise and amounted to 17,766 Gg CO₂eq in 2017 or about 0.03% of total global GHG emissions. Emissions are projected to increase in the coming years if no concrete action is taken, particularly in the largest emitting sectors, such as transport and industry. To address the impacts of climate change and meet the objectives of the Paris Agreement, Georgia has developed several climate action strategies and policies. The following are its key goals:

- By 2030, to reduce total GHG emissions by 35% compared with the 1990 level and to limit emissions in sectors such as energy and transportation.
- To support renewable energy generation and transmission.
- To support the development of low-carbon approaches in the building, industry, waste, and agriculture sectors.
- To set national energy-saving targets in private and public sectors, particularly focusing on energy efficiency in buildings.

Changing climate presents both risks and opportunities for Georgia, its people and companies and thus for the financial services sector. The Group recognises its role in addressing this global challenge. The Group initiated its climate journey in 2021 and with this year's report starts reporting in line with the four pillars defined by the TCFD: Governance, Strategy, Risk Management, and Metrics & Targets, each with focus on the Group's main operating entity, the Bank, which constituted 94.7% of the Group's total assets as at 31 December 2021.

Georgia's Fourth National Communication to the UNFCCC (2021),

https://unfccc.int/sites/default/files/resource/4%20Final%20Report%20-%20English%202020%2030.03_0.pdf;

Georgia's Updated 2021 Nationally Determined Contribution (NDC),

https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Georgia%20First/NDC%20Georgia_ENG%20WEB-approved.pdf

The World Bank Group and the Asian Development Bank (2021): Climate Risk Country Profile: Georgia,

<https://openknowledge.worldbank.org/bitstream/handle/10986/36382/Georgia-Climate-Risk-Country-Profile.pdf?sequence=1&isAllowed=5>

WBG Climate Change Knowledge Portal (CCKP 2020): Georgia. Climate Data. Projections,

<https://climateknowledgeportal.worldbank.org/country/georgia/climate-data-historical>

OurWorldInData.org: Georgia: CO₂ country profile.

<https://ourworldindata.org/co2/country/georgia>

Governance

Board and Committees

The Board of Directors oversee the Group's operations and ensure that it is being managed in accordance with its strategies and targets. In 2021, the Board was informed of the Bank's climate action and reviewed its progress during two quarterly Board meetings (09/21, 12/21). The Board will continue to be actively involved in ensuring the quality and efficacy of Bank of Georgia's approach to managing climate-related matters:

- The Board is responsible for reviewing the Group's strategies, policies and budgets. The Board, focusing on the Bank as the main operating entity in 2021, decided that starting with the launch of a climate action strategy in 2022 (forthcoming), climate-related issues will be integrated incrementally into the Bank's guidance documents.
- The Board regularly examines opportunities and risks as well as the measures taken as a result. Climate-related risks and opportunities are now on the Board's regular agenda.
- The Board also considers performance against the objectives defined in the Bank's strategies. Bank of Georgia's climate action strategy defines relevant objectives for climate change mitigation and adaptation.

Management

To anchor climate change and other sustainability-related topics at the management level, at the instruction of the Supervisory Board, Bank of Georgia established a new committee – the Environmental and Social Impact Committee, comprising Management Team and senior managers, including the Bank's CEO, CRO, COO, CFO, CLO, Head of HR and Customer Experience, Chief Marketing Officer, Head of Investor Relations, Head of Funding. The Committee will be responsible for managing the Bank's climate, environmental and social impacts, focusing on those arising from the Bank's lending activities.

- The Supervisory Board of the Bank, as exemplified in its statute, adopted in accordance with the requirements of the NBG, bears the overall responsibility for the Bank's E&S strategy and its implementation, as well as direct responsibility to duly oversee the Bank's E&S risk management framework and build the E&S governance structures that will ensure proper attention to E&S issues and fulfilment of the Bank's strategic goals in this regard.

In December 2021, the Supervisory Board of the Bank decided to maintain primary decision-making and reporting on E&S and climate impacts associated with the Bank's lending activities at the full board level. To ensure this, the Supervisory Board has instructed the Bank's management to create the Environmental and Social Impact Committee on management level, which shall be the primary responsible body to report to the Board semi-annually on the progress of the Bank's implementation of its environmental, social and climate strategies and policies, as well as on the due functioning and enhancement of the Bank's ESMS.

