

Second-Party Opinion

JSC Georgia Capital

Sustainability-Linked Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the JSC Georgia Capital Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- Selection of Key Performance Indicators** JSC Georgia Capital has set one KPI: Absolute scope 1, 2 and 3 GHG emissions (tCO₂e) (see Table 1). Sustainalytics considers the KPI to be very strong given that: i) it is a direct measure of JSC Georgia Capital's performance on a relevant and material ESG issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) it lends itself to be benchmarked against a science-based global decarbonization pathway.
- Calibration of Sustainability Performance Targets** JSC Georgia Capital has set one SPT. Sustainalytics considers the SPT to be aligned with JSC Georgia Capital's sustainability strategy. Sustainalytics further considers the SPT to be ambitious based on historical performance, peer performance and alignment with science.
- Bond Characteristics** JSC Georgia Capital has linked the bonds' financial characteristics to achievement of the SPT, namely a coupon step-up or an increase in the premium. The Company will pay a coupon step-up or an increase in the premium if it fails to achieve the SPT, if the performance of the SPT cannot be calculated or reported, or if it does not publish a verification assurance statement within the time frame as prescribed by the bonds' final terms. Sustainalytics notes that the financial characteristics of the bonds are aligned with the Sustainability-Linked Bond Principles 2020.
- Reporting** JSC Georgia Capital commits to report on its progress on the KPI, information that enables investors to monitor the level of ambition of the SPT and other information concerning the bonds in its annual sustainability report. The Company commits to report on the above on an annual basis and until bond maturity, as well as in any period when assessing the SPT leads to a potential adjustment of the sustainability-linked bonds' financial and structural characteristics. Sustainalytics notes that the reporting commitments are aligned with the Sustainability-Linked Bond Principles 2020.
- Verification** JSC Georgia Capital commits to have external limited assurance conducted against the SPT for the KPI annually and until bond maturity. Sustainalytics notes that the verification commitments are aligned with the Sustainability-Linked Bond Principles 2020.

Evaluation Date	April 14 2023
Issuer Location	Tbilisi, Georgia

The SPTs contribute to the following SDGs:



Overview of KPI and SPT

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
Absolute scope 1, 2 and 3 GHG emissions (tCO ₂ e)	2022	Very Strong	Reduce absolute scope 1, 2 and 3 GHG emissions by 20% by 2027 compared to a 2022 baseline	Ambitious

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Scope of Work and Limitations

JSC Georgia Capital has engaged Sustainalytics to review the JSC Georgia Capital Sustainability-Linked Bond Framework dated April 2023 (the "Framework") and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2020 (SLBP).¹

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the Framework with the SLBP, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of JSC Georgia Capital's management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes aspects of the Framework. JSC Georgia Capital's representatives have confirmed that:

- (1) They understand it is the sole responsibility of the issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and JSC Georgia Capital. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance.³ The measurement and reporting of the KPIs is the responsibility of the issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that JSC Georgia Capital has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks⁴ against which targets were set;
- (2) A material corporate action (such as a material M&A, disposal or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

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¹The Sustainability-Linked Bond Principles were launched by ICMA in June 2020. They are administered by ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>

²When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

³Sustainalytics has provided an opinion based on the understanding that the financial characteristics of the instruments issued under the Framework will be tied to the achievement of the SPTs corresponding to each of the KPIs included in the Framework.

⁴Benchmarks refer to science-based benchmarks.

Introduction

JSC Georgia Capital (the “Company” or the “Issuer”) is an investment holding company headquartered in Tbilisi, Georgia. The Company is the sole subsidiary of Georgia Capital PLC (the “Group” or “GCAP”). The Group has a diversified investment portfolio in companies in Georgia in the healthcare services, pharmacy retail, water utility, insurance, renewable energy and education sectors, among others.⁵ The Group has 48 employees and offices in Tbilisi and London.^{6,7} As of December 2022, GCAP has a portfolio value of GEL 3.2 billion (EUR 1.15 billion).⁸

The Issuer has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles 2020 (SLBP).

