საქართველოს ეროვნული ბანკი
National Bank of Georgia

Sustainable Finance in Georgia

Status Report
2023

საქართველოს ეროვნული ბანკი
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SUSTAINABLE FINANCE IN GEORGIA

STATUS REPORT

2023

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I. Overview of Sustainable Finance Regulations and Policies in Georgia

NBG's Sustainable Finance Framework – brief overview

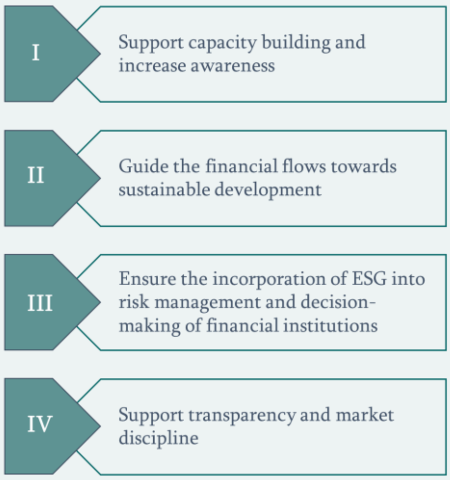
The sustainable development challenges that the world is increasingly facing require urgent actions to adapt public policies to this new reality. All of this inevitably calls for policy reforms to mobilize finance for economic growth that is green, stable, and inclusive. The financial system has a key role to play in this process, as there is no sustainable development without sustainable finance - be it public or private. Reorienting private capital to more sustainable investments requires a shift in how the financial system works. This is necessary if we want to achieve more sustainable economic growth, ensure the stability of the financial system, and foster more transparency and long-termism in the economy.

In order to ensure financial stability and support sustainable development, it is essential to incorporate environmental, social and sustainability issues in the central banks' policies. The National Bank of Georgia (NBG), as the central bank of the country, supports strengthening the role of the financial sector in the sustainable development of the country and for this purpose develops a framework for Sustainable Finance (SF). This framework implies the integration of Environmental, Social, and Governance (ESG) issues into financial decision-making of the financial sector, managing ESG-related risks, and reorientation of financial flows to the projects that have positive environmental and/or social effects. All of these contribute to long-term economic sustainability and financial stability.

In 2019, the NBG launched the [Roadmap for Sustainable Finance in Georgia] as the main policy document. The Roadmap summarizes all the possible actions that the NBG intends to implement with the corresponding timeframe. The ultimate goal of this roadmap is to provide a credible, predictable, and stable regulatory framework and prepare the market for transitioning to sustainable finance.

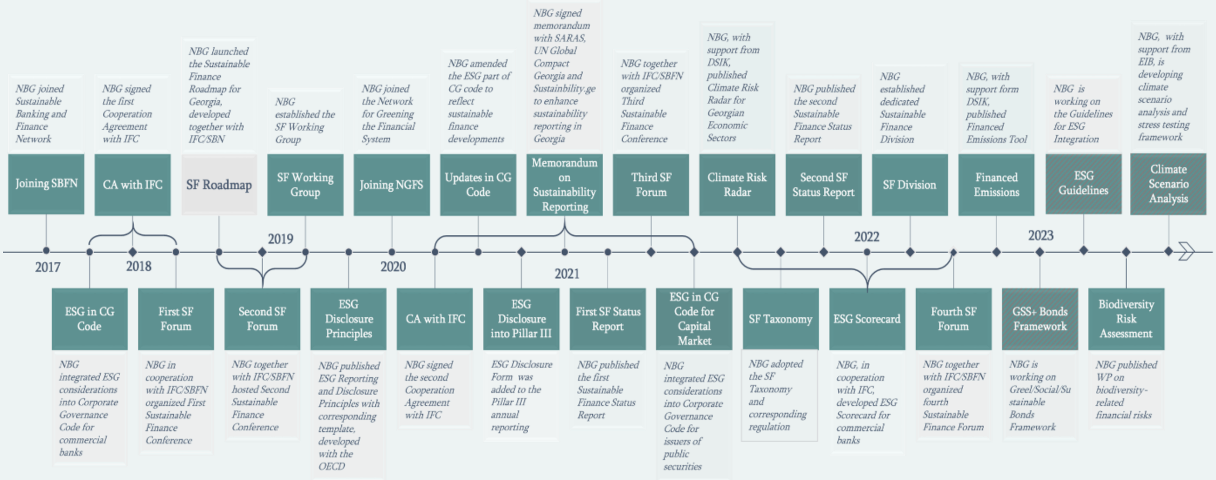
The actions listed in the Roadmap are grouped under four main pillars each of them serving different goals set out in the action plan.

Pillars of the SF Roadmap:



Most of the actions outlined in the roadmap are already implemented or in the development process. Diagram 1 summarizes the main actions that the NBG has taken over the past few years. The NBG continues developing SF framework and in 2024 plans to publish a new roadmap that will outline the action plan for the upcoming years.

