GEORGIA CAPITAL

SUSTAINABILITY REPORT 2023

EMPOWERING SUSTAINABLE TRANSFORMATION

Georgia Capital PLC

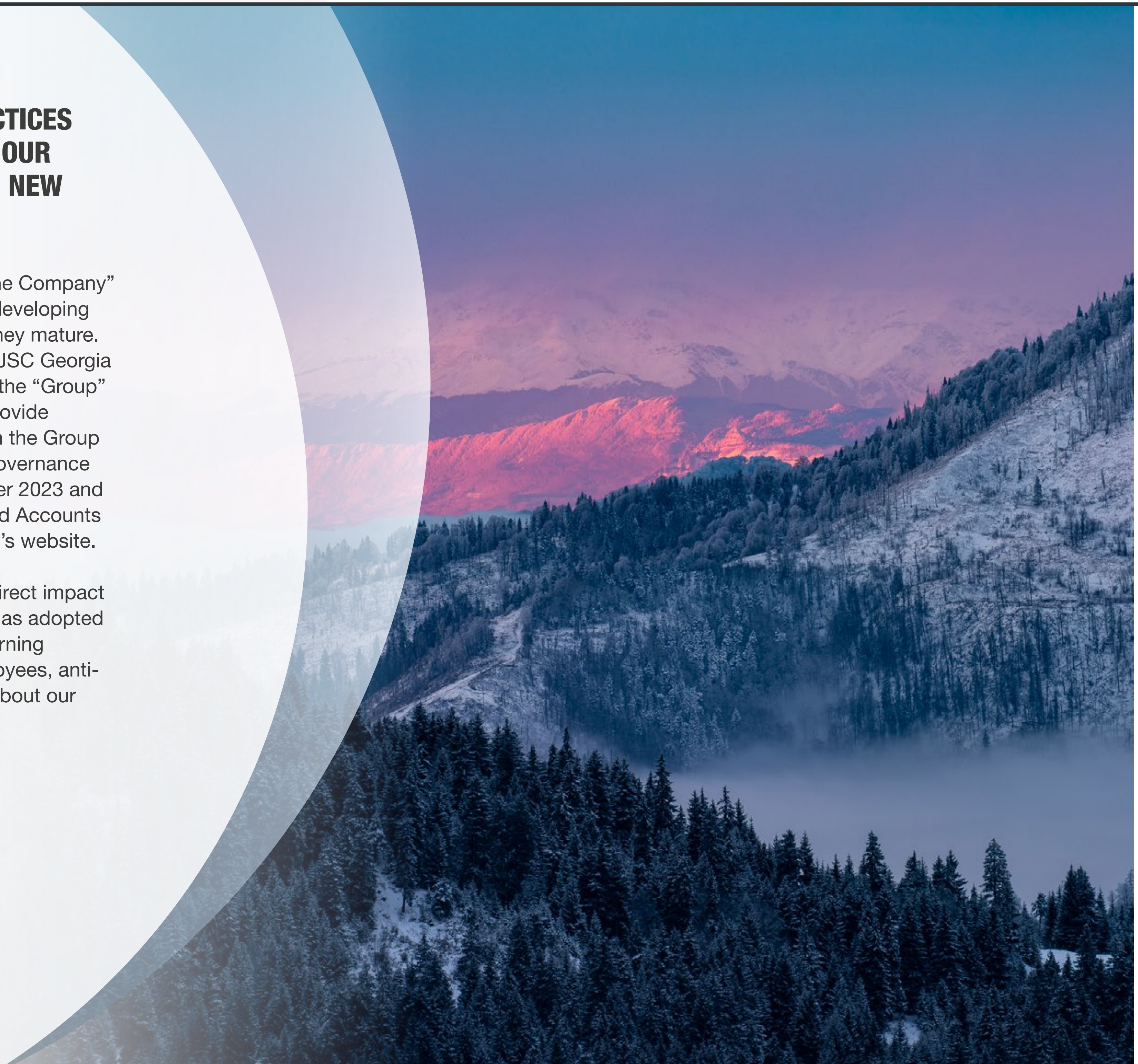
INTRODUCTION

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 are referred to as 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 2023 and should be read in conjunction with our Annual Report and Accounts 2023 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



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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. As a consequence of our involved investment style, we actively 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 3.7 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 is also an important consideration for our stakeholders.

To ensure the Group's commitment to sustainable business practices, 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 and 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.

External benchmarking

CDP[1]					
	F	D-/D	**C-/C**	B-/B	A

MSCI ESG RATING							
	CCC	B	BB	BBB	**A**	AA	AAA

1 Climate change questionnaire 2023.

GEORGIA CAPITAL CURRENTLY HAS THE FOLLOWING PORTFOLIO COMPANIES:

TOTAL PORTFOLIO

Value: GEL 3,672mln

LISTED AND OBSERVABLE PORTFOLIO

Value: GEL 1,385mln
37.7% of the total portfolio value

PRIVATE PORTFOLIO

Value: GEL 2,287mln
62.3% of the total portfolio value

LARGE PORTFOLIO COMPANIES

Value: GEL 1,436mln; 39.1% of the total portfolio value

BANK OF GEORGIA
Value: GEL 1,226mln
33.4% of the total

RETAIL (PHARMACY)
Value: GEL 714mln
19.4% of the total

HOSPITALS
Value: GEL 344mln
9.4% of the total

INSURANCE (P&C AND MEDICAL)
Value: GEL 378mln
10.3% of the total

INVESTMENT STAGE PORTFOLIO COMPANIES

Value: GEL 567mln, 15.5% of the total portfolio value

WATER UTILITY
Value: GEL 159mln
4.3% of the total

RENEWABLE ENERGY
Value: GEL 267mln
7.3% of the total

EDUCATION
Value: GEL 189mln
5.2% of the total

CLINICS AND DIAGNOSTICS
Value: GEL 111mln
3.0% of the total

OTHER BUSINESSES
Value: GEL 284mln
7.7% of the total

GEORGIA CAPITAL AT A GLANCE CONTINUED

OUR TRACK-RECORD OF BUILDING STRUCTURALLY IMPORTANT INDUSTRIES IN GEORGIA, CONNECTING US TO THE COUNTRY'S SUSTAINABLE DEVELOPMENT

GCAP's investment approach consistently considers the positive ESG factors of the companies in which it invests. Since 2008 our businesses have supported investments in socially and environmentally oriented businesses, in particular, the Georgian healthcare sector. Georgia's healthcare system 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 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 14% of the country's total hospital bed capacity; clinics, with 22% by registered patients; retail (pharmacy), with 32% market share by revenue; and medical insurance, with 19% market share based on 9M23 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 active participation in green initiatives, our renewable energy business addresses climate change and conserves natural resources, contributing to Georgia's transition to a more sustainable and environmentally friendly economy with reduced carbon emissions. Over the years, Georgia Capital has invested GEL 187 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 renewable energy projects in varying 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.

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 89 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. The business has expanded from the capacity in 2019 of 2,810 learners to 7,270 learners in 2023 through a) expansion of existing campuses, b) acquisition of operating schools and real estate and c) greenfield projects. The business has a strong platform to facilitate growth, strengthen its position as the leading integrated education player and scale up the capacity to 22,000 learners by 2025. 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 38% of the existing market. The business is directly engaged in the reduction of greenhouse gas (GHG) emissions and road accidents in Georgia. In 2023, the business conducted more than 349,832 primary technical inspections, while the failure rate stood at 19%, 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.

Together with its portfolio companies, Georgia Capital is the largest employer in the Georgian private sector, comprising more than 19,800 individuals as of December 2023. 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.

CHAIRMAN AND CEO STATEMENT

Irakli Gilauri
Chairman and
Chief Executive Officer

As the largest employer in the Georgian private sector, we take pride in our substantial history of responsible investment and portfolio management. Entrusted with shaping the future of our community, we are dedicated to fostering sustainable businesses that stand the test of time. Our transparent and proven governance, coupled with a network of top-tier talent, positions us as a pivotal player in the region's sustainable development. The year 2023 marked significant ESG advancements within the Group and its portfolio companies, progress I am delighted to present in our third Sustainability Report.

