



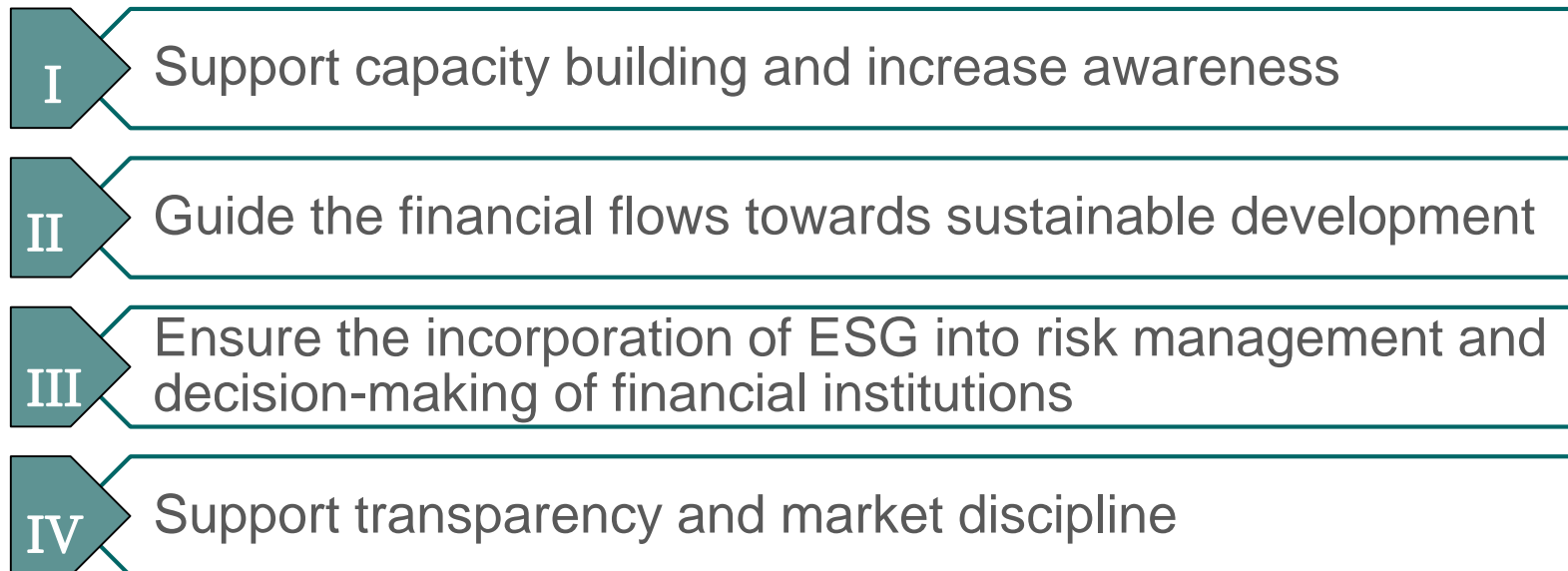
NBG's Sustainable Finance Framework

Salome Tvalodze, Head of Macro Financial Modeling and Analysis
Division, NBG

Greening debt capital markets in the EU's Eastern Partner
countries and Kazakhstan: The role for green bonds

NBG's Sustainable Finance Framework

- ❑ The NBG started developing Sustainable Finance Framework in 2017.
- ❑ In 2019, the NBG launched the **Roadmap for Sustainable Finance in Georgia**:
 - ❑ The **ultimate goal of this roadmap** is to provide a credible, predictable, and stable regulatory framework and prepare the market for transitioning to sustainable finance.
- ❑ Pillars of the Roadmap:

