

WISSOL GROUP

Communication on Progress Report

Issue #4

February, 2013

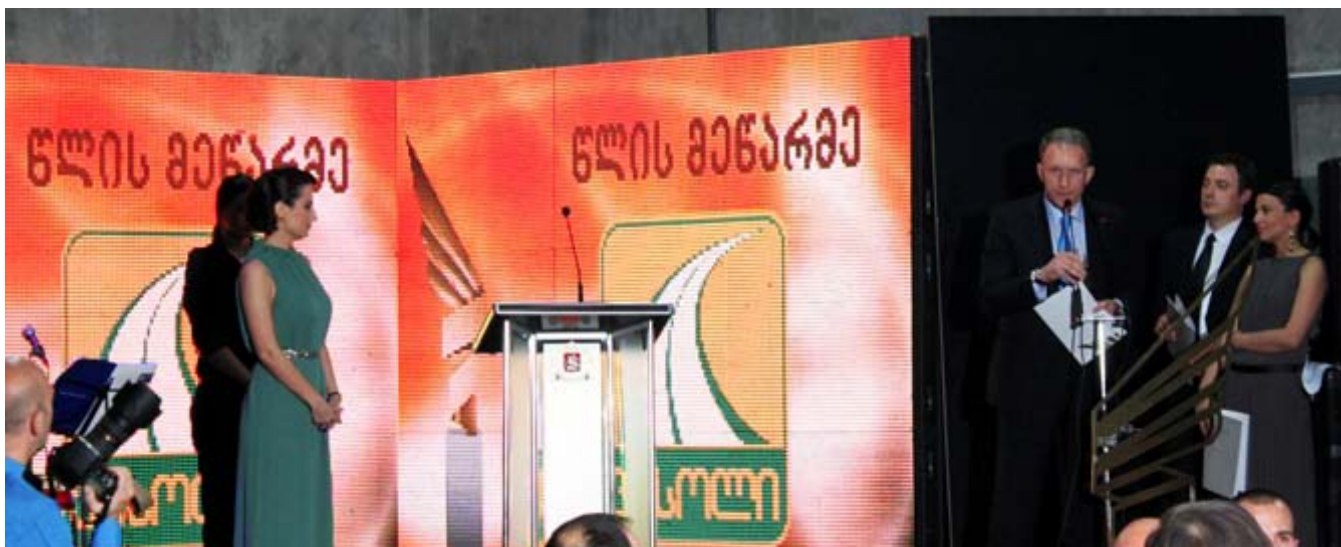


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Statement From Chief Executive Officer



“With successful business activities of Wissol Group, we want to contribute to the economic development of Georgia and social well-being of its population. Strong business in its turn means employed people, technological and infrastructural development, highly professional human capital and sustainable development of the local economy. Quality represents the core value of our business. Therefore, by providing quality products and services, we offer our customers a unique Wissol experience. By means of introducing innovative standards in the business management and services, we contribute to the development of the living standards of the society we live in, as well as to the industries we are operating in. Besides, Wissol feels responsibility for environment protection and undertakes social investments, makes charity and implements community projects for social well-being of the society at large. Thus Wissol shares GC principles and furthermore, it is an honor for me personally to serve as the Chairperson of the GC Local Network in Georgia.”

Dr. Samson Pkhakadze
President of Wissol Group

Wissol Group

Wissol Group is one of the largest business groups in Georgia. With the largest chain of petrol and CNG stations and with aviation fuel deliveries, Wissol Group is the leading player in the country's energy sector as well as is represented in the tyre, lubricants and car service, real estate, construction and advertising industries. The Group is currently engaged in the development of food supermarket chain in Georgia under brand Smart and fast food restaurant chain Wendy's in Georgia and Azerbaijan.

Since 2007 the group has been represented in the market by its daughter brands:

- Wissol Petroleum Georgia
- Wissol Gas
- Air Wissol
- Wissol Gas Distribution Company
- Car and tyre service chain Vianor Georgia
- Construction Company Delta Holding
- Real Estate Company Vellagio
- Supermarket Chain Smart
- Fast food restaurant chain Wendy's Georgia
- Football Club Torpedo Kutaisi
- Fitness Center Laguna Kutaisi
- Hotel Lomsia

Facts:

- Wissol is the only Georgian brand that was enlisted in the Top Ten European brands at the European Business Awards in Paris;
- Wissol holds ISO Quality Management Certificate since 2006. Nowadays Wissol is the owner of ISO 9001:2008;
- Wissol is the owner of the widest chain of company owned petrol and CNG service stations;
- Wissol has exclusive international partners like the Wendy's, the world's third largest quick-service hamburger company and Nokian Tyres Group, one of the biggest tyre manufacturers in the world represented by the daughter company Vianor in Georgia. Vianor operates up to 1000 tyre and car service centers in 24 countries. Besides, Wissol Group is the exclusive importer of Italian API fuel and French TOTAL lubricants. The latest Euro 5 standard Italian fuel from API Falconara Marittima factory in Ancona is available at Wissol chain of the gas stations since 2007. Besides, Wissol signed an agreement with TOTAL, one of the world's major oil and gas groups based in France and became an exclusive importer of TOTAL lubricants in Georgia in 2010;
- Wissol is an innovator in the Georgian energy sector. In 2001 the company was the first to introduce the Wissol Corporate Card to the Georgian market. Since May 2009 Wissol has been offering its corporate clients the unique GoLive fleet management satellite system; it was the first company in Georgia to do so.
- With more than 4000 employees Wissol Group is the biggest employer in the Georgian oil sector;
- Wissol Group is one of the biggest tax payers in the Georgian State Budget;

Wissol Group's Five Core Values

Focus on quality

The strategic goal of Wissol is to get established as a brand distinguished with its superior quality petroleum products. Wissol offers the latest European standard Italian fuel and the highest quality services, thus the company strives to create unique “Wissol experience“ for customers. Every employee of Wissol Group is eager to fulfill the promises of `Wissol” brand. Professional approach of Wissol staff provides ability to offer valuable relation to customers.

Quest for development

Wissol is an innovator in the Georgian petroleum industry. All new products and services for individual or corporate clients in the Georgian oil sector are pioneered by Wissol. Quest for introduction of innovative technologies is every day job inspiration for Wissol employees.

Social Responsibility

Wissol believes that, wherever it operates Georgian-wide, the company activities should generate economic benefits and opportunities and enhance quality of life of all its stakeholders.

Justice

Wissol operates its business in a transparent and responsible manner. Wissol Group strongly believes that its activities should be conducted in full respect of the society in which the Group operates.

Patriotism

Wissol contributes to the economic development of Georgia. The Company is one of the biggest taxpayers and the biggest employer in the country. Besides, Wissol makes considerable investments contributing not only to the Georgian economy but supporting development and promotion of national values, culture and sport.

Wissol Group's CSR Vision

We believe that, wherever we operate Georgian-wide, our activities should generate economic benefits and opportunities and enhance quality of life of our stakeholders; that our conduct should have a positive influence; that our relationships should be honest and transparent; and that we should be held accountable for all our actions.

Our CSR policy focuses on six areas:

- **Marketplace and Customers**
- **Employees**

- **Community and Society**
- **Health, Safety and Environmental Performance**
- **Business Partners**
- **Control and Finance**

Marketplace and Customers

- We run businesses applying business code of conduct approved and signed at the auspices of the Association of Petroleum Product Importers and strive to set European standards in our country.
- Quality I Trust is the slogan of Wissol Group. Therefore, the most modern quality control technologies are applied at every daughter brand of the Group and we try to consider the right of the customer at every step of our performance.
- We have implemented the best practices of corporate governance and transparently run the business processes.
- In reaching requests of our valuable customers, since December 2008 Wissol imports the latest European standard sulfur free Italian fuel from API (Falconara Marittima Refinery in Ancona) (www.apioil.com).
- Customers have an opportunity to have transparent information on the company and communicate with it through `Your Voice` section on the web site. The company receives about 20 e-mails through the section per month. (www.wissol.ge)
- Wissol toll free number *1000 works for 24/7 to give customers any necessary information or help. Up to 3000 people call at hot line per year and all of them receive necessary feedback.
- Wissol Petroleum Georgia conducts the full cycle of quality control of its products and services. The company operates three labs at its oil terminals and the express lab is the last chain of the quality control system. The quality control department of Smart Supermarket guarantees the consistent quality of products and services offered in the supermarkets through constant quality control procedures and internal laboratories.
- Introducing innovative products and service technologies Wissol strives to create unique Wissol experience and offer comfortable and time saving relations to customers while making purchase at Wissol Group daughter companies.

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- Wissol Group tries to award his loyal customers. Therefore, Unicard bonus points are possible to be accumulated only at Wissol chain of gas stations. Besides, customers can buy any products with the Unicard bonus points only at supermarket Smart.
- Wissol Quality Control Expert gives advice to physical and corporate clients on recommended fuels for their vehicles that gives them opportunity to decrease their fuel consumptions and release less emissions in the environment. (<http://wissol.ge/index.php?eng&cat=98&type=1>)
- At the End of each year, Wissol Group evaluates the year and reports over business developments and social projects implemented by the Group. The purpose of the report is to maintain an active and fully transparent communication with the consumers and wider society.