In August 2023, JSC GCAP successfully issued a US$ 150 million sustainability-linked bond (SLB) on the Georgian market. The issuance of the bonds represents the largest-ever corporate bond offering in Georgia, and the first of its magnitude and kind in the region.

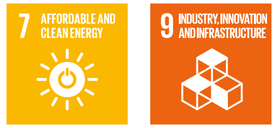
Georgia Capital has established a SLB Framework in partnership with an international sustainable finance advisor, HPL.LLC. Under the framework, GCAP intends to decrease its GHG emissions[1] by 20% by 2027 compared to a 2022 baseline.

The SLB target is in line with GCAP's overarching commitment to reaching Net-Zero at the Group level by 2050.

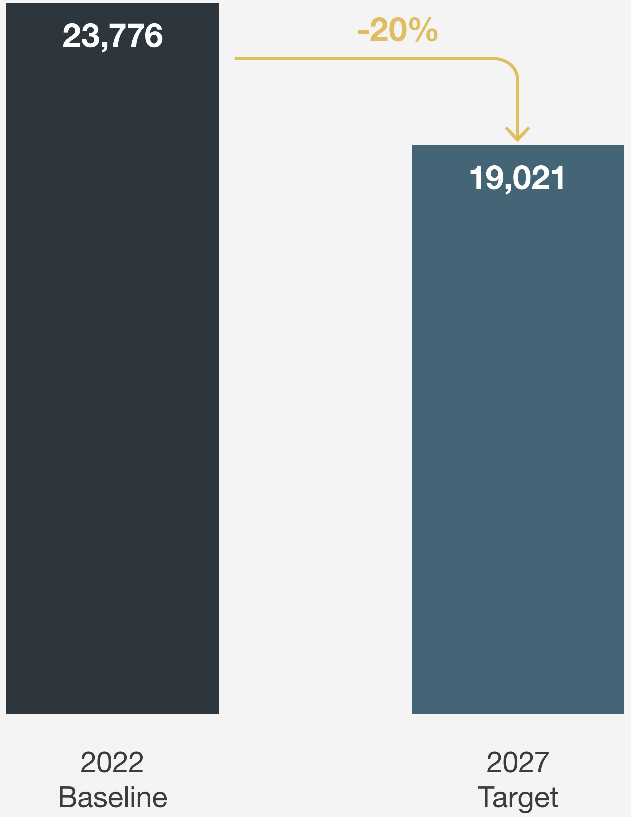
The issuance of the SLB represents a significant strategic milestone for GCAP, as it will support climate change mitigation, natural resources conservation and pollution prevention, thereby contributing to the transition towards a more sustainable and lower-carbon economy in Georgia.

GCAP obtained a second-party opinion from Sustainalytics, a leading provider of ESG research and analysis, for its SLB Framework, affirming the alignment with the five core components of the SLB Principles.

GCAP's sustainability performance target contributes to the United Nations ("UN") Global Compact's sustainable development goals (SDGs)



GCAP's sustainability performance target[1]
GHG emissions (tCO_2e)



In line with GCAP's overarching commitment to reaching Net-Zero across the Group by 2050.

"FOR GCAP, THE SCOPE OF OUR ESG COMMITMENTS EXTENDS WELL BEYOND A MERE PASSING TREND. AS THE LARGEST EMPLOYER IN THE GEORGIAN PRIVATE SECTOR, WE TAKE PRIDE IN OUR SUBSTANTIAL HISTORY OF RESPONSIBLE INVESTMENT AND PORTFOLIO MANAGEMENT."

1 Represents GCAP's absolute Scope 1, 2 and 3 emissions (the latter reflecting the aggregated Scope 1 and 2 emissions of the portfolio companies). The 2022 GHG emissions have been retrospectively adjusted, incorporating the calculation methodology agreed upon with our external verification provider. Specifically, GHG emissions under the SLB framework, following the retrospective application of the relevant methodology, amount to 23,776 tCO_2e, as opposed to the previously disclosed 22,829 tCO_2e, representing an updated baseline for GHG emission reduction targets/SPTs.

CHAIRMAN AND CEO STATEMENT CONTINUED

GCAP's SLB Framework overview

SUSTAINALYTICS

01	**KEY PERFORMANCE INDICATOR (KPI)**	Absolute Scope 1, 2 and 3 GHG emissions reduction	**VERY STRONG**
02	**SUSTAINABILITY PERFORMANCE TARGET (SPT)**	Reduce absolute Scope 1, 2 and 3 GHG emissions by 20% by 2027 compared to a 2022 baseline	**AMBITIOUS**
03	**CHARACTERISTICS**	Adjust coupon rate based on the progress against the KPI/SPT	**ALIGNED**
04	**REPORTING**	Disclose the performance towards the KPI/SPT on an annual basis in Sustainability Reports	**ALIGNED**
05	**VERIFICATION**	GCAP commits to have external limited assurance conducted annually, until bond maturity	**ALIGNED**

Under the SLB, GCAP is committed to having external limited assurance conducted against the SLB target on an annual basis until bond maturity. The first limited assurance report can be found on pages 45 to 46 of this report.

Outlook

With a solid track record of responsible investments, we hold firm in our belief that our upcoming ESG accomplishments will further yield favourable outcomes for our stakeholders.

Georgia Capital is dedicated to the continued development of ESG processes at both the Group and portfolio company levels, allocating a significant amount of resources to achieve our ESG targets. We are focused on implementing innovative approaches to enhance internal processes, including but not limited to conducting external feasibility studies.

The strengthening of ESG processes and achieving set targets is not only important at the GCAP level; our portfolio companies consider them among their major priorities. They are motivated to broaden their horizons and contribute to a better future.

The transformative ESG impact we are driving in the region inspires the Group and its portfolio companies to further expand our ESG practices. While acknowledging our recent accomplishment in the climate-change field, we aim to take significant steps not only in addressing environmental issues but also in meaningfully tackling social concerns, such as gender diversity and human rights, in the near future.

Irakli Gilauri
Chairman and CEO
21 March 2024

The transaction was supported by Georgia Capital's longstanding partner international financial institutions (IFIs), who approved GCAP's SLB Framework and ESG position after rigorous due diligence.

European Bank for Reconstruction and Development

IFC International Finance Corporation WORLD BANK GROUP

AIIB

ADB ASIAN DEVELOPMENT BANK

SOCIAL MATTERS

IN THIS SECTION

7	Promoting Local Community
8	Sponsorship and Charity
10	Promoting and Enhancing a Healthy Lifestyle
11	Our Employees
13	Talent Attraction, Training and Development
15	Occupational Health and Safety
16	Diversity

EQUITY AND DIVERSITY

GEORGIA CAPITAL EMBRACES GENDER DIVERSITY

57%

of Georgia Capital employees are women

74%

of all employees at the Group and portfolio company levels are women

Read more on page 16

PROMOTING LOCAL COMMUNITY

The Group considers the interests of its main stakeholders, including local communities and the broader Georgian community, when developing strategies and processes to enhance its operations. We adhere to our Environmental and Social Policy, striving to contribute to society through our business activities. This includes development and investment in socially-oriented products and services, as well as the implementation of responsible approaches in 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.

Read our Environmental and Social Policy at https://georgiacapital.ge/governance/cgf/policies

SPONSORSHIP AND CHARITY

In 2023, the Group and its portfolio companies spent a total of GEL 2.2 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.

In 2023, Georgia Capital continued the sponsorship programme to support the Caucasus Nature Fund, 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.

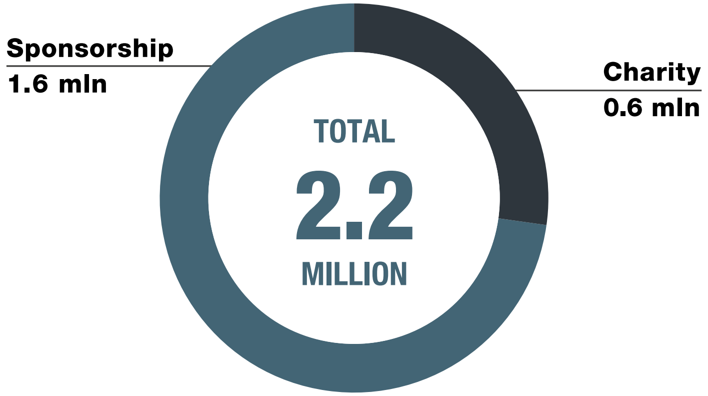
Our retail (pharmacy) business participates in various charitable programmes and projects to enhance the well-being of Georgian citizens. Our GPC pharmacy chain has continued its efforts to support people with disabilities and those in poverty by collaborating with organisations such as Mothers' Foundation. Our Pharmadepot pharmacy chain mobilised humanitarian aid for people affected by an unprecedented landslide in one of the regions of Georgia.

