

Sustainability Bond Framework

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1. Introduction

1.1. Background

Basisbank: JSC Basisbank (Basisbank, Bank or BB) is one of the largest financial institutions in Georgia with a market presence of over 30 years. Supported by its subsidiaries, BB Insurance and BB Leasing, Basisbank offers tailored banking, insurance, and leasing services to its Business and Retail clients. Bank serves around 200 thousand clients through 39-branch network and a strong pool of around 1,000 employees. Being one of the most stable, trustworthy partners and fast-growing financial institutions, Basisbank has accumulated superior expertise in doing business and gained a competitive edge on the market by supporting SME businesses.

The Bank's Strategic goal and aspiration is to create a bank of the future, providing diverse products and services in one space, adapted to client necessities and enabling them to deliver results faster, easier and in a more comfortable way.

Robust capital, diversified funding base, strong liquidity and superior asset quality, coupled with a highly qualified team and client-centric business model, are key enablers in developing the strategic objectives of the bank.

Basisbank is an integrated part of society and acknowledges its responsibility in supporting Georgia's financial market transition towards a more sustainable future. Basisbank recognizes that climate change is one major challenge for society, embodying substantial environmental, social and economic risks. The threats created by climate change will increase existing risks and cause new risks to emerge for both society and nature.

Need for Sustainable Finance in Georgia: The geographical location and natural conditions of Georgia contribute to the country's vulnerability to climate change. Several climate change-related cases in recent years have made the Georgian government and society more aware of the issue's importance, and relevant measures were taken. Acknowledging the importance of tackling environmental issues, Georgia has become a part of different international environmental treaties and agreements, including the EU-Georgia Association Agreement. Under the requirements of the Paris Agreement¹, Georgia is also obliged to take steps to reduce greenhouse gas (GHG) emissions², as emissions have been increasing throughout years³. Georgia is fully committed to an unconditional limiting target of 35% below the 1990 level of its domestic total greenhouse gas emissions by 2030 and 50-57% target in case of international support, according to the Georgia's 2030 Climate Change Strategy and Action Plan⁴.

Coping with challenges caused by climate change and environmental issues is a precondition for achieving sustainable development in all countries, despite their level of development. For less developed and developing countries, however, social issues such as poverty reduction, inequality, inclusiveness, access to

¹ The Paris agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at the UN Climate Conference (COP21) in Paris, France, on 12 December 2015. Georgia signed in 2016.

² according to its updated National Determined Contribution Plan 2021, [NDC Georgia ENG WEB-approved.pdf \(unfccc.int\)](#)

³ [Environmental Indicators - National Statistics Office of Georgia \(geostat.ge\)](#)

⁴ [Georgia's 2030 Climate change Strategy \(mepa.gov.ge\)](#)

essential services constitute significant obstacles on its way to sustainable and inclusive development. Thus, in countries like Georgia, addressing environmental and social issues is equally crucial for the sustainable development of the country.

According to National Statistics Office of Georgia, share of population under absolute poverty line in 2021 and 2022, have been 17.5⁵ and 15.6 percent respectively. Regarding the rate of unemployment, despite the declining tendency, in 2023 18.0 percent was unemployed.

Despite the improvements, there are a number of challenges that the country still needs to overcome in terms of inclusion, social mobility, geographical and income-related inequalities. Although there have been certain measures taken, a substantial percentage of the population still lives below the poverty line.

Sustainable Finance Taxonomy for Georgia: To address Environmental and Social challenges and enhance the role of the Financial Sector in the sustainable development of the country, the National Bank of Georgia developed the Sustainable Finance Taxonomy for Georgia⁶ in 2022. The regulation for classifying and reporting loans for commercial banks was endorsed and became effective as of January 2023. The Sustainable Finance Taxonomy draws upon the international experience and is developed in line with international standards, ensuring alignment with best practice. This provides confidence and assurance to investors, particularly to international investors. On the other hand, the taxonomy is tailored to the needs of the Georgian market and economy, in alignment with country's Sustainable Development Priorities. Furthermore, this standardized model for defining green, social, and sustainable finance, helps eliminating greenwashing practices.

1.2. Basisbank's approach to Sustainability

Basisbank aims to advance as one of the key players in sustainable banking in Georgia by integrating relevant banking practices and offering environmentally and socially conscious products. The Georgian economy is in a development stage, and while most businesses require funding for the basic needs, there is still a considerable number of businesses, that go beyond and strive to position themselves as responsible players of society. These businesses aim to reduce waste, become more environmentally friendly, support socially vulnerable groups, reduce inequality and play a role in transition to a more environmentally and socially sustainable economy. Basisbank aims to identify and support these specific businesses, as well as raise awareness on environmental and social matters for other businesses to change their mindset and behavior towards becoming more environmentally and socially conscious. By doing so, the Bank is contributing to overall E&S transition of the market and the country.

Since 2014, Basisbank has financed a significant amount of green buildings, renewable energy and energy efficiency projects, with the support of various international financial institutions and impact investors. The Bank has participated in several programs and projects of international significance: Deep and Comprehensive Trade Agreement (DCFTA), Caucasus Energy Efficiency Program (CEEP) and Green

⁵ [Poverty and Gini Coefficients - National Statistics Office of Georgia \(geostat.ge\)](https://geostat.ge/)

⁶ [Sustainable Finance Taxonomy \(nbg.gov.ge\)](https://nbg.gov.ge/)

Economy Financing Facility (GEFF) programs sponsored by EBRD, Green Lending Project with GGF etc. Moreover, the Bank has a long history of financing MSMEs, WMSMEs, business in high mountain regions and social projects mostly in health and education sectors.

