

TBC BANK GROUP PLC
Policy on Climate Change

TARGET AUDIENCE	All employees of all majority owned TBC Bank Group PLC businesses (or business units).	
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CORPORATE UNITS ENGAGED IN THE IMPLEMENTATION	ESG Coordination Department Marketing E&S Risk Management Group Reporting	
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01

Introduction

Climate change has become a key concern for policy makers, business leaders and individuals all over the world. There exists a broad scientific consensus that the emissions of greenhouse gases, mainly carbon dioxide (CO₂), is responsible for global warming that, if not halted, could have unacceptable consequences, including catastrophic ones, in at least parts of the world.

On the 12th of December 2015, over twenty years of international climate change diplomacy culminated in the Paris Agreement, succeeding the Kyoto Protocol as a universal and binding agreement to curb greenhouse gas emissions beyond 2020. Its central objective is to keep the global average temperature rise well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. The Paris Agreement was concluded on overtime and signed by over 190 countries of the United Nations Framework Convention on Climate Change (UNFCCC) at the 21st Conference of Parties (COP).

Our aspiration to contribute to sustainable development comes from our role as a leading financial institution in Georgia's development. We are aware that we have an impact on the country's economy, business development, employment, and the progress of the society as a whole. This role is connected to our responsibility to contribute to a better future through innovation and technology. While pursuing our aspirations, we guide our activities in line with international sustainability standards and principles, making them a part of the strategy, culture, and day-to-day operations of our company.

The Policy on Climate Change ("the Policy"), institutional structures and respective initiatives support company's approach that sets targets and establishes a methodology of advancing climate action and integrating its approach into the operations and management processes of the company, focusing on diverse environmental, social and governance (ESG) areas.

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Scope and Objectives of the Policy

The Group's objective is to act responsibly and manage the environmental and social risks associated with its operations, increase the resilience of customers, employees, businesses, and society towards climate change risks and support them in pursuing climate-related opportunities. This approach enables us to reduce our ecological footprint by using resources efficiently, incorporating climate-related considerations in overall risk management and business planning, as well as to promote environmentally friendly measures for mitigation of and adaptation to climate change.

The Policy is largely an internal guidance document, supporting the implementation of the Group's ESG Strategy. The Policy applies to the Staff of the TBC. The Policy provides a broad strategic orientation for implementation, including institutionalizing the climate-related matters in the organizational culture and advancing climate actions in all areas of operations. The Policy is complemented by detailed action plans. The action plan(s) are developed on annual basis. The Policy shall be implemented in all Group Companies to the extent, to which it is relevant for their operations and activities; the respective action plan(s) has to be agreed upon.

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Guiding Principles

TBC takes further steps to enhance the environmental, social and governance framework to increase its positive direct and indirect impact. The company takes a strategic, forward-looking, and comprehensive approach to consider climate-related and other environmental risks. While developing the ESG Strategy, various local and international standards and frameworks are considered.

Task Force on Climate-related Financial Disclosures (TCFD)

Following the adoption of the Paris Agreement on climate change and the UN 2030 Agenda for Sustainable Development in 2015, governments and private companies are making strides to transition to low-carbon and more circular economies on a global scale. The financial sector is expected to play a key role in this respect, especially by financing sustainable growth. Transitioning to a low-carbon and more circular economy entails both risks and opportunities for the economy and financial institutions, while physical damage caused by climate change and environmental degradation can have a significant impact on the real economy and the financial system.

Nationally Determined Contribution (NDC)

NDC is a national plan highlighting climate change mitigation, including climate-related targets for greenhouse gas emission reductions, policies and measures governments aim to implement in response to climate change and as a contribution to achieve the global targets set out in the Paris Agreement. The goal of nationally determined contribution of Georgia is to support the sustainable and balanced development of the country, equally taking into consideration climate change, environmental and socio-economic challenges. TBC is mindful of its responsibilities as a responsible lender and is focused on ways to meet the goals and objectives of NDC and the Paris Agreement, supporting the Georgian market's transition to a climate-resilient, low-carbon economy.

Paris Agreement

The Paris Agreement is the first comprehensive and legally binding international treaty on climate change. Third goal of the agreement recognizes the key role financial institutions, including private sector banks and the need to achieve net-zero emissions. TBC is committed to take necessary steps to measure its direct performance towards the Paris Agreement targets for reduction of GHG emissions. Furthermore, we have pledged to structure our lending portfolios in line with the targets of the Paris Agreement on Climate Change.

