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 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 1.8 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. Information in this chapter is provided mainly for JSC Bank of Georgia standalone, unless otherwise stated.

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: 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, and oversees the Group's overall communications strategy around ESG topics and impacts. The full Board also retains the 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.

The management of ESG topics is delegated to the Bank's Executive Management team. Discrete ESG matters are managed by individual members of Executive Management. Management-level Environmental and Social Impact (ESI) Committee reviews and discuss the Bank's ESG-related (including climate) matters and impacts.

Key developments in 2023

1	We updated and developed a number of ESG-related policies, which were approved by the Board of Directors
2	We conducted the second formal ESG Materiality Assessment and updated our ESG strategy
3	We created ESG and Sustainability function, which is responsible for Bank of Georgia's sustainability practices
4	We updated internal sector classification system to NACE2, the European classification system used by the NBG's Sustainable Finance Taxonomy for identifying sectors and activities that are or could potentially be green. We operationalised selected taxonomy criteria so bankers could determine whether our customers fit the criteria under the taxonomy

2023 KPIs & results

KPI	Target	Result
eNPS	Min. 54	✓
sCoolApp MAU	70K	✓
Number of self-employed borrowers	57K	See details on page 33

2024 KPIs

Digital transactional MAU[1]

1,291,000

2023 – 1,182,399

Cash withdrawals in total transactions (by volume)

25%

2023 – 28%

Self-employed borrower clients

60,000

2023 – 55K

sCoolApp MAU

150,000

2023 – 90K

Green portfolio (gross)

GEL 875M

2023 – GEL 752M

ESG materiality assessment

To formalise our ESG strategy, we undertook our first formal ESG materiality assessment in 2021. As a result, we identified material issues and defined commitments for each of them. Building upon this groundwork, we decided to undergo a reassessment in 2023.

The primary motivation for the 2023 materiality reassessment was to align with best practices, considering the recommended timeframe of 2-3 years for updates. Furthermore, we aim to adhere to the latest Global Reporting Initiative (GRI) Standards.

> The materiality reassessment conducted in 2023 allowed us to clearly identify our most significant impacts on the economy, the environment and people, including on their human rights, and to prioritise key material topics for our ESG Strategy. We considered the views of internal and external stakeholders in this process.

Impact scoping – identifying actual and potential impacts

Given that the relevant GRI Sector Standards were not available at the time of this assessment, the identification of impacts on the economy, the environment and people, including on their human rights, was mainly done by drawing on our own and third-party assessments:

- An analysis of material topics identified in previous reports and the 2022-2023 ESG Strategy, outlining actual and potential, positive and negative impacts
- An assessment of the Bank's main activities, markets, products, stakeholders and business relationships as described in previous annual reports and validated by the Bank's ESG project working team and discussed with Executive Management
- An analysis of the main issues outlined in the latest ESG rating reports (gap assessment)
- A gap assessment of the current material topics against the topics deemed relevant for the industry, using SASB materiality finder
  An assessment, mapping and expansion of Bank of Georgia's contribution to the Sustainable Development Goals (SDGs), referring to the SDGs previously identified by the Bank in the previous two annual reports
- A review of currently available policies and grievance mechanisms at the Group level

The impact identification process, as required by GRI, was discussed with Executive Management during an in-person workshop. Relevant definitions and updates to the GRI materiality assessment process were discussed. Executive Management contributed with their views on the Bank's actual, potential, negative and positive impacts. All identified positive and negative impacts were summarised in a long list of impacts.

1. Number of users who made at least one transaction through digital channels within the past month.

Assessing the significance of the impacts

The long list of impacts was classified according to each impact's significance following the guidance presented in GRI 3 and consulting the OECD's Due Diligence Guidance for Responsible Business Conduct. A consolidated list of impacts was provided by the consultants and approved by the Bank.

Prioritising the most significant impacts for reporting

The least significant impacts were eliminated from the consolidated list and the remaining were clustered into 'preliminary material topics.' The preliminary list of material topics was presented to various stakeholder groups. Stakeholders were asked to rate the topics according to their relevant significance. The engagement happened in the form of surveys and structured interviews.

The ranked material topics were presented to and validated by Bank of Georgia's Executive Management and the Board of Directors.

Stakeholder groups

Investors	IFIs	Employees	Customers SME	Customers Corporate
Structured interviews Online questionnaire	Online questionnaire	Online questionnaire	Online questionnaire	Online questionnaire

The primary goal in presenting the preliminary list of material topics, and their respective definitions, to stakeholders was to gather their perspectives on the relative importance of the topics identified during the impact scoping exercise. This step aimed to validate the level of significance identified in the process.

ESG materiality assessment results

Combined ranking

1. Business ethics
2. Customer protection and product responsibility
3. Data security and privacy
4. Local economic development
5. Sustainable finance
6. Product and service innovation
7. Sustainable financial inclusion and empowerment
8. Fair working conditions and employee well-being
9. Human capital development
10. Diversity, equity, and inclusion
11. Gender equality
12. Engagement with communities and the environment
13. Responsible supply chain
14. Internal environmental management

ESG strategy

The aim of the materiality assessment was to determine the relative priority of relevant ESG topics and to define the material topics to base our ESG strategy on. Based on the materiality assessment process described above, we updated our ESG strategy. Our ESG priorities continue to evolve, and we are committed to being transparent about our practices and progress.

Focus areas			
Governance & Integrity	**Financial Inclusion**	**Sustainable Finance (Integrated Risk Management)**	**Employee Empowerment**
Objectives			
To do business in line with the highest standards of corporate governance, highest ethical principles and ensure accountability, transparency, fairness and responsibility in every decision we make	To use the power of technology and product innovation to drive digital financial inclusion and deliver innovative financial services	To manage financial risks stemming from climate change and other E&S risks, while fostering greater transparency and long-term focus	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
Material topics			

• Business ethics
• Customer protection and product responsibility
• Data security and privacy
• Engagement with communities and the environment
• Internal environmental management
• Responsible supply chain
	• Customer protection and product responsibility
	• Data security and privacy
	• Local economic development
	• Product and service innovation
	• Sustainable financial inclusion and empowerment
	• Diversity, equity and inclusion
	• Gender equality
		• Business ethics
		• Sustainable finance
		  ◦ Environmental and social management of loan portfolio;
		  ◦ Mitigating E&S risks associated with client financing
		• Local economic development
		• Product and service innovation
			• Local economic development
			• Fair working conditions and employee well-being
			• Human capital development
			• Diversity, equity and inclusion
			• Gender equality

Contributing to the United Nations Sustainable Development Goals

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

Memberships and external recognition

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

The Bank is a member of the UN Global Compact

FTSE4Good

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Bank of Georgia Group PLC has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

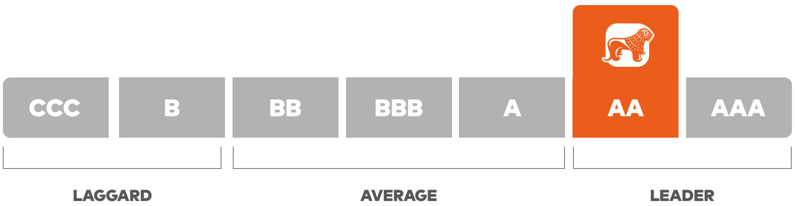
ESG ratings

MORNINGSTAR SUSTAINALYTICS[1]

As of April 2024, Bank of Georgia Group PLC received an ESG Risk Rating of 17.6 from Morningstar Sustainalytics and was assessed to be at low risk of experiencing material financial impacts from ESG factors. In no event the Annual Report shall be construed as investment advice or expert opinion as defined by the applicable legislation.

MSCI[3]

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



ISS[2]

Environment	3
Social	2
Governance	6

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2. 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 – 19 March 2024; Last E&S data profile update – 13 March 2024.
3. As of 27 March 2023.

GOVERNANCE AND INTEGRITY

Financial crime

Money laundering is one of the major threats to the international financial services community and therefore to us. Our policies and procedures are designed to ensure that we have robust systems and controls in place to mitigate the risk of us being used to facilitate money laundering.

We ensure compliance with local and relevant foreign legislation in all jurisdictions where financial institutions belonging to the Group conduct operations and integrate international standards and recommendations developed by Financial Action Task Force, the Office of Foreign Assets Control (OFAC) of the U.S. Treasury Department, the European Union, the UN Security Council and HM Treasury within our ventures.

To that end, we do business only with clients who meet our strictest criteria and are within our risk appetite.

During 2023, customer engagements and transactional flows remained steady, without significant disruptions or turbulence.

Anti-money laundering and international sanctions

AML/COMBATING THE FINANCING OF TERRORISM (CFT) AND INTERNATIONAL SANCTIONS COMPLIANCE PROGRAMME

We have a risk-based AML/CFT and international sanctions compliance programme, operating based on the three lines of defence model.

First line	Second line	Third line
Business direction	AML/Sanctions Compliance department	Internal Audit

Online and offline monitoring are ensured by the relevant teams serving as additional control mechanisms. The operational processes are supported by the specifically dedicated teams dealing with high-risk countries.

Additionally, to enhance process control, as a secondary control tool, an assurance unit has been established, which focuses on the regular assessment of the efficiency and compliance of the control system deployed within the Group.

ML/FT RISK MANAGEMENT

We have invested significant resources to improve our money laundering (ML)/terrorism financing (TF) risk management capabilities, including implementing advanced analytics and transaction monitoring solutions to conduct ongoing monitoring of transactions and detect unusual and suspicious activity, and strengthening offline reporting tools. Additional offline monitoring scenarios were implemented, which are tailored to the current risk and transaction typologies.

Enhancements have been applied to intensify the offline monitoring mechanisms.

The internal reporting for AML/Sanctions was significantly improved, resulting in the creation of multiple new dashboards and metrics, which are used to continuously monitor existing trends and risk changes.

ENHANCED COOPERATIONS

In 2023, we enhanced our cooperation with the NBG, other relevant Government authorities, the embassies of the United States, United Kingdom, and European Union, as well as partner financial institutions to monitor and mitigate sanctions-related risks at the sectorial and country levels.

ALIGNMENT WITH INTERNATIONAL SANCTIONS REGIMES

We adhere to the international sanctions regimes and ensure that all our activities are in line with applicable sanctions requirements.

The Bank has been audited by one of the big four firms, whose report provided a favourable assessment of the Bank's AML/Sanctions control environment.

We follow regulatory measures and guidelines prescribed by the National Bank of Georgia targeting financial institutions with respect to adherence to international sanctions regimes.

All Group subsidiaries comply with the requirements and obligations set out in Group policies.

UPDATED POLICIES AND PROCEDURES

To address current challenges, we have updated our International Sanctions Compliance Policy and related procedures to align the Group with the latest economic and financial measures implemented by the US (Office of Foreign Assets Control), EU, UK, (HM Treasury) and United Nations Security Council.

The Bank has designated the Russian Federation and the Republic of Belarus as high-risk countries and all transactions and clients from those countries are subject to enhanced due diligence.

TRANSACTION SCREENING AND ONBOARDING PROCESS

To strengthen due diligence in response to prevailing sanctions regimes, we have revised and refined the transaction screening and onboarding processes.

Customer and payment online screening is undertaken to identify sanctioned customers or goods and transactions prohibited under applicable sanctions regimes.

AUTOMATED SCREENING OF TRANSACTIONS

We possess an online solution that enables a fully automated screening of all transactions against sanctions lists (OFAC, the EU, the UK, the United Nations and other similar bodies, including global news databases).

TOOL FOR MACHINE SCREENING

We invested resources in implementing additional tools for machine screening of respective documents accompanying transactions. This has improved our capabilities for detecting possible sanctions violation scenarios.

Along with online screening, the Bank uses an offline monitoring tool and various offline scenarios, tailored for different products and types of clients. Specifically, for trade restrictions, the Bank has developed several scenarios, which help AML/Sanctions officers identify a pattern of transactions, when a company may be engaged in trading with the Russian Federation or other high-risk countries. A special team has been established for managing and analysing offline monitoring scenarios.

ZERO TOLERANCE POLICY

We have a zero tolerance policy towards sanctioned persons, transactions, and funds related to sanctioned persons, as well as towards international sanctions evasion and circumvention.

We have a zero-risk appetite for engaging in international operations involving crypto businesses.

We have restricted all transactions/onboarding of a client/provision of any service involving Russia's military-industrial base.

We have tightened onboarding and transaction screening processes. In addition, the Bank continues to strengthen compliance processes, with a particular focus on introducing additional control mechanisms on transactions coming from CIS countries.

STRENGTHENING AML/SANCTIONS COMPLIANCE DEPARTMENT

To effectively address future external challenges posed by numerous and dynamically evolving sanctions regimes, the AML/Sanctions Compliance department was redesigned and a more robust structure was established.

To comprehensively execute International Sanctions Compliance Programme, a dedicated unit has been created with the responsibilities of analysing existing international sanctions regulations, elaborating and implementing the Bank's international sanctions compliance policy and internal control mechanisms, and providing informational updates and trainings to the relevant staff of the Bank on a permanent basis.

REGULAR TRAINING AND AWARENESS RAISING CAMPAIGNS

The Executive Management of the Bank promotes a culture of compliance and regularly emphasises the importance of AML/sanctions compliance at all levels.

We conduct regular employee training and awareness-raising sessions regarding international sanctions compliance.

MANDATORY TRAINING

97% of our employees completed the mandatory training. We have intensified the focus on the mandatory training programmes for our employees and target 100% training completion rates.

Our policies

Our AML/CTF and International Sanctions Compliance programme comprises written policies, procedures, internal controls and automated system monitoring tools.

The Bank has relevant policies, procedures and risk appetite to ensure compliance with applicable domestic AML laws and regulations, as well as international sanctions frameworks implemented by the US (Office of Foreign Assets Control), EU, UK (HM Treasury) and United Nations Security Council. They are subject to regular reviews to ensure compliance with applicable sanctions regimes.

The Bank has strong Know Your Client and customer due diligence procedures:

Customer Risk Assessment is a fully automated process and customer risks are managed throughout the relationship lifecycle

Our existing clients are subject to a regular due diligence process

Information on a client's ownership structure, ultimate beneficial owners and source of funds/wealth is obtained during onboarding

The Bank has a strict Customer Acceptance Policy.

AML, CFT and sanctions topics are on the quarterly agenda of the Joint Audit and Risk Committee. The Committee receives information on existing controls and implemented measures.

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.

Anti-bribery and anti-corruption

The Group has zero tolerance towards bribery and corruption. We have in place written policies, procedures and internal controls to comply with anti-bribery and anti-corruption laws.

Our comprehensive programme, with a suite of measures to ensure compliance with relevant ethical standards, includes:

RISK MANAGEMENT PROCESSES

Our risk management processes encompass regular risk assessments according to key risk indicators and pre-approval processes. These involve identification, assessment and mitigation of potential threats to our organisation's integrity. This comprehensive approach is an integral part of our commitment to maintaining a culture of integrity, transparency and zero tolerance towards bribery and corruption.

THIRD-PARTY DUE DILIGENCE

Prior to establishing any commercial relationship, we conduct a thorough due diligence on potential business partners or third parties. This ensures alignment with our commitment to ethical business practices, in compliance with anti-bribery and anti-corruption laws. The scope and intensity of due diligence and monitoring vary based on the nature of the relationship, whether with a legal entity or an individual. Additionally, customer due diligence is conducted in accordance with anti-money laundering regulations.

INVESTIGATION PROTOCOL

Investigation protocol is a structured framework outlined in our policies that guides employees on reporting and investigating potential policy breaches. Concerns can be reported through the whistleblowing platform confidentially or anonymously.

RECORD-KEEPING

We make and keep books, records and accounts that accurately, fairly and in reasonable detail reflect all payments, expenses, transactions and disposition of the Bank's assets.

ADOPTION, COMMUNICATION AND TRAINING

Communication efforts include using internal channels like memos or letters, while a structured training programme ensures employees at all levels understand and adhere to the Anti-bribery and Anti-corruption Policy. Awareness campaigns and refresher courses reinforce the key concepts.

Combating bribery – policies, transparency and accountability

The Code of Conduct and Ethics, the Conflict of Interest Policy, the Anti-bribery and Anti-corruption Policy and Know Your Employee procedures safeguard the integrity of the Bank. The Anti-bribery and Anti-corruption Policy and the Gift Acceptance Policy provide employees with guidance on how to recognise and deal with bribery and corruption and outline steps employees are required to take when accepting or offering gifts, hospitality and inducement to/from external third parties. Transparency is further ensured by implementing a reporting requirement that encourages the disclosure of any unethical behaviour.

We have established a systematic recording system for documenting gifts and other advantages. This structured approach ensures thorough tracking and accountability within our organisation.

How we govern

The Bank's Executive Management Team and the Supervisory Board establish a strong culture of ethics throughout the organisation by setting the tone at the top. Every anti-corruption initiative is actively supported by the Executive Management. This endorsement from the highest levels provides a solid foundation for our anti-corruption programme.

Employees in managerial positions are critical for identifying corruption risks. Their positions bear a special responsibility for upholding ethical standards and actively preventing instances of corruption.

Internal Control and Compliance departments serve as a second line of defence in managing bribery and corruption risks. Those departments scrutinise red flag situations, known for their elevated risk profile, such as sponsorship, gifts, hospitality, political and charitable donations. These high-risk scenarios undergo a rigorous examination, reflecting our commitment to proactive risk mitigation and the establishment of strong control mechanisms.

First line	Second line	Third line
Business directions	• Internal Control department • Compliance department	Internal Audit

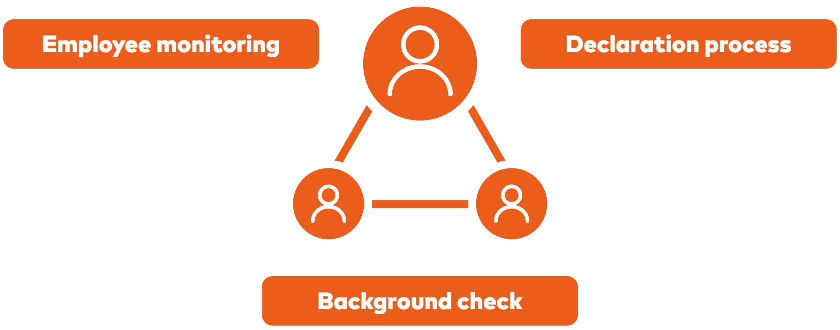
Enhancing controls and monitoring

The Compliance department regularly reviews the Anti-bribery and Anti-corruption Policy and initiates changes to reflect international best practice and improve control design. An enhancement programme to further improve our bribery and corruption risk assessment, controls and reporting is in progress.

We continue to further structurally strengthen our response to bribery and corruption risks in key areas. We have developed online training modules on bribery and corruption risks, including on the Gift Acceptance Policy and the whistleblowing platform. Annual training is mandatory for all employees. 89% of our employees completed the mandatory training programme. We have intensified the focus on the mandatory training programmes for our employees and target 100% completion rates going forward.

Our training programme empowers every employee with the essential knowledge, skills, and expertise required to uphold the integrity of the Bank. This comprehensive framework guarantees that our team operates with the highest level of diligence, adhering to guidelines that enforce a zero tolerance policy towards bribery and corruption.

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



The Bank's Compliance Committee reviews any complaint related to bribery and corruption incidents. The Audit Committee receives information on any reported incidents.

In 2023, 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 is a priority for the Group. As we develop new digital products and services, we implement complementary measures to ensure the robustness of our information security systems.

Our focus on information security risks

Information security risks represent one of the global threats that organisations worldwide face. The external threat profile is dynamic, and these threats continue to increase. The financial sector remains a primary 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.

The Bank's commitment and initiatives

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 landscapes.

Information security management system

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, Data and Information Technology.

The CISO presents regular updates to the Joint Audit and Risk Committee.

As a result, the Bank's Executive Management Team and the Supervisory Board remain up-to-date on information security risks.

The Bank follows a three lines of defence model.

First line	Second line	Third line
• Business directions • IT department • Information Security department	Operational risks	Internal Audit

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.

Customer engagement and risk mitigation

We 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 on 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 take measures to mitigate the risks of a supply chain attack (for more information please see page 162 of this report). Despite the increasing frequency of DDoS attacks on the Bank, there have been no instances of service disruption resulting from these attacks since March 2023, following the implementation of a new solution.

Incident response and control measures

Although the Bank was not involved in any significant negative impact in 2023, 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**
- **Self-assessments**
- **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 or optimisation purposes.

Contributions to information security development

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 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.

Cybersecurity programme assessment overview

Mandiant (now part of Google Cloud) conducted an assessment of Bank of Georgia's cybersecurity programme in November 2023. The purpose was to validate existing capabilities, identify areas for improvement, and offer recommendations to enhance the programme's maturity.

Mandiant noted that the Bank generally showcased higher maturity levels across multiple facets compared to prevailing industry standards in both European and global financial sectors.

The executive summary from the report highlighted several key strengths:

INFORMATION SECURITY TEAM

Highly certified and skilled, with a strong focus on continuous improvement.

DOCUMENTATION

Comprehensive suite of documentation guiding the organisation's information security practices.

PROACTIVE CAPABILITIES

Embracing proactive measures such as red teaming, purple teaming, and honeypots to pre-emptively address vulnerabilities.

TRAINING AND AWARENESS

Implementing a robust awareness programme and regular training to foster a culture of preparedness among employees.

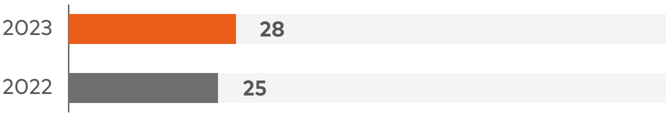
IMMUTABLE BACKUPS

Leveraging immutable storage solutions for secure and resilient backups.

