REGIONAL WORKSHOP

19-20 May 2025
Ulaanbaatar, Mongolia

Green Bond and Sustainability Market Development:
The Case of Georgia

Natia Maisuradze

Government Securities Division, DMO Georgia

19 May, 2025

Why Sustainable Finance?

- Growing risks: floods, landslides, droughts, glacier melting;
- Paris Agreement & UNFCCC;
- GHG reduction targets (by 2030);
  - 35% below 1990 levels (unconditional)
  - 50–57% with international support
- Achieving climate goals requires significant funding – USD 78 billion estimated.

Sustainability Finance Roadmap

Increasing Awareness and Capacity Building	Sustainable Finance Flows	ESG Risk Management	Transparency and Market Discipline
• Develop Policies and Guidance to Support Market Action; • Provide and Facilitate Trainings and Workshops for Stakeholders; • Conduct Research on Sustainable Finance Topics; • Establish Sustainable Finance Working Group.	• Introduce Sustainable Finance Taxonomy; • Develop Sustainable Finance Guidelines; • Explore Options for Incentives and Regulations to Stimulate Sustainable Finance Flows.	• Integrate ESG Considerations in Corporate Governance (CG) Code for Commercial Banks; • Integrate ESG Considerations in CG Code for Capital Market; • Develop ESG Risk Management Guidance and Tools.	• Include Minimum ESG Disclosure Requirements in CG Codes for Commercial Banks and Capital Market; • Provide Guidance on ESG Reporting and Disclosure; • Develop Progress Measurement Tools; • Create an Information Hub.

