SUSTAINABLE BUSINESS

Empowering people by creating sustainable opportunities

We believe in shared success. Sustainability for us means acting in ways that empower our customers, our employees and our communities, and doing the business the right way – following the highest standards of corporate governance and robust risk management practices. This ensures we effectively mitigate the negative impacts we may have, directly or indirectly, on the economy, people, and the environment – and that we contribute to the sustainable development of the communities where we operate.

Bank of Georgia is a leading financial institution in Georgia, providing innovative products and solutions to more than 1.7 million active customers. Innovation and responsibility go hand in hand, and we recognise the role the Bank can play in supporting sustainable development and inclusion in all its forms. We believe understanding and managing ESG risks is crucial to maintaining our financial strength, so our approach to ESG has been integrated in the work we do across the business. The management of ESG-related issues is subject to the governance and oversight of our Executive Management team and the Board of Directors.

We continue to make progress in understanding climate-related risks and opportunities, and putting in place practices to identify, assess, monitor and manage climate-related issues – focusing on the Bank's loan portfolio, as the main risks and impacts are associated with lending. We continue to support our business customers in their transition towards greener and more sustainable ways of doing business.

Supporting the transition with business solutions

We support retail and business clients with a variety of financial products – including credit and non-financial offerings, such as expertise and networking.

Transforming our own business

Our goal is to continuously improve the way we do business, by aligning our operations with the highest standards of business conduct and best practices.

Being a leader

We are known for our innovative products and great customer experience. We believe we can build on our customer franchise strength, to continue contributing to a more sustainable future.

Empowering local communities

We are a leading organisation when it comes to actively supporting our communities. We do so through educational projects, brand campaigns and sponsorships.

Our approach to ESG has been informed by the views of our key stakeholders. In 2021 we conducted an externally facilitated formal ESG materiality assessment (see details in Annual Report 2021), which included extensive stakeholder outreach – helping us define the Group's material topics and formulate our key objectives. Our ESG priorities continue to evolve, and we are committed to being transparent about our practices and progress.

ESG strategy

Focus areas			
Employee empowerment	Financial inclusion	Education in communities	Risk management and governance
Objectives			
To be the employer of choice for top talent, providing equal opportunities for development and ensuring the 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 effectively manage risk – including climate-related and other E&S risks in our loan portfolio – by doing business in line with the highest standards of corporate governance and highest ethical principles.
Material topics			
• Human capital development • Diversity, inclusion and equity • Human rights	• Customer satisfaction • Customer protection • Financial inclusion and empowerment • Product innovation • Information security and privacy	• 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

2022 KPIs and results[1]

KPI	Result
eNPS of 54-62	53 (end of period) – see details on page 48
Digital monthly active users (MAU) – 1,000,000	✓
Payments MAU – 1,000,000	✓
Reaching 100,000 school students	✓

2023 KPIs[2]

Employee empowerment

eNPS of

54-62

Financial inclusion

MAU of sCoolApp in December 2023

70K

Number of self-employed borrowers at 31 December 2023

57K

1. For information on risk management practice and results, see the Principal Risks and Uncertainties section on pages 63 to 81 and the Risk Committee report on pages 198 to 201.
2. The ESG KPIs for 2023 have been updated following the engagement with some of the stakeholders throughout the year on ESG matters including the measures that they consider more appropriate to measure social impact and performance across the key ESG focus areas outlined above. As a result, we have decided to define targets for specific segments to measure the Bank's social impact.

Over the past two years we have focused on enhancing our ESG-related disclosures. This Report is again produced with reference to the Global Reporting Initiative (GRI) standards 2021, and you can find the GRI Content Index at the end of the Annual Report on pages 344 to 347. You can also find the Group's climate-related disclosures, consistent with the TCFD recommendations and recommended disclosures on pages 103 to 117.

The information throughout this section is presented in relation to Bank of Georgia, unless otherwise stated. The Group's impacts are mainly driven by Bank of Georgia, given the Bank is the core operating entity representing 94.0% of the Group's total assets.

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

Contributing to the United Nations Sustainable Development Goals

We remain committed to contributing to the five United Nations Sustainable Development Goals (UN SDGs) we linked to our strategy in 2020.

1 NO POVERTY	We fully share the goal to end poverty in all its forms, everywhere. As one of the biggest and most influential financial institutions in Georgia, we are taking responsibility to help achieve this goal. We are known not only as a leading financial services provider and one of the biggest employers, but also as an organisation supporting local communities in ways that go beyond our core business activities.
4 QUALITY EDUCATION	Our focus area for community outreach and engagement has been education, because we believe there are countless opportunities made possible by access to high-quality education. Our objective is to enable access to educational opportunities across regions in Georgia, and to encourage more students to pursue them.
5 GENDER EQUALITY	We are committed to inclusion and equal opportunities in our organisation and strive for a gender-balanced workforce. We do not tolerate any form of violence, harassment, or discrimination. We are also committed to ensuring fair and transparent remuneration practices.
8 DECENT WORK AND ECONOMIC GROWTH	The Bank contributes to Georgia's socioeconomic development through the products and services it provides and salaries and taxes it pays. Financial inclusion is one of our priorities, and we aim to provide accesible financial services to everyone and increase financial literacy among the communities where we operate.
13 CLIMATE ACTION	A changing climate presents both risks and opportunities for Georgia, its people, and its companies – and, thus, for the financial services sector. We recognise our role in addressing this global challenge. Climate change may affect us directly and indirectly, including through the impact on our clients. Bank of Georgia's Climate Action Strategy, published in 2022, describes how we intend to contribute to Georgia's climate-related goals. Assessing and discussing risks with clients, providing green finance, managing GHG emissions and improving our climate-related capacities are some of the key aspects of our climate strategy.

Business ethics and conduct

In everything we do, we are committed to doing business with the highest ethical standards and in line with applicable laws and regulations. Bank of Georgia has a leading customer franchise in Georgia and maintaining the trust of our stakeholders is a top priority, so we monitor the changing legal and regulatory environment, market conditions, and customer behaviours and preferences.

Getting feedback from employees is one of the ways we can assess the strength of ethics and accountability across our Group. We promote a 'speak-up' culture and aim to ensure our employees are aware of our whistleblowing and grievance mechanisms, and have full comfort reporting potentially unethical practices without fear of reprisal.

In 2022 we received 35 ethics-related concerns from our stakeholders.

Code of Conduct and Ethics

Our Code of Conduct and Ethics is an integral part of the employment agreement between the Bank and its employees, and is fundamental to fostering company culture based on our values and business principles. The Code 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 in all activities, and failure to do so may lead to disciplinary action up to and including termination of employment. We empower our employees to act ethically and in line with our values and business principles by giving them detailed information about the resources available to escalate concerns.

Whistleblowing

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 concerns and against anyone who participates in an investigation.

In 2022 we received seven relevant reports on the WhistleB platform, and a violation related to the abuse of power was confirmed in one case. A severe reprimand was given to the employee and her manager as a disciplinary measure.

Personal data protection and ethics

We are committed to protecting personal data, preserving the integrity, confidentiality and availability of data, increasing control over data protection risks, and giving individuals full control of their personal data. We maintain a comprehensive set of information security and privacy policies and standards to ensure we operate in compliance with applicable privacy regulations and in line with best practice. We aim to safeguard human rights, protect customers, and ensure customer data is handled in an ethical and responsible manner.

For more information on data protection and privacy, please see pages 144 to 145.

Anti-bribery and anti-corruption

As an organisation fully committed to the prevention of bribery and corruption, Bank of Georgia ensures that appropriate internal controls are in place and operate effectively. We do not engage in or tolerate unlawful or unethical business practices, and do not tolerate involvement in or association with corruption under any circumstances. We have KYE procedures in place, including different screening procedures at recruitment, employment and departure stages of employment. In 2022, 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 page 143.

Our policies

Inclusive policies and practices lead to improved business performance and a company culture where everyone feels welcome, safe, and respected. Our policies reflect the needs of our customers, employees, and communities, and are designed to safeguard human rights, fair treatment and equal opportunities for everyone.

Our policies reflect our non-negotiable commitment to respecting human rights and taking necessary steps to prevent, mitigate and, where appropriate, remediate any adverse human rights impacts. We are committed to walking the talk on our values and business principles. Our human capital management policies are based on the Labour Code of Georgia, International Labour Organization (ILO)'s core labour standards, principles of professional ethics, the Code of Conduct and Ethics, Standards of Professional Conduct for Commercial Banks of Georgia, effective legislation of Georgia, and relevant international regulations.

Through our policies and practices we aim to cultivate an environment free from discrimination and harassment, where employees and all other stakeholders are treated with dignity and respect. The Bank provides all employees with the Employee Corporate Handbook, with the same conditions of employment specified in the Code of Conduct and Ethics, subject to applicable conditions of employment prescribed by law.

We ensure compliance with fundamental conventions regarding the effective abolition of child and forced labour, freedom of association, 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 they reflect best practice, organisational developments, and evolving regulatory and legal requirements.

During 2022, we focused on strengthening our policies and practices in line with best practice and feedback from ESG ratings agencies. We prioritised reviewing and developing new policies for sustainability, climate change, human rights, diversity and other material ESG issues. Additionally, to empower our employees and increase the effectiveness of their daily work, we are trying to make our policies and practices simpler to understand and implement. We are planning to migrate our policies to a new platform in 2023, making them easier to access.

ESG governance

Oversight of the majority of material ESG topics and related impacts on the economy, people, and the environment is allocated to specific Board Committees: the Risk, Audit, Nomination, and Remuneration Committees. While the Committees retain continued responsibility for discrete ESG-related matters, the full Board retains primary responsibility for the Group's overarching ESG strategy – which has been framed around material ESG topics. The Board ensures the alignment of ESG strategy with the business strategy, receives updates on progress of the key pillars of the ESG strategy, and oversees the Group's overall communications strategy around ESG topics and impacts. The Full Board also retains primary responsibility for overseeing the management of climate risks and opportunities, and it oversees the management of other E&S risks and opportunities that may arise in the Bank's loan portfolio. Updates on material ESG topics are regularly reported to the full Board or respective Committees.

Management of ESG topics and implementation of ESG strategy are delegated to the Bank's Executive Management team. Discrete ESG matters are managed by individual members of Executive Management. In 2022 a management-level Environmental and Social Impact Committee was held for the first time to review and discuss the Bank's ESG strategy and impacts, as well as climate-related matters. The Committee reported to the Supervisory Board of the Bank twice throughout the year.

Key developments of 2022

We updated and developed a number of ESG-related policies, which were approved by the Board of Directors

- Human Rights Policy
- Diversity and Inclusion Policy
- Anti-discrimination and Anti-harassment Policy

We established a Bank-level Human Rights Committee

- The Committee will regularly assess salient human rights risks associated with the Bank's activities and verify that such risks are properly identified, assessed, monitored and mitigated.

The Board of Directors approved the Bank's Climate Action Strategy

- It sets out the Bank's commitments in response to climate change. These include ensuring that our actions support the achievement of Georgia's climate-related goals, including those specified in its updated Nationally Determined Contribution (NDC) through:
  - monitoring and managing climate and environmental risks;
  - supporting the transition to a low-carbon, resilient economy;
  - reducing our operational GHG emissions; and
  - anchoring climate expertise firmly in our employee's skill-set.

Memberships and external recognition

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

The Bank became a signatory of the UN Women's Empowerment Principles in 2022

WE SUPPORT

The Bank is a member of the UN Global Compact

The Bank received two awards in the 2022 UN Global Compact Corporate Responsibility Competition

Bank of Georgia was named winner of the UN Global Compact Georgian Network Corporate Responsibility Competition – 'Business for Sustainable Development 2022' – in two categories: – 'Quality Education' and 'Decent Work and Economic Growth'. These awards reflect the Bank's contribution to these SDGs as part of our overall ESG strategy.

The Group has been included in the global responsible investment index FTSE4Good since 2017

This index tracks the business performance of companies that demonstrate strong and transparent ESG practices.

Other memberships of industry and other associations

Georgian Banking Association	Deutsche Wirtschaftsvereinigung (DWV)	Pro Bono Network of Georgia
Business Association of Georgia	International Investors Association	Georgian Stock Exchange
American Chamber of Commerce	Georgian Financial Markets Treasuries Association	International Association of Privacy Professionals
International Chamber of Commerce	Women for Tomorrow	

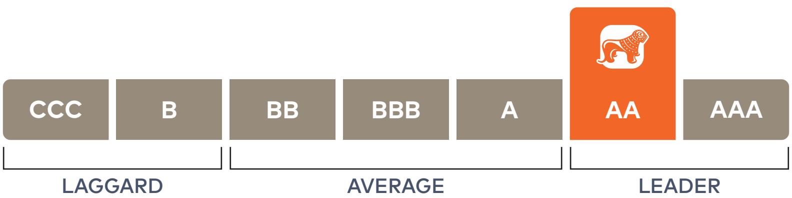
ESG ratings

ISS[1]

ENVIRONMENT	3	SOCIAL	3	GOVERNANCE	4

MSCI[2]

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



1. 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 – 3 March 2023; Last E&S data profile update – 31 August 2022.
2. MSCI score is as of March 2023.

Human rights

We are committed to respecting human rights wherever we do business. We support the Universal Declaration of Human Rights and the ILO's Core Labour Standards. Our commitment is reflected in our Code of Conduct and Ethics, Human Rights Policy, Anti-discrimination and Anti-harassment Policy, and Diversity and Inclusion Policy.

We believe that, as a leading organisation in Georgia, we are well-positioned to contribute to building communities where human rights are valued and respected.

We screen for human rights risks during lending decisions within the framework of our Environmental and Social Risk Management (ESRM) Policy and in targeted ESRM portfolio reviews of high-risk sectors. In addition, we identify and address human rights risks that could arise in other areas of our value chain – such as our supply chain, our workforce, and our retail banking activities. We believe our policies reflect our commitment to respecting the human rights.

We ensure our actions are compliant with regulatory and legal requirements and mitigate any adverse impacts on human rights linked to our business activities. The Bank ensures transactions are reviewed and evaluated against applicable E&S requirements of Georgia, and any of its lenders, should these requirements be more stringent than Georgia's legal requirements. These requirements include the following:

- Bank of Georgia's Environmental and Social Management Policy;
- IFI E&S Exclusion List;
- Georgia's environmental, social, health and safety and labour laws and regulations;
- ILO Core Labour Standards;
- applicable international environmental, social, and health and safety conventions to which Georgia is a signatory;
- IFC Performance Standards;
- EBRD Performance Requirements; and
- relevant E&S requirements of Bank of Georgia's lenders, as reviewed from time to time.

We recognise that our responsibilities go beyond mere compliance, and we continuously work on improving our processes to more effectively mitigate various human rights risks.

Our policies are guided by a wide range of international external standards and principles, including but not limited to:

- the Universal Declaration of Human Rights;
- the ILO's Core Labour Standards;
- the UN Guiding Principles on Business and Human Rights;
- OECD Guidelines for Multinational Enterprises; and
- IFC Performance Standards.

We address human rights as a sustainability issue in all parts of our organisation and in our due diligence process.

Strengthening the focus on diversity and inclusion (D&I)

Being a diverse and inclusive company is an integral part of our success. We believe, as one of the largest banks in Georgia, we are well-positioned to contribute to building diverse and inclusive communities.

For us, diversity is about the respect for and appreciation of differences in personalities and professional and educational backgrounds, as well as in identity. Inclusion means ensuring differences are welcomed and appreciated.

Our ongoing aim is to develop and maintain D&I for our employees, our customers, and the society at large.

We believe that a broad variety of ideas, skills and experiences among our employees will increase our creativity, problem-solving capabilities, and the understanding of customer needs.

We provide products and services to a diverse customer base – from individuals and small businesses to large corporates. We believe that without a diverse workforce we will be unable to provide relevant and personalised experiences to our customers.

One of the main questions for us now is: 'How can we continue to drive progress?' We have developed three principles we apply to our D&I agenda: transparency, accountability, and engagement. We believe these principles will help us take important steps forward.

Transparency

- We will strengthen our understanding of D&I.
- We will enable and encourage our people to voluntarily share their diversity data.
- We will strengthen our understanding and application of various data.

Accountability

- We will continue to leverage our employee engagement surveys.
- We commit to rejecting all forms of discrimination or harassment, and ensuring all employees are treated with respect and provided with equal opportunities.

Engagement

- We will seek to implement best-in-class learning programmes to raise awareness of D&I matters among our employees, customers, and communities.

Our approach to inclusion is organised under three core pillars:

Talent

To ensure we have diversity of thought and mirror the communities we serve, it is crucial that we attract, hire and develop diverse talent.

Data

We will enable and encourage our colleagues to voluntarily share their diversity data, and we will use it to make evidence-based decisions.

We plan to add more questions to our employee surveys to gauge people's perspectives on D&I throughout our organisation.

Customers

We are committed to supporting the diverse communities we serve.

Over the years, Bank of Georgia has consistently initiated and participated in programmes empowering women entrepreneurs with lending, education, coaching, and networking opportunities.

Financial inclusion as one of the key to people's success

A lack of access to financial services is one of the key barriers to people's wellbeing and prosperity, hindering sustainable and inclusive socioeconomic development and reduction of poverty. In 2021, we defined financial inclusion as one of our main impact focus areas closely interlinked with our business strategy. We believe measuring the use of our financial products and services better reflects the level of financial inclusion in a country, rather than 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 compared with its peers[1], but we are focused on increasing the use of our products and services, expanding digital access, and improving accessibility and quality.