The Company has defined the following KPI and SPT:

Table 1: KPI Definitions

KPI	Definition
Absolute scope 1, 2 and 3 GHG emissions (tCO ₂ e)	<p>The KPI is defined as the absolute amount of scope 1, 2 and 3 GHG emissions across the Company’s value chain measured in tonnes of carbon dioxide equivalent (tCO₂e).</p> <p>Scope 1 emissions are direct emissions from sources owned or controlled by the Issuer; scope 2 emissions are indirect emissions from the consumption of purchased electricity, heat, steam and cooling; and scope 3 emissions represent scope 1 and 2 emissions from the Group’s portfolio companies.</p> <p>The Company calculates its GHG emissions in accordance with the Greenhouse Gas Protocol.</p>

Table 2: SPTs and Past Performance

KPI	2020	2021	2022 (baseline)	SPT 2027
Absolute scope 1, 2 and 3 GHG emissions (tCO ₂ e)	32,186	31,354	22,829	Reduce absolute scope 1, 2 and 3 GHG emissions by 20% by 2027 compared to a 2022 baseline.

⁵ Georgia Capital, “Annual Report 2022”, (2023), at: <https://georgiacapital.ge/sites/default/files/2023-03/Georgia%20Capital%20PLC%20Annual%20Report%202022.pdf>

⁶ Ibid.

⁷ Georgia Capital, “About Us”, at: <https://georgiacapital.ge/contact>

⁸ Georgia Capital, “Georgia Capital at a Glance”, at: <https://georgiacapital.ge/about/ata glance>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the JSC Georgia Capital Sustainability-Linked Bond Framework with the Sustainability-Linked Bond Principles

Sustainalytics is of the opinion that the JSC Georgia Capital Sustainability-Linked Bond Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2020.



Selection of Key Performance Indicators

Relevance and Materiality

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues; and ii) to what extent the KPI is applicable.

Absolute scope 1, 2 and 3 GHG emissions (tCO₂e)

The Sustainability Accounting Standards Board (SASB) identifies product design and life cycle management⁹ as a relevant issue for companies in the asset management and custody activities industry to track and disclose.¹⁰ Additionally, the GHG Protocol considers scope 3 emissions to be significant and material for companies that provide financial services, as per the GHG Protocol's Category 15: Investments.¹¹

Regarding applicability, the KPI covers the Issuer's scope 1, 2 and 3 GHG emissions, which amounted to 22,829 tCO₂e in 2022. Scope 1 GHG emissions are direct emissions from sources owned or controlled by the Company and totalled 66 tCO₂e in 2022. Scope 2 GHG emissions are indirect emissions from the consumption of purchased electricity, heat, steam and cooling, and amounted to 4 tCO₂e in the same year. The scope 3 GHG emissions covered under the KPI include scope 1 and 2 GHG emissions from GCAP's portfolio companies, which equalled 22,759 tCO₂e. Sustainalytics notes that the KPI covers approximately 81% of the Issuer's total scope 1, 2 and 3 GHG emissions. The Issuer has communicated to Sustainalytics that it voluntarily reports on the scope 3 emissions from its portfolio companies as part of its scope 3 emissions. If these emissions were excluded from the total calculation, the KPI would cover 99% of the Issuer's total emissions.

Based on the above, Sustainalytics considers the KPI material and relevant and to have a high scope of applicability.

KPI Characteristics

In its assessment of the KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on the material environmental or social issue; and iv) if applicable, whether the methodology can be benchmarked against an external contextual benchmark.¹²

Absolute scope 1, 2 and 3 GHG emissions (tCO₂e)

Sustainalytics considers the Company's definition and methodology to calculate progress on the KPI to be clear and consistent based on it being calculated in accordance with the GHG Protocol's methodology, which is considered an industry standard. The Group has been reporting publicly on GHG emissions since 2018 on a

⁹ Product design and life cycle management as defined by the SASB incorporates ESG considerations into the characteristics of products and services provided or sold by a company.

¹⁰ SASB, "Asset Management & Custody Activities", at: <https://www.sasb.org/standards/materiality-finder/find/?industry%5b0%5d=FN-AC>

¹¹ GHG Protocol, "Category 15: Investments", at: https://ghgprotocol.org/sites/default/files/standards_supporting/Chapter15.pdf

¹² External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

consolidated basis,¹³ and on its portfolio companies’ GHG emissions under scope 3 since 2021.^{14,15} Sustainalytics considers the KPI to be directly linked to the Company’s performance on the material environmental issue of GHG emissions.

As the KPI represents an absolute emissions metric, Sustainalytics is of the opinion that it is well suited to be benchmarked against science-based global decarbonization pathways, such as the SBTi’s absolute contraction approach.¹⁶

Overall Assessment

Sustainalytics considers the KPI to be very strong given that: i) it is a direct measure of the Issuer’s performance on a relevant and material ESG issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) it lends itself to be benchmarked against a science-based global decarbonization pathway.