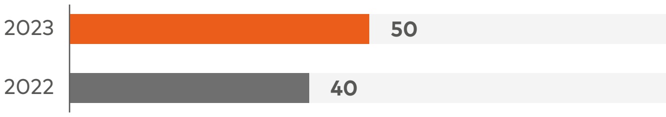
These strengths collectively contribute to the Bank's robust cybersecurity posture, indicating a proactive and well-prepared approach to handling potential threats and vulnerabilities.

Information security metrics

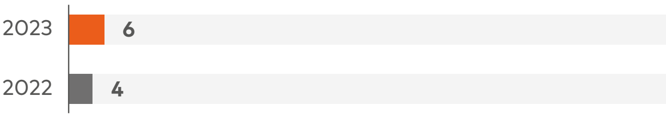
Cross-functional team of employees



Active professional certifications

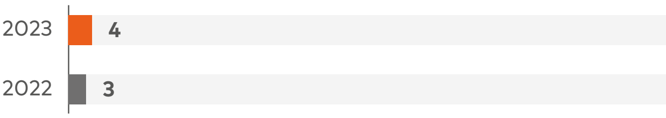


Internal phishing campaigns conducted

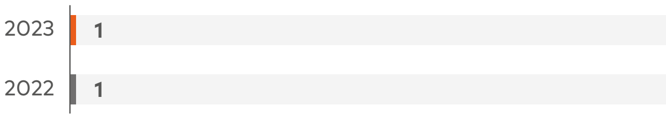


Employees not deceived by a phishing campaign (%)

Independent internal audit engagements



Third-party penetration testing (external assurance)



Third-party cybersecurity programme assessment (external assurance)

0 GEL loss
due to a cybersecurity incident or a regulatory fine

0 data breaches
personal or financial data leaked to the public

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

Employee training and awareness programme

We take pride in our team members who hold industry-recognised certifications, including three individuals with CISSP, two with OSEP, and one with CRTO.

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). 97% of our employees completed the training successfully. The Information Security department monitors the completion of mandatory information security training and targets 100% completion rates going forward.

On a quarterly basis, the Information Security department conducts a comprehensive phishing campaign, assessing all employees' ability to detect and respond effectively to phishing attempts. In addition to the general test, we executed two more targeted phishing campaigns tailored to specific groups. The department closely monitors performance and provides additional training to individuals who may have fallen victim to phishing emails or were unable to respond promptly.

Data privacy

As data collection and digital footprints continue to expand worldwide, it is essential for us to be proactive in protecting clients' most valuable asset – personal information. We are committed to protecting and respecting the data we hold and process, in accordance with the laws and regulations of the markets in which we operate.

Information is one of our most valuable assets, and data privacy is a top 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 information security standards.

Data governance and responsibility

Our approach rests on having the technology, systems, controls, policies and processes to ensure proper data governance, the appropriate management of privacy risk and the fulfilment of our obligations.

PRIVACY GOVERNANCE

We have appointed the Georgian banking industry's first Data Protection Officer who advises the Bank and helps monitor compliance with the applicable data protection rules. The Data Protection Officer 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 Team and the Supervisory Board remain up-to-date on privacy matters.

INDIVIDUAL RIGHTS AND TRANSPARENCY

In our commitment to safeguarding privacy, we make sure all data subjects' rights are strictly observed. In 2023, the frequency of data subject access requests remained robust. Each request is diligently fulfilled, ensuring comprehensive protection and empowerment for data subjects. Importantly, none of the complaints regarding Data Subject's Access Rights were communicated to the personal data protection service of Georgia, further emphasising our commitment to ensuring the proper protection of the rights of the data subjects.

THIRD-PARTY DATA PROCESSING

We prioritise robust security measures when engaging with third-party vendors. This involves a thorough assessment of their security infrastructure. We conduct a comprehensive review of regulatory compliance to ensure adherence to data protection. Prior to collaboration, clear and detailed contractual agreements are established, outlining data protection responsibilities. These practices ensure we maintain the highest standards of data protection and security in our partnerships.

INCIDENT RESPONSE AND BREACH NOTIFICATION

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. We have a thorough incident response policy which is aligned with the emerging threat landscape as well as current business and regulatory requirements.

EMPLOYEE TRAINING AND AWARENESS RAISING

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. 97% of our employees completed mandatory training successfully. We have intensified the focus on the mandatory training programmes for our employees and target 100% completion rates going forward.

In 2024, the Bank will enhance data privacy and security through targeted face-to-face training for employees who have direct communication with clients and access to significant volumes of personal, including sensitive, data. The training will be customised for each department's activities and practices. This proactive approach aims to prevent potential breaches and emphasises the importance of keeping our employees informed about their obligations under data protection legislation, contributing to a culture of awareness and responsibility throughout the Bank.

Regulatory cases overview

In 2023, we received four individual complaints regarding breaches of customer privacy from the Personal Data Protection Service, a regulatory body in Georgia. All four have been identified as substantiated complaints. **None of them constitutes a systemic issue within the Bank.**

4

Substantiated complaints concerning breaches of data privacy

0

Identified leaks, thefts or losses of data

The orders and instructions given by the regulatory body have already been fulfilled. The regulator deemed the measures taken by the Bank to be sufficient and closed the supervision of the execution of these cases.

In 2023, the regulatory body conducted a planned inspection on the legality of data processing through audio recording. Within the inquiry, the regulator examined the lawfulness of obtaining, recording and holding data by the Bank, as well as security measures applied to the data, including access, and physical security measures.

The regulatory body considered that the Bank complied with all the rules in the processing and storage of personal data and did not find any violations.

Further developments and the implementation of a new framework

In June 2023, the legal framework governing data protection in Georgia was amended. The new law is more closely aligned with the General Data Protection Regulation (GDPR) and introduces obligations similar to those outlined in the GDPR.

As GDPR applies to certain data processing by the Bank, the amendments introduced by the new law have already been implemented. However, considering that the majority of our clients are Georgian citizens, we anticipate an increase in complaints as citizens become more aware of their rights and the responsibilities of data controllers due to awareness-raising campaigns carried out by the Government. In response, we have proactively initiated a comprehensive review of our practices to ensure full compliance with the requirements stipulated by the new law and to enhance our privacy standards.

Despite the current legislative changes in Georgia, the Bank constantly tries to improve data processing practices. This enables us to properly identify, address and mitigate the risks in advance, significantly limiting the likelihood of a negative impact on individuals as a result of data processing.

The following measures have been carried out after the adoption of the new law:

UNDERSTANDING THE LAW

To ensure transparency and regulatory alignment, we have engaged in ongoing consultations with the relevant supervisory authority. Furthermore, all stakeholders have been informed to navigate the compliance requirements of the new law, and they are actively engaged in the process, contributing to both compliance and successful implementation.

INSPECTING THE INFORMATION WE HOLD

We have conducted an information audit, including where it came from, who it is shared with, where it is kept. Additionally, the retention period has been reviewed to ensure that we retain personal data for the necessary and lawful duration.

REVIEWING LEGAL GROUNDS

We have conducted a thorough review of the legal basis for data processing within the Bank and the way we seek, obtain and determine consent. We have reviewed all web forms, online consents, and landing pages to align them with legal requirements.

UPDATING PRIVACY POLICIES

We have reviewed and updated our data protection policies to reflect the latest legal developments. These revisions guarantee that our policies fully comply with data protection legislation and reflect best practices, ensuring they are comprehensive and up-to-date.

Customer protection

Customer-centricity is one of our business principles and one of the key enablers of our success. We are committed to serving our customers responsibly, considering their best interests, fulfilling a variety of their needs, delivering positive experiences across touchpoints, and engaging with them regularly to learn from their feedback.

We aim to maintain customer trust by adhering to the highest ethical standards in doing business. Customer protection is not just a commitment. It is also a fundamental aspect of our business ethos that motivates us to continuously improve our practices and set the bar high to have excellence in customer care and protection.

Fairness, transparency and integrity are the main principles that underpin customer-centricity across the entirety of the customer relationship lifecycle. These principles are reflected in our Code of Conduct and Ethics and in the Customer Protection Standard, which reflects local regulatory requirements, international best practices and control mechanisms for effective execution.

We view each employee as our ambassador, and, therefore, we continuously refine our approach to employee training and testing. 96% of our employees completed mandatory training successfully. We have intensified the focus on the mandatory training programmes for our employees and target 100% completion rates going forward.

The training programme equips all employees involved in selling our products and services with the necessary knowledge, skills and expertise to prioritise and safeguard customers' interests. This framework ensures that our team operates with the utmost diligence and integrity in all customer interactions.

How we design and sell our products and services

We must ensure that our customers are able to make well-informed decisions on how to use our products and services and understand the protection available to them if something goes wrong. Our principles aiming to ensure customer-centricity are reflected in all product development and sales activities. The principles apply to all business lines and customer types and are integrated in the product approval processes.

The new product approval process and related risks are managed based on three lines of defence. The Bank's internal procedures define the scope and responsibilities of all involved structural units to ensure:

Suitable product offering	We create and offer products and services tailored to our customers' needs and preferences.
Clear communications	We communicate information, including terms and conditions, on products and services in a clear and non-misleading manner.

Robust control mechanism when developing and/or reviewing a product	New products and services as well as changes to existing products are reviewed and assessed by key control functions including the Legal department.
Responsible marketing	All mass communications in public channels as well as all personalised communications are reviewed by the Legal department to make sure they are compliant with applicable laws and regulations.
Advisory	We provide services and trusted advice through professionals with the necessary knowledge and expertise.
Fair offering	We offer products and services at a fair price considering the market, costs and risks.

The Customer Complaints Management process and related risks are also managed based on three lines of defence.

First line	Second line	Third line
Customer Complaints Management and Support Centre	Customer Protection unit	Internal Audit

> Internal Audit as the third line of defence, is an independent assurance provider, and performs audit engagements using a risk-based approach. The scope of work of Internal Audit related to customer protection is to determine whether our risk management, internal control, and governance processes, as designed and represented by management, are adequate and functioning in a manner that reasonably ensures material regulatory and compliance risks are appropriately identified, measured, assessed and managed across the organisation.

How we listen – customer complaints

Customer complaints are another source of feedback that we aim to handle effectively and use lessons learned for continual improvement of our customer service. We aim to be open and consistent in how we track, record and manage complaints. We measure the volume of complaints and review root causes to inform the changes we should make to our products and services to improve them for our customers. By doing this, we hope to see improved customer satisfaction and reputation, and reduced costs.

We understand that it is important for our customers to be able to address their complaints through several channels or to clarify the details of any issue.

As a result of claims processing, constant changes are made to adapt services and banking products to customers' requests and needs as much as possible, which makes the Bank more flexible in the market, attractive and special for customers.

The variety of recourse channels clearly shows that it is possible for our customers to file a complaint using any preferred and available means. Submitted complaints are then reviewed by the Customer Complaints Management and Support Centre.

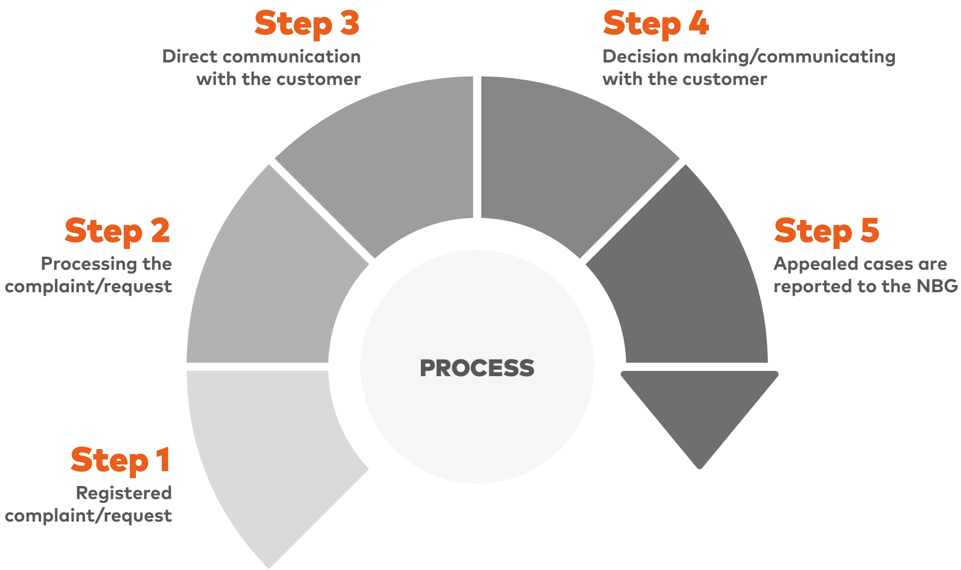
Customers can leave complaints via various channels, including:

- WEBSITE
- SOCIAL MEDIA
- WHISTLEBLOWING CHANNEL
- BRANCHES
- NATIONAL BANK OF GEORGIA
- CONTACT CENTRE
- E-MAIL
- CHANCELLERY
- E-BANK AND M-BANK

Customer claims management

We have a consistent set of principles that enable us to remain customer-focused throughout the complaints process. Our Customer Claims Management procedure 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 centre is obliged to escalate the matter to the Bank's Compliance Committee.



How we handle complaints

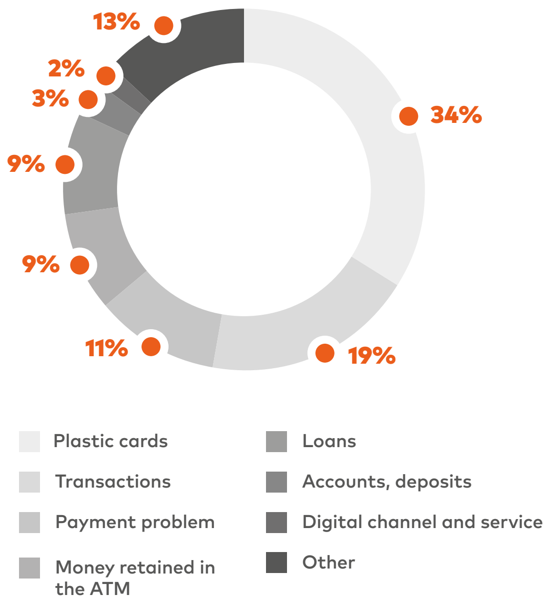
Our principles	Our actions
Making it easy for our customers to complain	The Bank has a Customer Claims Management procedure that defines how to handle customer complaints and concerns in a timely and effective manner. Customers can complain via the channel that best suits them. We provide clear information about our customer complaint mechanisms.
Keeping the customer up to date	We set clear expectations and keep customers informed throughout the complaint resolution process via their preferred channel.
Ensuring fair resolution	The Customer Claims Management and Support Centre reviews and manages all incoming claims. We thoroughly investigate all complaints to address concerns and ensure the right outcome for our customers.
Providing available rights	We provide customers with information on their rights and the appeal process if they are not satisfied with the outcome of the complaint.
Undertaking root cause analysis	Complaint causes are analysed on a regular basis to identify and address any systemic issues and to inform process improvements.

A Customer Protection unit in the Compliance function 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 monthly to identify root causes and systemic issues, any violation of our Code of Conduct and Ethics or Customer Protection Standard, and offering remediation action plans if necessary.

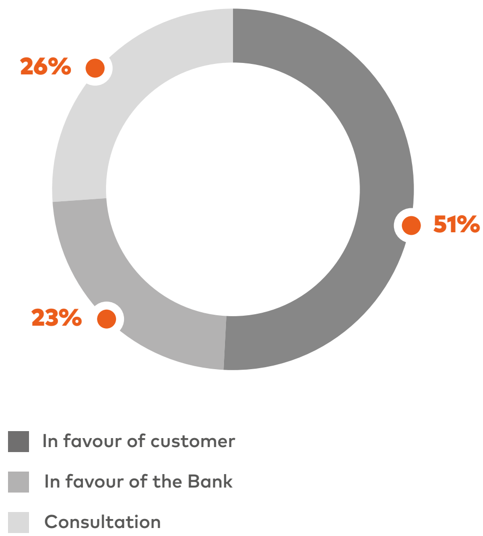
If the Customer Protection unit identifies a systemic issue from customer complaints or reports received through the whistleblowing channel, it reports such findings to the Joint Audit and Risk Committee in its quarterly compliance reports.

The Customer Complaint Management and Support Centre reflects complaints recorded with the Bank on a monthly basis in its reports submitted to the NBG.

Registered complaints by category



Resolution outcomes



Whistleblowing

We want to continue to foster a culture where our colleagues feel safe to speak up.

Our whistleblowing channel, WhistleB, is one of our speak-up channels, which allows our employees and other stakeholders to raise concerns confidentially and, if preferred, anonymously. The correspondence process is managed by WhistleB, an external, advanced, independent whistleblowing reporting channel and case management tool.

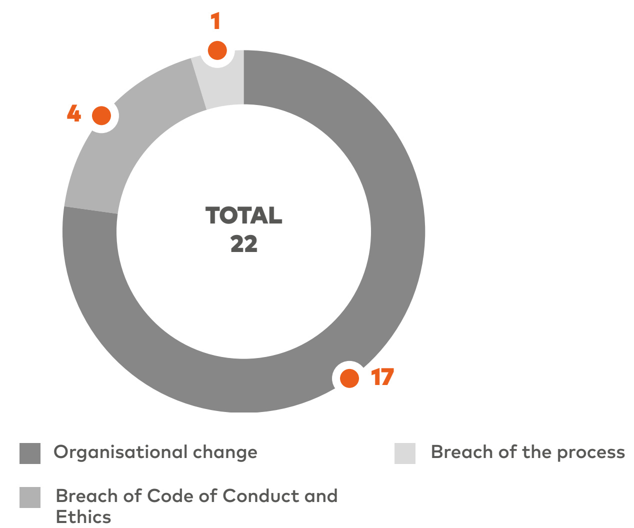
We promote a speak-up culture and aim to ensure our employees and stakeholders are aware of our whistleblowing mechanism, and have full comfort reporting potentially unethical practices without fear of reprisal.

The Whistleblowing Policy is one of the primary documents governing culture and ethics, and therefore, responsibility for the Whistleblowing Policy resides with the Board who, together with the Joint Audit and Risk Committee, receive reports on its operation quarterly.

Over the past year, in response to the challenge that the platform, in some cases, was not used for its intended purposes, the whistleblowing channel has been redesigned and updated to enhance its effectiveness, efficiency and awareness. As a result, statistics have improved, and irrelevant reports decreased over the past months.

In the reporting year, we received 22 relevant reports on the WhistleB platform. 19 reports dealt with the same issue – organisational changes (dissatisfaction caused by manager rotation). 2 out of these 19 reports included additional concerns about unfavourable work environment. The issue was investigated and violation was not confirmed. Out of the remaining 3 reports, 2 hinted at favouritism/nepotism whereas 1 was about communication challenges. Violation was not observed in any of the cases, nonetheless we addressed the issue with all managers underscoring their pivotal role in cultivating a bias-free environment, emphasising preventive measures for the future. Furthermore, selection/promotion criteria were standardised, and an action plan, including an ongoing monitoring mechanism, was drawn up to ensure continuous attention to these matters. Communication challenges were resolved by establishing a streamlined process, enabling open discussions with managers.

Reports received

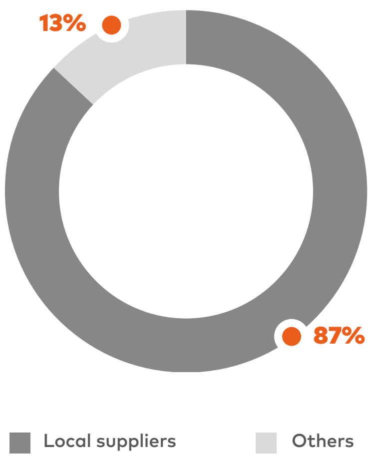


Working with our suppliers

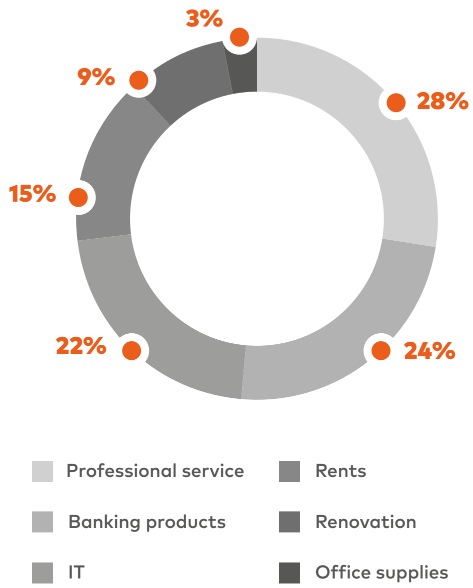
Bank of Georgia is one of the largest purchasers in the country, with a variety of suppliers in its supply chain. We are committed to dealing fairly with our suppliers, acting with integrity, and ensuring a responsible supply chain.

We are committed to involving local suppliers in our supply chain and contributing to local business development. The majority of our suppliers were local in 2023.

Total spend on suppliers



Largest categories of suppliers by spend



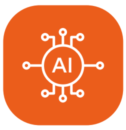
The Bank continues its commitment to strategic sourcing, emphasising the importance of selecting suppliers not only based on cost but also based on factors such as quality, reliability and innovation. This approach ensures that procurement decisions align with the Bank's overall business strategy, fostering long-term partnerships and mitigating risks associated with the supply chain.

Meanwhile, cost efficiency still remains one of the main KPIs for the Procurement team.