According to the Georgian Credit Information Bureau, 85% of adults have had a loan from a formal credit institution in the past five years – and 64% have current loans from commercial banks, which is one of the highest rates in the world based on the IMF's Financial Access Survey.[2] The same survey suggests the level of financial inclusion in Georgia is also high in terms of bank deposits and accounts – Georgia has high rates for cashless payments and remote financial services.

Bank of Georgia historically focused on being accessible to people in towns and rural areas, and of different socioeconomic backgrounds, through a wide network of ATMs, Express branches and self-service (BOG Pay) terminals.

1. IMF. Financial Access Survey (2021).
2. National Bank of Georgia, Financial Stability Report (2021).

How we ensure the accessibility of our products and services

- Customers can access our mobile app's full functionalities without Wi-Fi or mobile data.
- Digital onboarding in our mobile app and internet bank.
- Tutorials and instructions for new digital products are available on our website.
- Free or low-cost current accounts and debit cards.
- Free product bundles for young people (sCool Card and sCool App for school students and Student Card and mBank for students).
- Lower fees on payments acceptance solutions for smaller merchants.
- A wide network of ATMs and BOG Pay self-service terminals across Georgia.
- A digital version of our BOG Pay terminals – bogpay.ge – rolled out in 2022, allowing even non-BOG clients to make payments anytime, anywhere.

Last year we said we would focus on increasing the number of MAU of our mobile app and internet banking platform, as well as the number of users who use BOG cards for payments at least once a month.

Focus area	Why we think it's important	2021 results (Dec-21)	2022 target	2022 results (Dec-22)
Financial inclusion – Use of digital channels	Main benefits of using our mobile app: • Convenience and quick access to our products and services. • Visibility of personal finances and access to tools to manage money more effectively. • Ability to see all personalised financial and lifestyle offers. • Chatbot/chat available 24/7. • Access to information and educational content.	853K	1 million	1.1 million
Financial inclusion – Use of cashless payments methods	Cashless payments enable: • Increased control over personal finances, giving people a full view of where and how they spend their money. • More benefits – personalised offers, ability to save money through our loyalty programme. • Greater visibility of customers' financial history, income and behaviour, enabling banks to better assess their creditworthiness.	782K	1 million	1.0 million

In 2022, we rolled out a new product, sCool App – the first financial mobile app for school students (those aged 6-17) in Georgia. Our goal is to reach more school students and use the app to empower children with financial literacy skills from an early age. You can read more about how we empower young people with our products on pages 32 to 33 of this Report.

33K
MAU of sCool App
Dec-22

70K
MAU of sCool App
Dec-23 target

Access to credit

Removing artificial barriers that prevent people from accessing credit is an important aspect of financial inclusion. Throughout 2022, we focused on redesigning the lending process for self-employed customers.

Barriers

- Difficulty in calculating a client's monthly income due to lack of formal employment.
- Lack of a digital process for loan application.
- Limited access to typical retail lending products.
- Self-employed individuals were treated process-wise as business customers and not as self-employed retail customers.

What we changed

- Application origination and disbursement handled in digital channels.
- Full access to retail lending products (mortgages, consumer loans, instalments, credit cards, among others).
- Simplified income validation using video calls and an income matrix and on site validation visits.
- Client coverage and servicing changed to a retail banking model.

Going forward we intend to focus on increasing the number of self-employed borrowers.

46K
Self-employed borrowers
At 31 December 2022

57K
Self-employed borrowers
At 31 December 2023 (target)

ESG REVIEW – ENVIRONMENTAL

Environmental

At a glance

We are committed to lending responsibly, mitigating any adverse impacts our clients may have on the environment and raising awareness in our client base.

We are continuing to better understand climate-related risks and opportunities and set up processes that will enable us to enhance our approach to managing climate risk. We have a dedicated department that develops and implements climate risk management capabilities.

In 2022 the Board approved the Climate Action Strategy of the Bank, which outlines the Bank's main commitments: monitoring and managing climate risks in the client base; supporting a low-carbon, resilient economy; reducing our operational carbon footprint; and anchoring climate expertise in the Bank's skill-set. In 2022 we performed a high-level qualitative assessment of climate risks in hypothetical scenarios. We will continue to enhance our assessment methodologies going forward.

We are also committed to finding ways to support our customers in their transition towards greener and more sustainable ways of doing business. In 2022 the NBG published its Sustainable Finance Taxonomies, covering green and social topics. From January 2023, all Georgian banks are required to report on the amount of lending aligned with these taxonomies. We began to implement the Green Taxonomy in 2023 and are working on finding solutions to the data challenges we have faced during the process.

In this section:

Environmental and social risk management of our loan book

Indirect E&S 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 E&S 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 its lending portfolio.

Bank of Georgia is committed to providing responsible finance. The E&S management of the Bank's loan portfolio encompasses a systematic identification, assessment, management and mitigation of E&S risks associated with the projects that are financed by the Bank's CB and MSME Banking segments.

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 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 (PR), which have become the benchmark for E&S 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 E&S risks. The ESMS and the associated E&S procedures are periodically updated and approved by the Supervisory Board of the Bank to ensure they remain fit for purpose and reflect changes in the legal and regulatory environment as well as any changes in the Bank's operations or strategic priorities.

In 2022, we updated our ESMS. Further enhancements were made to the E&S risk procedures, E&S covenant and associated risk-based tools to align with specific E&S requirements of the Bank's IFI partners and best practices.

We continue to evolve our approach in response to emerging risks. In 2022, with support from the European Investment Bank ('EIB'), we developed enhanced procedures to start integrating the identification, assessment, and proper management of climate-related risks and opportunities. We continue to refine our disclosures in line with the TCFD's recommendations. For more information on the Bank's climate-related actions, see pages 103 to 117.

Environmental and social risk management system

The Bank follows commercially sound practices to ensure all commercial lending transactions are reviewed and evaluated against applicable E&S requirements of Georgia, and any of Bank of Georgia's lenders, 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.
- ILO's Core Labour Standards.
- Applicable international environmental, social, and health and safety conventions that Georgia has ratified.
- IFC's Performance Standards and EBRD's Performance Requirements.
- Relevant E&S 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 CB and MSME segments ('commercial transactions').

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

Transaction qualification

- IFIs exclusion list
- EBRD referral lists

Categorisation

- IFIs categorisation guide (Low, Medium, High, Category A)
- National legislation

Evaluation

- Subsectoral guides
- IFC PS/EBRD PR guides

Control

- Action plan
- Loan covenants

Monitoring

- Monitoring memos
- Annual reports to IFIs

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 environmentally or socially sensitive business 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 the Bank's Environmental and Social Risk Management Policy at bankofgeorgia.ge.

- 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 E&S risk associated with clients' businesses. We require some customers to implement specific E&S 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 E&S 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 E&S risks and impacts) constituted **4.2%** of total MSME and CB gross loan portfolio, and **2.4%** of the Bank's total gross loan portfolio as at 31 December 2022.

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 (ESDD) processes. Our aim is to increase awareness of E&S risks and impacts and support the capacity building in these matters. In 2022, with the assistance of a local sustainability third-party consultancy we provided Environmental Management Awareness Trainings to MSMEs and CB 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. The two-day training series was conducted for 145 representatives of local companies from various sectors. We plan to host additional training sessions for our clients in 2023.

With support from external consultants, we also developed a free online course covering the same topics and made it available on our online educational platform for businesses – businesscourse.ge. This was supported by the Green for Growth Fund.

In addition, an information leaflet on Bank of Georgia's approach to managing customers' E&S risks is available on the Bank's website at bankofgeorgia.ge.

Environmental and social risk assessment

The Bank's ESDD includes a review and assessment of E&S 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.

Our comprehensive internal ESRM procedures guide how we assess client impacts on air quality, water quality, climate change, biodiversity, local communities, labour, human rights and other E&S issues.

For E&S risk assessment and management, we routinely rely on a variety of publicly available ESRM 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 E&S standards;
- encourage companies to adopt best EHS practices and challenge them on E&S risks;
- support companies to better understand sector-specific EHS risks and impacts;
- make recommendations and measure EHS progress; and
- support customers in fulfilling their E&S obligations.

In 2022, based on ESDD, ESAPs were developed for 308 customers, who as at 31 December 2022 had an exposure of GEL 959 million (10.1% of the Bank's total gross MSME and CB portfolio).

During 2022, our due diligence did not reveal any material E&S risks related to our borrowers.[1]

The E&S risk assessment and monitoring process involves a review of periodic E&S performance reports submitted by our customers as well as site visits that our ESRM team undertakes. We pay attention to:

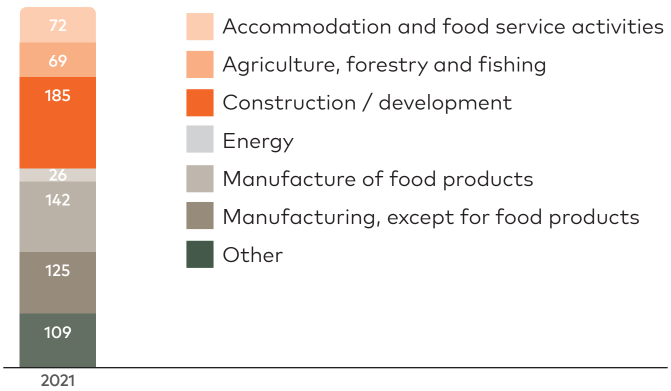
- how effectively the mitigation measures specified in the ESAP have been implemented (if applicable);
- the validity of E&S permits or licenses;
- any fines and penalties incurred for non-compliance with E&S regulations;
- recent reports from relevant regulating or inspection authority confirming compliance 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.

1. Materiality of E&S risks is identified according to the national legislation.

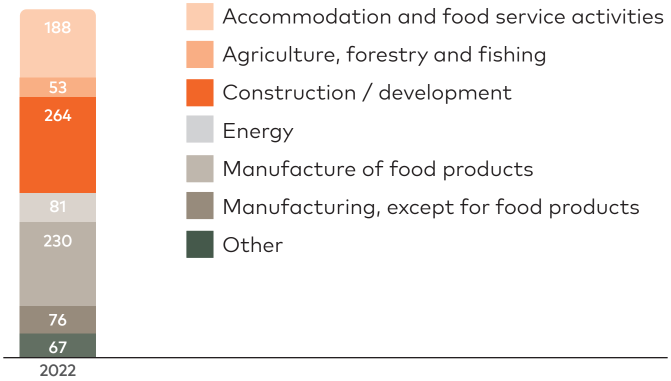
Environmental and social due diligence data

The ESRM team conducts due diligence of new clients that may pose potential E&S risks. The data below show the gross loan exposure as at 31 December 2022 of those borrowings that were screened by the ESRM team during 2022. Out of GEL 959 million portfolio screened, GEL 594 million was assessed against IFC's Performance Standards, while the rest was assessed against local legislation.

727
(GEL million)



959
(GEL million)



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 risk 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 Performance Standards-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. 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, our E&S staff visit the sites of operations until major E&S issues are resolved and satisfactorily monitored by our clients.

In 2022, we carried out E&S monitoring for 118 customers, with a total exposure of GEL 1,439 million as at 31 December 2022.

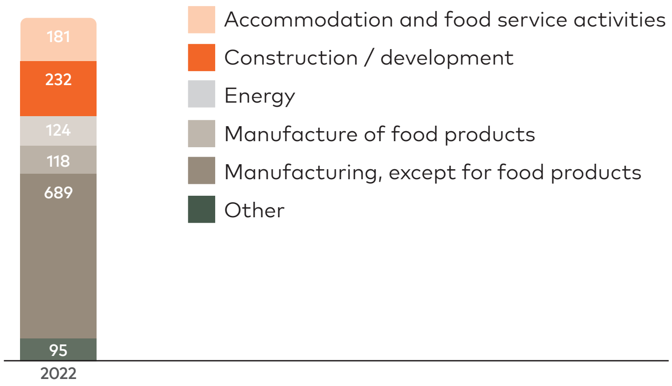
In addition, during 2022, customers who were provided with the action plans to identify, avoid or mitigate environmental and social risks have started to implement our recommendations and consider introducing environmental and social management systems aligned with international standards.

Environmental and social monitoring data

The ESRM team carries out E&S monitoring of clients with identified E&S weaknesses annually. The data on this page show gross loan exposure as at 31 December 2022 of clients that were monitored by the ESRM team during the year. Out of GEL 1,439 million, GEL 1,321 million were assessed against IFC's Performance Standards.

778
(GEL million)

1,439
(GEL million)



The Bank's Environmental and Climate Risk Management department

Our centralised team of E&S risk specialists within the Bank's Risk Management function evaluates transactions that trigger a review under our ESMS.

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 has expanded the responsibilities of the ESRM team.

A dedicated E&S team has been in place since 2013. The head of this department reports directly to the Chief Risk Officer.

The team undertakes preliminary environmental, social and climate 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, social and climate 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. The team reports 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 Executive Management team, which reports to the Supervisory Board of the Bank semi-annually.

Reporting to our international stakeholders

In 2022, 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. 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.

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.

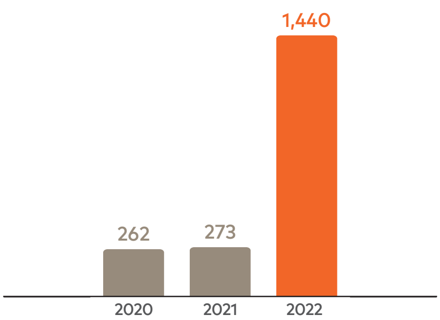
In 2022, no major E&S complaints were received by the Bank. We will continue to engage with our stakeholders and address any issues or concerns raised.

Training

Training activities play a critical role in the effective management of E&S and climate-related risks in our lending portfolio. Each year, to enhance our understanding of environmental, social and climate-related issues and build internal capacity, we held training sessions for key risk and banking personnel involved in environmental, social and climate risk management processes. The trainings covered a variety of topics, including climate and sustainable finance, ESG standards and SDGs, health and safety, green taxonomy, IFC Performance Standards, renewable energy investments and energy efficiency, green and affordable housing. ESRM specialists underwent GGF Green Finance Expert online training programme and the Climate Ambition Accelerator programme. In 2022, our E&S risk specialists also took a fully accredited programme and were awarded the qualification of labor safety specialists. In total, 360 employees of the Bank had an E&S training during 2022.

A mandatory training course on E&S risk assessment, reflecting key E&S Policy requirements and international standards, is undertaken by relevant new hires.

Training hours spent on environmental, social and climate topics



Operational environmental footprint

We are a service business, and our direct environmental impact is less significant than the impact we have on the environment through our lending activities. Nevertheless, we aim to be a more resource-efficient company, mitigating any negative impacts we may have on the environment through our operations.

We undertake measures to identify and monitor environmental aspects relevant to our direct operations, for instance, how much business travel we undertake and how much electricity we use. We strive to adopt a "reduce, re-use, and recycle" approach. 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.

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, ensuring efficient electricity consumption during non-working hours. Remote-control lighting, heating, and air conditioning systems have been installed in 50 Retail branches – covering almost half of all Retail branches (excluding Express branches). For information on greenhouse gas emissions, please see pages 114 to 115.

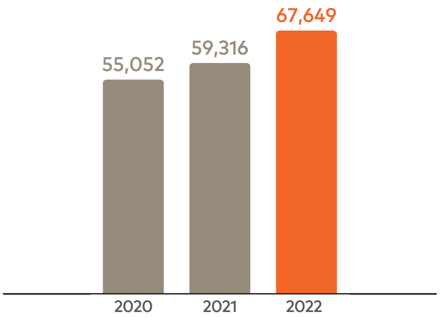
Energy consumption data[1]

	2020	2021	2022
Electricity (kWh)	**17,104,700**	**17,489,358**	**19,623,529**
Gas (m^3)	**432,312**	**448,718**	**349,205**
Gas (kWh, assuming that 1 m^3 gas = 9.7 kWh)	**4,193,426**	**4,352,565**	**3,387,285**
Total energy consumption (kWh)	**21,298,127**	**21,841,923**	**23,010,813**
Total energy consumption (kWh) per square meter of office space	**243**	**243**	**238**

The decrease in gas consumption year-on-year was a result of an upgrade to the heating, ventilation, and air conditioning system at Bank of Georgia headquarters.

The increase in electricity and water consumption vs prior year was mainly driven by the increased office space to accommodate the growing workforce.

Water consumption



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

Water consumption in 2022 amounted to 67,649m^3.

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 aim to reduce 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, resulting in a reduction of paper waste.

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 2022, c.1.6 tonnes of paper was collected for recycling in this way. Documentation from the Bank's archive, when retention period expires, is recycled annually. The Bank uses a specialised third-party contractor for this service based on the appropriate service agreement.

Paper use (kg) per employee	
2020	34
2021	35
2022	39

The annual increase of paper use per employee was driven by the growing number of our employees, as well as the return to the offices after the pandemic.

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. 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 locations of the Bank, is in place for 2020-2023. 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 used in the cash collections process;

The Bank's old branded material was disposed together with the waste in line with the environmental regulations by a licensed third-party company at the municipal recycling and sanitation landfill.

1. Figures on electricity consumption and gas use were obtained from the Bank's operational support department. To arrive at total energy consumption in KWh, m^3 of gas were converted into MWh of gas (1m^3 of gas = 0.0097 MWh according to Georgia's Fourth National Communication to the UNFCCC) and figures were multiplied by 1000.