The Committee will be primarily responsible for designing, implementing, and enhancing the environmental, social and climate strategies and policies, and for setting and monitoring targets. The Committee intends to further embed E&S risk awareness and E&S risk management in the Bank's daily operations.

The Environmental and Social Impact Committee is supported by a cross-functional Climate Working Group (CWG), which was established in 2021 to develop Bank of Georgia's climate action strategy, design new processes and methodologies, and to contribute

The Bank's performance is regularly monitored by the four committees that report to the full Board. Starting in 2022, they will take the following responsibilities for climate-related issues:

- Risk Committee: Primary responsibility for risk management at Board level, including climate change as an emerging risk within the Bank's portfolio.
- Audit Committee: Assesses the quality of reporting, including climate-related sections.
- Nomination Committee: Will take climate-related expertise into consideration when approving Board and management positions.
- Remuneration Committee: Will consider how management performs against climate-related targets (integrated into KPIs/KBOs on environmental, social and governance (ESG) aspects).

Climate-related issues will be integrated into the regular process for reporting to the Board and Committees. Bank of Georgia's Environmental and Social Impact Committee will directly report to the Board semi-annually.

to preparing climate-related disclosures. Key people from the Bank's Corporate Banking (CB) and MSME Banking segments, Risk departments, Legal, ECRM, Investor Relations and Funding departments participated in regular meetings. The CWG met weekly in 4Q21 and continues its work in 2022.

Strategy

Risks and opportunities for Bank of Georgia under different scenarios

Climate-related risks may adversely impact the Bank in both direct and indirect ways.

- **Direct:** Climate-related risks that impact the Bank through damages to its physical assets, activities and operations.
- **Indirect:** Climate-related risks that impact the Bank primarily through its loan portfolio.

Climate-related risks arise due to physical or transitional effects of climate change and manifest through

more common risk types, including credit risk, market risk, operational risk, reputational risk, among others.

Physical risks result from climate and weather-related events (e.g., floods, droughts), while **transition risks** arise from changes that result from moving towards a low-carbon economy (e.g. new climate policies or changes in consumer preferences).

The transition to a low-carbon, climate-resilient economy also creates opportunities for the financial sector

to channel funds to finance innovative green products and services that meet growing sustainable investment needs, such as investing in climate-smart agricultural technology or increasing energy efficiency in buildings.

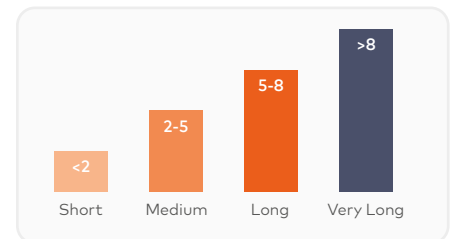
Bank of Georgia has taken steps to integrate these risks and opportunities into its risk assessment and management framework and will continue to do so as part of an ongoing commitment to building more resilient and sustainable communities.

In 2021, we carried out exercises to analyse our resilience using a variety of timeframes...

Climate risk identification needs to inform Bank of Georgia’s regular risk management processes and should therefore be done considering our standard time horizons. The short-, medium- and long-term time spans were defined to reflect internal procedures and indicators, such as financial planning, strategic planning and average loan maturity. Only a small share of our loans – around 12% of the corporate portfolio and 25% of

our mortgages – have maturities that extend beyond 2030. Nevertheless, we have defined a fourth timeframe (very long) to ensure that climate risks that may manifest over the longer term are also adequately evaluated and considered by the Bank. The fact that climate change risks have to be mitigated before they arise makes it necessary to expand our horizons. We are committed to building our capabilities and processes

to ensure that “very long-term” risks are adequately identified and managed.



... and scenarios describing different pathways into the future.

Scenario analysis assists in the identification, measurement, and ongoing assessment of climate risks over the longer term, and will enable us to better evaluate the potential threats to the Bank’s strategic objectives and its ability to create value over the longer term.

We started to use scenario analysis in 2021, combining our research of climate change and climate policies in Georgia with selected terminology, assumptions and narratives from the scenarios developed by the Network for Greening the Financial System.

Our approach to scenario analysis is currently qualitative in nature. It will be refined in 2022 and beyond, e.g. by further specifying assumptions and developing case studies.

Transition risks, 2022-2030, "Nationally Determined Contribution" scenario:

Although the effects of climate change will only become more tangible over the next few decades, it is important for Bank of Georgia to understand the more immediate impacts. This period was assessed assuming that the Georgian Government will drive action to achieve the GHG reduction goals identified in its Updated Nationally Determined Contribution (2021).