In 2023, the beverages business actively participated in charity and sponsorship activities, promoting a healthy lifestyle by sponsoring the Georgian National Olympic Committee and the Georgian Paralympic Committee. The objective is to encourage a healthy lifestyle among the population and enhance communication in the realm of sports.

Schools in our education business were also involved in social projects and activities. Charitable activities of the British International School of Tbilisi ("BIST") included:

- **Caritas**
  Donation of non-perishable food from parents and employees.
- **UNHCR refugee centre**
  Purchase of sports gear.
- **Georgian Down Syndrome Association**
  Funds raised throughout the year.
- **Georgian Red Cross Society**
  Funds raised throughout the year, accompanied by the awareness day.
- **Environmental waste minimisation projects**
  Collection of paper, old batteries, and bottle tops.
- **Tsodoreti Park**
  Clean up.
- **Dog's Home Lisi**
  A group of students spend Wednesday afternoons looking after dogs.

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



CASE STUDY

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

3 GOOD HEALTH AND WELL-BEING

Our hospitals business is the sole provider of paediatric oncology services in Georgia, offering support to children with various oncology disorders free of charge under the Government-subsidised programme. In 2023, 457 patients with different types of cancer (solid tumors, leukaemia, lymphomas, etc.) received the necessary treatment, and 103 patients received oncohematology treatment.

SPONSORSHIP AND CHARITY CONTINUED

CASE STUDY

MAKING HEALTHCARE AFFORDABLE FOR THE ONES IN NEED

Our healthcare businesses dedicated significant resources to making healthcare services accessible to people in need. In 2023, the business carried out 12 different free screening programmes for up to 23,913 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. During the year our hospitals business spent up to GEL 1.9 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 2023, up to 1,120 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.

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. Since its start in January 2020, the project benefited around 48,000 patients, who received around 265,000 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 172 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.

PROMOTING AND ENHANCING A HEALTHY LIFESTYLE

Georgia Capital acknowledges the importance of a healthy lifestyle. In 2023, our pharmacy chain, GPC, continued a project aimed at promoting a healthier lifestyle for young people.

The business renovated and equipped four basketball playgrounds in various districts of Tbilisi. Additionally, to further support young professionals, GPC sponsored a basketball tournament in Tbilisi and entered into 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 40% discounts on medical services to BoG's loyalty programme customers and BoG employees. A total of 240,000 services were provided by our clinics to over 55,000 Healthy Club members in 2023.

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 school 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

OUR BEVERAGE BUSINESS PROMOTING RESPONSIBLE DRINKING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The products of our beverages business are enjoyed daily by thousands of people in 25 different countries. While the majority of consumers practice moderate alcohol consumption, it is important to acknowledge the clear health and behavioural risks associated with excessive alcohol intake. As a company with a strong commitment to social responsibility, our beverages business integrates a social and ethical approach to address consumer concerns. In line with this commitment, the business has developed a special programme called "DON'T DRINK AND DRIVE", through which it promotes responsible drinking, aspiring to educate consumers about the importance of moderation and explaining the risks associated with harmful alcohol use.

CASE STUDY

EKIMO, THE LARGEST DIGITAL HEALTHCARE PLATFORM IN THE COUNTRY

3 GOOD HEALTH AND WELL-BEING

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 16,704 doctors from 192 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.

OUR EMPLOYEES

Recruiting, developing and retaining talent are among 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 and whistleblowing.

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 2023, we conducted our fourth employee satisfaction survey at the holding company level. According to the survey results, over 90% of the participants enjoy working at Georgia Capital, while more than 97% feel valued by the Company for their contributions. Additionally, 90% of the employees are satisfied with their work-life balance. Survey participants also provided recommendations on how the Company could be improved to create a better workplace.

The results of the survey were fed back to management.

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 2023.

In 2023, the Group engaged in various team-building activities. One of the most noteworthy events occurred in September when the middle and upper management teams participated in strategic meetings in Paris. In addition to discussion sessions, the activities included a city tour and attendance at a Rugby World Cup championship.

90%
of employees enjoy working at GCAP

97%
feel valued for their contribution

90%
are satisfied with their work-life balance

CASE STUDY

WORKFORCE SUPPORT AT OUR HOSPITALS AND CLINICS BUSINESSES SERVICES IN GEORGIA

3 GOOD HEALTH AND WELL-BEING | 8 DECENT WORK AND ECONOMIC GROWTH

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 2,899 voluntary participants, and in 2023 raised more than GEL 0.7 million. The fund has contributed to more than 568 causes – mainly supporting health issues of employees and their family members, as well as teambuilding, and motivational and learning activities for our employees.

OUR EMPLOYEES CONTINUED

CASE STUDY

P&C INSURANCE BUSINESS: FOSTERING A RESPECTFUL WORK ENVIRONMENT AND PROVIDING SOCIAL BENEFITS TO ITS EMPLOYEES

The main goal of the P&C insurance business is to empower employees and ensure a respectful working environment.

In 2023, the business made a significant investment in human capital, specifically focusing on personal development and creating fair and equal opportunities for all:

- The business enhanced its internal policies and introduced the new social policy to empower employees by granting them full self-expression rights.
- The "For US" employee fund was established to offer financial support to employees and their immediate family members suffering from different health conditions. Since its inception, over a nine-month period, a donation of GEL 22,500 was granted to eight employees. To enhance its accessibility, the company created an online platform, enabling employees to join the fund and request funding by filling out a simple application form. For transparency, the website provides information about committee members, cases covered by the fund, and data about the fund's current budget. In addition to employee donations, the P&C insurance business consistently replenishes the fund by doubling its balance each month.
- In 2023, Aldagi continued its long-term programme of personal and professional development within the company, aiming to foster the emotional stability of employees and maintain a healthy environment. The programme, with a duration of one year, is open to everyone. The company also continues to offer free life and critical illness insurance to all team members, with the health insurance package covered by the organisation.

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 2023, the Company again engaged Amandla UK Limited ("Amandla") to conduct an in-depth evaluation of Georgia Capital's Board comprising a multi-faceted approach.

The evaluation included online interviews with the entire Board, feedback reports, individual assessments for each Board member, in-person group coaching, and observation of Board meetings.

Amandla concluded that the Board is operating effectively in terms of governance, supervision and oversight.

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. To help the newcomers adapt to the new working environment, respective teams organise 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
2022	5	10%	3	6%
2023	4	9%	3	6%

CASE STUDY

DEVELOPING TALENT AT PORTFOLIO COMPANIES

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 334 talented residents involved in 33 specialities, 38 of whom have received a 100% grant.

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.

334
residents across 33 specialities

In 2023, the Evex Learning Centre trained a total of 1,729 nurses (both employees and candidates), 1,921 physicians and 800 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.3,000 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 education business puts immense effort into delivering quality education to the population. This goal is achieved by having highly educated teachers. To recruit professionals in the education field, the schools work closely with universities that prepare future teachers and school administrators. They also send staff abroad on international learning trips and collaborate with international experts such as Ainsliewood Kerry and University of Tartufo, among others.

TALENT ATTRACTION, TRAINING AND DEVELOPMENT CONTINUED

CASE STUDY

PTI BUSINESS AND USAID GEORGIA: TRANSFORMATIVE INITIATIVES FOR TECHNICAL INSPECTION EXCELLENCE

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

In September 2023, our PTI business initiated a nine-month project in collaboration with USAID Georgia. The project's primary focus is on establishing a new PTI training centre and developing training modules to cultivate new professionals. Additionally, the project aims to support technical inspection reform and implement standards for all present and future inspectors.