The Bank acknowledges, that risks related to climate change and social risks affect both business and clients, therefore, it considers its lending decisions as an important means to drive the economy towards an environmentally sustainable future. In doing so, Basisbank sees effective Environmental, Social and Governance (ESG) management as critical.

ESG Strategy: In 2023 Basisbank rolled out a new ESG Strategy, which is part of Basisbank's strategic goals. The ESG Strategy was developed based on a materiality assessment involving all major stakeholders of the bank: clients, partner organizations, management and employees. The Bank has identified a set of material topics and developed specific objectives for each. Each objective has been assigned KPI/KPIs, so that progress towards Strategy implementation can be tracked and evaluated. After mapping/aligning ESG strategic objectives to the SDGs, bank believes the strategy contributes to the following Development Goals:



Seven objectives from the ESG Strategy, which are most relevant to the Sustainable Bond Framework and are aligned to Sustainable Development Goals SDGs 3, SDG 8 and SDG 13 are:

Environmental	Social	Governance
<ul style="list-style-type: none"> • Offer green financial products and services • Reduce BasisBank's own carbon emissions • Support the transition to renewable energy in Georgia 	<ul style="list-style-type: none"> • Strengthen Financial Education of the public • Foster Employee well-being 	<ul style="list-style-type: none"> • Management of ESG risks

Green: To guide the environmental aspect of the strategy, we have set initial targets for sustainable loan financing, aiming to reduce the negative impact of the loan portfolio on climate and the environment, and to support our clients in transitioning to a green economy.

Social: To guide the social aspect of the strategy, Basisbank maintains strong support for small businesses, businesses led by women, businesses in high mountain regions and other social projects including education and healthcare. The Bank also dedicates itself to taking care of its employees' well-being.

The mission driving this strategy is to support people and businesses to creating a sustainable, equitable and socially oriented environment in Georgia. More details about the Bank's ESG strategy, objectives, and goals are included in the bank's Annual Report, ESG Overview section.

Governance: Fulfilling our strategic objectives depends on the close cooperation of numerous units within the bank, highlighting the importance of having the right governance structure. In order to enhance Basisbank's sustainability performance, the bank has created the position of the Sustainability Manager within the compliance division. The Sustainability Manager oversees the efforts of business units to achieve shared sustainability goals and the implementation of effective Environmental and Social Management Systems (ESMS) throughout the organization. While the Bank has had an ESMS in place since 2018, coordinated by the Compliance Division, the new position of the Sustainability Manager allows for a more dedicated approach. This gives the Bank the ability to advance its ESG risk management and sustainable practices, through the elaboration and implementation of ESG Strategy.

1.3. Basisbank's Sustainability Bond and its Framework

Within the scope of the ESG strategy priorities described above, Basisbank has decided to issue a Sustainability Bond to further strengthen its portfolio of environmental and social projects. The Bond issuance aims to redirect financial flows towards strategic sectors such as: Renewable Energy, Energy Efficiency, Sustainable Buildings & Construction, Green Transportation, Healthcare, Education, Financing and Financial Services.

Aligned with its ESG Strategy, Basisbank has developed a Sustainability Bond Framework (the "Framework" or "SBF") in accordance with the International Capital Market Association's ("ICMA") Green Bond Principles⁷ (GBP) 2022, Social Bond Principles⁸ (SBP) 2023 and Sustainability Bond Guidelines (SBG) 2021⁹, which recommend transparency and disclosure and promote integrity with respect to sustainable financing.

In addition to adherence with all abovementioned principles, the framework is fully compliant with the NBG Sustainable Finance Taxonomy⁷. It follows the definitions, classification and categorization of the

⁷ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁸ <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

⁹ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

taxonomy, as well as the eligibility criteria for each category. Furthermore, it utilizes the taxonomy Screening and Reporting Tool for the selection and reporting of Sustainable loans.

Based on the core components of ICMA’s Green/Social Bond Principles and Sustainability Bond Guidelines, Basisbank’s Sustainability Bond Framework has the following four core components:



- Use of Proceeds – the list of Eligible Green and Social Loans, broken down by project categories according to NBG Taxonomy, project type and descriptions of eligibility criteria of each project.
- Project Evaluation and Selection Process – the description of a process used to document a decision-making procedure for evaluating, selecting and maintaining Eligible Green / Social projects, as well as identifying and managing Environmental and Social Risks.
- Management of Proceeds – description of the systems, policies and processes used for managing the underlying Green and Social Loan Portfolio, as well as any remaining unallocated balances.
- Reporting – description and principles of Annual Sustainability Bond Report, consisting of Resource Allocation and Impact Reporting.

2. Use of proceeds

Basisbank’s Green and Social Loan Portfolios shall cover a wide range of Environmental and Social categories (see Table below) across Basisbank’s business and retail segments. The proceeds of the Sustainability Bond issued in line with this Framework will be allocated only to finance (or re-finance), in whole or in part, **Eligible Green or Social Projects**. These Eligible Green and Social Projects (Corporate, MSME, Retail) are projects that provide clear environmental and social benefits and promote transition to climate-resilient and sustainable economies, as well as equality and better social and economic environment for society.