Transition risks, 2030-2050, "Delayed Transition" scenario:

This period was assessed using the "delayed transition" scenario, which assumes that Georgia would initiate highly ambitious climate change mitigation and adaptation policies from 2030 onwards – building on and enhancing the climate policies described in the climate background information on page 138. After 2050, the transition will slow down because most relevant technologies and systems will be low or zero carbon. Transition risks would be highest under this scenario.

Physical risks, from 2040 onwards, "Current Policies" scenario:

Projections show that under the "current policies" scenario, temperatures and related physical risks will start to rise significantly in 2040 compared with the "delayed transition" scenario. The "current policies" scenario assumes that Governments do not increase the level of ambition of their climate policies beyond today's level. Physical risks would be highest under this scenario.

We have identified Bank-wide climate-related risks over the short, medium and (very) long term.

Type of risk	Definition of risk	Main impacts of climate change (physical and transition risks)	Impact severity		
			<2030	>2030	>2040
			Nationally Determined Contribution	Delayed Transition	Current Policies
Credit	Credit risk is the risk that the Bank will incur a loss because its customers fail to discharge their contractual obligations.	Both climate policy (transition risks) and climate change (physical risks) can negatively affect borrowers' repayment capacity and value of collateral.	Low	Low/medium for many sectors, but high for others (e.g. electricity production, agriculture – see heatmap on the next page); location-specific risks still to be determined	
Liquidity	Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances.	Affected borrowers cannot pay back loans or withdraw deposits, thus reducing Bank of Georgia's liquidity. If sovereign or bank credit ratings are downgraded, the availability of wholesale funding decreases and cost of funding increases.	Low	Low/medium	High
Capital	Capital risk is the risk that the Bank will fail to meet the minimum capital adequacy requirements set by the regulator.	Borrowers' repayment issues can negatively affect the credit quality of Bank of Georgia's portfolio, requiring increased loan loss provisions and adjusted risk-weighted assets.	Low	Medium	High
Market	Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange, and equity prices.	Bank of Georgia is mostly exposed to foreign exchange and interest rate risks. Physical and transition risks can cause global economic downturn and an increase in market volatility affecting interest rates and currencies.	Low	Medium	Medium
Operations	Operational risk is the risk of loss arising from systems failure, human error, fraud or external events.	Climate change can interrupt Bank of Georgia's regular operations and increase costs to maintain effective business resilience (especially Back-office processes and data centres). Affected borrowers could potentially conduct fraud.	Low	Low/medium	Medium
Reputation	Reputational risk is the damage that can occur when failing to meet stakeholders' expectations.	Lack of meaningful climate action could affect Bank of Georgia's reputation among investors and customers. Bank of Georgia's reputation could also suffer if it struggles with other climate-induced challenges that affect the continuity and quality of its services.	Medium	Medium/high	Medium/high

Notes on methodology: Bank of Georgia is currently working on aggregating existing risk management policies into a common risk management language across the Bank. In the absence of a common methodology, the impact of climate-related risks was assessed by answering the following questions:

- (1) Identification of risk drivers and transmission channels: How climate change interrelates with and increases existing banking risks.
- (2) Assessment of impact severity:

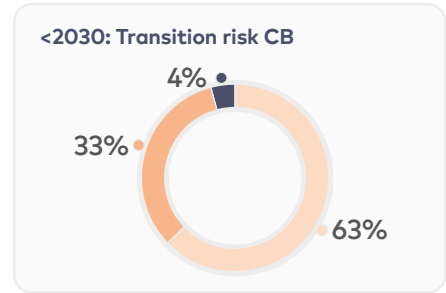
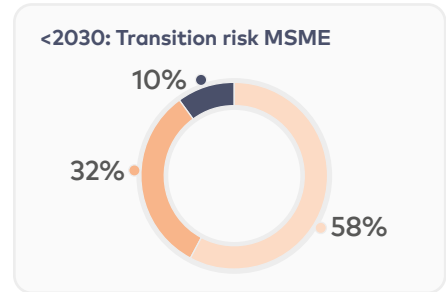
How strongly Bank of Georgia will be affected by the magnified risks, considering different time horizons and scenarios. Impact can be low, medium or high. Assessment methodologies differ between risks.

Bank of Georgia typically calculates risk by multiplying impact magnitude by likelihood. For climate risk, the likelihood of each scenario and the corresponding impacts were not assessed in 2021 due to methodological challenges. We anticipate that this will be addressed in 2022.