Absolute scope 1, 2 and 3 GHG emissions (tCO _{2e})	Not Aligned	Adequate	Strong	Very strong
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Calibration of Sustainability Performance Targets

Alignment with GCAP’s Sustainability Strategy

The Company adheres to the sustainability strategies of its parent company, GCAP. The Company has set the following SPT for its KPI:

- Reduce absolute scope 1, 2 and 3 GHG emissions by 20% by 2027 compared to a 2022 baseline.

Sustainalytics considers the SPT to be aligned with GCAP’s sustainability strategy. In 2022, GCAP established a Responsible Investment Policy, which includes a commitment to integrate environmental aspects into its portfolio management processes and procedures, and monitor portfolio companies’ environmental performance on issues, such as GHG emissions and renewable energy generated.^{17,18}

Strategy to Achieve the SPT

The Issuer intends to achieve the SPT through the following strategies:

Reduce absolute scope 1, 2 and 3 GHG emissions by 20% by 2027 compared to a 2022 baseline

- Implement net zero initiative awareness campaigns across the Group
- Organize annual ESG workshops with portfolio companies
- Replace natural gas heating systems with energy-efficient electric heating solutions
- Promote electric vehicle deployment to reduce Group-wide consumption of petrol and diesel

¹³ Georgia Capital, “Annual Report 2018”, (2019), at: <https://georgiacapital.ge/sites/default/files/2019-04/Georgia%20Capital%20PLC%20Annual%20Report%202018.pdf>

¹⁴ Georgia Capital, “Annual Report 2021”, (2022), at: <https://georgiacapital.ge/sites/default/files/2022-03/Georgia%20Capital%20PLC%20Annual%20Report%202021.pdf>

¹⁵ GCAP retrospectively adjusted the reported emissions of 2019 and 2020.

Georgia Capital, “Annual Report 2021”, at: <https://georgiacapital.ge/sites/default/files/2022-03/Georgia%20Capital%20PLC%20Annual%20Report%202021.pdf>

¹⁶ The SBTi uses two target-setting methods: the absolute contraction approach, a one-size-fits-all method that ensures companies setting targets deliver absolute emissions reductions in line with global decarbonization pathways; and the sectoral decarbonization approach, an alternative method that allows targets to be derived from global mitigation pathways for some of the most carbon-intensive activities, such as road transportation, aviation, generation of electricity and production of basic materials.

¹⁷ Georgia Capital, “Georgia Capital Responsible Investment Policy”, (2022), at: <https://georgiacapital.ge/sites/default/files/2023-02/Responsible%20Investment%20Policy.pdf>

¹⁸ Georgia Capital, “Annual Report 2022”, (2023), at: <https://georgiacapital.ge/sites/default/files/2023-03/Georgia%20Capital%20PLC%20Annual%20Report%202022.pdf>

- Transition to 100% renewable energy electricity either by installing renewable energy solutions at its facilities or purchasing electricity from renewable energy providers
- Set specific mid- and long-term targets for each of its portfolio companies for 2030 and 2050, including relevant capex initiatives required to achieve said targets.
- Encourage all large portfolio companies to publicly report on ESG-relevant disclosures. Relevant disclosures may include using CDP,¹⁹ UN Global Compact’s Communication on Progress Report,²⁰ and other internationally acknowledged disclosures.
- GHG emissions reduction will not be achieved via offsetting but rather through optimization of the operations of GCAP and its portfolio companies.

Ambitiousness, Baseline and Benchmarks

To determine ambitiousness of the SPT, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science.²¹

Reduce absolute scope 1, 2 and 3 GHG emissions by 20% by 2027 compared to a 2022 baseline

The Company has set the baseline for the SPT at 2022, when it completed the divestment of a majority equity stake in a water utility company.²² It is also the first year that reflects the Issuer’s activities after the peak of the crisis induced by the COVID-19 pandemic.

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and external science-based decarbonization pathways.

The Issuer demonstrated an average annual reduction of approximately 14.54% in its absolute GHG emissions between 2020 and 2022. Achieving the SPT implies an average annual reduction in the Company’s absolute GHG emissions of approximately 4% between the 2022 baseline year and the 2027 target year. Sustainalytics notes that the performance required to achieve the SPT is below past performance, but Sustainalytics considers this SPT as aligned with historical performance given that the Issuer achieved a year-on-year reduction of 27% in 2022 relative to 2021 and achieving the target represents a continuous material improvement.

