



SUSTAINABILITY REPORT 2022

SECURING A SUSTAINABLE FUTURE



INTRODUCTION

We are pioneering sustainability practices in our business activities and across our portfolio and are constantly seeking new ways to improve our performance.

Georgia Capital PLC (“Georgia Capital” or “GCAP” or “the Company” – LSE: CGEO LN) is a platform for buying, building and developing businesses in Georgia and monetising investments, as they mature. Georgia Capital PLC holds 100% of the share capital of JSC Georgia Capital (“JSC GCAP”), which together make up a group of companies (the “Group” or “GCAP HoldCo”). This Sustainability Report aims to provide material and relevant information on the developments in the Group and its portfolio companies’ environmental, social and governance (ESG) practices for the financial year ending 31 December 2022 and should be read in conjunction with our Annual Report and Accounts 2022 and the relevant policies available on the Company’s website.

In order to effectively manage the Group’s direct and indirect impact on society and the environment, the Board of Directors has adopted a Code of Conduct and Ethics, as well as policies concerning climate change, environmental and social matters, employees, anti-corruption and anti-bribery. We invite you to read more about our policies, practices and initiatives in the sections below.

 Copies of the Code of Conduct and Ethics policies can be found at <https://georgiacapital.ge/governance/cgf/policies>

Photo Caucasus Mountains, Georgia

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GEORGIA CAPITAL AT A GLANCE

Georgia Capital is a platform for buying, building and developing businesses in Georgia with holdings in sectors that are expected to benefit from the continued growth and further diversification of the Georgian economy.

The Group’s focus is typically on capital-light, larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 300 million equity value over three to five years from the initial investment and to monetise them through exits, as investments mature.

As a Group, we are committed to a long-term investment strategy and building effective relationships with those businesses in which we invest. We maintain close relationships with the management of our private portfolio companies and as a consequence of our involved investment style, we manage our portfolio companies in the best interests of our shareholders and other stakeholders, fostering long-term relationships by providing high returns on investment. Additionally, we seek to contribute to wider society by encouraging the continuous development of our employees and contributing to the economic and social welfare of local communities while taking into account our environmental footprint. With a portfolio of GEL 3.2 billion, we recognise that our decisions as a Group potentially impact a broad range of stakeholders, particularly within Georgia.


As an investment holding company with c.45 employees, Georgia Capital has a limited direct impact on the environment and the community in which it operates. However, we understand that the indirect impact of our investment undertakings might also be an important consideration for our stakeholders.

To ensure the Group’s commitment to sustainable finance, as an integral component of responsible corporate governance, we follow our Environmental and Social Policy. The Group is committed to conducting its business in an environmentally, socially responsible and sustainable manner in order to reduce the environmental impact of its operations, while at the same time improving social performance to enhance long-term returns to its shareholders. Georgia Capital is also dedicated to achieving its strategic and investment objectives while behaving responsibly as an employer and as an international corporate citizen.

GEORGIA CAPITAL CURRENTLY HAS THE FOLLOWING PORTFOLIO COMPANIES:

TOTAL PORTFOLIO
Value: GEL 3,199m

LISTED AND OBSERVABLE PORTFOLIO
Value: GEL 985m
30.8% of the total portfolio value




BANK OF GEORGIA

Value: GEL 830m
26.0% of the total


PRIVATE PORTFOLIO
Value: GEL 2,213m
69.2% of the total portfolio value

LARGE PORTFOLIO COMPANIES
Value: GEL 1,438m, 44.9% of the total portfolio value




RETAIL (PHARMACY)

Value: GEL 725m
22.7% of the total



HOSPITALS


Value: GEL 433m
13.5% of the total



INSURANCE (P&C AND MEDICAL)


Value: GEL 280m
8.8% of the total

INVESTMENT STAGE PORTFOLIO COMPANIES
Value: GEL 501m, 15.7% of the total portfolio value




WATER UTILITY

Value: GEL 155m
4.8% of the total




RENEWABLE ENERGY

Value: GEL 225m
7.0% of the total




EDUCATION

Value: GEL 164m
5.1% of the total



CLINICS AND DIAGNOSTICS

Value: GEL 112m
3.5% of the total



OTHER BUSINESSES

Value: GEL 274m
8.6% of the total

CHAIRMAN AND CEO STATEMENT



Irakli Gilauri
Chairman and Chief Executive Officer

**“OUR PORTFOLIO IS
CONCENTRATED ACROSS
STRUCTURALLY IMPORTANT
INDUSTRIES IN GEORGIA,
CONNECTING US TO THE
COUNTRY’S SUSTAINABLE
DEVELOPMENT.”**

2022 was a year of significant developments in our sustainability journey. As a group with a solid track record of investing and managing our portfolio responsibly and as the largest employer in the Georgian private sector, I am honoured to present to you our second Sustainability Report. Our Group is trusted with improving the future of our community by building the sustainable businesses of tomorrow. Our clear and proven governance model and an extensive network of top-quality talent enable us to play a major role in the region’s sustainable development. Our approach to ESG matters is reflected in the strategy and management principles of our portfolio companies, all of which adhere to sound ESG standards, as well as local policies and regulations.

In 2022, Georgia Capital presented the updated strategy, which puts ESG at the heart of its business operations. In addition, GCAP introduced its strategic priority to set measurable ESG targets at both GCAP HoldCo and portfolio company levels, which has been successfully executed by committing to the Net-Zero Initiative. The ESG targets enhance GCAP’s strategy and once again demonstrate the important role of Georgia Capital in the country’s sustainable development journey.

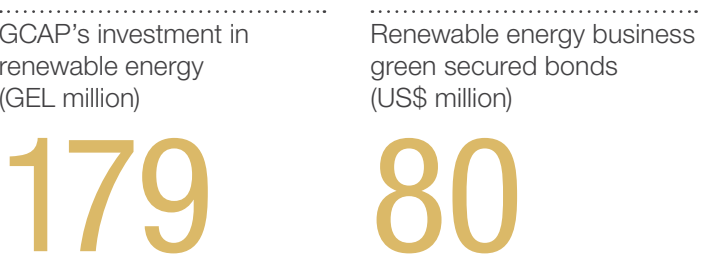
On the portfolio company level, our renewable energy business successfully placed US\$ 80 million green secured bonds on the local market. A second-party opinion from a leading provider of the ESG research and analysis approved the framework. This is the second successful issuance of green bonds from the business.

In 2022, the Group submitted its first CDP climate-change questionnaire and demonstrated its willingness to enhance ESG transparency on well-established ESG platforms.

Since 2008 our businesses have supported investments in socially and environmentally oriented businesses, in particular, the Georgian healthcare sector. Georgia’s healthcare was formerly in need of significant investment, with a vast network of decaying hospital infrastructures and a critical undersupply of nursing staff. Georgia Capital entered the healthcare market with the aim of modernising healthcare infrastructure, closing service gaps in the country that forced patients to seek treatment abroad and increasing the overall quality of care. Over the last ten+ years, the businesses have spent nearly GEL 800 million (US\$ 320 million) on upgrading the Soviet-era facilities from their former decrepit state and building new hospitals and clinics outfitted with modern equipment. As a result, we have contributed to the development of the Georgian healthcare system and our society as a whole. Today our healthcare businesses are the market leaders in the country in each operating segment: hospitals, accounting for 15% of the country’s total hospital bed capacity; clinics, with 21% by registered patients; retail (pharmacy), with 35% market share by revenue; and medical insurance, with 19% market share based on 9M22 net insurance premiums.

Georgia Capital diligently continued investing in socially responsible sectors such as education, supporting the development of the younger generations, and renewable energy, increasing green energy production which reduces Georgia’s environmental footprint. Our efforts in these, and other sectors, further enhance our community’s well-being.

Through its green projects, our renewable energy business supports climate change mitigation, natural resources conservation and pollution prevention, thereby contributing to the transition towards a more sustainable and lower-carbon economy in Georgia. Over the years, Georgia Capital has invested GEL 179 million in its renewable energy business, which operates three wholly-owned commissioned renewable assets. In addition to the existing production capacity of 71MW, the business has a pipeline of up to 172MW renewable energy projects in advanced stages of development. Going forward, the launch of the pipeline hydro power plants (HPPs) and wind power plants (WPPs) will enhance our renewable energy business’ contribution to green energy production development.



CHAIRMAN AND CEO STATEMENT CONTINUED

Our education business has made a significant contribution to the country's education system and society as we acknowledge the positive impact of educational opportunities. With total investments of GEL 77 million to date, we deliver high-quality education at every price point across our partner schools. We aim to make education available to a wider group of learners and support the development of younger generations. From the available capacity of 5,670 learners as of December 2022, the Group has set targets to scale up the business to 22,000 learners by 2025, with the majority of the scale-up to be attributable to the affordable segment. Since the commencement of the expansion programme in the education business, the business has added 2,860 learner capacity as of December 2022. One of our priorities is to create a safe and comfortable learning environment for our learners, and we are actively involved in infrastructure improvement through campus renovations and updated facilities.

Despite forming a small share of our total portfolio, our subscale portfolio companies also have a substantial positive impact on ESG matters. Our periodic technical inspection (PTI) business represents the largest network of mandatory PTIs

throughout Georgia, accounting for 37% of the existing market. The business is directly engaged in the reduction of greenhouse gas (GHG) emissions and road accidents in Georgia. In 2022, the business conducted more than 289,000 primary technical inspections, while the failure rate stood at 29%, compared to a 52% failure rate in 2019. Approximately half of the failed cases during inspections were attributable to the excess exhaust emissions of the vehicles. The declining failure rates underline positive developments in relation to GHG emissions reduction and contribute to the improved ecological environment.

Georgia Capital together with its portfolio companies is the largest employer in the Georgian private sector, comprising more than 19,100 individuals as of December 2022. A key factor in our success is a cohesive and professional team, capable of accomplishing the Group's objectives. We are committed to attracting and identifying the best professionals, caring and planning for their needs, investing in their development and fostering their commitment to our business.

Outlook

With ESG a rapidly developing area, we strive to demonstrate the resilience of the Group by focusing on strengthening our ESG strategy, reassessing the previously identified ESG challenges and opportunities, while simultaneously integrating the findings into our business operations.

“AT GCAP, ESG IS NOT ONLY A PROMISE ABOUT THE FUTURE – OUR INVESTMENTS TODAY PROMOTE GEORGIA'S SUSTAINABLE DEVELOPMENT.”

Photo Svaneti, Georgia

2022 IN BRIEF

- 6 Committing to the Net-Zero Future
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SECTION HIGHLIGHTS

01

Delivery on the strategic priority

Georgia Capital achieved its strategic priority of setting measurable ESG targets and established the ESG action plan.

02

Committing to the Net-Zero Initiative

Georgia Capital committed to the Net-Zero Initiative and expressed its willingness to reach Net-Zero across Scope 1 and 2 emissions by 2050.

03

First ever green bond on the Georgian Capital Market

Our renewable energy business successfully placed first ever green bond on the local market.

COMMITTING TO THE NET-ZERO FUTURE

At the 2022 Investor Day, Georgia Capital presented its updated strategy, which considered the enhancement of ESG matters in the Group's core operations.

In addition, GCAP introduced its strategic priority to set measurable ESG targets at both GCAP HoldCo and portfolio company levels, which has been successfully executed over the course of 2022.

In order to deliver on its strategy and drive change toward a sustainable future, in 2022, Georgia Capital and its portfolio companies deployed resources for developing relevant ESG roadmaps for the GCAP HoldCo and portfolio companies. The process considered a comprehensive analysis of the relevant ESG frameworks and guidelines, as well as determining the materiality of ESG matters across the business operations.

Amid the comprehensive analysis of the frameworks and regular discussions with international experts, Georgia Capital achieved its strategic priority of setting measurable ESG targets, which are based on the Net-Zero Initiative, and established the ESG action plan.

THE ESG ACTION PLAN DEVELOPMENT COMPRISED THREE STAGES

01 AWARENESS

Informational sessions were organised with portfolio companies' management teams to raise awareness of ESG matters. The takeaways of the sessions were disseminated along with further study materials to relevant departments across our private businesses.

02 ENGAGEMENT

Georgia Capital with its portfolio companies then commenced the target-setting process. The Group devoted significant resources to assess the relevant ESG frameworks and guidelines. The process was accompanied by various discussions with international ESG experts, and determined ESG materiality across our businesses as well as the execution of various qualitative and quantitative analyses.

03 ESTABLISHMENT

The findings of the assessments led to the establishment of GCAP Group's ESG roadmap. The roadmap ensures the alignment with the Net-Zero Initiative and demonstrates our devotion to a sustainable future.

COMMITTING TO THE NET-ZERO FUTURE CONTINUED

Georgia Capital is committing to the Net-Zero Initiative.

We commit to reaching Net-Zero across Scope 1 and 2 emissions on both, GCAP HoldCo and portfolio company levels by 2050.

GCAP's capital-light investment strategy supporting the net-zero transition.



ACHIEVING NET-ZERO BY 2050

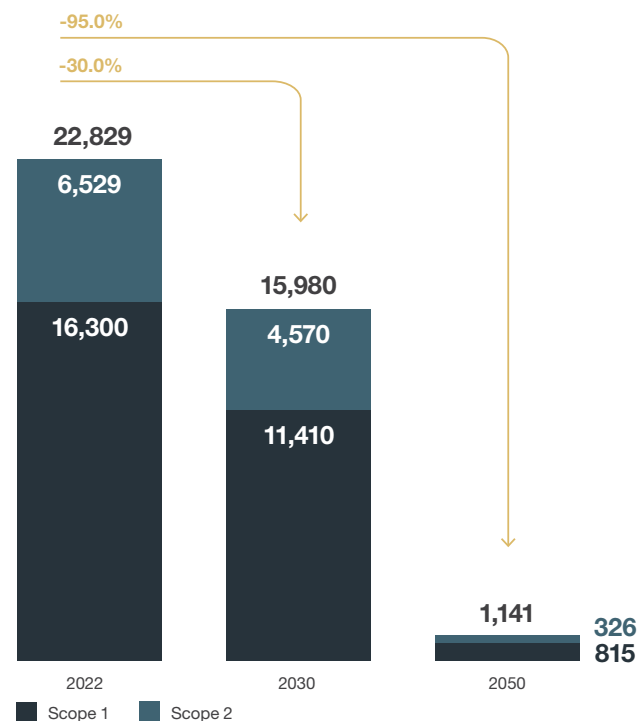


CONTRIBUTING TO THE PARIS AGREEMENT



COMPLIANT WITH THE NATIONAL DETERMINED CONTRIBUTION OF GEORGIA

GCAP HoldCo and portfolio companies' aggregated Scope 1 and 2 emissions reduction targets (tonnes CO₂e)



2030

30% reduction in Scope 1 and 2 emissions by 2030*.