Diagram 1. NBG's Sustainable Finance Framework Implementation



Source: NBG

The development of the SF Framework and the implementation of the action plan is carried out with collaboration and support from various international organizations, including International Finance Corporation (IFC), IFC-supported Sustainable Banking and Finance Network (SBFN), Organization for Economic Cooperation and Development (OECD), Finance in Motion, Green for Growth Fund (GGF) Technical Assistance Facility, German Sparkassenstiftung for International Cooperation (DSIK), NDC Partnership, European Investment Bank (EIB). Coordinating with financial institutions through the Sustainable Finance Working Group and other local stakeholders, including various ministries, is also a part of the process. Apart from that, the NBG has been an active member of Sustainable Banking and Finance Network (SBFN) since 2017 and the Network for Greening the Financial System (NGFS) since 2020. At this stage, the NBG has an appointee at the NGFS's Workstream on "Scenario Design and Analysis" and a representative at the plenary. At SBFN, the NBG is a part of the Measurement Working Group and one of two co-chairs of Data & Disclosure Working Group. During these years, the NBG has learned from and shared its national sustainable finance development experiences with other SBFN members. In November 2021, the NBG moved to the advancing stage of the SBFN progression matrix, which measures the progress of SBFN member countries in promoting sustainable finance. This advancement was the result of the actions undertaken by the NBG toward the development of the sustainable finance framework in Georgia.

Policy and Regulatory Highlights from 2022-2023

The NBG continues developing a sustainable finance framework and implementing the action plan outlined in the Roadmap. The list of activities implemented in 2022-2023[1], as well as some ongoing projects, include:

- ✓ Development of the Financed Emissions Tool - the NBG, in cooperation with DSIK, has developed the Financed Emissions Tool and methodology for calculating financed emissions for Georgian financial sector, which was published in October 2023. A workshop for financial institutions on financed emissions, calculation methodology and the application of the Tool was also organized. The Financed Emissions Tool is used to calculate financed emissions throughout the lending activities of commercial banks. The principle of the tool is based on the methodology of the Partnership for Carbon Accounting Financials (PCAF). This methodology is used for different categories of assets, including assets as important for the banks as business loan portfolios. Capital provided as a loan by the bank is used by companies for business processes as well as for financing GHG emissions. The Financed Emissions Tool enables financial institutions to analyze their credit portfolio better, determine the share of financed emissions, identify climate change-related risks and opportunities, and improve business processes in the direction of environmental management while making better strategic decisions.
- ✓ Publication of the Paper on Biodiversity-related Financial Risks – In August 2023, the NBG published the working paper titled Biodiversity-related Financial Risks – why it matters and how can we measure them? Case study of Georgia. The research assesses biodiversity-related financial risks in Georgia and provides quantitative estimates of potential dependencies and impacts of the financial system on biodiversity and ecosystem services. The methodology analyzed the exposure of the financial sector to the economic sectors, which depend on and impact ecosystem services. The economic sectors were classified according to the two-digit Nomenclature of Economic Activities (NACE REV 2) and matched with ecosystem dependency risk materiality ratings extracted from the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) assessment tool and financial data on Georgian commercial banks' lending to legal entities. According to the main findings, around 46% of the Georgian commercial banks' lending portfolio to legal entities could be potentially exposed to physical risks due to their significant dependence on one or more ecosystem services. Furthermore, about 54% of the banks' business lending portfolio is exposed to sectors that have a strong negative impact on ecosystem services, potentially leading to high transition risks.
- ✓ Development of the ESG Guidelines – Under the ESG Risk Management pillar of the Sustainable Finance Framework presented in the Roadmap for Sustainable Finance in

[1] The list of activities implemented during 2020-2021 and 2021-2022 is presented in the Sustainable Status Report 2021 and Sustainable Status Report 2022, respectively.

Georgia, the NBG has started developing the Guidelines for ESG Integration (ESG Guidelines). The NBG has already set ESG-related requirements for commercial banks through the Corporate Governance Code. The ESG Guidelines serve as a guide for commercial banks and outline the minimum steps that the banks need to follow in order to (i) conduct proper assessment and management of ESG-related risks, (ii) foster responsible banking by developing the sustainable financial products, and (iii) support regulatory compliance by enhancing transparency in reporting their ESG-related activities. By acknowledging and addressing these risks and opportunities, Georgian financial institutions can contribute to a greener and more inclusive growth agenda while also safeguarding their own long-term financial stability and reputation. The ESG Guidelines are consistent with the best international standards and also take into account practices that are currently used by the local financial institutions. The ESG Guidelines is planned to be published by the end of the year.