Investing in advanced technologies

To enhance efficiency, reduce manual errors and provide valuable insights for better decision making, we are investing in advanced technologies to streamline and automate various aspects of the procurement process. This includes the implementation of:

PROCUREMENT SOFTWARE



AI

TASK AND PROJECT MANAGEMENT TOOLS

DATA ANALYTICS

The Procurement department has transitioned to electronic signatures, implementing a paperless strategy that enhances efficiency and sustainability. This move not only aligns with our commitment to innovation but also underscores our dedication to reducing environmental impact. Moving to e-signature process and going paperless means a significant reduction of paper usage and a decrease of our operational carbon footprint.

Supplier screening

Adherence to legal and ethical standards remains a priority in the procurement process. We have rigorous compliance checks to avoid dealing with suppliers who are not aligned with local laws and regulations.

We have supplier screening processes and policies, and all suppliers with more than GEL 10K turnover with the Bank should pass a qualification process (background check).

Suppliers with access to the Bank's IT infrastructure or personal data are liable to fulfil due diligence questionnaires. More specifically:

- Information security questionnaires.
- Privacy due diligence questionnaires.
- Operational risk due diligence questionnaires.
- General questions to all suppliers regarding: child labour, illegal immigrants, discrimination, minimum salary, and modern slavery statement.

Sustainable procurement

We are committed to conducting business responsibly and to integrating ESG criteria into our decision-making processes. We want to promote sustainability and responsible business practices throughout our supply chain.

As one of the biggest groups in Georgia, we recognise that our business activities, operations and supply chain have a significant impact on the environment, the economy and society at large, and we seek to minimise the negative environmental impact of our operations and supply chain by reducing our carbon footprint, conserving natural resources, and promoting circular economy principles. We aim to uphold human rights, promote fair labour practices and support diversity and inclusion throughout our supply chain. We believe that sustainability is a journey and there is always more we can do to promote responsible business practices throughout our supply chain.

To ensure that our supply chain aligns with our values, commitments and the expectations we have for our suppliers, we have established the Supplier Code of Conduct, which sets the principles and guidelines for Group's supply chain practices.

In 2023, we implemented supplier E&S due diligence process. All of our suppliers with turnover more than GEL 500K must fill out an E&S questionnaire. This evaluation involves examining suppliers' E&S conduct, including but not limited to labour conditions and environmental impact. If there is a need, we also perform an on-site assessment of supplier premises to ensure that the provided information is accurate.

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 and strive to adopt a 'reduce, reuse, 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.

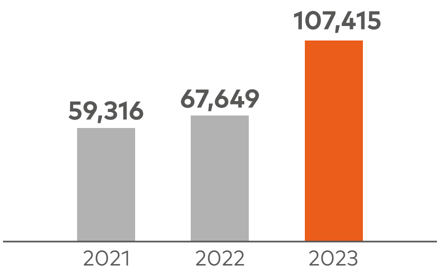
Energy consumption

The 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. For information on GHG emissions, please see pages 115 to 116.

Energy consumption data

	2021	2022	2023
Electricity (kWh)	17,489,358	19,623,529	22,050,710
Gas (m^3)	448,718	349,205	389,485
Gas (kWh, assuming that 1 m^3 gas = 9.7 kWh)	4,352,565	3,387,285	3,778,003
Total energy consumption (kWh)	21,841,923	23,010,813	25,828,713
Total energy consumption (kWh) per square metre of office space	**243**	**238**	**267**

Water consumption (m^3)



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

The increase in electricity and water consumption versus prior year was mainly driven by the increased office space to accommodate the growing workforce (the number of our employees increased by 12.7% y-o-y). In addition, 2023 was the first year after the COVID-19 pandemic when employees moved into full-load office space, which in turn led to an increase in energy consumption.

Environmental management

Despite the increasing demand for resources, the organisation's environmental vision and policy is to properly manage the resources used, which involves waste prevention and recycling of waste generated.

Since 2023, the Bank has taken a number of positive steps to reduce its environmental footprint, namely:

1. An environmental manager position was created, responsible for minimising harmful environmental impacts and overseeing processes in accordance with national and international environmental standards
2. Improved waste management practices have been implemented
3. The organisation's waste management plan was updated

Waste management

Clarification of the definition of waste within the organisation contributed to the improvement of the waste management system. As a result, during the reporting period, we conducted an inventory of waste and separated two types of waste:

1. Recyclable waste plastic, glass, cardboard, metal and electronic waste, which will be transferred to companies that have the appropriate license for recycling
2. Non-recyclable waste will be transferred to those enterprises that ensure the destruction of waste by physical and chemical methods, so that it does not harm the environment and human health

Type of waste	Amount (2023)
Glass	60 tonnes
Mixed stationery and office supplies	250 m^3
Lead-acid batteries	6 tonnes
Recycled paper from the archive	70 tonnes
Recycled paper from offices	2 tonnes

In the reporting period, generated waste was recycled in full compliance with local environmental regulations.

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 2023, c.1.8 tonnes of paper were 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

2023	30
2022	39
2021	35

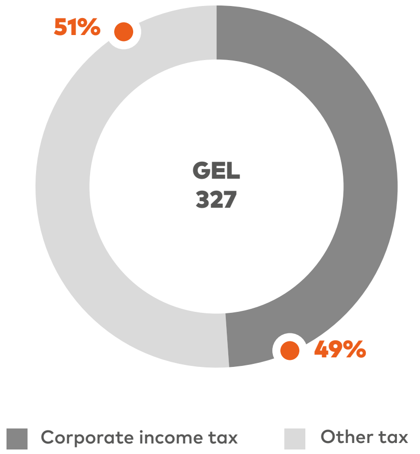
Starting in 2023, we have maintained an inventory of equipment containing ozone-depleting substances, which includes accounting for heating and cooling systems throughout the Bank, monitoring each system to prevent the release of ozone-depleting substances into the environment.

A responsible approach to tax

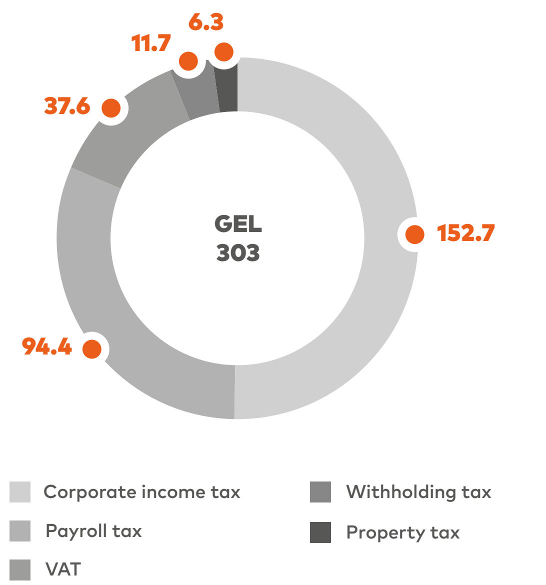
Our approach to responsible business conduct extends to our approach to taxation. We understand that responsible tax practices are not just a legal requirement but a vital aspect of our commitment to ethical business conduct and sustainable development.

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. The table below shows taxes paid during 2023.

Taxes paid in 2023, GEL million (BOGG PLC)



Types of taxes paid in 2023, GEL million (BOG)



	Company	Corporate income tax (GEL)	Other tax (GEL)	Total tax (GEL)
Georgia	BGEO Group	19,993	151,453	171,446
	Bank of Georgia	152,446,136	150,312,817	302,758,953
	Prime Leasing	–	975	975
	Solo	32,660	1,218,479	1,251,139
	Tree of Life Foundation	–	52,635	52,635
	Georgian Leasing Company	1,529	4,481,876	4,483,405
	Galt & Taggart	3,765	1,809,809	1,813,574
	United Securities Registrar of Georgia	–	44,627	44,627
	Express Technologies	–	92,500	92,500
	Didi Digomi Research Center	12,021	16,266	28,287
	Georgian Card	1,529	2,223,428	2,224,957
	Direct Debit Georgia	469	1,688,406	1,688,875
	Metro Service +	–	1,234,529	1,234,529
	Digital Area	1,000,367	842,778	1,843,145
	Area Extra	7,018	10,588	17,605
	Easy Box LLC	104	290,199	290,302
	Optimo Global	23,303	47	23,350
	Deliveri	1,762	110,360	112,122
	Total	**153,550,656**	**164,581,772**	**318,132,428**
Belarus	Belarusky Narodny Bank	4,268,726	7,861	4,276,587
	BNB Leasing	44,891	570,524	615,415
	Total	**4,313,617**	**578,385**	**4,892,002**
Hungary	Bank of Georgia Representative Office Hungary	–	50,035	50,035
Israel	Georgia Financial Investments	14,519	93,810	108,329
Turkey	Representative Office of JSC Bank of Georgia in Turkey	–	5,251	5,251
UK	Bank of Georgia Group PLC	2,056,004	2,126,021	4,182,025
Cyprus	Benderlock Investments Limited	106,468	–	106,468
	Total	**160,041,264**	**167,435,273**	**327,476,537**

FINANCIAL INCLUSION

Financial inclusion

We believe that improving access to financial services is crucial for enhancing people's quality of life and fostering economic growth. Lack of access to financial services and finance poses a significant barrier to sustainable and inclusive socioeconomic development. In 2021, we identified financial inclusion as one of our primary impact focus areas, which is intertwined with our overall business objectives.

We aim to foster financial inclusion by offering people relevant, accessible, and affordable services tailored to the diverse needs of different customer segments – spanning various socioeconomic backgrounds and geographic locations, from rural to urban communities.

In addition to our core business, we actively engage in corporate social responsibility (CSR) initiatives in the communities where we live and operate, providing educational resources, workshops and tools to empower individuals and businesses – equipping them with the knowledge and skills they need to effectively manage their finances.

To enhance financial inclusion, we focus on:

Increasing the use of digital financial products and services

Building financial literacy among young people

Building capabilities of local businesses with relevant tools and information

We believe financial inclusion starts with the use of digital channels for daily banking and cashless payments. Through our digital platforms, we provide easy access to a formal financial system to anyone across Georgia. Financial technologies, be it mobile app or secure online payments, empower people to safely handle their money, carry out transactions, and get necessary services without relying on cash or visiting traditional bank branches. We measure the uptake of our mobile app and internet banking platform through Digital MAU and the use of cards for payments in-store and online through Payment MAU.

Both metrics are key business metrics, but we believe by focusing on these metrics and reaching more people monthly through our digital and payments technologies, we contribute to stronger communities.

Financial inclusion focus area	Why we think it is important	Where we are now (December 2023)
Use of digital channels	• 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	**1.4 million** +21.0% y-o-y Digital MAU
Use of cashless payments	• 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	**1.2 million** +20.1% y-o-y Payment MAU

How we ensure the accessibility of our products and services

Customers can access BOG APP's full functionalities without WiFi 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 sCoolApp for school students and Student Card and BOG APP for university 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.

Access to finance – removing barriers for self-employed and underserved people

Self-employed individuals

Since 2022, we have been focused on closing the gap between self-employed individuals and the financial services sector. We understand the challenges faced by those with income from self-employment or unofficial sources when trying to access credit. That is why we have worked on refining our lending processes, removing the artificial barriers that have long hindered their financial inclusion.

In 2023, we improved the income validation procedures for self-employed clients and extended the full spectrum of credit products, previously unavailable to them. As a result, we achieved a 14.9% y-o-y growth in the number of self-employed borrowers as of 31 December 2023.

54.7K

+14.9% y-o-y

Self-employed borrowers (Dec-23)

GEL 531.7M

+45.9% y-o-y

Loan portfolio of self-employed clients (Dec-23)

You can read more about self-employed clients on pages 33 to 34 of this report.

Underserved individuals

In Georgia, most of the economic activity happens in big cities, leaving rural areas feeling left out when it comes to financial opportunities. Therefore, creating an inclusive environment where everyone regardless of their location or occupation, feels empowered to access financial tools requires addressing the disparity in access to financial products and services between urban and rural areas. Bank of Georgia's goal is to be accessible to people living in locations beyond major urban centres, in rural areas, and to those of different socioeconomic backgrounds, through a variety of financial services and products.

For instance, we have strategically placed ATMs and self-service terminals (BOG Pay) in regions for individuals to gain access to basic banking services without needing to travel to urban centres. We also have a number of branches in rural communities providing residents with access to a wider range of financial services and personalised assistance.

The Mass Retail Banking strategy is focused on encouraging people living in Georgia's regions to adopt digital channels, particularly our financial superapp for a fast, easy and seamless daily banking experience. In 2023, we focused on making sure our customer-facing employees in regional branches were equipped with the knowledge of various digital tools and incentivised to raise awareness of the benefits of using digital channels among their customers.

479K

+9.1% y-o-y

Active customers in Georgia's regions[1]

1. Number of monthly active customers in Georgia excluding the top four large cities: Tbilisi, Batumi, Kutaisi and Rustavi.

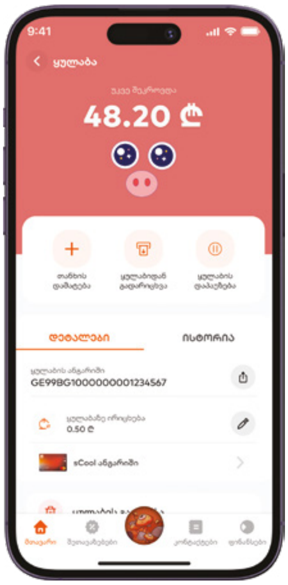
Empowering school and university students in Georgia with daily banking solutions

In 2022, we launched sCoolApp – the first financial mobile app for school students in Georgia. The average age of sCoolApp user is 14.

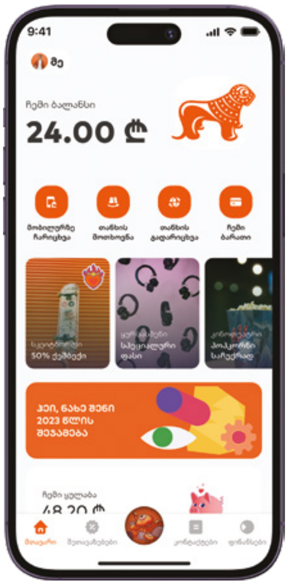
Our objective is to expand our reach to school students and use sCoolApp as one of the main avenues for teaching essential financial literacy skills to children from a young age.

In 2023, we developed sCoolApp with innovative features aimed at promoting financial inclusion and education among school students.

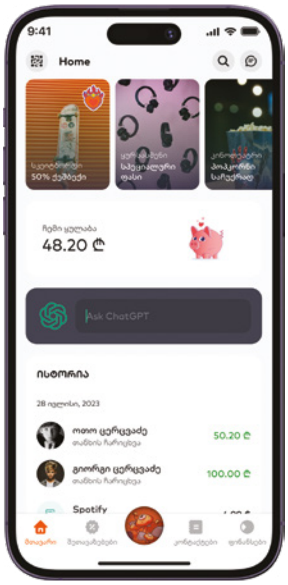
Financial literacy content and tools embedded in sCoolApp



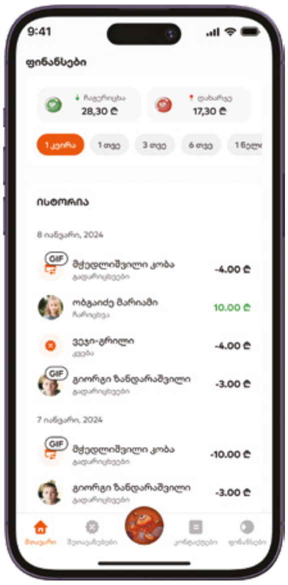
Piggy bank



Educational stories



Bill split



Personal financial manager (PFM)

90K

+170.3% y-o-y

sCoolApp MAU

You can read more about how we empower young people with our products on pages 37 to 39 of this report.

Key financial education activities during 2023

Through our CSR initiatives, we aim to provide resources, workshops and tools that teach and explain financial concepts and empower young people to manage their money more effectively, make informed decisions, and understand the implications of economic policies on their lives. We want to provide the tools and skills so that more young people in Georgia can be in control of their financial futures because that will ultimately benefit the whole communities around us.

TSU Envoy

The TSU Envoy project has been making a significant impact in schools throughout Georgia. University students, serving as ambassadors, return to their schools to share their experiences with over 10,000 school students annually – providing invaluable insights into university life. In 2023, the project was supported by Bank of Georgia for the first time. Through this collaboration, ambassadors not only talk about and give tips on university life, but they also educate students about the functions of sCoolApp and the importance of banking products, focusing on the products relevant for them. In this way, the TSU Envoy project supports financial literacy activities and awareness raising across the whole country.

200+

Envoys participated

250+

Schools visited

Teachers' competition for integrating financial education in schools

Partnering with the NBG and the financial education platform FinEdu, Bank of Georgia engaged in the teachers' competition for integrating financial education in schools. The primary objective of the competition was to develop supplementary financial educational materials aligned with the national curriculum and enhance the effective teaching of financial literacy concepts. We believe providing financial education to children during their school years is essential for fostering their future success.

Invite FinEdu to Class

In 2023, Bank of Georgia supported the 'Invite FinEdu to Class' programme, a collaborative effort of the NBG and the financial education platform FinEdu. The initiative aimed to enhance financial and economic awareness among young people, with representatives from partner financial institutions taking on the role of ambassadors and visiting schools across Georgia. Ambassadors from Bank of Georgia provided students with insights into sCoolApp, which facilitates everyday transactions for young people. Through these interactions, students gained practical knowledge about the significance of prudent money management and saving principles.

Financial education exhibition

In 2023, for the first time, a space for financial education was organised at the international education exhibition in partnership with the NBG. Major banking sector organisations were represented. We hosted students who participated in entertaining financial education games while learning about the resources offered by Bank of Georgia to promote financial literacy.

30+
Schools visited

26
Georgia's regions

3,000+
Entrants

900+
School students participated

Building capabilities of local businesses with relevant tools and information

Improving the financial literacy of our business clients is also an important aspect of supporting local business development. We aim to empower business owners and managers with the knowledge and skills necessary for successful business operations, including understanding fundamental concepts such as budgeting, investing, and planning for the future.

We believe that with this knowledge our clients can navigate their businesses more effectively, mitigating risks, seizing opportunities, and ultimately achieving their financial goals. Moreover, we believe that by promoting financial education and investing in our clients' financial literacy, we can not only contribute to their prosperity but also strengthen the overall resilience and stability of the business ecosystem.

Accounting Development programme

Digitalisation of accounting	Full accounting services	Identifying tax risk

Quick sharing of financial information with the Bank

Bank of Georgia's Accounting Development programme helps SMEs overcome the hurdle of accessing finance by promoting effective accounting practices. Through its partnerships with local accounting firms, Bank of Georgia facilitates access to affordable accounting software packages to help SMEs run their businesses more effectively.

Read more on page 46

Workshops for female entrepreneurs

Digital marketing	E-commerce	Employment practices

Change management

Bank of Georgia regularly holds peer-to-peer trainings and workshops specially developed for women entrepreneurs.

Read more on page 47

500 Georgia

In collaboration with 500 startups and GITA, we launched the country's first international accelerator programme, fostering entrepreneurship, nurturing the tech ecosystem, facilitating global networking, and helping participating companies in fundraising.

Read more on page 51

Businesscourse.ge

Through this online platform we provide educational content and timely insights tailored to the needs of local SMEs.

Read more on page 48

You can read more about our financial inclusion initiatives for business clients on pages 46 to 49 of this report.

SUSTAINABLE FINANCE

Sustainable finance

Sustainable finance for us means integrating ESG criteria into core operations and decision-making processes. This involves aligning investment decisions, risk assessments and lending practices with a commitment to long-term sustainability.

As a leading lender and a reliable partner for businesses of any size in Georgia, Bank of Georgia is committed to mobilising and prudently channelling financing to support customers and drive economic growth while reasonably mitigating climate, environmental and social (CE&S) risks in our financing. The CE&S management of the Bank's loan portfolio is based on the Environmental and Social Risk Management System (ESMS) and Climate Risk Management (CliRM) framework and encompasses a systematic identification, assessment, mitigation and monitoring of CE&S risks associated with the projects that are financed by the Bank's Corporate Banking and SME Banking segments.

We understand, that businesses can no longer operate in isolation from the impact they have on the planet and the people, and, therefore, we are planning to develop green products and create green finance opportunities for the businesses. This will help us identify opportunities for sustainable growth and, mitigate potential adverse impacts and reduce risk of financial losses, and foster the development of a resilient and sustainable financial system and businesses around us.

Environmental and social risk management

At Bank of Georgia, we are committed to prudently managing the risks associated with our lending activities. Through our ESMS, we proactively identify potential risks and promote mitigating actions by motivating our customers to effectively manage these risks.

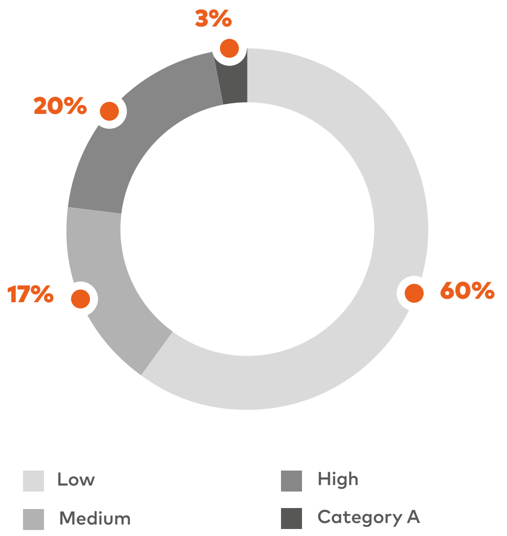
Environmental and social risks are risks of negative materialisation of E&S factors that affect our clients, borrowers, other counterparties and the Bank itself. The most common are environmental risks – financial risks stemming from an institution's exposure to activities that may be affected by or contribute to the negative impacts of environmental factors. Social risks are financial risks arising from an institution's exposure to activities that may be affected by or contribute to the negative impacts of social factors.