The specific objectives of the project include:

- Piloting common standards in vehicle inspection in alignment with Georgia's commitments under the EU Association Agreement.
- Establishing an independent training centre in strategic partnership with the Technical Inspection for Safety Association (an association created through the initiative of our PTI business) to expand standardised training and promote workforce upskilling.
- Creating training modules that meet market demands, national requirements and international standards.
- Developing a knowledge sharing online platform, serving as a hub for easy access to training materials and best practices in vehicle inspection.
- Conducting trainings in regions, specifically in Greenway Georgia's service centres.

CASE STUDY

ALDAGI PROMOTING SOCIALLY CONSCIOUS BUSINESS BEHAVIOURS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

In 2023, to promote socially conscious business behaviours among organisations, the P&C insurance business joined the Center for Strategic Research and Development of Georgia ("CSRDG") business network. As part of this collaboration, Aldagi's personnel, possessing unique competencies in HR, marketing and communications, legal and finance, contributed their professional expertise to assist social businesses and startups in achieving their organisational goals.

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. Consistent with these principles, Georgia Capital has engaged a safety consultancy company that provides a dedicated safety inspector. The inspector conducted a safety audit, offered recommendations and conducted staff training. Our safety consultant ensures systematic monitoring to guarantee 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 HEALTH AND SAFETY MEASURES IN OUR EDUCATION BUSINESS

Minimising risk and enhancing physical and online safety for all stakeholders is the paramount focus of our education business. Safety issues are discussed weekly in schools with security and technical services managers. In 2023, the BIST conducted annual refresher training sessions on first aid, fire safety and bus driver safety.

Buckswood prioritises emotional and physical safety through a comprehensive security system. This system includes security staff, full camera coverage, and a safety protocol that outlines entrance and exit permissions to ensure a secure environment. Regular drills are conducted to ensure preparedness for various emergency scenarios, including but not limited to fire drills, evacuation procedures and responses to other potential emergencies.

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.

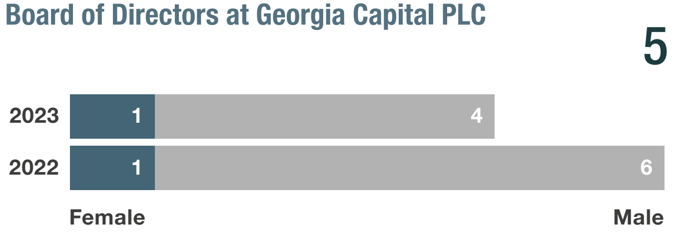
The Board embraces diversity in all its forms. In line with Georgia Capital's Diversity Policy, diversity of gender, social and ethnic backgrounds, age, disability, race, religion or belief, sex or sexual orientation, cognitive and personal strengths and balance in terms of skills, experience, independence 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 2023, Georgia Capital, had a total of 47 employees, of which 27 are female, and 20 are male.

We are supportive of the ambition shown in recent reviews on diversity, including the Parker Review regarding ethnic diversity. The Board is in alignment with recommendations for ethnic minorities on UK boards. For details on the Board diversity please refer to page 159 of the Nomination Committee report in the Annual Report 2023. Similarly, we endorse the FTSE Women Leaders Review, which primarily targets FTSE 350 companies.

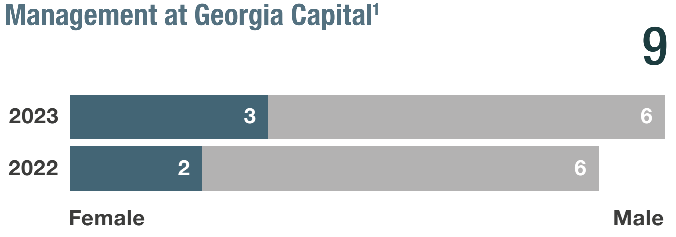
We are committed to exploring ways to increase female and ethnic representation at both Board and senior management levels. Moreover, the Board recognises the significance of all forms of diversity and remains steadfast in its commitment to continuous progress in this domain.

GENDER DIVERSITY

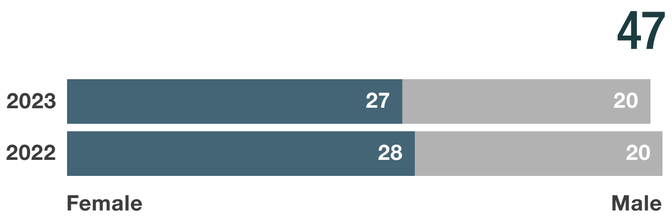
Board of Directors at Georgia Capital PLC



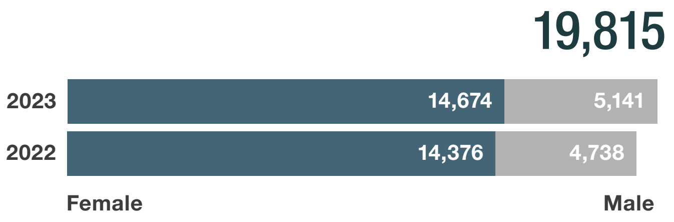
Management at Georgia Capital[1]



All employees at Georgia Capital[2]

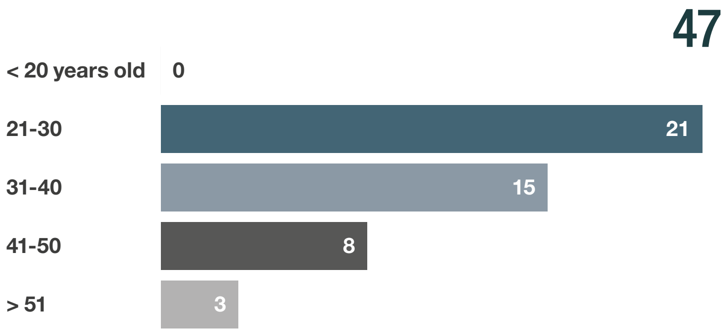


All employees at the Group and portfolio levels[3]

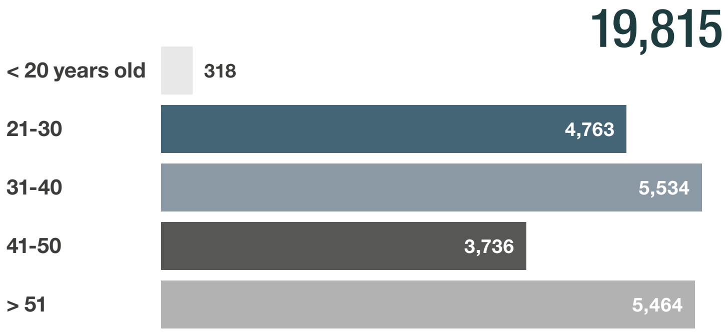


AGE DIVERSITY

All employees at Georgia Capital[2]



All employees at the Group and portfolio company levels[3]



1 The Chairman and CEO is included in 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.

DIVERSITY CONTINUED

CASE STUDY

OUR PORTFOLIO COMPANIES ENCOURAGING GENDER DIVERSITY

5 GENDER EQUALITY

P&C INSURANCE

Fostering gender equality continues to be one of the main priorities for the P&C insurance business. Currently, 50% of the management board is composed of women, and among all employees, 60% are female. The business consistently conducts compensation compliance research, monitoring for any potential pay disparities, and adheres to objective compensation criteria based on responsibilities, skills, experience and performance. Additionally, the P&C insurance business eradicates gender bias in its employee promotion system and advocates for equal opportunities. The company ensures that both women and men receive equal training and education, thereby maximising their potential within the organisation.

50%
of the management board is composed of women

60%
of all employees are female

PTI

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.

In 2023, the representation of women on the management board was strengthened with the appointment of a new CFO, resulting in a women-to-men distribution ratio of 57% to 43%. Beyond top management roles, the business has also recruited three female inspectors in a traditionally male-dominated field. This achievement is a byproduct of the successfully executed gender fostering programme implemented by the business.

57% to 43%
women-to-men distribution ratio on the management board

RENEWABLE ENERGY

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. In a proactive effort to enhance gender diversity and address the gender gap, the company has committed to the UN Women Empowerment Principles.

Additionally, the company organised women's career guidance workshops in high schools across Georgia to raise awareness about the crucial role of women in the energy sector. A total of six career guidance workshops were conducted, spanning both Tbilisi and various regions in Georgia.