- ✓ Conducting Climate Scenario Analysis for Georgian Financial Sector – The NBG has started working on climate scenario analysis. With the financial support from EIB through the NDC Partnership, the NBG, together with international experts, is using NGFS Climate Scenarios as a reference to develop climate scenarios for Georgia. The vulnerability of the commercial banks under these different scenarios will also be part of the scenario analysis. The results will be utilized further to perform climate stress testing, which is planned for the next year.
- ✓ Development of the GSS+ Bonds Framework - Under the Sustainable Finance Flows pillar of the Roadmap for Sustainable Finance in Georgia, the NBG has started working on a Green/Social/Sustainable/Sustainability-linked (GSS +) bonds framework. The framework and corresponding regulation establish the conditions for attainment, maintenance and cancelation of the status of GSS+ bonds and set the reporting requirements. The adoption of the framework is planned for the early next year.
- ✓ Establishment of the Sustainable Finance Division - In November 2022, the NBG established the Sustainable Finance Division within the Financial Stability Department. Establishing the dedicated unit further strengthens the commitment of the NBG to developing a sustainable finance in Georgia. The Division is tasked to lead the development of the NBG's Sustainable Finance Framework and its implementation. This move aligns with global trends and also supports the broader goals of promoting sustainable practices and ensuring that financial institutions in Georgia incorporate ESG and sustainability principles into their operations and decision-making processes.
- ✓ Awareness Raising Actions – The NBG, in collaboration with the GGF/Finance in Motion, has undertaken an initiative to raise awareness regarding climate-related financial risks, sustainable finance, and the Georgian Sustainable Finance Taxonomy. As part of this initiative, the NBG is working to produce a series of brief, informative videos to provide information on these topics and contribute to the transition towards a more sustainable

and resilient economy through raising awareness. Apart from that, the head of the Sustainable Finance Division participated in the series of public lectures by the NBG – Financial and Economic Education for a Better Future. Public lectures that were conducted in different universities aimed at shedding light on two critical subjects: climate change and financial sector, and the NBG's Sustainable Finance Framework. These activities sought to provide valuable insights into the intersection of finance and sustainability and to inspire the next generation of finance professionals.

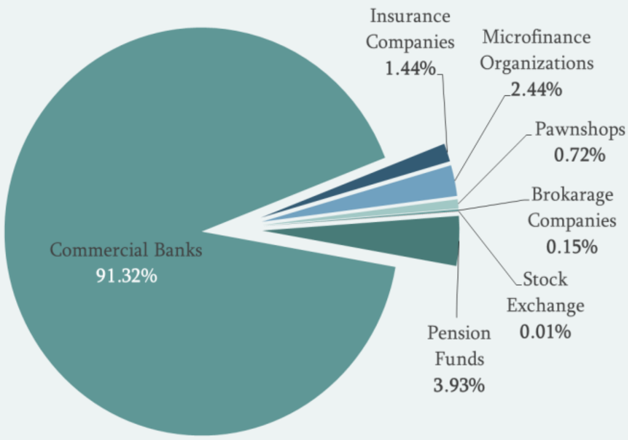
- ✓ Hosting Sustainable Finance Forum – In November 2022, the NBG hosted the fourth Sustainable Finance Forum. The event was organized in cooperation with IFC and SBFN with the support of the Swiss State Secretariat for Economic Affairs (SECO). The forum was delivered in a hybrid format with both in-person and virtual participation. The event brought together over 300 attendants from 55 countries across the globe, including senior representatives from EU and SBFN member countries, senior officials of central banks from different regions, local financial institutions, international organizations, private and public sector representatives, universities and other stakeholders. This forum was the fourth event hosted by the NBG in partnership with the IFC/SBFN. The first meeting was held in 2018 and has since become a regular event, a platform for fruitful discussions between various stakeholders on the development of sustainable finance in Georgia and other countries in the region. The next Sustainable Finance Forum will be held in March 2024 in Tbilisi and will cover the latest developments in sustainable finance in Georgia and the region.
- ✓ Organizing Green Finance Conference - In February 2023, the Green Financing for Sustainable Development conference was jointly organized by the NBG, the European Bank for Reconstruction and Development (EBRD), and the International Chamber of Commerce (ICC). The primary goal of the event was to increase awareness regarding the pivotal role of green financing in driving the sustainable development and facilitating the shift towards a low-emission economy. Furthermore, the conference included discussions on the NBG's Sustainable Finance taxonomy and the anticipated impacts of the corresponding regulations. During the conference, participants engaged in discussions regarding the key risks, challenges, and opportunities that may emerge within the private sector and the banking industry during the process of climate change mitigation and the transition to a green economy.

II. Overview of Sustainable Finance Market Development in Georgia

The financial sector in Georgia is mainly comprised of commercial banks (see Diagram 2). Currently, there are fifteen commercial banks holding around 91% of total assets in the financial sector. Apart from that, the concentration is high, with the two largest banks accounting for around 77% of total assets in the banking sector and 70% in the financial sector. Pension funds share is increasing standing at around 4% by the end of 2022. While the share of microfinance institutions (MFIs) is quite small, they play an important role, especially in financing SMEs and access to finance in rural areas. While the insurance market has been growing in recent years, it still has a relatively small share in the total assets of the financial sector.

Taking these characteristics of the Georgian financial system into account, the NBG's sustainable finance policies and regulations are currently mainly directed at commercial banks. However, the NBG also acknowledges the importance of the capital market for scaling up sustainable finance and thus, includes actions dedicated to capital market participants in its SF action plan.

Diagram 2. Structure of the Georgian Financial Sector by Assets, Dec. 2022



Source: NBG

Where the commercial banks stand in terms of ESG – evidence from ESG Reporting

The Corporate Governance Code for Commercial Banks sets the mandatory ESG disclosure requirements, while the "Regulation on Disclosure Requirements for Commercial Banks within Pillar 3" defines the ESG Reporting Form as a part of the Pillar 3 Annual Reporting and refers to the NBG's ESG Reporting and Disclosure Principles for guidance.