* Compared to base year, 2022.

2050

95% reduction in Scope 1 and 2 emissions by 2050** and becoming Net-Zero.

** Compared to base year, 2022.

For details on environmental targets please refer to the section “Metrics and targets” in our TCFD disclosures on pages 45-46.

COMMITTING TO THE NET-ZERO FUTURE CONTINUED

In 2022, Georgia Capital significantly increased its focus on impact investing, an approach enabling the Company to create a significant positive impact on the environment and society while providing high financial returns on investment.

In order to act on the impact investing, the Group aligned its business operations with the UN Sustainable Development Goals (SDGs).

Currently, both GCAP HoldCo and portfolio companies commit themselves to an individual set of SDGs, most suitable to their business operations, accompanied by relevant ESG targets. SDGs cover all businesses and activities across Georgia Capital and guide the Group in conducting business activities in a sustainable manner as they track their performance against the targets.

ESG targets at GCAP HoldCo level:

	Target by 2050	2022 value	Reference
ENVIRONMENTAL	Carry out annual carbon reporting	28,179 tCO ₂ e	Emission Disclosure and Calculation Methodology
	Assess carbon footprint of 100% of the portfolio companies	28,031 tCO ₂ e	Emission Disclosure and Calculation Methodology
	Assess exposure to physical and transition climate change risks and opportunities for 100% of the portfolio companies	Yes	TCFD disclosures, strategy section
SOCIAL	Conduct staff satisfactory surveys annually	Yes	Our Employees
	Hold regular workforce engagements directed at talent development	Yes	Our Employees
GOVERNANCE	Establish ESG committees across the portfolio companies	–	–
	Establish formalised ESG transformation roadmaps across the portfolio companies	–	–
	Review every investment opportunity using GCAP’s exclusion list and identify the most material ESG risks and opportunities	Yes	Responsible Investment Policy
	Review GCAP’s exclusion list annually	Yes	Responsible Investment Policy
	Review and strengthen the Group’s policies annually	Yes	Governance Matters

AT THE HOLDING COMPANY LEVEL
GCAP IS COMMITTED TO THE
FOLLOWING SDGS:



For the portfolio companies’ individual SDGs please refer to page 29.

DEBUT GREEN BOND ISSUANCE ON THE LOCAL MARKET

Our renewable energy business successfully issued an inaugural US\$ 80 million green secured bonds on the local capital market.

In 2022, our renewable energy business issued US\$ 80 million green secured bonds on the local market. The business obtained a second-party opinion from Sustainalytics, a leading provider of ESG research and analysis, for its Green Bond Framework.

The business' Green Bond Framework is in line with four core components of ICMA's Green Bond Principles 2021:

- **Use of Proceeds:** investments in the eligible category are expected to support the increase in the share of renewable energy generation in Georgia and advance the UN SDGs, specifically SDG 7 – Affordable and Clean Energy.
- **Project Evaluation and Selection:** under the framework, our renewable energy business' Green Bond Committee will be responsible for reviewing and approving the eligible projects. The business has developed its Environmental & Social Management Systems to identify and address the environmental risks associated with eligible projects.

- **Management of Proceeds:** proceeds were allocated immediately after issuance, in line with market practice.

- **Reporting:** the business is committed to providing allocation and impact reporting via an external report which will be published on its website on an annual basis until the full allocation of proceeds. Additionally, the business will, where feasible, report on relevant impact indicators, including GHG emissions avoided in tCO₂e, along with the impact calculation methodology. Sustainalytics views Georgian Renewable Power Operations' (GRPO) allocation and impact reporting as aligned with market practice.

This is the second issuance of green bonds from the business. In July 2020, Georgia Global Utilities JSC, then the holding company of the Group's operational renewable energy assets and water utility business, issued US\$ 250 million green bonds. The bonds were listed on the Global Exchange Market of the Irish Stock Exchange.

ENHANCING OUR ESG TRANSPARENCY

To further enhance the ESG transparency, in 2022 Georgia Capital submitted its first climate change questionnaire for scoring to the CDP platform.

The CDP disclosure system enables stakeholders to get comprehensive information about Georgia Capital’s approach to climate change mitigation. The questionnaire submission process enabled us to reassess the climate-related risks and opportunities, and most importantly, track and benchmark our sustainability progress. Disclosing through the third-party platform further enhances GCAP’s ESG disclosure transparency.

Our first CDP score – C

Georgia Capitals’ full CDP climate change report is available at: <https://www.cdp.net/>

SOCIAL MATTERS

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- 21 Diversity

CASE STUDY

SUPPORT FOR VICTIMS OF THE RUSSIA-UKRAINE WAR

To express solidarity and support for the Ukrainian people, the hospitals and clinics businesses initiated a campaign to provide free medical consultation and emergency medical care for the Ukrainian citizens in Georgia who escaped the war.

■ Read more on [page 13](#)



PROMOTING LOCAL COMMUNITY

The Group considers the interests of its main stakeholders, including the local communities and the impact on the wider Georgian community, when developing the strategy and the processes to improve its operations. We adhere to our Environmental and Social Policy and we strive to contribute to society through our business activities by developing and investing in socially-oriented products and services, implementing responsible approaches to our business operations, sponsorship and charitable activities.

Georgia Capital and its portfolio investments are committed to playing a positive role in our local community, as shown in the case studies in this report.



CASE STUDY

HOSPITALS BUSINESS, THE SOLE PROVIDER OF PAEDIATRIC ONCOLOGY SERVICES IN GEORGIA

Our hospitals business is the sole provider of paediatric oncology services in Georgia, which supports children with different oncology disorders free of charge under the Government-subsidised programme. In 2022, 219 patients with different types of cancer (solid tumours, leukaemia, lymphomas, etc.) received the necessary treatment.

SPONSORSHIP AND CHARITY

In 2022, the Group and its portfolio companies spent a total of GEL 2.6 million in financing sponsorship and charitable activities. As part of the sponsorship and charitable activities, the Group continues to focus on promoting and enhancing access to education, conserving nature, supporting people with disabilities and special needs, and facilitating innovative projects that focus on social good. The sponsorship and charity activities encourage partnerships with various foundations and non-governmental organisations (NGOs) to deliver sustainable results and bring positive change. In doing so, we follow our undertakings in respect of social and community matters as set out in our Environmental and Social Policy.

Georgia Capital continued to support the Fulbright programme in 2022 and covered the education and travel expenses of one high-achieving student. The selected winner was given the opportunity to pursue a master's degree at a top US university.

In 2022, Georgia Capital continued the sponsorship programme to support the Caucasus Nature Fund (CNF), whose purpose is nature protection in the South Caucasus. The fund helps to support the effective long-term management of the nature in the biologically rich, protected territories of Armenia, Azerbaijan and Georgia. GCAP contributes GEL 10,000 annually under the programme.

In 2022, our portfolio contributed approximately GEL 1.4 million for the support of Ukrainian citizens impacted by the Russia-Ukraine war.

Our pharmacy chain, GPC actively engaged in different charitable programmes and projects to support the well-being of Georgian citizens.

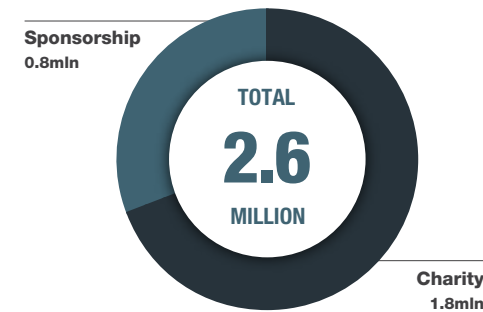
GPC continued its efforts in supporting children with oncology problems, children with leukaemia, people with disabilities and those in poverty, through organisations such as Monk Andrew's Foundation, Mothers' Foundation and Volunteers for Humans.

In 2022, the renewable energy business was actively engaged in charity and sponsorship activities. The charitable activities were mainly directed to support the needs of local communities in the mountainous region of Georgia, Mestia (Svaneti). To support a healthy lifestyle, our renewable energy business sponsored one of the most popular annual mountain skiing competitions in Svaneti – Tezo's cup.

Schools in our education business were also actively involved in social projects and activities. The business regularly holds blood donation days and helps to maintain the schools' surrounding areas as well as different locations around Tbilisi. Our junior students organise charity trips to orphanages. Charitable activities of the British International School of Tbilisi (BIST) included:

- Roddy Scott Foundation (Pankisi) – donation of winter clothes from parents and employees.
- Caritas – donation of non-perishable food from parents and employees.
- Kera House – fundraising to purchase domestic items.
- UNHCR refugee centre – purchase of sports gear.
- World AIDS Day – local AIDS charity donation.
- Georgian Down Syndrome Association – funds raised throughout the year.
- Georgian Red Cross Society – funds raised throughout the year, accompanied by the awareness day.
- Red Box project for disadvantaged children in Chiatura – educational gifts.

Total sponsorship and charitable expenditure of the Group and portfolio companies (GEL million)



CASE STUDY

SUPPORT FOR VICTIMS OF RUSSIA-UKRAINE WAR

To express solidarity and support for the Ukrainian people, the hospitals and clinics businesses initiated a campaign to provide free medical consultation and emergency medical care for the Ukrainian citizens in Georgia who escaped the war. A 24-hour hotline was launched and a wide range of medical services and remote consultations have been provided in all of our 16 hospitals and 33 clinics. In total, the hospitals business provided GEL 211,523 medical services, free of charge, to 862 Ukrainians. 1,900 Ukrainians received free medical services from the clinics business, totalling over GEL 325,000. Our retail (pharmacy) business gave every Ukrainian citizen who stayed in Georgia GEL 100 pharmacy vouchers. In total, more than 10,000 vouchers were distributed.

For Ukrainians who could not flee their country, our retail (pharmacy) and hospitals businesses mobilised humanitarian aid, including medications, hygiene, baby care and food products, which was sent to Ukraine. In addition, our retail (pharmacy) business initiated a project, which enabled customers to donate items to the dedicated foundation helping Ukrainian citizens.

1,900

Ukrainians received free medical services from our clinics business.



SPONSORSHIP AND CHARITY CONTINUED

CASE STUDY

MAKING HEALTHCARE AFFORDABLE FOR THE ONES IN NEED

Our healthcare businesses dedicated resources to making healthcare services accessible to people in need. In 2022, the business carried out 12 different free screening programmes for up to 27,348 patients. Such free-of-charge medical check-ups and screening programmes include managing tuberculosis, cancer screenings, hepatitis C screening and antenatal programmes. At our hospitals, specialists deliver free medical services, including examination and treatment of socially and economically disadvantaged groups of the population. Additionally, during the year our hospitals business spent up to GEL 1.2 million on providing free medical services to socially and economically disadvantaged groups. In cooperation with other healthcare institutions, the business also arranges free blood transfusions for inpatients. The hospitals business also continued to support Georgian Solidarity Fund beneficiaries with free medical services at our facilities. In 2022, up to 120 beneficiaries received free medical check-ups at our facilities. The business also offered a 20% discount on all of our healthcare services to a charitable fund supporting children diagnosed with leukaemia and cancer.

Our clinics business is a major provider of primary healthcare in Georgia, holding 21% of registered patients. Through the expansion of its chain to remote towns the business aims to increase healthcare accessibility and promote primary

care in the country. In this regard, in 2022, the business initiated the campaign “For You”, which aims to raise awareness of the products/services provided especially for children, students and retired individuals. Under the campaign GEL 100 vouchers were distributed and a 30% discount was offered on every check-up package.

As part of an ongoing project of joint social responsibility of our clinics business and Liberty Bank, pensioners and socially vulnerable people received discounts on dental services. The services are accessible in 33 clinics in six regions of Georgia. Since its start in January 2020, the project benefitted around 30,000 patients, who received around 140,000 discounted services.

Our retail (pharmacy) business supports activities to address the increasing prevalence of diabetes in Georgia by offering free diabetes screening in more than 150 pharmacies throughout the country and a 50% discount on test strips for patients with diabetes. The business also helps patients with chronic diseases to get accessible and affordable care by offering special prices at our pharmacies on the medication they need on a regular basis.



GEL 1.2m

spent providing free medical services to the socially and economically disadvantaged groups.

30,000

pensioners and socially vulnerable people received discounted services from our large-scale project of joint social responsibility with Liberty Bank.

27,348

Patients received free-of-charge medical check-ups.

PROMOTING AND ENHANCING A HEALTHY LIFESTYLE

Georgia Capital acknowledges the importance of a healthy lifestyle for its employees. Our hospitals business initiated several activities in 2022, including sponsorship of medical TV programmes to reach a wider population in order to raise health awareness and promote healthcare practices. In 2022, GEL 242,000 was spent by our hospitals business on financing TV programmes (GEL 97,000 in 2021 and GEL 76,800 in 2020).

Our pharmacy chain, GPC, commenced a project to encourage a healthier lifestyle for young people. The business renovated and equipped four basketball playgrounds in different districts of Tbilisi. The project will continue in 2023. To further support young professionals, GPC also sponsored a basketball tournament held in Tbilisi and signed a sponsorship memorandum with one of the basketball clubs.

Our clinics business launched the project “Healthy Club” in collaboration with Bank of Georgia (BoG). The programme supports the healthy lifestyle initiative and offers up to 50% discounts on medical services to BoG’s loyalty programme customers and BoG employees. A total of 40,000 services were provided by clinics to over 11,000 Healthy Club members in 2022.

Our P&C insurance business promoted safer driving with a project that offered eligible drivers a chance to receive up to a 30% price discount on their car insurance policy premiums.

Promoting a healthy lifestyle is at the core of our education business. BIST and British Georgian Academy (BGA) continue to promote healthy lifestyles through their academic and non-academic programmes. All students participate in compulsory sports lessons twice a week and all primary students must complete at least one sporting after-school activity per week. The schools continue to work extensively with the cafeteria to provide nutritious food. To promote a vegetarian lifestyle, BIST and BGA adopted Meat Free Mondays.