Climate-related disclosures

Background on climate change

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 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 adverse impacts of climate change have already been observed in Georgia – and they are projected to increase in the future:

- Mean annual temperature has increased by up to 0.58 °C. Under a high emissions scenario, temperature can increase by up to 4.9°C by the 2090s – which will lead to rapid melting of glaciers. The frequency of heat waves is also projected to rise significantly.
- Precipitation in western Georgia has mainly increased, but it has decreased in some eastern regions. In the future, more intense rainfall will increase the likelihood of landslides, floods, avalanches, and mudflows. At the same time, the probability of severe droughts is projected to rise, especially for eastern and central areas.
- 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. Global sea level may rise by another 0.74 metres or more by the end of the 21st century.

Policies to address climate change

In 2017, Georgia's greenhouse gas ('GHG') emissions amounted to 17,766 Gg CO_2eq, or about 0.03% of the global total. With one of the world's highest shares of hydropower in the electricity mix (75.3% in 2019), GHG emissions from the electricity sector are comparatively low. National emissions are growing, however, particularly in sectors such as transport and industry. To address the impacts and meet the objectives of the Paris Agreement, Georgia has several climate action 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 in relation to energy efficiency in buildings.

As noted by Georgia's Prime Minister at COP27 in November 2022, Georgia is considering increasing the ambition of its Nationally Determined Contribution (NDC). In 2022, Georgia also launched the work on a climate change law that will regulate climate-related issues and distribute responsibilities.

Changing climate presents both risks and opportunities for Georgia, its people and its companies – and thus for the financial services sector. The Group recognises its role in addressing this global challenge, and initiated its climate journey in 2021. Our climate action and reporting are in line with the four pillars defined by the Taskforce on Climate-related Financial Disclosures ('TCFD'): Governance, Strategy, Risk Management, and Metrics & Targets. This report focuses on the Group's main operating entity, the Bank, which constitutes 94.0% of the Group's total assets as at 31 December 2022. We also provide information on the GHG emissions of several of the Bank's and the Group's subsidiaries.

Sources for background on climate change

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=y
WBG Climatxzq Change Knowledge Portal (CCKP 2020): Georgia. Climate Data. Projections,
https://climateknowledgeportal.worldbank.org/country/georgia/climate-data-historical
OurWorldInData.org: Georgia: CO_2 country profile.
https://ourworldindata.org/co2/country/georgia
International Energy Agency (2021): Georgia energy profile.
https://www.iea.org/reports/georgia-energy-profile
Agenda.ge (08.11.2022): Georgian PM: climate change "challenge of our generation", "swift, result-oriented" actions needed.
https://agenda.ge/en/news/2022/4354
Ministry of Environmental Protection and Agriculture (03.10.2022): Georgia initiates the development of the Climate Change Framework Law.
https://mepa.gov.ge/En/News/Details/21039

Key messages

Our climate action and reporting are in line with the four pillars defined by the TCFD: Governance, Strategy, Risk Management, and Metrics and Targets. We believe we have made all the required climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. The following are the key messages from our climate reporting.

Governance

- The Board considers climate when reviewing Bank of Georgia's strategies, policies, budget, opportunities and risks. The Risk, Audit and Remuneration Committees have started to integrate climate considerations into their regular procedures, for example when reviewing risks, disclosures and KPIs for management.
- The management-level Environmental and Social Impact Committee was held in 2022, responsible for monitoring and steering the Bank's ESG-related action – including its climate risk and opportunity management. The Committee reports to the Board twice per year.
- Climate-related responsibilities have been defined for relevant business, risk and support units.

Strategy

- In 2022 we assessed our strategy's resilience to climate risks for the second time, using three timeframes and scenarios:
  - The effects of climate change and policy on our strategy are perceived to be low over the coming years. Reputational risks can occur if our climate action lacks ambition and credibility.
  - The future may hold greater risk for our clients and, thus, for the Bank. Both a 'delayed transition' scenario (meaning ambitious but late and abrupt climate action) and unabated climate change (where no climate action is taken beyond 'current policies') are expected to have negative effects on various sectors covered in our portfolio. Overall, risks are greater under the climate change scenario, illustrating that well-coordinated and ambitious climate action is crucial.
- Tackling climate change can be an opportunity for financial institutions such as Bank of Georgia. We already provide green finance to clients that invest in a low-carbon, climate-resilient future. However, much room is left to increase the amount and visibility of our climate finance – Georgia's new Sustainable Finance Taxonomy will be among the key tools to help us monitor and grow this.
- Our Climate Action Strategy, https://bankofgeorgia.ge/en/about/management#docs, published in 2022, addresses both risks and opportunities of climate change, and describes how we intend to contribute to Georgia's climate-related goals. Assessing and discussing risks with clients, providing green finance, managing GHG emissions and improving our climate-related capacities will play key roles.

Risk management

- Bank of Georgia is committed to addressing climate risks through risk identification, evaluation, and management.
- In 2022, we reassessed how transition and physical risks can affect traditional Bank-wide risks, from credit to reputational risk. We also reviewed and improved our qualitative analysis of risks for different sectors covered in our portfolio, and calculated financed emissions for 26% of the corporate portfolio – providing valuable insights for transition risk management.
- From 2023, we will start collecting first-hand information from all business clients to better assess the climate-related risks they might face. High-risk clients will be addressed to help raise their awareness and inspire change.
- Our new Climate Risk Management (CliRM) framework institutionalises climate risk assessment and management at the Bank by specifying methodologies, processes and responsibilities.

Metrics and targets

- Bank of Georgia uses metrics recommended by the TCFD to measure its impact on climate change and the effects climate change may have on its business model and operations.
- GHG emissions are an important indicator to help us understand our direct and indirect impact on the climate and exposure to potential transition risks. We have a clear picture of our Scope 1 and 2 emissions and are currently working on expanding our understanding of Scope 3 emissions.
- Measuring the percentage of lending that could become vulnerable to climate risks under different scenarios helps us understand risks to the Bank's strategy and take corrective measures.
- Measuring the amount of green lending provided by Bank of Georgia allows us to monitor and drive our contribution to Georgia's sustainable development.

Governance

Board and Committees

The Board of Directors oversees the Group's operations and ensures it is being managed in accordance with its strategies and targets. Since 2022, the Board has been actively involved in ensuring the quality and efficacy of the Bank's approach to climate change:

- The Board is responsible for reviewing the Group's strategies, policies and budgets. In 2022, it reviewed and approved the Bank's Climate Action Strategy and CliRM framework (internal).
- The Board regularly examines opportunities and risks as well as the measures taken as a result. In 2022, the Board reviewed Bank of Georgia's 2021 Annual Report and provided feedback and guidance for enhancing the Bank's climate risk and opportunity management. The Board was also informed of the Bank's progress on climate action during one of its quarterly meetings. From 2023, the Bank's new climate-related due diligence will generate more detailed information on climate risks and opportunities in the portfolio (see 'Risk management' chapter), the results of which will be reviewed by the Board.
- The Board also considers performance against the objectives defined in the Bank's strategies. From 2023, the Board will review the Bank's progress in implementing its Climate Action Strategy.
- The Supervisory Board of the Bank, as exemplified in its statute adopted in accordance with the NBG's Corporate Governance Code, bears the overall responsibility for the Bank's E&S strategy and its implementation. This includes overseeing the Bank's E&S risk management framework and building governance structures to ensure proper attention to E&S issues, and fulfilment of the Bank's strategic goals in this regard.

In December 2021 the Supervisory Board decided to maintain the primary decision-making and reporting on E&S matters at the full Board level. The Bank's management created the Environmental and Social Impact Committee, which began its work early in 2022. The Committee is responsible for reporting to the Board on the progress of the Bank's implementation of its environmental, social and climate strategies and policies semi-annually, as well as on the due functioning and enhancement of the Bank's ESMS.

The Bank's performance is regularly monitored by the four Board-level Committees that report to the full Board. Starting in 2022, three of these Committees 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 throughout the Bank's portfolio.
- Audit Committee: assesses the quality of disclosures, including the quality of data and whether the information provided is sufficient for stakeholders to assess how the Group is managing climate-related matters.
- Remuneration Committee: Considers how the Bank's Chief Risk Officer performs against climate-related targets – integrated into KPIs on ESG aspects.

The Nomination Committee may take climate-related expertise into account when approving Board and management positions in the future.

Management

At the instruction of the Supervisory Board, to anchor climate change and other sustainability-related topics, a Management-level Environmental and Social Impact Committee was established and held for the first time in 2022, comprising the Management Team and senior managers, including the Bank's CEO, CRO, COO, CFO, CLO, Head of HR, Chief Marketing Officer, Head of Investor Relations, and Head of Funding.

The Committee is responsible for managing the Bank's climate, environmental and social impacts, focusing on those arising from its lending activities. It holds overall responsibility for designing, implementing, and enhancing environmental, social and climate strategies and policies, and for setting and monitoring targets. The Committee intends to further embed E&S risk management in the Bank's daily operations. The Committee met twice in 2022, with one meeting focusing on climate-related matters.

Its work has been supported by a cross-functional Climate Working Group ('CWG') established in 2021, which continued to work through 2Q22 to develop Bank of Georgia's Climate Action Strategy, design new processes and methodologies, and contribute to preparing climate-related disclosures. Key people from the Bank's CB and MSME Banking segments, the Risk function, Legal, ECRM, Investor Relations and Funding departments participated in regular meetings. The CWG can be flexibly reconvened if needed.

Our climate-related governance

Topic	Responsibilities
Full Board	• Reviews progress in the implementation of the Bank's Climate Action Strategy. • Reviews and approves any changes to the Strategy and the CLiRM framework. • Examines climate-related opportunities and risks as well as measures taken as a result.
Environmental and Social Impact Committee	• Reviews progress in the implementation of the Bank's Climate Action Strategy and CLiRM framework and stipulates appropriate measures. • Reports to the full Board on climate management and other ESG topics every six months.
Chief Risk Officer	• Holds overall responsibility for risk management, including of climate-related risk.
Enterprise-wide Risk Management (ERM)	• Assesses the impact of specific climate scenarios on principal risks. • Ensures climate risks are well integrated into the Bank's overall risk management framework and management responses. In the future, this may entail coordination and/or implementation of climate-related stress testing, and integration of climate-related considerations into the Bank's Risk Appetite Statement and policies.
Environmental and Climate Risk Management (ECRM)	• Conducts research on climate-related matters (policies, risk assessment methods, etc.). • Assesses climate-related risks for the Bank's clients, based on a standardised due diligence process. • Together with CB department, calculates financed emissions. • Supports other departments in conducting climate-related tasks. • Prepares climate-related disclosures.
Business	• Collects data from clients for climate-related risk assessment and GHG calculation.
Credit risk	• Checks whether information collected by bankers during initial climate-related screening is reasonable before projects are submitted to the Credit Committee. • In the future, possibly conducts climate-related stress testing (alongside ERM).
Operational support	• Collects relevant data and calculates GHG emissions from the Bank's own operations, including Scope 1, 2 and 3 (except financed emissions).
Investor Relations	• Notifies the ECRM department of climate-related requirements and/or expectations of investors and stakeholders that could lead to reputational risks for the Group.
Legal	• Conducts research on new climate-related regulation that could lead to legal risks for the Group.

Risks and opportunities for Bank of Georgia under different scenarios

Climate-related risks may adversely impact the Bank both directly and indirectly.

- **Direct:** Risks impacting the Bank through damages to its physical assets, activities and operations.
- **Indirect:** Risks impacting the Bank primarily through its loan portfolio.

Such risks arise from the physical or transitional effects of climate change and manifest through more common risk types, including credit risk, market risk, operational risk and reputational risk.

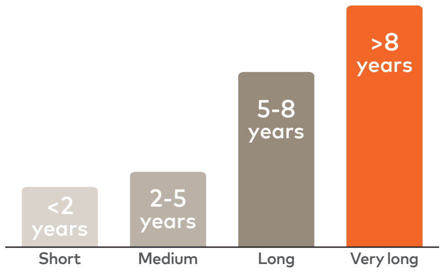
Physical risks result from climate and weather-related events (such as floods and droughts), while **transition risks** arise from the move towards a low-carbon economy (new climate policies or changes in consumer preferences, for example).

The transition to a low-carbon, climate-resilient economy also creates opportunities for the financial sector to support innovative green products and services that meet growing sustainable investment needs, such as climate-smart agricultural technology or more energy-efficient buildings.

Bank of Georgia continues to integrate these risks and opportunities into its risk assessment and management framework as part of an ongoing commitment to building more resilient and sustainable communities.

Reassessing our resilience against various timeframes

Climate risk identification informs Bank of Georgia's regular risk management processes and considers 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. The majority of our loans will be paid back before 2030. Nevertheless, climate change risks have to be mitigated before they arise, making it necessary to expand our horizons. We have defined a fourth timeframe ('very long') to ensure climate risks that may manifest over the longer term are adequately identified and managed.



Updating our analysis of potential future scenarios

Scenario analysis assists in the identification, measurement and ongoing assessment of climate risks, so we can better evaluate potential threats to the Bank's strategic objectives and its ability to create value over the longer term.

We started to use qualitative 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 (NGFS).

In 2022, we updated the methodology for assessing Bank-wide climate-related risks under different scenarios (see next page), in line with updated NGFS's scenarios.

Transition risks, 2022–2030. 'Nationally Determined Contribution' scenario:

The effects of climate change will become more clearly tangible over the next decades but, in the meantime, it is important for Bank of Georgia to understand its more immediate impacts. This period was assessed assuming the Georgian Government will drive action to achieve the unconditional GHG reduction goals identified in its updated NDC (2021).

Transition risks, 2030–2050. 'Delayed Transition' scenario:

This period was assessed using the 'Delayed Transition' scenario, which assumes Georgia will initiate highly ambitious climate change mitigation and adaptation policies from 2030 onwards – building on and enhancing the climate policies described in the climate background part on page 103. After 2050, assuming most relevant technologies and systems are low or zero carbon, the transition will slow down. 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 significantly rise in 2040 compared to the 'Delayed Transition' scenario. The 'Current Policies' scenario assumes governments do not increase the level of ambition of their climate policies beyond today's level. Physical risks would be highest under this scenario.)

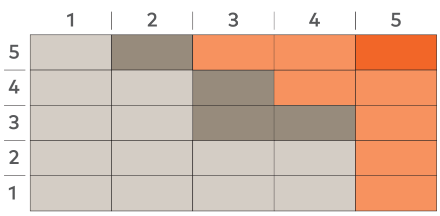
We have identified Bank-wide climate-related risks over the short, medium, long and very long term.

Type of risk	Definition	Drivers (physical and transition risks)	Risk score		
			<2030	>2030	>2040
			Nationally Determined Contribution	Delayed Transition	Current Policies
Credit	The risk that the Bank incurs a loss because its customers fail to fulfil their contractual obligations.	Both climate policy (transition risks) and climate change (physical risks) can negatively affect borrowers' repayment capacity and the value of collateral.	Low	Low/medium for many sectors but high for others (such as electricity generation and agriculture – see heatmap on the next page); location-specific risks to be determined from 2023	
Liquidity	The risk that the Bank is unable to meet its payment obligations when they fall due under normal and stress circumstances.	Affected borrowers cannot pay back loans or they withdraw deposits, reducing the Bank's liquidity. If sovereign or bank credit ratings are downgraded, the availability of wholesale funding decreases and cost of funding increases.	Low	Medium	Medium
Capital	The risk that the Bank fails to meet the minimum capital adequacy requirements set by the regulator.	Borrowers' repayment issues can negatively affect the credit quality of the Bank's portfolio, requiring increased loan loss provision and adjusted risk-weighted assets.	Low	Medium	Medium/High
Market	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.	The Bank 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	The risk of loss arising from systems failure, human error, fraud or external events.	Climate change can interrupt the Bank's regular operations and increase the cost of maintaining effective business resilience (especially back-office processes and data centres). Affected borrowers could potentially conduct fraud.	Low	Low/Medium	Medium
Reputation	The risk of damage occurring due to failure to meet stakeholders' expectations.	Lack of meaningful climate action could affect the Bank's reputation among investors and customers. Reputation could also suffer if the Bank struggles with other climate-induced challenges that affect the continuity and quality of its services.	Medium	High	Medium

Notes on methodology: In 2022, climate-related risks were assessed by answering the following questions:

1. Identification of risk drivers and transmission channels: How does climate change interrelate with and increase existing banking risks?
2. Assessment of impact: How strongly will Bank of Georgia be affected by the identified risk drivers if they emerge?
3. Assessment of likelihood: How likely is it that the identified risk drivers emerge under the three scenarios[1]?

Impact and likelihood values range from one (insignificant/remote) to five (critical/almost certain), with the definition of values differing between risk types. The resulting risk scores can be low, medium, high or critical, as shown below. In some cases, risk scores can lie between these categories (low/medium, medium/high, high/critical), because the risk is judged to be right on the border between two categories, for example, or to illustrate that different risk drivers lead to different risk scores under the same scenario.