In 2023 commercial banks filled out the ESG forms for the third time. Reports from 2021, 2022 and 2023 are now available on the NBG's webpage. This section summarizes the main findings from these forms and highlights Key Performance Indicators (KPIs) on ESG for the Georgian financial system[2]. The disclosed information includes qualitative information regarding business model, policies and due diligence, risk management, and quantitative information on the KPIs related to different ESG issues.

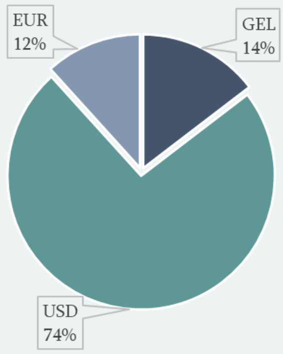
Analysis of the ESG related information from thirteen commercial banks shows that despite some progress over the last couple of years, there is still big room for improvement. Apart from that, the ESG practices vary across the institutions. There are few commercial banks that are quite advanced in terms of sustainable finance and ESG risk management practices, and they also have other social and environmental policies in place. On the other hand, some banks have not yet implemented the ESG policies but are in the process of developing or plan to develop their ESG policies in the near future. Detailed results separately on E, S and G are presented below.

E - Environmental

In 2023, in annual ESG forms, commercial banks still used their own definitions when reporting on green loans and out of thirteen commercial banks, only seven banks provided data on green loans for 2022.

In 2022, the reported volume of green loans issued amounted to around GEL 486 million (US $180 million[3]). It is a 16% increase compared to green loans issued in 2021, excluding exchange rate effect. Most of the loans issued in 2022 are still denominated in USD (see Diagram 3). The share of green loans in total loans issued in 2022 is 1.2% that is 0.2 pp higher compared to the previous year. Among those banks that provided data on green loans, the share of green loans in the total loans issued during 2022, on average, was around 7%.

Diagram 3. Currency Decomposition of Green Loans Issued in 2021



Source: NBG

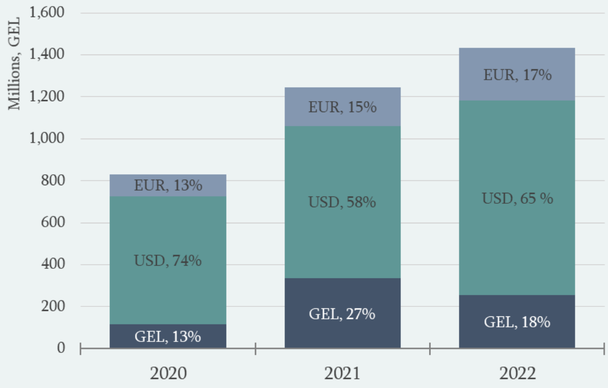
As for the total amount of green loans outstanding as of the end of 2022, it stands at around GEL 1.4 billion (US $530 million) (see Diagram 4). The stock of green loans increased by 15% in 2022 compared to the previous year, excluding exchange rate effect. The share of USD denominated green loans increased compared to the previous year and now stand at 65%. As of the end of 2022, the share of green loans in the total outstanding portfolio is 3.2% compared to 2.9% in 2021 and 2.2% in 2020. At the bank level, on average, share of green loans is around 6%, with the highest share of around 17%.

[2] For more detailed information regarding each commercial bank, please visit: https://nbg.gov.ge/en/financial-stability/esg-reporting-and-disclosure

[3] The value is calculated using the end of Dec. 2022 Gel/USD and Gel/EUR exchange rates.

It should be noted that given the fact that most of the banks did not report green loans, as they do not have green loan definitions, these numbers are underestimated. Apart from that, for the most of the commercial banks that reported green loans, data only included loans related to energy efficiency and renewable energy projects. This, once again, indicates the need for a common classification system and highlights the importance of having a Green Taxonomy. Given the NBG approved the SF Taxonomy and associated regulation, starting from 2024 green loan figures are expected to change and become more accurate and consistent.

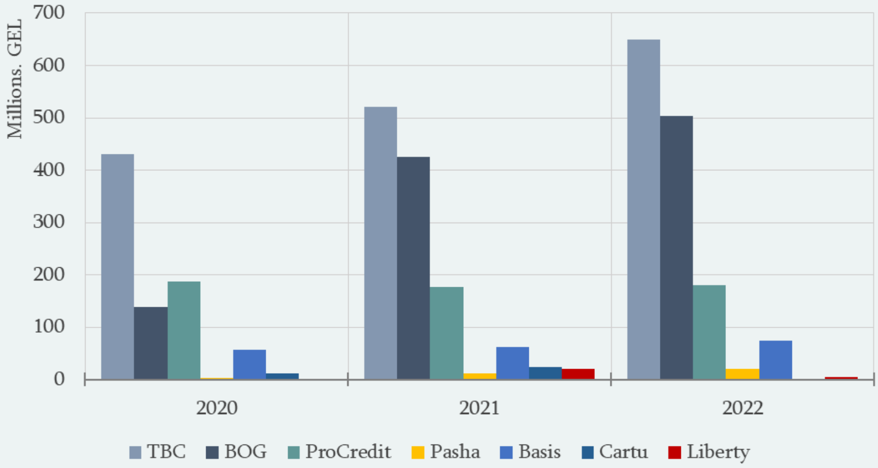
Diagram 4. Total Green Loans Outstanding, Dec. 2022 (excluding exchange rate effect)



