

ESG Reporting and Disclosure Template

Name of the Reporting Entity: **JSC "Liberty Bank"**

Date: 31.12.2023

This Template is complementary to NBG's Environmental, Social and Governance (ESG) Reporting and Disclosure Principles. The NBG ESG Principles and the corresponding template are mainly designed to assist commercial banks to disclose ESG related information in a relevant, useful, consistent and comparable manner. However, it also encourages other types of financial institutions, and non-financial sector entities, to disclose ESG-related information and to use the Principles and the template for their reference.

Please provide ESG related information regarding the entity's 1. Business Model, 2. Policies and Due Diligence, 3. Outcome 4. Risk and Management and fill out the form for KPIs on the corresponding sheets. The form should be filled out in accordance to the NBG's ESG Reporting and Disclosure Principles. Please note that the questions are non-exhaustive and are provided for general guidance. Once filled in, the template should be attached as an annex to a Pillar 3 annual report by the reporting entity when applicable. If a reporting entity is not subject to Pillar 3 requirements, an entity can directly submit the filled out template to the NBG. All the filled out templates will be published on the NBG's website. An entity should provide a report on ESG-related information at least once a year.

In case of questions, please contact: Mariam.Kharaishvili@nbg.gov.ge

Disclosure on Business Model

Please provide ESG related information regarding the entity's business model below. The form should be filled out in accordance to the NBG's ESG Reporting and Disclosure Principles. Please note that the questions below are non-exhaustive and are provided for general guidance.

Questions	Answer	Additional Comments
Describe the impact of ESG risks and opportunities of the investment and lending portfolios on the entity's business model, strategy and financial planning.	Liberty Bank established an ESG policy document in December 2021 and designated a responsible individual for pertinent ESG matters. Recognizing the innovative nature of environmental, social, and governance risks for us, and in alignment with current demands and challenges, Liberty Bank is collaborating with the European Investment Bank to develop a policy mandated by the National Bank. This initiative aims to introduce ESG guidelines within the upcoming year.	-
Describe whether and how the entity considers that its counterparties take ESG risks and opportunities into account.	Currently, Liberty Bank does not assess ESG risk management practices among its partners.	-
Describe how the entity incorporates the assessment of ESG risks and opportunities into relevant investment and lending strategies.	As mentioned earlier, in 2022, Liberty Bank initiated the exploration and consideration of ESG risks and opportunities within its lending and investment strategies. Plans are underway to engage international financial institutions in this endeavor.	-
Describe how the transition to a lower-carbon economy might affect relevant investment and lending strategies.	Transitioning to a low-emission economy involves attracting and lending to providers of environmentally friendly activities. We believe that this approach will positively impact both our reputation and strategic objectives.	-
Describe the ways in which the entity's business model can affect the environment and society both positively and negatively.	The bank intends to conduct ongoing analyses to assess significant potential positive and negative impacts on its operations, considering factors such as the bank's business model, service scope and scale, revenue distribution by geography, and more. The initial phase of this analysis involves understanding key ESG issues relevant to stakeholders, including customers, clients, employees, the public, and investors. The bank's focus will encompass the social and environmental impacts of its financial activities, including considerations related to climate change, as well as the availability and transparency of financial products. Additionally, Liberty Bank acknowledges its responsibility to uphold human rights across its direct operations, financing activities, and procurement practices. Currently, the bank has designated a dedicated individual responsible for ESG matters, actively collaborating with all bank departments to integrate these concerns into its operational framework.	-
Describe opportunities related to resource efficiency and cost savings, the adoption of low-emission/polluting energy sources, the development of new products and services, access to new markets, and building resilience along the value chain.	In this scenario, one of Liberty Bank's opportunities in financing sustainable businesses lies in co-financing projects with international institutions. This collaboration enables us to fund existing or planned projects from environmental and/or social perspectives on favorable terms. Ultimately, this contributes to improving the national environmental landscape and raising awareness on sustainability issues. Furthermore, financing such endeavors will enhance the bank's reputation positively. Currently, JSC "Liberty Bank," in partnership with "Produce Georgia" and the World Bank, provides loans to clients engaged in low-risk environmental activities. These clients have never incurred environmental fines and operate outside of environmentally sensitive areas, such as protected zones or restricted zones, both in their immediate vicinity and beyond.	-
Other relevant information	-	-

Disclosure on Policies and Due Diligence Processes

Please provide ESG related information regarding the entity's policies and due diligence processes below. The form should be filled out in accordance to the NBG's ESG Reporting and Disclosure Principles. Please note that the questions below are non-exhaustive and are provided for general guidance.