E&S risk definition and management approach to the E&S risk appraisal

Risk level	Definition	E&S due diligence requirements	E&S monitoring requirements
Low	Transactions with minimal or no adverse E&S impact.	No in-depth assessment required.	Monitoring visits not required.
Medium	Transactions with specific E&S impacts that are few in number, generally site-specific, largely reversible, clearly evident at the time of the assessment, and readily addressed through mitigation measures and international best practice.	Gaps are identified and where appropriate an E&S action plan is developed to minimise the gap. When the total project exposure is more than US$ 5 million, clients have to comply with applicable International Finance Corporation (IFC) Performance Standards 1-8.	In case of non-compliance, monitoring visits should be performed at least every two years until major E&S issues are resolved accordingly and properly monitored by the customer.
High	Transactions with significant adverse E&S impacts that are sensitive, diverse or unprecedented.	In-depth assessment required. Gaps are identified and, where appropriate, an E&S action plan is developed to minimise the gap. If E&S issues are complex or outside the in-house team's competence, a qualified external consultant(s) should be hired to undertake an E&S assessment. When the total project exposure is more than US$ 5 million, clients have to comply with applicable IFC Performance Standards 1-8.	Monitoring visits to poor E&S performance clients on an annual basis. Monitoring visits to all other clients should be performed at least every two years until major E&S issues are resolved accordingly and properly monitored by the customer.
Category A	Developments on 'greenfield' land or major extension or transformation-conversion projects which may give rise to significant or long-term E&S risks and impacts.	In-depth assessment required. Gaps are identified and where appropriate an E&S action plan is developed to minimise the gap. If E&S issues are complex or outside the in-house team's competence, a qualified external consultant(s) should be hired to undertake an E&S assessment. These projects have to comply with applicable IFC Performance Standards 1-8.	Customers should provide the Bank with an annual E&S performance report and monitoring visits should be performed every year until major E&S issues are resolved accordingly and properly monitored by the customer.

The Bank focuses on higher-risk sectors and transactions. All cases that are identified as higher-risk and where specific or material E&S risks or concerns are identified are subject to further review.

E&S risk categorisation
(31 December 2023)

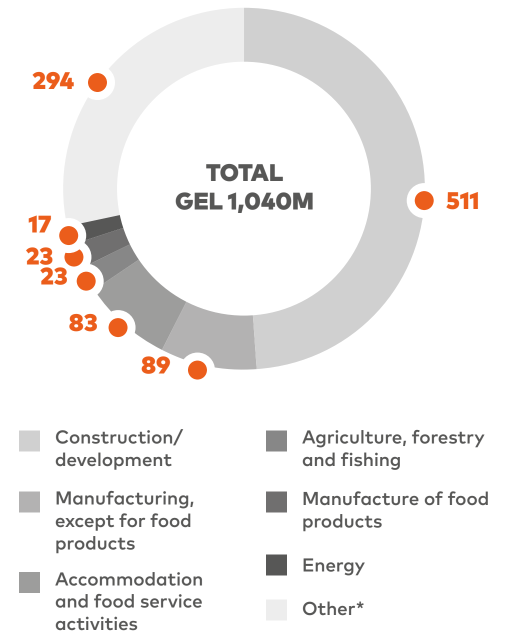


Category A projects constituted 3.1% of the Bank's gross SME Banking and Corporate and Investment Banking loan portfolio, and 1.7% of the Bank's total gross loan portfolio as at 31 December 2023.

Sector	Exposure GEL million	Exposure GEL million	Share in business portfolio	Share in business portfolio
	2022	2023	2022	2023
Industry	269.3	257.9	2.9%	2.3%
Construction Materials	97.1	54.0	1.0%	0.5%
Consumer Foods & Goods	33.5	31.7	0.4%	0.3%
Total	400.0	343.6	4.2%	3.1%

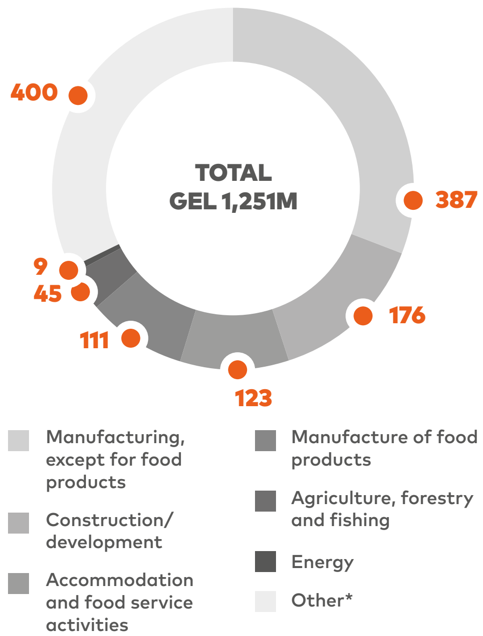
E&S due diligence data

In 2023, our E&S risk management team conducted due diligence of all new clients that may pose potential E&S risks and/or high and very high climate-related transition and/or physical risks. Out of GEL 1,040 million new loans screened, GEL 561 million was assessed against IFC Performance Standards, while the rest was assessed against local legislation. The data below shows the breakdown of the screened loans by sector as at 31 December 2023.



E&S monitoring data

In 2023, our E&S Risk Management team carried out E&S monitoring of all Category A and High risk clients. Out of GEL 1,251 million, GEL 918 million was assessed against IFC Performance Standards, while the rest was assessed against local legislation. The data below shows the breakdown of the monitored loans by sector as at 31 December 2023.



*In 'other' we consider the following sectors: wholesale and retail trade; human health and social activities; education; transportation and storage; mining and quarrying; production of trade of clothes, shoes and textiles; and other activities.

Mitigating E&S risks in Bank of Georgia's loan portfolio

E&S risk framework

E&S risk management is integrated into the underwriting process related to business clients. There are procedures, application forms and actions that have been integrated into the Bank's credit procedures since 2013. E&S risk management is based on IFC Performance Standards and the EBRD Performance Requirements – the benchmarks for E&S risk assessments in lending. A dedicated E&S team has been in place since 2013, within the Enterprise Risk Management function. The ESMS and the associated E&S procedures are periodically updated and approved by the Environmental and Social Impact (ESI) Committee and the Supervisory Board of the Bank to ensure they remain fit for purpose and reflect the Bank's strategic objectives and current performance, expectations of stakeholders, and changes in the legal and regulatory environment. Our ESMS aligns with our risk management framework and provides additional clarity and transparency regarding our approach to E&S risks, including climate risk.

E&S risk management of our loan portfolio involves systematically:

Identifying	Assessing	Managing	Mitigating

E&S and climate-related risks associated with projects financed by the Bank's Corporate Banking and SME Banking business directions.

The Bank bases its E&S risk management on the following standards, regulations and policies:

1. The Group's Environmental Policy
2. The Bank's CliRM framework
3. Georgia's environmental, climate, social, health and safety, and labour laws and regulations
4. International Labour Organization's core labour standards
5. Applicable international environmental, health and safety (EHS) conventions that Georgia is signatory to
6. IFC's Performance Standards
7. The EBRD's Performance Requirements

Activities in 2023:

- The Bank's ESI Committee and the Supervisory Board received updates on the implementation of ESMS and approved the updated version of ESMS.
- We started to assess climate-related risks for the Bank's clients, based on a standardised E&S due diligence process.
- We provided Environmental Awareness trainings to SME Banking and Corporate and Investment Banking clients and bankers.
- We assessed E&S risks of more than 100 beneficiary companies, with exposure GEL 175 million as at 31 December 2023, delivering financing and guarantees via BOG within the framework of the World Bank-supported Relief and Recovery (referred to as 'Credit Guarantee Scheme') for MSME Project implemented by the economic development agency 'Enterprise Georgia', the governmental body under the Ministry of Economy and Sustainable Development.

Activities planned for 2024:

- The Supervisory Board will review E&S risk assessment reports for all large credit requests. These reports provide information on current regulatory requirements and details on the client's E&S performance, potential risks and mitigation measures.
- We are taking measures to fully comply with the NBG's new ESG Guidelines, which are expected to come into force from January 2025.
- We will develop specific guidance for clients operating in oil and gas, agriculture, mining, forest and biodiversity, recycling and heavy industry. These sectors are identified as those with potentially high adverse E&S impacts.

Employee and customer engagement

Employees are critical to our ability to mitigate our indirect negative impacts and effectively manage CE&S risks and opportunities. To increase the understanding of CE&S-related issues and build internal capacity, we hold training sessions for key risk and banking personnel involved in CE&S risk management processes.

The trainings cover different topics, including climate and sustainable finance, ESG standards and the United Nations Sustainable Development Goals, health and safety, green taxonomy, renewable energy investments, energy efficiency, and green and affordable housing.

We engage with customers and provide information on relevant laws and regulations and the Bank's ESMS during our E&S due diligence processes. By ensuring comprehensive E&S risk assessment and action plans, the Bank encourages customers to fulfil their E&S obligations and achieve good E&S standards.

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

- Raise their awareness on EHS and climate issues and regulations
- Establish a framework for clients to achieve good CE&S standards
- Encourage companies to adopt best EHS practices and challenge them on EHS risks
- Meet companies to better understand sectorial EHS and climate risks, impacts and opportunities
- Make recommendations and measure customers' progress

2022-2023 customer engagement highlights:

Together with local sustainability third-party consultants, we provided Environmental Management Awareness Trainings to SMEs and Corporate Banking clients on local environmental regulations and requirements, as well as on mechanisms for ensuring compliance with these requirements, on legal sanctions, 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 246 representatives of local companies from various sectors. Trainings were supported by the GGF.

Together with external consultants, we prepared an electronic training module covering the same topics that were offered to the training participants (mentioned above). The training module is available on Bank of Georgia's educational platform, businesscourse.ge, free of charge. The development of this online module was supported by GGF.

An information leaflet on Bank of Georgia's approach to managing customers' E&S risks is available on the Bank's website.

Our impact through funding activities

European Investment Bank

In partnership with the European Investment Bank (EIB), we are financing investment projects that support SMEs and MidCaps in Georgia. We direct at least 30% of the funding to green loans with better terms, thus giving Georgian businesses access to better opportunities.

we direct at least 30% of the funding to green loans with better terms

European Bank for Reconstruction and Development

As part of an active cooperation with the EBRD, we use the Deep and Comprehensive Free Trade Area programme under the EU4Business-EBRD credit line. Financial support, in the form of a cashback, and technical assistance from international advisors, allow us to help local MSMEs in strengthen their competitiveness and compliance with European standards, and especially to increase investments in green technologies and promote green transformation.

financial support, in the form of cashbacks, to help local SMEs strengthen their competitiveness and compliance with European standards

GREEN FOR GROWTH FUND

In cooperation with GGF, Southeast Europe S.A., SICAV-SIF, we have an opportunity to stimulate green financing of both retail and business sectors in Georgia. A portfolio of combined sub-loans is required to achieve at least 20% primary energy and/or CO_2 savings. The Bank is expected to expand financing for energy-efficient construction and green mortgages, while encouraging businesses to invest in energy efficiency. Within the framework of technical assistance, we can offer our clients access to consulting services to make their businesses greener and more focused on long-term sustainability.

offering our clients more access to consulting services and encouraging businesses to invest in energy efficiency

Global Climate PARTNERSHIP FUND managed by responsAbility

With financing from the Global Climate Partnership Fund S.A (GCPF), SICAV-SIF, the Bank has an opportunity to address environmental challenges by reducing global energy consumption and CO_2 emissions. The Bank, together with GCPF, is actively involved in the promotion and support of renewable energy and energy efficiency projects in the economies, which is expressed by the fact that at least 75% of the amount of each sub-loan reported by Bank of Georgia is directed to energy efficiency renewable energy measures.

addressing environmental challenges by reducing global energy consumption and CO_2 emissions through promoting renewable energy and energy efficiency

European Bank for Reconstruction and Development

Swedfund

In partnership with the EBRD and Swedfund, we received a Additional Tier 1 Capital Perpetual Subordinated Syndicated Facility. Within the framework of the project, we should invest an amount equal to the AT1 loan in green projects. This process becomes even more effective with the grant received from the EBRD, which provides technical assistance in the process of identifying green loans. The Bank has the ability to pay more attention to business sustainability and contribute to green transformation.

...with the help of a technical assistance component, we have the ability to pay more attention to business sustainability and green transformation...

EFSE European Fund for Southeast Europe

In partnership with the European Fund for Southeast Europe (EFSE), we have an opportunity to increase lending to MSMEs, especially those engaged in sustainable activities. The funding also aims to strengthen women-owned businesses to promote gender equality and advance sustainable development.

...strengthening women-owned businesses...

Supporting sustainability in the Georgian capital market

The Group's wholly-owned subsidiary, an investment bank G&T has been heavily involved in advancing ESG objectives through the local capital markets. Having been the sole arranger of the first sustainability-linked and social bonds on the local market, as well as the co-arranger of the first local green bonds, G&T has pioneered ESG thematic bonds in Georgia. The recent growth in local ESG issuances has been incentivised by the CMS Program in Georgia, supported by the EU and the EBRD, and implemented by G&T.

Issuer	Bond type	Amount	Interest/ maturity	Subscribed by	Second Party Opinion issued by	Comment
Georgian Renewable Power Company	Green	US$ 80,000,000	7.00%; 5-year	EBRD, ADB, IFC and FMO	SUSTAINALYTICS	First and largest green bond locally
GEOSTEEL	Sustainability-linked	US$ 15,000,000	9.00%; 2-year	Mostly retail subscribed	DNV	First ever sustainability-linked bond locally
GEOSTEEL	Sustainability-linked	US$ 5,000,000	8.50%; 2-year	Mostly retail subscribed	DNV	First ever sustainability-linked bond locally
GEORGIA CAPITAL	Sustainability-linked	US$ 150,000,000	8.50%; 5-year	EBRD, ADB, IFC and AIIB; Pension Fund and retail investors;	SUSTAINALYTICS	Largest sustainability-linked bond locally
crystal	Social	GEL 25,000,000	3m TIBR + 475 bps; 2-year	ADB anchored transaction	SCOPE	First social bond in Georgia

TCFD

Managing our transition to a climate resilient future

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 transition journey in 2021. We have considered our reporting obligations under both the UK Financial Conduct Authority's Listing Rules and Sections 414CA and 414 CB of the UK Companies Act 2006, and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended disclosures. On the following pages we explain our current position, state our expectations for the future, and identify where additional work is required for us to disclose fully against all TCFD recommendations. This report focuses on the Group's main operating entity, JSC Bank of Georgia, which constituted 95.3% of the Group's total assets as at 31 December 2023.

Pillar	Recommended disclosures	Actions	Page
GOVERNANCE Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	Ensure governance structure is maintained	102-104
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Executive KPIs to be aligned with green loan portfolio target	114
STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Annual review and further incorporation into business strategy	105
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Commitment to quantify the impacts on our financial planning	105-107; 109
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Develop robust scenario analyses to test the resilience of the business	105-106
RISK MANAGEMENT Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Review processes for identifying and managing climate-related risks	111-113
	b) Describe the organisation's processes for managing climate-related risks	Review processes for managing climate-related risks	111-113
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Review processes for integrating climate-related risks	111
METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Set, review and monitor targets	114
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Disclose and monitor our GHG emissions	115-118
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Set, review and monitor targets	114

Climate change in Georgia at a glance

In 2015, 197 nations, including Georgia, committed to the goals of the Paris Agreement to limit global warming to 2°C above preindustrial levels, while pursuing the means to limit the increase to 1.5°C.

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. In 2017, Georgia's GHG emissions amounted to 17,766 Gg CO_2e, 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:

1	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
2	To support renewable energy generation and transmission
3	To support the development of low-carbon approaches in the building, industry, waste and agriculture sectors
4	To set national energy-saving targets in private and public sectors, particularly in relation to energy efficiency in buildings

In 2023, the Georgian Government published the consulting document 'Green Book' on Climate Change Law of Georgia. The aim of the Green Book was to open consultations and public discussions on the implementation of the law on climate change. Based on the public consultations and analysis of the Green Book, the 'White Book' was developed. A public consultation on the White Book of the Climate Change Law was held at the end of 2023. The White Book includes the main principles that should be reflected in the Climate Change Law of Georgia.

As noted by the Prime Minister of Georgia at COP28, Georgia has adopted the long-term low emissions development strategy, declaring 'carbon neutrality' as an important goal by 2050. Georgia has also committed to presenting a new Nationally Determined Contribution (NDC) in 2025.

Climate-related taxonomy

Climate change	Long-term shifts in temperatures and weather patterns accelerated by the release of GHGs into the atmosphere due to human activity such as burning of fossil fuels, deforestation and agriculture
Climate risk	Risks that can impact financial institutions in different ways, from direct impacts on the Bank's buildings and operations to indirect impacts on client default rates and portfolio riskiness. **Risk types:** **Physical risk:** Risks result from climate change. Acute physical risks arise from extreme weather events such as floods, wildfires and droughts. Chronic physical risks arise from gradual climate shifts such as rising sea levels, rising average temperatures and loss of biodiversity. **Transition risk:** Risks result from global efforts to prevent climate change. Risk drivers can include climate-related policy or regulatory changes, such as the implementation of a carbon tax or of country-wide climate targets, technology disruptions, such as the development of a clean fuel source, and changes in consumer preferences.
Climate opportunity	Efforts to mitigate the impacts of climate change, adapt to changing conditions, and transition towards a more sustainable and resilient future.

Key messages

In adherence to our responsibility outlined in the Listing Rules of the UK's Financial Conduct Authority, we confirm that our disclosures in this Annual Report align with the recommendations and recommended disclosures of the TCFD.

Our climate action and reporting are in line with the four pillars defined by the TCFD: Governance, Strategy, Risk Management, and Metrics and Targets. However, we note an exception: complete disclosure of Scope 3 GHG emissions is pending, as we are currently engaged in a thorough analysis of our portfolio, prioritising sectors with the highest carbon intensity due to a lack of reliable data and the absence of relevant regulations to compel counterparties to disclose emissions data in the country.

During 2023, we did not have any climate-related targets. However, for 2024, green loan portfolio targets will be included in Executive Management KPIs and linked to remuneration. Going forward, we may consider developing additional sector-specific targets.

Governance

Board of Directors

The Board 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, the Board reviewed and approved the Bank's Climate Action Strategy and CliRM framework (internal).
- In 2023, the Board approved the Environmental Policy. The new policy sets the general principles and the key management and control objectives to be followed by the Group in terms of environmental protection with a focus on climate change, E&S risk management and sustainable finance.
- The Board considers performance against the objectives defined in the Bank's strategies.

The Board regularly examines opportunities and risks as well as the measures taken as a result:

- In 2023, the Board reviewed Bank of Georgia Group PLC's 2022 Annual Report and provided feedback and guidance for enhancing the Bank's sustainability management, including climate risk and opportunity management.
- In September 2023, the Board was also informed on the Bank's progress on climate action during one of its quarterly Board meetings.
- From 2024, the Bank's new climate-related due diligence, which was launched in 2023, will generate more detailed information on climate risks and opportunities in the portfolio, the results of which will be reviewed by the Board. The Board receives quarterly risk reporting that provides updates on the green portfolio.
- In 2023, the Bank started preparing climate risk assessment reports for all large credit requests and presented to the Supervisory Board for their review. These reports provide information on current regulatory requirements, including the country's climate-related strategy and action plan towards the specific sectors and details on clients' climate transition plans.

The Supervisory Board bears the overall responsibility for the Bank's ESG 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 ESG 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.

Governance and accountability structure

	Mandate/scope	Membership	Frequency
Bank of Georgia Group PLC Board	Responsible for the long-term success of the Group as a whole and the delivery of sustainable value to shareholders. It oversees the Group's operations and ensures it is being managed in accordance with its strategies and targets. Approval of the Company's climate-related financial disclosures.	Full Board	At least quarterly.
Risk Committee	Primary responsibility for risk management at the Board level, including overseeing climate change as an emerging risk in the Bank's loan portfolio.	At least three Independent Non-executive Directors. CRO attends all the meetings. Other members of Executive Management attend as and when required. For more information about the Committee, please see pages 224 to 228.	At least four times a year.
Audit Committee	Assesses the quality of the Company's 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.	At least three Independent Non-executive Directors. Attended by Internal Audit and External Audit. May also be attended by Executive Management members and senior managers as and when required. For more information about the Committee, please see pages 214 to 223.	At least four times a year.
Remuneration Committee	May set climate-related targets for the CEO and considers how the Bank's management performs against climate-related objectives and targets.	At least three Independent Non-executive Directors. For more information about the Committee, please see pages 229 to 247.	At least twice a year.
ESI Committee	Reviews progress in the implementation of the Bank's Climate Action Strategy and the CLiRM framework and stipulates appropriate measures.	CEO, CRO, COO, CFO, CLO, Head of HR, CMO, Head of Investor Relations and Head of Funding.	Quarterly

Skills and competencies at the Board level

Our Senior Non-executive Director, Hanna Loikkanen, who serves as a member of the Audit Committee and the Nomination Committee, has extensive experience in climate-related matters and has completed courses at the London Business School on Sustainable Leadership and Corporate Responsibility and at GRI on Sustainability Reporting and GRI Standards. Currently, she serves as the Chief Investment Officer of Finnfund, a Finnish state-owned development financier and impact investor that has a focus on sectors that are critical to sustainable development, including renewable energy, sustainable forestry, sustainable agriculture, financial institutions, and digital infrastructure and solutions, and where every investment decision is reviewed against a detailed climate impact analysis and the board are given regular training on climate-related regulations. She has also been a board member of Caucasus Nature Fund since 2020, a nature conservation trust that provides funding and management assistance to protected areas in Armenia, Azerbaijan and Georgia. Additionally, Board members will receive climate-related training as part of their ongoing development in 2024 and seek out further opportunities to build their skills and experience in this area.