We have found that risks will not differ significantly between the defined short-, medium- and long-term timeframes – that is within the next eight years – which is why the results are presented together in the column “<2030”.

We will continue to work on refining our approach to Bank-wide climate-related risk assessment going forward.

Climate change can affect Bank of Georgia especially through its impact on the lending portfolio. A preliminary portfolio-level qualitative analysis of our corporate and MSME portfolios – making up 58.1% of the Bank’s total gross loan portfolio at 31 December 2021 – has helped us understand hypothetical risks for different sectors.



■ Low
■ Medium
■ High
■ Very High
■ Unknown

Notes on methodology: Figures are as at 31 December 2021. “Delayed Transition” and “Current Policies” are extreme scenarios for transition and physical risks, respectively. We assumed that the structure of the balance sheet stays the same to assess long-term risks within our portfolio. The assessment was conducted at the level of over 400 individual activities and aggregated for the sectors presented above. For transition risks, estimated greenhouse gas emissions and potential contribution to an efficient

reduction of such emissions were evaluated. For physical risks, basic parameters such as an activity’s dependence on water, vulnerability against extreme weather events and the need for raw materials were considered. Location-specific risks as well as individual borrowers’ characteristics, such as existing low carbon transformation plans or adaptive capacities, were not considered in 2021 due to lack of data. We will continue to enhance our analysis at activity- and sector-level and take the necessary steps to

increase the availability of data and understanding of risks at location- and counterparty-level. Risks for our Mass Retail and Premium Banking portfolio (mostly mortgages) have also not been assessed in detail yet, as such risks depend to a high degree on individual borrowers’ characteristics and on the location of the activity or asset financed. We aim to also understand climate-related risks for our mortgage portfolio, using location-specific data.

% exposure to carbon-related assets* in the Bank's gross loan portfolio

19.7%

* As at 31 December 2021 equals GEL 3,188 mln. We define "carbon-related assets" to be those assets tied to the four non-financial groups identified by the TCFD. The following industries are included: Oil and Gas – Coal – Electric Utilities – Air Freight – Passenger Air Transportation – Maritime Transportation – Trucking Services – Automobiles and Components – Metals and Mining – Chemicals – Construction Materials – Real Estate Management and Development – Beverages – Agriculture – Food, Paper and Forest Products.

% exposure to fossil fuel and coal-related assets** in the Bank's gross loan portfolio

3.2%

** As of 31 December 2021 equals GEL 507 mln. This number includes exposures to wholesale of solid, liquid and gaseous fuels and related products, retail sale of automotive fuel, electricity production from natural gas and cement production which uses coal as a fuel. We have no exposure to prospection, exploration and mining of fossil fuels or electric utilities using coal.

Bank of Georgia also sees opportunities in the transition to a low-carbon economy – it will be crucial to provide credit to existing and new customers

Bank of Georgia works with donors such as the Green for Growth Fund (GGF) and the European Bank for Reconstruction and Development (EBRD) to provide green financing to our clients. Through our "Energy Credit", we offer companies credit to buy their own solar power plants. Other green financing is directed mostly at large-scale renewable

energy (hydropower plants) and construction projects.

There are additional opportunities in Bank of Georgia's portfolio, for example, related to the financing of energy efficiency measures in buildings and industry. The NBG is currently developing a taxonomy of green activities, and this which will help us identify

green opportunities. We started to assess green opportunities in 2021, using the NBG's draft taxonomy as the basis and considering factors, such as market demand, public policies and support schemes. We will refine this opportunity analysis in 2022 and also work on reducing hurdles for green financing, particularly those related to the costs of data collection.

Total outstanding green finance*** (GEL mln)

462.9

*** As at 31 December 2021 equals 2.9% of the Bank's gross loan portfolio. This includes investments in hydropower plants, solar panels and measures that are in line with our donors' eligibility criteria.

How climate change affects our strategy

Bank of Georgia has committed to supporting Georgia's climate-related goals

Resulting from the analysis of risks and opportunities, Bank of Georgia has developed a climate action strategy (forthcoming). Through this, we intend to contribute to Georgia's transition to a low-carbon economy and to the country's climate-related goals and to effectively manage climate-related risks.

Monitoring and managing climate and environmental risks: Bank of Georgia will regularly assess climate-related physical and transition risks across our portfolio. In 2022, we will start collecting and processing relevant data from borrowers and engage with them to raise awareness of climate-related risks and opportunities. We will ensure to appropriately manage

our portfolio's climate risk profile and new credit origination in line with our overall risk appetite.