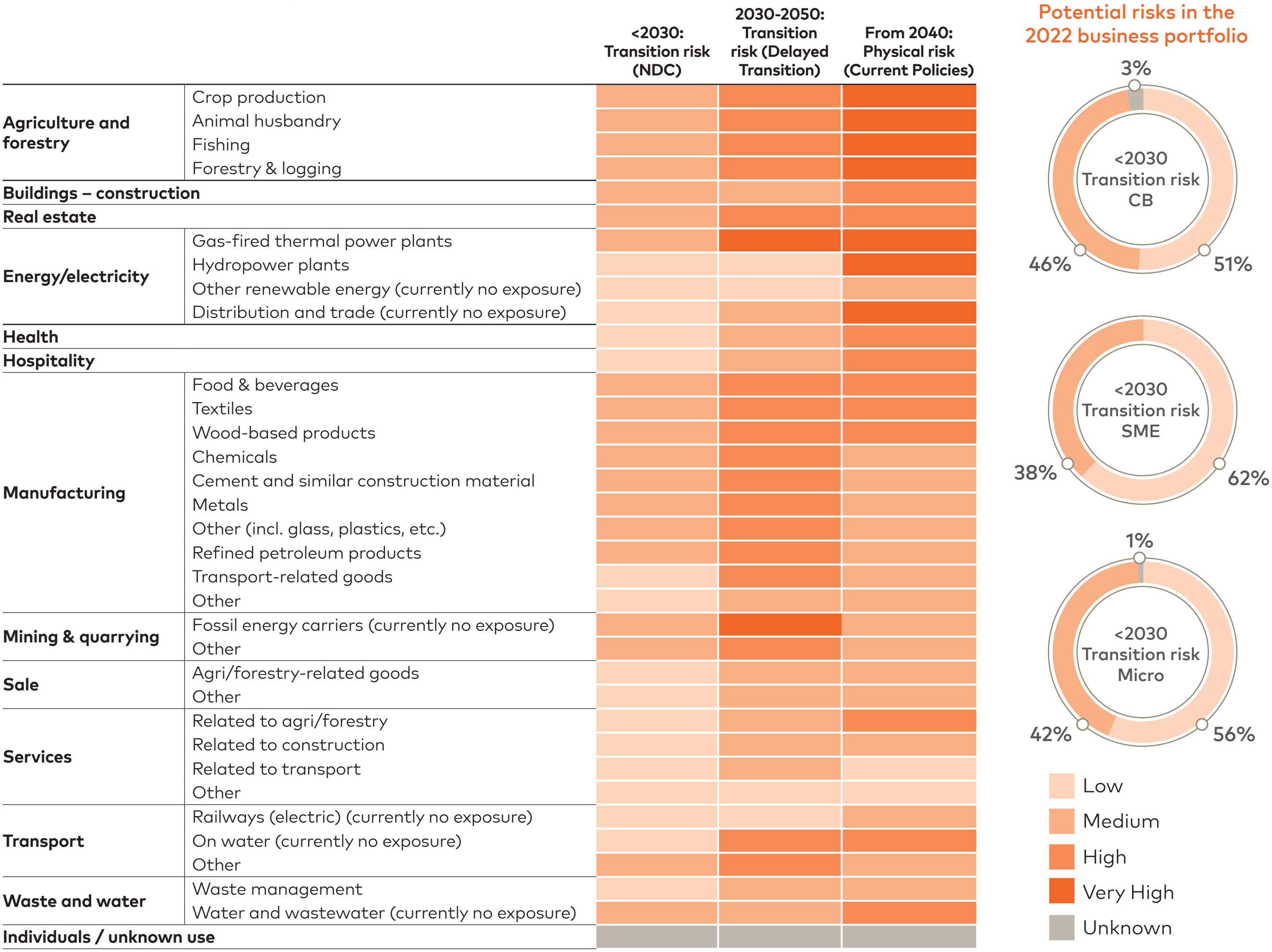


In our analysis we have found that risks will not differ significantly between the defined short-, medium- and long-term timeframes – that is, within the next eight years – which is why results are presented together under '<2030'. We will continue refining our approach to Bank-wide climate-related risk assessment going forward.

1. Note on the likelihood of climate scenarios: Theoretically, an important driver of the likelihood of climate-related risks is the likelihood of the scenario being used. However, providers of climate-related scenarios do not usually determine the probability of individual scenarios – they are simply considered plausible.

Climate change can especially affect Bank of Georgia through its impact on the lending portfolio. A preliminary, portfolio-level qualitative analysis of our corporate and MSME portfolios – making up 57.1 % of the Bank's total gross loan portfolio at 31 December 2022 – has helped us understand hypothetical risks for different sectors.

Our heat map for assessing sector-based climate risks



Notes on methodology: Figures are as at 31 December 2022. Delayed Transition and Current Policies are extreme scenarios for transition and physical risks, respectively. We assumed the structure of the balance sheet stays the same to assess long-term risks for our portfolio. The assessment was conducted at the level of more than 650 individual activities, based on NACE2 codes, and aggregated for the sectors presented above. For transition risks, estimated GHG emissions and potential contribution to their efficient reduction were evaluated. For physical risks, basic parameters such as the activity's dependence on water, vulnerability against extreme weather events and the need for raw materials were considered. Results were compared against the Climate-related Risk Radar for Georgian Economic Sectors and its possible Application for the Financial Sector[1], and were found to be in line. Location-specific risks and individual borrowers' characteristics, such as existing low-carbon transformation plans or adaptive capacities, were not considered in 2022 due to lack of data. However, we updated our management systems in 2022 to allow for collection of relevant data and understanding of risks at location- and counterparty-level from 2023. Risks for our Mass Retail and Premium Banking portfolio have not yet been assessed in detail, as they depend to a high degree on individual borrowers' characteristics and the location of the activity or asset financed. We aim to also understand climate-related risks for our mortgage portfolio, using location-specific data.

1. National Bank of Georgia and German Sparkassenstiftung for International Cooperation 2022, https://nbg.gov.ge/en/page/climate-risk-radar.

% exposure to carbon-related assets[2] in the Bank's gross loan portfolio

18.2%

2. As at 31 December 2022 this equals GEL 3,018 million. We define 'carbon-related assets' as those 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, and Food, Paper and Forest Products.

% exposure to fossil fuel- and coal-related assets[3] in the Bank's gross loan portfolio

1.2%

3. As at 31 December 2022 this equals GEL 197 million. 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 the opportunities in the transition to a low-carbon economy

Bank of Georgia works with its lenders such as GGF and EBRD to provide green finance. Through our 'Energy Credit' initiative, we offer companies credit to buy solar panels. Other green finance is directed mostly at large-scale renewable energy (hydropower plants) and construction projects.

In 2022, we conducted a market analysis to identify opportunities for green financing. We analysed relevant regulation, interviewed companies from different sectors to determine their interest in green investments and green loans, and identified green service providers in Georgia (for the installation of energy-efficient equipment, for example). The findings will be used to expand our climate-friendly lending in the years to come.

The analysis showed that solar panels, material recycling, energy efficiency measures, installation of air filters, and adoption of electric and hybrid transport vehicles are among the most attractive investments for our clients. Products and services to realise such measures can be procured from local green service providers, while more innovative or newly marketed services and products must be sourced from international markets. Our work also showed that Bank of Georgia's visibility as a provider of green loans is perceived as low, requiring better marketing and communication in the future.

Total outstanding green finance[1] (GEL million)

503.1

1. As at 31 December 2022, this equals 3.0% of the Bank's gross loan portfolio. This includes the porfolio identified based on the NBG's Green Taxonomy criteria as well as the portfolio based on BOG's lenders' eligibility criteria.

In 2022 the NBG published its Sustainable Finance Taxonomies, covering green and social topics. From January 2023, all Georgian banks are required to report on the amount of lending aligned with these taxonomies. Bank of Georgia prepared for implementing the taxonomy by updating its internal classification system to NACE2 – the European classification system used by the NBG's taxonomies for identifying sectors and activities that are or could potentially be green – and by operationalising selected taxonomy criteria so bankers can determine whether clients are compliant. We started reporting in January 2023, we may not be able to assess compliance with all taxonomy criteria yet – possibly leading to a situation in which we report less taxonomy-aligned lending than we might actually have. This is due to several criteria being highly complex (for example, referring to European Directives that are implemented differently in different Member States of the European Union), making it difficult or impossible to check compliance during a standard loan appraisal process. We will address such barriers in 2023 and beyond.

How climate change affects our strategy

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

The Bank has already developed and published a Climate Action Strategy. We acknowledge the financial sector is a crucial player in supporting the decarbonisation of economies, and Bank of Georgia is committed to taking an active role.

Ambition

We commit to ensuring our actions support Georgia's climate-related goals, including those specified in its updated NDC (2021). As plans are updated, the Bank will update its own targets and policies with more detail

Commitments

Monitoring and managing climate risks in the client base
Collecting data, raising clients' awareness and developing an approach to engaging with high-risk clients.

Supporting a low-carbon, resilient economy
Providing financing and solutions to clients, and reducing the hurdles for climate finance.

Reducing our operational carbon footprint
Incrementally expanding monitoring of our operational carbon footprint and taking relevant action.

Anchoring climate expertise in our skill-set. Making climate change an integral part of capacity building.

We plan to meet our outlined ambition through the following commitments:

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 started collecting relevant data from borrowers to understand their GHG emissions and related risks. In 2023 we will begin using this data to systematically identify clients with the highest climate risks and discuss such risks with them. This will feed into our portfolio-level risk assessment and allow us to continuously improve our understanding of sectors and clients that contribute to climate change through GHG emissions, or that are vulnerable to the changing climate and associated impacts. We will ensure appropriate management of 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 they can implement credible, safe, innovative, high-quality climate solutions. We will actively explore the opportunities to extend climate-related financing to different sectors and clients.

Reducing our operational carbon footprint: We are committed to monitoring emissions from our own operations (including Scope 1, 2 and 3 emissions, except financed emissions) and implementing measures that support their reduction. We also commit to continuously improving our ability to measure our financed emissions and providing relevant figures in our Annual Reports.

Anchoring climate expertise in our skill set: We are determined to invest in enhancing our climate-related capabilities across the Bank, and to build a comprehensive toolkit for climate-related risk and opportunity management.

The Bank's Climate Action Strategy will be implemented over the coming years, in line with a concrete action plan developed in 2022. Risk and opportunity analysis will be repeated regularly and will inform any updates to the strategy.

Risk management

Bank of Georgia is committed to addressing climate risks by integrating their identification, evaluation and management within standard risk management procedures.

Risk identification and evaluation

Bank of Georgia has an ESMS in place, but climate is a complex topic that requires expertise from across the Bank and beyond. To accelerate progress, we have continued to engage with third-party consultants in 2022, supporting the development of our CLiRM and extending our ability to assess climate risk.

In 2022 we conducted the following exercises:

Qualitative analysis of the effect of climate change on enterprise-wide risks: Based on the results of the 2021 Bank-wide climate risk analysis (see Annual Report 2021), we reassessed how the transition and physical effects of climate change can drive credit, liquidity, market, capital, operational and reputational risk for the Bank over varying time horizons and for different scenarios (see previous pages). The methodology was slightly updated against the method developed in 2021. Overall, however, our assessment of the magnifying effects of climate change and climate-related transformations on Bank-wide risks remains very similar to 2021.

Preliminary qualitative analysis of climate-related risks in our portfolio: Based on the 2021 portfolio climate risk assessment, we reassessed transition and physical risks – on a scale from zero (no risk) to four (very high risk) – for more than 650 activities conducted by our clients and aggregated risks for 25 sectors. The overall results are very similar to those of 2021 and show that over half of our business portfolio is expected to face low transition risks over the coming years. The remainder of the business portfolio could face medium risks.

Bottom-up climate risk assessment at client level: From 2023, the 'top-down' analysis of our business portfolio will be accompanied by 'bottom-up' client-level assessments through an updated due diligence process (see next page).

The first step of this process will be to identify expected transition risks based on the sector in which the client generates their income, and expected physical risks based on the sector and location of income generation. While we will draw on the heat map to assess risks per sector, the analysis of risks for different locations will be based on our 'hazard map' developed in 2022 – which shows physical risks for different sectors across 64 Georgian municipalities, taking up to 11 climate hazards (from landslides to changes in precipitation) into account for the overall score. The analysis is based on publicly available data, including from Georgian and international sources. Although our approach does not currently allow for determining different risk levels within the same municipality (for example depending on the proximity to high-risk zones such as rivers and slopes), we expect the results to be sufficiently detailed to allow us to engage our clients on climate-related risks and opportunities.

Excerpt of our hazard map for assessing location-based physical risks

	Forestry		Construction	
Municipality	Current	2030	Current	2030
Khelvachauri	Medium	Medium	Medium	Medium
Keda	Medium	Medium	Medium	High
Kobuleti	Medium	Medium	Medium	High
Shuakhevi	Medium	Medium	High	High
Khulo	Medium	High	High	High
Batumi	Low	Low	Low	Low
Ozurgeti	Medium	Medium	Medium	Medium
Chokhatauri	Medium	Medium	High	High
Lanchkhuti	Low	Medium	Medium	Medium
Khobi	Low	Medium	Low	Medium
Senaki	Low	Medium	Medium	Medium
Abasha	Low	Medium	Low	Medium
Martvili	Medium	Medium	Medium	High
Chkhorotsku	Medium	Medium	Medium	High
Tsalenjikha	Medium	Medium	Medium	High
Mestia	Medium	High	High	High
Zugdidi	Low	Medium	Medium	Medium
Poti	Low	Low	Low	Low

Low Medium High

Following the second step – awareness raising – the third step of our climate-related due diligence will consist of collecting additional data from clients that we expect to face high or very high climate risks (as identified in step one). This includes information on GHG emissions, past climate-related impacts, management measures and a small number of additional aspects. This in-depth data collection will help us assess clients' awareness of potential risks and preparedness for addressing them. Analysis will be done once a year, per identified client, as part of our regular environmental and social risk monitoring. Results will be used to refine our portfolio-level risk assessment (heat map) and identify highly exposed and unprepared clients with whom we intend to engage more closely in a fourth step.

Measuring financed emissions: Understanding the emissions we finance is important for managing climate risks in our portfolio and steering our contribution to Georgia's climate-related transition goals. In 2022, we assessed financed emissions for parts of our business portfolio using the methodology developed by the Partnership for Carbon Accounting Financials (PCAF). We will repeat this exercise annually, covering more and more of our portfolio. The necessary data will be collected as part of the climate-related due diligence process described above and on the next page. Moreover, we will pilot a methodology for assessing financed emissions from larger parts of our portfolio using a methodology developed by IFIs. Please see 'Metrics & targets' chapter for further detail on the results of the 2022 assessment and on the methodologies for borrower-specific and portfolio-level GHG assessment.

Estimating alignment of selected clients with the goals of the Paris Agreement: In 2021/22, 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. However, the number of clients in the PACTA database is very small, rendering the results of such analysis extremely limited. Starting in 2023, we will discuss low-carbon development and Paris Agreement-alignment with clients affected by transition risk as part of our updated climate-related due diligence process (step four, see below). We will assess the results to determine an approach to measuring portfolio alignment in a standardised manner.

Integrated risk management

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

Development of a CliRM framework: This framework describes climate-related responsibilities across the Bank and summarises all methods and processes for risk assessment, evaluation and management. It includes detailed manuals for all climate-related activities, from Bank-wide climate risk assessment to the calculation of financed emissions. The CliRM framework was approved by our Environmental and Social Impact Committee and by the Board in 2022. It is available to all staff via our intranet and will be reviewed regularly to ensure any changes in our approach to climate risk and opportunity management are reflected.

Integration of climate-related risks in our ERM framework: In 2020, the Group identified climate change as an emerging risk for the first time, making climate-related risk an integral part of our risk inventory. In 2021/22, an approach to understanding the magnifying effects of climate change on traditional banking risks was developed and refined. Further steps to integrate climate into overall risk assessment and monitoring will be considered. This could include reflecting climate risks in our Risk Appetite Statement and in our Credit Policies.

Integration of climate considerations in our due diligence process: In 2022 we continued to develop our climate-related due diligence process, to assess and address climate-related risks as part of our loan appraisal and environmental and social monitoring. The process comprises four steps, as illustrated in the figure below – we will start to implement steps one to three in 2023, with step four introduced once we have gathered sufficient information on our existing client base and their risks.

Our climate-related due diligence will be integrated as much as possible into standard procedures. We have made the following changes in 2022:

- For step one, we updated our credit information software to allow for collecting information on clients' business activities and locations, and evaluating expected climate risk.
- For step two, we developed a new booklet on climate change and low-carbon, climate-resilient development targeting business clients. Moreover, we updated our Environmental and Social Covenant with information on our climate risk assessment process. The Covenant must be signed by all business clients and requires that they read the climate booklet.
- Step three of our climate-related due diligence will be implemented alongside our environmental and social risk management and monitoring, allowing for more efficient communication with our clients. We have updated our ESMS framework accordingly, also referring to the new CliRM framework.

Building climate-related risk management capacities: Capacity building is crucial to ensuring climate-related risks and opportunities are considered in every credit decision. In 2022, more than 80 corporate bankers and risk managers took part in training on climate risk management and the Bank's new climate-related due diligence process. Moreover, colleagues from ERM participated in a deep-dive workshop on scenario analysis.

Our climate-related due diligence:

1. **Initial screening**
   We preliminarily assess clients' climate-related risks by looking at their sector and location.
2. **Awareness raising**
   We make clients facing climate-related risks aware, so they can start to act (see flyer – **https://bankofgeorgia.ge/en/about/management#docs**)
3. **Additional data collection**
   We address high-risk clients to determine whether they actually face climate risks identified in step one.
4. **In-depth climate risk assessment**
   We will engage with selected (corporate) clients to support their climate management.

Metrics and targets

Bank of Georgia uses metrics recommended by the TCFD to measure our impact on the climate, 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	Measuring our GHG emissions helps us understand our direct and indirect impact on the climate.
Percentage of lending vulnerable to climate-related transition and physical risks, relative to total lending	Climate-related risks for our borrowers can present credit risks for Bank of Georgia, so we 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. From 2023, we will monitor and report the share of financing in line with Georgia's new Sustainable Finance Taxonomies and explore opportunities to expand such climate-related lending.
Forward-looking metrics	Bank of Georgia is committed to using its financed emissions calculations to develop forward-looking climate-related metrics in the coming years.