Board of Directors and senior management

At the instruction of the Supervisory Board, to anchor climate change and other sustainability-related topics, a management-level ESI Committee was established and held for the first time in 2022, comprising the Executive Management Team and senior managers, including the Bank's CEO, CRO, Head of Operations, CFO, CLO, Head of HR, CMO, Head of Investor Relations, and Head of Funding. The Committee is appointed by the Board and shall consist of a minimum of three members. The Committee Chairman is the CEO.

The Committee is responsible for managing the Bank's CE&S impacts, focusing on those arising from its lending and operational activities. It holds overall responsibility for designing, implementing and enhancing CE&S strategies and policies, and for setting and monitoring targets. The Committee intends to further embed E&S risk management into the Bank's daily operations. The Committee Chairman reports to the Board on its proceedings and decisions within its duties and responsibilities. The final responsibility for the decisions made by the ESI Committee rests with the Supervisory Board.

ESI Committee meets quarterly. In 2023, one meeting was focused on the revised Environmental Policy which sets general principles with a focus on climate change, E&S risk management and sustainable finance, and with one meeting focusing on climate-related matters. In 2023, the ESI Committee played an active role in promoting the strategy and monitoring the integration of sustainability into the Bank's business processes and activities. Its work has been supported by a cross-functional Climate Working Group established in 2021, which continued to work through 2022-2023 to develop Bank of Georgia's Climate Action Strategy, design new climate and green finance related processes and methodologies, integrate climate-related risks into overall risk management process, and contribute to preparing climate-related disclosures.

In 2023, key people from the Bank's Corporate Banking and SME Banking segments and Risk, Legal, ECRM, IT, Operational Support and Funding departments participated in meetings to support critical processes related to climate-related opportunities and risks and related to the integration of sustainability into day-to-day activity. They report to the CEO and the Board of Directors through the ESI Committee.

To achieve the best performance of its functions in this area, the Board believes it is necessary to have suitable knowledge and experience in sustainability matters. To this end, the Board continues to receive the training on matters related to sustainability.

The Group's sustainability governance model allows the Board and its Committees to have the necessary information to make suitable decisions and perform their supervisory and control functions.

Our climate-related governance

Topic	Responsibilities	Overall responsibility
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.	CRO
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 Corporate Banking department, calculates financed emissions. • Supports other departments in conducting climate-related tasks. • Prepares climate-related disclosures.	CRO
Corporate and Investment Banking and SME Banking departments	• Collects data from clients for climate-related risk assessment and GHG calculation.	CEO
Corporate and Investment Banking and SME Banking departments Credit Risk Management departments	• 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).	CEO
Operational support Department	• Collects relevant data and calculates GHG emissions from the Bank's own operations, including Scope 1, 2 and 3 (except financed emissions). • Sets the Bank's supply chain ESG policies and supplier ESG due diligence.	COO
Investor Relations department	• Notifies the ECRM department of climate-related requirements and/or expectations of investors and stakeholders that could lead to reputational risks for the Group.	CEO
ESG and Sustainability direction	• Is responsible for the Bank's overall ESG strategy and sustainability agenda. • Leads and supports development of green lending products. • Is responsible for ESG policies.	CLO
Legal department	• Conducts research on new climate-related regulation that could lead to legal risks for the Group.	CLO
HR department	• Ensures the relevant people have required skill sets to address sustainability and climate issues. • Ensures employee awareness and engagement actions on climate and sustainability.	Head of HR

Strategy

Risks and opportunities for Bank of Georgia under different scenarios

Climate-related risks may adversely impact the Bank both directly and indirectly. Such risks arise from the physical or transition 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.

Strengthening scenario analysis across multiple time horizons

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.

Short	Medium	Long	Very long
<2 years	2-5 years	5-7 years	>7 years

Assessing the climate resilience of our business model and strategy

To assess climate-related risks and opportunities in the short, medium and long term, we use scenario analysis to consider how risks and opportunities may evolve under different situations and impact our business model and strategic planning. 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 on climate change and climate policies in Georgia with selected terminology, assumptions and narratives from the scenarios developed by the Network for Greening the Financial System.

Our scenario analysis capabilities are evolving. Over the past two years, the modelling of climate risk impact over the short-, medium- and long-term time spans have been hamstrung across multiple dimensions, including scenario data and pathways, availability of client-specific data, missing national legislation on climate change. We are constantly revising our data strategy to bridge data gaps. This is a multi-year endeavour involving periodically working with external consultants, use of proxies and engaging clients to gather more information.

From 2023, the 'top-down' analysis of our business portfolio is accompanied by 'bottom-up' client-level assessments through an updated due diligence process. In-depth data collection helps us better understand and model impacts which is prerequisite for the scenario analysis and stress-testing.

In 2024, we plan to progressively strengthen our scenario analysis capabilities with support from EIB within the framework of Greening Financial Systems Technical Assistance Programme. Improving the Bank's CliRM framework requires identifying potential gaps, conducting materiality assessment of both climate risks and opportunities against selected climate change scenarios, and climate risk stress testing and impacts on the Bank's financial position, financial performance and cash flows. Our intention is to focus on how climate risk management can inform portfolio management and support opportunity identification with clients on their transition and adaptation pathways.

1 **Transition risks, 2023-2030. '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). The Georgian Government supports efforts to reduce the country's GHG emissions, especially by fostering renewable energy and low(er) carbon transportation.

2 **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 introductory part of this section. Global ambitions to protect the climate drastically rise after 2030. Due to external and internal pressure, the Government of Georgia also introduces more ambitious climate policy. 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.

3 **Physical risks, from 2040 onwards. 'Current Policies' scenario:** The world continues 'Business as usual' and no new climate protection measures are introduced besides what is in place today. 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.

Georgia's NDC anchor the scenarios applied by the Bank for materiality analysis. Country NDCs are aligned with the Paris Agreement which has a stated objective to keep global warming well below 2°C. As such, our scenario framework implicitly assumes a 2°C scenario. We have, however, not modelled potential impacts across these scenarios on our financial position and capital planning across multiple time horizons. We will continue to work on this in 2024.

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**
			NDC	**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. Risks are more pronounced in certain sectors and geographies. At the same time, we expect positive credit enhancements from clients already aligned to a low carbon-transition (see our NBG Taxonomy-aligned portfolio) or resilient to physical risks.	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 can manifest through transition risk channels through market value loss, asset and liability management impact due to societal, legal and technological response to climate change, particularly affecting loans and equities. Physical risk channels can also results in market value loss and asset liability management impact due to weather impacts, particularly affecting property and real estate.	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. Both climate change and ambitious climate policies can weaken growth prospects and cause greater uncertainty over economic development. However, effective climate policy – involving, for example, public investment in new technology – could also spur growth. Both effects could have an influence on markets, FX rates and interest rates. Climate change is currently rather low on the Georgian government's agenda and does not have significant effects on the economy yet. In the middle-term perspective temporary economic challenges caused by ambitious climate policy could affect interest rates and currency value. In the long-term perspective, Economic downturn due to climate change could affect the Georgian currency, especially compared to countries which are less affected by climate change. In case of fluctuation of the Georgian Lari or increased volatility in local and global market interest rates due to climate-related risks, the Bank's financial position may be adversely affected, proportional to its open currency position and interest rate gap. In addition, traditional methodologies of market risk management and measurement, such as Value at Risk, are limited to capture climate-related shocks due to limited availability of historical data.	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 2023, climate-related risks were assessed by answering the following questions:

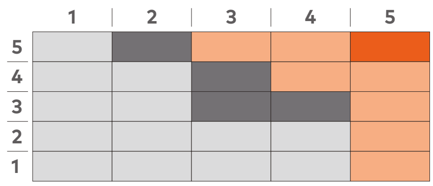
1. Identification of risk drivers and transmission channels: How does climate change interrelate with and increase existing banking risks?

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?

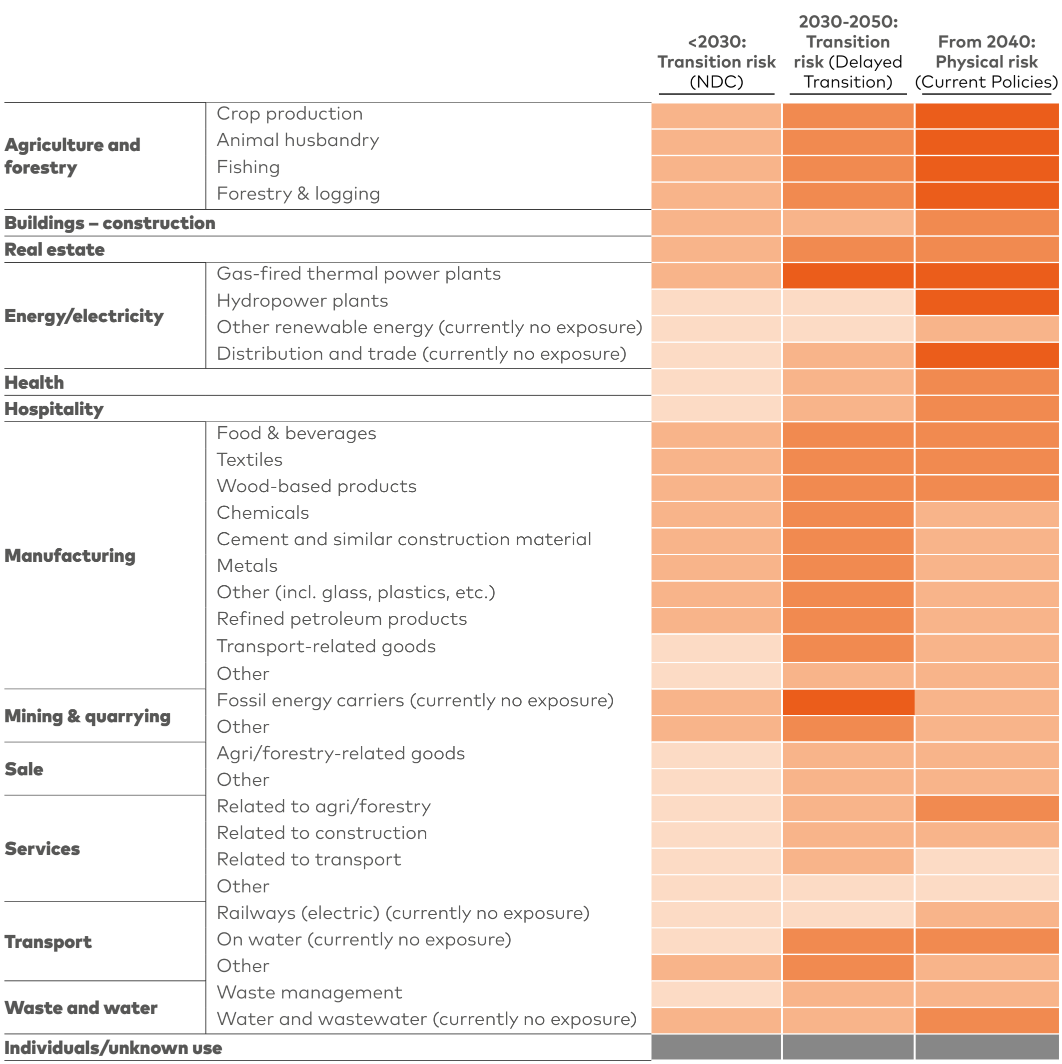
Impact and likelihood values range from one (insignificant/remote) to five (critical/almost certain), with the definition of values differing between risk types. The resulting risk scores can be low, medium, high or critical, as shown below. In some cases, risk scores can lie between these categories (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. Theoretically, an important driver of the likelihood of climate-related risks is the likelihood of the scenario that is being used. Yet, providers of climate-related scenarios do not usually determine the probability of individual scenarios – they are simply considered plausible. The likelihood of certain scenarios to materialise of course changes over time, as decisions are made and assumptions become true or false. 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 seven years we do not view significant movement in the policy nor technology trends as risks nor do we view current assessment of physical risk impacts as diverging from business as usual which is why results are presented together under '<2030'. We will continue refining our approach to Bank-wide climate-related risk assessment going forward.

In BOG's 2023 scenario analysis, an 'orderly transition' scenario was not used given that there is currently not much evidence of 'immediate and smooth' implementation of ambitious climate policies, which is the key assumption of such a scenario. For now, BOG could thus assume that the three scenarios used so far (Delayed Transition, NDCs, Current Policies) are equally likely. This could be reassessed when trends are becoming clearer – at the latest in 2030, when many NDCs end and when ambitious climate policy should be initiated according to the Delayed Transition scenario.

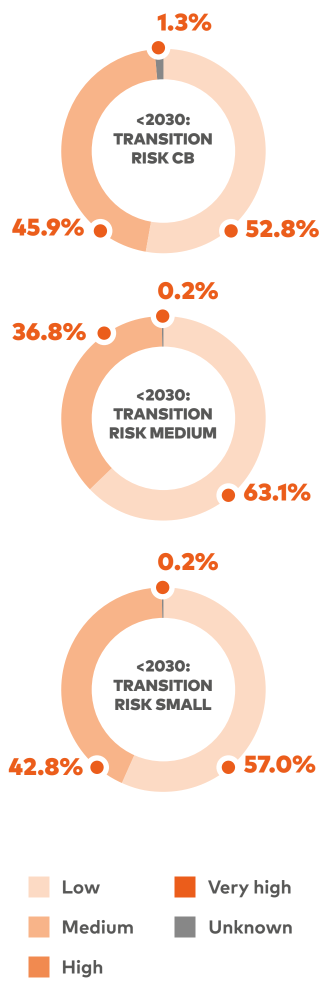


Climate change can especially affect Bank of Georgia through its impact on the lending portfolio. A preliminary, portfolio-level qualitative analysis of our corporate and SME portfolios – making up 54.4% of the Bank's (consolidated) total gross loan portfolio at 31 December 2023 – has helped us understand hypothetical risks for different sectors.

Our heat map for assessing inherent sector-based climate risks



Potential risks in the 2023 business portfolio



Notes on methodology: Figures are as at 31 December 2023. 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 Sector1, 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 2023 due to lack of data as we started 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.

Exposure to carbon-related sectors

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

17.9%

2022: 18.2%

As at 31 December 2023 this equals GEL 3,670 million (GEL 3,018 million in 2022). 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 in the Bank's gross loan portfolio

1.9%

2022: 1.2%

As at 31 December 2023 this equals GEL 395 million. (GEL 197 million in 2022). 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.

No exposure to fossil fuel and coal exploration and mining assets in the Bank's gross loan portfolio

0%

As at 31 December this equals to GEL 0. We have no exposure to prospection, exploration and mining of fossil fuels or electric utilities using coal.

The uncertainties surrounding the timing and impact of physical and transition risks make it challenging for any tool or methodology to accurately estimate climate change risks, both currently and in the future. Nevertheless, recognising the urgency, we are actively developing methodologies, collaborating with clients, and integrating climate risk into our core risk management practices and assessments. We want to remain adaptable, adjusting our approach as the clarity on the impact of climate risk increases and reliable data-gathering tools and methodologies mature.

The data we started to gather in 2023 played a pivotal role in formulating client specific climate-risk assessments for both our existing and new clients. It also contributed to enhancing our internal climate capabilities and fortifying the measurement and monitoring of portfolio risks. These enhancements are expected to be a gradual process. The scarcity of data and the absence of historical data related to transition or physical risks is one of the main challenges for emerging markets.

In 2024, we will advance our capabilities by enhancing the methodology on credit and investments portfolio screening for climate-related transition and physical risks in line with IFRS S2. Our ongoing engagement with high and very high risk SME Banking and Corporate Banking clients remains a priority.

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, GCPF, EBRD, Swedfund, and EIB to provide green finance. Through our 'Energy Credit' initiative, we offer companies credit to buy solar panels. Other green finance is directed mostly towards large-scale renewable energy (hydropower plants) and green transport.

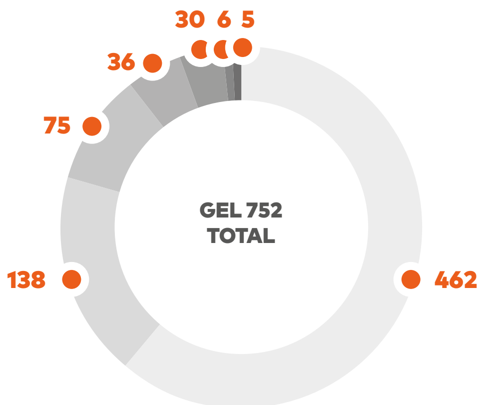
In 2022, we conducted a market analysis to identify opportunities for green financing. We analysed relevant regulation, interviewed companies from different sectors to determine their interest in green investments and green loans, and identified green service providers in Georgia (for the installation 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.

Opportunities from combating climate change

Opportunities	Type	Description	Term	Action
Need for real sector to adapt to climate change	Transition & physical	Climate change is expected to cause a wider spread of hazards and with higher intensities. It is therefore necessary to continue raising awareness of clients and support capacity building to manage climate risks.	Medium, Long Term	Bank of Georgia will continue to use tools such as our CliRM, financed emission calculator, and heatmaps to pinpoint clients most exposed to inherent risks and advise on adaptive capacities.
Technological change	Transition	More ambitious climate policies and favourable policy environment for the uptake of low carbon technologies have been developing. Technologies are also developing accordingly. Additional investments will be needed across the real economy to remain competitive and align with the global transition to low carbon economic growth. This shall create new lending opportunities for BOG.	Short, Medium, Long Term	Bank of Georgia monitors the market status, needs and opportunities to develop products and connect IFI credit lines for technological development and investment in low carbon technologies.

Total outstanding green finance as at 31 December 2023 (GEL million)



Renewable energy
Green buildings
Green transport
Waste
Bio/Eco
Energy efficiency
Climate smart agriculture

Total outstanding green portfolio is 3.7% (3.0% in 2022) of the Bank's gross loan portfolio. This includes the portfolio identified based on the NBG's Green Taxonomy criteria.

Compliance with Sustainable Finance Taxonomy

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 EU), making it difficult or impossible to check compliance during a standard loan appraisal process.

In 2023, external consultants supported us in operationalising technical screening criteria of the NBG Green Taxonomy for ease of use by the bankers within the framework of Green Loan Quick

Assessment programme funded by DEG Impulse gGmbH (DEG). Additionally, the NBG Taxonomy criteria were compared to taxonomy criteria from DEG, EBRD and GGF. As a result, we found that different taxonomies were not fully aligned with each other. In 2023 we strengthened our capabilities across the Bank to identify, capture and manage opportunities regarding climate and green finance. We will continue to address barriers in 2024 and beyond. In 2024, we plan to scrutinise the Bank's loan portfolio and screen market opportunities for green investments. We will review the Bank's loan portfolio and lending practices, competitive landscape, existing financing schemes and market demand/investment opportunities for green loans. We will define the key sector(s) out of the ones identified in the materiality assessment process and meaningful areas of intervention with the greatest potential to deploy dedicated green products. Based on this assessment we will develop a Green Finance Framework and Guidelines based on national, EU and global standards. External consultants will review and suggest revisions to internal operations, including credit policies and procedures to integrate green lending considerations into business processes. We will prioritise sustainable finance products to clients in high-carbon sectors to decarbonise their business models.

How climate change affects our strategy

We acknowledge the fact that the financial sector is a crucial player in supporting the decarbonisation of economies, therefore the Bank is committed to taking an active role in supporting Georgia's climate-related goals. The Bank's Climate Action Strategy is outlined below.

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:

1 **Monitoring and managing climate and environmental risks in the client base:** 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 began 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 associate impacts. We will ensure appropriate management of our portfolio's climate risk profile and new credit origination in line with our overall risk appetite.

2 **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.

3 **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.

4 **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.

Education and training

Bank of Georgia has developed a complete training course and delivered ad hoc trainings to ensure that its employees can acquire the basic knowledge to be able to address climate-related matters. In 2023, we focused on educating colleagues on climate and green finance. A workshop on ESG impact scoping was conducted for the Board of Directors and senior management in July 2023. This included discussions, among other topics, on the actual and potential impacts that the Bank has or could have on the environment and climate. More than 200 colleagues across Corporate and Investment Banking, SME Banking, Risk, Legal and Trade Finance participated in trainings on climate finance, the NBG's Green Taxonomy and climate change.

In 2024, we intend to embed climate change and climate-related risk management training material into the Bank's online learning platform.

Training data

	Number of employees
Climate Finance and Green Taxonomy	129
Green Finance Training	80
Green Trade Finance – General concept	47
RENAC Academy Green Finance Expert Course	2
UN Global Compact Climate Ambition Accelerator	1

Building climate-related risk management capacities

Capacity building is crucial to ensure climate-related risks and opportunities are considered in every credit decision. For climate risk specifically, in 2023, we developed a mandatory course on climate change and climate-related risk management, which will be undertaken by the relevant staff across Corporate and Investment Banking, SME Banking, Risk, Trade Finance and Legal starting in the first quarter of 2024.

Risk management

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

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 ESI 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 2023, we continued to develop our climate-related due diligence process, to assess and address climate-related risks as part of our loan appraisal and E&S monitoring. The process comprises four steps, as illustrated below. We started to implement steps one to three in 2023, with step four to be introduced once we have gathered sufficient information on our existing client base and their risks and when national regulation on climate change will be in place.

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 will continue to engage with third-party consultants in 2024.