EDUCATION

Fostering diversity is a key priority for our education business. The schools have a comprehensive policy on equality and equal opportunities that encompasses both education and employment. To implement this policy, annual informational sessions are conducted at both staff and student levels, addressing issues related to gender, social class and regional diversity. The business also places a special emphasis on inclusion for individuals with disabilities or special educational needs. Additionally, the schools conduct an audit of diversity in the curriculum to ensure that diverse groups are appropriately highlighted.

Every autumn, staff members are required to complete an online training programme on diversity, available on the Times Educational Supplement's online portal. This proactive approach ensures that the staff remains well-versed in fostering diversity within the educational environment.

GOVERNANCE MATTERS

IN THIS SECTION

19 Our Approach to Responsible Investment

22 Sustainable Procurement

23 Human Rights Policy

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

23 Modern Slavery

SECTION HIGHLIGHTS

ENHANCED ESG OVERSIGHT

In October, the Board revised the schedule of matters reserved for the Board, updating it to cover any duties previously reserved to the Investment Committee[1], and to make it clear that the Board has primary responsibility for overseeing environmental and social risks and that the Company's strategic direction is regularly informed by material environmental and social issues. Given the small size of the Board and the importance of these matters, including climate change, the Board believes that it is appropriate for the whole Board to be responsible for these issues.

For the updated schedule of matters reserved for the Board please refer to: https://georgiacapital.ge/governance/cgf/schedule

ESG TRAINING CONDUCTED FOR THE BOARD MEMBERS

In 2023, the law firm Baker McKenzie conducted ESG training sessions for our Board members. The training covered all three aspects of ESG, including inclusion, emissions and climate change reporting, diversity, anti-bribery and corruption, modern slavery, upcoming regulations and reforms, corporate governance reform, Directors' duties, stakeholder perspectives, and initiatives. Additionally, it provided an overview of GCAP's progress in the ESG journey, along with future prospects.

1 Following the Annual General Meeting (AGM) held on 17 May, 2023, the Investment Committee was disbanded, and its responsibilities were merged into those of the Board.

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 3.7 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 three 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

- The Board has overall responsibility for the policy and its implementation, and for the review and approval of any material changes.
- Approves the subsequent actions or recommendations if deemed appropriate.
- Monitors the implementation and conduct of the policy.

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 Director of Investments summarises proceedings to the Board and makes recommendations, if deemed appropriate, on areas where action or improvement is needed.
- 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

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 the Responsible Investment Policy at each step.

IMPLEMENTATION OF THE RESPONSIBLE INVESTMENT POLICY

DUAL SCREENING

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 and 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 Board when the overall potential investment is placed before the Board 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 Board 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 portfolio company 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.

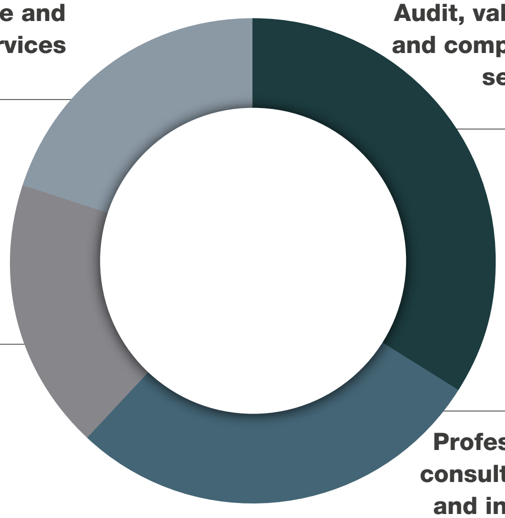
STEP 3: ACTIVE OWNERSHIP: MONITORING AND REPORTING

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 Board 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.

Expenses by type of suppliers at Georgia Capital level (FY23)



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

In 2023, significant items for Georgia Capital procurement expenditures were audit, valuation and compliance services, as well as services sourced from professional consultations and investor relations services. The breakdown of expenditures by type of suppliers is provided in the graph below.

HUMAN RIGHTS, CODE OF CONDUCT AND MODERN SLAVERY

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, 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 2023.

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

IN THIS SECTION

25 Committing to the Principles of the UN Global Compact
26 Emission Disclosure and Calculation Methodology
28 SECR Report
29 Our Environmental Activities
30 Environmental Activities of Our Portfolio Companies

SECTION HIGHLIGHT

IN 2023, OUR RENEWABLE ENERGY BUSINESS WON CORPORATE SUSTAINABILITY AWARDS

Our renewable energy business was the winner of the Corporate Sustainability Award 2023 presented by the UN Global Compact Network Georgia. In the SME category, Georgian Renewable Power Operations ("GRPO") secured the first position for its project, "Mestiachala Hydro Power Plant", acknowledged in the category of Affordable and Clean Energy.

COMMITTING TO THE PRINCIPLES OF THE UN GLOBAL COMPACT

Since February 2022, we have been a signatory of the UN Global Compact and have 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 required our portfolio companies to determine relevant SDGs and implement respective procedures to track their progress towards the identified goals.

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

8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 13 CLIMATE ACTION

BUSINESS	DIRECT SDG IMPACT	SUPPORTIVE/INDIRECT SDG IMPACT
RETAIL (PHARMACY)	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	5 GENDER EQUALITY; 11 SUSTAINABLE CITIES AND COMMUNITIES
HOSPITALS	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	5 GENDER EQUALITY; 11 SUSTAINABLE CITIES AND COMMUNITIES
INSURANCE	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	1 NO POVERTY; 10 REDUCED INEQUALITIES
RENEWABLE ENERGY	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION	8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
EDUCATION	4 QUALITY EDUCATION	3 GOOD HEALTH AND WELL-BEING; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
CLINICS AND DIAGNOSTICS	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	5 GENDER EQUALITY; 11 SUSTAINABLE CITIES AND COMMUNITIES
AUTO SERVICE	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION	15 LIFE ON LAND
WATER UTILITY	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 14 LIFE BELOW WATER
BANKING	1 NO POVERTY; 8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES	5 GENDER EQUALITY

CASE STUDY

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

7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION

In 2022, Georgia Capital joined the UN Global Compact SDG Ambition Accelerator and Climate Ambition Accelerator 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. In 2023, Georgia Capital continued to participate in workshops organised by the UN Global Compact, sharing key takeaways with its 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 2023". Energy consumption is disclosed in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirements. The emissions disclosures are also prepared in accordance with the TCFD requirements and the requirements of section 414 of the Companies Act.

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 financial statements. We do not have responsibility for any emission sources that are not included in our 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 2023, the UK office's annual consumption was 3.3MWh, and 3.5MWh for 2022), 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 3[1] emissions have been aggregated and presented as a separate line item under Scope 3 emissions in accordance with the Greenhouse Gas Protocol. GCAP adheres to the control approach when determining the GHG inventory boundaries. Under this approach, we report the GHG emissions of all our private investments where the Group holds a controlling stake. Therefore, the GHG emissions of Bank of Georgia (19.71% shareholding as of 31 December 2023) and the water utility business (20% interest stake as of 31 December 2023) 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 greenhouse gas (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. Included – Ground transportation, including taxis, coaches, trains, etc., owned and operated by others. Excluded – Emissions from staff commuting at GCAO HoldCo level.
	Investments	Included – Scope 1, 2 and 3[1] of our portfolio companies where we have a majority stake.

1 Portfolio company Scope 3 emissions reported for business travel and employee commuting.
2 Investment portfolio companies' total Scope 1 and 2 emissions are: 23,706 tCO_2e in 2022 and 22,454 tCO_2e in 2023.
3 FTE ("full time employee") is stated excluding temporary employees.
4 GCAP's private portfolio companies' carbon exposure intensity, expressed in tonnes CO_2e/US$ million revenue.