GHG emissions: our operational footprint

Since 2012, the Bank has reported 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.

This data covers 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. For the first time, our 2022 reporting also includes emissions for three Bank subsidiaries (BNB Bank, Georgian Leasing Company, Bank of Georgia's Representative Office UK) and two Group subsidiaries (G&T, Digital Area). Bank of Georgia Group will determine in future whether and how to calculate emissions from other subsidiaries.

Our emissions data follows 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. We do not have responsibility for emission sources not included in our Consolidated Financial Statements on pages 228 to 342.

Scope 1
includes emissions from:

- Combustion of natural gas, petrol and diesel at owned and controlled sites (for heating and electricity generation).
- Combustion of petrol and diesel in owned passenger vehicles.

Scope 2
includes emissions from:

- Purchased electricity at owned and controlled sites.

Scope 3
includes emissions from:

- Fuel- and energy-related activities; waste generated in operations; purchased goods.
- Air business travel; hotel accommodation; land transportation by rental cars.
- New in 2022: employee commuting.

Bank of Georgia GHG emissions 2020-2022

Category		Emission source category		2020 tCO_2e	2021 tCO_2e	2022 tCO_2e	
GHG Protocol Standards: Corporate Scope – 1 and 2, Value Chain – Scope 3	Scope 1	Direct emissions from owned or controlled stationary sources	Fuels	874.4	907.6	957.3	
	Scope 1	Direct emissions from owned or controlled mobile sources	Passenger vehicles	1,022.6	1,089.5	1,110.1	
	Scope 2	Location-based emissions from the generation of purchased electricity, heat, steam or cooling	Electricity	1,624.9	1,661.5	1,864.2	
	Scope 3	Fuel- and energy-related activities	All other fuel- and energy-related activities	488.5	545.6	593.3	
	Scope 3	Fuel- and energy-related activities	Transmission and distribution losses	342.9	350.7	347.1	
	Scope 3	Waste generated in operations	Waste water[1]	39.0	42.0	18.4	
	Scope 3	Waste generated in operations	Waste	0.1	0.1	0.1	
	Scope 3	Purchased goods	Water supplied[1]	18.9	20.4	10.1	
	Scope 3	Purchased goods	Material use	200.4	224.8	281.1	
	Scope 3	Business travel	All transportation by air	9.8	19.9	80.9	
	Scope 3	Business travel	Hotel accommodation	–	2.1	6.8	
	Scope 3	Business travel	Land transportation by outsourced vehicles	471.3	615.0	565.2	
	Scope 3		Employees commuting	–	–	3,822.3	
Scope 1				1,897.0	1,997.1	2,067.4	
Scope 2				1,624.95	1,661.5	1,864.2	
Scope 1+2				3,522.0	3.658.6	3,931.6	
						Without commuting:	With commuting:
Scope 3				1,571.0	1,820.5	2,006.1	5,828.4
Total emissions				5,093.0	5,479.1	5,937.8	9,760.1
tCO_2e/employee				0.9	0.9	0.9	1.5
BOG employees (year-end)				5,821	6,207	6,597	

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

Notes on methodology: We used the most recent Georgia electricity conversion factor provided by JRC[2]. 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 the Cornell Hotel Sustainability Benchmarking Index (CHSB) Tool, version 2.

Further conversion factors were taken from the 2022 UK Government GHG reporting: conversion factors[3] – and updated against the 2020 version used for our 2021 reporting. Given that differences are mostly minor, and that updated emission factors also reflect real changes in different activities' emissions intensity, GHG emissions for 2020 and 2021 were not remodelled using the updated emission factors.

Compared to previous years, our gas consumption significantly decreased in 2022 as the result of major improvements to our heating system. Our petrol, diesel and electricity consumption, in turn, rose due to growth of the car fleet, office size and staff numbers, and due to staff returning to the office after two years of home office.

In 2022, we assessed Scope 3 emissions from 'Employee commuting' for the first time. This was based on a survey of employees' mode of transportation, distance travelled and – where known – fuel used. 21% of employees participated in the survey and final figures were calculated by extrapolating to all employees. While we acknowledge this approach is not fully accurate, we perceive the results to be sufficiently informative for the time being, e.g. to estimate the approximate share of commuting emissions in our total emissions. It was not possible to assess commuting emissions for 2020 and 2021 due to a lack of data and irregularities in commuting patterns throughout the COVID-19 pandemic.

1. Between 2020 and 2021, the method for calculating EFs for water supply and water treatment was changed. These EFs are now calculated based on the 2020 data from the UK water companies Carbon Accounting Workbooks (CAW). This is because previously the values were coming from a publication of the UK water industry from 2012 that has now been discontinued. There is a large decrease in the conversion factors associated with water supply and water treatment compared to last year's conversion factors. This is most likely due to the updated method reflecting the grid decarbonisation since 2012.
2. 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.
3. Department for Business Energy and Industrial Strategy (BEIS), Greenhouse gas reporting: conversion factors 2022, https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022.

Bank of Georgia and Group's subsidiaries' GHG emissions 2022

Category		Emission source category		Bank subsidiaries tCO$_2$e	Group subsidiaries tCO$_2$e
GHG Protocol Standards: Corporate Scope 1 and 2	Scope 1	Direct emissions arising from owned or controlled stationary sources	Fuels	–	–
	Scope 1	Direct emissions from owned or controlled mobile sources	Passenger vehicles	95.5	79.8
	Scope 2	Location-based emissions from the generation of purchased electricity, heat, steam or cooling	Electricity	235.0	18.5
	Scope 2		District heat	118.5	–
	Scope 3	Fuel- and energy-related activities	All other fuel- and energy-related activities	24.6	19.8
	Scope 3		Transmission and distribution losses	10.2	3.4
	Scope 3	Waste generated in operations	Waste water	1.1	1.0
	Scope 3	Purchased goods	Water supplied	0.6	0.5
Scope 1				**95.6**	**79.8**
Scope 2				**353.4**	**18.5**
Scope 1+2				**448.9**	**98.3**
Scope 3				**36.6**	**24.7**
Total emissions				**485.6**	**123.0**
tCO$_2$e/employee				**0.6**	**0.6**
Total employees				**833**	**210**

Notes on methodology: Once again, we used the most recent Georgia electricity conversion factor provided by JRC to calculate electricity emissions for all Georgian Bank/Group subsidiaries. The emission factor for electricity use by BNB is specific to Belarus and was also taken from JRC. Further conversion factors were taken from the 2022 UK Government GHG reporting: conversion factors.

Scope 3: Financed emissions

In 2022, Bank of Georgia analysed the GHG emissions of 66 corporate clients across six sectors:

	Outstanding loan amount at 31 December 2021 (GEL)	Scope 1 + 2 (tCO_2e)		Scope 3 (tCO_2e)		Emissions intensity (tCO_2e/GELm)
Financed 2021 emissions						
Cement, steel and other energy-intensive manufacturing	377,876,879	238,297	Emissions from use of electricity and fuels; emissions from chemical processes not calculated.	/	Not calculated (yet)	631
Hotels (running)	339,302,849	1,235	Emissions from use of electricity and fuels.	/	Not calculated (yet)	4
Real estate management (running)	151,402,530	/	Not calculated (yet), as emissions mostly stem from building use.	442	Emissions from tenants' building use, calculated based on measured energy consumption.	3
Mining (gold, copper, sand and gravel)	123,999,713	9,644	Emissions from use of electricity and fuels.	/	Not calculated (yet)	78
Transport	110,859,680	7,980	Emissions from use of fuels and, where material, electricity.	/	Not calculated (yet)	72
Electricity generation (from gas)	67,747,084	182	Emissions from use of electricity and fuels for plant operation.	35,618	Emissions from electricity generation, calculated based on gas consumed.	528
Total	**1,171,188,735**	**257,338**		**36,060**		**251**
Financed 2021 emissions						
Hotels (under construction)	127,765,409	89,518	Lifetime emissions over 30 years, based on planned hotel size or annual # of nights.	/	Not calculated (yet)	701
Real estate management (under construction)	20,904,434	/	Not calculated (yet)	55,448	Lifetime emissions from building use over 30 years, based on planned building size.	2,652
Total	**148,669,842**	**89,518**		**55,448**		**975.09**

Results: There is a wide variation between sectors as some are more GHG-intensive than others. Desk research showed that our emissions intensities are generally in line with those reported by other banks from emerging economies and beyond. The potential for emissions reduction through energy efficiency improvements is highest in energy-intensive manufacturing such as cement and steel making. Improving building design can help avoid future emissions from the building sector. Despite methodological challenges, we will use our findings to inform client engagement and business management decisions from a climate perspective.

Methodology: The clients covered by the assessment are considered carbon-related through their Scope 1, 2 or 3 emissions, and account for approximately 26% of our corporate portfolio (as at 31 December 2021). The analysis was done for emissions generated in 2021, given the required data to calculate 2022 emissions was not available at the time of calculation.

To calculate financed emissions, we applied the 'Global GHG Accounting and Reporting Standard for the Financial Industry' developed by the PCAF. Although a small number of loans was used for the purchasing of real estate, we considered all loans to fall into PCAF's 'general business loan' category. This decision was taken to allow for efficiently calculating financed emissions and to avoid double counting of emissions from clients that have taken out loans for both the purchasing of real estate and other purposes.

Our bankers collected the following data: outstanding loan amount; total debt and equity; and primary physical activity data for the company's energy consumption. On a scale from one (best) to five (worst), the quality of our data thus scores two. Most clients do not yet report GHG emissions, making it impossible for us to reach the highest data quality score.

Scope 3 emissions were calculated and reported separately where relevant – as were lifetime emissions for hotels and apartment or office buildings whose construction was still financed by Bank of Georgia in 2021. For the latter, we based calculations on the size of the building or number of nights booked per year and a total lifetime of 30 years.

Challenges and outlook: When it comes to efficient and robust measurement of financed emissions, one of the most prominent hurdles is to ensure that clients provide complete, consistent, reliable data. We discussed individual data points with clients whenever we detected possible irregularities and, going forward, will continue to monitor the quality of data provided – engaging with clients to raise awareness and improve results.

We have so far only calculated emissions from a minor share of our portfolio. In 2023 we aim to assess emissions for approximately 30-40% of our CB portfolio using the PCAF Standard.

Given the large number of clients in our MSME and retail portfolios, we cannot apply the PCAF Standard to these segments. Indeed, attempts to calculate financed emissions from our MSME portfolio based on statistical data for sector-based GHG emissions and turnover failed in 2021/22 due to the lack of comparable data.

We expect to pilot the Joint Impact Model (JIM) in 2023 as a potential solution. The JIM is a methodology developed by several development finance institutions to conduct indirect impact modelling. Using input data such as revenue and power production from portfolios, the JIM enables users to estimate financial flows through the economy and its resulting economic (value added), social (employment) and environmental (GHG emissions) impact.

The way forward

In 2022 we answered the CDP questionnaire for the first time. Our response scored a C ('awareness'), on a scale from A ('leadership') to F ('failure to disclose') – showing that we have taken significant strides in our climate action, but that we need to continue working on the matter to address our climate impact and ensure good climate management.

We are disclosing climate-related actions for the second time in 2022. We believe we have covered all TCFD recommendations and recommended disclosures, providing information on relevant decisions and how we made them. Nevertheless, we acknowledge we are only 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	The way forward for 2023
Governance	
Board oversight of climate-related risks and opportunities. Management's role in assessing and managing climate-related risks and opportunities.	The board and management will continue to exercise their climate-related responsibilities as described in this Annual Report. Training and upskilling colleagues across the Bank will continue to be a key priority. E-learning materials will be developed.
Strategy	
Climate-related risks and opportunities over the short, medium, and long term. Impact of climate-related risks and opportunities on our businesses, strategy, and financial planning. Resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We will continue to conduct climate-related risk and opportunity analysis and disclose relevant results. We will implement our Climate Action Strategy. Improving our risk assessment capacities (see below) will also allow us to better understand the resilience of our strategy.
Risk management	
Processes for identifying and assessing climate-related risks. Processes for managing climate-related risks. Integration of processes for identifying, assessing, and managing climate-related risks as part of our overall risk management.	To enhance credit risk assessment and manage risks, we will start collecting data from business clients in a standardised manner through an updated due diligence process. Moreover, we will assess (very) high-risk clients' awareness and preparedness for such risks in more detail, together with respective clients. We will strive to conduct sectoral case studies to better understand climate risks and management responses for selected high-risk sectors and clients (conditional upon external technical and financial support). We will continue to refine and expand our risk assessment methodologies with feedback from the new due diligence process and, possibly, sectoral case studies. We will collect data to help identify climate finance opportunities in line with the NBG's Green Taxonomy. We will reassess whether to integrate climate into our Risk Appetite Statement and update policies as necessary.
Metrics and targets	
Metrics used to assess climate-related risks and opportunities in line with the Bank's strategy and risk management process. Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and related risks. Targets used to manage climate-related risks and opportunities, and performance against targets.	We will assess emissions generated by 30-35% of our CB portfolio (up from 26% in Annual Report 2022) and test a modelling-based approach for assessing financed emissions from the total business portfolio. Results will be published in our 2023 Aannual Report. As we start to better understand emissions from our portfolio, we will take into consideration whether – and how – to specify our climate-related targets.

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

ESG REVIEW – SOCIAL

Social

At a glance

We aim to play an active role in creating and enabling opportunities for our customers, employees, and communities in which we operate.

Our purpose is *helping people achieve more of their potential*, and this means different things to us in different contexts – when we see our colleagues overcome personal and professional challenges and grow in this learning process, when we see children in Georgia's rural areas use the libraries we sponsor to design, or when we see young entrepreneurs use our resources to develop their businesses, this is what we call *"achieving more of their potential."* This does not mean that we solve all of their problems or that we never have a negative impact on people. But, we strive to reduce any negative impacts we may have, we take responsibility for our actions.

Our main focus areas for social impact are financial inclusion, education in communities, and employee empowerment. We are committed to ensuring there are no unnecessary barriers to finance for our customers and we aim to deliver a positive, inclusive and accessible experience to our customers. Going forward, we will place an even greater focus on young people and financial education. In 2022 we launched the first financial mobile application in Georgia for school students and continue to enhance it to increase engagement and embed educational content because we believe financial literacy is one of the tools to *"achieve more of their potential."* We are equally committed to building an inclusive, healthy and stimulating workplace for our people. And, finally, we aim to give back by engaging with our communities through philanthropic giving and sponsorships that are focused primarily on access to education and educational opportunities.

In this section:

Empowering our customers

Customer experience – how we listen to our clients

A few years ago Bank of Georgia embedded a customer-centric model in its operations. Customer-centricity has been defined as one of the business principles and a customer experience ('CX') management department has been set up, supporting the Bank in improving the customer experience across segments and main touchpoints. We have put in place a systematic approach to not only mitigate negative impacts we may have on people, but also, and most importantly, to learn from customer feedback. The CX department now reports to the Deputy CEO/COO.

The CX team continuously monitors and collects real-time customer feedback. We are serious about customer feedback. The Bank's senior management receives and discusses the reports prepared by the CX team monthly, including action plans and how those have been executed.

The CX 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 (CX embedded in employee KPIs framework); 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.

Medallia

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

	Nov 2019	Jul 2020	Dec 2020	Nov 2021	Jul 2022	Planned
Channel	Retail mobile app and internet banking platforms	Call Centre	Retail Branches	Mobile app for legal entities	SOLO lounges	• Chat/bot • sCoolApp • BOG Pay • Complaints management • Remote sales
Approximate number of annual feedback	90 K	30 K	270 K	5.5 K	25 K	

Monthly internal telephone and email surveys – we collect, measure, and analyse customer feedback across all segments using telephone and email surveys.

- Mass retail – randomly selected 800-850 active customers per month.
- SOLO segment – randomly selected 450 active customers per month.
- POS payments – randomly selected 350-400 merchants per month.
- Small and medium businesses – randomly selected 1,200 and 900 customers, respectively, per quarter.
- Mail surveys for CB and WM customers.
- Surveys on specific products including student cards, Amex cards, etc.

External survey – we measure the Bank-wide NPS using an external independent service provider.

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 was 58 by the end of 2022, up from the low-30s four years ago.

Responsible financial inclusion

Financial inclusion enables people to benefit from the products and services that a formal financial system offers, 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 we deliver our products and services to our customers.

Responsible lending

- We do not lend without assessing and checking a customer's income.[1]
- 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 FX 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

Bank of Georgia has a Code of Ethics for Debt Collection, governing culture and ethics in the process of collections. This Code is based on the requirements of the NBG and international best practice, ensuring the collections process is managed with the principles of good faith, transparency, and fairness.

During the collections process, we operate with the following principles:

- We have transparent relationships with borrowers.
- We interact with fairness and respect.
- We provide our customers full, reliable, and helpful information, essential for decision making.
- We define a suitable time for communications and a list of information to be prudent, attentive and loyal towards the borrowers.
- We motivate and help borrowers find the best outcomes.

As a control mechanism, the Bank maintains records of communications with customers to ensure effective execution of the Code. The Customer Protection unit serves as a second line of defence, monitoring debt collection process so that it is in compliance with the principles, rules, and requirements of the Code.

We continue to strengthen the controls on collections activities to provide fail-safe protection of consumers and promote fair treatment of borrowers.

Customer protection

We aim to maintain customer trust 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 Standard, which was updated in 2022 to reflect new local regulatory requirements and additional control mechanisms for effective execution. The Standard covers all stages of the product and services lifecycle and includes requirements related to transparent product offerings and clear, accurate and tailored communications to enable customers to make informed decisions. We have developed an online training module on responsible treatment of customers to ensure all employees clearly understand our commitments. Online training is the part of mandatory onboarding programme for customer-facing roles.