Source: NBG

When it comes to the active participation of banks in promoting green lending in Georgia, three financial institutions take the lead. TBC bank holds the biggest share of the total green portfolio, commanding a significant 45% share of the market. Following closely, Bank of Georgia (BOG) secures second place with a 35% share, while ProCredit Bank holds the third position with a 13% (see Diagram 5). Looking at the green loans disbursed throughout 2022, TBC bank maintains its leadership in the market. In that year, TBC issued an impressive 55% of all green loans, with BOG and ProCredit Bank following at 19% and 18%, respectively.

Diagram 5. Total Green Loans Outstanding by Banks, Dec. 2022 (excluding exchange rate effect)



Source: NBG

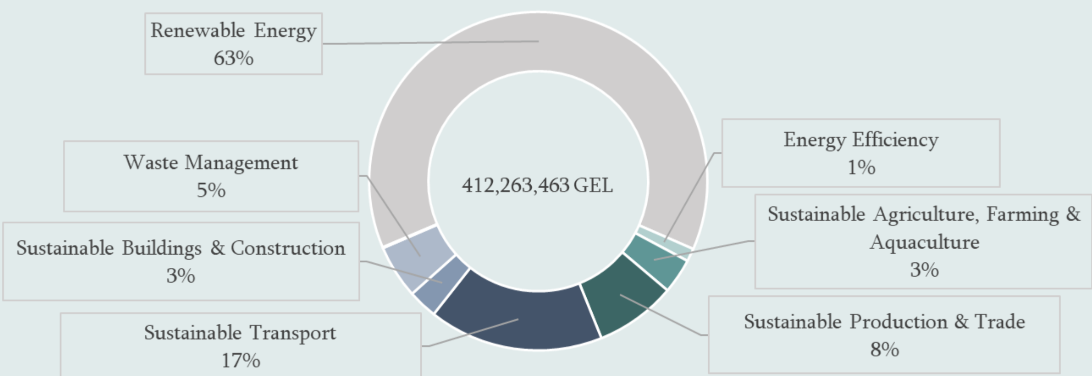
In terms of environmentally friendly activities, most banks have initiated some practices, mostly related to replacing vehicles with internal combustion engines with hybrid or electric cars and improving the energy efficiency of their offices and buildings. Apart from that, the majority of the commercial banks have waste management policies in place, mainly related to recycling, reducing, and separation. Out of thirteen banks, four banks disclosed data on Greenhouse Gas (GHG) emissions, and only one bank has a target set in this regard.

Box. Sustainable Finance Taxonomy and its Implementation

The NBG, in cooperation with various local and international experts and stakeholders, developed the Sustainable Finance (SF) Taxonomy, which was published in August, 2022. The SF Taxonomy adopts a broad definition of sustainable finance and provides a classification system for identifying activities that deliver on key climate, green, social or sustainability objectives. It is composed of green and social taxonomies. The green taxonomy provides a list of activities that aim to achieve environmental objectives and contribute to the development of a green economy. On the other hand social taxonomy proposes a list of categories focused on achieving social objectives primarily but not exclusively for the target population. Apart from that, green/social activities that have social/green co-benefits are considered as sustainable activities. SF Taxonomy is consistent and aligned with international best practices and principles, however, it is also tailored to the features of the Georgian economy and financial sector.

In addition to publishing the SF Taxonomy, the NBG also adopted a Regulation on Loan Classification and Reporting according to the Sustainable Finance Taxonomy (Taxonomy Regulation), which entered into force January 2023. The Taxonomy Regulation formally defines green, social and sustainable loans and imposes reporting requirements for commercial banks on taxonomy-aligned loans. According to the Regulation, the commercial banks shall only refer to the loan as green, social or sustainable if it complies with the technical criteria set out in the SF Taxonomy. The banks are also required to submit a monthly report on green loans through the Green Loan Monthly Reporting Form defined by the Taxonomy Regulation. Additionally, disclosure of green/social/sustainable loan-related information through ESG Reporting and Disclosure Form should comply with the Taxonomy Regulation. All of these will ensure the availability of consistent and comparable data on green loans in the Georgian financial sector and support sustainable finance market development in Georgia.

Diagram B1. Taxonomy Aligned Total Green Loans Outstanding, Sep. 2023



Source: NBG

Following the introduction of the Taxonomy Regulation, five banks have initiated the implementation of the Sustainable Finance (SF) Taxonomy. As of September 2023, the SF Taxonomy-aligned green loan portfolio amounted to approximately 412 million GEL, which represents less than one percent of the total lending portfolio. This relatively low share can be attributed in part to the ongoing implementation process by banks and the fact that not all banks have not yet started the Taxonomy adoption.

In terms of the sectoral breakdown, the majority, accounting for 63%, is directed towards the renewable energy sector, with a notable 57% specifically dedicated to hydropower projects. Additionally, 17% of these loans are channeled into the green transport sector (see Diagram B1).