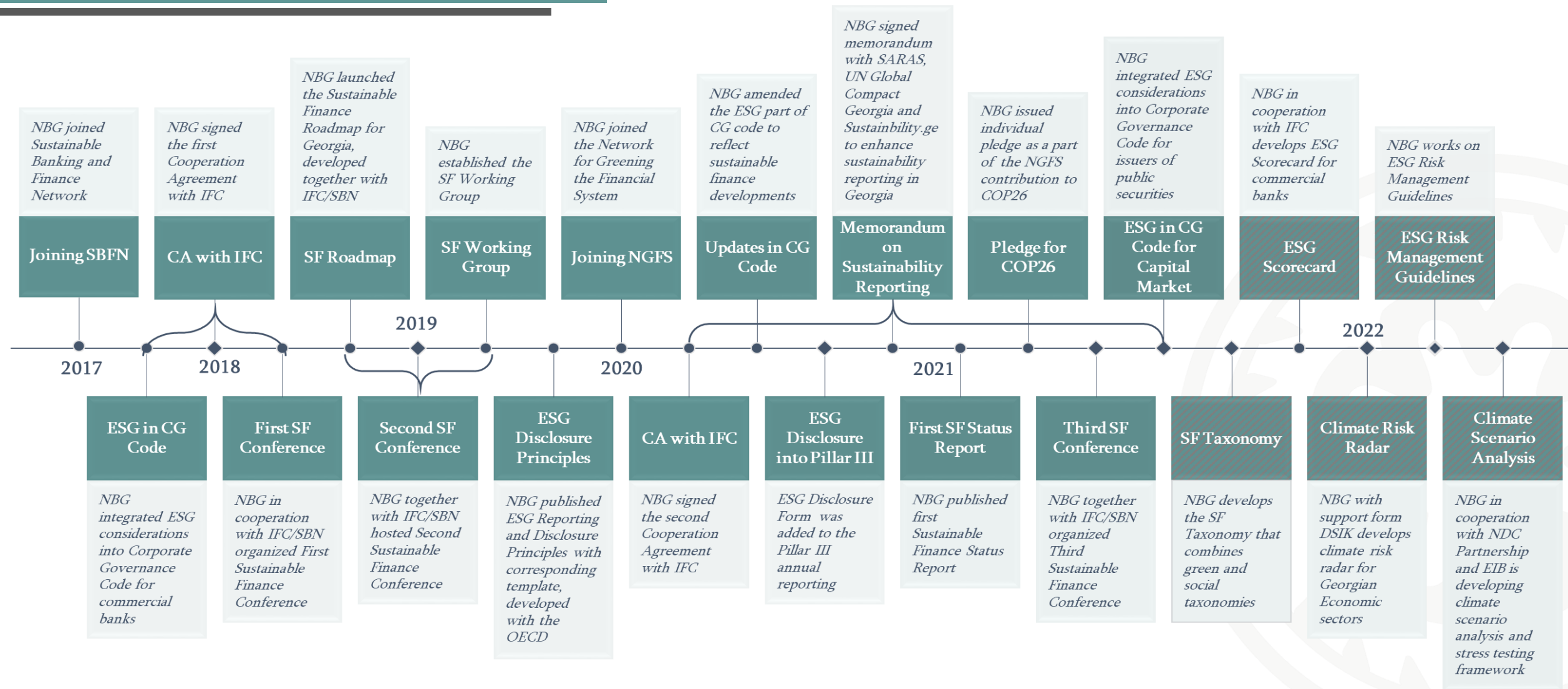


NBG's Roadmap for Sustainable Finance in Georgia, 2019-2022

Increasing Awareness and Capacity Building	Sustainable Finance Flows	ESG Risk Management	Transparency and Market Discipline
<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• Introduce Sustainable Finance Taxonomy;• Develop Sustainable Finance Guidelines;• Explore Options for Incentives and Regulations to Stimulate Sustainable Finance Flows.	<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• 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