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. Responsible marketing guidelines are included in the Standard, according to which all marketing communications must be fair, clear, and not misleading. 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, social media, call centre, and branches. According to the NBG's regulations, customers can also file complaints via the NBG. The Bank's Customer Protection Unit manages communications with the NBG regarding customers' claims.

The Customer Protection Unit also serves as a second line of defence, reviewing and analysing all complaints to identify any trends and recurring claims potentially indicating a systemic issue, any violation of our Code of Conduct or Customer Protection Standard, and offering remediation action plans if necessary.

If the Customer Protection Unit 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. Assessment and approval are required for new products and for changes to existing products. We aim to ensure 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.

1. Excluding pawn loans which stood at GEL 165 million as at 31 December 2022.

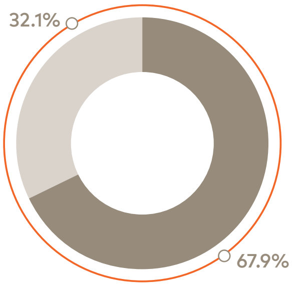
Empowering our employees

We deliver on our strategic objectives thanks to our employees and their commitment to shared success. We are committed to inspiring and empowering them by ensuring a diverse and inclusive work environment, with equal opportunities for learning and development. We do business in line with our core values and business principles, and continue to focus on attracting, developing and retaining top talent, fostering a high-trust environment and a strong feedback culture, and developing our organisation to give employees meaningful work experiences.

Bank of Georgia's Human Capital Management (HCM) function plays a critical role in helping us ensure employee wellbeing, engagement and satisfaction. The HCM function, combining HR expertise with business knowledge, designs and implements policies and practices in line with the Group's purpose, values, business principles and strategic objectives. The HCM team reports to the Head of Human Capital and Employee Experience Management, a member of the Bank's Management Team, who reports directly to the CEO. The Supervisory Board of the Bank and its Nomination, Remuneration, Audit and Risk Committees – oversee all matters related to the Bank's employees.

Our employees at a glance

Group employees by gender



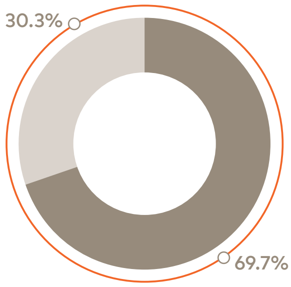
Total employees
8,391

Women
5,696

Men
2,695

Women
Men

Bank of Georgia employees by gender



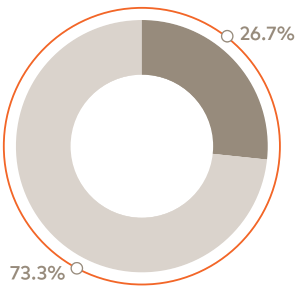
Total employees
6,597

Women
4,601

Men
1,996

Women
Men

Executive Management of the Group[1]



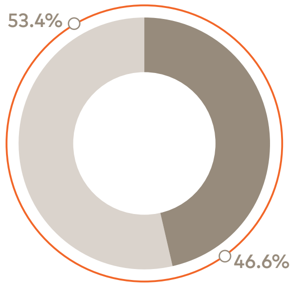
Total employees
15

Women
4

Men
11

Women
Men

Senior management of the Bank[2]



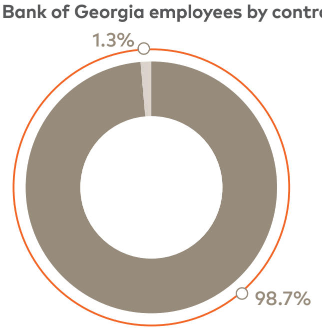
Total employees
58

Women
27

Men
31

Women
Men

Bank of Georgia employees by contract type



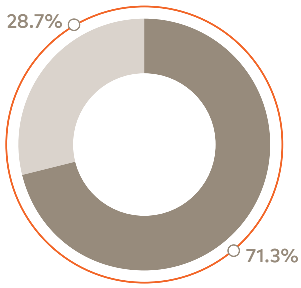
Total employees
6,597

Permanent
6,511

Temporary
86

Permanent
Temporary

Bank of Georgia employees by location



Total employees
6,597

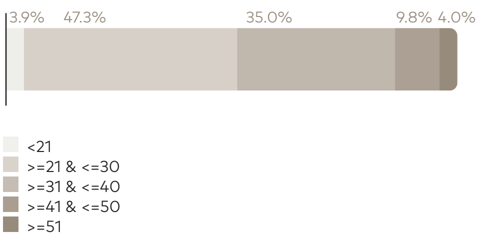
Tbilisi
4,705

Regions
1,892

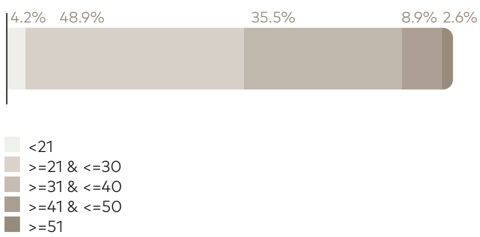
Tbilisi
Regions

Generational split

Age of employees, % (Group)



Age of employees, % (Bank of Georgia)



1. Includes the CEO. The figures are presented as at 31 December, 2022.
2. Excludes Executive Management of the Bank.

Culture: living our values and business principles

We are committed to the highest ethical standards in everything we do. We expect every employee to act in line with our values and business principles, complying with applicable laws, regulations, and internal policies and procedures. We communicate our expectations of employee conduct through multiple channels, including our Employee Corporate Handbook, available to all employees on the Bank's intranet, in Georgian and English. The Code of Conduct, an integral part of the employment agreement between the Bank and its 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. Failure to do so may lead to disciplinary action, up to and including the termination of employment.

We monitor employee awareness of internal policies and are working on strengthening our internal communications and explaining our policies through online, interactive, self-paced courses.

How employees can raise concerns

Whistleblowing tool

The Bank has a whistleblowing tool allowing employees to report any concerns anonymously or confidentially. The Bank uses WhistleB, an external, advanced, independent whistleblowing reporting channel and case management tool. We prohibit any form of retaliation against an employee who raises a concern or participates in an investigation.

We encourage employees to speak up and promptly escalate concerns about a potential misconduct.

Grievance mechanism

Through our grievance mechanism, which is part of our Grievance Policy, employees are encouraged to communicate legitimate concerns about illegal, unethical or questionable practices – confidentially, if necessary, and without the risk of retaliation. Grievances can be submitted via email, anonymous hotline call or electronic form.

In 2022, we had three cases reported under the Grievance Policy, two of them were provided anonymously. All cases were investigated and resolved. For more information on ethical business, please see pages 87 to 88 of this report.

Prevention of bribery and corruption

As an organisation that does not tolerate bribery and corruption, Bank of Georgia ensures appropriate internal controls are in place and operate effectively. Our KYE procedures include screening at the recruitment, employment and departure stages.

In 2022, there were no bribery and corruption incidents registered, nor did the Bank incur any bribery or corruption fines. (For more information on financial crime, please see page 143 of this report).

Diversity, inclusion and equality

We are committed to ensuring inclusion and equal opportunities in our organisation. We do not tolerate discrimination on any grounds, – be it gender, marital status, sexual orientation, race, ethnic origin, nationality, age, disability, political or religious beliefs, or on any other grounds under the applicable local law. Universal human rights are incorporated into our Handbook and our Human Rights Policy. Our Anti-nepotism Policy also underpins fair and transparent decision-making in all employee-related matters.

Gender equality

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

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

In 2022 Bank of Georgia joined the Women's Empowerment Principles (WEPs) to further strengthen our initiatives aimed at supporting women in the workforce. Bank of Georgia also retains its 2XChallenge nomination, and we monitor its criteria as our main indicators of gender D&I, and provide an annual update on diversity matters to the Nomination and Remuneration Committees.

Inclusion and non-discrimination

As detailed in the 'Talent strategy' chapter, we take steps to ensure candidates and employees are not discriminated against. We do, however, process gender, age, education, position and employee level, and other information required for the fulfilment of our talent strategy, and disclose our progress through our ESG reporting framework with reference to GRI standards. Since 2020 we have also reported on workforce diversity for the NBG, including information on gender ratios by employee position levels, age structure, and ratio of disabled persons.

We plan to advance our D&I practices by involving our HCM team members in an international certification programme, performing a self-audit and identifying areas for improvement. This will be completed in 2023, and we aim to have a D&I enhancement plan in place for 2024.

Fair rewards

The Bank's Remuneration Policy and practices are part of our human capital strategy and are aligned with the Group's overall strategy, corporate culture, business activities and risk appetite, and comply with applicable regulatory and legal requirements. 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 on 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 and we are committed to eliminating any bias and discrimination. Flexibility means our 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 Remuneration Policy is approved by the Supervisory Board of the Bank, based on the recommendation of the Remuneration Committee. In 2022, changes related to remuneration of Material Risk Takers and other new requirements of the NBG were approved and implemented.

Our remuneration system consists of fixed salary and variable remuneration, which is based on performance. The Policy defines standards applied to remuneration of Executive Management, 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.

Remaining a competitive employer

We monitor employee pay trends via labour market compensation surveys. The results of the 2022 survey and the analysis of internal data confirmed that we remain a competitive employer.[2]

We also monitor wage statistics in Georgia. According to the National Statistics Office of Georgia, a subsistence minimum[1] was GEL 254 in December 2022, and **average monthly nominal earnings per employee as of 3Q22 stood at GEL 1,595**[2]. In addition, the living wage was GEL 1,770[2] according to the Georgia Fair Labor Platform[3], while **average monthly earnings at the Bank amounted to GEL 3,468**[4].

Ensuring fair remuneration

In addition, we monitor our **gender equal pay gap (GEPG)** as one of the indicators of equal opportunities, and report this information to the Remuneration Committee annually. The GEPG is the difference between the compensation of male and female employees in the same position. In 2022 the GEPG stood at 4%.

The decrease in GEPG reflects our commitment to creating equal opportunities in the workplace – we promote equal opportunities and support women with a variety of leadership initiatives.

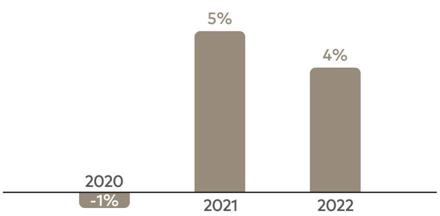
Levelling

This framework considers job specifics to ensure fairness and transparency across the Bank.

Levelling ensures:

- better employee understanding of total compensation (all pay and benefits) approach;
- better management of employee mobility;
- a baseline for aligning jobs and compensation packages;
- a 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.

GEPG
(Bank of Georgia)
(mean pay – women versus men)



As for our raw **gender pay gap (GPG)**[5], which measures the difference in the average earnings of men and women regardless of the nature of their work, average earnings of female employees are 44% lower than those of male employees. This is mainly driven by the higher proportion of women among new hires at entry levels in non-managerial positions and at lower ranges on managerial levels. The Bank continues talent development activities to support professional development and career progression of its employees.

We are committed to ensuring equal opportunities by fine-tuning our job architecture and grading structure. In 2022, we completed 'Levelling' for non-managerial positions, having finished this process for managerial positions in 2021. A standardised process of assessment and placement applies to each new or updated position and its respective incumbent, mapping the baseline for career paths and employee career progression.

1. http://geostat.ge/en/modules/categories/791/subsistence-minimum
2. https://www.geostat.ge/en/modules/categories/39/wages
3. https://shroma.ge/en/living-wage-en
4. Excluding Executive Management.
5. The raw gender pay gap is a measure of the difference in mean earnings of men and women regardless of the nature of their work across an organisation. The figure is calculated as the mean salary for male employees minus the mean salary of female employees (excluding Executive Management).

Our benefits for supporting employee wellbeing

Bank of Georgia's employee value proposition includes competitive remuneration and benefits packages and support for personal and professional development.

Corporate insurance package ◇

We offer employees a standard corporate health insurance package, including pregnancy and childbirth coverage, fully paid by the Bank. Employees can upgrade to a non-standard package by covering the price difference.

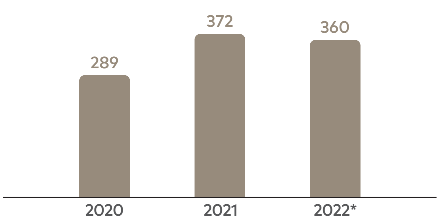
Maternity leave, newborn adoption leave and parental leave[6]

From 2021 we replaced maternity leave – which was available only to employees who were a mother of a child – with **parental** leave. Parental leave comprises maternity leave for childbirth and **maternity or paternity leave** for childcare available to an employee who is either a mother or a father of a child.

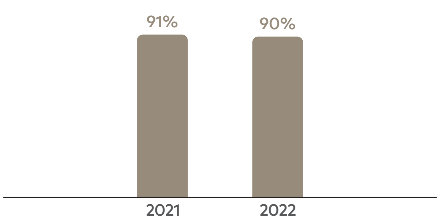
This leave offers a total length of 730 calendar days in case of childbirth and childcare to all employees.

Parental leave types	Legal requirements	What we do
Paid maternity leave for pregnancy and labour.	Payment is not legally required for private sector.	126 calendar days' compensation[7] paid by the Bank. ◇
Paid maternity leave in case of complications during childbirth or the birth of twins.	Payment is not legally required for private sector.	17 calendar days' compensation paid by the Bank. ◇
Paid parental leave for childcare.	Payment is not legally required for private sector.	57 calendar days' compensation paid by the Bank. ◇
Unpaid parental leave for childcare.		Difference between total length of childbirth-related leave (730 days) and above-mentioned calendar days as appropriate.
Additional unpaid parental leave for childcare.		12 weeks from the child's birth until the age of five, granted to any employee who actually takes care of a child, for at least two weeks per year.
Newborn adoption paid leave.	Payment is not legally required for private sector.	90 calendar days' compensation paid by the Bank. ◇
Newborn adoption unpaid leave.		460 calendar days.

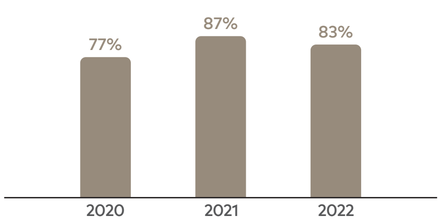
Number of women on maternity/parental leave



Return-to-work rate after maternity leave



Retention rate of employees who returned to work after maternity /parental leave, staying for at least 12 months



* One male employee used parental leave in 2022.

6. As defined by the Labour Code of Georgia.
7. The difference between an employee's salary during the leave and the amount paid by the Government.

◇ Benefit beyond compliance.

Additional benefits

Support in **back-to-work adaptation** ◊ – training programmes for employees returning to work from parental leave.

Special working **ergonomics** for **pregnant women – 21 workplace rearrangements in total were made for our pregnant colleagues**.

Paid time-off for special needs in accordance with Georgian regulations:
- Medical check-ups related to **pregnancy**.
- For mothers **breastfeeding** during the first 12 months.
- For employees who are legal representatives or supporters of a person with a **disability**.
- Paid medical check-ups for night-shift workers.
- **COVID-19-related days-off**.

Additional paid time-off ◊ in form of days off and uncertified sick leave – on top of those required by the Labour Code of Georgia – available to all employees.

Educational vacation ◊ – In the case of distance learning, the Bank offers a short-term educational vacation to employees. The Bank also provides the possibility of co-financing the cost of higher education – master's, academic or certification programmes at foreign universities for professional development in the relevant field (e.g. MBA, CFA programme, etc.).

Special terms for banking services ◊ – no fee for services related to a salary account and discounted rates on payment cards issued by the Bank, available to all employees.

Financial aid ◊ for:
- Childbirth, marriage, or a grave illness of a family member.
- Families in the case of an employee death.
- Coverage of an employee's uninsured debt at the Bank in the case of the employee's death.

TOIL (time off in lieu) compensation – employees can bank overtime hours and use them cumulatively as paid vacation within 12 months. If, due to unexpected circumstances, employees cannot take earned hours within the predefined time period, they will instead be compensated in cash (in compliance with the Labour Code of Georgia).

Night-shift employees medical check-up was introduced in 2022, in accordance with the Labour Code of Georgia. Those starting work or working a) at least three hours between 22:00 and 6:00 as part of their standard working time, or b) 25% of their annual work time during the same period, are considered night workers. They are offered an annual medical check-up to prevent or mitigate the risk of related professional illnesses, with costs covered by the Bank. Also notable:
- If according to a medical report the night worker has a health problem due to performing night work, the Bank shall, where possible, transfer him or her to a suitable day job.
- In the case of a medical recommendation, the night worker is eligible to request a medical examination every six months.

Talent strategy

In developing and implementing our talent strategy, we focus on:

- Attracting, developing and retaining highly qualified talents.
- Putting the right people in the right roles.
- Ensuring alignment of our talent strategy with business objectives by analysing and anticipating business needs and gaps in required skills and competencies.

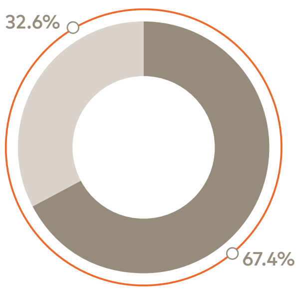
51% of our employees are 30 years old or younger, and our approach has evolved alongside changing attitudes towards work among younger generations – especially following the pandemic. When recruiting, we highlight that hybrid work is normal, that we are committed to ensuring D&I, and that work-life balance matters.