CASE STUDY

EKIMO, THE LARGEST DIGITAL HEALTHCARE PLATFORM IN THE COUNTRY



EKIMO is an innovative, independent and fully-integrated digital healthcare platform that combines all components of primary healthcare: doctors, clinics, laboratories, radiology units, retail pharmacies and medical insurance. The application was launched in March 2020 and is open to any healthcare service provider or health product seller in the country. EKIMO is free for all users and provides quick and easy access to the entire healthcare ecosystem, such as booking doctor’s appointments, online payments, online consultations and pharmacy delivery. Since its launch, EKIMO’s network has expanded to 1,216 doctors from 96 different clinics, half of which are independent, third-party clinics. In 2021, EKIMO won the Gold Award in the Environmental & Social Innovation category at the European Bank for Reconstruction and Development (EBRD) Sustainability Awards.



CASE STUDY

MANAGING THE COVID-19 PANDEMIC IN GEORGIA

Since the onset of COVID-19, our hospitals and clinics businesses played a significant role in managing the pandemic in Georgia.

To support the Government and the patients affected by COVID-19, in last two years the hospitals and clinics businesses mobilised seven hospitals and 12 community clinics, respectively, with a total aggregate number of c.1,100 beds.

The COVID hospitals and clinics were equipped with isolated wards, intensive care and critical care units, to treat COVID-19 patients across Georgia. Employees of our hospitals and clinics were given comprehensive training sessions based on the recommendations provided by the Georgian National Center for Disease Control (NCDC). The COVID-19 facilities were operating from the onset until March 2022, when the COVID situation stabilised in the country.

Since the inception of COVID-19, our hospitals and clinics businesses served 22,229 COVID-19 patients and trained 7,595 medical personnel.

Our diagnostic facilities, including “mega lab”, conducted c.300,000 COVID-19 tests, covering 4% of the country’s total population.

The hospitals and clinics businesses promoted and supported the Government in the COVID vaccination programme. Vaccination cabinets have been allocated in the hospitals businesses’ 17 facilities and in 31 of our clinics.

22,229

COVID-19 patients served in our hospitals and clinics since the pandemic started.



PROMOTING AND ENHANCING A HEALTHY LIFESTYLE CONTINUED



60

Within the scope of this project, Aldagi collaborates with c.60 Georgian startups and c.5 social enterprises.



CASE STUDY

MAKING INSURANCE PRODUCTS AND SERVICES AVAILABLE DIGITALLY

To ensure business continuity and accessibility, and to reduce waste and support the safety of employees and society, our P&C insurance business, Aldagi, launched and has now completed its Digital Transformation Project, making all of its services and products available digitally.

With the help of artificial intelligence and blockchain technology, the company offers fully-digital services to its customers. The application identifies the user, applies artificial intelligence and allows an electronic insurance policy to be issued in the client's name without physical contact or document exchange. The digitalisation of services and products significantly reduced the environmental impact and made the user experience safe and enjoyable.

The digital transformation was well-received by the public. Moreover, Aldagi was acknowledged by the UN Global Compact Georgian Network and won the nomination of "Industry, Innovation and Infrastructure" at the Corporate Responsibility Awards.

After its first successful digital project, Aldagi launched its sub-brand, "Backapp", which is the first insurance application available for Android and iOS operating systems in Georgia, offering car insurance policies online. The application was designed to raise awareness of safe driving and the importance of having auto insurance.

With its sophisticated technological resources, in 2022, Aldagi launched its online platform (<https://athome.aldagi.ge/>) with the aim to encourage social entrepreneurship and responsible consumption, whilst simultaneously supporting Georgian startups and social enterprises.

OUR EMPLOYEES

Recruiting, developing and retaining talent is one of our most important priorities. We work towards that objective by communicating openly with our employees, providing training and opportunities for career advancement, rewarding our employees fairly and encouraging employees to give direct feedback to senior management. We recognise the importance of providing a supportive working environment with a healthy work-life balance for all our employees, both at the holding company level and across our portfolio companies. A key factor in our success is a cohesive and professional team, capable of accomplishing the Group's objectives. We are committed to attracting and identifying the best professionals, caring and planning for their needs, investing in their development and fostering their commitment. The Group developed and implemented human resource (HR) policies and procedures which promote the key principles, areas, approaches and methods that are crucial for building Human Capital Management systems at each business level and at Georgia Capital level in line with the above-mentioned policies.

WE MAINTAIN A GROUP-WIDE CODE OF CONDUCT AND ETHICS FOR OUR EMPLOYEES AND OTHER EFFECTIVE HR POLICIES AND PROCEDURES COVERING MATTERS SUCH AS:

- Staff administration, compensation and benefits.
- Recruitment, development and training.
- Diversity and anti-nepotism.
- Succession planning, departure and dismissal.
- Grievances.

We are committed to employee engagement and we believe that effective communication is key. We strive to provide our employees with a continuous flow of information, which includes our corporate culture, the Group's strategy and performance, risks relating to its performance, such as financial and economic factors, and our policies and procedures. We provide information in a number of ways, including via managers, presentations, email, intranet and regular off-site meetings. There are feedback systems, such as employee satisfaction surveys and a designated Non-Executive Director for workforce engagement at the Board level, which ensure that the opinions of our employees are taken into account when making decisions that are likely to affect their interests.

In 2022, we conducted our third employee satisfaction survey at the holding company level. According to the survey results, more than 92% of the participants enjoy working at Georgia Capital, more than 85% believe that their job responsibilities match their strengths, and more than 85% are highly or moderately satisfied with career growth opportunities at the Company. Survey participants also provided their recommendations on the following topics:

1. What Georgia Capital must continue to do;
2. What Georgia Capital must stop doing; and
3. What Georgia Capital must start doing.

The results of the survey were fed back to management.

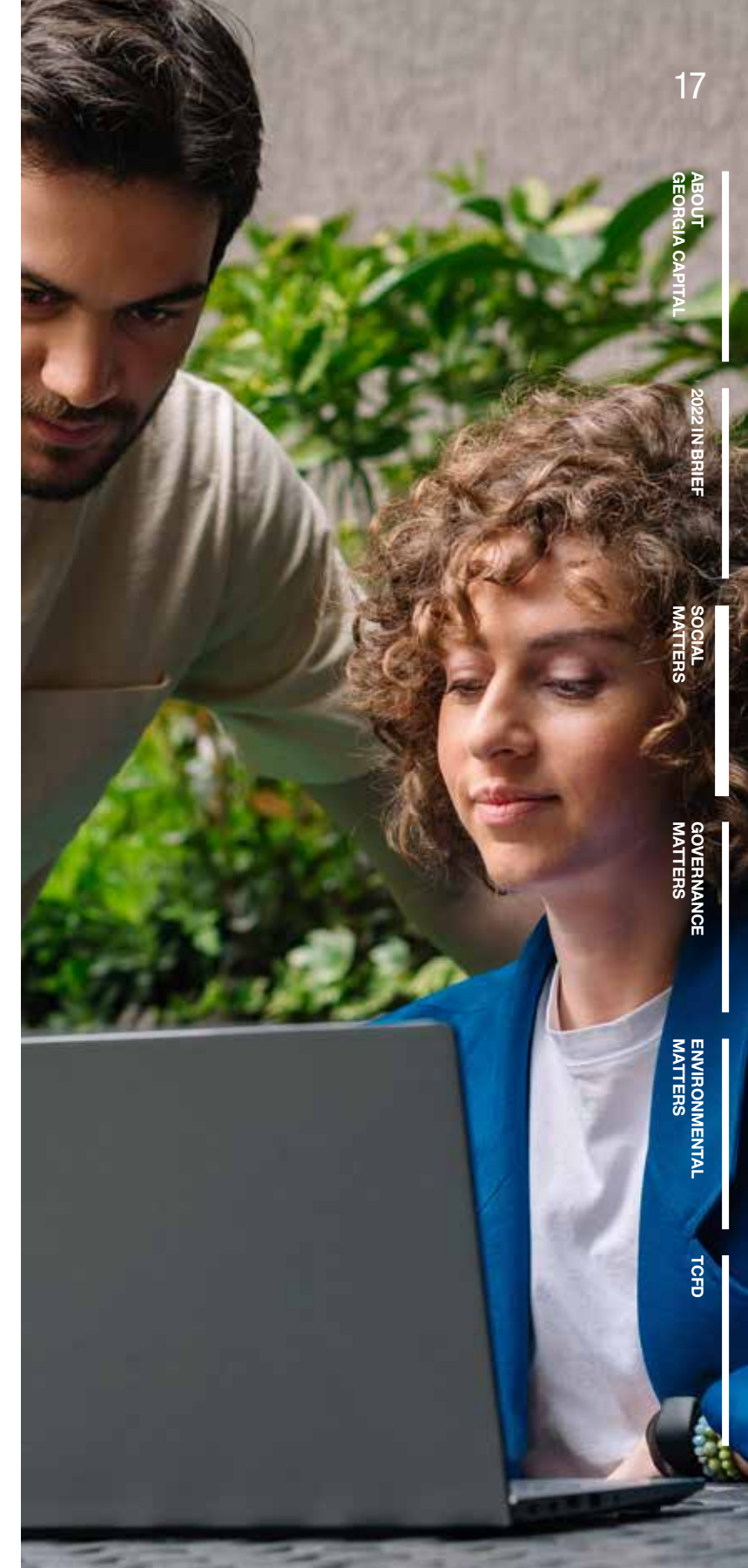
Despite the cessation of the pandemic, Georgia Capital maintains a hybrid working environment, since the practice showed that the hybrid approach fostered the well-being of the employees.

Georgia Capital values the exchange of upward, downward and peer feedback when it comes to performance management. Through the performance evaluation and talent management process, several staff members were identified and promoted in 2022.

In 2022, the Group conducted various team building activities. In October, the Group's middle and upper management teams participated in strategic meetings in Rome, which apart from the discussion sessions included the city tour and attendance at a football game. In December, a two-day off-site event was organised in which management updated Georgia Capital's staff on its strategy and goals. The off-site event also included various networking events.

92%

According to the annual staff survey, more than 92% of the survey participants enjoy working at Georgia Capital.



Talent Attraction, Training and Development

Sustained development of the Group’s businesses requires the strengthening of the teams, both by using the Group’s own significant internal resources through staff development and rotation and by attracting external candidates. Our Recruitment Policy and relevant control procedures ensure an unbiased hiring process that provides equal employment opportunities for all candidates. All employees at Georgia Capital are engaged under an employment contract and we do not use zero hours contracts.

To attract young talent, we actively partner with leading Georgian business schools and universities, participate in job fairs and run extensive internships locally and internationally. Georgia Capital continues its talent acquisition project for its Investment Officer positions which was launched in 2016.

To manage our employees in a way that best supports our business strategy and their professional growth, we seek to help them contribute to business performance through personal and professional development.

In 2022, the Company engaged Amandla UK Limited (Amandla) to facilitate a review of the Board’s effectiveness. The review was intended to look more closely at boardroom dynamics.

The assessment included a series of qualitative diagnostic interviews designed to ascertain from each of the Board members several different components:

- 1. The individual strengths of each member.
- 2. The areas which other Board members felt there could be a greater contribution.
- 3. The dynamics in the team that allowed for healthy challenge and debate.
- 4. The areas that might need attention.

Amandla observed a Board meeting and concluded that the atmosphere was healthy. Amandla also concluded that the diversity of thought and experience met industry standards, and in terms of oversight the Board was fit for purpose.

In recent years we created a programme for the Investment department which helped participants to grasp new developments in the field and refresh their knowledge. In 2022, Georgia Capital expanded its strategy team. To help the newcomers adapt to the new working environment, our strategy team had comprehensive introductory and cross-department meetings.

In addition to specific training courses, regular workshops are held in the Company which are linked to the more complex matters, such as business approaches and the best practices in related fields. Besides in-house training, Georgia Capital provides designated training and certification programmes for various departments through third-party resources.

Total number and rate of GCAP’s new employee hires and employee turnover (%)				
	New hires	New hires rate	Full turnover	Turnover rate
2021	4	9%	5	12%
2022	5	10%	3	6%



CASE STUDY

WORKFORCE SUPPORT AT OUR HOSPITALS AND CLINICS BUSINESSES

The Employee Fund is one of the most popular workforce engagement projects among our hospitals and clinics businesses’ employees. Employees voluntarily contribute 1% of their monthly salary to the fund, while the businesses match 50% of the amount accumulated each month.

The fund is managed solely by our employees through elected committees in each hospital and clinic. The fund currently has 4,842 voluntary participants, and in 2022 raised more than GEL 0.7 million. The fund has contributed to more than 700 causes – mainly supporting health issues of employees and their family members, as well as team-building, and motivational and learning activities for our employees.



TALENT ATTRACTION, TRAINING AND DEVELOPMENT CONTINUED



CASE STUDY

DEVELOPING TALENT AT PORTFOLIO COMPANIES

In 2022, hospitals, clinics, retail (pharmacy) and medical insurance businesses invested GEL 2.5 million in training and development courses, mostly designed for nurses, physicians, pharmacists and managers. Each business continued to roll out the “Leadership Programme” – designed to develop and improve managerial and leadership skills for middle-level managers. The main teaching methods include team and individual coaching practices and leadership workshops, alongside the executive and management skills development programmes. In 2022, 292 higher and middle-level managers participated in the programmes.

In line with its strategy to develop a new generation of doctors in Georgia, in 2015, the hospitals business launched postgraduate residency programmes in several fields. These programmes ensure the development of qualified specialists in the areas where we lack physicians and they have proved to be popular. Currently, we have 277 talented residents involved in 31 specialities, 34 of whom have received a 100% grant and nine an 80% grant, while six residents have obtained student loans.

Our hospitals business maintains a partnership with almost all leading universities in Georgia, which is the primary source of emerging talent. The business has signed a memorandum of understanding (MoU) with 18 nursing colleges in all regions of Georgia.

The hospitals business also continued training activities through Evex Learning Centre, which is the only centre in Georgia offering continuing medical education. In 2022, the Evex Learning Centre trained a total of 1,260 nurses (both employees and candidates), 1,733 physicians and 706 back-office employees and managers.

Professional development of our retail (pharmacy) business employees is led by the GEPHA Training Centre trainers, mentors and coaches. The training centre has digitalised all the training courses for retail chain staff to provide them with a safe and comfortable learning environment. Our retail (pharmacy) business trains c.2,500 employees each year.

To encourage continuing professional development, our medical insurance business operates its own Imedi L Academy, offering specialised vocational training programmes and courses to its employees.