Emissions

Total greenhouse gas emissions (tonnes CO_2e)

Data for the period beginning 1 January 2022 and ending 31 December 2023	2022	2023
SCOPE 1 (A)	**66**	**73**
Static fossil fuel (emissions fuel combustion and facility operations)	–	–
Mobile fossil fuel	66	73
SCOPE 2 (B)	**4**	**4**
emissions from electricity, heat, steam and cooling purchased for own use	4	4
SCOPE 3	**29,057**	**26,723**
air travel and ground transportation provided by third parties plus electricity, heat/steam, cooling provided within lease and service agreements	78	35
investment portfolio emissions[2]	28,979	26,688
of which, Scope 1 (c)	18,643	17,460
of which, Scope 2 (d)	5,064	4,993
of which, Scope 3 (voluntary disclosure)	5,272	4,234
TOTAL GREENHOUSE GAS EMISSIONS	**29,127**	**26,800**
FTEs at GCAP HoldCo level	48	47
Total greenhouse gas emissions per FTE[3] (GCAP HoldCo)	606.8	570.2
FTEs at GCAP HoldCo and portfolio company levels	19,114	19,815
TOTAL GREENHOUSE GAS EMISSIONS PER FTE[3] (GCAP HOLDCO AND PORTFOLIO COMPANY LEVELS)	**1.52**	**1.35**

Sustainability Performance Target (SPT) Indicator under GCAP's Sustainability-Linked Bond Framework	2022	2023
SCOPE 1 (A)	66	73
SCOPE 2 (B)	4	4
SCOPE 3 (C)+(D)	23,706	22,454
TOTAL GHG EMISSIONS RELATED TO SPT	**23,776**	**22,531**

Carbon intensity	2022	2023
WEIGHTED AVERAGE CARBON INTENSITY: INVESTMENTS[4]	3.9	3.9

Under the US$ 150 million SLB Framework, GCAP committed to have external limited assurance conducted against the SLB target on an annual basis until bond maturity. The first limited assurance report can be found on pages 45-46 of this report. The 2022 GHG emissions have been retrospectively adjusted, incorporating the calculation methodology agreed upon with our external verification provider. The total GHG emissions for 2022 were assessed at 29,127 tCO_2e, compared to the previously disclosed 28,179 tCO_2e. Specifically, GHG emissions under the SLB framework, following the retrospective application of the relevant methodology, amount to 23,776 tCO_2e, as opposed to the previously disclosed 22,829 tCO_2e, representing an updated baseline for GHG emission reduction targets/SPTs.

SECR REPORT

This report has been produced in accordance with the UK Government's policy on 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 2022 to December 2023. 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 2023 Government Emission Conversion Factors for Company Reporting.

Intensity ratio

The intensity ratio used in the table above displays total gross emissions (tCO_2e) per FTE.

Greenhouse gas emissions and energy data

Energy consumption (in kilowatt hours, kWh)	Prior reporting year (2022)	Current reporting year (2023)
Purchased electricity	34,272	41,053
Gas combustion	–	–
Transport fuel	219,355	237,031
Refrigerants	–	–
TOTAL ENERGY CONSUMPTION (KWH)[1]	**253,627**	**278,084**

Emissions (per metric tonne of CO_2 equivalent, tCO_2e)	Total (2022)	Scope (2022)	Total (2023)	Scope (2023)
Purchased electricity	3.6	2	4.3	2
Gas combustion	–	1	–	1
Transport[2]	75.9	3	32.5	3
Refrigerant emissions	–	2	–	2
TOTAL GROSS EMISSIONS	**79.5**	–	**36.7**	–

Intensity ratio (tCO_2e per FTE)	Total (2022)	Total (2023)
INTENSITY RATIO	**3.08**	**2.39**

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.

In our education business, four of our school campuses 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 CO_2 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. Additionally, our PTI business adheres to green standards, exemplified by the planting of trees in every Tbilisi branch, contributing to a green space that encompasses 20% of the total territory.

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

DEBUT GREEN BOND ISSUANCE ON THE LOCAL MARKET

In 2022, our renewable energy business successfully issued inaugural US$ 80 million green secured bonds on the local capital market. This bond marks the first green bond issued on the Georgian capital market.

The business obtained a second-party opinion from Sustainalytics, a leading provider of ESG research and analysis, for its Green Bond Framework, aligning with the four core components of the International Capital Market Association’s Green Bond Principles 2021. This represents the second issuance of green bonds by 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. These bonds were subsequently listed on the Global Exchange Market of the Irish Stock Exchange (“ISE”).

Following the successful issuance, GRPO was approached by many international organisations to share their expertise in the field of green bonds. The events included the Energy Week event in Astana and a conference organised by the Georgian Renewable Energy Development Association. Additionally, in November 2023, the company took part in the Asian Development Bank (“ADB”) Gender Forum, where the CFO was invited to speak about the company’s efforts in gender equality in the energy sector.

US$ 250mln

green bonds issued on the ISE in July 2020

US$ 80mln

green secure bonds issued on the local capital market in 2022

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 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.

Pharmadepot has 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.120 trees by the end of 2023. 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 the business’s 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’s annual consumption of paper stood at approximately 1,333 tonnes in 2023.

Our education business emphasises environmental matters to students and holds various campaigns designed to help promote the importance of sustainability. In 2023, our schools held events including cleaning the school surroundings and different locations around the city, and collecting waste materials for recycling. 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 2024.

CASE STUDY

PAPER-FREE PTI SERVICE CENTRES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

In July 2023, the business initiated the “Paperless Project.” As part of this endeavour, customers now receive all relevant documents via SMS rather than in printed form. This shift has led to a complete reduction in paper consumption at service centres. The efforts put forth in this project are noteworthy, not only for achieving complete digitalisation of services but also for raising awareness about paper consumption among both customers and competitors.

ENVIRONMENTAL ACTIVITIES OF OUR PORTFOLIO COMPANIES CONTINUED

CASE STUDY

SUCCESS STORY OF OUR WATER UTILITY BUSINESS

6 CLEAN WATER AND SANITATION | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

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.42,000 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 CO_2e annually, with a 70% decrease in total GHG emissions in 2021, compared to 2016. The water utility business's 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 and safety measures within the company;
- compliance with International Finance Corporation ("IFC") Performance Standards;
- a three-tier management structure; and
- annual environmental and social disclosures.

The measures taken into consideration have been translated into environmental and social impacts, contributing to the sustainable development of the country.

Providing 24-hour water and wastewater supply services to

c.1.4

million residents

c.42,000

legal entities

CASE STUDY

PTI BUSINESS SUPPORTING GHG EMISSIONS REDUCTION

11 SUSTAINABLE CITIES AND COMMUNITIES | 13 CLIMATE ACTION

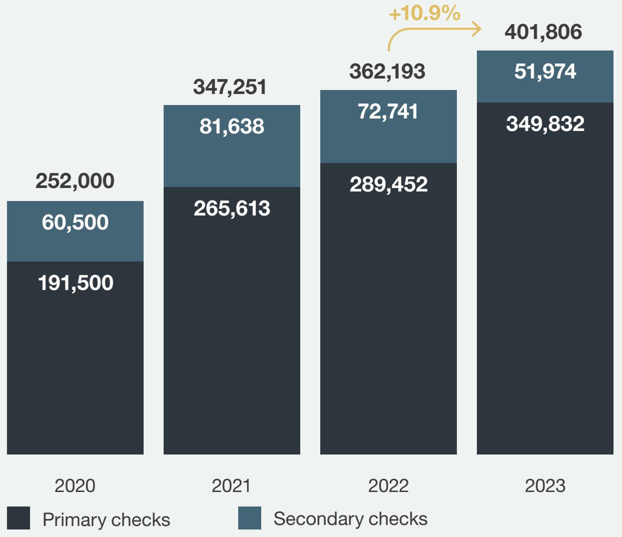
Our PTI business (Greenway Georgia ("GWG")) represents the largest network of mandatory periodic technical inspections throughout Georgia, with a ten-year right to operate established by the Ministry of Economy and Sustainable Development of Georgia. GWG is a partner of the world leader in vehicle technical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

With its 38% market share, the business is directly engaged in GHG emissions and road accident reduction in the country. In 2023, the business conducted 349,832 primary technical inspections in total and the failure rate stood at 19%, 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.

349,832

Total number of inspections performed in 2023



ENVIRONMENTAL ACTIVITIES OF OUR PORTFOLIO COMPANIES CONTINUED

CASE STUDY

AMBOLI'S COMMITMENT TO SUSTAINABLE WASTE MANAGEMENT

The auto retail sector is exposed to products that can have a dangerous impact on the environment at the end of their lifecycle unless properly recycled. Companies in this field are obligated to collect and deliver the waste to authorised recyclers for recycling. Our car services and parts business, Amboli, is a member of one of the largest waste management business associations, which includes major players in the auto industry. The company collects secondary waste daily and delivers it to this association.