Sustainable Finance Framework - implementation



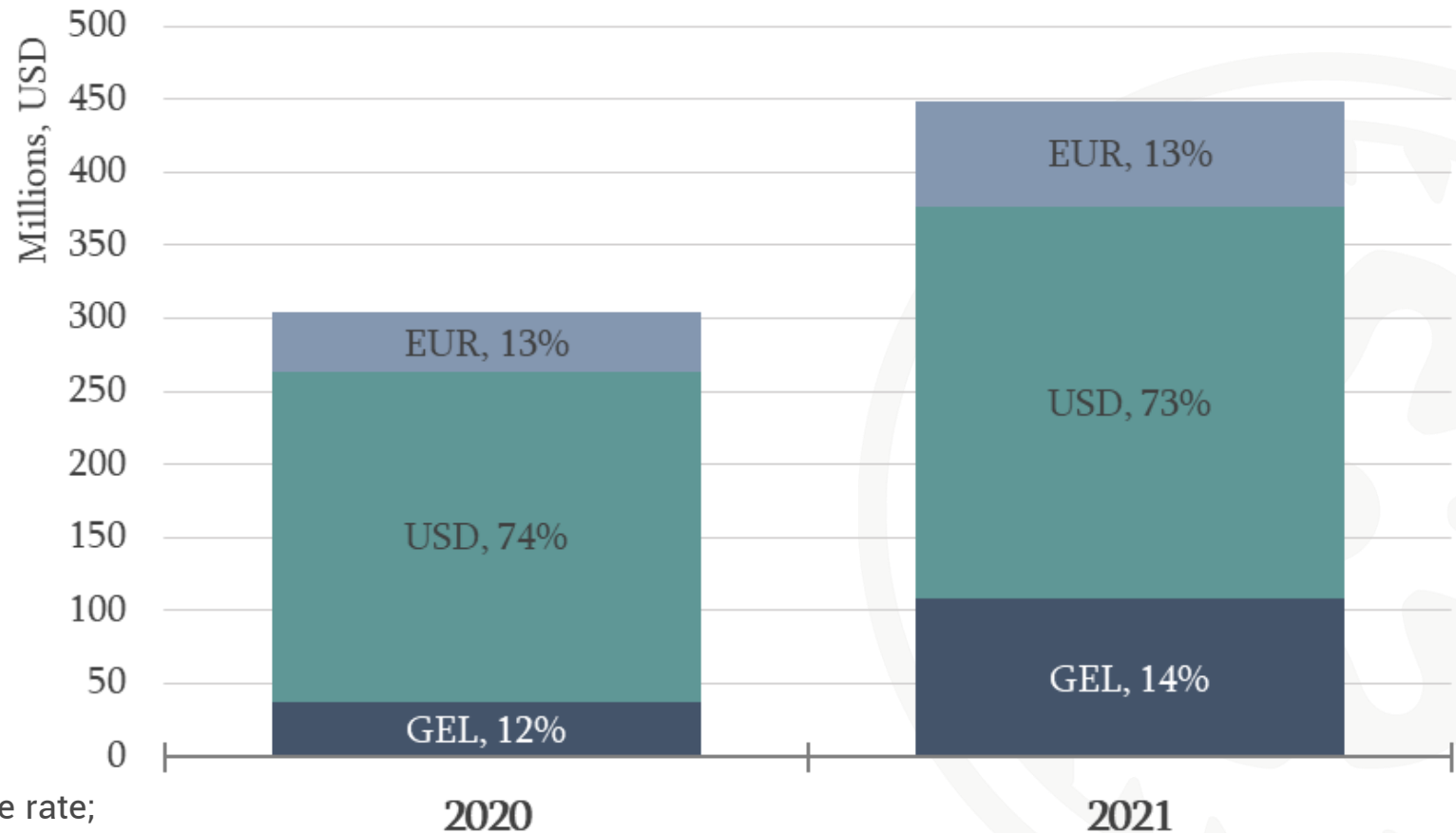
ESG Integration

- ❑ ESG considerations into Corporate Governance (CG) Codes for commercial banks (2018, 2021) and issuers of public securities (2021):
 - ❑ ESG considerations must be the part of the entity's strategy;
 - ❑ ESG risks should be incorporated in risk management framework;
 - ❑ ESG related information should be disclosed by the entity.
- ❑ **ESG Disclosure and Reporting:**
 - ❑ Mandatory ESG disclosure requirement for commercial banks;
 - ❑ **ESG Reporting and Disclosure Principles** and corresponding form;
 - ❑ The ESG reporting form is part of the **Pillar 3 Annual Reporting**.