Our Talent Acquisition team actively monitors the labour market and regularly engages with potential candidates in Georgia and abroad. We also run an 'Employ the Talent' initiative, where employees can suggest candidates for tech and mass retail job openings. Seven candidates referred in this way were successfully employed in 2022.

Bank of Georgia is an equal opportunity workplace, where people from different backgrounds and experiences come together, empower each other, and create value for our stakeholders. The Bank's recruitment policy and practices – with panel interviews, relevant control procedures and online applicant tracking system – ensure a fair hiring process. We do not ask for candidates' date of birth, gender or photograph, nor do we collect information on race, religion, sexual orientation, disabilities or nationality – ensuring no candidate or employee is discriminated against on any grounds.

One priority is to develop talent internally, and current employees have priority when filling vacancies – especially for managerial positions. During 2022 a number of internal moves happened within executive and senior management, reflecting our focus on putting the right people into relevant roles and re-shuffling when necessary.

New employee hires (Bank of Georgia)



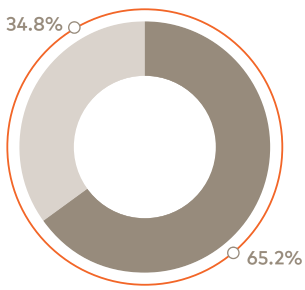
Total new employee hires
1,685

Women
1,136

Men
549

Women
Men

New hires (Group)



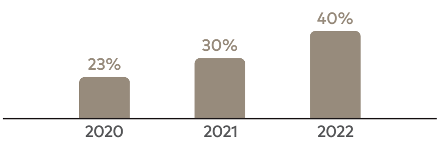
Total new employee hires
2,309

Women
1,505

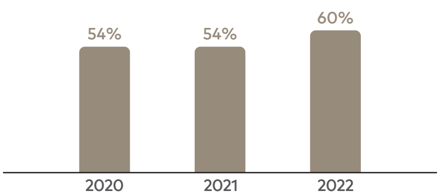
Men
804

Women
Men

Internal mobility rate
(Bank of Georgia)

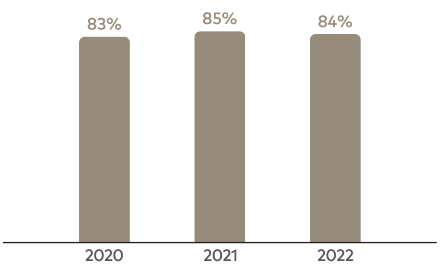


% of vacancies filled internally
(Bank of Georgia)

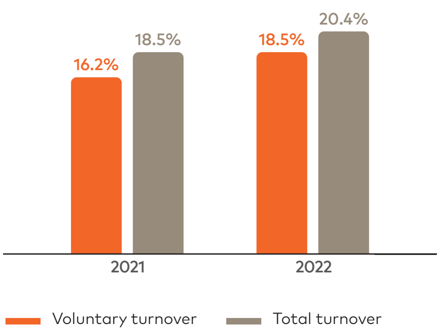


129
Employees of the Group promoted to managerial positions
76 women, 53 men

Retention rate
(Bank of Georgia)



Employee turnover
(Bank of Georgia)



Bank of Georgia continues to support younger talent by creating unique opportunities for personal and professional development. We collaborate with leading Georgian business schools and universities, regularly participate in job fairs, and run internships and student development programmes.

Since 2017 we have run Leaderator, a highly recognised student development programme in the local market. We enrol talented undergraduates in the programme and involve them in ongoing projects to expose them to real-world work experience. Leaderator participants are mentored by professionals at middle and senior management levels of the Bank. We offer participants flexible schedules and a financial reward, and they may be offered jobs upon completion of the programme.

102

Number of Leaderators selected in 2022

45% were women

54% were selected for IT/ Data/Digital programme

295

Number of students who participated in the programme

91% of participants were hired at the Bank after the programme ended

Leaderator participants tell us that Bank of Georgia is the employer of choice among IT and tech students, because they know we focus on helping young people grow professionally within one of the best tech teams in Georgia. Most participants are promoted to different positions within our IT team, and some have already been promoted to managerial positions.

Summer internship programme

In 2022 Bank of Georgia held its second **summer internship programme** for Georgian students who study abroad. **Nine students were selected**. Over the past two years, **13 young talents** interned with the Bank during their summer break.

Key talent management activities during 2022

Updated Bank-wide employee performance and development review.	Implemented Performance Management System to enable setting, tracking and evaluation of annual goals.	Enhanced one-on-one coaching to develop leaders.
Revamped programme to support newly appointed managers.	Upgraded talent review framework and launched employee review process to segment Bank of Georgia employees, identify high-potential employees and point out strategic training needs – enabling the bank to tailor development programmes and create training plans that equip our people with essential skill sets for career advancement.	Launched pilot programme to address increasing role of digital transformation across the organisation, and reskilled and enabled transition of frontline employees into IT roles.

Employee performance and development reviews

Talent development cannot happen without fair and transparent performance reviews and development-oriented feedback. During 2022, we focused on a few initiatives:

- Rolled out a KPI management system for managers – at the Bank, discretionary compensation (i.e. bonuses) are paid based on performance. During 2022, managers participated in an annual KPI setting process, inputting relevant KPIs and then the actual performance against these into the system. This has enabled us to systematise the KPI setting process and increase transparency around performance and remuneration. In 2023, we plan to involve individual contributors in this process as well.
- Continued talent reviews – held them for more than 1,000 employees throughout the year, across 60 departments and involving 300 managers. The purpose of a talent review is to discuss employee development and career progression and develop individual development plans, enabling employees to hone the skills that are critical for new roles. Outcomes of the talent development programme for employees with high potential (HiPos), held back in 2021, showed that it was a good opportunity for emerging leaders. The programme targeted individual contributors with the potential, abilities and aspiration to undertake more responsibilities and fill in the positions that require greater contribution in the future. The purpose of the programme was to assist HiPos in developing a set of transferable skills that would enable them to succeed in different roles. **By the end of 2022, 39% (18) of participants who completed the programme were promoted to managerial level, and 34% (16) moved horizontally within the Bank.**

83%
Bank of Georgia employees who had a formal performance and competencies review
2021: 78%

75%
Bank of Georgia employees who received feedback
2021: 70%

Creating opportunities for lifelong learning

We run a number of programmes to support our people in their personal and professional development, and in 2022 implemented the following key talent management activities across Bank of Georgia:

Programme for first-time managers – We know that learning how to lead a team of any size takes time, patience, and practice. We rebranded the programme for back-office employees and focused on empowering our first-time managers with the tools and techniques they need.

38 participants (63% were women; 28 were internal talents)

Individual coaching – Since 2021 we have partnered with local coaches and offered individual coaching opportunities to our managers to support their personal growth and professional development.

256 employees participated in this programme in 2022 (63% were women).

Strategic co-creation workshop – In 2022 we brought together teams of executive and senior managers to create a shared vision, align values, and integrate each participant's vision into the common understanding of organisational culture. Participants also discussed the Bank's longer-term strategy and vision.

97 participants.

Front2IT retraining programme – We launched a new programme – Front2IT – giving front-office employees the opportunity to learn tech skills and pivot to a new professional field. The programme was paid for by the Bank and included 84 hours of intensive training and individual mentoring. Besides professional courses, participants were involved in real-work processes and got hands-on experience in our IT department

We will continue this programme to give our front-office employees an opportunity to make bold career moves.

105 employees considered

10 employees selected

7 of those selected were women

After completion of the programme, participants' compensation increased by 34%, on average.

We continue to develop our ongoing professional development programmes and educational content to motivate more of our employees to learn new skills and develop new competencies. Bank of Georgia's learning system comprises a variety of internal and external training sessions designed to meet the needs of our employees. Training topics, together with a personal development plan, are aligned with business objectives and based on the outcomes of employee performance and development reviews that take place twice a year. We continuously update our training plans based on the outcomes of development reviews, feedback from employees, and the needs and key business objectives of specific functions.

Bank of Georgia has an online learning platform with a catalogue of courses and, during 2022, an average of 3,047 employees accessed the platform monthly. We also resumed face-to-face meetings and training sessions. We measure employee satisfaction and their learning experience at the Bank using eNPS – a key performance indicator for the entire organisation.

Learning eNPS
92% in 2022
(91% in 2021)

Variety of training programmes at Bank of Georgia

Professional programmes

- Onboarding
- Risks and compliance programme
- Banking products and services
- Software-related programmes
- Communication skills programmes
- HiPos programme
- Tailored training sessions and educational content provided

Management programmes

- Management skills programme
- Feedback skills programme
- Leadership development: executive coaching programme (individual and team coaching)
- Financing master's programmes and other professional certifications

Executive programmes

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

Risks and compliance programme:
We run a comprehensive risks and compliance awareness programme to build a strong risk culture and ensure our employees understand some of the principal risks the Bank faces – as well as their role in managing and mitigating them. The programme includes mandatory training for all new hires and mandatory annual training for existing employees. Training is online and self-paced, but must be completed within a set timeframe. The Bank's risks and compliance programme covers employees of the Bank as well as some of the Group's subsidiaries.

The programme covers:

- E&S risks;
- Customer rights protection and customer complaints management;
- Ethics in the collections process;
- Insider regulations;
- Information security and cybersecurity;
- Anti-corruption and anti-money laundering;
- Business continuity;
- Labour safety;
- Operational security;
- Corporate security (including anti-corruption, whistleblower protection, and conflict of interests); and
- Personal data protection.

As at 31 December, 2022, 86% of employees had completed the risks and compliance programme (excluding employees in their first month of employment or on long-term parental leave).

Training data for Bank of Georgia

Average training hours per employee **28** 2021: 30	**Average training hours per new hire** **43** 2021: 47
Average training hours per female employee **32** 2021: 34	**Average training hours per male employee** **21** 2021: 20
Average training hours per senior manager **28** 2021: 18	**Average training hours per CEO and Deputy CEOs** **20** 2021: 5

In 2022, we developed around 20 new training programmes including short self-paced courses on banking products and procedures, internal procedures and regulations, compliance, and self-development. We also resumed face-to-face training sessions and updated our existing programmes to address the feedback of our employees. This included onboarding training programmes for up to 15 front-office positions, 18 self-paced online courses on banking products and procedures, eight communications skills training programmes and 12 compliance-related courses.

We are developing a new feedback programme, which will include a self-paced online course to provide managers with necessary tools to facilitate the feedback-sharing process across the Bank. In addition to the online course, we will hold facilitated discussions with managers to share experiences and use cases.

Meaningful employee experiences

We have a systematic approach to identifying employee needs and concerns and delivering solutions and interventions that help us create more positive experiences at every step of the employee journey.

Bank of Georgia's Employee Experience team is responsible for getting regular feedback from employees and providing insights on issues and solutions, as follows:

- Our Employee Experience team gets in touch with all new hires to ensure smooth onboarding.
- They collect and analyse employee sentiment data through focus groups and individual interviews.
- They analyse responses from regular surveys to identify pain points for further research and interviews.

> Designing a differentiated employee experience is essential for creating value for our stakeholders.

We regularly engage with and listen to our employees through a number of channels:

- Ongoing deep interviews with individual employees.
- Team reviews.
- Entry interviews.
- Exit interviews.
- Regular employee satisfaction surveys.
- CEO vlog on Workplace – regular live Q&A sessions led by the CEO to discuss strategy, performance and current developments. Two sessions held in 2022.
- Employee Voice meetings with the Supervisory Board of Bank of Georgia – held since 2018; these meetings have promoted transparency and a feedback culture. Employees meet with the Chairman and the Senior Independent member every year. Other members of the Supervisory Board have also participated in these meetings. Two meetings were held in 2022.

We believe a 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 be role models for this behaviour. We award the Best Employee and Best Team of the Year to highlight our people's contribution to the organisation.

To promote idea sharing and ensure employees are aware of each other's work, we also run agile quarterly business reviews where we discuss new products and future plans with our agile teams and the Bank's Executive Management team.

We provide regular updates to our employees on the Bank's strategy and performance, risks and opportunities, and new policies and procedures. 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 our employees can directly and openly communicate with the senior leadership and the Supervisory Board of the Bank.

Voice of the employee

To measure the effectiveness of employee empowerment initiatives, we closely track employee engagement and corporate culture using internal and external surveys:

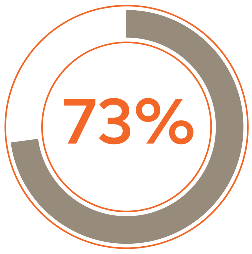
- Employee Engagement survey (Korn Ferry Engaged Performance™);
- eNPS survey.

Core indices – 2022

Engagement (Korn Ferry)

2021: 73%

Enablement (Korn Ferry)



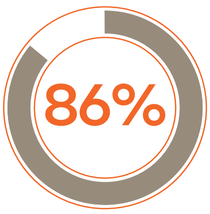
2021: 74%

eNPS (eop)

53

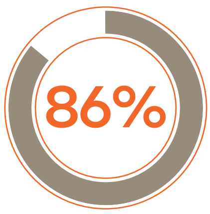
2021: 61 (eop)

I have trust and confidence in the company's senior leadership



2021: 88%

My manager supports me in learning and development



2021: 85%

I believe the company is socially responsible

2021: 93%

During 2022, the Bank's eNPS score decreased to 53 (from 61 at the end of 2021), slightly below our targeted range of 54-62 for 2022. We aim to have eNPS in the range of 54-62 during 2023. The decrease was mainly driven by the adverse impact of inflationary pressures on our lower paid employees, especially those in front-office roles, as well as by some dissatisfaction with workplace arrangements as we moved back-office staff to a hybrid working model in 2022, following a fully remote work mode during the COVID-19 pandemic. As our staff increases, we recognise the need to have comfortable work spaces to support employee wellbeing and productivity, and we are working on adding and renovating new office space to address the concerns raised by some of our colleagues.

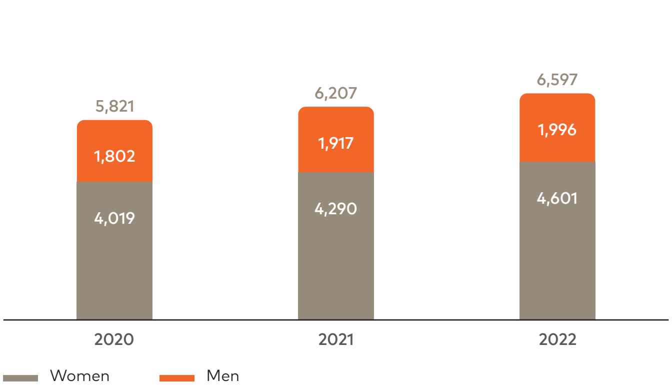
We also continue to monitor the labour market and remuneration practices at comparable companies to ensure that we remain a competitive employer of top talent and to adjust our remuneration practices if and when necessary.

Additional employee data

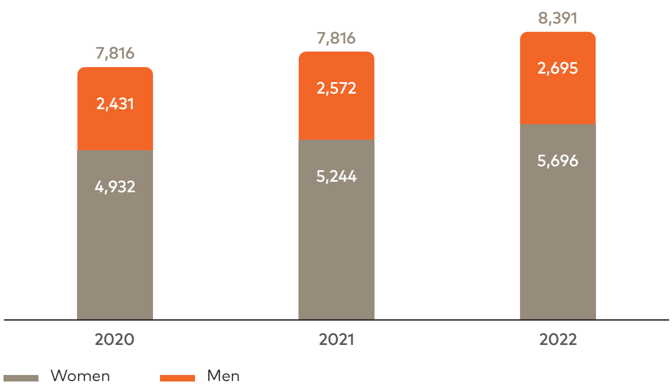
	2021	2022
Total turnover (Bank of Georgia)	**1,113**	**1,295**
Men	444	470
Women	669	825
Tbilisi	769	903
Regions	344	392
<21	112	151
>=21 & <=30	703	790
>=31 & <=40	256	298
>=41 & <=50	37	44
>=51	5	12
Total turnover, % (Bank of Georgia)	**18.5%**	**20.4%**
Men	23.6%	24.2%
Women	16.1%	18.8%
Tbilisi	18.4%	20.2%
Regions	18.6%	21.0%
<21	53.8%	61.7%
>=21 & <=30	22.5%	25.2%
>=31 & <=40	12.5%	13.3%
>=41 & <=50	7.5%	7.9%
>=51	3.5%	7.4%

	2021	2022
Permanent	**6,167**	**6,511**
Men	1,916	1,985
Women	4,251	4,526
Tbilisi	4,288	4,629
Regions	1,879	1,882
<21	232	271
>=21 & <=30	3,142	3,199
>=31 & <=40	2,130	2,293
>=41 & <=50	509	578
>=51	154	170
Temporary	**40**	**86**
Men	1	10
Women	39	76
Tbilisi	33	76
Regions	7	10
<21	2	3
>=21 & <=30	17	29
>=31 & <=40	16	46
>=41 & <=50	5	8
>=51	–	0
Total employees	**6,207**	**6,597**
Permanent, %	99.4%	98.7%
Temporary, %	0.6%	1.3%

Bank of Georgia employees



Group employees



2022 Group-level trainings data

2022 Group-level trainings data	
Average training hours per employee	**24**
Average training hours per female employee	**27**
Average training hours per male employee	**19**
Average training hours per new hire	**34**
Average training hours per senior manager	**31**

Health and safety

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

The Bank's Health and Safety team, reporting to the Deputy COO, 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 employs labour safety specialists.

In 2022 our labour safety specialists underwent the accreditation programme recertification and certificates were renewed for the next three years by the Labour Inspection Department of the Ministry of Labour, Health and Social Affairs of Georgia.