In 2023, we conducted the following exercises:

Qualitative analysis of the effect of climate change on enterprise-wide risks:

Based on the results of the 2022 Bank-wide climate risk analysis (see Annual Report 2022), 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). Overall, our assessment of the magnifying effects of climate change and climate-related transformations on Bank-wide risks remains similar to 2022 (please see more in the Strategy section).

Qualitative analysis of climate-related risks in our portfolio:

Based on the 2022 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 640 activities conducted by our clients and aggregated risks for 25 sectors. The overall results are very similar to those of 2022 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 (please see more in the Strategy section).

Bottom-up climate risk assessment at client level:

From 2023, the 'top-down' analysis of our business portfolio is accompanied by 'bottom-up' client-level assessments through an updated due diligence process.

Bottom-up climate risk assessment at client level

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.

1

The first step of this process is to identify expected transition risks based on the sector in which a clients generate their income, and expected physical risks based on the sector and location of income generation. While we draw on the heat map to assess risks per sector, the analysis of risks for different locations is 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.

In 2023, we conducted an exposure analysis of our portfolio against various hazards across the country. Hazards we have assessed include urban flood, river flood, extreme heat, and wildfires. Our team of experts qualitatively assessed the level of risk from these hazards using various sources including Thinkhazard.org. For example, areas designated as high river flood are 'determined as potentially damaging and life-threatening river floods expected to occur at least once in the next 10 years.' The assessment has led to low, medium, and high risk categories following Thinkhazard methodologies.

Our portfolio demonstrated minimal exposure (1.6% of total loans as at 31 December 2023) to areas designated as 'high' physical risk.

'High' physical risk hazards are found in Batumi and Tbilisi mostly under real estate and hotel activities. In Batumi there is a 'high' risk of flooding according to our hazard map. However, we deem these exposures to have low residual risk as they conform to national regulations and laws on construction. We have also begun incorporating historical flood analysis in our due diligence. In Tbilisi the 'high' risk hazard is extreme temperatures. Hotels and real estate activities are deemed to have low residual risk given the compliance with national laws and regulations on construction and connectivity to electricity grid.

We are strengthening our assessment of client adaptive capacities in material sectors in 2024.

Approximately 30% of our portfolio is exposed to 'medium' risk category. We are actively assessing our clients' vulnerability to this medium risk category which is dominated by hotels and real estate activities as well as the agriculture sector.

Unsurprisingly, most exposure to various hazards across risks are found in the Tbilisi municipality – where most of our financing activity is concentrated. Tbilisi alone is 9.6% of our outstanding portfolio under the medium risk category. Tbilisi municipality is not exposed to many hazards we deem 'high'.

We continue to revise our transition risk methodology. We have similarly carried out an exposure analysis across sub-sectors and by very high, high, medium and low emission profile categories. High emission-intensive activities in our portfolio are dominated by buildings – (leased real estate and hotels). Very high activities are dominated by few counterparties engaged in natural gas trade as well as dairy farming. We have determined that despite the high emission profiles of these clients we do not see material risk over our time horizons.

2

The second step of the process is awareness raising. The booklet on climate change and low-carbon, climate-resilient development is sent to targeted business clients. Moreover, the Environmental and Social Covenant was updated. The Covenant must be signed by all business clients. They are also required to read the climate booklet.

3

The third step of our climate-related due diligence consists 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. We started this in-depth data collection in 2023 which helps us assess clients' awareness of potential risks and preparedness for addressing them. Analysis is done once a year, per identified client, as part of our regular E&S 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 the fourth step.

4

The fourth step of the process ensures in depth engagement of ECRM department to support clients in addressing risks. This step will become more relevant in the years to come, as the level of transition and physical risks in Georgia rises. It will thus be developed in more detail once climate regulatory framework in Georgia develops.

Our climate-related due diligence is integrated as much as possible into standard procedures. We made the following changes in 2023:

For **STEP one** we updated our credit information software to enable information collection on clients' business activities and locations, and evaluating expected climate risk.

For **STEP two** a booklet on climate change and low-carbon, climate-resilient development is sent to high and very high risk business clients. Moreover, the updated Environmental and Social Covenant with information on our climate risk assessment process is signed by all business clients and requires that they read the climate booklet.

STEP three of our climate-related due diligence is implemented alongside our E&S 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.

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, in 2023, we piloted a methodology for assessing financed emissions from larger parts of our portfolio using a methodology developed by IFIs. Please see the 'Metrics and targets' section for further detail on the results of the 2023 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 are discussing low-carbon development and Paris Agreement alignment with clients affected by transition risk as part of our updated climate-related due diligence process (step three and four, see previous page). We will assess the results to determine an approach to measuring portfolio alignment in a standardised manner.

Metrics and targets

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

Metric/KPI	Rationale	Target
GHG emissions: Absolute Scope 1, 2 and 3; emissions intensity	Measuring our GHG emissions helps us understand our direct and indirect impact on the climate.	In 2024 we aim to expand our coverage of financed emissions calculation across 40-45% of the Corporate and Investment Banking portfolio. In 2024 we will analyse potential development of sector-based targets per Science Based Targets initiative methodology.
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. In 2023 we have categorised our existing portfolio across inherent climate related risks (see table on page 107).	In 2024 we will be examining potential upper limits to sectors considered vulnerable to transition risks and physical risks.
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.	We are targeting green assets and developing decarbonisation targets in 2024. These will have implications on the carbon-related assets to total assets ratio.
Amount of lending aligned with climate-related opportunities, relative to total assets	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 monitor and report the share of financing in line with Georgia's new Sustainable Finance Taxonomies and explore the opportunities to expand such climate-related lending. We have adhered to strict criteria to categorise our green allocations per various taxonomies.	We have set the initial climate-related opportunity KPI to expand our green portfolio and reach a minimum GEL 875 million outstanding in 2024 with aspiration to reach GEL 1 billion.
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.	In 2023, we completed our baseline analysis that will underpin revision to targets in 2024 and beyond. These include total financed emissions, sector emission intensities, screening of existing and new clients for opportunities, green alignment ratios, and decarbonisation targets.

For all the metrics presented, there are challenges with availability and reliability of data. As methodologies and learnings emerge, we intend to progressively refine our approaches and measurements, covering a bigger portion of our client and portfolio base.

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 second time, our 2023 reporting also includes emissions for three Bank subsidiaries (BNB Bank, Georgian Leasing Company, Bank of Georgia Representative Office UK Ltd) and two Group subsidiaries (G&T, Digital Area). Two of BOGG PLC's subsidiaries as at 31 December 2023 are UK-based: (1) BGEO Group Limited and (2) Bank of Georgia Representative Office UK Limited. According to their financial statements, both BGEO Group Limited and Bank of Georgia Representative Office UK Limited remain below the thresholds stipulated in para 20B Part 7A Sch 7 LMCGAR 2008 (considering employees/turnover/balance sheet total), meaning that neither of them would be required themselves to report (on SECR emissions) under LMCGAR 2008. We use a small shared office space in the UK (total annual electricity consumption is less than 5 MWh, at 3.3 MWh for 2023 and 3.5 MWh for 2022).

Our emissions data follows the guidelines of the World Resources Institute/ World Business Council for Sustainable Development 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.

Scope 1	• 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	• Purchased electricity at owned and controlled sites.
Scope 3	• Fuel-and energy-related activities; waste generated in operations; and purchased goods. • Air business travel; hotel accommodation; and land transportation by rental cars. • Employee commuting (for the second time in 2023).

Bank of Georgia GHG emissions 2021-2023				**2021**	**2022**	**2023**
Category		**Emission source category**		**tCO_2e**	**tCO_2e**	**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	**907.6**	**957.3**	**1,026.2**
	Scope 1	Direct emissions from owned or controlled mobile sources	Passenger vehicles	**1,089.5**	**1,110.1**	**1,104.5**
	Scope 2	Location-based emissions from the generation of purchased electricity, heat, steam or cooling	Electricity	**1,661.5**	**1,864.2**	**2,094.8**
	Scope 3	Fuel- and energy-related activities	All other fuel- and energy-related activities	**545.6**	**593.3**	**603.7**
			Transmission and distribution losses	**350.7**	**347.1**	**414.5**
		Waste generated in operations	Waste water	**42.0**	**18.4**	**29.2**
			Waste	**0.1**	**0.1**	**0.5**
		Purchased goods	Water supplied	**20.4**	**10.1**	**16.0**
			Material use	**224.8**	**281.1**	**395.5**
		Business travel	All transportation by air	**19.9**	**80.9**	**36.7**
			Hotel accommodation	**2.1**	**6.8**	**13.6**
			Land transportation by outsourced vehicles	**615.0**	**565.2**	**566.1**
			Employees commuting	**–**	**3,822.3**	**4,550.1**
Scope 1				**1,997.1**	**2,067.4**	**2,130.7**
Scope 2				**1,661.5**	**1,864.2**	**2,094.8**
Scope 1 and 2				**3,658.6**	**3,931.6**	**4,225.5**
Scope 3				**1,820.5**	**5,828.4**	**6,625.9**
Total emissions				**5,479.1**	**9,760.1**	**10,851.5**
tCO_2e/employee				**0.9**	**1.5**	**1.5**
BOG employees (year-end)				**6,207**	**6,597**	**7,435**

Notes on methodology: We used the most recent Georgia electricity conversion factor provided by JRC. GHG emissions from business flights were calculated using the ICAO online calculator. GHG emissions from overnight hotel stays were calculated on a 'room per night' basis, with emission factors based on the Cornell Hotel Sustainability Benchmarking Index Tool, version 2.

Further conversion factors were taken from the 2023 UK Government GHG reporting: conversion factors – 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 2021 and 2022 were not remodelled using the updated emission factors.

Compared to 2021 and previous years, our gas consumption significantly decreased in 2022/23 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.

In 2023, we assessed Scope 3 emissions from 'Employee commuting' for the second time. This was based on a survey of employees' mode of transportation, distance travelled and – where known fuel used. 22% 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, the results are 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 2021 due to a lack of data and irregularities in commuting patterns throughout the COVID-19 pandemic.

Bank of Georgia and Group subsidiaries' GHG emissions 2023				Bank subsidiaries		Group subsidiaries	
				2022	2023	2022	2023
Category		Emission source category		tCO_2e	tCO_2e	tCO_2e	tCO_2e
GHG Protocol Standards: Corporate Scope 1 and 2	Scope 1	Direct emissions arising from owned or controlled stationary sources	Fuels	–	–	–	–
		Direct emissions from owned or controlled mobile sources	Passenger vehicles	95.5	39.0	79.8	141.9
	Scope 2	Location-based emissions from the generation of purchased electricity, heat, steam or cooling	Electricity	235.0	153.3	18.5	21.2
			District heat	118.5	60.5	–	–
	Scope 3	Fuel- and energy-related activities	All other fuel- and energy-related activities	24.6	10.0	19.8	34.8
			Transmission and distribution losses	10.2	6.9	3.4	4.0
		Waste generated in operations	Waste water	1.1	0.2	1.0	1.0
		Purchased goods	Water supplied	0.6	0.1	0.5	0.5
Scope 1				95.5	39.0	79.8	141.9
Scope 2				353.4	213.8	18.5	21.2
Scope 1 and 2				448.9	252.8	98.3	163.1
Scope 3				36.6	17.2	24.7	40.2
Total emissions				485.5	270.0	123.0	203.3
tCO_2e/employee				0.6	0.3	0.6	0.7
Total employees				833	830	210	295

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 2023 UK Government GHG reporting: conversion factors.

Scope 3: Financed emissions

In 2023, Bank of Georgia analysed the GHG emissions of 35.7% of corporate portfolio across eight sectors:

	Outstanding loan amount at 31 December 2022 (GEL)	Scope 1 and 2 (tCO_2e)		Scope 3 (tCO_2e)	Emissions intensity (tCO_2e/ GEL million)
Cement, steel and other energy-intensive manufacturing	849,631,652	Emissions from use of electricity and fuels; emissions from chemical processes not calculated	153,301	/	180
Hotels (running)	79,897,946	Emissions from use of electricity and fuels	588	/	7
Real estate management	252,431,198	Emissions from tenants' building use, calculated based on measured energy consumption	1,286	/	5
Healthcare	84,890,734	Emissions from use of electricity and fuels	1,371	/	16
Mining (gold, copper)	98,316,423	Emissions from use of electricity and fuels	7,024	/	71
Transport	84,894,481	Emissions from use of fuels and electricity	18,618	/	219
Electricity generation (from gas)	57,048,703	Emissions from electricity generation, calculated based on gas consumed	78,199	/	1,371
Oil and gas (distribution, retail sale)	263,353,300	Not calculated	/	998,851	3,793
Total	**1,770,464,438**		**260,387**	**998,851**	**711**

/ = not calculated yet.

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.

This is the first year that we are computing financed emissions for our oil and gas exposure of which are entirely comprised of downstream operators (distributors of oil and gas products). We have included in our calculation Scope 3 emissions from this exposure – eventual combustion of oil and gas products by their customers. The inclusion of these figures significantly raises our portfolio carbon footprint (i.e. financed emissions).

Methodology: The clients covered by the assessment are considered carbon-related through their Scope 1, 2 or 3 emissions, and account for 35.7% of our corporate portfolio (as at 31 December 2022). The analysis was done for emissions generated in 2022, given the required data to calculate 2023 emissions was not available at the time of calculation. Particularly, local companies are not obligated by any national regulation to disclose information regarding their annual energy consumption, GHG emissions or related data. As the World Bank Group's report on Greening Firms in Georgia explores, nearly half the firms they surveyed through the World Bank Enterprise Surveys reported monitoring energy consumption.

To calculate financed emissions, we applied the 'Global GHG Accounting and Reporting Standard for the Financial Industry' developed by the PCAF.

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 three.

Description of the data quality score – Primary physical activity data for the company's energy consumption by energy source (e.g., megawatt-hours of electricity) plus any process emissions. Emission factors specific to that primary data.

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.

Challenges and outlook: We experience difficulties in obtaining sufficiently reliable data. 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.

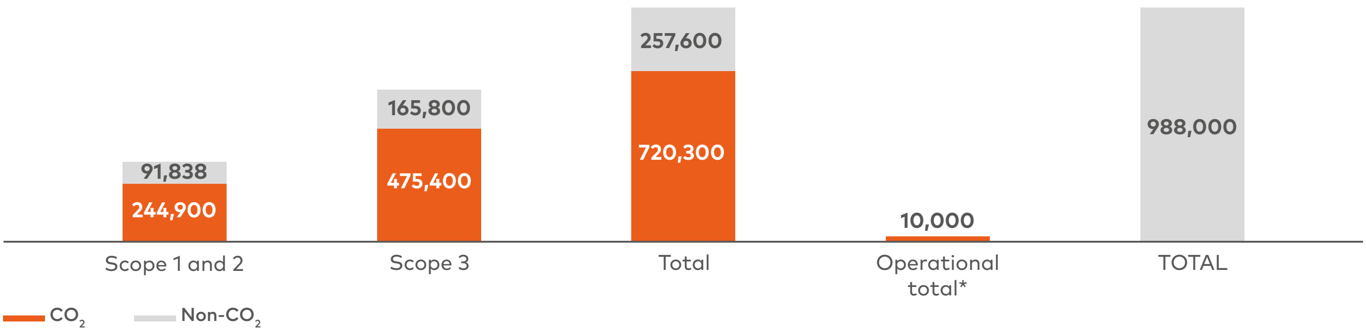
In 2024 we aim to assess emissions for approximately 40-45% of our Corporate Banking portfolio using the PCAF Standard.

Given the large number of clients in our SME and Retail portfolios, we cannot apply the PCAF Standard to these segments.

During 2023, Bank of Georgia implemented the Joint Impact Model (JIM) as a new tool for modelling Bank of Georgia's financed GHG emissions in the SME and CB portfolios. We piloted the JIM 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 JIM calculated the Bank of Georgia funded GHG emissions at about 1 million tCO_2e for the 2022 financial year.

Bank of Georgia's portfolio scope 1 and 2 GHG emissions intensity is 98 tonnes per million US dollars under management (tCO_2e/$mAUM). For context, the mean emissions intensity for five similar-sized commercial banks using the same PCAF-aligned Joint Impact Model methodology is 156 tCO_2e/$mAUM. This means Bank of Georgia's portfolio is relatively less carbon intensive than some other banks in emerging economies.

Results of JIM: 2022 financed emissions (tCO_2e)



The way forward

We are disclosing climate-related actions for the third time in 2023. 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.

Pillar	Plans for 2024
Governance	• 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. New e-learning materials will be developed. • KPIs will include green lending targets.
Strategy	• We will continue to conduct climate-related risk and opportunity analysis and disclose relevant results. • We will conduct a materiality assessment of climate risks on the Bank's portfolio against selected climate change scenarios. • We will strengthen our scenario analysis capabilities and develop our infrastructure and capabilities to incorporate climate risk into data and analysis. • We will develop climate risk stress testing framework. • We will assess the financial impacts of climate-related risks on the Bank's financial position, financial performance, and cash-flows over short, medium and long term. • We will continue implementing our Climate Action Strategy.
Risk management	• To enhance credit risk assessment and manage risks, we will continue to collect data from business clients in a standardised manner through an updated due diligence process. Moreover, we will continue to engage with our (very) high risk clients to understand their transition and physical risks, as well as their plans to prepare for climate change. • 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 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	• The focus for 2024 will be to increase the coverage of existing metrics. • We will assess emissions generated by 40-45% of our Corporate Banking portfolio (up from 35.7 % in Annual Report 2023). • We will enhance the measurement approach, inputs and assumptions used for Scope 1, 2 and 3 calculation. • As we start to better understand emissions from our portfolio and enhance the screening of our portfolio against the NBG's Green Taxonomy, we will take into consideration whether – and how – to specify additional climate-related targets.

* BOG's operational emissions were 9,760 tonnes of CO_2e in 2022 (including commuting). That is 2.9% of client Scope 1 and 2 emissions, or 1% of client Scope 1, 2 and 3 emissions.

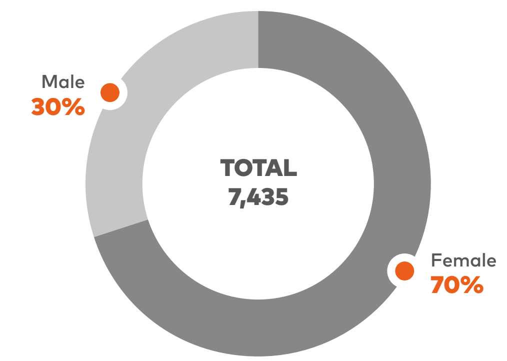
EMPOWERING EMPLOYEES

Empowering employees

The resilience and success of the Group depends on the continued commitment of our talented people. We strive to be the employer of choice, providing equal opportunities for development and ensuring a positive employee experience.

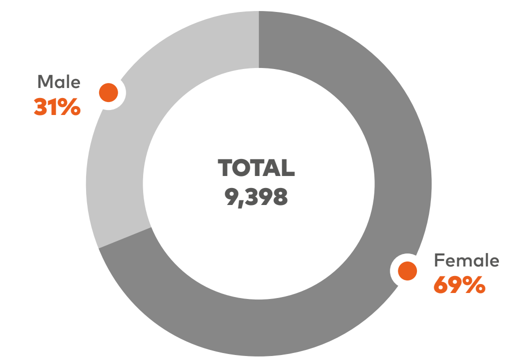
Our employees at a glance

All employees by gender*
JSC Bank of Georgia

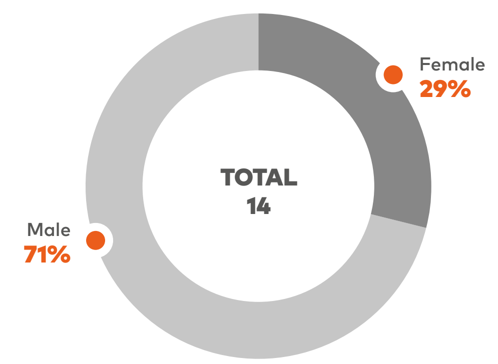


* 99.9% of our employees are with permanent contracts.