By the end of 2023, Amboli obtained a licence to establish its own waste management association, "Amboli O2", which is set to commence operations in 2024. This non-profit organisation aims to actively contribute to reducing pollution by raising awareness of the environmental harm caused by improper waste disposal. "Amboli O2" will establish collection points in Amboli's branches and warehouses, allowing not only clients but any citizen to bring in secondary batteries, oils and tires. The collected waste will be delivered to authorised recyclers to minimise pollution and environmental harm caused by the products.

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 762 tonnes of medical waste in 2023, compared to 810 tonnes in 2022.

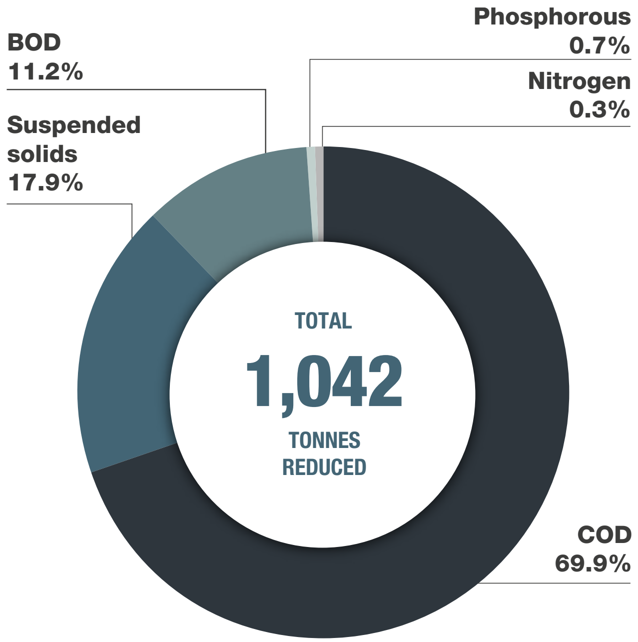
ENVIRONMENTAL ACTIVITIES OF OUR PORTFOLIO COMPANIES CONTINUED

CASE STUDY

ENVIRONMENTAL MANAGEMENT AT OUR BEVERAGES BUSINESS

Our beer business is fully committed to sustainability and devoted its efforts to minimise its environmental footprint. The company has a CO_2 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 2023 the business reduced:



The beer production process releases additional carbon dioxide (CO_2) and wastewater that directly contributes to environmental pollution and climate change. The business responsibly reduces the impact through modern technology:

- **CO_2 recovery plant**, which captures the carbon dioxide released during the beer production process: CO_2 is naturally produced during the beer fermentation process. If not eliminated, it will be released into the atmosphere from fermentation vessels. In 2023, the business recovered up to 500,000kg of CO_2.
- **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 2022, water usage in 2023 improved by 13%, translating into c.49,000m^3 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 ("GRE"), previously known as m2). It delivers environmentally conscious products whilst being aware of the immense importance of buildings with energy-efficient designs for sustainable development. As m^2, GRE pioneered the construction of energy-efficient complexes in Georgia in 2014 and ever since has focused on the construction of energy-saving buildings.

Since 2014, GRE has obtained syndicated loans from IFIs, such as the IFC, the Green for Growth Fund, the Entrepreneurial Development Bank and the ADB, for the purpose of constructing energy-efficient complexes. While the company was already devoted to constructing sustainable buildings, the partnerships with IFIs provided access to international best practices and technical assistance to conduct energy audits and identify the most efficient manner to meet high energy standards. GRE 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 CO_2 is the equivalent of planting more than 1,000,000 trees each year.

Currently, GRE is developing two affordable housing projects, which were 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, GRE is further committed to sustainable development with innovative and greener residential complexes through:

- **Adhering to international HSE standards.** GRE 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 m^3 innovative residential project, GRE kept the majority of the existing trees and around 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. Furthermore, GRE is currently in progress with another innovative project, situated on the territory adjacent to Mtatsminda Park. This development aims to offer its potential residents a healthier environment with more green space.

Total expected annual savings of CO_2 by Georgia Real Estate from various energy-efficient initiatives is the equivalent to planting more than

1 million trees

TCFD

IN THIS SECTION

36 Governance
37 Strategy
41 Risk Management
42 Metrics and Targets

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.

GOVERNANCE

Board oversight

The Board is entrusted with providing oversight of climate-related risks and opportunities, aided by the Audit and Valuation Committee. The Audit and Valuation Committee and the Board have responsibility for assessing and managing climate-related risks and opportunities in relation to GCAP's direct operations and to our portfolio companies, as they affect 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 SDGs and supported the enhancement of ESG transparency. Georgia Capital submits the climate change questionnaire to the CDP annually for additional transparency.

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.

In October 2023, the Board revised the schedule of matters reserved for the Board, including explicitly stating that it now covered any duties previously reserved to the Investment Committee, and further to make it clear that the Board had primary responsibility for overseeing environmental and social risks and that the Company's strategic direction is regularly informed by material environmental and social issues. Given the small size of the Board and the importance of these matters, including climate change, the Board believes that it is appropriate for the whole Board to be responsible for these issues.

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 their 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.

STRATEGY

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 risk implications of such findings are provided below in the section "Scenario analysis of plausible futures". GCAP's strategy incorporates strong consideration of climate change aspects (e.g. GCAP's focus upon renewable energy, 7.3% share of the portfolio at 31 December 2023, the issuance of the SLB in 2023, and increased focus on sustainability both at GCAP and portfolio company levels).

Scenario analysis of plausible futures

Network for Greening the Financial System ("NGFS"[1]) 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 five-to-ten-year horizon. With this in mind, scenario outputs were considered by GCAP in the short term (year 2027), 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 CO_2 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 potential climate-related financial risks and opportunities for each scenario were prepared.

An example, a 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 relevant 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; and
- 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).

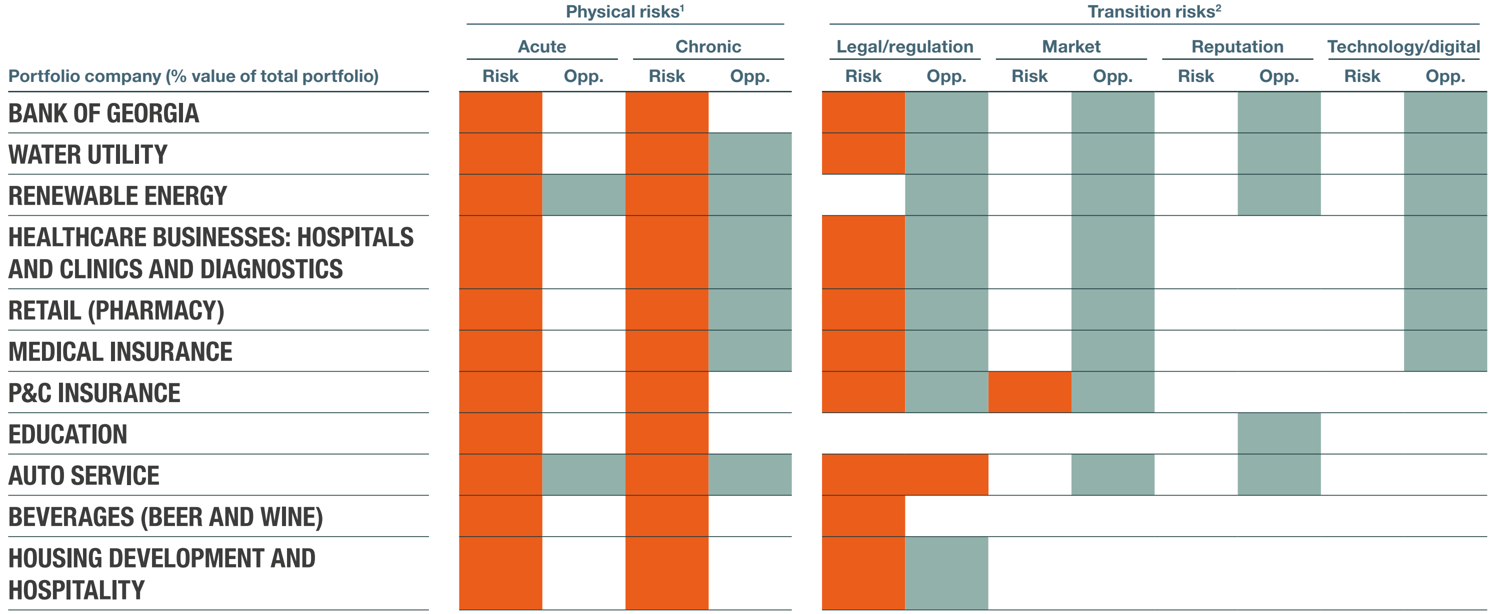
It is noted that under the plausible scenarios analysis, there will be little difference in the physical outcomes between Current Policies and Delayed Transition 1.8°C before 2050. But under the Delayed Transition 1.8°C scenario, there is significant potential for variation in near-term policy action 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 a potential impact on 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 2023: Qualitative presence of potential climate-related physical or transition risks under Delayed Transition 1.8°C



Key: The orange blocks indicate potentially material risk areas and the green 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).