These Eligible Green and Social Projects fall into the following Taxonomy categories:



Green Projects

- Renewable Energy
- Energy Efficiency
- Sustainable Buildings & Construction
- Green Transportation



Social Projects

- Healthcare and Related Social Services
- Financing and Financial Services
- Education, Technology, Culture, Fitness

The Eligible Green and Social Projects will meet the Eligibility Criteria/Technical Standards provided under NBG Sustainable Finance Taxonomy. Basisbank will exercise its professional judgement and sustainability expertise in the process of assessing the eligibility of Green and Social Projects.

2.1. Green Loan Portfolio Eligibility Criteria

Part of the net proceeds of Sustainability Bond issuance will be used to finance and/or refinance eligible Green projects.

List of potential eligible green projects per Taxonomy category, that the Bank expects to finance along with their eligibility criteria and examples/explanations (provided by NBG Sustainable Taxonomy for Georgia and adopted by Basisbank) are described below:

Sustainable Buildings and Construction

Category	Sub-category	Criteria/ Technical Standard	Example/ explanation
Construction of New Buildings	Commercial and public buildings including office, administrative building, building of an educational institution, building of a medical facility, a hotel, a mass caterer, a sports facility, a wholesale and retail trade service building	The activity complies with one of the following criteria: a) For 2022-2024: Order of the Minister of Georgia on "Minimum energy efficiency requirements for buildings, building parts or building elements". For 2025-2029: 1. U-values at least 10% lower than minimum EE requirements (maximum allowable thermal transmittance coefficient, U_{max}), based on average weighted by external area of building element according to Table 3 of Ordinance of the Government	Development of building projects and constructions of residential and non-residential buildings. The List of building types is provided by the Law of Georgia on Energy Efficiency of Buildings
	Individual residential house		

Category	Sub-category	Criteria/ Technical Standard	Example/ explanation
	<i>Block of flats</i>	<i>of Georgia on "Minimum energy efficiency requirements for buildings, building parts or building elements"</i>	
	<i>Other types of building consuming energy</i>	<p>2. All other criteria specified in the Ordinance of the Government of Georgia on "Minimum energy efficiency requirements for buildings, building parts or building elements" shall apply.</p> <p>From 2030:</p> <p>Net Primary Energy Demand:</p> <p>Residential buildings:</p> <p>Zones 1+2: 40 kWh/m²/yr</p> <p>Zone 3: 65 kWh/m²/yr</p> <p>Non-residential buildings:</p> <p>Zones 1+2: 50 kWh/m²/yr</p> <p>Zone 3: 70 kWh/m²/yr</p> <p>b) International Building Certificate: a minimum level of LEED-Silver, BREEAM-Good, EDGE – Level, WELL – Silver or corresponding levels of other internationally recognized certificate.¹⁰</p>	
Renovation/ Improvement of Existing Buildings	<i>Efficiency improvements in existing commercial and public buildings</i>		Major renovation is defined as reconstruction of more than 25% of the building envelope "Minimum energy efficiency requirements for buildings, building parts or building elements". ;
	<i>Efficiency improvements in existing individual residential house</i>	The activity complies with one of the following criteria:	
	<i>Efficiency improvements in existing block of flats</i>	<p>a) For major renovation:</p> <p>1. ≥ 20% reduction of Primary Energy Demand (PED); or</p> <p>2. U values defined for the category - construction of new buildings.</p> <p>b) For single measures / equipment:</p> <p>1. For 2022-2024: minimum requirements set for individual components and systems;</p> <p>2. From 2025: 10% improvement over minimum requirements set for individual components and systems defined by the Ordinance of the Government of Georgia</p>	Single measures/equipment includes, for example:
	<i>Efficiency improvements in existing other types of buildings</i>	"Minimum energy efficiency requirements for buildings, building parts or building elements".	(a) addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure airtightness, measures to reduce the effects of thermal bridges and scaffolding) and products for the application of the

¹⁰ Green Certification standard is yet very new to Georgian market, as it is on a development stage. Currently, there is only one building, which has acquired international green certificate (EDGE Certificate).

Category	Sub-category	Criteria/ Technical Standard	Example/ explanation
Built Environment	<i>Systems for managing energy performance of buildings</i>		<p>insulation to the building envelope (including mechanical fixings and adhesive);</p> <p>(b) replacement of existing windows with new energy-efficient windows;</p> <p>(c) replacement of existing external doors with new energy-efficient doors.</p>
			<p>Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings such as:</p> <p>(a) installation, maintenance and repair of zoned thermostats, smart thermostat systems and sensing equipment, including motion and day light control;</p> <p>(b) installation, maintenance and repair of building automation and control systems, building energy management systems (BMS), lighting control systems and energy management systems (EMS);</p> <p>(c) installation, maintenance and repair of smart meters for gas, heat, cool and electricity;</p> <p>(d) installation, maintenance and repair of façade and roofing elements with solar shading or solar control function, including those that support the growth of vegetation.</p>
	<i>Charging stations for electric vehicles in buildings</i>		<p>Installation, maintenance and repair of charging stations for electric vehicles in buildings and</p>

Category	Sub-category	Criteria/ Technical Standard	Example/ explanation
			parking spaces attached to buildings.