Our P&C insurance business, Aldagi, offers flexible student-friendly part-time jobs, internships and training sessions for young people. To train newcomers and to enhance the expertise of the existing employees, in 2022 Aldagi created its own digital training space, “Aldagi Academy”, designed to offer employees online seminars and training courses, adjusted to individual schedules and timing. Aldagi develops its own, industry-specific courses through the user-friendly platform and aims to promote a learning culture within the company.

Starting from 2023, our PTI business will introduce an environmental module to its existing employee training courses. The company plans to expand the training centre and add further modules on professional development and also personal development, soft skills development, personal coaching, personal development programmes, etc.



OCCUPATIONAL HEALTH AND SAFETY

Ensuring the safety of the workplace and providing healthy working conditions are amongst the Group’s fundamental HR management principles. The Group pays particular attention to preventative measures, such as conducting regular staff training and medical check-ups, certifying workplaces and promoting a healthy lifestyle. In line with its principles, Georgia Capital has engaged a safety consultancy company, which provides a dedicated safety inspector. The inspector conducted a safety audit, gave recommendations and delivered staff training. Our safety consultant provides systematic monitoring to ensure compliance with globally accepted standards.

Georgia Capital is aware of the damaging impact of stress and anxiety on the individual. It is Company practice to hold workshops to check on employees’ mental health and to offer face-to-face counselling. Employees are encouraged to express their mental health concerns in an open manner and seek assistance. We provide the opportunity for a flexible work schedule and remote and hybrid working arrangements. Respective teams at GCAP track the workload of the employees to identify if hiring additional staff is required.

“GCAP’S CORE PRINCIPLE IS TO DELIVER A HEALTHY AND SAFE ENVIRONMENT FOR ITS EMPLOYEES.”



CASE STUDY

ENHANCED EMPLOYEE HEALTH AND SAFETY MEASURES IN OUR RENEWABLE ENERGY BUSINESS

Health and safety monitoring and site-specific training are applied to the renewable energy business, where experienced and certified personnel are involved during operations of the power assets, inspecting all running equipment based on the manufacturer’s recommendations and monitoring daily on-site processes to ensure safety. In 2022, laboratory testing of isolation equipment and inspection of areas with potential hazardous exposures (noise, vibration, humidity) were conducted and documented to define additional preventive measures for the employees.

DIVERSITY

Georgia Capital is fully committed to providing equal opportunities as an employer and prohibits unlawful and unfair discrimination. We believe that there are great benefits to be gained from having a diverse workforce. We seek to ensure that our corporate culture and policies, particularly our HR policies, create an inclusive work environment that helps to bring out the best in our employees.

Georgia Capital’s Diversity Policy establishes a commitment to eliminating unlawful and unfair discrimination and values the differences that a diverse workforce brings to the organisation.

The Board embraces diversity in all its forms. In line with Georgia Capital’s Diversity Policy, diversity of gender, social and ethnic backgrounds, age, disability, race, religion or belief, sex or sexual orientation, cognitive and personal strengths and

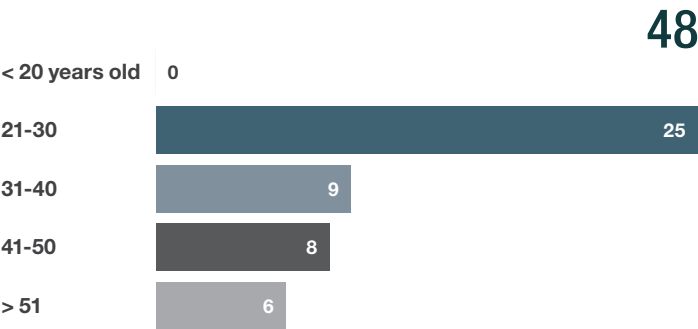
balance in terms of skills, experience, independence and knowledge, amongst other factors, will be taken into consideration when seeking to make any new appointment within the business, whether an employee, client, supplier or contractor. On 31 December 2022, Georgia Capital, had a total of 48 employees, of which 28 are female, and 20 are male.

We are supportive of the ambition shown in the Parker Review regarding ethnic diversity. The Board is currently in line with recommendations for UK boards, with Board member Maria Chatti-Gautier of Syrian heritage (Middle Eastern) and therefore representing an ethnically diverse background. We are also supportive of the Hampton-Alexander Review and the FTSE Women Leaders Review regarding gender diversity, and seek to apply the UK Corporate Governance Code in this respect.

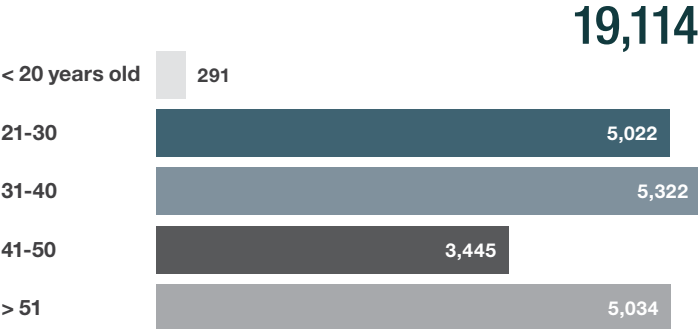
We will continue to examine ways in which we can increase female and ethnic representation at Board and senior management levels. However, the Board recognises the importance of all forms of diversity, and remains committed to striving for further progress in the space.

AGE DIVERSITY

All employees at Georgia Capital²



All employees at the Group and portfolio company levels³

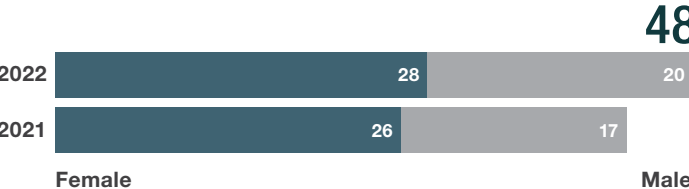


GENDER DIVERSITY

Board of Directors at Georgia Capital PLC¹



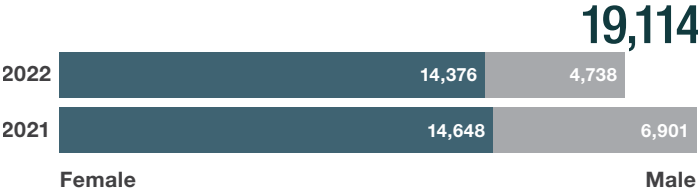
All employees at Georgia Capital²



Management at Georgia Capital¹



All employees at the Group and portfolio company levels³



1 The Chairman and CEO is included in the both categories: “Board of Directors at Georgia Capital PLC” and “Management at Georgia Capital”.
2 Employee numbers are presented at Georgia Capital JSC and Georgia Capital PLC levels.
3 Excluding temporary employees.



CASE STUDY

OUR PORTFOLIO COMPANIES ENCOURAGING GENDER DIVERSITY

Georgia Capital encourages its portfolio companies to embrace gender diversity.

Fostering gender equality continues to be one of the main priorities for the P&C insurance business. Aldagi continues to ensure a 50/50 male-female gender balance in top and middle management positions. Additionally, the business encourages recruitment of more women in male-dominated fields and creates equal opportunities for the best talents in terms of recruitment, job rotation and promotion process.

In September 2022, our PTI business joined the women’s empowerment principles submission project – an initiative that empowers women and implements non-discriminatory policies. The company is actively supporting equal opportunities.

Our renewable energy business puts great effort into gender inclusion policy implementation, which outlines and highlights the company’s attitude to female roles in organisational culture, development, leadership and engagement. To further enhance gender diversity and tackle the gender gap, the company plans to hold women career guidance workshops in Georgian high schools to increase awareness of the importance of the female role in the energy sector.

GOVERNANCE MATTERS

23 Our Approach to Responsible Investment

26 Sustainable Procurement

27 Human Rights Policy

27 Code of Conduct and Ethics, and Anti-Bribery
and Anti-Corruption Policy

27 Modern Slavery

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

SECTION HIGHLIGHT

RENEWED MSCI ESG RATING

MSCI ESG rating reinstated coverage of Georgia Capital, after the rating withdrawal in 2020.

Georgia Capital's MSCI ESG rating score is A, with the highest average score in the governance criteria.

OUR APPROACH TO RESPONSIBLE INVESTMENT

OUR APPROACH TO RESPONSIBLE INVESTMENT

As an investment holding company with c.45 employees, Georgia Capital has a limited direct impact on the environment and the community in which it operates. However, with the portfolio value of GEL 3.2 billion, we have strong opportunities to positively affect the environment and community through the decisions we make across our portfolio.

Georgia Capital adheres to the Responsible Investment Policy, which is integrated into the investment and portfolio management processes and procedures. Georgia Capital monitors the portfolio companies' ESG performance and uses the resources to encourage the adoption of ESG best practices. This policy covers Georgia Capital's responsible investment approach. It is supplemented with a dedicated Environmental and Social Policy.

 Terms of reference of Georgia Capital's four principal Committees can be found on our website: <https://georgiacapital.ge/governance/cgf/terms>

 The Responsible Investment Policy can be found on our website: <https://georgiacapital.ge/governance/cgf/policies>

OVERSIGHT OF THE RESPONSIBLE INVESTMENT POLICY



THE BOARD

- Reviews and approves the policy.
- Approves the subsequent actions or recommendations if deemed appropriate.
- Monitors the implementation and conduct of the policy.



INVESTMENT COMMITTEE

- The Investment Committee has overall responsibility for the policy and its implementation for the review and approval of any material changes.
- The Chairman of the Investment Committee summarises proceedings to the Board (after meetings or at least semi-annually) and makes recommendations, if deemed appropriate, on areas where action or improvement is needed.



AUDIT AND VALUATION COMMITTEE

- The Audit and Valuation Committee retains responsibility for matters which fall into its Terms of Reference.
- The Chairman of the Audit and Valuation Committee reports to the Board and makes recommendations for matters within the remit of the Audit and Valuation Committee.



MANAGEMENT

- The Director of Investments is responsible for the implementation of the policy. He may be assisted by the investment team, Finance, Investor Relations and Legal departments (both Georgian and UK), and advisors.
- The Finance department, overseen by the Chief Financial Officer, reports on the monitoring of identified financial and climate-related risks and significant changes through its regular reports to the Management Board.
- The CEOs of the portfolio companies are responsible for implementing the ongoing Responsible Investment Policy requirements which directly affect their company and reporting data to the finance team.

OUR APPROACH TO RESPONSIBLE INVESTMENT CONTINUED

OVERSIGHT OF THE RESPONSIBLE INVESTMENT POLICY

Georgia Capital's primary business is to develop or buy businesses, help them develop their management capacity and institutionalise their businesses so that they can continue to evolve and flourish on their own. Through the Responsible Investment Policy, ESG considerations are embedded into the entire deal process, from the initial investment stage to active ownership. As the understanding of the finance sector's impact on natural capital and biodiversity in particular evolves, we acknowledge that there might be further restrictions on investment. Here we illustrate how we implement this Responsible Investment Policy at each step.

DUAL SCREENING/EXCLUSION LIST



EXCLUSION LIST

- Forced labour
- Pornography
- Trade of weapons
- Certain hazardous substances
- Tobacco
- Coal, oil, gas
- Corporate governance breaches such as bribery and corruption

DUE DILIGENCE



ESG DUE DILIGENCE

- ESG due diligence review
- Risk assessment

ACTIVE OWNERSHIP



ONGOING ENGAGEMENT

- Regular ESG reassessment of the portfolio companies
- Periodic follow up about the ESG matters

OUR APPROACH TO RESPONSIBLE INVESTMENT CONTINUED

STEP 1: EXCLUSION CRITERIA AND TRANSACTION QUALIFICATION

We do not invest in businesses that fall into our Exclusion List. The Group refrains from investing in environmentally, socially sensitive business activities including but not limited to:

- activities involving forced or child labour;
- business relating to pornography or prostitution;
- production or trade in weapons and munitions;
- activities involving the production, use, or trade of certain hazardous substances;
- growing of and manufacture of tobacco;
- businesses which generate their revenues from coal, oil or gas;
- in addition to the limit above, businesses involved in fossil fuel production, distribution or services that do not have a recognised strategy to achieve emissions consistent with the Paris Agreement's goal;
- businesses engaged in serious corporate governance breaches such as bribery and corruption that show no willingness to resolve these issues; and
- whilst not naturally within our geographic scope, we note for completeness that we refrain from investing in businesses involved in the production of palm oil and businesses involved in the production of fossil fuels from oil sands or through Arctic drilling.

STEP 2: COMPREHENSIVE DUE DILIGENCE

If the investment does not fall within the Exclusion List, the investment team will further consider material sustainability aspects as part of its due diligence. In particular, the investment team will consider whether the potential investment business activity or proposed transaction is subject to any exclusions or restrictions, imposed by any applicable laws, regulations, contracts or otherwise.

The investment team, as overseen by the Director of Investments, will further assess the relative level of environmental and social risk associated with their business activities. They are assisted by an ESG questionnaire and screening list which identifies ESG concerns, alongside climate-related risks and opportunities.

Their conclusion and the material findings of the above process will be presented to the Investment Committee when the overall potential investment is placed before the Investment Committee for approval. Depending on the significance of the potential investment and the significance of the potential risk, an investment paper presentation may also be placed before the Investment Committee at an earlier stage.

Based on the level of environmental and social risk associated with the potential investment's business activities or proposed transaction, and the analysis of the potential investment's procedures and measures in place to mitigate such risk, the investment team as assisted by the legal team or external legal or other advisors as appropriate will draft documentation with appropriate covenants to warrant compliance with relevant environmental, health and safety, and labour regulations and standards as well as public disclosure standards. This could include the resilience of the potential investment's strategic plans to the impacts associated with ESG/sustainability concerns.

In addition, the Group (or the relevant member thereof) may consult industry-specific guidance as well as seek the counsel and/or assistance of external advisors in connection with the drafting of relevant documentation and/or appropriate action plans.

STEP 3: ACTIVE OWNERSHIP: MONITORING AND REPORTING

As part of our ongoing ESG assessment process, each business is reassessed on a semi-annual basis and we follow up to ensure appropriate actions are taken to improve as required. The Board has ultimate responsibility for risk, and the Management Board has delegated responsibility for risk management. The Group's risk management for ongoing investments is primarily managed by the Finance department. Consequently, the Chief Financial Officer regularly monitors the environmental and social risks associated with its activities. The Finance department reports to the Management Board periodically on the ongoing responsible investment risk across the portfolio companies. The Management Board reviews the reports and takes actions and escalates as necessary to the Investment Committee, or the Audit and Valuation Committee if the issue is within their remit.