Sustainalytics has analyzed the targeted performance of nine of the Issuer’s industry peers and found that the Company’s target exceeds similar targets set by peers, eight of which have not set specific public targets. Therefore, Sustainalytics considers the SPT to be above peer performance.

Regarding comparison with science, Sustainalytics notes that the Issuer must reduce its absolute scope 1, 2 and 3 GHG emissions by an average annual 4% between 2022 and 2027 to achieve the SPT. Regarding benchmarking, Sustainalytics has only considered the scope 3 GHG emissions covered under the KPI, which refer to the scope 1 and 2 GHG emissions of the Group’s portfolio companies only, representing 99.69% of the total emissions covered under the KPI. The 4% average annual reduction is aligned with the SBTi’s well-below 2°C scenario using an absolute contraction approach.²³

Overall Assessment

Sustainalytics considers the SPT to be aligned with GCAP’s sustainability strategy and to be ambitious given that it aligns with past performance, it is above peer performance, and is aligned with the SBTi’s well-below 2°C scenario.

Reduce absolute scope 1, 2 and 3 GHG emissions by 20% by 2027 compared to a 2022 baseline.	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
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¹⁹ CDP, “About Us”, at: <https://www.cdp.net/en/info/about-us/what-we-do>

²⁰ UN Global Compact, “Communication on Progress”, at: <https://unglobalcompact.org/participation/report/cop>

²¹ Contextual benchmarks that indicate the alignment of targets with ecosystem boundaries

²² In 2022, Georgia Capital completed a sale of an 80% stake in the water utility company to Aqualia.

Georgia Capital, “Annual Report 2022”, at: <https://georgiacapital.ge/sites/default/files/2023-03/Georgia%20Capital%20PLC%20Annual%20Report%202022.pdf>

²³ The absolute contraction approach is a method for companies to set emissions reduction targets that are aligned with the global annual emissions reduction rate that is required to meet the 1.5°C or well-below 2°C pathways.



Bond Characteristics

The Company has disclosed that the financial characteristics of the sustainability-linked bonds issued under the Framework will vary depending on the achievement or lack of achievement of the SPT on the target observation date, 31 December 2027. The achievement or lack of achievement of the SPT will be disclosed on or before the publication date of the Group's 2027 Annual and Sustainability Reports and no later than 120 calendar days from the target observation date. If the SPT is not achieved by the target observation date, the Company will pay a coupon step-up or an increase in the premium. Additionally, the Company will pay a coupon step-up or an increase in the premium if the performance level of the SPT cannot be calculated or reported on in a satisfactory manner supported by a verification assurance statement provided by an independent auditor, or if GCAP does not publish the relevant verification assurance statement within the time limit as prescribed by the bonds' final terms. Sustainalytics notes that the financial characteristics of the bonds are aligned with the SLBP.



Reporting

The Company commits to report on its progress on the KPI, information that enables investors to monitor the level of ambition of the SPT and other information concerning the bonds in the Group's annual sustainability report. The Company commits to report on the above on an annual basis and until bond maturity and in any period when assessing the SPT leads to a potential adjustment of the sustainability-linked bonds' financial and structural characteristics. Sustainalytics notes that the reporting commitments are aligned with the SLBP.



Verification

The Company commits to have external limited assurance conducted against the SPT for the KPI annually and until bond maturity. Sustainalytics notes that the verification commitments are aligned with the SLBP.

Section 2: Assessment of GCAP's Sustainability Strategy

Credibility of GCAP's Sustainability Strategy

The Company adheres to the strategies of its parent company, GCAP, including those related to sustainability. GCAP updated its investment strategy in May 2022 and included "putting ESG at the core of its strategy" as one of the three main pillars of its approach.²⁴ As part of this strategy, GCAP launched its Responsible Investment Policy²⁵ and updated its Environmental and Social Policy²⁶ in December 2022, which define the Group's responsible investment approach and include its commitments to monitoring its portfolio companies' environmental and social performance on issues, such as GHG emissions, health and safety, and labour practices, and to report on the implementation of the above policies on an annual basis.