ESG Disclosure -Green Loans

- ❑ The total amount of green loans outstanding as of the end of 2021, stood at around GEL 1.4 billion (US \$450 million)
- ❑ As of the end of 2021, the share of green loans in the total outstanding portfolio, on average, was around 5%, with the highest share of around 15%.

Total Green Loans Outstanding*, Dec. 2021**
(excluding exchange rate effect)



Source: NBG

*Numbers are calculated using end of Dec. 2021 exchange rate;
**2021 numbers are preliminary and may change.

Sustainable Finance Taxonomy

❑ SF Taxonomy Framework:

- ❑ Green and Social Taxonomies;
- ❑ Regulation on Loan Classification and Reporting according to the SF Taxonomy for commercial banks;
- ❑ Screening and Reporting Tool for commercial banks;
- ❑ Trainings and capacity building for financial institutions.

❑ Next step

- ❑ Developing Sustainable Finance Guidelines – green, social, sustainable bond framework.

Sustainable Finance Taxonomy

Green											Social				
Renewable Energy	Energy Efficiency	Waste Management	Sustainable Water	Pollution Prevention & Control	Green Transport	Sustainable Agriculture, Farming & Aquaculture	Biodiversity Conservation	Sustainable Buildings & Construction	Sustainable Production & Trade	Green Services	Affordable Basic Infrastructure	Healthcare and Related Social Services	Financing and Financial Services	Food Security	Education, Technology, Culture, Fitness
Solar	Energy Efficiency in Industrial Facilities	Preparation, Collection, Handling & Storage	Water Collection, Treatment and Distribution	Air Quality	Public Transport	Sustainable Agriculture and Farming	Species conservation	Construction of New Buildings	Manufacturing and Trading of Low Carbon and Energy Efficient Technologies and Products	Consultancy & Services	Water including clean drinking water	Medical care and sanitation services	Access to Financial products and services	Agricultural production and processing	Education
Hydropower	Energy Efficiency in Agriculture	Recycle & Reuse	Water Monitoring	Soil Quality	Private Transport	Fisheries & Aquaculture	Ecosystem Conservation	Renovation/ Improvement of Existing Buildings	Eco-friendly/Bio Products/ Production Technologies	Sustainable/ Eco-tourism	Affordable, accessible transportation	Technology innovation and promotion of health care	Finance for access to education	Agricultural product, logistics, trade and retail	Technology Mainstreaming
Wind	Energy Efficiency in Buildings	Wastewater Management	Water Management		Freight and Cargo Transportation		Forest	Built Environment			Access to basic utility services	Manufacturing for medical and sanitation industries	Basic financial literacy	Agricultural production inputs and facilities	Culture and Sports Industry
Bio-energy		Waste to Energy			Industrial and Agricultural Vehicles						Affordable/ Social Housing	Healthcare logistics services		Agricultural education and skills training	
Geothermal					Water Transport							Public health governance and services			
Transmission & Distribution					Infrastructure										
Storage					Smart Transport Systems										

- CBI
- China (2015, 2021)
- EU SF Taxonomy
- ICMA (GBP, SBP, SBG)
- China SDG Taxonomy
- Local Practice

Agenda for 2022

- ❑ ESG Risk Management Guidelines
- ❑ ESG Scorecard
- ❑ Climate-related Risks Assessment and Scenario Analysis
 - ❑ Assessing climate-related risks for the Georgian economic sectors
 - ❑ Climate-related scenario analysis
 - ❑ Climate stress testing (2023)
- ❑ Sustainable Finance Status Report 2022
- ❑ Annual Sustainable Finance Conference



საქართველოს ეროვნული ბანკი
National Bank of Georgia

Thank You!

Salome Tvalodze

Head of Macroeconomic Modeling and Analysis Division

Financial Stability Department

National Bank of Georgia

Salome.Tvalodze@nbg.gov.ge

SustainableFinance@nbg.gov.ge

www.nbg.gov.ge