Energy Efficiency

Category	Sub-category	Criteria/Technical Requirements	Example/ explanation
Energy Efficiency Industrial Facilities	<i>Upgrade of industrial machinery and technology</i>	The activity complies with the following criteria: Investments in equipment, machinery, or the installation of technology that demonstrate measurable improvement in the energy performance of operations, which leads to energy, GHG, or resource savings of at least 20% per unit compared to the previous year of operation.	Industrial energy efficiency improvements through the installation of more efficient equipment, changes in processes and management, reduction of heat losses, and/or utilization of residual heat and pressure.
	<i>Purchase of EE industrial machinery and technology</i>	The activity complies with the following criteria: The highest class of energy efficiency of a product (EU energy label A, B or products with comparable performance under other classification schemes).	Adoption of EE industrial machinery and technology.
Energy Efficiency Agriculture	<i>Upgrade of agriculture machinery and technology</i>	The activity complies with the following criteria: Investments in equipment, machinery, or technology demonstrate measurable improvement in the energy performance of operations, leading to energy, GHG, or resource savings of at least 20% per unit as compared to the previous year of operation.	Energy-efficiency improvements through the installation of more efficient equipment, changes in processes and management, and reduction of heat losses and/or utilization of residual heat and pressure.
	<i>Purchase of EE agriculture machinery and technology</i>	The activity complies with the following criteria: The highest class of energy efficiency of a product (EU energy label A, B or products with comparable performance under other classification schemes).	Adoption of EE agricultural machinery and technology. List of possible eligible products can be found: https://techselector.com/georgia-en/
Energy Efficiency Buildings	<i>Energy efficient lighting</i>	The activity complies with the following criteria: The highest class of energy efficiency of a product (EU energy label A, B or products with comparable performance under other classification schemes).	Energy-efficiency improvement in commercial, public, residential and industrial buildings through the installation of energy-efficient lighting systems.
	<i>Energy efficient heating/cooling systems</i>	The activity complies with one of the following criteria: a) The highest class of energy efficiency of a product (EU energy label A, B or products with comparable performance under other classification schemes); b) Energy Efficiency Ratio (EER) and/or	Energy-efficiency improvement in commercial, public, residential and industrial buildings through the installation of energy efficient heating,

		Coefficient of Performance (COP) 20% higher than the minimum requirements set by the Ordinance of the Government of Georgia on "Minimum energy efficiency requirements for buildings, building parts or building elements".	ventilation and cooling systems (HVAC).
	<i>Energy efficient appliances (end user)</i>	The activity complies with the following criteria: The highest class of energy efficiency of a product (EU energy label A, B [https://ec.europa.eu/info/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/energy-label-and-ecodesign/energy-efficient-products_en] or products with comparable performance under other classification schemes).	Purchase and application of more energy efficient end-user products. For example: refrigerator, washing machine, heater, etc.

Renewable Energy

Category	Sub-category	Criteria/ Technical Requirements	Example/ explanation
Solar	<i>Electricity generation from solar energy</i>		Construction & operation of electricity generation facilities that produce electricity from Solar Photovoltaic (SPV) and Concentrated Solar Power (CSP).
	<i>Production of heat/cool from solar energy</i>		Construction & operation of a facility generating heat/cooling from solar insolation.
Hydropower	<i>Electricity generation from hydropower</i>	The activity complies with one of the following criteria: a) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir; b) the power density of the electricity generation facility is above 5 W/m ² ; c) the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO ₂ e/kWh. The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018162, ISO 14064-1:2018163 or the G-res tool. Quantified life-cycle GHG emissions are verified by an independent third party.	Construction & operation of electricity generation facilities that produce electricity from hydropower and satisfies the technical screening criteria.
Wind	<i>Electricity generation from wind</i>		Construction & operation of electricity generation facilities that

produce electricity from wind.

Green Transport

Category	Sub-category	Criteria/Technical Standard	Explanation
Private Transport	<i>Human powered wheeled vehicles and wheeled devices</i>	<p>The activity complies with one of the following criteria:</p> <p>Any human powered wheeled vehicle or device that has only the CO2 emissions from breathing of the person(s) driving, riding or operating such vehicle or device.</p>	<p>Purchase, financing, renting, leasing and operation of:</p> <p>a. Cycles, including hand-cycles, unicycles, bicycles, tricycles, recumbents and other vehicles fitting the legal definition of cycles and their trailers;</p> <p>b. Platform ridables: Kick-scooters, footbikes, swing scooters, skateboards, longboards, etc.;</p> <p>c. Roller blades, roller skates and roller skis and other similar devices where primary purpose is to provide rolling motion of the user, as opposed to wheeled shoes that have the primary purpose of walking.</p>
	<i>Platform rideable vehicles that use electric propulsion</i>	<p>The activity complies with one of the following criteria:</p> <p>Small electrically powered vehicles, of a platform rideable variety that are not classified as cycles, mopeds or motorcycles that have zero direct CO2 emissions.</p>	<p>Purchase, financing, renting, leasing and operation of electric platform scooters, balance boards, hover-boards, segways, electric skateboards, uniwheels, and other similar devices, that cannot be classified as cycles, mopeds or motorcycles.</p>
	<i>Electric and hydrogen cars, light commercial vehicles and electric motorcycles/moped s/bicycles</i>	<p>The activity complies with the following criteria:</p> <p>The vehicles have zero direct CO2 emissions.</p>	<p>Purchase, financing, renting, leasing and operation of motorized transport compliant with the following:</p> <p>a) Electric powered mopeds, motorcycles, tricycles, quadricycles, quadrimobilities and electrically assisted cycles, as defined by the EU Regulation No168/2013;</p> <p>b) Light Duty Vehicles powered only by electrical energy stored in energy accumulators and propelled by electric motors or via hydrogen powered engines/motors in categories M1, M2 and N1 as defined by the EU Regulation No2018/858</p>
	<i>Hybrid passenger cars and light commercial vehicles</i>	<p>The activity complies with one of the following criteria:</p> <p>a) direct emissions are below 50 gCO2/km;</p> <p>b) Euro 5/V or 6/VI</p>	<p>Purchase, financing, renting, leasing and operation of:</p> <p>Light Duty Vehicles powered by hybrid internal combustion/electric powertrains (Hybrid Electric Vehicles) in categories M1,</p>