SUSTAINABLE PROCUREMENT

At Georgia Capital, we strive to exercise good corporate citizenship and we take into account the ESG practices of our suppliers. A large majority of GCAP's suppliers are professional advisors and consultants, predominantly blue-chip, reputable international organisations with sound ESG policies and procedures, which, therefore, have lower exposure to ESG-related risks. However, our existing policies and procedures ensure that an appropriate level of due diligence is conducted on prospective suppliers before they are appointed, or any expenditure is committed. The nature of due diligence is determined on a case-by-case basis, however, as a general rule, the procedure safeguards the assessment of risks associated with bribery and corruption, information and data security, human rights and employment practices, and other material aspects as determined during the assessment.

Georgia Capital aims to work with suppliers whose ESG practices are in line with our sustainability goals.

In 2022, significant items for Georgia Capital procurement expenditures were audit, valuation and compliance services, as well as services sourced from professional consultations and IR services. The breakdown of expenditures by type of suppliers is provided in the graph.

Expenses by type of suppliers at Georgia Capital level (FY22)

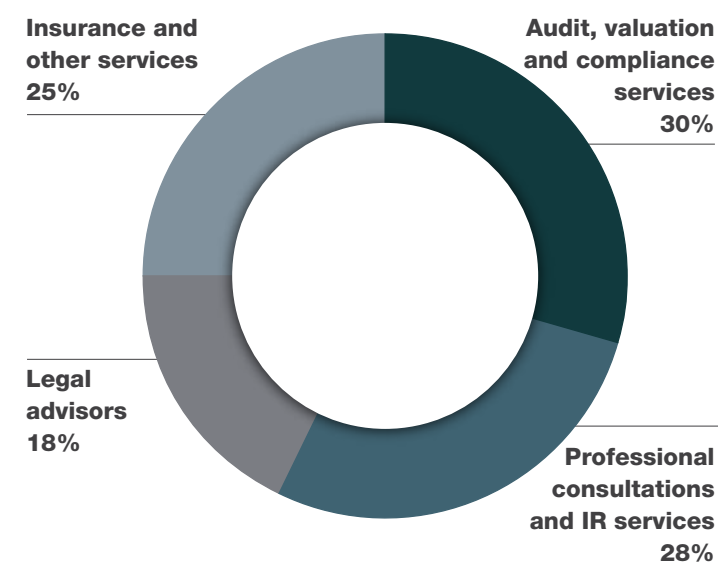


Photo Stepantsminda, Georgia



HUMAN RIGHTS POLICY

The Human Resources Policy is an integral part of the employee on-boarding package at each business level with updates communicated electronically.

The Human Rights Policy is part of the Human Resources Policy and covers the following:

- Equal opportunities and anti-discrimination.
- Work environment free of harassment.
- Grievance Policy.

We recognise the importance of observing human rights and are committed to implementing socially responsible business practices. Our Human Rights Policy establishes priorities and puts control procedures in place to provide equal opportunities and prevent discrimination or harassment on any grounds, including disabilities. The policy applies to all employees and includes procedures in relation to employment processes, training and development, procedures on recruitment and on the continuity of employment of employees who become disabled during their employment.

CODE OF CONDUCT AND ETHICS, AND ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

The Group has a Code of Conduct and Ethics, as well as an Anti-Bribery and Anti-Corruption Policy, which are applicable to the Group companies. As an organisation that is fully committed to the prevention of bribery and corruption, the Group ensures that appropriate internal controls are in place and operating effectively.

Anti-Bribery and Anti-Corruption Policy enforcement processes include:

- an anonymous whistleblowing hotline;
- an internal whistleblowing process;
- disclosure of gifts or other benefits, including hospitality offered to, or received by, the Group's personnel;
- voluntary disclosure of corrupt conduct;
- third-party screening to identify the level of risk third parties might pose;
- informing the banks/partners/counterparties about anti-corruption and anti-bribery principles before commencement of business relations;
- ensuring that anti-bribery and anti-corruption clauses are incorporated in the agreements with customers and third parties;

- ensuring that anti-bribery and anti-corruption matters are included in contractual agreements with partners/counterparties; and
- online training programme aiming to raise awareness of corruption and bribery issues among employees.

As part of the Group's third-party screening to identify the level of risk which third parties might pose, the Group carries out due diligence such as indirect investigations, which include general research of the activities undertaken by the proposed business partners, research into their reputation and information on whether the company is a related party. The Compliance Officers (the General Counsel and UK General Counsel) have the authority to conduct periodic compliance checks of the operations of the Group. We are pleased to confirm that there have been no instances of violation of the Anti-Bribery and Anti-Corruption Policy in 2022.

MODERN SLAVERY

The Group has zero tolerance against modern slavery and human trafficking. We believe in doing business ethically, transparently and in full compliance with all applicable laws and regulations. Even though we are an investment holding company and the risk of modern slavery and human trafficking at our own business operations is low, we recognise that our supply chain could potentially pose such risks. A large majority of GCAP's suppliers are professional advisors and consultants, predominantly blue-chip, reputable international organisations with sound ESG policies and procedures, which therefore, have lower exposure to ESG-related risks. Our existing policies and procedures ensure that an appropriate level of due diligence is conducted on prospective suppliers before they are appointed, or any expenditure is committed.

We note that in accordance with our Responsible Investment Policy, we expressly do not invest in businesses which have activities involving forced or child labour. Evaluation of risk is carried out at the pre-investment or pre-engagement stage through by due diligence and control, and with post-investment implementation and management of risk through monitoring and reporting predominantly by the Legal and Finance, departments who report to the Management Board and ultimately the Board of Directors.

ENVIRONMENTAL MATTERS

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- 30** Emission Disclosure and Calculation Methodology
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- 34** Environmental Activities of our Portfolio Companies

CASE STUDY

SUCCESS STORY OF OUR WATER UTILITY BUSINESS

The water utility business, where GCAP currently holds a 20% equity interest, avoids c.120,000 tonnes of CO₂e annually, with a 70% decrease in total GHG emissions in 2021, compared to 2016.

The water utility business' operations consider the principles of a green economy and are devoted to increasing the country's welfare with minimum environmental impact and maximum resource efficiency.

■ Read more on [page 34](#)



COMMITTING TO THE PRINCIPLES OF THE UN GLOBAL COMPACT

In February 2022, we became a signatory of the UN Global Compact and officially expressed our commitment to its ten Principles, which are then sub-divided into 17 SDGs. Georgia Capital introduced an initiative to align the portfolio companies’ performance with the UN SDGs, which requires our portfolio companies to determine relevant SDGs and implement respective procedures to track their progress towards the identified goals.

BUSINESS	DIRECT SDG IMPACT	SUPPORTIVE/INDIRECT SDG IMPACT
 HOSPITALS	  	 
 RETAIL (PHARMACY)	  	 
 CLINICS AND DIAGNOSTICS	  	 
 INSURANCE	  	 
 RENEWABLE ENERGY	  	 
 EDUCATION		  
 AUTO SERVICE	  	
 WATER UTILITY	  	  
 BANKING	  	



CASE STUDY

GEORGIA CAPITAL ENHANCING ITS ESG EXPERTISE WITH UN GLOBAL COMPACT’S GUIDANCE

In 2022, Georgia Capital joined the UN Global Compact SDG accelerator and climate ambition programmes. Two comprehensive six-month courses were designed to help enterprises create a clear pathway to reaching the desired SDGs and set ambitious climate-related targets. Under the programme, Georgia Capital enhanced its technical knowledge of SDGs and GHG reduction strategies, engaged in discussions with global experts and peer entities, and successfully shared its experience with the portfolio companies.



EMISSION DISCLOSURE AND CALCULATION METHODOLOGY

Reporting methodology

In preparing our emissions data, we have used the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD), Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition 2016) as a reference source. We have also used the most recent Georgian electricity conversion factor taken from the JRC Guidebook – “How to Develop a Sustainable Energy and Climate Action Plan in the Eastern Partnership Countries”, European Commission, Ispra, 2018, JRC113659. Further conversion factors have been taken from the UK Government’s “Greenhouse Gas Conversion Factors for Company Reporting 2022”. Energy consumption is disclosed in line with SECR requirements. The emissions disclosures are also prepared in accordance with the TCFD requirements.

Overview of organisation

The operations of Georgia Capital in London and Tbilisi itself have relatively low energy consumption. However, we recognise the evolving significance of emissions disclosures in the investment community and in line with our commitment to increasing transparency, we voluntarily disclose emissions for JSC Georgia Capital (intermediate Georgian holding company) and its portfolio investments. We have reported on all the emission sources listed under 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 (Scopes 1 and 2).

Additionally, we have reported on those emissions under Scope 3 that are applicable to our businesses’ direct operations. All reported sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements.

What we report:

The Group’s “central” operations

Our reported data is collected in respect of the Group, including our offices and facilities in London and Tbilisi. Data on emissions resulting from travel is reported for business-related travel only but excludes commuting. As we do not have any joint ventures, sub-leased properties or offshore emissions, these have not been included within the reported figures.

The data has been obtained from the Group’s locations using both invoices and site meter readings. Our leased office in the UK operates with only three employees and the annual consumption is less than 5MWh (in 2022, the UK office’s annual consumption was 3.5MWh, and 4.1MWh for 2021), the costs of which are included within the lease fees. The electricity consumption of the UK office is included in the Scope 2 emissions calculation.

The Group’s portfolio

Data from our portfolio companies’ Scope 1, 2 and 3¹ emissions have been aggregated and presented as a separate line item under Scope 3 emissions in accordance with the Greenhouse Gas Protocol. Scope 3 emissions for the year ended 31 December 2019, 31 December 2020 and 31 December 2021 have been updated retrospectively to reflect our approach. These have been reported for all our private investments, where the Group holds a controlling stake. Emissions from Water Utility as well as Bank of Georgia have not been included in the calculations.



BoG, as a UK listed company discloses Scope 1, 2 and 3 emissions in its annual filings, available at: <https://bankofgeorgiagroup.com/reports/annual>

¹ Portfolio company Scope 3 emissions reported for business travel and employee commuting.

EMISSION DISCLOSURE AND CALCULATION METHODOLOGY CONTINUED

Summary of GHG disclosure

The table below summarises the various elements of our disclosure and details the particular GHG emissions and whether they are included or excluded.

Element	Description	Included/Excluded
SCOPE 1 – STATIC FOSSIL FUEL	Combustion of fossil fuels, e.g. natural gas, fuel oils, diesel and petrol in stationary equipment at owned and controlled sites.	Excluded – No such processes/equipment owned or operated by the Group.
SCOPE 1 – MOBILE FOSSIL FUEL	Combustion of petrol, diesel and aviation fuel in owned/operated vehicles.	Business travel has been included.
SCOPE 1 – OTHER EMISSIONS	Process emissions and refrigerant leakage.	Excluded – No such processes/equipment owned or operated by the Group.
SCOPE 2 – CONSUMPTION OF ELECTRICITY	Consumption of electricity.	Included – Used electricity at owned and controlled sites using the most recent Georgia electricity conversion factor taken from the JRC Guidebook – How to Develop a Sustainable Energy and Climate Action Plan in the Eastern Partnership Countries, European Commission, Ispra, 2018, JRC113659. Also included are emissions of the UK office.
SCOPE 2 – CONSUMPTION OF THERMAL ENERGY	Direct consumption of heat, steam or cooling generated by others.	Excluded – No such thermal energy supplies are consumed by the Group.
SCOPE 3	Combustion of petrol, diesel and aviation fuel in vehicles owned and operated by others.	Included – Air business travel (short-haul and long-haul); information on the class of travel is unavailable, hence, we used an “average passenger” conversion factor, with Radiative Forcing (RF). Included – Ground transportation, including taxis, coaches, trains, etc. owned and operated by others. Excluded – emissions from staff commuting at GCAP HoldCo level.
	Investments	Included – Scope 1, 2 and 3 ¹ of our portfolio companies where we have a majority stake.

Emissions

Due to the impact of the coronavirus pandemic, the consumption of energy, and therefore emissions, by the Group and its portfolio companies have been atypical for almost two years during 2020 and 2021.

Total greenhouse gas emissions (tonnes CO ₂ e)			
Data for the period beginning 1 January 2020 and ending 31 December 2022			
	2020	2021	2022
Scope 1	–	–	–
Static fossil fuel (emissions fuel combustion and facility operations)			
Scope 1 Mobile fossil fuel	59	60	66
Scope 2 (emissions from electricity, heat, steam and cooling purchased for own use)	2	3	4
Scope 3	38,074	40,579	28,109
Of which, air travel and ground transportation provided by third parties plus electricity, heat/steam, cooling provided within lease and service agreements	12	5	78
Of which, investment portfolio Scope 1, 2 and 3 ²	38,062	40,574	28,031
TOTAL GREENHOUSE GAS EMISSIONS	38,136	40,642	28,179
FTEs at GCAP HoldCo level	44	43	48
Total greenhouse gas emissions per FTE ³ (GCAP HoldCo)	866.7	945.2	587.1
FTEs at GCAP HoldCo and portfolio company levels	20,314	21,549	19,114
TOTAL GREENHOUSE GAS EMISSIONS PER FTE ³ (GCAP HOLDCO AND PORTFOLIO COMPANY LEVELS)	1.88	1.89	1.47

Carbon intensity

	2021	2022
WEIGHTED AVERAGE CARBON INTENSITY: INVESTMENTS ⁴	6.3	3.9

1 Portfolio company Scope 3 emissions reported for business travel and employee commuting.
2 Investment portfolio companies’ total Scope 1 and 2 emissions are: 32,125 tCO₂e in 2020, 31,292 tCO₂e in 2021 and 22,759 tCO₂e in 2022.
3 FTE is stated excluding temporary employees.
4 GCAP’s private portfolio companies’ carbon exposure intensity, expressed in tonnes CO₂e/US\$ million revenue. 2021 ratio includes the water utility business.

SECR REPORT

This report has been produced in accordance with the UK Government’s policy on Streamlined Energy and Carbon Reporting (SECR). As determined by the Greenhouse Gas Protocol, the scope and boundary of the GHG emissions herein relate to those where we have operational control, i.e. those relating to our corporate offices in both London and Tbilisi.

GHG emissions and energy data

The table on the right reports upon GHG and energy data for the period December 2021 to December 2022. The prior reporting year has been included for comparative purposes.

Quantification and reporting methodology

The GHG and energy data presented above has been collated, calculated and presented using methodology following the Greenhouse Gas Reporting Protocol, and uses the 2022 Government Emission Conversion Factors for Company Reporting.