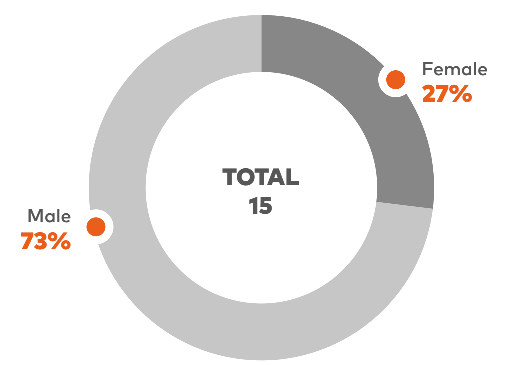
All employees by gender
Group



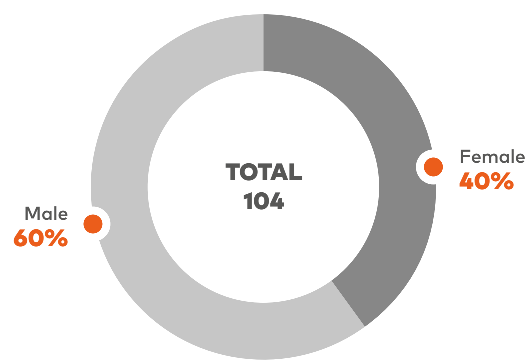
Executive management by gender
JSC Bank of Georgia



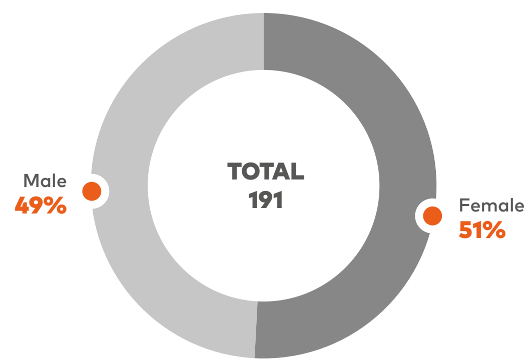
Executive management by gender
Group



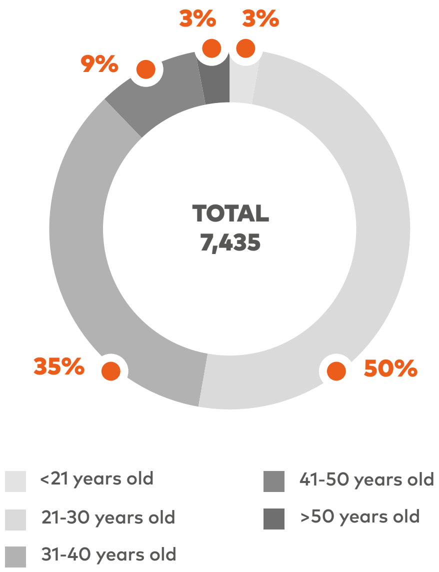
Senior Management by gender
JSC Bank of Georgia



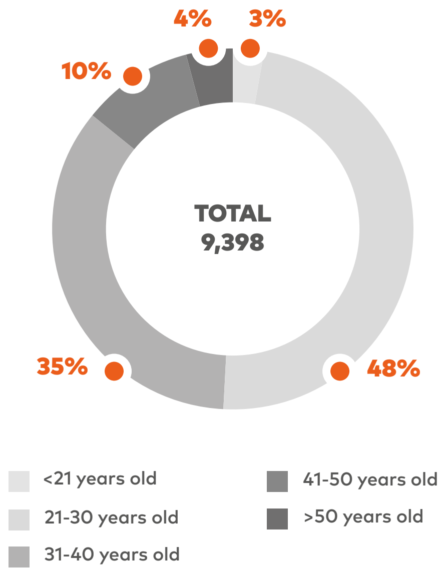
Senior Management by gender
Group



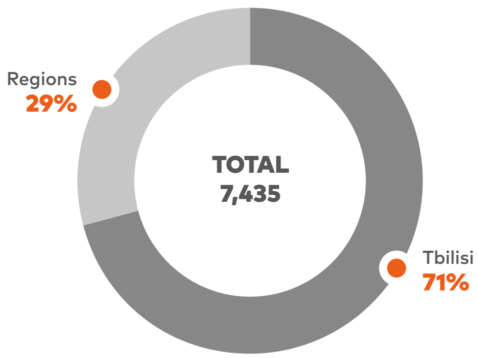
All employees by age
JSC Bank of Georgia



All employees by age
Group



All employees by location*
JSC Bank of Georgia



* Five employees worked outside of Georgia.

We deliver on our strategic objectives and can make a difference in our customers' lives through the actions of our people and their commitment to shared success. We continue to focus on empowering our employees by fostering a high-trust, diverse environment and a strong feedback culture, equipping employees with the skills and capabilities for the future.

Bank of Georgia's HCM function plays a critical role in helping us onboard and retain the right talent, while maintaining employee engagement and wellbeing.

HCM combines HR expertise with business knowledge to design and implement policies and practices in line with the Group's purpose, values, business principles and strategic objectives. HCM reports to the Head of Human Capital Management, 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:

- diversity overview provided to the Nomination Committee;
- remuneration and related policies overview provided to the Remuneration Committee;
- overview of employee grievances related to ethical issues (if any) provided to Joint Audit and Risk Committee; and
- key people risk metrics reported quarterly to the Risk Committee.

Our human capital strategy is focused on the following key areas:

Promoting diversity and equal opportunities

Attracting, developing and retaining top talent

Providing positive employee experiences

Promoting diversity and equal opportunities

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 but not limited to:

Our Employee Corporate Handbook, which defines employee behaviour standards and procedures. The Handbook is available to all employees in Georgian and English, via our intranet.

The Code of Conduct and Ethics – an integral part of the Handbook which acts as a employment agreement between the Bank and its employees. 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 continue to work on strengthening internal communications to clearly explain our policies and procedures through online, interactive, self-paced courses.

Anti-discrimination and anti-harassment

We are committed to ensuring inclusion and equal opportunities in our organisation. We do not tolerate discrimination on any grounds, including gender, marital status, sexual orientation, race, ethnic origin, nationality, age, disability, political or religious beliefs. Universal human rights are incorporated into our Handbook, along with our Anti-discrimination and Anti-harassment, Diversity and Inclusion, and Human Rights Policies. Bank of Georgia's Anti-nepotism Policy also underpins fair and transparent decision making in all employee-related matters.

Diversity, equity and inclusion (DEI)

DEI is about the respect for, and appreciation of, differences in personalities, professional and educational backgrounds, and identity. We 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. In 2023, we worked on improving employee data related to diversity, including ethnic and religious groups, mother tongue and the knowledge of state language. Such analysis will allow us to offer benefits better tailored to employee needs and more supportive of work-life balance, contributing to a more family-friendly workplace. Given that ethnic origin and religious beliefs are special categories of data, according to the Law of Georgia on Personal Data Protection, we consulted with Personal Data Protection Service, a state authority of Georgia. At the time of writing, we received the approval of such data collection from the regulator together with recommendations regarding its management in compliance with state regulations. We will start collecting data in 2024.

Gender equality

Since 2022, Bank of Georgia has been a signatory of the UN Women's Empowerment Principles to further strengthen its initiatives aimed at supporting women in the workforce. The Bank has also retained 2XChallenge status since 2020, awarded in recognition of its efforts to address barriers to the employment of women.

We provide an annual update on diversity matters to the Nomination and Remuneration Committees.

Whistleblowing and grievance mechanisms

We maintain an open-door policy where our people are encouraged to share their questions, concerns, suggestions or complaints with their managers, HCM, or anonymously if they wish. We prohibit any form of retaliation against an employee raising a concern or participating in an investigation.

WHISTLEBLOWING

WhistleB is an external, independent whistleblowing reporting channel and case management tool that allows employees to report any concern anonymously or confidentially.

GRIEVANCE

Grievances can be submitted via email, anonymous hotline call or electronic form. We are currently reviewing and updating the Grievance Policy based on global best practices for handling employee complaints. In 2023, we had eight cases reported under the Grievance Policy. Two of these grievances were provided anonymously, via WhistleB, and one of them represented collective concern of employees. All cases were investigated and resolved.

Attracting, developing and retaining top talent

We aim to recruit, retain and engage talented people with different perspectives and life and career experiences, providing a safe and inclusive environment that enables personal and professional development and teamwork.

We have strong relationships with local talent pools and continue to upskill local students through our special, rotation-based internship programme, Leaderator. We aim to cultivate a culture of feedback and lifelong learning and provide a wide range of development opportunities to our employees, including development reviews, personal coaching, and leadership programmes.

Our engagement strategy extends beyond our immediate organisational boundaries to include:

Active participation in job festivals and fairs.

Networking with professionals at events organised by various educational and professional companies, including ourselves.

Actively engaging with Georgian talents abroad.

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

1. Attracting, developing and retaining highly qualified professionals with a strong work ethic.

2. Putting the right people in the right roles.

3. Ensuring alignment of our talent strategy with business objectives by analysing and anticipating business needs and gaps in required skills and competencies.

49% of our employees are 30 or under years old, and our approach has evolved alongside changing attitudes towards work among younger generations. When recruiting, we highlight that hybrid work is the new normal, that we are committed to ensuring DEI, and that work-life balance matters.

Attracting talents

Bank of Georgia is an equal-opportunity workplace where people from different backgrounds and experiences come together, support each other, and create value for our stakeholders. The Bank's Recruitment Policy and practices, including panel interviews, relevant control procedures and an online applicant tracking system, ensures 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, to make sure no candidate or employee is discriminated against on any grounds. We continuously develop our acquisition channels, tailoring them to target segments of diverse talent while tracking and systematically improving the candidate experience.

We enrich our employee base in different ways:

1 One priority is to develop talent internally, and current employees have priority when filling vacancies, especially for managerial positions.

2 Our Talent Acquisition team actively monitors the labour market and regularly engages with potential candidates in Georgia and abroad.

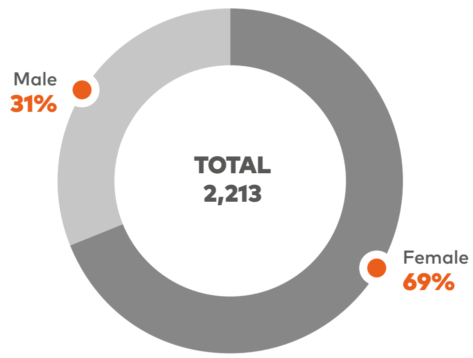
3 Collaborative initiatives with educational institutions and industry partners. In 2023, Kutaisi International University and the International School of Economics at Tbilisi State University joined our network of partners.

4 The use of alumni networks not only enhances our outreach and engagement initiatives but also establishes a valuable avenue for connecting with experienced professionals, helping us access a pool of talent and expertise.

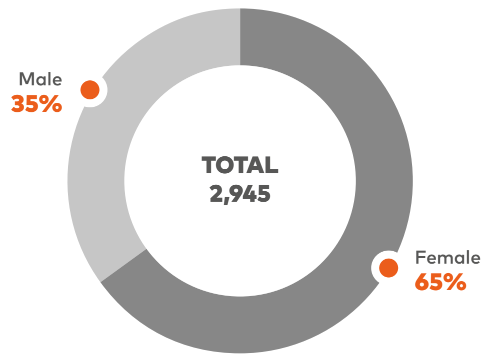
5 We have implemented an internal and external IT referral programme, actively fostering the identification and recruitment of highly qualified professionals. This multifaceted strategy cultivates a culture of ongoing learning, collaboration and inclusivity.

6 We continue to strengthen our Talent Acquisition team members with the skills required to successfully achieve our recruitment goals. In 2023, we advanced our tech recruiters' team and ensured their presence at top tech events in Georgia.

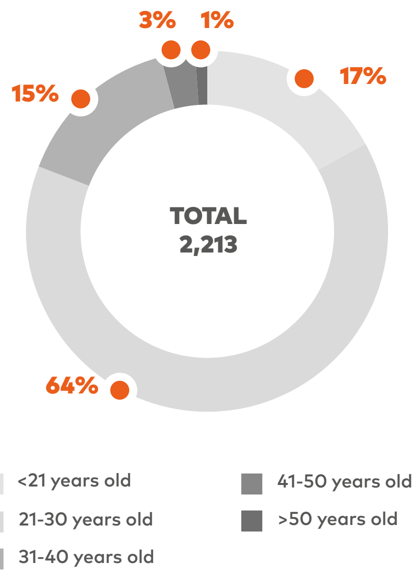
New hires by gender
JSC Bank of Georgia



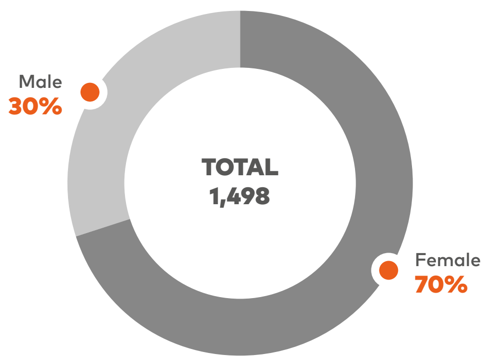
New hires by gender
Group



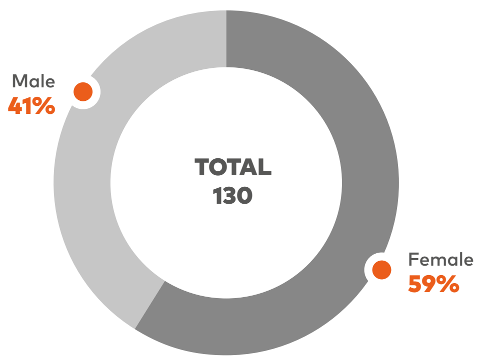
New hires by age
JSC Bank of Georgia



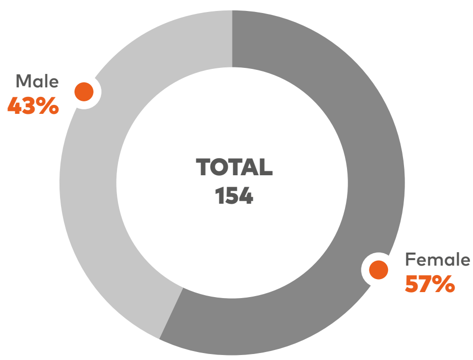
Promotions by gender
JSC Bank of Georgia



Employees promoted to managerial positions by gender
JSC Bank of Georgia

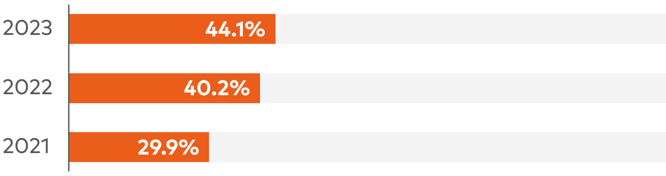


Employees promoted to managerial positions by gender
Group

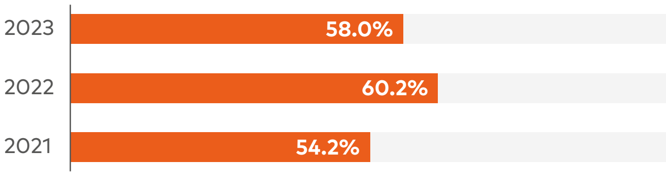


Figures given for JSC Bank of Georgia standalone

Internal mobility rate

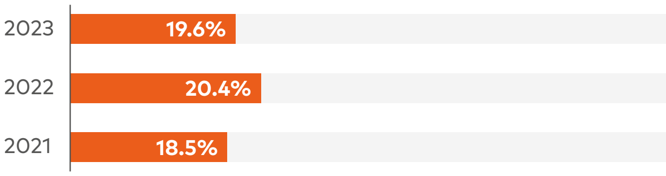


Vacancies filled internally



Employee retention rate

Employee turnover rate



We closely monitor the turnover and retention indicators, validating the impact of various human capital and employee experience initiatives, and the respective trends confirm the positive dynamics: increase in retention and reduction in turnover versus 2022.

Leaderator: nurturing young talent for future success

Since 2017, Bank of Georgia's Leaderator internship programme has been a dynamic career accelerator for young talent. We recruit promising undergraduates and engage them in professional training, job rotations across departments, and hands-on experience in ongoing projects. Leaderator participants are mentored by Bank of Georgia's professionals.

Every year, we tailor the programme to organisational needs and add new tracks or update existing ones. We have seen a consistent increase in the representation of female participants in technology-related tracks over the past three years.

Total participants since launch

376

Hired after programme completion

79%

BOG Boot Camp: empowering young tech enthusiasts

In 2023, we expanded our offerings to young talent in the tech industry and launched the BOG Boot Camp in IT software development. This nine-month programme welcomed 12 individuals, providing intensive training, mentorship and hands-on experience in database development.

Summer Internship Programme: bridging academia and industry

In 2023, our dedication to offering practical experience to Georgian students studying abroad continued through the Summer Internship Programme. This initiative connects us with talented individuals studying outside of Georgia. In 2023, we attracted 59 potential candidates (19 in 2022) and selected 12 summer interns (8 in 2022) from leading universities in different countries.

> We regularly monitor the effectiveness of our programmes for young talents. As of 4Q23, Bank of Georgia was the top-of-mind employer among our target student segments in Georgia, according to a targeted survey by a third-party research company.

Developing talent

When we onboard employees, we shift the focus to their development. Talent development is an ongoing process that is critical no matter the tenure. We aspire to have a learning culture where employees can access opportunities for lifelong learning and personal development.

Our learning and development ecosystem is divided into the following areas:

Professional programmes	Management programmes	Executive programmes
• Onboarding • Risks and compliance programme • Banking products and services • Software-related programmes • Communication skills programmes • High-potential Employee (HiPos) programme • Tailored training sessions and educational content provided	• Management skills programme • Feedback skills programme • Leadership development: Executive coaching programme (individual and team coaching) • Financing masters' programmes and other professional certifications	• Leadership development: Executive coaching programme (individual and team coaching, mentoring sessions) • Individual business coaching programme • Financing masters' programmes and other professional certifications

Some of the training programmes are required for employees in specific positions. For example, based on feedback from customer satisfaction surveys, one of our key objectives in 2023 was to improve the qualifications of our customer-facing employees. We introduced an annual mandatory knowledge testing for front-office positions. Testing results, together with performance results, serve as criteria for career advancement and promotion. Testing results also provide insights into the topics that should be prioritised for upcoming training sessions.

A Risks and Compliance programme is also required for employees in front- and back-office positions. We aim to have a strong risk culture, ensuring our employees understand some of the principal risks our organisation faces and their role in managing and mitigating those risks. The programme includes mandatory training for all new hires and mandatory periodic (usually annual) retraining for existing employees. Training is online and self-paced, to 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.

91%

of our employees completed Risks and Compliance programme
(86% in 2022)

We strive to achieve 100% completion rate for required trainings. The completion rate of required trainings was on the agenda of the Joint Audit and Risk Committee during 2023 as the Board noted that the Bank needed to improve in this area. In December 2023, the HCM department presented a report to the Joint Audit and Risk Committee on this issue. The report noted that HCM was implementing several initiatives to increase the effectiveness of this training programme, including increasing monitoring and introducing measures to target employees who do not complete the courses, improving the user experience of the courses and content, and reviewing the courses to change the frequency of required retaking where necessary.

Besides required training, we have a comprehensive catalogue of self-paced courses focused on hard and soft skills. On top of this catalogue, Bank of Georgia runs different leadership and professional development programmes, some of which are described below.

Leadership training for new managers:	We support newly appointed managers by offering leadership training, individual coaching, and personalised training aligned with their personal and professional development needs. In 2023, we extended participation in this programme to **70 individuals – 73% of them were internally promoted talents and 66% were women.**
Individual coaching for managers:	Throughout 2023, 242 employees actively participated in individual coaching sessions. **62% were women**. To enhance the coaching experience for senior leadership, we also partnered with a business coaching platform. Following a successful six-month pilot, we continued this collaborative effort, with plans to extend coaching opportunities to 32 senior leaders through 2023/24. In 2023, we expanded the coaching initiative to encompass other targeted groups, including participants in the HiPos programme and Product Owners.
HiPos programme:	Building on the successful tracking of high-potential and high-performing individuals since 2021, Bank of Georgia introduced its second programme for HiPos in 2023. This one-year programme involved 22 senior-level individual contributors from 15 departments in the back office, focusing on comprehensive development activities to support personal and professional growth. **55% of the participants were women, with an average tenure of 3.2 years with the Bank. Importantly, following the 2021 programme, 83% of the participants experienced position changes, with 46% continuing their career in managerial or team leader positions at the Bank.** In 2023, we also introduced the programme to front-line senior employees, and aim to select 17 individuals who will undergo mini-MBA certification from a top-tier university in Georgia.

Front2IT retraining programme:	With its second intake in 2023, the Front2IT retraining programme demonstrates our commitment to employee development and our adaptability to emerging trends in technology. From a pool of 78 applicants, we selected eight employees to transition to three distinct positions within IT operations. Front2IT is a paid reskilling programme encompassing intensive training and individual mentoring. Participants engage in real work processes, deepening their practical knowledge in addition to taking professional courses. Across the past two programme intakes, 183 employees applied and 18 participants were chosen for corresponding job openings in the IT department. **Notably, 72% of successful applicants were women, with an average age of 27 years. The average tenure of participants was 4.4 years with the Bank.** The programme's emphasis on career growth has proven highly effective. Within just one year since launch, six out of nine employees who successfully completed the retraining programme were promoted.

Training data for 2023

Average hours per employee

36 hours
Per employee
28 hours in 2022

53 hours
Per new hire
43 hours in 2022

41 hours
Per female employee
32 hours in 2022

25 hours
Per male employee
21 hours in 2022

38 hours
Per senior manager
28 hours in 2022

23 hours
Per CEO and Deputy CEO
20 hours in 2022

Training data for 2023 (Group)

Average hours per employee	
Total hours of training per employee	**30**
Total hours of training per new hire	**42**
Total hours of training per female employee	**34**
Total hours of training per male employee	**21**
Total hours of training per senior manager	**35**
Total hours of training per CEO and Deputy CEO	**13**

Feedback culture

In our ongoing efforts to foster a feedback culture, we have implemented an integrated performance management approach. This combines:

The KPI management system	The KPI management system, embedded in our human resources management software, includes managers as well as individual contributors. Within a unified framework, we ensure the system's effectiveness and transparency in goal setting and evaluation. This holistic approach not only facilitates the setting, tracking, and evaluation of annual KPIs and key business objectives (KBOs), but also enables the seamless translation of individual performance into the annual bonus scheme.
Our 360° development tool	Building on existing performance management, the addition of a 360° development tool in 2023 further strengthened our efforts to support employee development. This tool, aligned with the Bank's core values and business principles, includes a comprehensive feedback mechanism from managers and peers alike.

In 2023, we optimised our 360° evaluation system, eliminating manual steps in the evaluation process. This effort resulted in 98% of eligible employees receiving personalised feedback reports that they can use for professional development going forward.

Fair remuneration practices and competitive packages

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.

	2021	2022	2023
GEPG[1]	5%	4%	2%
GPG[2]	45%	44%	43%

For our raw gender pay gap (GPG), the improvement is observed due to salary revisions in mass positions where the majority of employees are women. On the other hand, we still have positions with relatively higher salaries where men represent the majority, e.g. IT, Digital Banking and credit-related front-office positions. Another reason for this raw pay gap is a higher proportion of women among new hires at entry level and in lower ranges on managerial levels. We are committed to ensuring equal opportunities and developing various talent development activities to support professional and career progression of employees in lower positions.