Occupational health and safety (OHS) management system

In 2020, the Bank implemented the OHS 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.
- Prevention of COVID-19 in the Workplace Standard.
- Radiation Emergency Response Plan.

The Occupational Health and Safety Risk Assessment Standard defines principles, rules, and responsibilities of OHS 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, a mandatory online course on labour safety, and practical training events are held annually for all employees of the Bank. The online course includes modules on fire safety, emergency prevention and response, and workplace safety.

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.

Incidents in 2022

In 2022 we had three 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.

Empowering our communities

Bank of Georgia is the top of mind bank in Georgia[1], a leading financial services provider and one of the biggest employers, and an organisation that aims to support local communities in ways that go beyond its core business activities. Our key focus area for community outreach and engagement has been education because there are limitless opportunities made possible by access to high quality education. We have focused on reaching more school students in Georgia and enabling access to those opportunities.

In 2022 our objective was to reach 100K school students with the educational initiatives in our communities as well as through the mobile app we designed for them in 2022.

Reached **100K+** school students

Overview of our educational initiatives in 2022

Improving educational infrastructure – building Ideathecas

To provide access to books and modern technology to students living in Georgia's regions, Bank of Georgia, together with the Georgian Book Institute, started a project to design colourful, multifunctional libraries in public schools in 2020. Our goal is to enable Georgian students to access a learning and development space where they can find educational resources, learn to work with information technology, and engage in team work.

16
Ideathecas
opened since 2020

7
Ideathecas
opened in 2022

c.8K
School students reached

Out of 16 Ideathecas – eight are located near the administrative boundary lines; three are in high-mountain areas; two are in communities with ethnic and religious minorities; and three are in cities, including one in Tbilisi.

- Located near administrative boundaries
- Located in high-mountain areas
- Located in communities with ethnic and religious minorities
- Located in cities

With this project, we want to benefit as many school students in Georgia's regions and rural areas as possible. In addition to benefitting the students who study at a particular school, students from nearby schools are also given the opportunity to use Ideathecas within the framework agreed in the project implementation plan.

We aim to open Ideathecas in at least five public schools in different regions annually. We are also partnering up with the Bank's corporate clients for this project.

1. Based on fall 2022 independent research by IPM Georgia.

Scholarships

During 2022 we continued to sponsor students within the framework of multiple scholarships that Bank of Georgia has been involved in for the past few years.

	Since	Number of students supported	Total spend
Fulbright Graduate Student Programme	2014	8	US$ 700K
Chevening Scholarship Programme	2013	23	GBP 719K
Miami Ad School Europe – Nika Gujejiani Scholarship	2020	3	EUR 31K
San Diego State University in Georgia – fully funded bachelor's degree	2018	11	US$ 318K

Kings Olympiad

44K

School students participated

Bank of Georgia has sponsored a leading educational platform in Georgia – kings.ge.

Kings is the largest school olympiads organiser in Georgia.

The purpose of this sponsorship is to support non-formal education and increase the level of general education and motivation among students.

Komarovi STEM camp

Komarovi is one of the top schools focused on STEM subjects in Georgia.

We want to support learning and development, especially encouraging young people in Georgia to discover and pursue STEM fields. This is why we decided to partner with Komarovi school in 2022 to organise a STEM camp.

10th and 11th grade students from all over Georgia had the opportunity to participate in an exciting STEM event modelled on the British Summer School during summer holidays, deepening their theoretical and practical knowledge, meeting new students from Georgia with similar interests, and engaging in various intellectual, sports, and entertainment activities.

70

School students participated

Bank of Georgia continues to provide resources and project funding for the development of STEM education in Georgia.

Public speaking competition

Bank of Georgia has supported a public speaking competition organised by the English-Speaking Union (ESU).

The Public Speaking Competition is one of the largest international events in the country aimed at popularising English public speaking and enabling the development of critical thinking skills of young people in Georgia. The competition has been taking place since 1998. We began our partnership with ESU in 2012.

We've been supporting the competition for the last ten years, during which as many as 800 speakers have participated in the contest. Forty of them have gone on to hone their public speaking skills at the International Public Speaking Competition held in London.

Non-educational key sponsorships

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 since 2010 to support Georgia's protected areas. Annually, Bank of Georgia contributes up to US$ 100,000 to support 12 protected areas: Borjomi-Kharagauli, Lagodekhi, Tusheti, Tusheti national park, Vashlovani, Mtirala, Javakheti, Kazbegi, Algeti, Kintrishi, Machakhela and Pshav-Khevsureti. We continued educational campaigns in 2022 to promote the unique biodiversity of Georgia's protected areas.

Sports partnerships

Bank of Georgia is the general sponsor of the Georgian National Football Federation and the Georgian National Olympic and Paralympic Committees, as well as the main sponsor of the Georgian Basketball Federation.

In the beginning of 2022, Bank of Georgia and the Georgian Basketball Federation formed a three-year partnership. In 2022, Tbilisi successfully hosted the group stage of Eurobasket. During the year we assisted in enhancing the brand of the Georgian Basketball Federation and the national team by introducing a new logo and visual identity.

Moreover, in 2022 Bank of Georgia also teamed up with the Georgian Football Federation for the following four years. After finishing 2022 at the top of the UEFA Nations League group stage standings without a single defeat, the Georgian National Team is gearing up for playoffs to battle for a spot in Euro 2024. Georgia is also getting ready to host UEFA U21 Euro 2023 in Tbilisi, Kutaisi, and Batumi in June 2023.

Bank of Georgia has been a partner and the general sponsor of the Georgian National Olympic and Paralympic Committees since 2016. To help Georgian Olympic athletes succeed, we have assisted in the development of the country's sports infrastructure.

Sukhishvilebi

The Georgian National Ballet – Sukhishvilebi – has been a global household name for Georgian dance since 1945.

In 2022, Bank of Georgia and Sukhishvilebi formed a two-year partnership, and as part of this partnership, we have completely renovated and renewed their main outdoor venue, 'Takara', where the majority of their shows will be held from 2023.

Motivating entrepreneurs and encouraging innovation

In addition to supporting businesses with our core financial products and value-added offerings, we continue to leverage our resources to contribute to the sustainable development of and to the success of local businesses through a variety of other initiatives and partnerships.

500 Georgia – supporting startups

Bank of Georgia Group PLC launched the 500 Georgia accelerator programme in 2020, together with 500 startups and Georgia's Innovation and Technology Agency (GITA), to accelerate the development of Georgian and international early-stage startups operating in the region.

During 2020 and 2021, 28 companies from 11 different business verticals (fintech; healthcare; lifestyle; accounting services; auto and transportation; HR services; travel and hospitality; Adtech; Agtech; Natural Language Processing; and communications) completed the programme and joined our Digital Area ecosystem. Four companies – Payze, Cargon, Cardeal, and Agrolabs – successfully completed the final acceleration process in San Francisco in the third quarter of 2021.

In 2022, we launched a new four-year 500 Georgia regional startup accelerator programme, aiming to accelerate up to 120 regional startups. Georgia's first international acceleration programme, designed to promote entrepreneurship, helps develop the tech ecosystem, connects entrepreneurs to international networks, and supports participating companies during fundraising.

Supporting charity

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 connects children in vulnerable conditions with Superheroes – people who are willing to provide help and mentoring. Children receive a monthly package, which includes products and service vouchers tailored to a child's development needs and interests, with monetary support provided by their Superheroes. Superheroes can choose to mentor children as well.

Bank of Georgia continued to support the platform during 2022 by covering administrative costs and marketing communications to improve platform efficiency and increase awareness through social media and marketing campaigns.

429

Children with Superheroes

As at 31 December 2022

ESG REVIEW – GOVERNANCE

Governance

At a glance

We remained committed to the highest standards of governance and recognise our role in building resilient communities and economy.

Running business in ways that uphold high standards of corporate governance and effectively managing risks is crucial for any business, and especially for a systemically important financial institutions like ours.

At Bank of Georgia, we place significant importance and resources on running the business the right way and maintaining the trust of our stakeholders. Our robust regulatory and legal compliance framework ensures we operate in line with applicable laws and regulations. We have built robust policies and procedures to identify and mitigate risks associated with money laundering, terrorist financing, fraud, and other financial crimes. We also recognise the significance of information security and data privacy, and we are committed to protecting personal data and the integrity of information and information systems in general. We are committed to working with our regulators to ensure the safety of and trust in the financial system, following the rules and regulations governing our industry.

In this section:

Regulatory and legal compliance

The Group's core business is banking, carried out through the NBG-licensed systemically important bank in Georgia (which as at 31 December 2022, accounted for 94.0% of the Group's total assets). 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 promulgated by the NBG; (2) anti-money laundering and anti-terrorist financing regulation by the Financial Monitoring Service (FMS); (3) health and safety regulations by Georgia's Employment Inspection; (4) personal data protection regulations by the Personal Data Protection Service (5); and other state regulatory authorities, whose jurisdiction covers the monitoring 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 counterterrorist financing, monetary regulation instruments, banking supervision regulations and payment system regulations. The NBG has guided itself by the Basel Committee and ECB best practices and Georgia's DCFTA-based harmonisation and implementation efforts with EU legislation whilst promulgating 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;
- cybersecurity 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;
- ESG 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), which is due to be updated in 2023. Some regulations can be translated into a set of clear operational requirements), which is due to be updated in 2023. Some regulations can be translated into a set of clear operational requirements – this is 'rules-based compliance'. Other regulations, reflect regulatory intent for a desired outcome, leaning towards more 'principles-based compliance' requirements, which do 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 review process with the Bank and has access to all of the Bank's employees and any 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 detail:

- 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. The Bank's Internal Audit department carries out its third line function in regulatory compliance, via 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; and
- 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 function 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.

We follow a standardised 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 function, the Compliance department implements this process on the basis of its inventory and analysis of new and proposed compliance risk-related rules, which are then translated by relevant functions into internal compliance standards, procedures and guidelines to ensure 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 function 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 resolution teams. The Legal function 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 risks and implement relevant eradication or mitigation mechanisms.

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 2022, we had no disclosable non-compliance matters.

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 AML/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. We adhere to the international sanctions regimes and strictly monitor that all our activities are in line with applicable sanctions requirements. To strengthen our ability to detect and prevent financial crime and sanctions evasion, we continue to enhance our ML/FT and Sanctions Risk Management function.

KYC

Customer risk assessment is a fully automated process. We manage customer risks throughout the relationship lifecycle. 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).

We have invested significant resources to improve our ML/FT and sanction 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 departments define appropriate measures to address the issues that were identified. We have zero tolerance toward the sanctioned persons and transactions. Employees receive annual mandatory training on the risks related to ML/FT 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.

In 2022, we enhanced our cooperation with the Regulator and other relevant Government authorities, as well as US, UK, and EU embassies, and partner financial institutions to monitor and mitigate sanctions-related risks both at the sectorial and country levels.

Anti-bribery/anti-corruption

The Bank does not tolerate 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);
- Adopting, communicating and providing training;
- Conducting regular risk assessments, reviewing and pre-approving processes;
- due diligence of third parties and including anti-bribery terms in contracts;
- Establishing effective processes to investigate cases of alleged bribery;
- Keeping accurate and detailed records of the organisation's approach to anti-bribery; and
- independent testing processes from Internal Audit.

The Code of Conduct and Ethics, the Conflicts of Interest Policy, the Anti-bribery and Anti-Corruption Policy and KYE procedures safeguard the integrity of the Bank. The ABC 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, as we continue to further structurally strengthen our response to ABC risks in key areas in support of our zero tolerance approach. The Internal Control and Compliance departments serve as a second line of defence in managing ABC risks.

We have developed online training modules on ABC risks, including on the Gift Acceptance Policy and on the whistleblowing platform. Annual training is mandatory for all employees.

The Bank has in place KYE procedures that include:

- 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 2022, no bribery or corruption incidents were registered in the Bank, nor were any bribery or corruption fines imposed on the Bank.

Information security

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 the Chief Information Security Officer (CISO) who directly reports to the Deputy CEO-IT and Data Operations. The CISO presents quarterly updates to the Risk and Audit Committees. As a result, the Bank's Executive Management 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 **25 employees**

40 active professional certifications

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 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 deceived and were unable to detect and duly respond to a phishing email.

4 phishing campaigns conducted

97% of employees were not deceived by a phishing campaign

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, or 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 74 of this report). Although DDoS attacks targeting the Bank are rising, we had a 99.99% uptime in 2022. Although the Bank was not involved in any significant negative impact in 2022, 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 reassessed. 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, and internal and external audits.

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 oroptimisation purposes.

11 types of security assessments conducted

8 breach and attack simulations

1 third-party penetration testing

3 independent Internal Audit engagements

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, additionally bank contributed in creation of cyber threat intelligence sharing platform with the NBG.

0 GEL loss due to a cybersecurity 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)

Data privacy

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/or 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 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; and 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 Executive Management and the Supervisory Board remain up-to-date on privacy matters.

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.

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.

Existing vendor relationships are subject to, at a minimum, annual monitoring and review to determine their fulfilment of information security and data protection requirements.

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, our operations have not been materially affected, nor have we suffered a breach to date. In 2022, we received three complaints regarding breaches of customer privacy and losses of customer data from our regulatory body – the Personal Data Protection Service. Two has been identified as a substantiated complaint.

2 substantiated complaints concerning breaches of customer privacy and losses of customer data

0 identified leaks, thefts, or losses of customer data

Working with our 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 2022 local suppliers accounted for 82% of the Bank's total spend on suppliers and represented 86% of all suppliers.

Largest categories of suppliers by spend in 2022

IT	**30%**
Professional services	**10%**
Rent	**9%**
Marketing	**5%**
Security and banking equipment	**5%**
Maintenance and repair	**5%**

We work with suppliers that share our values and our commitment to having a positive impact in the communities we serve. We incorporate E&S 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.
- 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 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 E&S topics into supplier selection/procurement process. E&S topics are part of the request for proposal (RFP) form, communicated to potential suppliers during the selection process. To decrease E&S risks in our supply chain, we require all suppliers to sign environmental and labour safety clauses, which constitute a key part of the contract and are mandatory for implementation.

Our relationships with suppliers are based on a clear understanding of the Bank's expectations and requirements. We have developed an 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.

To refine our procurement processes and align them with international best practice, we have implemented SAP ARIBA procurement modules in 2021: 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, and modern slavery statement.

Suppliers' evaluation and qualification on E&S 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, ensuring greater transparency and comprehensive reporting in the procurement process.

Tax payments and responsibilities

Our approach to tax, its management and governance are important for us. The Group must not use, encourage or facilitate – nor cooperate with external parties – to facilitate products or services that are in conflict with tax legislation. We have a dedicated tax unit within the Bank as well as policies and procedures in place to ensure compliance with applicable tax laws and regulations related to our business.

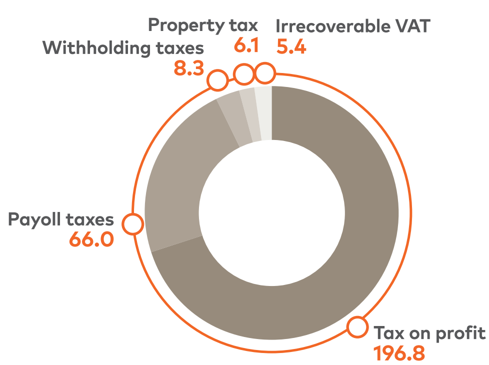
We seek to pay our fair share of tax and minimise the likelihood of customers using our products and services to avoid tax. The Group strives to maintain high standards for tax governance, monitoring risks and ensuring tax compliance.

The Group's profits are taxed at different rates depending on the country or territory in which the profits arise.

We are privileged to play a central role in the Georgian economy. Our tax contributions are just one of the ways in which we contribute to the communities we serve and the wider society.

	Company name	Corporate income tax (GEL)	Other tax (GEL)	Total tax (GEL)
Georgia	BGEO Group	7,815,107	348,977	8,164,083
	Bank of Georgia	196,763,534	85,808,670	282,572,204
	Solo	2,895	994,025	996,920
	Tree of Life Foundation	–	50,372	50,372
	Georgian Leasing Company	–	7,517,649	7,517,649
	Galt & Taggart	47,634	1,354,395	1,402,029
	United Securities Registrar of Georgia	–	38,046	38,046
	Express Technologies	–	114,650	114,650
	Didi Digomi Research Center	–	6,194	6,194
	Georgian Card	55,513	1,830,760	1,886,273
	Direct Debit Georgia	–	1,626,969	1,626,969
	Metro Service +	8,159	1,286,764	1,294,923
	Digital Area	(114,915)	1,154,502	1,039,587
	Area Extra	1,978	149,667	151,645
	Easy Box LLC	161	6,536	6,697
	Total	**204,580,065**	**102,288,176**	**306,868,241**
Belarus	Belarusky Narodny Bank	10,657,404	6,284,908	16,942,312
	BNB Leasing	22,263	652,312	674,576
	Total	**10,679,668**	**6,937,220**	**17,616,888**
	Benderlock Investments Limited	41,761	–	41,761
	Total	**41,761**		**41,761**
Hungary	Bank of Georgia Representative Office Hungary	–	–	52,382
Israel	Georgia Financial Investments	–	120,473	120,473
Turkey	Representative Office of JSC Bank of Georgia in Turkey	–	5,355	5,355
UK	Bank of Georgia Group PLC	–	1,261,726	1,261,726
	BGEO Group Limited	–	(457,542)	(457,542)
	Total	**–**	**804,184**	**804,184**

Types of taxes paid in 2022, GEL million (BOG)



Taxes paid in 2022, GEL (BGEO LN)