To deploy its updated strategy, GCAP developed an ESG action plan in 2022 that included informational and engagement sessions with portfolio companies to determine ESG materiality for each business.²⁷ As a result of this plan, the Group established an ESG roadmap that aims to set targets at GCAP and its portfolio companies. GCAP has committed to reach net zero across scope 1 and 2 GHG emissions from GCAP and its portfolio companies by 2050. The Group also aims to reduce its own and its portfolio

²⁴ Georgia Capital, "Georgia Capital Investor's Day 2022 – Wrap-up", (2022), at: <https://georgiacapital.ge/sites/default/files/2022-05/Georgia%20Capital%20Investor%20Day%202022%20-%20Wrap%20up.pdf>

²⁵ Georgia Capital, "Georgia Capital PLC Responsible Investment Policy", (2022), at: <https://georgiacapital.ge/sites/default/files/2023-02/Responsible%20Investment%20Policy.pdf>

²⁶ Georgia Capital, "Georgia Capital PLC Environmental and Social Policy", (2022), at: <https://georgiacapital.ge/sites/default/files/2023-02/Environmental%20and%20Social%20Policy.pdf>

²⁷ Georgia Capital, "Georgia Capital Sustainability Report 2022", (2022), at: <https://georgiacapital.ge/sites/default/files/2023-03/Georgia%20Capital%20PLC%20Sustainability%20Report%202022.pdf>

companies' scope 1 and 2 emissions by 30% by 2030 and by 95% by 2050 compared to 2022.²⁸ Additionally, GCAP aims to establish ESG committees and formalized ESG transformation roadmaps across all of its portfolio companies by 2050.²⁹

In 2021, GCAP published its first standalone sustainability report, started to report in line with the Task force on Climate-related Financial Disclosures (TCFD).³⁰ Additionally, GCAP launched an initiative in 2022 to align its portfolio companies' performance with the SDGs, requiring portfolio companies to determine relevant SDGs and implement procedures to track their progress.³¹ GCAP also submitted its first CDP questionnaire and received a C score, meaning that the Group has demonstrated awareness of how environmental issues impact its business and how its operations affect people and ecosystems.^{32,33}

Based on the above, Sustainalytics is of the opinion that the JSC Georgia Capital Sustainability-Linked Bond Framework is aligned with the Group's overall sustainability strategy and initiatives and will advance the Company's action on its key environmental priorities.

GCAP's Environmental and Social Risk Management

Sustainalytics acknowledges that while the Company's defined target is impactful, achieving the SPT bears environmental and social risks related to material ESG issues, namely ESG integration, product governance and business ethics. The Company adheres to the risk management policies and procedures of its parent company, GCAP.

Sustainalytics comments below on GCAP's ability to mitigate such potential risks:

- **ESG Integration:** GCAP has established its Responsible Investment Policy,³⁴ which defines how ESG is integrated into GCAP's investment and portfolio management processes. GCAP's Investment Committee is responsible for implementing the policy. The main implementation steps are: i) screening against GCAP's exclusion list;³⁵ ii) due diligence that includes an ESG questionnaire to identify ESG and climate-related risks and that will result in documentation or strategic action plans with appropriate covenants to warrant compliance with environmental, health and safety, and labour regulations and standards; and iii) active ownership, including monitoring, regular ESG assessments of portfolio companies and reporting on the application of the policy annually. GCAP also assesses and reports on its portfolio companies' exposure to physical and transitional climate change risks and opportunities.³⁶ The Company became a signatory of the UN Global Compact in February 2022, committing to implement its 10 principles related to human and labour rights, the environment and anti-corruption.³⁷
- **Product Governance:** GCAP's investment team develops the Group's investment thesis, which also considers environmental and social risk associated with the investees' business activities. Their conclusion and the material findings of the above process are then presented to the Investment Committee for approval. The board-level Investment Committee has the ultimate responsibility for managing the investments and material risks. The committee oversees the whole investment life cycle; approves all investment, divestment and material portfolio decisions; and ensures that investments are in line with GCAP's investment policy and risk appetite.³⁸
- **Business Ethics:** GCAP has established a Code of Conduct and Ethics,³⁹ which highlights GCAP's responsibility to deal fairly with customers, competitors and suppliers, and sets guidelines to keep a safe working environment; prevent conflict

²⁸ Ibid.

²⁹ Ibid.