NBG Sustainable Finance (SF) Taxonomy

The SF Taxonomy adopts a broad perspective when defining the sustainable finance. In particular, sustainable finance is about integrating ESG issues into financial decision making, as well as reorienting 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. This definition employed by the NBG is in line with the EU , ICMA and G2021 definitions. The sustainable finance definition used in this taxonomy covers green finance (that includes climate finance) along with social finance.

04

Roles and Responsibilities

4.1. Roles and Responsibilities at TBC Level

Boards of Directors

The Board of Directors of TBC ensures the oversight and implementation of the Policy.

¹ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en; https://ec.europa.eu/info/sites/info/files/170713-sustainable-finance-report_en.pdf

² <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Sustainable-Finance-High-Level-Definitions-May-2020-051020.pdf>

³ https://g20sfwg.org/wp-content/uploads/2021/06/G20_Sustainable_Finance_Synthesis_Report_2018.pdf

Committees

The ESG and Ethics Committee support the Board of Directors in the implementation of the Policy at the TBC level. The role of the Committee is formalized to support and advise the Board of Directors in its oversight of the implementation of (i) strategy (ii) policies and (iii) programs of the Company and its subsidiaries in relation to Environmental, Social and Governance matters and ensuring that the ESG strategy is implemented across all relevant businesses of the Group. Furthermore, the ESG and Ethics Committee supports the Board of Directors in promoting its collective vision of values, conduct and culture and overseeing management’s efforts (i) to foster a culture of ethics (ii) appropriate conduct, and (iii) employee ethical engagement within the Group. The ESG and Ethics Committee meets at least four times per year Under the ESG oversight of the ESG and Ethics Committee are: a) periodical review of the Group’s ESG strategy, including climate strategy, as well as implementation plans and monitoring of its execution; b) oversee Group’s disclosures on ESG matters, including reporting in line with the TCFD principles, in the Annual Report and Accounts.

The Committee develops a monitoring system that provides evidence of how much progress has been made in the process of organizational change, identifies spots where reinforced efforts or new priorities are needed, and whether adjustments should be made to the working plan, for example, due to changes in external conditions.

4.2. Roles and Responsibilities at TBC Bank Level

Supervisory Board and Committees of the TBC Bank

Supervisory Board and respective committees of the TBC Bank supervise compliance with this Policy by the Management Board of the TBC Bank. In line with the Company’s “mirror boards” policy, the role of the Committee at the Supervisory Board is replicated.

The ESG and Ethics Committee assist the Supervisory Board in monitoring and evaluating compliance with this Policy by the Management Board of the TBC Bank.

The Committee develops a monitoring system that provides evidence of how much progress has been made in the process of organizational change, identifies spots where reinforced efforts or new priorities are needed, and whether adjustments should be made to the working plan, for example due to changes in external conditions.

Management Board

The Management Board ensures the implementation of the Policy in the bank. It is the responsibility of the Management Board to establish necessary committee(s) or organizational unit(s) and provide required resources.

Management Board ensures that involved employees are required to spend part of their working time on human rights mainstreaming in company’s operations. Where necessary, the job descriptions of employees have to be amended in order to reflect responsibilities related to human rights activities, defined by the Policy.

The management level committees

The ESG Committee at the executive management level supports the Management Board in the implementation of the Policy. The committees are led by a chairperson represented by a senior level management staff and comprises of members - mid-level management staff who are responsible for implementing the Policy in the areas of their responsibilities.

The ESG Committee develops a monitoring system that provides evidence of how much progress has been made in the process of organizational change, identifies spots where reinforced efforts or new priorities are needed, and whether adjustments should be made to the working plan, for example due to changes in external conditions.

ESG Coordination Department / ESG coordinator – a dedicated organizational unit/ person within the TBC Bank which/who coordinates the process of the climate action among involved parties, identifies opportunities for improvement and provides knowledge to respective parties.

Environmental and Social Risk Management Team - a full-time unit, dedicated to overseeing the implementation and operation of Environmental Management System. The Environmental and Social Risk Management Team is part of SME and Corporate Business Credit Risk Division.

ESG Competences Center – The Task Force on ESG matters, consisting of representatives from different functions of TBC Bank.