Questions	Answer	Additional Comments
Describe any entity policies related to ESG issues.	Liberty Bank adheres to the ESG policy document ratified under Protocol No. 278/319 dated December 17, 2021. This comprehensive document encompasses principles and established procedures concerning Liberty's internal ESG matters, categorization of ESG risks throughout the lending process, and their assessment and management. It also delineates structural-level responsibilities and outlines provisions for regular client assessments and appropriate monitoring activities. Notably, Liberty Bank's ESG policy is aligned with international IFC standards.	-
Describe any ESG-related targets the entity has set as part of its policies.	ESG risk assessment is conducted at the onset of the credit process, entailing the assignment of appropriate ESG categories to various projects based on their field of activity. If significant environmental impact by the client is identified, this assessment continues throughout the loan's lifecycle. This involves a thorough due diligence process, including visual audits, to evaluate the extent of impact on environmental components. Additional measures addressing environmental, labor safety, and social issues are then determined for the client. Moreover, clients falling into this category are required to annually submit an E&S monitoring report to Liberty Bank. This report serves to advance the objectives of maintaining an effective mechanism for ongoing monitoring of impacted customers.	-
Describe the oversight of ESG governance by its executive officer(s), board committee or highest governing body.	<pre> graph BT A[ESG Risk Manager] --> B[Head of the Risk Department, Deputy Head of the Risk Director] B --> C[Risk Director, Deputy CEO] </pre>	-
Describe how the entity encourages better disclosure and practices related to ESG-related risks to improve data availability. Also, any effort to increase the awareness of counterparties, and more generally of customers, of the relevance of ESG-related issues as part of their lending and investment processes.	Since the adoption of the ESG policy document, Liberty Bank has been actively engaged in ongoing efforts to ensure its effective implementation. These efforts include adjusting the Liberty Bank website to incorporate environmental considerations, conducting internal trainings to enhance awareness of ESG issues, and planning similar activities for the future.	-
Describe how ESG-related issues are considered as drivers of value in the entity's investment decision process.	According to the policy, ESG risk is categorized into three criteria: LOW, MEDIUM, and HIGH. Specific lists are provided outlining the grounds for assigning each criterion and corresponding activities. For instance, if a client is classified as HIGH risk, the due diligence procedure continues and is monitored by the bank annually, sometimes even quarterly. Additionally, contractual obligations include mitigation or compensatory measures in response to identified violations during the due diligence and site visit process, outlined in an Environmental and Social Action Plan. Clients classified as MEDIUM risk are contractually obligated to fully comply with environmental, occupational safety, and social legislation. For LOW risk clients, their risks are assessed before any decision is made, typically not associated with any form of harm.	-
Describe the entity's approach for incorporating ESG aspects into practices.	Liberty Bank's ESG policy aligns effectively with the bank's capabilities. It's worth noting that since the adoption of this policy, ongoing procedures for its implementation and general process enhancement have been in progress. To further advance this objective, the bank's lending process now relies fully on NACE codes, facilitating the timely identification of environmental risks. Additionally, concerning the green taxonomy, Liberty Bank has responded to the National Bank of Georgia's request and now produces monthly reports on loans included in the "Green Taxonomy" list. Currently, the implementation process of NBG's ESG GUIDELINES is underway.	-

<p>Describe the entity's approach to due diligence (including project level) and any particular standards or guidelines the entity follows.</p>	<p>Liberty Bank adheres to IFC standards, which outline three criteria for ESG risk assessment: LOW, MEDIUM, and HIGH. Specific lists delineate the grounds for assigning each criterion and detail associated activities. For instance, if a client is designated as HIGH risk, the due diligence procedure continues, with the bank subject to annual or quarterly monitoring. Additionally, contractual obligations include implementing mitigation or compensatory measures in response to violations identified during the due diligence and site visit processes, as outlined in an Environmental and Social Action Plan. Clients categorized as MEDIUM risk are contractually obliged to fully comply with environmental, occupational safety, and social legislation. For LOW risk clients, their risks are evaluated before any decision is</p>	<p>-</p>
<p>Other relevant information</p>	<p>-</p>	<p>-</p>

Disclosure on Outcomes

Please provide ESG related information regarding the entity's outcomes below. The form should be filled out in accordance to the NBG's ESG Reporting and Disclosure Principles. Please note that the questions below are non-exhaustive and are provided for general guidance.