Intensity ratio

The intensity ratio used in the table above displays total gross emissions (tCO₂e) per FTE.

Greenhouse gas emissions and energy data

Energy consumption (in kilowatt hours, kWh)	Prior reporting year (2021)		Current reporting year (2022)	
PURCHASED ELECTRICITY	27,852		34,272	
GAS COMBUSTION	–		–	
TRANSPORT FUEL	199,457		219,355	
REFRIGERANTS	–		–	
TOTAL ENERGY CONSUMPTION (KWH) ¹	227,309		253,627	
EMISSIONS (PER METRIC TONS OF CO ₂ EQUIVALENT, TCO ₂ E)	TOTAL	SCOPE	TOTAL	SCOPE
PURCHASED ELECTRICITY	2.6	2	3.6	2
GAS COMBUSTION	–	1	–	1
TRANSPORT ²	3	3	76	3
REFRIGERANT EMISSIONS	–	2	–	2
TOTAL GROSS EMISSIONS	5.5	–	79.5	–
INTENSITY RATIO	TOTAL		TOTAL	
TCO ₂ E PER FTE	1.57		3.08	

- 1 Scope 1 and Scope 2 consumption data is converted in kWh. For the distance (km) conversion into kWh, we used a conversion factor for an average size car.
- 2 Transport emissions represent 1) business travel in employee-owned vehicles where the firm is responsible for purchasing the fuel, and 2) business travel in company owned vehicles.

OUR ENVIRONMENTAL ACTIVITIES

Measures undertaken to improve energy efficiency

Over the last periods, Georgia Capital has introduced and implemented energy-efficient solutions to further reduce energy consumption by conducting various activities across the Group and portfolio companies. Our portfolio companies continue to implement energy-saving solutions, such as LED lights and other energy-efficient equipment, such as boilers and heating ventilation and air conditioning systems. Our housing development business pioneered the introduction of energy-efficient construction materials and our clinics business also joined in energy efficiency initiatives as one of the clinics switched to a solar power system (a renewable energy source). To minimise emissions and further contribute to eco-friendly energy consumption, two clinics replaced a diesel-powered heating system with a gas heating system. In our education business, one of our schools successfully introduced solar panels and our other educational infrastructures will follow in due course. Our beverages business reduced energy consumption and carbon footprint through its CO₂ recovery plant, alongside the wastewater treatment plant. In addition, the company also introduced the Green Fridge policy which reduces the carbon footprint of cooling bottled and canned products.



CASE STUDY

PTI BUSINESS FACILITATING ENVIRONMENTAL CHANGE

Our PTI business initiated the creation of the association “Technical Inspection for Safety”, which brings together key market players (60% of the market) to work systematically with governmental and non-governmental organisations to raise public awareness on environmental issues and increase the effectiveness of recently adopted reform, which requires conducting periodic technical inspections of vehicles in Georgia. Through the NGO platform, the PTI business facilitates international practices and standards and holds training sessions for union members. The association’s future goals include active communication with the non-governmental sector to solve the problem of periodic technical inspection of vehicles and the establishment of uniform standards in PTI centres.



CASE STUDY

INVESTING IN RENEWABLE ENERGY

Georgia announced its updated plan of nationally determined contribution (NDC) at the COP26 Glasgow conference held in 2021. The plan aims to support the sustainable and balanced development of the country, taking into consideration climate change, and environmental and socio-economic challenges in equal measure. The timeframe for the implementation is set for 2030, while the updated scheme aims to:

- Decrease domestic total GHG emissions by 35% below 1990 levels.
- Target 50%-57% of its total GHG emissions by 2030 compared to 1990.
- Set 2030 Climate Change Strategy and Action Plan for the determination of mitigation measures.
- Continue studying the adaptive capacity of different economic sectors to the negative effects of climate change, as well as to plan and implement the respective adaptation measures by mobilising domestic and international resources for the sectors particularly vulnerable to climate change.

Georgia Capital’s renewable energy business plays an important role in supporting Georgia’s sustainability transition plan. In 2022, the business generated 268.0GWh electricity through its operational power assets and substituted 170.0 tonnes of CO₂ equivalent emissions. Going forward, our renewable

energy business will further enhance its contribution to green energy production development by launching the pipeline HPPs and WPPs.

Apart from supporting the country’s sustainability goals, investments in the renewable energy business foster the country’s development plan to secure energy independence. Nine out of 12 months during the year represent deficit months, where the country has to import electricity from neighbouring countries. We see developing clean energy generation assets as a vital solution to support and fulfil the internal electricity demand that has been growing steadily in line with the GDP growth during the past decade. Our renewable energy business has the potential to substitute up to 700.0GWh import annually. We foresee further strong growth in electricity consumption for the next few years, backed-up by the recovery of post-pandemic economic activities in the country, as well as further penetration of electricity drawing appliances in the residential and industrial spaces, such as air conditioners.

OUR RENEWABLE ENERGY BUSINESS IS A WARRANT OF GEORGIA’S ENERGY INDEPENDENCE, GENERATING 268.0GWH ELECTRICITY AND SUBSTITUTING 170.0 TONNES OF CO₂ EQUIVALENT EMISSIONS.

ENVIRONMENTAL ACTIVITIES OF OUR PORTFOLIO COMPANIES

To reduce the harmful effects of plastic in the healthcare sector, our retail (pharmacy) business has been using paper bags in its pharmacies. Pharmadepot also produces and promotes the use of eco-friendly canvas bags in its pharmacies. A reward system was put in place for the customers to encourage the use of canvas bags. Both pharmacy chains, GPC and Pharmadepot, sell an exclusive product within the market, eco-batteries, that are 100% safe for standard recycling.

In 2022, Pharmadepot initiated a campaign “Green public garden, for a healthy environment”, under which the business reconstructed parks in three districts of Tbilisi. Businesses refurbished the parks with lights and children’s playgrounds and planted c.100 trees in total. Going forward, the pharmacy chain plans to arrange two more public garden refurbishments.

The hospitals business continues to promote its going “paperless” programme. In this regard, the business has replaced several historically paper-based procedures with software-based programmes and has launched “The Green Project” by placing special boxes at our facilities for recycling paper waste. The money received from the sale of scrap paper collected through such boxes will be used for various social activities.

The hospitals business’ annual consumption of paper stood at approximately 479 tonnes in 2022.

Our education business emphasises environmental matters to students and holds various campaigns designed to help promote the importance of sustainability. In 2022, our schools held events including cleaning the school surroundings and different locations around the city, building a greenhouse from plastic bottles and dog shelters, collecting waste materials for recycling and meeting up with guest speaker environmentalists.

Eco Clubs are actively promoted in primary and secondary schools to raise awareness of the significance of sustainability and the schools are aiming to achieve the internationally recognised Green Flag Award in 2023.

A newly developed additional course in the curriculum – Environment and Sustainable Development – was introduced to the students. To set a good example for the students and to call to attention the importance of energy-efficient infrastructure, solar panels were installed in one of our schools.



CASE STUDY

SUCCESS STORY OF OUR WATER UTILITY BUSINESS

The water utility business, where GCAP currently holds a 20% equity interest, provides 24-hour water and wastewater supply services to c.1.4 million residents and c.38,000 legal entities. Since its acquisition, the business has invested GEL 666 million to upgrade existing and develop substantial new water utility infrastructure, improving the rendering of the water supply and wastewater services to customers and contributing to achieving operational efficiencies. Through efficient capital expenditures, the business managed to reduce self-produced electricity consumption by c.45% (c.135GWh) from 2015 to 2021, and hence free up electricity for market sales. Consequently, the business avoids c.120,000 tonnes of CO₂e annually, with a 70% decrease in total GHG emissions in 2021, compared to 2016.

The water utility business’ operations consider the principles of a green economy and are devoted to increasing the country’s welfare with minimum environmental impact and maximum resource efficiency. With its mission of ensuring access to clean water and sanitation to the population, our water utility business simultaneously sets high standards of social and governmental conduct. These include: boosting environmental awareness and education among the population, establishing solid health & safety measures within the company, compliance with IFC standards, a three-tier management structure and annual E&S disclosures. The measures taken into consideration have been translated into environmental and social impacts, contributing to the sustainable development of the country.



ENVIRONMENTAL ACTIVITIES OF OUR PORTFOLIO COMPANIES CONTINUED



CASE STUDY

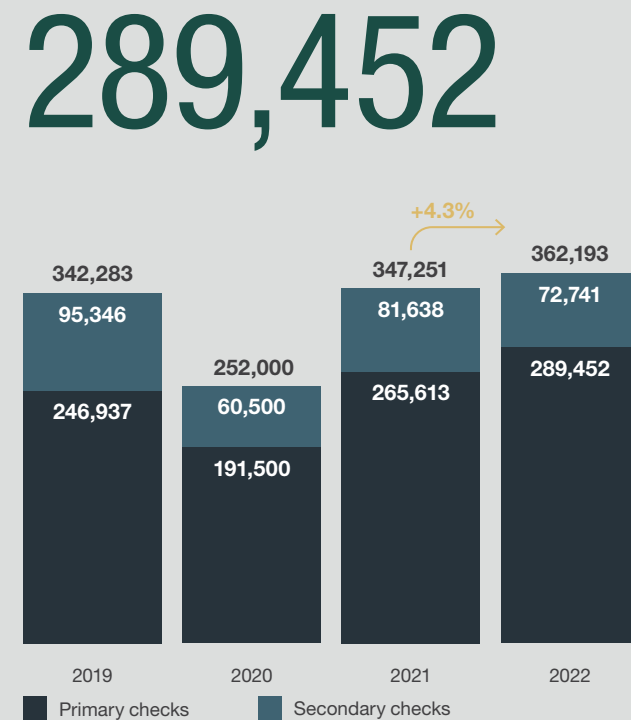
THE PTI BUSINESS SUPPORTING GREENHOUSE GAS EMISSIONS REDUCTION

Our PTI business (Greenway Georgia) represents the largest network of mandatory periodic technical inspections throughout Georgia, with a ten-year right to operate established by the Ministry of Economy and Sustainable Development of Georgia. Greenway Georgia is a partner of the world leader in vehicle technical inspection, Applus+, which operates in 70 countries. Considering the international experience of Applus +, Greenway Georgia is established under European standards, which provides full transparency in the technical inspection process.

With its 37% of market share, the business is directly engaged in GHG emissions and road accident reduction in the country. In 2022, the business conducted 289,452 primary technical inspections in total and the failure rate stood at 29%, compared to a 52% failure rate in 2019. Approximately half of the inspection failure cases have been attributable to the excess exhaust emissions of the vehicles.

The observed tendency of declining failure rates underlines positive developments in relation to GHG emissions reduction and contributes to the improved ecological environment.

Total number of inspections performed in 2022



CASE STUDY

SPECIALISED MEDICAL AND BIOLOGICAL WASTE DISPOSAL AT OUR HEALTHCARE BUSINESSES

Our hospitals and clinics businesses' medical waste management record-keeping standards remain in line with national legislative requirements. To further reduce risks and maintain regulatory compliance, the hospitals and clinics businesses regularly conduct internal trainings on waste management procedures. To prevent human or environmental harm, the clinics business collects and disposes of medical and biological waste through a specialised outsourced service.

The hospitals business is dedicated to looking at innovative ways of reducing medical and biological waste and taking advantage of best practices both in Georgia and internationally. To ensure the reliability of their contractors, the hospitals business regularly examines monthly reports and imposes penalties if necessary. In total, the hospitals business generated 810 tonnes of medical waste in 2022, compared to 817 tonnes in 2021.



ENVIRONMENTAL ACTIVITIES OF OUR PORTFOLIO COMPANIES CONTINUED



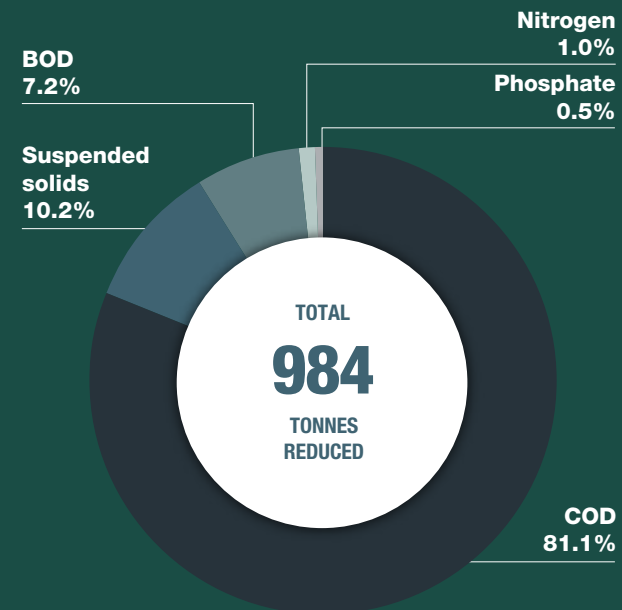
CASE STUDY

ENVIRONMENTAL MANAGEMENT AT OUR BEVERAGES BUSINESS



Our beverages business combines three business lines: a wine business, a beer business and a distribution business. The beer business is fully committed to sustainability and devoted its efforts to minimise its environmental footprint. The company has a CO₂ recovery plant, alongside a wastewater treatment plant. In addition, the company also introduced the Green Fridge policy which helps the business in sustaining the environment by reducing the carbon footprint of cooling bottled and canned products.

In 2022 the business reduced:



The beer production process releases additional carbon dioxide (CO₂) and wastewater that directly contributes to environmental pollution and climate change. The emission implications on communities, agriculture and the availability of raw materials are complex and challenging. The beer business responsibly reduces the impact through technology:

- **CO₂ recovery plant**, which captures the carbon dioxide released during the beer production process: CO₂ is naturally produced during the beer fermentation process. If not eliminated, it will be released into the atmosphere from fermentation vessels. It is essential to recover produced CO₂ to minimise its environmental impact. In 2022, the business recovered c.600,000kg of CO₂.
- **Wastewater treatment plant**, that cleans wastewater chemically, biologically and physically to obtain ecologically safe wastewater: the process consists of physical, chemical and biological treatment with aerobic bacteria. The plant is designed to reduce total chemical oxygen demand (COD), biochemical oxygen demand (BOD), nitrogen, phosphate, suspended solids (dry matters) and adjust the water's PH to a neutral value.

The business continues to improve y-o-y water consumption. Compared to 2021, water usage in 2022 improved by 3%, translating into c.10,000m³ water saving.