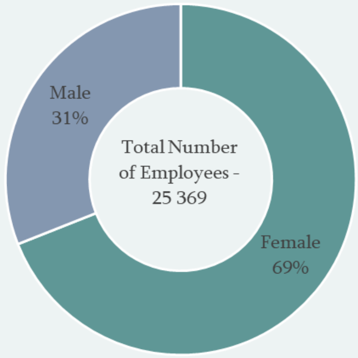
S - Social

The social part of the KPIs includes questions related to diversity in the workplace, training and education, customer privacy and satisfaction, workplace health and safety and other related topics.

By the end of 2022 there were around 25 thousand people employed in the Georgian banking sector (see Diagram 6). Compared to the previous year, employment in the banking sector increased by 8%. In 2022 the average employee turnover rate[4] was 21% which is 4 percentage points higher compared to 2021. There have been some outliers with a turnover rate as low as 10% and as high as 29-32%.

In terms of gender diversity, as of the end of 2022, 69% of all employees were women that is one percentage point increase compared to 2021. This result is relatively similar across all commercial banks, with the lowest share being 52% and the highest at 74%. However, the share of females in senior management (board of directors, supervisory board) stands at a lower level and is 26%, on average. Even though there have been some changes across commercial banks, on average, the situation remained the same compared to the previous year. Apart from that, in this case, the difference among banks is more apparent – there are some banks with 10-11% of females in the senior management, while there is outlier with 66%. As for the gender structure at the middle management level, by the end of 2022, on average, women held 47% of these positions.

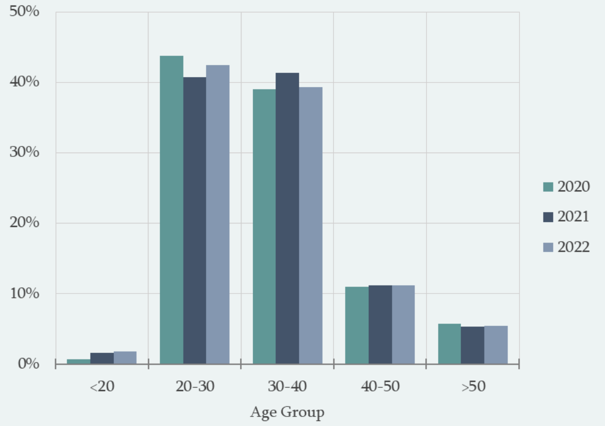
Diagram 6. Gender Diversity in the Georgian Banking Sector, Dec. 2022



Source: NBG

In the Georgian banking sector, as of the end of 2022, the highest share of employees are within the age groups of 20-30 and 30-40 with 42.5% and 39.3% shares respectively (see Diagram 7). Age distribution has a similar pattern across commercial banks in Georgia and has remained almost the same compared to the previous year. Regarding the employment of people with disabilities, only two banks, similar to the previous year, indicated positive numbers, and the share in the total employment is below 1%. On the other

Diagram 7. Age Structure of Employees in the Georgian Banking Sector, Dec. 2022



Source: NBG

[4] annual turnover rate = 100*(number of employees who left)/ ((beginning + ending number of employees)/2)

hand, nine banks specified that at least some of their branches are fully or partially adapted and have special facilities and dedicated infrastructure for customers with disabilities. There has not been any significant improvement in this regard since 2021.

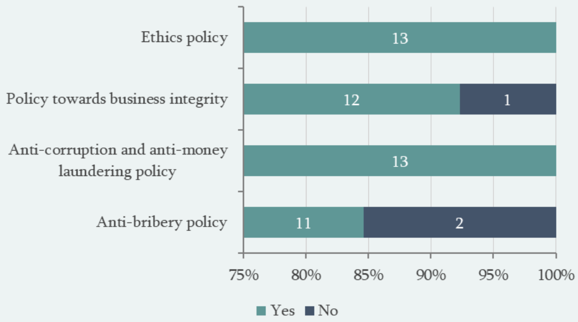
During 2022, all commercial banks have provided training for their employees, however, the coverage varies. There are few banks where only 25% or fewer employees have attended the training. More than half of commercial banks have organized training for 70% or more of the employees, while some of them even covered the whole personnel. The difference regarding average expenses on training per employee is also evident. The expenses also depend on the type of the trainings, since some banks mainly offered internal trainings, which are less costly, while others provided both internal and external trainings for their employees.

In terms of workplace health and safety, all banks indicated that they have corresponding policies and procedures in place. Such policies include Occupational Safety Management Plan, Labor safety policy, Emergency action plan, among others. Apart from this, training on fire safety, emergency response, and other occupational safety issues is provided to the employees on a regular basis.

G – Governance

The information provided in the ESG reporting forms indicates that eight out of thirteen commercial banks have a designated officer or body responsible for overseeing environmental and social policies and practices. Apart from that, with only a couple of exceptions, almost all banks reported having some ESG policies and procedures. In most cases, it is related to ESG risk management practices. However, some banks have also incorporated ESG consideration into their strategy. Moreover, results show that if there is an ESG policy in a bank, the supervisory board or board of directors approves it. Some banks have also established processes for consultation between stakeholders and the board of directors or supervisory board on environmental and social topics.