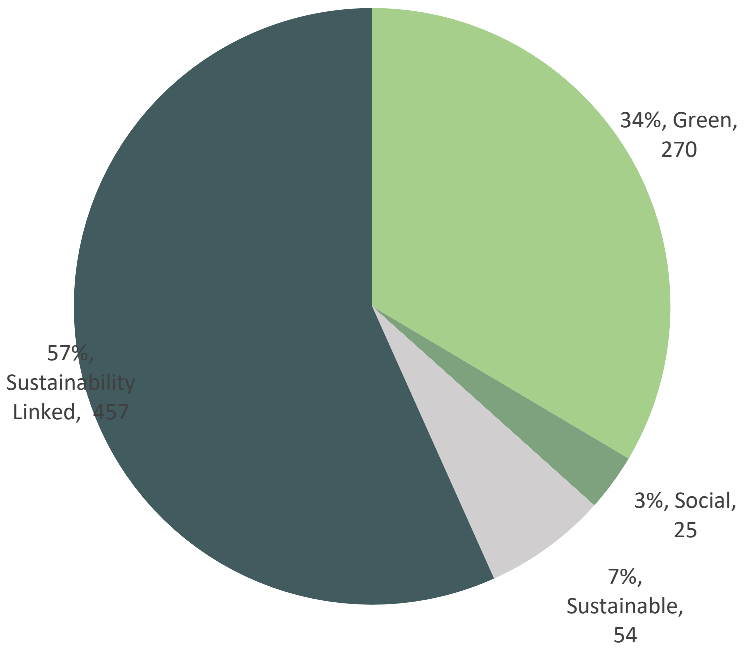
Already Implemented; Ongoing; Upcoming

Policy and Regulatory Highlights

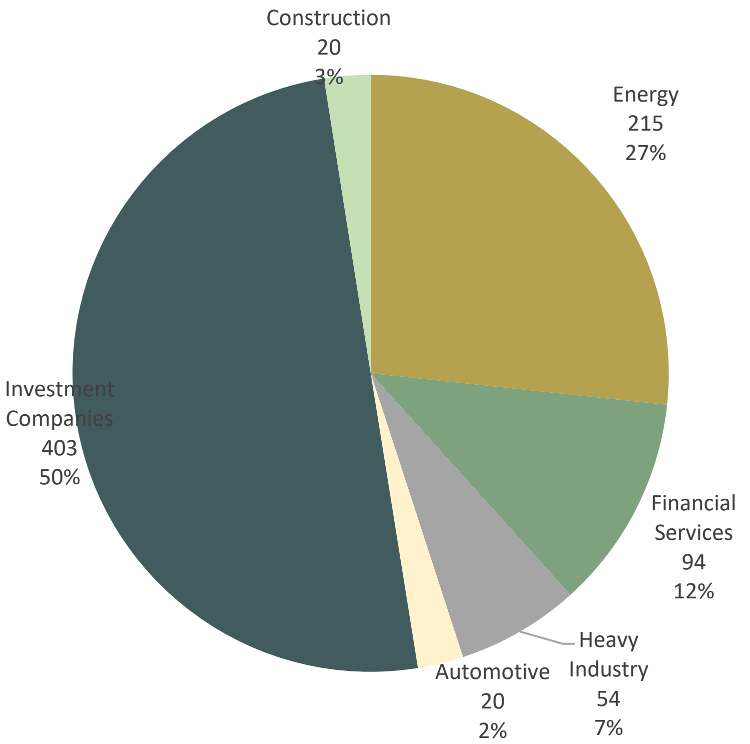
- Introduction of ESG Guidelines and Due Diligence Tool;
- Launch of ESG Risk Radar for climate-related risk analysis;
- Development of Climate Stress Testing Framework;
- Draft regulations for Green, Social, Sustainability, and Sustainability-linked (GSS+) bonds under review;
- Establishment of Inter-agency Sustainable Finance Council, including MoF, MoESD, MEPA, SARAS, chaired by NBG.

GREEN, SOCIAL, AND SUSTAINABILITY LINKED BONDS IN GEORGIA

GSSS BONDS OUTSTANDING AT THE END OF 2024 - 806 MILLION GEL



GSSS BONDS OUTSTANDING BY SECTOR AT THE END OF 2024 – 806 MILLION GEL



Milestone Issuance in 2024 – Basis Bank

- **First Green Bond in Georgia was issued in 2022 by the Georgian Renewable Power Company**
- **Basis Bank JSC issued sustainability public bonds** – In August 2024, with the support of JSC Galt & Taggart and JSC TBC Capital, the Bank placed three-year, USD 20 million sustainability public bonds.
- These bonds are the **first certified sustainability bonds placed by a commercial bank on the Georgian Stock Exchange.** Det Norske Veritas ("DNV") provided the second party opinion for the sustainability bond framework. The framework is fully consistent with the sustainability bond principles developed by the International Capital Markets Association. The proceeds from the bonds will be fully used to finance green and social projects.

PROPOSAL OF A GSSS CORPORATE BOND REGULATION

- February 2024 – Publication of the draft Regulation on the for public consultation;

- Arguments for the proposal of the draft Regulation:
  - Prevention of greenwashing (deceptive or misleading practice of exaggerating or falsely advertising the environmental benefits of a product);
  - Investor protection and credibility assurance.
  - Scope – Publicly issued corporate bonds in Georgia;
  - Status to be granted by the NBG:

GREEN	SOCIAL	SUSTAINABILITY	SUSTAINABILITY-LINKED

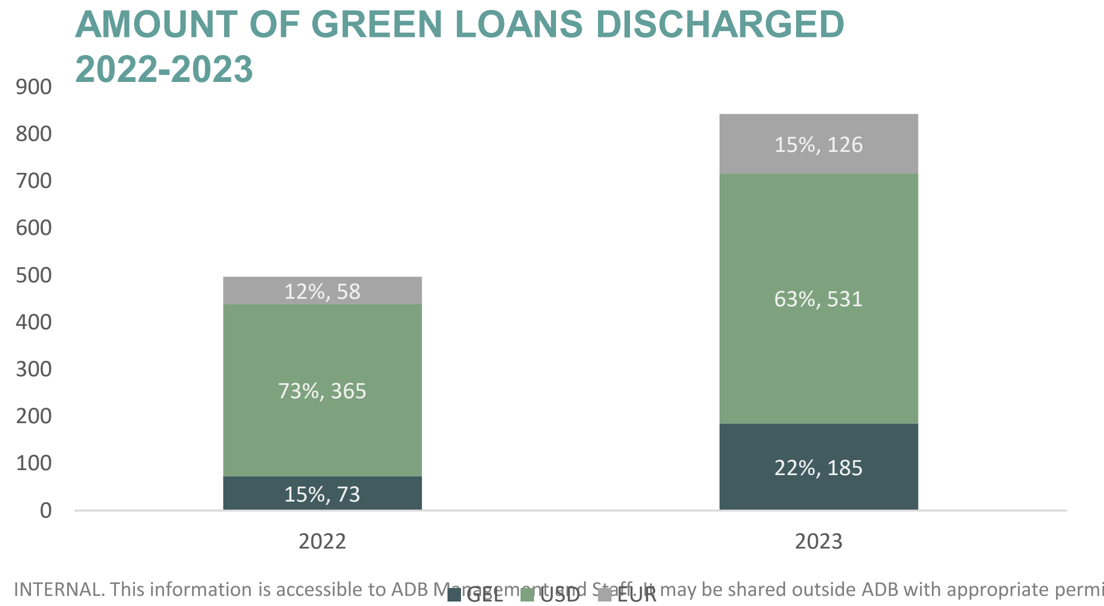
  - Eligible economic activities – determined by the NBG Taxonomy or internationally acknowledged taxonomies;
  - Excluded from the scope – IFI bonds.

KEY PILLARS OF THE DRAFT REGULATION

- Pre-issuance review/report accompanying the prospectus;
- Post-issuance annual allocation reports and the impact report reviewed by the external reviewer;
- External reviewers – experts included on the list published by the International Capital Market Association, ESMA database or verified by the Climate Bonds Initiative;
- Prohibition to use the label for public bonds not compliant with the Regulation;
- Failure to (timely) provide reviews/reports – cancellation of the status

Sustainable Finance - Banking Sector

- The Corporate Governance Code of Commercial Banks establishes a mandatory requirement for disclosure of ESG issues. In addition, ESG reporting template has formed as part of Pillar 3 report.
- Sustainable Finance Taxonomy has been locally introduced for classification of Loans
- The volume of green loans issued in 2023 amounted to 843 million GEL (313 million USD3). Excluding the effect of exchange rates, this represents a 73% increase compared to the volume of green loans issued in 2022 (compared to a 17% increase in 2022).
- As for the total volume of green loans outstanding by the end of 2023, it amounted to 1.9 billion GEL (694 million USD). In 2023, the total volume of green loans, excluding the effect of the exchange rate, increased by 30% compared to the previous year (compared to a 15% increase in 2022).



Pension Agency ESG Investments

- The Pension Agency's Investment Policy Document includes a section on Responsible Investment Framework, through which they encourage investment in companies that manage ESG factors effectively.
- The Investment Board is also in the process of developing a more detailed ESG Policy, which will be considered in the course of investment activities.
- This document will be reviewed by the Investment Board annually.

"The Investment Board and the Investment Office are committed to integrate ESG" issues into the investment decision making process since they strongly believe that they are material to long-term returns"

- Investment in TBC Leasing Green Bonds (GEL 15 million issue) in June 2023
  - Use of proceeds: Energy efficient assets with minimum 15% energy and/or CO_2 savings compared to its alternatives; and/or clean transportation such as electric and hybrid vehicles.
- Investment in Georgia Capital Sustainability-Linked Bonds (USD 150 million issue) in August 2023
  - Use of proceeds: a) 80% of the issuance amount - refinancing existing JSC GCAP Eurobond and b) 20% - general corporate purposes
  - Sustainability: The KPI is defined as the absolute amount of Scope 1, 2 and 3 GHG emissions across GCAP's value chain measured in tons of carbon dioxide equivalent (tCO2e).

Future Plans for Capital Markets in Georgia

- Enactement of GSS Regulation
- Improveming the Quality of Corporate Governance Reporting
- Introduction of Sustainable Reporting Standards for securities Issuers
  - Close cooperation with SARAS
  - Amendments in the securities legislative framework
- Risk Based Supervision of Sustainable Reports

Thank you for your attention!