³⁰ TCFD, "About", at: <https://www.fsb-tcf.org/about/>

³¹ Georgia Capital, "Georgia Capital Sustainability Report 2022", (2023), at: <https://georgiacapital.ge/sites/default/files/2023-03/Georgia%20Capital%20PLC%20Sustainability%20Report%202022.pdf>

³² CDP disclosures range from A (leadership) to F (failure to disclose). More information at: <https://www.cdp.net/en/scores/cdp-scores-explained>

³³ Georgia Capital, "Georgia Capital Sustainability Report 2022", (2023), at: <https://georgiacapital.ge/sites/default/files/2023-03/Georgia%20Capital%20PLC%20Sustainability%20Report%202022.pdf>

³⁴ Georgia Capital, "Georgia Capital PLC Responsible Investment Policy", (2022), at: <https://georgiacapital.ge/sites/default/files/2023-02/Responsible%20Investment%20Policy.pdf>

³⁵ GCAP excludes activities involving forced or child labour; pornography or prostitution; production or trade in weapons, munitions and certain hazardous substances; growing and manufacture of tobacco; businesses that generate more than 10% of their revenue from coal, oil or gas and fossil fuel production; distribution or services that do not have a recognized strategy to achieve emissions consistent with the Paris Agreement's goals; businesses engaged in corporate governance breaches, such as bribery and corruption; and businesses involved in the production of palm oil and fossil fuels from oil sands or through arctic drilling.

³⁶ Georgia Capital, "Georgia Capital Sustainability Report 2022", (2023), at: <https://georgiacapital.ge/sites/default/files/2023-03/Georgia%20Capital%20PLC%20Sustainability%20Report%202022.pdf>

³⁷ UN Global Compact, "Our Participants - Georgia Capital JSC", (2022), at: <https://unglobalcompact.org/what-is-gc/participants/150401-Georgia-Capital-JSC>

³⁸ Georgia Capital, "Georgia Capital Annual Report 2022", (2023), at: https://georgiacapital.ge/sites/default/files/2023-03/Georgia%20Capital%20PLC%20Annual%20Report%202022_0.pdf

³⁹ Georgia Capital, "Georgia Capital PLC Code of Conduct and Ethics", (2022), at: <https://georgiacapital.ge/sites/default/files/2023-02/Code%20of%20Conducts%20and%20Ethics.pdf>

of interests, corruption, financial crime, and misuse of information and assets; and handle accurate, timely and clear external communication. GCAP has also established Anti-Bribery and Anti-Corruption policies,⁴⁰ which outline prohibited behaviours, guidelines to deal with third parties, potential red flags and defined responsibilities. To ensure any breaches of the aforementioned policies are reported in a timely manner, GCAP has a Whistleblowing Policy in place,⁴¹ which describes the procedures for raising concerns, including an anonymous hotline, and includes provisions for employee protection.

In addition to the above, Sustainalytics notes that it has found no evidence of any major environmental or social controversies related to the Issuer or its parent, GCAP. Sustainalytics considers that GCAP has management programmes and policies in place to mitigate the aforementioned risks.

Section 3: Impact of the SPT

Role of financial institutions in achieving climate action goals

In its Nationally Determined Contribution, Georgia committed to reduce its domestic GHG emissions by 35% by 2030 from a 1990 baseline; and by 50%-57% in line with a 2°C or 1.5°C climate scenario by 2030 from a 1990 baseline, under the condition that it receives international support.⁴² The financial sector plays a critical role in enabling the transition to a net zero economy: with USD 130 trillion in global assets under management in 2022,⁴³ financial institutions have the capacity to reduce their GHG emissions portfolio exposure and influence companies to set their own GHG emissions reduction targets.^{44,45,46}

In 2020, as part of the UNFCCC's Race to Zero Campaign, an international group of asset managers with USD 59 trillion in AUM, formed the Net Zero Asset Managers initiative to support the ambition to reach net zero emissions by 2050 or sooner.^{47,48} Additionally, in 2019, the Net Zero Asset Owner Alliance, a member-led initiative of institutional investors, committed to transition its members' investment portfolios to net zero by 2050.⁴⁹ The alliance's members are reportedly the first in the financial industry to set interim GHG emissions reduction targets of 22-32% by 2025 and 40-60% by 2030 compared to different baselines.^{50,51} Regarding private markets, more than 200 private equity firms, representing USD 3.2 trillion AUM, signed up to the Initiative Climat International (iCL) as of 2022, recognizing the important role the private equity industry plays in the transition to a net zero economy. ICL members are committed to collaborating on the development of practices to achieve net zero in the private equity industry.⁵² Furthermore, several existing initiatives, such as mainstreaming climate action in financial institutions,⁵³ the Investor Agenda⁵⁴ and Climate Action 100+⁵⁵ among others, enable and support financial institutions to integrate climate change considerations across their strategies to transition to a low-carbon economy.