Questions	Answer	Additional Comments
Describe the outcomes of the entity's ESG policy, including the performance against the indicators used and targets set to manage ESG risks and opportunities.	Liberty Bank's ESG policy aligns effectively with the bank's capabilities. It's worth noting that since the adoption of this policy, ongoing procedures for its implementation and general process enhancement have been in progress. To further advance this objective, the bank's lending process now relies fully on NACE codes, facilitating the timely identification of environmental risks. Additionally, concerning the green taxonomy, Liberty Bank has responded to the National Bank of Georgia's request and now produces monthly reports on loans included in the "Green Taxonomy" list. Currently, the implementation process of NBG's ESG GUIDELINES is underway.	-
Describe the development trend of the amount of ESG-related assets against any relevant target set and the related risks over time.	Since 2021, the bank has designated a dedicated individual responsible for managing ESG risks and has implemented an appropriate ESG policy along with procedures for managing these risks. Moreover, printers across the offices have been reduced to enhance energy efficiency, which also helps minimize the generation of cartridge toners. The company is actively working to digitize processes, further contributing to the minimization of paper waste. In addition to these efforts, Liberty Bank has transitioned to using 99% energy-efficient light bulbs instead of fluorescent tubes, aligning with principles and challenges related to waste management.	-
Other relevant information	-	-

Disclosure on Principal Risks and Management

Please provide ESG related information regarding the entity's principal ESG risks and how those risks are managed and mitigated. The form should be filled out in accordance to the NBG's ESG Reporting and Disclosure Principles. Please note that the questions below are non-exhaustive and are provided for general guidance.

Questions	Answer	Additional Comments
Describe the entity's processes for identifying and assessing ESG risks over the short, medium, and long term and disclose how the entity defines short, medium, and long term.	ESG risk management is carried out in accordance with the Bank's policies and procedures. The Risk Department and the Board of Directors are responsible for the Bank's risk management and internal control systems.	-
Describe the principal ESG risks the entity has identified over the short, medium, and long term and any assumptions that have been made when identifying these risks.	The Liberty Bank ESG Policy Paper identifies the following types of risks: Liability, financial, reputational, credit and market risks. Short-term risks - liability, financial, medium-term risks are reputational and credit, as well as long-term market-related risks	-
Describe processes for managing ESG risks and how the entity is managing the particular ESG risks that it has identified.	The above risks are regulated by the ESG risk assessment procedure.	-
Describe how processes for identifying, assessing, and managing ESG risks are integrated into the entity's overall risk management.	Liberty Bank adheres to IFC standards in its operations. According to our policy, ESG risks are classified into three criteria: LOW, MEDIUM, and HIGH. Specific lists outline the grounds for assigning each criterion and associated activities. For instance, if a client is classified as HIGH risk, the due diligence procedure continues, with monitoring conducted annually and sometimes quarterly by external parties. Additionally, contractual obligations include implementing mitigation or compensatory measures in response to violations identified during the due diligence and site visit processes, which are incorporated into the contract through an Environmental and Social Action Plan. Clients classified as MEDIUM risk are contractually obligated to fully comply with environmental, occupational safety, and social legislation. For LOW risk clients, their risks are evaluated before a decision is made, with minimal potential harm in most cases. This process is conducted within our electronic system, utilizing a partially automated system. Specifically, in the loan approval process, the ESG attribute is separately recorded and transferred to the protocol.	-
Describe how the entity has assessed the exposure of financial assets and nonfinancial assets to ESG risks.	Risk assessment for financial assets aligns with Liberty Bank's ESG policy, whereby environmental, social, and governance risks are evaluated during the lending process. As for non-financial or intangible assets, we anticipate a significant shift in approach during the years 2024-25. This expectation is based on the planned implementation of the national ESG GUIDELINES document, facilitated by the European Investment Bank during the specified period.	-
Describe characterisation of the entity's ESG risks in the context of traditional industry risk categories such as credit risk, market risk and operational risk.	Types of E&S Risks in Liberty Bank: Liability Risk; Financial Risk; Reputational Risk; Credit Risk; Market Risk. Liability Risk: By virtue of taking possession of collateral assets, a financial institution is exposed to liability risk stemming from a client's legal obligation. This includes fines, penalties and costs for addressing third-party claims for damages due to negligence in managing environmental and social risks in a client's operations and clean-up of contamination. If the financial institution is principal shareholder of a client's operations, it may also be directly liable for all environmental and social risks associated with a client's operations. Financial Risk: A financial institution is exposed to financial risk stemming from potential disruption of client's operations as a result of environmental and social problems. If not managed properly, these problems can affect a client's ability to meet its financial obligations to the financial institution and/or can drive down the value of client's collateral in the context of transaction. A client's failure to effectively address environmental and social considerations can jeopardize its business operations as well as our Bank's which is supporting the transaction. Reputational Risk: Liberty Bank is exposed to reputational risk due to potentially negative publicity associated with a client's poor environmental and social practices. This harms a financial institution's brand value and image in the media, with the public, the business and the financial community, and even with its own staff. Credit Risk: A financial institution is exposed to credit risk when a client is unwilling and/or unable to fulfill the contractual obligations associated with a transaction as a result of environmental and social issues. For example, if a client faces increased capital or operations costs of complying with environmental and social standards or if operating and emission/discharge permits are absent or expired resulting in regulatory fines or penalties, there is a risk that the client cannot meet its financial obligations to the financial institution. Market Risk: A financial institution is exposed to market risk stemming from a reduction in the value of collateral associated with a transaction due to environmental and social problems. For example, if a product site becomes contaminated, the market value of the underlying collateral will fall.	-
Describe volume of the collateral highly exposed to ESG risks.	Currently, Liberty Bank does not record this type of information. However, there are plans to implement similar risk assessment practices in the future.	-
Other relevant information	-	-