Supporting the transition to a low-carbon, resilient economy:

We strive to provide our clients with adequate climate finance options to ensure that they can implement credible, safe, innovative and high-quality climate solutions. We will actively explore the opportunities to extend climate-related financing to different sectors and clients.

Anchoring climate expertise firmly in our skill set:

We are committed to enhancing climate-related capabilities across the Bank and to building a comprehensive toolkit for climate-

related risk and opportunity management.

Our climate action strategy will be implemented over the next years, in line with a concrete action plan that is to be developed in 2022. Risk and opportunity analysis will be repeated regularly and will inform the updates of the strategy.

Risk management

Bank of Georgia is committed to addressing climate risks through risk identification and evaluation and risk management that is integrated into standard risk management procedures

Risk identification and evaluation

Bank of Georgia has an environmental and social management system in place, for which capacities have been built and processes defined. Climate is a complex topic that requires expertise from across the Bank and beyond. To further accelerate progress, we have engaged with third-party consultants to support the development of our climate risk management framework and high-priority sector analysis, thereby extending our assessment capabilities for quantifying climate risk.

In 2021, we conducted the following exercises to identify climate risks:

Qualitative analysis of the effect of climate change on enterprise-wide risks: We analysed how the transition and physical effects of climate change can drive credit, liquidity, market, capital, operational and reputational risk for the Bank over "short-term" (i.e. one to two years) to "very long-term" time horizons (i.e. over eight years) and for different scenarios (see previous pages). Several departments were involved in the analysis, including Enterprise-wide risk management (formed in 2021), Operational risk, Credit risk and ECRM Department. The methodology, described on page 142, will be updated in line with the development of our new Bank-wide risk management framework in 2022.

Integrated risk management

Beyond standardised risk identification and assessment, Bank of Georgia has undertaken the following steps to manage climate-related risks and opportunities:

Integration of climate-related risks in our enterprise-wide risk management framework: The enterprise-wide risk management framework is currently being updated, which provides a unique opportunity to build climate-related risk assessment into its design. As a first step, climate-related risks became an integral part of our risk inventory. In 2020, the Group identified climate change as an emerging risk for the first time. In 2021, the magnifying effects of climate change on traditional banking risks were assessed. This assessment

Preliminary qualitative analysis of climate-related risks in our portfolio:

We determined transition and physical risks (on a scale from 0-no risk to 4-very high risk) for over 400 activities conducted by our clients and aggregated risks for 25 sectors. The analysis was conducted by the ECRM department together with business segments (CB and MSME) and Credit Risk departments. Bank of Georgia is currently working on an approach to assessing physical risks for locations in which our clients are active. Starting from 2022, we will start collecting data from clients in a standardised manner through an updated due diligence. This data will allow us to continuously improve our understanding of sectors, clients and asset classes that contribute to climate change through GHG emissions or that are vulnerable to the physical effects of climate change.

Estimating alignment of selected clients with the goals of the Paris Agreement:

We used the Paris Agreement Capital Transition Assessment (PACTA) tool to assess the alignment of selected clients from the steel and cement sectors with low-carbon development pathways. The results will be refined and interpreted in 2022.

will be refined in 2022. Further steps will be taken to integrate climate into overall risk assessment and monitoring. We are, for example, assessing whether and how to reflect climate risk in our Risk Appetite Statement and in our Credit Policies.

Integration of climate considerations in our due diligence process:

Data is key to understanding climate risks and opportunities. We have decided to update our loan appraisal process and software to collect and automatically evaluate our clients' activities and locations and will start to implement these changes in 2022. Moreover, we have scrutinised our Environmental and Social Management System (ESMS).

Developing an approach for measuring financed emissions:

We explored different options for calculating GHG emissions in our loan book. As described by the Partnership for Carbon Accounting Financial's "Global GHG Accounting and Reporting Standard for the Financial Industry", GHG emissions should ideally be calculated on a borrower-by-borrower basis, using publicly reported and verified emissions data or country-specific emission factors. Yet, emissions reporting is not common practice in Georgia and country-specific emission factors have not been developed yet. Hence, we developed and piloted an approach that will allow us to estimate selected individual clients' GHG emissions using best available data. Moreover, we are testing a methodology to estimate emissions from our highly granular MSME portfolio, using a combination of borrower-specific and statistical data.