Based on the above, Sustainalytics is of the opinion that the issuer's efforts towards decarbonizing its portfolio are expected to contribute to the transition to a low-carbon economy.

⁴⁰ Georgia Capital, "Anti-Bribery and Anti-Corruption Policy", (2022), at: <https://georgiacapital.ge/sites/default/files/2023-02/Anti-Bribery%20and%20Anti-Corruption%20Policy.pdf>

⁴¹ Georgia Capital, "Georgia Capital PLC Whistleblowing Policy", (2022), at: <https://georgiacapital.ge/sites/default/files/2023-02/Whistleblowing%20Policy.pdf>

⁴² UNFCCC, "Georgia's Updated Nationally Determined Contribution (NDC)", (2021), at: https://unfccc.int/sites/default/files/NDC/2022-06/NDC%20Georgia_ENG%20WEB-approved.pdf

⁴³ Science Based Targets, "Financial Institutions", at: <https://sciencebasedtargets.org/sectors/financial-institutions>

⁴⁴ Colback, L. (2020), "The role of business in climate change", Financial Times, at: <https://www.ft.com/content/7ab0bfb0-b37c-463d-b132-0944b6fe8e8b>

⁴⁵ Science Based Targets, "Foundation for Science-Based Net-Zero Target Setting in the Financial Sector", (2022), at: <https://sciencebasedtargets.org/resources/files/SBTi-Finance-Net-Zero-Foundations-paper.pdf>

⁴⁶ Ibid.

⁴⁷ Net Zero Asset Managers initiative, "Home", at: <https://www.netzeroassetmanagers.org/>

⁴⁸ Net Zero Asset Managers initiative, "The Net Zero Asset Managers Commitment", at: <https://www.netzeroassetmanagers.org/media/2021/12/NZAM-Commitment.pdf>

⁴⁹ Climate Initiatives Platform, "United Nations-Convened Net Zero Asset Owner Alliance", at: https://climateinitiativesplatform.org/index.php/United_Nations-Convened_Net_Zero_Asset_Owner_Alliance

⁵⁰ UNEP FI, "UN-convened Net-Zero Asset Owner Alliance", at: <https://www.unepfi.org/net-zero-alliance/>

⁵¹ UNEP FI, "Members' Intermediate Targets", at: <https://www.unepfi.org/net-zero-alliance/resources/member-targets/>

⁵² UN Principles for Responsible Investment, "Initiative Climat International launches A Case for Net Zero in Private Equity", (2022), at: https://www.unpri.org/news-and-press/initiative-climat-international-launches-a-case-for-net-zero-in-private-equity/10825_article

⁵³ UNEP FI, "Financial Institutions Taking Action on Climate Change", at: <https://www.unepfi.org/fileadmin/documents/FinancialInstitutionsTakingActionOnClimateChange.pdf>

⁵⁴ The Investor Agenda, "Investor Climate Action Plans (ICAPs) - Expectations Ladder", (2021), at: <https://theinvestoragenda.org/wp-content/uploads/2021/05/expectations-ladder.pdf>

⁵⁵ Climate Action 100+, "Initiative Snapshot", at: <https://www.climateaction100.org/#>

Contribution to SDGs

The Sustainable Development Goals were adopted by the United Nations General Assembly in September 2015 and form part of an agenda for achieving sustainable development by 2030. The sustainability-linked bonds issued under the Framework are expected to help advance the following SDG goals and targets:

KPI	SDG	SDG Target
Absolute scope 1, 2 and 3 GHG emissions (tCO ₂ e)	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
		7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Conclusion

JSC Georgia Capital is considering issuing sustainability-linked bonds tying the coupon rate or the redemption premium to achievement of the following SPT:

- (1) Reduce absolute scope 1, 2 and 3 GHG emissions by 20% by 2027 compared to a 2022 baseline.

Sustainalytics considers the KPI to be very strong based on materiality, relevance, scope of applicability and adequacy to external benchmarking. Furthermore, Sustainalytics considers the SPT to be ambitious based on historical performance, peer performance and alignment with science.

In addition, Sustainalytics considers reporting and verification commitments to be aligned with the SLBP.

Based on the above, Sustainalytics considers the JSC Georgia Capital Sustainability-Linked Bond Framework to be in alignment with the five core components of the SLBP and the prospective achievement of the SPT to be impactful.