	Standard defined by EU regulations No 715/2007, No 582/2011 and No2017/1151 or equivalent standard under different classification.	M2 and N1 as defined as defined by the EU Regulation No2018/858
Industrial and Agricultural Vehicles	<p>The activity complies with one of the following criteria:</p> <p>a) The vehicles have zero local (direct) GHG emissions (electric);</p> <p>b) Hybrid and other types of vehicles if direct emissions are below 50 gCO₂/km;</p> <p>c) Vehicles comply with the latest Euro V/VI Standard defined by EU regulations No 582/2011 or equivalent standard under different classification;</p> <p>d) Engines in vessels must comply with latest applicable standards (currently stage V) of Non-Road Mobile Machinery Regulation, EU Regulation No 2016/1628 or equivalent standard under different classification;</p> <p>e) SEC maximum torque - 220 g/kWh and lower¹¹.</p>	<p>Purchase, financing, leasing, rental and operation of agricultural vehicles (T, C, and R Categories) defined by the EU Regulation No167/2013 and Mobile machinery (also known as NRMM: non road mobile machinery) that includes a wide range of machinery designed to perform specific operations in off-road environments, such as:</p> <p>agricultural machinery (e.g. sprayers, combined harvesters, forestry equipment); construction machinery (e.g. lifting and handling equipment, earthmoving machinery, mobile cranes, industrial trucks); gardening machinery (e.g. lawnmowers); municipal machinery (e.g. for street cleaning or snow removal).</p> <p>List of possible eligible products can be found: https://techselector.com/georgia-en/</p>

2.2. Social Loan Portfolio Eligibility Criteria

Part of the net proceeds from the Sustainability Bond issuance will be used to finance and/or refinance eligible Social projects.

List of potential eligible social projects per Taxonomy category, that the Bank expects to finance along with their eligibility criteria, social impact and explanations (all in accordance with NBG Taxonomy) are described below:

¹¹ This specific criteria is not used by Basisbank, it is an option in technical criteria under NBG.

Healthcare and Related Social Services

Category	Sub-category	Social Impact	Explanation
Medical and health services	<i>Primary health care</i>	Improves access for target groups ¹² to basic medical care and health knowledge	Provision of medical facilities, equipment, medical personnel and vocational training to provide primary health care, including primary dental care, services to target populations. Primary health care is defined in accordance with the Law of Georgia on Health Care
	<i>Public health</i>	Improve access for target group to basic medical care and provide public health services for all	Provision of medical facilities, equipment, medical personnel and vocational training to strengthen public health.
	<i>Women's and children's health services</i>	Improves access to maternal and child health care, popularizes health knowledge, and ensures the safety of women and children and the improvement of their nutrition	Provision of medical facilities, equipment, medical personnel and vocational training to provide health services to pregnant women and infants; education and awareness-raising about family planning, sexual and reproductive health of young people and the health of pregnant women; etc.
	<i>Occupational health services</i>	Improves safety and health of employees and workers	Provision of medical services, protective and medical equipment, medicines, and vocational training for the safety and health of employees; Development of new technologies, processes, equipment and materials to protect the health of workers, research of new occupational diseases, occupational health training; etc.
	<i>Elderly Care</i>	Improves access to health care institutions, professionals, equipment, drugs, and services for the elderly, to ensure comprehensive rehabilitation, nursing, hospice and elderly care	Provision of medical facilities, equipment, medical personnel, and vocational training to provide health care services to the elderly
Manufacturing of medical and	<i>Manufacturing of medical and health</i>	Improves the availability of medical equipment	Manufacturing of medical and health equipment and devices.