4.3. Roles and Responsibilities at Group Company Level

Management of the Group Company

The management of the Group Companies may decide on the respective governance structure for execution of this Policy. Management must designate a responsible unit/ function for the Policy implementation and ensure that respective unit/function develop action plans, if deemed necessary.

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Leadership for Climate Action

The climate action strategy is a part of the ESG Strategy that covers climate change, direct and indirect environmental impact, sustainable development across the group, customers, employees, suppliers and society, financial inclusion, employee relations and talent management, workplace diversity and inclusion. The ESG strategy sets targets for direct and indirect environmental impacts and social and governance matters for different time horizons.

The long-term aspirations are supported by different measures outlined in the ESG Strategy. The key components for the following years are listed below:

- Increase of the sustainable loan portfolio
- Implementation of the green loan framework which offers a tailored green financing for SMEs;
- Elaboration of approach for data collection, segregation and analysis;
- Elaboration of a methodology to calculate financed emissions;
- Measure the group's direct performance towards the Paris Agreement targets for the reduction of GHG emissions;
- Incorporation of ESG matters in the risk appetite
- ESG resource center for employees, customers and wider public to increase awareness and knowledge about the risks and opportunities of climate change.

TBC aspires to make its direct environmental impact net zero by 2025 and continue to develop the plan to enable its indirect environmental impact to also reach net zero as soon as practicable thereafter.

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Climate Change: Risks and Opportunities

Risks

The risks associated with climate change have both a physical impact arising from more frequent and severe weather changes and a transitional impact that may entail extensive policy, legal and technological changes to reduce the ecological footprint of the households and businesses. For the Group, both risks can materialise through the impairment of asset values and the deteriorating creditworthiness of customers, which could result in a reduction of the Group's profitability. The Group may also become exposed to reputational risks because of its lending to or other business operations with customers deemed to be contributing to climate change.

To identify, assess and manage risks associated with climate change, the Group introduced the overall climate risk assessment, the Group performed a general analysis to understand the maturity level of the ESG framework. The general analysis process covers the assessment of the existing policies and procedures, identification of areas for further development and gap analysis. Based on the analysis, the main focus areas are identified and reflected in the ESG strategy, considering the business strategy of the Group.

The Group implemented the Environmental Policy, including the Exclusion list of activities, which limits the overall exposure to the risks arising from climate changes. Our Environmental Policy is fully compliant with Georgian environmental legislation and follows international best practices (the full policy is available at www.tbcbankgroup.com).

Opportunities

We acknowledge the importance of sustainable lending and are actively involved in developing a standardized approach to sustainable finance, including energy efficiency, renewable energy and resource efficiency financing for our retail and business clients. These procedures will help the TBC Bank to identify green and environmentally friendly initiatives and encourage private companies to move to sustainable investment in their businesses, thus contributing to climate change mitigation and adaptation.

07

Monitoring and Reporting

Transparency and accountability, as well as measuring and reporting mechanisms are crucial to monitor and track performance and progress.

TBC Bank has established a comprehensive internal environmental system to manage and report its GHG emissions within the Group and is committed to reducing its GHG emissions by closely monitoring its consumption of energy, water, and paper. The guidelines for documenting environmental data were developed and the responsible staff was assigned to subsidiary companies to collect and provide the required data.

For its financed emissions, TBC Bank calculates the reduction of the GHG emissions within the Green Loan Framework, which provides a calculation tool to define the reduction of the GHG emissions by a particular green loan (at least 20% in comparison with the baseline).

At the TBC level, regular reporting to the ESG and Ethics Committee on climate-related matters shall be in place.

At the Group Company level, the internal reporting system has to be established in line with a respective organizational structure. Every Group Company shall deliver respective data in support of the reporting processes at the TBC and TBC Bank levels.

At the TBC Bank level, a system for regular internal reporting on climate-related matters shall be in place at the ESG Committee level.

In line with international best practices and regulatory requirements, TBC Bank shall incorporate the information about climate-related topics, as well as other related data in an annual / sustainability or other relevant reports and/or disclose publicly, e.g., on the Group's websites. The information can be disclosed as stand-alone document or can be integrated into existing reporting systems.