STRATEGY CONTINUED

Bank of Georgia (33.4% 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.**

Water utility (4.3% 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 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.

Retail (pharmacy) (19.4% 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.

Healthcare businesses – hospitals and clinics and diagnostics (12.4% of total portfolio)

- **Risks** – under the delayed transition, it is anticipated that in the medium-term carbon prices will remain low. After 2030, carbon prices may rise quickly y-o-y 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 certain benefits. A reduction in the portfolio's carbon intensity will mitigate future costs associated with increasing carbon prices.

Medical insurance (2.5% 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 (7.8% 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.
- **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.

STRATEGY CONTINUED

Renewable energy (7.3% 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 (5.2% of total portfolio)

- **Risks** – The potential 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 in medium term (post-2030).

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.

The Group's strategy is to focus predominantly on capital-light, larger-scale investment opportunities in Georgia and it normally seeks to monetise its investment through appropriate exit options, typically within five to ten years from initial investment. Considering this strategic focus, the holding periods of our investments fall in much shorter time horizons (short to medium term) than the timeframe in which the impacts of climate change, especially of physical risks, may manifest themselves in Georgia. The exposure of GCAP's portfolio on certain industries (presented as a percentage of the investment in the total portfolio value) as well as the investment holding period are essential when defining the different time horizons for the analysis and when assessing the materiality of climate-related risks for different investments.

Management takes climate change risk into consideration when determining its investment strategy. This is described further in the Risk Management section on page 41. Climate change is also reflected in the valuation assessments of the portfolio companies, as described in the Risk Management section on page 41. 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).

RISK MANAGEMENT

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

The investment risk management process includes 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 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 99 of the Annual Report 2023.

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 2023 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 2024 and beyond.

METRICS AND TARGETS

GEORGIA CAPITAL HAS 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 2022, 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.

In 2023, in parallel with the SLB issuance the targets were revisited.

The primary driver for GCAP's commitment to achieving Net-Zero emissions by 2050 is the recognition that the majority of its GHG emissions originate from portfolio companies and through this target, the Group can actively promote climate change mitigation, natural resource conservation, and pollution prevention. This commitment reflects GCAP's dedication to fostering a transition toward a more sustainable and lower-carbon economy in Georgia. The progress toward this target is rigorously monitored on an annual basis. Furthermore, following the successful issuance of US$ 150 million SLB, the verification of GHG emissions will be conducted regularly at least while the bond remains outstanding.

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).

All sources reported in 2020 fell within our consolidated financial statements.

Since 2021, in accordance with the Greenhouse Gas Protocol and aligning with TCFD recommendations, 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 emissions.

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 26.

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.

In 2023, JSC GCAP issued a US$ 150 million SLB and established a SLB Framework, under which GCAP committed to decrease its GHG emissions[1] by 20% by 2027 compared to a 2022 baseline. The SLB target is in line with GCAP's overarching commitment to reaching Net-Zero across the Group by 2050.

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.

1 Represents GCAP's absolute Scope 1, 2 and 3 emissions (the latter reflecting the aggregated Scope 1 and 2 emissions of the portfolio companies).

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, and consequently lowering its environmental footprint.

Target[1]	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 COMPANIES' LEVEL BY 2050	**GHG EMISSIONS REDUCTION TARGETS**			
	Reduce GCAP HoldCo Scope 1 and 2 emissions[2]	**70 tCO_2e**	**30%**	**95%**
	Reduce GCAP's Scope 3 emissions:			
	* Reduce portfolio companies' Scope 1 and 2 emissions[2]	**23,706 tCO_2e**	**30%**	**95%**
	* Offset GCAP HoldCo's direct Scope 3 emissions[3] that cannot be avoided or reduced further, starting from 2030	**78 tCO_2e**	**YES**	**YES**
	Georgia Capital plans to reduce its direct GHG emissions by: • implementing Net-Zero awareness campaigns across the Group and portfolio companies; • organising annual ESG workshops with the portfolio companies; • replacing the natural gas heating systems with efficient electric heating solutions; • promoting electric vehicle deployment in order to reduce the consumption of petrol and diesel; and • gradually transferring 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 The 2022 GHG emissions have been retrospectively adjusted, incorporating the calculation methodology agreed upon with our external verification provider. Specifically, GHG emissions under the SLB framework, following the retrospective application of the relevant methodology, amount to 23,776 tCO_2e, as opposed to the previously disclosed 22,829 tCO_2e, representing an updated baseline for GHG emission reduction targets/SPTs.
3 Emissions related to air travel and ground transportation provided by third parties and electricity, heat/steam, cooling provided within leased and service agreements.

ASSURANCE STATEMENT

IN THIS SECTION

45 Independent Limited Assurance Report

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON GEORGIA CAPITAL JSC'S GREENHOUSE GAS (GHG) STATEMENT

To the Board of Directors
of Georgia Capital JSC

Scope

We have been engaged by Georgia Capital JSC ("Company") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the Engagement, to report on the accompanying GHG statement of Georgia Capital JSC as of 19 March 2024 for the period from 1 January 2022 to 31 December 2022 and for the period from 1 January 2023 to 31 December 2023 ("Reporting Periods"), comprising limited assurance of Scope 1 and Scope 2 GHG emissions of Georgia Capital JSC and its portfolio companies (the "Subject Matter") disclosed as part of the Company's sustainability report.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Georgia Capital JSC

In preparing the Subject Matter, Georgia Capital JSC applied the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition 2016) (the Criteria). The Criteria can be accessed publicly at GHG Protocol webpage www.ghgprotocol.org/standards.

Georgia Capital JSC responsibilities

Georgia Capital JSC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the GHG statement, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

Our engagement was conducted in accordance with the *International Standard for Assurance Engagements on Greenhouse Gas Statements* ('ISAE 3410'), and the terms of reference for this engagement as agreed with Georgia Capital JSC on "5" December 2023. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance review.

EY also applies International Standard on *Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement, and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The Green House Gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other relevant procedures.

Our procedures included:

- Interviews with managers and specialists of the Company responsible for the GHG emissions related policies, activities and performance, accounting of material flows and consumption of energy resources, as well as for preparation of relevant internal reports.
- Reconciliation of data on consumption of fuel and energy resources for the Reporting Periods.
- Checking that the GHG emissions factors and calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria.

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON GEORGIA CAPITAL JSC'S GREENHOUSE GAS (GHG) STATEMENT CONTINUED

- Analytical procedures of the data on completeness and accuracy, and inquiries of management to obtain explanations for any significant differences identified.
- Testing, on a sample basis, underlying source information to check the accuracy of the data.
- Analysis of the correctness of GHG emissions from the Company's GHG emissions registry for the Reporting Periods.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the period from 1 January 2022 to 31 December 2022 and for the period from 1 January 2023 to 31 December 2023, disclosed as part of the Company's sustainability report, in order for it to be in accordance with the Criteria.

Ruslan Khoroshvili, Director
on behalf of EY LLC
19 March 2024
Tbilisi, Georgia

www.georgiacapital.ge