¹² As defined under Sustainable Finance Taxonomy for Georgia, Target groups include: people with disabilities, eco migrants and/or displaced persons, socially vulnerable individuals, people living below the poverty line, women and children, single parents, excluded and/or marginalized populations and /or communities, youth (under 25), aging population, veterans, ethnic minorities, people living in high mountain regions, people living in the regions (except self-governing cities), other vulnerable groups, including as a result of natural disasters. Sustainable Finance Taxonomy for Georgia, p.12.

sanitation products¹³	<i>equipment and devices</i>		
	<i>Manufacturing pharmaceutical products</i>	Improves availability of pharmaceutical products	Manufacturing of pharmaceuticals. Pharmaceuticals is defined in accordance with the Law of Georgia on Medicines and Pharmaceutical Activities
	<i>Manufacturing of sanitary, sterilization and supportive medical supplies</i>	Improves the availability of supportive sanitary & sterilization materials and medical supplies	Manufacturing of sanitary and sterilization materials and products.
Healthcare logistics services	<i>Retail and wholesale of medicines and other health products</i>	Improves direct access to and availability of medicines and other health products for the target groups	Wholesale and retail (including online retail) of pharmaceutical products.
	<i>Pharmaceutical and health product storage and delivery</i>	Improves health products durability with lower losses and availability for the target groups	Storage and delivery of health-related products such as pharmaceutical products, medical supplies and equipment to targeted groups.

Financing and Financial Services

Category	Sub-category	Social Impact	Explanation
Access to financial products and services	<i>Financial services for micro and small-sized enterprises</i>	Increases access for micro and small-sized enterprises to credit services; supports employment generation for the Target Groups¹⁴	Providing credit and other financial services for the development of micro and small enterprises including startups, which are owned and/or managed by the target groups and/or employ these groups

Education, Technology, Culture, Fitness

Category	Sub-category	Social Impact	Explanation
Education	<i>Pre-school education</i>	Improves availability and quality of pre-school education	Construction, expansion, and reconstruction of infrastructure and provision and improvement of educational and entertainment resources needed for preschool care and education.
	<i>School education</i>	Improves availability and quality of school education	Construction, expansion, and reconstruction of infrastructure and provision and improvement of educational and entertainment resources needed for school children's care and education,

¹³ The availability and price of certain pharmaceutical products, devices, equipment and supportive medical supplies poses a problem in Georgia. Manufacturing pharmaceutical products contributes to the resolution of this social issue.

¹⁴ Under this category, Basisbank aims to finance WMSMEs and small and micro businesses in high mountain regions.

<i>Higher education</i>	Improves the availability and quality of high education	Construction, expansion, and reconstruction of infrastructure and provision and improvement of educational and scientific resources needed for higher education.
<i>Vocational education and trainings</i>	Improves availability and quality of education for targeted groups	Construction, expansion, and reconstruction of infrastructure and provision and improvement of educational and scientific resources needed for vocational education and training.
<i>ICT Education</i>	Improves skills to use ICT technologies	Space, hardware and supporting facilities needed for new educational and teaching models based on information technology, the provision of educational services, the development of digital resource systems, online learning spaces, educational software development, etc.

Basisbank has a strict policy for activities not financed by the Bank. The exclusion list is included in Annex I. Additionally, for the amounts financed by different investors, the investor’s specific exclusion lists apply (for those investors, which have one).

For any Sustainable Bond or its tranches issued, Basisbank asserts that it will not use the proceeds for any lending that doesn’t comply with the bank’s exclusion list, its investors’ exclusion lists, general lending policies, sustainable lending policies and minimum environmental and social requirements stipulated by national laws and regulations.

The specific use of proceeds provided by investor International Financial Institutions will be subject to compliance with any bilaterally agreed ESMS policies.

3. Project Evaluation and Selection Process

3.1. Project Evaluation and Selection Process

The Project Evaluation and Selection Process ensures that the Sustainability Bond Proceeds will be used in accordance with the relevant criteria specified in Section 2 of this Framework. Basisbank requires that Green and Social Loans are compliant with local laws, regulations and standards, which are harmonized with international requirements.

All loans (including potentially Green or Social) are subject to the Bank’s standard credit approval process. Additionally, all potentially Green and Social Loans are subject to specific Project Evaluation and Selection Process relevant to these loan types.

Process: Each potentially Green or Social Loan should meet the Green or Social Loan Eligibility Criteria prescribed in NBG Taxonomy and be compliant with the Bank’s Environmental and Social Risk

Management (ESRM) policy¹⁵. Business-line staff shall use their professional judgement and sustainability expertise to determine the eligibility of projects and shall refer to Sustainability Manager for guidance in cases necessary. In parallel, the Bank has launched specific Green products, which also meet the Eligibility Criteria of Taxonomy. The loans that fall under these Green products, shall also be eligible for the purpose of Sustainability Bond.

As an additional level of assurance, each potentially Green Loan shall be registered in the Taxonomy Tool by the relevant business-line staff member. Based on integrated questions under the Tool, evaluation of the project shall be performed, approved or rejected as Green, and relevant Taxonomy category/sub-category shall be assigned. Compliance unit shall be responsible for providing guidance in case needed.

3.2. Environmental and Social Risk Management Process

The Bank acknowledges its commitment to doing business in an environmentally and socially responsible manner and conducts its activities with the principles of environmentally sound and sustainable development. The bank screens loan applications with due consideration of the environmental and social protection issues and maintains documentation on the environmental due diligence process for each loan that is deemed environmentally or socially sensitive.