The methodologies used will be refined in 2022 and will be regularly updated to reflect internal and external developments. Each step will be repeated at regular intervals.

In 2022, we will start developing an approach to engage our corporate clients with our climate risk insights to better understand their adaptation and mitigation plans and assess how to best serve their sustainable financing needs.

Building climate-related risk management capacities:

Capacity building is crucial to ensuring that climate-related risks and opportunities are considered in every credit decision. In 2021, 31 employees from business segments, risk management, legal, strategy, investor relations, operational support, funding and ECRM departments participated in one or more of the following training programmes:

- Awareness raising on climate change, climate finance and climate risk management
- Workshop on the calculation of own GHG emissions, with a focus on Scope 3 emissions
- Workshop on Scope 3 emissions in the portfolio/financed emissions
- Workshop on climate-related risks
- Workshop on climate-related opportunities
- Workshop on TCFD reporting

Metrics & targets

Bank of Georgia uses metrics recommended by the TCFD to measure our impact on climate change and the effects of climate change on our business model and operations

Metric	Rationale and targets
GHG emissions: Absolute Scope 1, Scope 2, and Scope 3; emissions intensity	GHG emissions are an important indicator to help us understand our direct and indirect impact on the climate and exposure to potential transition risks. Bank of Georgia measures emissions generated through its operations. As shown in the overview of GHG emissions below, we have a clear picture of our Scope 1 and 2 emissions and are currently working on expanding our understanding of Scope 3 emissions.
Percentage of lending vulnerable to climate-related transition and physical risks, relative to total lending	Transition and/or physical risks for our borrowers can translate into credit risks for Bank of Georgia. It is important for us to measure our exposures and manage them in a way that limits risks to an acceptable level. We will ensure to appropriately manage our portfolio's climate risk profile and new credit origination in line with our overall risk appetite.
Percentage of carbon-related assets, relative to total assets	Carbon-related assets are widely understood as a proxy for the financial sector's exposures to climate-related transition risks.
Amount of lending aligned with climate-related opportunities, relative to total assets	Banks can provide significant support to enable the transition to a low-carbon, resilient economy by providing climate-related financing. Seizing climate-related opportunities can become a source of significant revenue as the Government's, economy's and society's climate ambitions continue to grow. We are actively exploring the opportunities to extend climate-related finance to different clients in different sectors.
Forward-looking metrics	According to TCFD, organisations should consider providing forward-looking metrics on climate risks. These could include metrics on the alignment of business activities with a temperature pathway well below 2°C ("portfolio alignment"). As described above, Bank of Georgia piloted an analysis of selected clients' alignment with low carbon pathways using the PACTA tool in 2021. The results will be analysed and used to refine portfolio alignment methods in 2022.

GHG emissions

The Bank has measured its GHG emissions annually since 2012. We report our GHG emissions and energy use consistent with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. In addition, we have reported on Scope 3 emissions.

The data is collected and reported for the Bank as the main operating unit and the core entity of the Group, including its offices and retail branches where the Bank has operational control. All reported sources fall within our Consolidated

Financial Statements (see pages 256 to 368. We do not have responsibility for the emission sources that are not included in our Consolidated Financial Statements. In addition to our operations in Georgia, we use a small shared office space in the UK (total annual electricity consumption less than 5,000kWh). We do not consider emissions generated in the UK as material emission sources for the Group's main operations in Georgia (i.e. they are substantially less than 2% of total emissions*) and thus we did not include them in calculations. Bank of Georgia Group has other subsidiaries, as does the Bank. In 2022, we will determine how to proceed with the monitoring

of GHG emissions from these subsidiaries.

In preparing our emissions data, we followed the guidelines of the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition 2016) as a reference source. The control approach was used for all operations of Bank of Georgia.

* Page 47, HMRC Department for Environment and Rural Affairs (Defra), Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance. March 2019 (Updated Introduction and Chapters 1 and 2) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf

Scope 1 includes emissions from:

- Combustion of natural gas, diesel and petrol in stationary equipment at owned and controlled sites
- Combustion of petrol, diesel and aviation fuel in owned transportation devices

Scope 2 includes emissions from:

- Used electricity at owned and controlled sites; we have used the UNFCCC Harmonized Grid Emission Factor (GEF) data set for Georgia for our Scope 2 emissions

Scope 3 includes emissions from:

- Fuel- and energy-related activities; waste generated in operations; purchased goods
- Air business travel: short and long haul (information on the class of travel is unavailable, hence, we used an "average passenger" conversion factor); hotel accommodation; land transportation by outsourced vehicles

Bank of Georgia GHG emissions 2019 – 2021

		2019	2020	2021		
Category	Emission source category	t CO ₂ e	t CO ₂ e	t CO ₂ e		
GHG Protocol Standards: Corporate Scope – 1 and 2, Value Chain – Scope 3	Scope 1	Direct emissions arising from owned or controlled stationary sources that use fossil fuels and/or emit fugitive emissions Fuels	920.57	874.42	907.60	
		Direct emissions from owned or controlled mobile sources Passenger vehicles	1,162.58	1,022.61	1,089.53	
	Scope 2	Location-based emissions from the generation of purchased electricity, heat, steam or cooling Electricity	1,629.44	1,624.95	1,661.49	
	Scope 3	Fuel- and energy-related activities	All other fuel- and energy-related activities	547.20	488.54	545.58
			Transmission and distribution losses	343.90	342.95	350.66
		Waste generated in operations	Waste water	49.61	38.98	42.00
			Waste	0.06	0.06	0.09
		Purchased goods	Water supplied	24.10	18.94	20.40
			Material use	313.39	200.40	224.81
		Business travel	All transportation by air	145.84	9.82	19.90
Emissions arising from hotel accommodation associated with business travel	9.30		-	2.07		
	Land transportation by outsourced vehicles	545.47	471.34	614.96		
Scope 1		2,083.15	1,897.03	1,997.13		
Scope 2		1,629.44	1,624.95	1,661.49		
Scope 1+2		3,712.60	3,521.98	3,658.62		
Scope 3		1,978.87	1,571.03	1,820.48		
Total emissions		5,691.47	5,093.01	5,479.10		
tCO₂E/employee		0.97	0.87	0.88		
Full-time employees		5,879	5,821	6,207		

Data is provided by on-site delegates, invoices and meter readings.

Notes on methodology: We have used the most recent Georgia electricity conversion factor provided by JRC*. GHG emissions from business flights were calculated using the ICAO online calculator. GHG emissions from overnight hotel stays were calculated on a "room per night" basis, with emission factors based on Cornell Hotel Sustainability Benchmarking Index (CHSB) Tool, version 2. Further conversion factors for the 2021 calculations were taken from the 2020 UK Government GHG reporting: conversion factors**.

To allow for better comparability over the last three years, GHG emissions for 2019 and 2020 have been remodelled using the stated

Scope 3: Financed emissions

In 2021, Bank of Georgia took the first steps towards assessing financed emissions. This included identification, evaluation and selection of assessment methods, prioritisation of asset classes, client segments and sectors/activities with high expected GHG emissions and a significant share in the portfolio, and application of selected methods to priority clients in order to test methods and derive first results.

methodological approach for 2021. Changes in GHG emissions for the years 2019 and 2020 are due to more accurate emission factors, updated activity data for gas, electricity and fuel used as well as an expansion of monitoring to additional Scope 3 emission sources.

One emission category with a potentially relevant impact on the overall GHG inventory is 'Employee Commuting' in Scope 3 emissions. For the years 2019 – 2021 no activity data is available for calculation or estimation of GHG emissions. Bank of Georgia will consider whether and how to monitor this emission category more closely in the coming years.

It was determined that, where possible, the "Global GHG Accounting and Reporting Standard for the Financial Industry" developed by the Partnership for Carbon Accounting Financials (PCAF) will be used. Where not possible, estimation methods will be applied as an interim approach.

We have started collecting data to support the monitoring of high-carbon borrowers' emissions and

* JRC Guidebook – How to Develop a Sustainable Energy and Climate Action Plan in the Eastern Partnership Countries, European Commission, Ispra, 2018, JRC113659, http://com-east.eu/media/k2/attachments/Com_east_guidebook_2018.pdf

** Department for Business Energy and Industrial Strategy (BEIS), Greenhouse gas reporting: conversion factors 2020, <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>

will refine our approach in 2022. Many challenges still remain to ensure efficient and robust measurement of Scope 3 emissions. We will work on improving our ability to measure financed emissions. In 2022 we aim to assess emissions for energy-intensive clients in the CB portfolio (20%-30% of the CB portfolio) and to incrementally publish more detailed information on financed emissions in our annual reports in the future.