Our Job Architecture, named as Levelling, also ensures equal grades for equal work and contributes to 'equal remuneration of female and male employees for equal work performed'. Levelling was introduced in 2021, and currently includes each position and incumbent employed by the Bank. In 2023, based on position levels' specifications, we updated employee promotion criteria. Currently, we are updating levelling factors, to make them more specific and more easily applicable to positions and/or incumbents' evaluation.

Our benefits for supporting employee wellbeing

Along with competitive remuneration, Bank of Georgia's employee value proposition includes benefits supporting work-life balance and family-friendly arrangements as well as opportunities for personal and professional development.

HEALTH

Corporate health insurance and night-shift employees' medical check-up.

Workplace ergonomics for pregnant women.

FINANCIAL

Special rates for banking services and financial aid for various life events including marriage, the birth of a child, or the illness of a family member.

WELLBEING

Back-to-work adaptation trainings for those returning to front-office positions after parental leave.

Time off in lieu (TOIL) and paid time offs (PTOs) for special needs in accordance with Georgian regulations: medical check-ups related to pregnancy, breastfeeding hour during the first year, monthly day-off for a legal representative/supporter of a person with a disability.

1. The gender equal pay gap (GEPG) is the difference between the compensation of male and female employees in the same position.
2. Gender pay gap (GPG) measures the difference in the average earnings of male and female employees regardless of the nature of their work (mean pay – female versus male).

TIME-AWAY

Maternity leave, newborn adoption leave and parental leave with salary compensation in addition to state allowance.

Additional paid time-off: five sick-leave days and five days-off.

Educational vacation: short-term educational vacation opportunity to employees attending certain MBA programmes. The Bank also provides the possibility of co-financing the cost of academic or certification programmes at foreign universities for professional development in the relevant field (e.g. MBA and CFA programme).

Parental leave at Bank of Georgia

Employees on maternity/ parental leave by gender

314 women
1 man

Return-to-work rate after maternity leave

89.5%

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

83.9%

Providing positive employee experiences

We have a systematic approach for identifying employee needs and concerns, delivering solutions and interventions that help create more positive experiences at every step of the employee journey. Our Employee Experience Management (EXM) team is responsible for gathering regular feedback from employees and providing insights on issues and solutions:

Getting in touch with new hires to ensure smooth onboarding.

Collecting and analysing employee sentiment data through focus groups and individual interviews.

Analysing responses from regular surveys to identify pain points for further research and interviews.

In 2023, improving the employee onboarding experience was one of the main priorities of our EXM team. Previously, the onboarding experience was not structured uniformly across the Bank and employees were often dissatisfied with the ease and pace of onboarding.

We ensure all our employees can directly and openly communicate with senior leadership and the Supervisory Board of the Bank. 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
- Employee satisfaction surveys
- CEO vlog on Workplace[1]
- Meetings with the Board[2]
- Agile quarterly business reviews[3]

1. Regular live Q&A sessions led by the CEO to discuss strategy, performance and current developments. Five sessions were held in 2023.
2. Held since 2018, these meetings have promoted transparency and a feedback culture. Employees meet with the Chairman and the Senior Independent member as well as other members every year. Three meetings with the participation of 61 employees were held in 2023.
3. To promote idea sharing and ensure employees are aware of each other's work, we discuss new products and future plans with our agile teams and the Bank's Executive Management Team.

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™

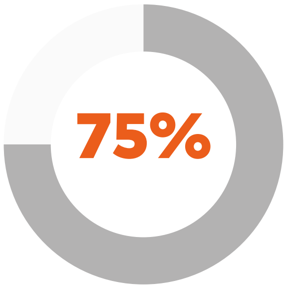
eNPS

Core indices – 2023

Engagement (Korn Ferry)

2022: 70%

Enablement (Korn Ferry)



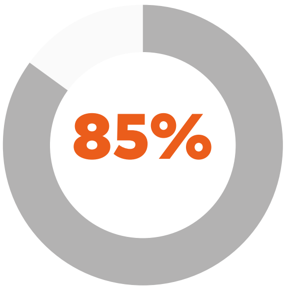
2022: 73%

eNPS (eop)

56

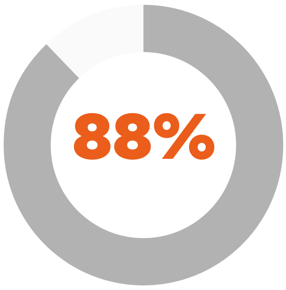
2022: 53 (eop)

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



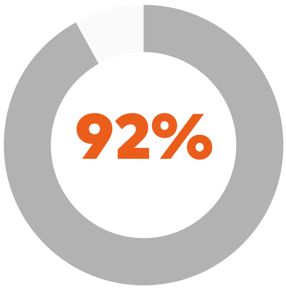
2022: 86%

My manager supports me in learning and development



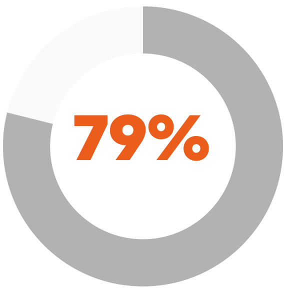
2022: 73%

I believe the Company is socially responsible



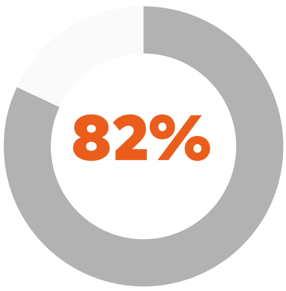
2022: 92%

I would recommend our Company as a good place to work



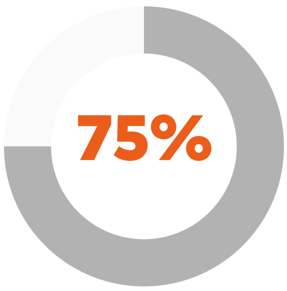
2022: 78%

The Company values and promotes employee diversity



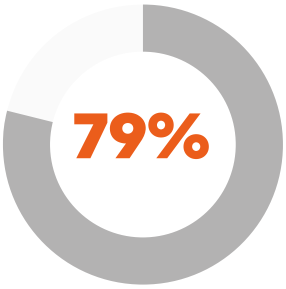
2022: 81%

I receive clear and regular feedback on how well I do my work



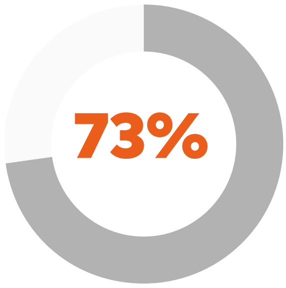
2022: 71%

New employees receive the training they need to do their jobs well



2022: 77%

I have opportunities to achieve my career goals at the Company



2022: 71%

The increases in eNPS (BOG internal survey) and Employee Enablement (Korn Ferry survey) are attributed to key initiatives that reflect our commitment to employee growth and wellbeing. The refinement of promotion criteria at the Bank level created transparent and personalised guidelines for every position, simplifying career paths and empowering employees with a clear view of their professional trajectory. Our business areas actively cultivated a culture of mutual feedback, enhancing collaboration and engagement through improved interpersonal communication. Furthermore, the comprehensive annual review of employee pay demonstrates our dedication to recognising the intrinsic value of each role and responding to market dynamics. These concerted efforts collectively foster a positive and motivating work environment, aligning with our corporate ethos of prioritising employee satisfaction and professional development.

Measuring culture

In 2023, we also performed Barrett's value study, which back in 2019 contributed to outlining organisational values and business principles of the Group. The aim of the study was to calibrate our current culture and its dynamics in new business environment following the pandemic and other recent global developments. The research was performed by a UK-based international consulting company in cooperation with Barrett Value Centre. The results of the study confirmed our strong and healthy corporate culture. The positive dynamic since 2019 was reflected in increased scores, which are higher than current benchmarks compared to industry peers. Deeper analysis of overall results is expected in 2024, and respective initiatives will be defined and implemented to maintain and further develop our culture of helping people achieve more of their potential.

Occupational health and safety

Providing a healthy and safe working environment remains a key priority and an integral part of our culture. We develop a number of preventative actions to safeguard the Bank every day.

The Bank's Health and Safety team, reporting to the Deputy COO, is responsible for developing and implementing health and safety practices across the Bank and covers:

- FIRE AND EMERGENCY
- MEDICAL EMERGENCY
- HEALTH AND SAFETY ISSUES
- HEALTH AND SAFETY PRACTICES

Occupational health and safety management system

The Bank's Occupational Health and Safety Management System (OHS), which covers all employees and third-parties in our workspaces, improves our ability to identify and remove hazards and decrease risk at the workplace.

The OHS system is based on the following policies and standards:

- Occupational Health and Safety Policy
- Occupational Safety and Health (OSH) Risk Assessment Standard
- Emergency Evacuation Standard
- Fire Safety Standard
- Occupational Accidents and Occupational Diseases Investigation/Reporting Standard
- Standard for Prevention and Mitigation of Viral Diseases at the Workplace
- Manual Handling Procedure
- Personal Protective Equipment Procedure

OHS Risk management

The OHS Risk Assessment Standard defines principles, rules, and responsibilities. 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.

Health and safety training and instructions

A mandatory online course on labour safety, and practical training events are held annually for all employees of the Bank. In 2023, we've updated the training and added a new module – 'Manual Lifting Recommendations'.

The online course includes modules on:

FIRE SAFETY

EMERGENCY PREVENTION AND RESPONSE

WORKPLACE SAFETY

In 2023, the occupational health and safety specialists completed the 'Managing Safely Course' and were awarded with certificates from the Institution of Occupational Safety and Health (IOSH).

The Bank regularly carries out fire and emergency drills and relevant practical training.
In 2023, 120 fire drills were conducted.

Selected employees in major branches of the Bank are trained in First Aid.

Incident response:

We carry out different preventive measures, including:

- Securing service centers with armed security police personnel.
- Equipping service centers with state-of-the-art security systems.
- Equipping cash operating units with bulletproof glass and alarm buttons. Upon activation of these buttons, operational security police groups respond to the alarm promptly.

In 2023, there were no incidents.

EMPOWERING COMMUNITIES

Empowering communities

We are committed to being a significant contributor to the local communities where we operate, by not only creating innovative products and services, but also by driving positive impact through various community projects and initiatives beyond our core business. A significant focus of our community outreach efforts is education as access to quality education is one of the main challenges that people name in various surveys. We believe that access to high-quality education opens doors to limitless opportunities, shaping brighter futures for individuals and contributing to the prosperity of countries. By actively engaging in educational initiatives, we aim to make a meaningful difference in the lives of those around us.

Within our educational initiatives, we have identified three main objectives and you can read more about each in this chapter.

Promoting STEM education

Improving educational infrastructure

Increasing access to quality education

Promoting STEM education

Everest

In 2023, Bank of Georgia became the general sponsor of Everest – the mathematics Olympiad that has been famous among Georgian teachers and students for the past two decades. The competition, aimed at fostering passion for mathematics, welcomes participants from the second to sixth grades.

20K+
Participants

15K+
From Georgia's regions

Code IT

In cooperation with GITA, school students in eight techno-parks in Georgia learned how to code and developed the skills of the future. The project followed a P2P model of learning, creating an environment where students could also hone their communication skills.

c.350
Participants

c.300
From Georgia's regions

NASA Space Apps

Every year a 48-hour hackathon takes place in 300 cities worldwide, where teams come together to brainstorm and create innovative solutions to global challenges inspired by NASA's research. The hackathon in Georgia is organised by Startup Bureau, with Bank of Georgia as the main partner. The project's main objective is to spark curiosity, encourage creativity and help develop problem-solving skills. Participants get to apply their knowledge and skills to address global issues, bridging the gap between theory and application. The ideas of the winning projects are sent to an international competition.

c.100
Participants selected

2
Winners

Bank of Georgia X Komarovi School

We believe STEM education is the key to unlocking the potential of the next generation as scientists and innovators. By promoting STEM education, we want to inspire and prepare young people in Georgia for the challenges and opportunities ahead. This is why in 2023 we deepened our partnership with Komarovi School, one of the few top schools in Georgia focused on physics and mathematics, in the following projects:

STEM School

STEM School is an online, one-year comprehensive educational programme for students in the seventh to 10th grades across Georgia, designed to foster creativity and learning and encourage ideas and discovery. Students have a unique opportunity to work with Komarovi teachers on different STEM projects and delve into the professions of the future.

Each year, we cover the programme fees for 60 students, providing them with essential equipment and devices required for the course.

Up to 400
Participants

68%
from Georgia's regions

c.100
BOG scholarship holders

100%
from Georgia's regions

STEM Olympiad

With the same goal of popularising technical disciplines and natural sciences in Georgia, STEM Olympiad is an innovative competition, not only giving seventh to 11th graders opportunities to represent their schools, but also facilitating the practical application of the knowledge acquired in traditional subjects such as physics, mathematics, informatics and engineering.

The competition unfolds in different stages, offering a comprehensive evaluation of participants' skills and understanding. At the final stage, the ten top-performing teams compete to solve practical tasks.

c.1,100
Students registered

65%
from Georgia's regions

Improving educational infrastructure

Educational infrastructure – buildings, classrooms, laboratories and equipment – matter for learning. Spaces in schools where children spend most of their time are critical components of the overall educational experience – and, when designed with students in mind, they have the power to support learning and wellbeing.

We recognise the importance of a conducive learning environment, and are committed to enhancing educational infrastructure. This includes supporting the development and improvement of schools and educational facilities, ensuring students have access to safe and supportive spaces for learning.

Since 2020, Bank of Georgia has been designing Ideathecas. These colourful, multifunctional libraries in Georgia's public schools provide access to books and technology to students living in Georgia's regions, supporting teamwork and collaboration in bright, open spaces full of educational resources. In 2023 we also added a STEM corner to our Ideathecas, highlighting the importance of mathematics, science and technology, and encouraging a more hands-on approach to learning STEM.

Most of our Ideathecas are located in rural regions that have high poverty rates and/or are home to ethnic minorities.

8
Regions

22
Ideathecas
Since 2019

10,000+
Students reached

2020	2021	2022	2023
Khurvaleti	Pankisi	Jvari town	Zugdidi
Ditsi	Nikozi	Chokhatauri	Shindisi
Tbilisi	Akhalkalaki	Nabeglavi Village	Mukhrani
Poti	Ozurgeti	Erisimedi	Bolnisi
	Ambrolauri	Lambalo	Daba Qeda
		Udabno	Akhaltsikhe
		Sabatlo	

Increasing access to quality education

We aim to contribute to a more inclusive and empowered society by improving access to quality education. This includes initiatives to support underprivileged communities and create opportunities for those who may face educational challenges.

International scholarships

For more than a decade Bank of Georgia has been dedicated to empowering students to pursue a world-class educational experience abroad through three distinguished programmes: the Fulbright Scholarship programme, the Chevening Scholarship programme and the Miami Ad School EU. These international scholarships aim to assist young professionals in gaining access to high-quality education at master's or other post-graduate levels.

43

Sponsored students since 2013

Local scholarships

We believe in boundless potential of young individuals and recognise that the student phase of life holds immense significance, shaping one's future professional success. In line with our commitment to support and empower young people, in 2023 we launched two new scholarships for local experience – the Bank of Georgia Scholarship in Partner Universities and the Giorgi Chakhava Scholarship, both focusing on undergraduate students within the country.

Within the framework of the Bank of Georgia Scholarship, the Bank cooperates with 15 Georgian universities, through which students have unique opportunities to join our partner universities and receive either full or partial funding for the entire year. Whether it is in business, science or the arts, this scholarship is designed to help students in any field they are passionate about.

The Giorgi Chakhava Scholarship supports students interested in architecture only. Named after the brilliant architect behind some of the most iconic buildings, including Bank of Georgia's headquarters, this scholarship supports future architects who have the passion and leadership to make a real difference.

For both scholarships, students are selected based on their academic performance and leadership potential, however the final winners are individually selected by our partner universities.

We firmly believe that investing in the education of young minds today will shape a brighter and more promising future for all.

Bank of Georgia Scholarship

15

Partner universities

5

Georgian regions

Giorgi Chakhava Scholarship

4

Partner universities

Other activities to motivate students

Olympiads and competitions

Economics Olympiad

With the support of Bank of Georgia and in collaboration with non-governmental organisation GELi, the Economics Olympiad was organised and held for the first time in Georgia in 2023. Following the competition, five talented individuals were selected to participate in the finals of the International Economics Olympiad held in Slovakia.

c.1,300

Participants

from

291

Schools

Kings Olympiad

Kings Olympiad is the largest school Olympiad in Georgia in mathematics, English and Georgian languages. Bank of Georgia has been its sponsor since 2021 to increase the level of general education and motivation among students.

c.140K

Participants

Since 2021

Public Speaking Competition

For more than ten years and as part of a partnership between Bank of Georgia and the English Speaking Union (ESU), the Public Speaking Competition has promoted the English language and critical and logical thinking among young people in Georgia. The event stands as one of the largest international gatherings in Georgia dedicated to educational empowerment, effective communication and thoughtful analysis. More than 800 young people between the ages of 16 and 20 have taken part in the competition, and the selected student has gone on to the international Public Speaking Competition held in London.

120

Participants

In 2023

Harvard Business Case Competition

The Harvard Business Case Competition – one of Georgia's largest business faculty events – was held in 2023 as a partnership between TBSC Consulting and Bank of Georgia. This unique challenge provided students with hands-on experiences as decision-makers in managerial positions, enhancing their quick thinking, teamwork and analytical skills. Participants gained practical insights that have positively impacted their studies, employment and work processes.

400

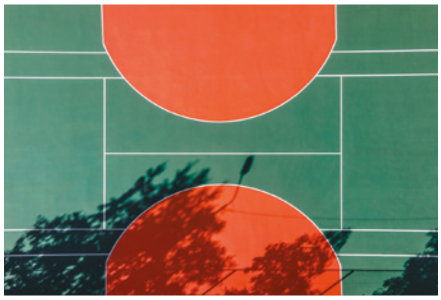
Participants

In 2023

Sports partnerships

Olympic Committee

Bank of Georgia has been a partner and the general sponsor of the Georgian National Olympic and Paralympic Committees since 2016. In 2023, Bank of Georgia helped open the Georgian Olympic Committee Museum. The Museum showcases the impressive achievements of Georgian Olympians, the history of the Olympic Committee, various Olympics and more.



Georgian Football Federation

Bank of Georgia teamed up with the Georgian Football Federation in 2022 for the following four years. Under this partnership, Georgia hosted the UEFA U21 Euro 2023 in Tbilisi, Kutaisi and Batumi in June 2023. In 2024, the Georgian National Football team qualified for Euro 2024 for the first time in history.

The Bank actively continues to support Georgian Football, a sport cherished by many Georgian citizens. This commitment not only fosters the growth of existing athletes but also sparks enthusiasm for a healthy lifestyle among future generations.

Georgian Basketball Federation

Since 2021 Bank of Georgia has been the partner of the Georgian Basketball Federation, with numerous projects executed during this period. In 2022 Tbilisi successfully hosted the group stage of Eurobasket, and we assisted in enhancing the brand of the Georgian Basketball Federation and the national team by introducing a new logo and visual identity.

2023 marked a historic moment for Georgian basketball, as the national team qualified for the FIBA World Cup for the first time in the history.

New street arena

We believe that sport-related infrastructure projects are essential for the development of Georgian sport, inspiring young people to take up sport and hone their skills. It is therefore crucial for young athletes to have access to suitable facilities. As a result, Bank of Georgia inaugurated a multifunctional, high-quality sports facility in Tbilisi in 2023, where amateur athletes can play football, basketball and tennis, and gain top-notch experience – all free of charge.

Culture

Sukhishvilebi

The Georgian National Ballet – Sukhishvilebi – has been a global household name for Georgian dance since 1945. In 2022, the Bank of Georgia and Sukhishvilebi established a two-year partnership. As a key component of this collaboration, we undertook a comprehensive renovation of their primary outdoor venue, 'Takara'. This venue served as the main location for the majority of their shows during the summer of 2023. Almost every day during this period, a concert was held, drawing in more than 10,000 attendees.

The protection and promotion of cultural heritage rank among our priorities, and therefore, Bank of Georgia proudly serves as the general partner of Sukhishvilebi.

Tbilisi Book Festival

With the aim of bringing people together and making literature accessible, we organised Tbilisi Book Festival in 2023. Festival brought more than 16,000 visitors together in the centre of Tbilisi and across more than 60 bookstores. Visitors discovered new reads, enjoyed discounts and publishers gain visibility on their titles. Through exciting speakers and special offers, we aimed to make reading even more enjoyable while supporting literature and encouraging cultural and educational activities throughout the country.

Other initiatives

Supporting Georgia's protected areas since 2010

Bank of Georgia has continued its long-running partnership with the Caucasus Nature Fund and the Agency of Protected Areas, contributing up to US$ 50,000 in 2023 to support the country's 12 protected areas: Borjomi-Kharagauli, Lagodekhi, Tusheti (Tusheti National Park and the protected landscape), Vashlovani, Mtirala, Javakheti, Kazbegi, Algeti, Kintrishi, Machakhela, Batsara-Babaneuri and Pshav-Khevsureti.

Together with the Caucasus Nature Fund and the Agency of Protected Areas, we contribute to the protection of unique species, the preservation of ecological diversity, and the promotion of protected areas and tourism. The total protected area is nearly 520,000 hectares and includes 11 administrative and visitor centres, employing around 350 people.

In 2023, we also continued educational campaigns to promote the unique biodiversity of these protected areas.