According to Basisbank’s Environmental and Social Risk Management Policy, there are four steps of assessing and managing E&S Risks:

Steps	Process
E&S Due Diligence	<ul style="list-style-type: none"> a. Projects are screened against the Exclusion List (Appendix I); b. compliance check against National legislation is conducted on Environmental or Social issues; c. technology check is conducted and appropriate permits/licenses are requested, if relevant;
E&S Risk Assessment and Categorization	Based on Environmental and Social Risk Due Diligence, relative level of environmental and social risks associated with the project is assessed and Environmental and Social Risk category (High-risk, Medium-risk, or Low-risk) is assigned to each project.
Mitigation	<p>For each level of risk category, appropriate mitigation measures are taken. For those projects, that are assigned:</p> <ul style="list-style-type: none"> a. Low-risk categories, the Bank should obtain satisfactory assurance that the project meets regulatory requirements. Typically, no further work is required. b. High or Medium Risk categories, the Bank takes specific measures to control and/or mitigate on a risk-based approach: desk review and/or site visits and/or full-scale review by technically qualified consultant (under specific circumstances) is conducted in order to identify: whether additional documents are required (such as Environmental Impact Assessment), whether public disclosure requirements have been met by the customer (if required by the

¹⁵ [Environmental and Social Risk Management Procedures \(bb.ge\)](http://bb.ge)

Steps	Process
	national legislation), whether parties potentially affected by the project have been appropriately engaged etc.
Monitoring	The Bank conducts periodic monitoring visits to track progress against the Project purpose and the Environmental and Social Responsibilities taken by the client or introduced by regulator.

In summary, the objective of the Bank’s Project Evaluation and Selection Process is to identify Potential Green or Social Loans, categorize them according to taxonomy (meet bank’s Green or Social Loan Eligibility Criteria) and assess and manage Environmental and Social risks inherent to the projects included in its portfolios.

4. Management of Proceeds

In accordance with Bank’s Sustainability Bond Framework, the Bank will allocate funds to eligible Green and Social Loans in full, up to the total Net Proceeds of the outstanding Sustainability Bond. The Allocation process will commence at the time of Sustainability Bond issuance and shall be fully deployed within 18 months from the issuance date.

The use of proceeds from the Sustainability Bonds issued will be tracked by Basisbank’s Loan Management System (LMS) and through the Sustainable Financing Taxonomy Screening and Reporting Tool provided by NBG.

For management of proceeds, Basisbank will develop a Sustainability Bond Register, where all Eligible Green and Social Loans will be recorded (details such as Loan ID, amount, currency, client name, NBG taxonomy sector, sub-sector, etc. shall be included). This register shall be used for recording the allocation of the Sustainability Bonds net proceeds to Eligible Green and Social Loans, identification of unallocated proceeds and controlling green/social portfolios overall. This register shall be the source for reporting afterwards.

Unallocated proceeds: The net proceeds of the Sustainability Bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by Basisbank in an appropriate manner, and by the bank in a formal internal process linked to the issuer’s lending and investment operations for eligible Sustainable Projects.

So long as the Sustainability Bond is outstanding, the balance of the tracked unallocated proceeds should be periodically adjusted to match allocations to eligible Sustainable Projects made during that period. Any unallocated proceeds will be managed in accordance with our general liquidity management practices, such as investing in cash and/or cash equivalents and/or other liquid marketable instruments consistent with NBG’s liquidity requirements.

5. Reporting

Basisbank commits to prepare Annual Sustainability Bond Report and provide investors with both a reporting on the allocation of proceeds (Allocation Reporting) and the impact of Eligible Green and Social Projects (Impact Reporting) on a yearly basis, starting one year after the issuance until full allocation of net proceeds of the bond. The Finance Department will coordinate the collection of data and consolidation of the reports. These reports shall be publicly available on the bank's website, Investor Relations page (<https://bb.ge/en/investortatvis/investors>). The first report will be published within the following year after the respective issuance.

Reporting will be conducted in accordance with Georgia's Sustainable Finance Taxonomy and aligned with its criteria and technical standards.

Disclosure of information related to the use of proceeds, reporting and businesses financed will be subject to local Laws and Regulations and Basisbank's confidentiality obligations.

5.1. Allocation Reporting

Basisbank will provide information on the allocation of the net proceeds of its Sustainability Bond portfolio. The report will contain at least the following information:

- Sustainability Bond proceeds allocated to each Eligibility Category;
- Sustainability Bond proceeds disclosing new and refinanced loans;
- Sustainability Bond proceeds distribution by Gender (whether businesses are lead/owned by women);
- The balance of unallocated proceeds.

5.2. Impact reporting

Basisbank will provide information on the impact of the net proceeds of its Sustainability Bond portfolio.

Where feasible, Basisbank will disclose the following information in Impact Reporting section:

- A description of Eligible Green and Social Projects for each category;
- Potential Impact Indicators: the list of environmental and social Impact Indicators, showing the impact of Basisbank Sustainability Bond issuance (as specified in the table below) by each Eligibility Category.

Depending on the availability of data (for those, marked with asterisk), the following impact indicators shall/may be tracked and reported:

Green Projects

Sector	Indicator
Energy Efficiency	Estimated annual electricity savings (kWh/year)
	Number of projects financed
Green Buildings and Construction	Number of projects financed
	Square meter of buildings
	Estimated annual electricity savings (kWh/year)*
Renewable Energy	Number of projects financed
	Estimated electricity annual savings (kwh/year)*
	Installed renewable capacity (MW) or renewable generation (MWh)
Green Transportation	Number of vehicles financed
	Estimated annual fuel consumption saving (liters) *

Social Projects

Sector	Indicator
Healthcare	Number of hospitals, clinics and other healthcare facilities built/upgraded
	Average amount of loans granted
	Number of Patients reached *
Education	Number of schools and other education facilities supported (constructed, upgraded)
	Average amount of loans granted
	Number of Students reached *
Financing and Financial Services	Number of financed small and micro businesses
	Number of financed small and micro businesses led/owned by women
	Average loan size granted to small and micro businesses
	Average loan size granted to small and micro businesses led/owned by women

The Bank shall provide additional non-public impact reporting to its bond investors as agreed in bilateral agreements.