ENVIRONMENTAL ACTIVITIES OF OUR PORTFOLIO COMPANIES CONTINUED

CASE STUDY

BUILDING SUSTAINABLE NEIGHBOURHOODS IN TBILISI

Achieving higher energy efficiency and introducing greener construction in the residential real estate sector forms part of the EU's energy and environmental goals and furthermore improves the quality of living while benefitting the economy and society.

Environmental consideration is an integral part of the housing development business (wholly owned through Georgia Real Estate). It delivers environmentally conscious products whilst being aware of the immense importance of buildings with energy-efficient designs for sustainable development. m² pioneered the construction of energy-efficient complexes in Georgia in 2014 and ever since has focused on the construction of energy-saving buildings.

Total expected annual savings of CO₂ by Georgia Real Estate from various energy-efficient initiatives is the equivalent to planting more than

1 million trees

Since 2014, Georgia Real Estate has obtained syndicated loans from international financial institutions (IFIs), such as the International Finance Corporation (IFC), the Green for Growth Fund (GGF), the Entrepreneurial Development Bank (FMO) and the Asian Development Bank (ADB), for the purpose of constructing energy-efficient complexes. While m² was already devoted to constructing sustainable buildings, the partnerships with IFIs also provided access to international best practices and technical assistance to conduct energy audits and identify the most efficient manner to meet high energy standards. Georgia Real Estate was able to implement energy-efficient construction materials (e.g. aerated block), improved building insulation, modern boilers and appliances, and better insulated windows and doors. As part of these initiatives, the total expected annual savings of CO₂ is the equivalent of planting more than 1,000,000 trees each year.

Currently, m² is developing two affordable housing projects partially financed by the ADB with a focus on social issues and energy efficiency. The company modified the projects, making them fully aligned with standards of accessibility, energy efficiency and safety.



In addition to energy efficiency and construction standards according to best practices, m² is further committed to sustainable development with innovative and greener residential complexes through:

- **Adhering to international HSE standards.** m² has implemented HSE policies in coordination with IFIs. Under the policies, HSE personnel monitor all construction sites daily. On-site employees have also been retrained to respond to HSE issues swiftly.
- **Keeping and expanding land biodiversity.** In the m³ innovative residential project, m² kept the majority of the existing trees and 2,000+ new seedlings will be added. The project features 35% green areas and a 1.4ha park.
- **Promoting a creative and healthy lifestyle.** The same complex features diverse sports facilities, common areas, as well as an educational and working environment. The project also involves schools, kindergartens and customised spaces for large organisations, as well as small entrepreneurs and startups.



TASK FORCE ON CLIMATE- RELATED FINANCIAL DISCLOSURES (TCFD)

- 39 Governance
- 40 Strategy
- 44 Risk Management
- 45 Metrics and Targets

SECTION HIGHLIGHTS SETTING GHG EMISSIONS REDUCTION TARGETS

Georgia Capital commits to reducing total Scope 1 and Scope 2 emissions by 30% by 2030 compared to the base year, 2022, and by 95% by 2050, ultimately becoming Net-Zero.

■ Read more on [page 45](#)



Disclaimer

The following section reflects Georgia Capital's response to the TCFD recommendations.

The disclosures have been prepared in line with the all-sector guidance and, where applicable, reflect the supplementary recommendations for the asset managers.

In this section, we present the Company's perspective on four core pillars of governance, strategy, risk management and metrics and targets related to climate-change mitigation.

Board oversight

The Board is entrusted with providing oversight of climate-related risks and opportunities, aided by the Audit and Valuation Committee and the Investment Committee members which includes all Board members. These two Committees have responsibility for assessing and managing climate-related risks and opportunities in relation to GCAP's direct operations and to our portfolio companies, as it affects matters within their remit.

Current, future and emerging risks are included within the standing item, "Discussion of risks", of the Audit and Valuation Committee and Board agendas. Risks, including those relating to climate change, are discussed, and implications for future strategy are considered, semi-annually, in line with the annual and semi-annual reports.

In 2022, the Board supported the initiative of incorporating ESG as one of the core pillars of GCAP's strategy. The Board also reviewed

the alignment of GCAP's portfolio operations with the UN sustainable development goals and supported the enhancement of ESG transparency. In 2022 GCAP submitted the first climate change questionnaire to the CDP platform. Selected Board members were also involved in the submission process.

The Board is responsible for the approval of the climate-related metrics and targets that have been established by GCAP in 2022. It is also responsible for ensuring progress against agreed metrics and targets.

Management oversight

Within the management team, the Chief Financial Officer, supported by the finance team, is responsible for identifying risks, including climate change risks, in relation to the investment portfolio and including these in the valuation process. The Director of Investments, supported by the Investment Officers, is responsible for identifying

specific risks and opportunities at the initial investment stage.

The Chief Financial Officer and Director of Investments report on monitoring of identified financial and climate-related risks and significant changes through its regular reports to the Management Board. Risks are escalated to the Audit and Valuation Committee.

The Board and management work together to develop and review the GCAP investment strategy and consider, among other aspects, climate-related issues. They are also responsible for setting a wide range of corporate policies and objectives, among them environmental and social policies, and for monitoring performance against objectives and targets.

In support of the evaluation of climate-related risks and opportunities that may be present, a review of GCAP's direct operations and a macro-level review of the portfolio companies' operations were completed. The process was followed by a comprehensive quantitative assessment, specifically on GHG inventory management.

It is considered that indirect climate-related risks within the portfolio companies will be more significant than those present within the Group's operations. An early-stage scenario analysis was completed as part of the process towards understanding how the climate impacts identified in the qualitative assessment could present as financial risks to GCAP under different plausible future scenarios. The findings and potential material risk implications of such findings (examples of which are provided below in the section "Scenario analysis of plausible futures") will inform future strategy. However, it is noted that the current strategy already incorporates some consideration of climate change aspects (e.g. GCAP's focus upon renewable energy, 7.0% share of the portfolio at 31 December 2022).

Scenario analysis of plausible futures

Network for Greening the Financial System (NGFS¹) climate scenarios were chosen for their relevance to the finance sector and to allow for comparability. Climate change scenarios for the Republic of Georgia were explored as follows:

- Current Policies/(Business as Usual (BAU)) (policy ambition of >3°C by 2025).
- Delayed transition to net-zero (policy ambition of 1.8°C by 2050).
- Orderly transition to net-zero (1.5°C by 2050).

GCAP invests over a three to five year horizon. With this in mind, scenario outputs were considered by GCAP in the short term (year 2025), medium term (year 2030) and long term (year 2050).

Each NGFS scenario explores a different set of assumptions for how climate policy, emissions and temperatures evolve. The scenario descriptions using the REMIND-MAGPIE 2.1-4.2 model are as follows:

- **Current Policies (or BAU)** where the modelled temperature in 2050 exceeds 3°C. This scenario is dominated by physical risks due to the resulting climate and weather pattern changes. Transition risks are muted as regulators and technology are not being driven to change beyond current

plans. Georgia will experience a reduction in the overall volume of precipitation across the country, including a reduction in the volume of snowfall. Gradual snow melt will be replaced by more intense rainfall run-off. This will result in landscape instability and heightened flood risk with the potential for infrastructure to be overwhelmed. In addition, there is an expectation of an increasing frequency of heat waves.

- **Delayed Transition 1.8°C** where the temperature rise is around 2°C by 2050. Physical risks as described under the Current Policies scenario are still likely. Delayed transition implies that society remains slow to act but there is a more urgent response in the 2030s. Consequently, transition risks, especially those relating to regulation, occur mid-2030s and are swiftly implemented (not gradually or phased), for example, fuel use and carbon pricing. Technology will continue to evolve because R&D generally occurs over 10-15-year horizons, while consumer preferences and reputation may have more of an influence.
- **Net Zero 1.5°C** consistent with a temperature rise of 1.5°C, reflecting early, planned policy action. Transition risks will dominate this scenario in relation to regulation, technology and products. There is an expectation of rapid obsolescence of fossil fuel technologies and technology

advancements that will contribute to the transition. Consumer preferences towards sustainable choices and reputation will drive changes in market demand. While physical risk profiles remain broadly similar up to 2030 they are lower than in other scenarios after this date.

Carbon prices (including taxation measures) are a key policy instrument for incentivising carbon emissions reduction. There is a direct relationship between the ambition (and stringency) of policies and the cost of emissions. The cost of emissions is also sensitive to the timing and implementation of the policies, the distribution of policies across all industrial sectors and the available technology, for example for CO₂ removal.

1 www.ngfs.net. Network for Greening the Financial System (NGFS) Climate Scenarios for Central Banks and Supervisors June 2021.

STRATEGY CONTINUED

The carbon price in Georgia is a key variable in determining the future climate-related financial risk for GCAP. The projected carbon price over the short, medium and long term under the three plausible scenarios is shown in Table 1. Under Current Policies, there is little change in the carbon price. However, there is a sharp increase in the carbon price occurring in about 2030-2035 under the Delayed Transition 1.8°C scenario. Under the Net Zero 1.5°C scenario, a carbon price in Georgia of US\$ 204/tonne by 2030 is projected.

Based on the early-stage scenario modelling initial tables of potentially material climate-related financial risks and opportunities for each scenario were prepared.

An example summary table of the Delayed Transition 1.8°C scenario is presented as Table 2. In this example scenario, the increasing carbon price is likely to be material to each of the portfolio companies either directly or through their supply chains. In addition, potential financial impacts under this scenario may also arise associated with:

- Acute physical events, for example, from increased flooding or land instability due to intense rainfall on operations or physical assets;
- Chronic physical changes to climate, such as increased average temperatures affecting the condition or habitability of real estate assets, the physical condition of distribution networks, and/or community health;

- Adaptation of operations or assets to mitigate the effect of physical or transition risks. In this example, transition risks and, in particular, opportunities for the GCAP investment strategy and portfolio may be driven by the Georgian Nationally Determined Contributions and the Georgian 2030 Climate Change Strategy and Action Plan (CCSAP) Strategy.

It is noted that under the plausible scenarios analysis, there will be little difference in the physical outcomes between Current Policies and Delayed Transition 1.8°C before 2050. But under the Delayed Transition 1.8°C scenario, there is significant potential for variation in near-term policy action which will introduce great uncertainty for businesses.

A narrative summary of qualitatively identified macro-level risks and opportunities under the Delayed Transition 1.8°C scenario and the potential impact of these risks is provided in Table 2. For each portfolio company, examples are given which are considered to have the potential to be material to the portfolio company, if not to the portfolio as a whole. The percentage value of the portfolio company within the portfolio is provided as a broad indicator of likely weighting.

Table 1: Modelled carbon price for Georgia (US\$/tonne)

NGFS modelled scenario	Projected carbon price			
	Year 2025	Year 2030	Year 2035	Year 2050
CURRENT POLICIES	3	3	3	4
DELAYED TRANSITION 1.8°C	<1	<1	224	497
NET ZERO 1.5°C	148	204	272	603

Table 2: Portfolio 2022: Qualitative presence of potential climate-related physical or transition risks under Delayed Transition 1.8°C

Portfolio company	Physical risks ¹				Transition risks ²							
	Acute		Chronic		Legal/regulation		Market		Reputation		Technology/digital	
	Risk	Opp.	Risk	Opp.	Risk	Opp.	Risk	Opp.	Risk	Opp.	Risk	Opp.
BANK OF GEORGIA												
WATER UTILITY												
RENEWABLE ENERGY												
HEALTHCARE BUSINESSES: HOSPITALS AND CLINICS AND DIAGNOSTICS												
RETAIL (PHARMACY)												
MEDICAL INSURANCE												
P&C INSURANCE												
EDUCATION												
AUTO SERVICE												
BEVERAGES (BEER AND WINE)												
HOUSING DEVELOPMENT AND HOSPITALITY												

Key: The red blocks indicate potentially material risk areas and the blue blocks indicate potentially material opportunities for each of the portfolio companies. White areas indicate that neither material risks nor material opportunities are anticipated.

1 Physical risks and opportunities are those that occur due to the physical manifestation of climate change – as chronic long-term climate changes or as acute episodic weather events.

2 Transition risks and opportunities are those related to the transition to a low-carbon economy including legal/regulatory risks such as carbon prices, market supply and demand, reputation and technology (e.g. disrupters, improvements and replacement of technology that support the transition to a low carbon economy).

Bank of Georgia (26.0% of total portfolio)

- **Risks** – Within the medium term, the rapid implementation of climate policy and regulation may result in sharply increasing direct regulatory expenses in relation to fixed assets such as the Bank’s retail outlets.
- **Opportunities** – In the short term, and in mitigation, the Bank is already in the advanced stages of implementing energy efficiency programmes within its real estate (retail, office and data centres). By anticipating compliance with regulations relating to fuel efficiency standards, emissions-reducing regulations and building efficiency compliance, the Bank will minimise costs in relation to regulations. In addition, it will lower energy expenditure and generate a financial benefit, especially where renewable energy is utilised. Additionally, the Bank has adopted digital technology to enable all forms of digital banking, potentially further reducing the need for fixed assets.

Since 2021, Bank of Georgia Group PLC completes its own TCFD assessment. The results are available publicly in Bank of Georgia Group PLC’s Annual Report and Accounts which can be viewed or downloaded at: <https://bankofgeorgiagroup.com/reports/annual>

Healthcare businesses – hospitals and clinics and diagnostics (17.1% of total portfolio)

- **Risks** – a delayed transition, it is anticipated that in the medium-term carbon prices will remain low. After 2030, carbon prices may rise quickly year-on-year towards 2050. The implications of this will be financially more severe for carbon-intensive products, services and operations. This will result in increased costs of purchase relating to medical equipment and supplies, particularly those originating out-of-country.
- **Opportunities** – In the short to medium term, commitment to a low-carbon portfolio (for example, low-carbon hospitals) could have material benefits. A reduction in the portfolio’s carbon intensity will mitigate future costs associated with increasing carbon prices.

Retail (pharmacy) (22.7% of total portfolio)

- **Risks** – The principal risks arise from physical aspects of climate change and may impact the physical assets. Transition risks are considered to mainly relate to carbon pricing and the effect this will have on the supply chain, for example, the purchase of drugs and medicines. As the carbon price rapidly increases post-2030 (medium term) the prices of goods will increase. While this will be felt across the market and will not be unique to the portfolio, given the leading market share,

this could result in reputational risk arising from consumer perception.