Diagram 8. Number of Commercial Banks with Corresponding Policies in place, Dec. 2022



Source: NBG

Besides the ESG risk management policies, most of the banks have also established policies related to ethics, business integrity, anti-bribery, etc. (see Diagram 8).

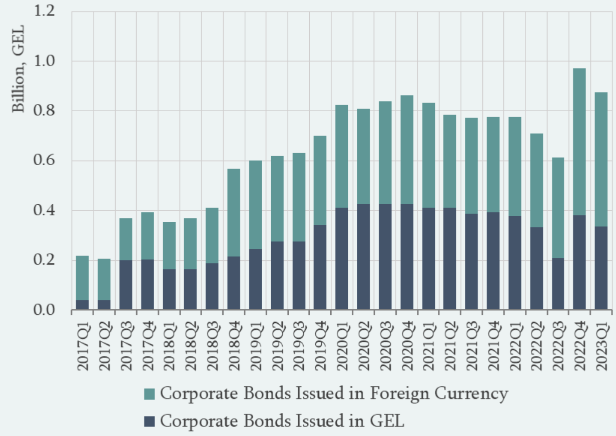
Bond Market Highlights

The capital market, despite some progress, is still at an early stage of development in Georgia. Nevertheless, the bond market has demonstrated a robust upward trajectory in recent years, and this upward momentum persisted throughout the year 2022 and the first half of 2023 (Diagram 9). Anticipated to sustain this momentum and foster further market growth are a series of legislative and regulatory reforms, including the enactment of the Law of Georgia on Mortgage-covered Bonds and the Law of Georgia on Securitization.

Similar to preceding years, 2022 witnessed an expanding trend within the bonds market. This particular market segment experienced a substantial annual growth of 39.4%. Moreover, the share of domestically issued bonds denominated in the local currency has grown. Among the issued bonds, a notable 71.3% comprised GEL-denominated bonds from international financial institutions. Issuances from these international financial institutions escalated by 49.3%, whereas the corporate bond segment showed a rise of 19.7%. During the course of 2022, the local market saw the issuance of seven public corporate bonds (in contrast to three in 2021) and seven private bonds from international financial institutions (as opposed to six in 2021).

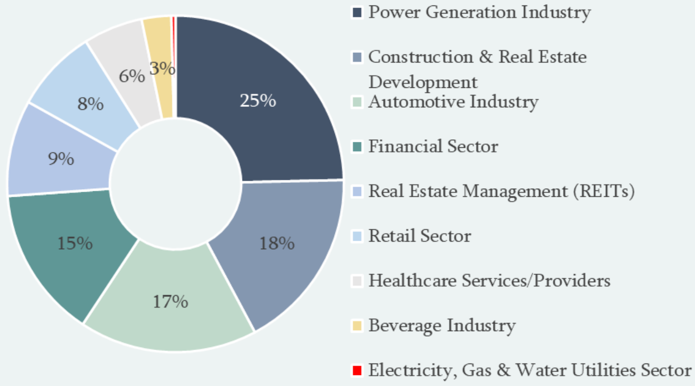
The corporate bond market achieved a higher level of diversification in 2022, encompassing issuers spanning nine distinct industries. Regarding the balances of corporate bonds, the power generation sector commanded the largest market share at 25% (compared to the financial sector's leading share of 24% in 2021). Additionally, issuers in the construction and real estate development, automotive industry and financial sector collectively constituted almost 50% of the market (see Diagram 10).

Diagram 9. Outstanding corporate bonds issued in the domestic market (public offering)



Source: NBG

Diagram 10. Distribution of corporate bond balances by industry (2022)



Source: NBG

Over the past few years, Georgian companies started to issue Green, Social, Sustainable, and other Labeled (GSS+) bonds, both at the foreign and Georgian stock exchanges (see Diagram 11). The 2022 and 2023 stood out as particularly active for GSS+ bonds in Georgia, as local companies embarked on issuing these types of bonds on the domestic bond market, mostly denominated in the Georgian national currency. The recent trends in the local bond market demonstrate a growing interest among Georgian companies in GSS+ bonds.

Diagram 11. GSS+ Bonds total amount issued by Georgian Companies as of August 2023[5]

Source: NBG

Below are short descriptions of GSS+ bonds issued by Georgian companies during 2022-2023[6]:

- ✓ Symbiotics with JSC MFO Crystal issued first Social Bond in Georgia– in September 2022, Symbiotics, a market access platform for impact investing, arranged the social bond issue in Georgia by raising USD 10 million in GEL equivalent for Crystal. The proceeds will be distributed over a 4-year period to facilitate social eligible loans in the national currency, specifically targeted towards supporting microenterprises, SMEs, small farmers, and agricultural entities in Georgia. The aim is to enhance community access to essential services such as education, health care, and financial service in the regions of Georgia.
- ✓ JSC Georgia Renewable Energy Operations issued the first Green Bond in the local market – in October 2022, JSC Georgia Renewable Energy Operations (GRPO), the subsidiary company of Georgia Capital PLC (GCAP), platform for renewable energy assets in Georgia, with the assistance of JSC Galt & Taggart and LLC TBS Capital, issued and placed USD 80 million green secured bonds marking the largest transaction on the market. The Notes were listed on the Georgian Stock Exchange. The Notes are USD-denominated with 5-year bullet maturity (callable after two years) and carry a 7.00% fixed coupon. The bonds were issued and sold at par value. The second-party review of GRPO's Green Bond Framework was provided by Sustainalytics. The issuance was supported by the Dutch Development Bank (FMO), the Asian Development Bank (ADB), the International Finance Corporation (IFC), and the European Bank for Reconstruction and Development (EBRD). The proceeds will be used to refinance all existing debt of renewable energy from GCAP.