6. External Review

6.1. Second Party Opinion

Basisbank has mandated DNV to provide a Second-Party Opinion on its Sustainability Bond Framework. The Second-Party Opinion ensures that the Sustainability Bond Framework adheres to the highest international standards and transparency requirements outlined by the Green Bond Principles, Social Bond Principles, Sustainability Bond Principles and Sustainability Bond Guidelines. It also evaluates bank's overall alignment with Georgia's Sustainable Finance Taxonomy and best market practices. The Second-Party Opinion document will be available on Basisbank's and DNV websites upon issuance of the Sustainability Bond.

Terms and Abbreviations

Annual Sustainability Bond Report – Annual reporting with public disclosure

Eligibility Criteria - a set of criteria to confirm a loan as 'green' or 'social'

Exclusion List - a set of criteria excluded from Basisbank's lending under Sustainability Bond proceeds, defined by Bank's internal Environmental and Social Risk Management Policy.

GBP - Green Bond Principles: the Green Bond Principles (GBP) formulated by International Capital Market Association (or ICMA), are voluntary process guidelines that recommend transparency and disclosure, and promote integrity in the development of the Green Bond market.

SBP - Social Bond Principles: the Social Bond Principles (SBP) formulated by International Capital Market Association (or ICMA), are voluntary process guidelines that recommend transparency and disclosure, and promote integrity in the development of the Social Bond market.

Green Loans Portfolio – Green Loans Portfolio covers a wide range of categories defined by NBG Taxonomy across Basisbank's business segments.

Social Loans Portfolio – Social Loans Portfolio covers a wide range of categories defined by NBG Taxonomy across Basisbank's business segments.

SBF – Sustainability Bond Framework: The Framework sets out how the Company proposes to use the proceeds of Sustainability Bonds for the construction of eligible Green and Social projects in a manner consistent with the company's sustainable values and provide the transparency and disclosures investors need to make investment decisions.

Sustainability Bond Proceeds - The money paid to the issuer by the investor/investors for a new issue of Sustainability Bonds, used to finance a project or purpose for which the bonds were issued.

Sustainability Bond Register - A register established by Basisbank to record all Eligible Green and Social Loans credited to a sub-account.

ICMA – International Capital Market Association.

Net Proceeds - The amount equal to the gross proceeds of the bonds minus issuance costs.

Project Categories - Project categories defined in this document/ NBG Taxonomy.

MSME – Micro, Small and Medium-sized Enterprises.

WMSME - Micro, small and medium-sized enterprise where either: (i) any enterprise where at least 51% of the enterprise ownership belongs to one or more women, or (ii) any enterprise where at least 20% of the enterprise ownership belongs to one or more women and she is either first level signatory, director, president or manager, or (iii) a business where an individual woman is the primary borrower/ co-borrower/ guarantor/ the owner of the title of the asset pledged as per the loan or ultimate beneficiary of the enterprise.

Annex I – List of activities not financed by Basisbank

1. The Bank does not finance the production or use of, or trade in any product or activity deemed illegal under the laws and regulations of Georgia or international conventions and agreements.
2. Without limiting the generality of the above, the Bank does not finance or approve loans for the following activities:
 - a) Forced labor or child labor. Production or activities involving harmful or exploitative forms of forced labor/harmful child labor;
 - b) Weapons and munitions, including paramilitary materials;
 - c) Goods for Gambling, Casinos, Casino Facilities and equivalent enterprises;
 - d) Radioactive materials, including nuclear reactors and components thereof;
 - e) Goods that contain unbounded asbestos fibers;
 - f) Drift net fishing in the marine environment using nets in excess of 2.5 km. in length;
 - g) Goods deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase outs or bans, such as:
 - i. Pharmaceuticals, Pesticides and herbicides (List is at <http://www.who.int>);
 - ii. Ozone-depleting substances;
 - iii. Polychlorinated biphenyls, and other hazardous chemicals;
 - iv. Wildlife or wildlife products regulated under the convention on international Trade in Endangered Species of Wild Fauna and Flora;
 - v. Transboundary trade in waste or waste products (Defined by Basel Convention).
 - h) Activities which may affect adversely sites of cultural or archaeological significance;
 - i) Activities involving involuntary resettlement;
 - j) Businesses involved in the production, processing or distribution of illegal drugs;
 - k) Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples;
 - l) Pornography or the provision of products or services of a substantially similar nature;
 - m) Persons, companies and / or other organizations being in the international black list for having business, which operates or is connected with terrorism, money-laundering and other criminal activities;
 - n) Business, which operates or is connected with the uncontrolled by the government (the occupied, according to the Georgian legislation) territories and / or terrorists with uncertain political and criminal status.

- o) Alcoholic beverages, excluding beer and wine;
- p) Tobacco and tobacco products;
- q) Logging equipment for use in primary tropical moist forests or old-growth forests;
- r) Production or trade in wood/forestry.