Disclosure on KPIs					
Please provide ESG related information regarding the entity's principal ESG risks and how those risks are managed and mitigated. The form should be filled out in accordance to the NBG's ESG Reporting and Disclosure Principles					
KPI	Unit of measure	Note	Answer	Comment	
Environmental					
1	Volume of green loans issued during the reporting year (flow)	currency of issuance	Please, provide the definition of "green" used by the entity: if the entity issues green loans in different currencies, please report them separately for different currencies.	-	-
2	Share of green loans in the total loans issued during the reporting year	%		-	-
3	Total amount of green loans, outstanding as of end of reporting year	currency of issuance	If the entity issues green loans in different currencies, please report them separately for different currencies.	-	-
4	Share of green loans in the total outstanding portfolio as of end of reporting year	%		0.00%	-
5	Volume of green investment securities as of end of reporting year	currency of issuance		-	-
6	Share of green investment securities in total amount of investment securities as of end of reporting year	%		-	-
7	Volume of green debt securities issued during the reporting year	currency of issuance	If the entity issues green debt securities in different currencies, please report them separately for different currencies.	-	-
8	Share of green debt securities in the total debt securities issued during the reporting year	%		-	-
9	Total volume of green debt securities issued, outstanding as of end of reporting year	currency of issuance	If the entity issues green debt securities in different currencies, please report them separately for different currencies.	-	-
10	Percentage of loans undergoing ESG screening during the reporting year	%		22.70%	-
11	Percentage of loans that has been rejected based on ESG criteria during the reporting year	%	Percentage of those loans that have undergone ESG screening	-	-
12	Share of non-performing green loans in the total green loans as of end of reporting year	%	Non-performing loans - the sum of substandard, doubtful and loss loans	-	-
13	Does the entity use any of the following waste management policies: Reducing: Reusing: Recycling: Composting: Other, please specify:	Yes/No		Reduction - Yes (paper, primer toner and cartridge, fluorescent tubes) Reuse - Yes (printer cartridges recharge) Recycling - Yes (water recycler) Composting - no	-
14	Does the entity initiated any environmentally friendly activities (for example, introduction of EVs, recycling PCs at local branches, better insulation for offices, etc.), please specify	Yes/No		Energy efficiency of offices has been improved due to the presence of double plastic windows and energy efficient lamps (99%), except this in each room, instead of individual printers, there are only 1 or 2 units - common printer	-
15	Gross GHG emissions (Scope 1, Scope 2 and Scope 3) for the reporting year	Metric tons of CO2 equivalent		Scope 1 - 220276, Scope 2 - 595799 Scope 1 + Scope 2 - 279793	Mobile sources refer to vehicles (both diesel and gasoline-powered) and generators (running on diesel or gasoline), as well as the consumption of electricity and natural gas.
16	GHG emissions target, if any	Metric tons of CO2 equivalent achieved or % reduction, from base year		Compared to 2022, there was a decrease of 1.82% in Scope 1 emissions and a decrease of 0.03% in Scope 2 emissions.	Mobile sources encompass vehicles (both diesel and gasoline-powered) and generators (running diesel or gasoline), as well as the consumption of electricity and natural gas.
Social					
17	Diversity in the workplace - percentage of female employees as of end of the reporting year	%		69%	-
18	Diversity in the workplace - percentage of females in senior management as of end of the reporting year	%	senior management - board of directors, senior management	10%	-
19	Diversity in the workplace - percentage of females in middle management as of end of the reporting year	%	middle management - defined as employees in managerial positions	41.2%	-
20	Diversity in the workplace - percentage of persons with disabilities employed as of end of the reporting year	%		0.63%	-
21	Diversity in the workplace - maturity of workforce as of end of reporting year		age structure distribution - number of employees per age group:		-
			<20	55	
			20-30	1467	
			30-40	1938	
			40-50	747	
			>50	651	
22	Training & education - share of employees who have received the trainings during the reporting year	%		42%	-