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: JSC Georgia Capital

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: April 14, 2023

Independent External Review provider's name for post-issuance verification (section 4): Not known

Completion date of post issuance verification:

At the launch of the bond, the structure is:

- a step-up structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- assessed all the following elements (complete review) only some of them (partial review):
- | | |
|--|--|
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Verification | |
- and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

The Company is considering issuing sustainability-linked bonds which will tie the coupon rate or the redemption premium to the achievement of the following SPT:
 (1) Reduce absolute scope 1, 2 and 3 GHG emissions by 20% by 2027, compared to a 2022 baseline.
 Sustainalytics considers the KPI to be very strong based on materiality, relevance, scope of applicability and adequacy to external benchmarking. Furthermore, Sustainalytics considers the SPT to be ambitious based on historical performance, peer performance and alignment with science.
 Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with the SLBPs.
 Based on the above, Sustainalytics considers the JSC Georgia Capital Sustainability-Linked Bond Framework to be in alignment with the five core components of the SLBPs and the prospective achievement of the SPT to be impactful.

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable): Indicators JSC Georgia Capital has set one KPI: Absolute scope 1, 2 and 3 GHG emissions (tCO₂e) (see Table 1). Sustainalytics considers the KPI to be very strong given that: i) it is a direct measure of GCAP’s performance on a relevant and material ESG issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) it lends itself to be benchmarked against a science-based global decarbonization pathway.

List of selected KPIs:

- Absolute scope 1, 2 and 3 GHG emissions (tCO₂e)

Definition, Scope, and parameters

- | | |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (please specify): | |

Relevance, robustness, and reliability of the selected KPIs

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked |
| <input type="checkbox"/> Other (please specify): | |

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (if applicable): JSC Georgia Capital has set one SPT. Sustainalytics considers the SPT to be aligned with GCAP’s sustainability strategy. Sustainalytics further considers the SPT to be ambitious based on historical performance, peer performance and alignment with science.

Rationale and level of ambition

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline |
| | <input type="checkbox"/> Other (please specify): |

Benchmarking approach

- | | |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer’s peers |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other (please specify): |

Additional disclosure

- | | |
|---|--|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description | <input checked="" type="checkbox"/> issuer’s strategy to achieve description |
| <input checked="" type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify): |

3-3 BOND CHARACTERISTICS

Overall comment on the section (if applicable): JSC Georgia Capital has linked the bonds financial characteristics to achievement of the SPT, namely a coupon step-up or an increase in the premium. The Company will pay a coupon step-up or an increase in the premium if it fails to achieve the SPT, if the performance of the SPT cannot be calculated or reported, or if it does not publish a verification assurance statement within the timeframe as prescribed by the bond’s final terms. Sustainalytics notes that the financial characteristics of the bonds are aligned with the Sustainability-Linked Bond Principles 2020.

Financial impact:

- variation of the coupon
- ...
- Other (please specify): Redemption premium payment

Structural characteristic:

- ...
- ...
- Other (please specify):

3-4 REPORTING

Overall comment on the section (if applicable): JSC Georgia Capital commits to report on its progress on the KPI, information that enables investors to monitor the level of ambition of the SPT and other information concerning the bond in its annual sustainability report. JSC Georgia Capital commits to reporting on the above on an annual basis and until bond maturity and in any period when assessing the SPT leads to a potential adjustment of the sustainability-linked bond’s financial and structural characteristics. Sustainalytics notes that the reporting commitments are aligned with the Sustainability-Linked Bond Principles 2020.

Information reported:

- performance of the selected KPIs
- level of ambition of the SPTs
- verification assurance report
- Other (*please specify*): A qualitative and/or quantitative explanation of the contribution of the main factors behind the evolution of the KPI. An illustration of the positive impacts related to improved sustainable performance. Any additional information that allows investors to monitor the ambition of the SPT.

Frequency:

- Annual
- Semi-annual
- Other (*please specify*):

Means of Disclosure

- Information published in financial report
- Information published in ad hoc documents
- Reporting reviewed (*if yes, please specify which parts of the reporting are subject to external review*):
- Information published in sustainability report
- Other (*please specify*):

Where appropriate, please specify name and date of publication in the “useful links” section.

Level of Assurance on Reporting

- limited assurance
- reasonable assurance
- Other (*please specify*):

USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer’s documentation, etc.*)

Section 4. Post-issuance verification

Overall comment on the section (*if applicable*):

Information reported:

- limited assurance
- reasonable assurance
- Other (*please specify*):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Material change:

- Perimeter
- KPI methodology
- SPTs calibration

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