08

Awareness Raising and Training

Raising awareness and thereby understanding the effects of climate change will facilitate both behavioural change and societal support for the actions needed to reduce greenhouse gas emissions. Georgia's updated NDC also recognizes the importance of awareness-raising on climate change mitigation and adaptation process and plans to implement the respective measures. Therefore, TBC aims to increase understanding of the impact of climate change on business activities, the environment and society.

The Group develops awareness raising and training concepts in order:

- to raise awareness among customers about the climate-related opportunities and risks; furthermore, the Group seeks to equip representatives of businesses with basic knowledge about the approaches, tools, and mechanisms to identify and materialize opportunities and mitigate risks.
- to increase the expertise of TBC Bank staff regarding the climate-related opportunities, risks and other standards, as well as to equip our employees with the knowledge and skills on how to bring green and social products closer to customers and to make the community more conscious and raise their awareness of climate change risks and challenges.

Since education and awareness-raising are significant parts of the ESG strategy, TBC aims to design continuous climate-related training sessions and learning courses for employees and customers from different segments and sectors. The tailor-made courses and training sessions will strengthen Group's capacity, knowledge, and capabilities to manage climate-related risks across the business. TBC is focused not only on the internal capacity building but on the public awareness-raising of renewable energy, climate change adaptation and green financing opportunities. Therefore, we incorporate climate-friendly initiatives and campaigns to reach a broader audience, aiming to integrate climate-smart lifestyles and approaches into the society.

09

Internal and External Communication

9.1. Internal Communication

Responsible departments collect and monitor relevant information related to the company's climate action strategy, review this and related policies annually and provide information, advice, and assistance to managers and employees on climate change matters.

TBC will regularly report on the impact of climate action strategy, action plans and measures to improve accountability to commitments made and ensure progress and results. It will also collect reliable and measurable data to measure and report on progress achieved in promoting climate-related best practices.

TBC will conduct communication activities and disseminate information among company staff using all effective channels for internal communication.

9.2. External Communication

Climate action strategy can be a visible part of TBC's external identity and self-portrayal that clearly emphasizes the importance of this issue for both the organization's personnel and their respective target group audience. Progress on climate action strategy should be communicated to all stakeholders. The communication could reveal evidence of the effectiveness of the implementation of good practice and could yield more effective activities and measures. Thus, it is necessary to communicate and sustain all results achieved through all possible channels such as meetings, public events, workshops, and dialogues, as well as documents, notice boards and marketing materials.

TBC is committed to:

- address climate change and related topics as important parts of the organization's objectives
- highlight this commitment on the organization's website or in its publications

Engaging with stakeholders and the communities in which the company operates to promote climate action - is another important way of economic empowerment. By sharing the knowledge, skills, and resources of the company with local organizations, cooperatives, schools, or projects TBC contributes to sustainable development of the societies in which it operates.

TBC should develop an annual plan for communication programs that make valuable, effective, and responsible contributions to climate action. We are committed to contributing to climate change mitigation and adaptation and improve opportunities for people by supporting business development.

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Related Policies

A number of internal policies and procedures support our Policy on Climate Change.

These include our:

- Code of Conduct;
- Code of Ethics;
- Human Rights Policy
- Diversity, Equality and Inclusion Policy;
- Incident Response Policy (Whistleblowing Policy);
- Environmental Policy;
- Exclusion List of Activities

These documents, as well our annual and sustainability reports are available on our website www.tbcbankgroup.com

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Changes to this Policy

We keep this Policy under regular review. Historic versions (if any) can be obtained by contacting ESG Coordinator or Board Secretary (where necessary).

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Definitions

Staff: all employees, part-time and full-time workers, directors, and members.

Group Companies: TBC Bank Group PLC, TBC Bank, and any company or legal entity, including branches and representative offices, of which TBC Bank Group PLC, directly or indirectly, owns more than 50% of the issued share capital, has 50% or more of the voting power at general meetings of shareholders, has the power to appoint or remove the majority of the member of the board of directors or equivalent governing body or cast the majority of votes at meetings of the board of directors or equivalent governing body.

TBC: TBC Bank Group PLC and its Group Companies

TBC Bank: JSC TBC Bank

ESG: Environmental, Social, and Governance

ESG and Ethics Committee: Respective Committee established and governing ESG and Ethics matters

ESG Committee: Respective Committee established and governing ESG matters

Board: Board of Directors of TBC Bank Group PLC

Supervisory Board: Supervisory Board of Joint Stock Company TBC Bank