Looking forward

Bank of Georgia started disclosing its climate-related initiatives in 2021. We believe we have covered all TCFD Recommendations and Recommended Disclosures, providing information on relevant decisions

and on how we have made them. Nevertheless, we acknowledge that we are still at the outset of our climate journey and plan to move from testing methodologies and preparing changes to fully integrating

climate-related risks and opportunities into relevant processes across the Bank. Climate-related disclosures will incrementally become more detailed.

Recommended disclosures

Way forward for 2022

Governance

Describe the board's oversight of climate-related risks and opportunities.

We will clearly define and disclose climate-related tasks and responsibilities, from the Board to credit officers.

Describe management's role in assessing and managing climate-related risks and opportunities.

We will work on integrating climate-related issues into the regular process for reporting to the Board and Committees.

Training and upskilling colleagues across the Bank will be a key priority.

Strategy

Describe climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

We will continue to conduct climate-related risk and opportunity analysis and disclose relevant results.

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

We will publish and start to implement our climate action strategy and review it later in 2022, considering the results of our climate-related research and analysis.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Improving our risk assessment capacities (see below) will also allow us to better understand the resilience of our strategy.

Risk management

Describe the organisation's processes for identifying and assessing climate-related risks.

We will refine and expand our risk assessment methodologies, including by further substantiating scenario analysis and developing methodologies for evaluating location-specific physical climate risks and risks for our mortgage portfolio.

Describe the organisation's processes for managing climate-related risks.

To enhance credit risk assessment and manage risks, we will start collecting data from our business clients in a standardised manner through an updated due diligence.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

We will deepen our analysis of climate finance opportunities and test approaches to making data collection more efficient.

We will integrate climate into our new enterprise-wide risk management framework, e.g. by reviewing our risk appetite as well as policies for managing a number of principal risk types.

Metrics and targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

We have started collecting relevant data to support the monitoring of borrowers' GHG emissions. We will improve our ability to measure our Scope 3 financed emissions across product classes and sectors and plan to publish first insights into financed emissions for 20%-30% of our CB portfolio in our 2022 annual report.

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

As we start to implement our climate action strategy and gather lessons learned on its practicality and adequacy, we will consider how to specify our climate-related goals.

Our climate-related disclosures were prepared with technical assistance financed under the European Investment Bank's Eastern Partnership Technical Assistance Trust Fund (EPTATF). The opinions expressed do not necessarily reflect the view of the European Union, EPTATF or European Investment Bank.

Non-financial information statement

This section of the Strategic Report constitutes the Group's non-financial information statement, in accordance with sections 414CA and 414CB of the Companies Act 2006, which outlines requirements for non-financial information reporting. The table below is intended to provide our stakeholders with the content they need to understand our development, performance, position and the impact of the Group's activities with regards to specified non-financial matters.

Reporting requirement	Where to find the information in the Annual Report	Page(s)	Some of our relevant policies
Environmental matters	<ul style="list-style-type: none"> Environment 	132 to 137	<ul style="list-style-type: none"> Environmental and Social Policy
Employees	<ul style="list-style-type: none"> Employee empowerment Directors' Governance Statement – shareholder and stakeholder engagement Nomination Committee Report 	111 to 121 178 to 181 192	<ul style="list-style-type: none"> Code of Conduct and Ethics Diversity Policy Whistleblowing Policy Human Rights Policy Anti-Nepotism Policy Employee Corporate Handbook
Social matters	<ul style="list-style-type: none"> Communities 	122 to 124	<ul style="list-style-type: none"> Environmental and Social Policy Sponsorship and Charity Policy
Human rights	<ul style="list-style-type: none"> Employee empowerment Sustainable financial inclusion Environmental and social management of our loan book 	111 to 121 101 to 110 134 to 137	<ul style="list-style-type: none"> Human Rights Policy Code of Conduct and Ethics Remuneration Policy Grievances and Personal Data Protection Policy
Anti-bribery and anti-corruption	<ul style="list-style-type: none"> Code of ethics, anti-bribery and anti-corruption policies 	127	<ul style="list-style-type: none"> Code of Conduct and Ethics Anti-Bribery and Anti-Corruption Policy Whistleblowing Policy
Business model	<ul style="list-style-type: none"> Business model and strategy Delivering on our strategy 	19 to 33 35 to 59	
Non-financial KPIs	<ul style="list-style-type: none"> Key performance indicators 	64 to 65	
Principal risks	<ul style="list-style-type: none"> Risk Management Principal risks and uncertainties 	67 to 73 75 to 93	