- **Opportunities** – There is a regulation opportunity for the retail (pharmacy) business. Being an early adopter of fuel efficiency standards, emissions-reducing regulations and building efficiency compliance will reduce overall running costs in the medium term. Good energy management and the use of renewable energy will not only lower energy expenditure and generate a financial benefit but will also reduce the carbon footprint of the operations.

Medical insurance (1.6% of total portfolio)

- **Risks** – An increase in medical insurance claims may arise from both acute short-term weather conditions (flooding and, in some regions, landslides and heatwaves) and long-term chronic changes in weather such as increased average temperatures, impacting health. Failure of infrastructure may cause longer-term ill health from waterborne diseases. There is also a risk that the Government introduces a policy for insurers to maintain policy cover for the “uninsurable”, the costs of which may not be possible to pass on to the insured.
- **Opportunities** – Encouraging customers to prepare to be resilient with respect to climate risks, for example through premium incentives to

have healthy lifestyles, may contribute positively to the business reputation and customer base.

P&C insurance (7.1% of total portfolio)

- **Risks** – Carbon pricing is a fundamental component of the EU’s climate change agenda. Under the Delayed Transition 1.8°C scenario, carbon pricing is expected to rise sharply after 2030 (medium term). This will see a progressive rise in the cost of carbon-intensive products and services, logistics, distribution and any other operations within the supply chain associated with high-carbon emissions. This will have implications for the cost of insurance, which may be passed on to the customer. Beginning with transition risks, some lines of business may see changes in claims patterns as Government policy and regulation relating to carbon emissions evolve. This might result in fluctuating loss ratios and profitability. The steep rise in carbon prices can lead to reduced profitability, obsolete assets and impairments in sectors that are difficult to decarbonise and where additional costs cannot be passed on to customers. The transition will shift demand toward low-carbon technologies and create new opportunities for companies that provide innovative solutions and are able to reduce their emissions more efficiently than competitors. Failure to manage potentially detrimental impacts will result in damage to a company’s reputation.

STRATEGY CONTINUED

- **Opportunities** – Opportunities will likely arise from energy efficiency regulation which will force customers to upgrade their homes and vehicles and may require new product offerings. Commercial opportunities are also likely to arise by creating targeted products that address climate change and energy transition.

Water utility (4.8% of total portfolio)

- **Risks** – Acute physical risks may impact utility assets. For example, in the short to medium term, extreme rain events may overwhelm infrastructure, causing damaged water treatment and sewage treatment plants. Pipelines are also at risk from such events, as the overall integrity is placed under pressure. These will require greater increased maintenance and repair costs. Landslides in more remote locations could cause further damage and may block access in some areas.
- **Opportunities** – In the medium term, decarbonisation of operations will enable the water utility operations to limit the cost consequences of carbon pricing and provide an advantage over more carbon-intensive competition.

Renewable energy (7.0% of total portfolio)

- **Risks** – In the short to medium term, the infrastructure and transmission lines are clearly at risk from physical risks such as landslides, or extreme heat impacting the integrity of lines or pipes. However, for each of the HPPs and WPPs, the business has taken steps to improve the resilience of infrastructure to changes in climate.
- **Opportunities** – The renewable energy business generates electricity using renewable sources, and there are a number of policy and Government incentives for solar wind and hydropower

generation in Georgia as part of the Georgian 2030 CCSAP. Renewable energy sources are considered to be the future of energy and are valued higher than traditional electricity generation companies.

Education (5.1% of total portfolio)

- **Risks** – The potentially material risks relate to transition type risks, in particular energy and air quality regulations, that may be introduced under this scenario at short notice in the medium term. Schools may be expected to retrofit heating and cooling measures/equipment to meet regulations. In addition, energy requirements may arise in response to air conditioner use during prolonged heatwaves for example. These risks are expected for all real estate.

Auto service

- **Risks** – Currently, vehicles on the market and in use in Georgia are mainly diesel and petrol-fuelled. Initially, in the short term, there will be a gradual switch to electric vehicles. After 2030, there will likely be a significant increase in the use of electric vehicles, abruptly reducing the need for emissions checks. Additionally, the anticipated rise of carbon pricing and adoption of border adjustment mechanisms after 2030 will affect Amboli's (the auto service business' car services and parts business) supply chain and trade of car consumables and parts. There will likely be an abrupt rise in distribution and retail costs as a result of increases in carbon pricing.
- **Opportunities** – In the short to medium term, it may be that there will be stricter emissions requirements. This may mean that more vehicles will need to be emissions-checked more regularly or be modified, causing demand at PTI centres.

Beverages

- **Risks** – In addition to physical risks (reduced rain, high intensity events, prolonged heatwaves) affecting hops and grape production, the main identified risk relates to regulatory transition risk. In particular, carbon prices and border taxes such as the EU Carbon Border Adjustment Mechanism will adversely affect the prices of both incoming goods and exported products.

Housing development and hospitality

- **Risks** – Physical risks to property will occur. These include deterioration of asset integrity due to flooding or extreme heat. In the medium term (post-2030) assets that are not energy efficient will be hit by energy efficiency regulation for retrofitting and increased energy costs due to carbon pricing.
- **Opportunities** – Early adoption of fuel efficiency standards, emissions-reducing regulations and building efficiency compliance will reduce longer-term costs relating to regulations including a reduction in potential declines.

As stated previously, GCAP's period of investing is between three to five years, which is within the short-term horizon of the scenarios. Management is taking climate change risk into consideration when determining its investment strategy. We expect further emphasis to be placed upon climate resilience as our understanding of climate-related risks and opportunities matures. Management is also taking into consideration the resilience of its portfolio with respect to climate change risks as part of the portfolio strategy. This is described further in the Risk Management section on page 44.

Climate change is also reflected in the valuation assessments of the portfolio companies, as described in the Risk Management section on page 44. Going forward we will be exploring how to further incorporate climate change risk into our portfolio valuations. This may include an assessment of the influence of the projected carbon price under different scenarios, on the valuation of the portfolio. In addition, the use of shadow carbon pricing might be reviewed.

Other identified potential risks and opportunities are evaluated by the investment and finance teams in discussion with the portfolio companies to determine their financial materiality (impact on financial performance including revenues and expenditures, and impact on the financial position, assets and liabilities, capital and financing).

Climate change risk has been recognised by GCAP as an emerging risk. The risk management approaches for the initial investment stage and the existing portfolio companies are provided below.

Investment stage

In 2022, the investment risk management process was updated to include consideration of climate-related risks, in line with the implementation of the Responsible Investment Policy. Procedures for identifying, describing and managing environmental and social risks and impacts (including those associated with climate change) have been incorporated into the investment process from the initial investment, through to the holding period.

GCAP has a staged approach to investment appraisal which becomes progressively more detailed. At the early stages of appraisal, the potential investment is screened against the GCAP Exclusion List. This list excludes businesses that generate more than 10% of their revenues from fossil fuels. Subsequent appraisal stages include evaluation of the carbon and energy emissions, as well as business strategy and plan elements in relation to carbon and energy management. These plan elements will consider alignment with the Georgian Government Climate Goals and incorporate the shadow carbon price.

Current portfolio

Climate change, and the risks relating to climate change, is reflected in the valuation assessments of the portfolio companies. Equity investments in Georgia Capital's portfolio companies are measured at fair values at each reporting date in accordance with IFRS 13, Fair Value Measurement. Private large and investment stage portfolio companies are valued by applying a combination of an income approach (DCF) and a market approach (listed peer multiples and, in some cases, precedent transactions) in line with International Private Equity Valuation (IPEV) guidelines and methodology. Under the discounted cash flow (DCF) valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. The discount rate is estimated with reference to the market risk-free rate, a risk-adjusted premium and information specific to the business or market sector, which consequently reflects the climate change-related considerations of the business. Market approach valuation methodology involves the application of a listed peer group earnings multiple to the earnings of the business and is appropriate for investments in established businesses and for which the Company can determine a group of listed companies with similar characteristics. GCAP identifies the peer group for each equity investment taking into consideration points of similarity with

the investment such as industry, business model, size of the company, economic and regulatory factors, growth prospects (higher growth rate) and risk profiles (including the climate change risk). Valuation assessments of the large and investment stage portfolio companies are performed by an independent valuation firm on a semi-annual basis. Climate change risk is factored in the valuation assessments. Climate change risk is also embedded in the valuation of the other portfolio companies as set out in the Valuation Methodology on page 101 of the Annual Report 2022.

Understanding the relationship and potential impact of climate change and its associated risks across different risk categories was a priority for GCAP risk management during 2022 as climate risk continued to be integrated into the risk management framework.

Evaluating macro-level risks:

For each of the portfolio companies, a macro-level review has been completed within the scenarios and time horizons (short, medium and long). The process included among other activities:

- review of the scenarios selection and identified risks and opportunities with the portfolio companies;
- application of the carbon prices to investee emission profiles to establish the impact; and
- further discussion with the portfolio companies on how carbon price may be used to influence their

strategy and impact on their business plans going forward – including the cost of supplied materials, ability to pass through costs and potential capex among other aspects.

The NGFS modelling scenarios will be re-run annually to assess changes if any, that may occur in response to global or Republic of Georgia commitments and policies towards climate change.

Monitoring and reporting:

Environment (including climate) and social risks and opportunities are managed through regular semi-annual engagements with the portfolio companies. Topics cover a range of aspects under the headings of Governance, Policies, Social, Environment, Carbon and Energy Management, and Suppliers.

Capacity building:

Where appropriate, GCAP will support portfolio companies in training and upskilling Investment Managers with respect to climate change terminology, risks and opportunities during 2023 and beyond.

METRICS AND TARGETS

In 2022, Georgia Capital committed to the Net-Zero Initiative and expressed its willingness to reach Net-Zero across Scope 1 and 2 emissions at both GCAP HoldCo and portfolio company levels by 2050.

In May 2022, GCAP commenced the ESG target-setting initiative with the goal of setting GHG emission reduction targets. Over a four-month period, GCAP conducted comprehensive research on relevant ESG standards, frameworks and guidelines, and engaged in discussions with global experts on different environmental platforms.

In September, GCAP, with its portfolio companies, engaged in comprehensive individual and group workshops where the ESG frameworks were discussed and participants shared their progress towards setting individual environmental targets. Some of the portfolio companies also engaged local third-party experts in the target-setting initiative to ensure the effectiveness of the process.

Through its ESG targets, GCAP supports climate change mitigation, natural resources conservation and pollution prevention, thereby contributing to the transition towards a more sustainable and lower-carbon economy in Georgia.

GHG inventory

Measuring GHGs is the initial step in preventing global warming.

GCAP has collated Scope 1, 2 and limited Scope 3 GHG emissions over the past few years.

In 2020 we focused on emissions derived from GCAP operations (Scope 1, 2 and limited 3). We reported on the emission sources listed under 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 (Scopes 1 and 2).

Additionally, we reported on those emissions under Scope 3 that are under our control and applicable to our business. All sources reported in 2020 fell within our consolidated financial statements.

Since 2021, in accordance with the Greenhouse Gas Protocol and aligning with TCFD, we have taken the opportunity to present elements of the emissions derived from our portfolio companies (outside our consolidated financial statements). We aggregate and present portfolio companies' Scope 1, 2 and 3 emissions under our Scope 3. The data set has been re-reported for 2020.

GCAP considers that all material categories of Scope 3 have been included in our emissions calculation. For further details, please refer to the emission disclosure and calculation methodology on page 30.

GHG reduction targets

Georgia Capital commits to reducing total Scope 1 and Scope 2 emissions by 30% by 2030 compared to the base year, 2022, and by 95% by 2050, ultimately becoming Net-Zero.

2022 has been chosen as a base year for two major reasons:

- In 2022, the disposal of the majority equity stake in the water utility business was completed, which significantly changed the GHG emission composition.
- The 2022 year reflects the normalisation of economic activities compared to the abnormal environment in 2020-2021 years due to COVID-19-related implications.

METRICS AND TARGETS CONTINUED

In 2022, the full GHG inventory analysis revealed that the portfolio companies’ GHG emissions accounted for 99.5% of the Group and portfolio companies’ aggregated emissions, which were derived from the following sources:

- **Combustion of natural gas (Scope 1)** – 33% of the total GHG emissions.
- **Combustion of petrol and diesel (Scope 1)** – 25% of the total GHG emissions.
- **Consumption of electricity (Scope 2)** – 23% of the total GHG emissions.
- **Other emissions (Scope 3)** – 19% of the total GHG emissions.

GHG emissions reduction roadmaps were developed at both the GCAP HoldCo and portfolio businesses’ levels to support GCAP in transferring to a low-carbon economy, consequently lowering its environmental footprint.

Target¹	KPIs	Base year 2022	Target by 2030	Target by 2050
REACH NET-ZERO ACROSS SCOPE 1 AND 2 EMISSIONS AT BOTH GCAP HOLDCO AND PORTFOLIO COMPANY LEVELS BY 2050	GHG EMISSIONS REDUCTION TARGETS			
	Reduce GCAP HoldCo Scope 1 and 2 emissions	70 TCO ₂ e	30%	95%
	Reduce GCAP’s Scope 3 emissions:			
	* Reduce portfolio companies’ Scope 1 and 2 emissions	22,759 TCO ₂ e	30%	95%
	* Offset the GCAP HoldCo’s direct Scope 3 emissions² that cannot be avoided or reduced further, starting from 2030	78 TCO ₂ e	YES	YES
	Georgia Capital plans to reduce its direct GHG emissions by:			
	<ul style="list-style-type: none">• Implement Net-Zero awareness campaigns across the Group and portfolio companies;• Organise annual ESG workshops with the portfolio companies;• Replace the natural gas heating systems with efficient electric heating solutions;• Promote electric vehicle deployment in order to reduce the consumption of petrol and diesel; and• Gradually transfer electricity consumption to 100% renewable energy, either by installing renewable energy solutions at our facilities or purchasing electricity from renewable energy providers.			

The roadmap captures the fundamental activities to minimise any adverse impact on the environment, whilst simultaneously highlighting benefits for the Group and its portfolio companies:

- c.80% of Georgian electricity is sourced from renewable energy power, having a relatively modest adverse impact on the environment.
- GCAP’s updated strategy of having considerable exposure to capital-light portfolio companies provides a chance to progressively transition to a low-carbon economy.

1 Since GCAP’s portfolio is subject to regular asset rotation, the targets may be recalibrated in the future.
2 Emissions related to air travel and ground transportation provided by third parties and electricity, heat/steam, cooling provided within leased and service agreements.