23	Training & education - average expenses on training per employee during the reporting year	GEL		62.10 GEL (internal) 530 GEL (external)	Expenditure per employee in internal trainings (1253 employees in total) Expenditure per employee in external trainings (393 employees in total)
24	Employee turnover rate	%	annual turnover rate = 100*(number of employees who left) (beginning + ending)/total number of employees during the reporting year	30%	-
25	Parental leave - total number of employees that took parental leave during the reporting year	Days		512	-
26	Parental leave - average length of parental leave during the reporting year	Days		227	-
27	Customer privacy - total number of complaints received concerning breaches of customer privacy during the reporting year		Please, report separately for individuals and legal entities	0	-
28	Customer privacy - total number of identified leaks, breaches or losses of customer data during the reporting year		Please, report separately for individuals and legal entities	0	-
29	Customer satisfaction - does the entity conduct surveys on customer satisfaction?	Yes/No		Yes	-
30	Customer satisfaction - percentage of total customers surveyed comprising satisfied customers during the reporting year	% CSAT (Customer Satisfaction score)		98%	-
31	Human rights - Accessibility of facilities, documents and websites to people with disabilities		Describe how the facilities, documents and websites are adjusted to ensure their accessibility for employees, as well as for customers with disabilities	In the adapted service center for disabled people, there is an access ramp to the building, the entrance door is opened automatically, the service of a disabled person is added to the queue number machine, and when selected the service of a disabled person will be reflected to an employee as a priority. The service employee is equipped with an additional headset, from which the hearing-impaired person can communicate with the operator. An additional small camera is installed in the working area. The operator is equipped with disposable headphones, a signaling plate. A special program is installed in the employee's computer, which allows to raise the contrast to be viewed with the disabled person. The branch also has a voice ATM	-
32	Human rights - Number of grievances about human rights impacts filed, addressed, or resolved during the reporting year		Please, report separately for individuals and legal entities		There were no cases of human rights violations during the reporting period.
33	Share of social sustainable loans in the total outstanding portfolio as of end of reporting year	%		-	-
34	Volume of social sustainable investment securities as of end of reporting year		Please, provide the definition of "social sustainable" used by the entity	-	-
35	Share of social sustainable investment securities in total amount of investment securities as of end of reporting year	%		-	-
36	Workplace health and safety - does the entity have workplace health and safety policies and procedures? Please, provide details.	Yes/No	This may include emergency response training, fire aid and fire safety training, good workplace culture, overtime practices, and healthy office buildings, etc.	Liberty Bank engaged a contractor company to conduct risk assessments for a healthy and safe workplace environment and provide training on emergency and fire management procedures. Macroclimate measurements were conducted, revealing no abnormal indicators. Additionally, compensation for overtime hours is provided for in the bank's corporate guidelines, with the company responsible for reporting of these hours.	-
Governance					
37	Expenses and fines on filings, law suits related to anti-competitive behavior, antitrust and monopoly practices during the reporting year	GEL		99,066	-
38	Does the entity have the following policies in place: Anti-bribery policy: Anti-corruption and anti-money laundering policy: Policy towards business integrity: Whistleblower policy:	Yes/No		Yes Yes Yes Yes	-
39	Is there a designated officer/body responsible for overseeing environmental and social risks?	Yes/No		Yes, Liberty Bank appointed an ESG Risk Manager in December 2021.	-
40	Does Board approve both the ESG strategy and policies?	Yes/No		Yes, Liberty Bank adopted an ESG policy approved by the board in December 2021.	-
41	Are there processes for consultation between stakeholders and the board of directors (supervisory board) on environmental and social topics?	Yes/No		No	-