



# Green Bond Framework

JSC TBC Leasing

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## TBC Leasing Green Bond Framework

TBC Leasing (the Company) intends to issue green bonds with a total placement amount of GEL 15,000,000 (fifteen million). The proceeds from the issuance of green bonds will be directed to financing energy efficient assets with minimum 15% energy and/or CO<sub>2</sub> savings compared to its alternatives and clean transportation (electric and hybrid vehicles).

### About TBC Leasing

TBC Leasing (Fitch: BB) is a wholly owned subsidiary of TBC Bank and is part of TBC Bank Group (“TBC PLC”), listed on a premium segment of London Stock Exchange. With 19 years of operational history, TBC Leasing leads the underpenetrated leasing industry in Georgia with 82% market share, serving up to 2,100 customers and managing a Total Leasing Portfolio of GEL 338 million as of December 2022.

The company leads the market by offering a wide range of leasing solutions and complementary advisory services, including financial leasing, operating leasing, and sale and leasebacks to corporates, SMEs, start-ups and individuals. The Company’s operating segments are:

- Business segment, with a total portfolio of 260 million GEL as of December 2022. Business segment includes all leases to legal entities or group of entities (MSME and corporate clients) where financed assets can be anything other than vehicles;
- Automotive segment, with a total portfolio of 41 million GEL as of December 2022. Automotive segment includes all leases to legal entities or group of entities where financed assets are vehicles; and
- Retail segment, with a total portfolio of 28 million GEL as of December 2022. Retail segment includes all leases to all nonbusiness individual customers.

The Company has extensive geographical coverage throughout Georgia and provide its products and services through various type of sales channels, including official representative dealerships, vendors, direct sales channels and our parent bank. The Company’s broad sales coverage is supported by tight cooperation with top international equipment vendors and car dealers. Moreover, the presence of customer pathway and referral synergies from the parent company contributes further to the sales generation. The Company has three branches in the largest cities of Georgia, although the service center is located at our headquarters in Tbilisi.

The Company’s customers range in size and scale from small, medium and corporate businesses to retail individuals, helping them to finance and expand their business activities. The Company’s customer base is also diversified across industries with no industry representing more than 20% and includes all sectors of the economy.

## TBC Leasing Vision and Approach to ESG

As part of the Company's long-term development strategy, the Company is committed to financing a wide range of environmentally conscious and sustainable projects. Leasing itself is green in the way that it enables businesses to invest in newer, more efficient, less resource-intensive equipment. One of the most promising avenues for leasing in Georgia is still under-exploited: the rapid growth of investments in sustainable equipment (i.e. energy efficiency, renewable energy, and cleaner production).

TBC Leasing's role, as a leading leasing company in Georgia, is to facilitate this process and create a more diverse range of products that will allow local SMEs to benefit from the availability of alternative financing means to expand their business activities. TBC Leasing helps to further strengthen and support local small and medium-sized businesses, and given the Company's focus on green and responsible financing, help clients in expanding their sustainable activities. Many of the Company's projects focus on the clean energy – such as solar panels, wind power and small-scale hydro power plants, clean transportation – such as electric and hybrid vehicles, energy efficient equipment – such as manufacturing and agricultural equipment.

TBC Leasing is part of TBC Bank Group (The Group), whose objective is to responsibly manage the environmental and social risks associated with its operations in order to minimize impacts on the environment and stakeholders, and to enhance long term returns to shareholders. In order to communicate this philosophy to its stakeholders and shareholders, the Board of Directors of the Group has adopted Environmental and Social (Sustainability) Policy which describes the Group's commitment to sustainable finance as an integral component of responsible corporate governance. TBC Leasing's Environmental Policy is fully in line with Georgian environmental legislation, including the Law of Georgia on Environmental Protection and international best practices.

TBC Leasing's Environmental and Social Risk Management System (ESMS) is derived from the Group and ensures that the Company complies with all applicable environmental, health, safety and occupational regulations and apply appropriate best practices, as well as take appropriate measures to ensure that our customers comply with their environmental and social responsibilities. The ESMS is fully integrated into the credit risk management process of the Company. The Company's Environmental and Social procedures include: Transaction Qualification, Risk Categorization, Identification and appropriate Assessment, Mitigation and Control, and Monitoring and Reporting of environmental and social risks. The procedures incorporate appropriate consideration of IFC Performance Standards (PSs, January 1, 2012) and EBRD Performance Requirements (PRs) and ADB's Safeguard Requirements (SRs).

TBC Leasing believes it has a significant role in the transition toward a more sustainable economy in Georgia, as the assets that the Company finances will help achieve the United Nations' Sustainable Development Goals. "The company's' target is aligned with the 2015 Paris Agreement and the new EU milestones released on July 14th, 2021 for Y2030 including:

- 55% reduction of emissions from cars by 2030;
- 50% reduction of emissions from vans by 2030;
- 0 emissions from new cars by 2035.

## Basis of the TBC Leasing's Green Bond Framework

Following Green Bond Framework is aligned with ICMA GBP and LMA GLP providing four core component guidelines:

- Use of proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

Components were collaborated with Alignment of the framework to the Green Bond Principles and Company's and Company's sustainability strategy.

## Use of Proceeds

The funds generated from the Green Bond Issuance will be directed to finance eligible green projects, specifically:

- Energy efficient assets with minimum 15% energy and/or CO<sub>2</sub> savings compared to its alternatives; and/or
- Clean transportation such as electric and hybrid vehicles.

The projects financed through the Green Bond issuance will target both MSME's and private individuals and will focus on financing energy efficient equipment, electric vehicles and hybrid vehicles. Thus reducing our indirect impact on climate change as well as increasing access to financing for MSMEs, which will lead to positive environmental impacts and advance the U.N. Sustainable Development Goals, specifically SDG 9 and 13.

## Process for Project Evaluation and Selection

TBC Leasing has established internal Green Bond Committee for selecting, evaluating and monitoring eligible Green projects comprising of following relevant departments and bodies:

- Finance Department: Head of Finance Department and Head of Capital Markets and Investor Relations Management;
- Credit Department: Head of Credit Department;
- Risks Department: Head of Enterprise Risk Management Department.

Green Bond Committee reviews and assesses whether the proposed projects comply with the eligibility criteria throughout the lifespan of the Green Bonds, makes sure that the product portfolio is in line with the categories specified for the use of proceeds, verifies the content of the framework, and monitors the allocation of funds.

## Management of Proceeds

An amount equal to the net proceeds raised by the Green Bond will be allocated to Eligible Green Projects as specified above. This process will be managed by the Company's Finance Department. The Finance Department will establish a register of Eligible Green Projects and will track allocations to the projects matched to the Green Bond proceeds.

## Reporting

Until full allocation of the Green Bond issuance TBC Leasing will report on annual basis on allocation and Impact Reporting.

- Allocation of Proceeds - present percentage and balance of allocated and unallocated investments;
- Impact report – recognizing the data limitations to TBC Leasing providing these metrics, impact-reporting will, on a best efforts basis, note changes in GHG/CO<sub>2</sub> emission reductions based on data collected from clients.