[5] Bonds issued in Gel are converted using GEL/USD issuance date exchange rate.
[6] For the description of the GSS+ bonds issued in previous years, please refer to Sustainable Finance Status Report 2021: https://nbg.gov.ge/en/page/sustainable-finance-in-georgia

- ✓ JSC MFO Crystal issued the first Gender Bond denominated in the national currency in the South Caucasus region – in February 2023, with support from JSC Galt & Taggart, Crystal launched the first 2-year gender bond denominated the national currency on the Georgian stock exchange. The total bond issuance amounts to GEL 25 million with ADB as the anchor investor with an investment of GEL 18.75 million and the Bank of Georgia as co-investor with an investment of GEL 6.25 million. Crystal's Gender Bond Framework received a second party opinion from the international rating company Scope Group to certify its compliance with the Social Bond Principles of the International Capital Market Association (ICMA). The proceeds will finance women-owned micro, small and medium-sized enterprises. The aim is to support gender equality and women's empowerment in Georgia.
- ✓ Geosteel LLC placed the first sustainability-linked bond issue in Georgia – in April 2023, with support from JSC Galt & Taggart, Geosteel LLC, the steel-producing company, placed its first 2-year USD 15 million sustainability-linked bond. The annual interest rate of the The second-party review of Geosteel's Sustainability-Linked Bond Framework was provided by DNV Business Assurance Norway AS placed bonds is 9.00%. The issuer plans to admit the issued bonds to the trading system and listing of the Georgian Stock Exchange. The proceeds will be utilized to refinance existing loan obligations and for the financing of a capital project in direct mining, which aims to bring changes to the steel production process by bypassing the heating furnace and saving gas consumption up to 75 %. This transaction is the first tranche of the planned total of up to USD 30 million. The issuance of the second tranche is planned for the second half of 2023.
- ✓ Tegeta Holding issued the first Green Bond denominated in the national currency - Tegeta Holding, the leader of the automotive industry, with the support from TBC Capital, issued GEL 20 million worth inaugural 2.5-year GEL-denominated green bond and placed it on the Georgian Stock Exchange. The price of the issued bond was determined by TIBR+3.5%. The ADB served as the strategic investor for the placement. As part of this transaction, ADB issued GEL bonds on the local capital market to attract local currency resources. The second-party review for Tegeta's Green Bond Framework was provided by Sustainalytics and is aligned with the ICMA's Green Bond Principles (GBP). The proceeds will be fully used to finance the deployment of zero-emission light, road, and non-road electric vehicles (EV), and an expansion of Georgia's EV charging network by 70 new stations with the aim to establish and promote an environmentally friendly and sustainable environment.
- ✓ JSC TBC Leasing placed the first GEL-denominated Green Bond among the financial institutions in Georgia – in July 2023, TBC Leasing, the Georgian leasing company, with the support of TBC Capital, has placed the green public bonds denominated in the national currency in the amount of GEL 15 million. This is the first green bond issuance among financial institutions. The interest rate for the 3-year green bonds was determined at TIBR3M + 2.75%. In addition to Georgian commercial banks, the Pension Agency of Georgia also acted as a green bond investor. TBC Leasing's Green Bond Framework received a second-party opinion from Scope Group, which certified its compliance with the ICMA's GBP. The proceeds will be used to finance the growth of the green leasing portfolio.

- ✓ JSC Georgia Capital (GCAP) issued a Sustainability-linked Bond – in August 2023 JSC Georgia Capital issued its inaugural sustainability-linked bond. GCAP's total issuance of $150 million with a 5-year bullet maturity is the largest bond listed on the Georgian Stock Exchange and the largest sustainability-linked issuance in Georgia and the Caucasus to date. The notes carry 8.5% coupon rate. ADB invested USD 16 million, while EBRD invested USD 25 million, and proceeds will be earmarked for refinancing renewable energy and education investments and for financing corporate measures to achieve the group's sustainability-linked key performance indicator. Second-party opinion was provided by Sustainalytics, based on the issuer's sustainability-linked bond framework, which is aligned with the ICMA's Sustainability-linked Bond Principles. A key feature of the sustainability-linked bond is GCAP's commitment to reduce its greenhouse gas emissions by 20% by 2027 compared to the 2022 baseline. This will also support Georgia's commitment under the Paris Agreement to reduce GHG emissions to 35% below 1990 levels by 2030. This landmark transaction has mobilized an unprecedented $83 million of private sector investors for a Georgian-listed corporate bond.

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