Employees

- Wissol is the largest employer in the oil sector and nowadays, the company employees more than 4000 people.
- In 2012, Wissol Group allocated three million GEL for the social benefit package for the Group employees.
- Wissol supports professional development of employees. Therefore, in 2011 the company created Wissol Academy, where each employee of Wissol Group has an opportunity to raise qualification, develop new skills and competences and be promoted.
- The company gives equal opportunity of promotion to all its employees.
- Wissol practices the reward and bonus systems to motivate staff.
- Wissol Petroleum Georgia employees probationers cooperating with the Ministry of Corrections and Legal assistance of Georgia.
- Wissol Group is involved in the Presidential, Mayor's Office or other governmental employment projects and gives job opportunities to socially vulnerable groups.
- The company enforces a non-discriminatory policy when hiring its employees, and treats its employees equally irrespective of their gender, ethnicity, or religion.
- For the effective internal communications WissolGroup operates intranet and releases electronic and printed corporate newsletters.
- Wissol tries to involve its staff in company's social projects and sport activities. Within the charity project of Iavnana Foundation Wissol allocated 30 000 GEL for the construction of monastery of Iver Mother of God on Makhata Mountain. Furthermore, company employees donate certain

amount of money from their salary per month till the end of construction of the monastery. Besides, there are 18 football and 2 rugby teams staffed with Wissol personnel. They do exercises every week and take part in internal championships to relax after hard working days. Furthermore, Wissol is happy to entertain its staff and invite them to all art events and community activities sponsored or supported by Wissol. The company organizes corporate parties as well for raising the corporate spirit.

- The “Employee of the year” nomination dates back to the initial establishment of Wissol Group. Among the evaluation criteria to reveal the winner the company considers not only the ability of the employee to precisely follow responsibilities listed in job description, but their initiatives to generate innovative ideas to support business development or refine working conditions for effective performance. Various queries are used as the main assessment tool. Apart from this status of “The Employee of the year”, employees receive numerous encouraging financial bonuses, diplomas and other gifts (e.g. improved insurance package) to boost their motivation.
- Wissol has implemented the most advanced human resource management practices and techniques within Group companies.

Community and Society

- Wissol Group undertakes social investments, makes charity and implements community projects for well-being of the society at large.
- Paata Burchuladze, world famous opera singer, laid ground for the International Charity Foundation Iavnana with the slogan `Let's Save the Future Together` and Wissol is an active supporter of Iavnana Foundation since its establishment in 2004. With the help of the joint projects 72 families have been granted a residential apartment, whereas up to 1000 children have an opportunity to grow up in a family environment. Since 2004, as the result of 49 charity concerts held with the support of Wissol and other friend companies of Iavnana 72 families were handed a key of a flat and 154 students received financial aid to study. With the active support from the Wissol and friends of Iavnana Charity Foundation 16 children returned back to their homes from orphanages and over 6491 children received a free medical treatment and financial aid as well.
- The Wissol Group and Unicard held the New Year campaign from 20th of December, 2012 till January 13, 2013 while the loyal customers could contribute in supporting socially vulnerable children. One Tetri per purchase of fuel at any Wissol gas station nationwide was transferred to Iavnana Foundation and customers, who were most active, were awarded for the loyalty. With the financial contribution from the charity campaign International Charity Foundation Iavnana bought the house to the homeless, socially vulnerable family on 2nd of March, 2013. The campaign aimed at encouraging and awarding Wissol and Unicard loyal customers as well who

were most active while the charity campaign. Wissol fuel, vouchers of supermarket Smart and Vianor auto service network equivalent of to 200 GEL and Unicard bonus points were the prizes given to the nominates. The awarding ceremony was held at the Wissol Group Head Office. Paata Burchuladze, famous Georgian opera singer, attended the event. Tens thousands of people took part in the New Year campaign.

- On October 15, 2012, non-governmental organization Marian and Wissol Group celebrated The International White Cane Day with “You create safe environment” informational campaign. The blind people use white cane for moving independently. It provides them with important information about possible obstacles and enables them to avoid those safely. Informational brochures to let drivers know how to act when they see blind people with white canes in the street were provided for the loyal customers of Wissol Group throughout the day at the gas station of Wissol at Tamarashvili Street. There are more than 6000 blind in Georgia.
- Wissol donated 30000 GEL for the construction of monastery of Iver Mother of God on Makhata Mountain. The company has constructed orthodox monasteries in Zestaponi and Signaghi regions as well.
- Wissol is the first member of Art Hall Trustee Council which is the platform for engaging children and youth in arts and advocate for the integration of disabled into society.
- Wissol is the active supporter of Georgian Diabetic Children’s Protection Association.
- The Chairman of the Supervisory Board of Wissol Group – Dr. Samson Pkhakadze visits different leading business schools from time to time and shares his experience with the students.
- With the initiative of “Union of Human, Law, Freedom” non-governmental organization Marketing Director of Wissol Group – Mr. Tornike Guruli visits different penitentiary institutions regularly and contributes to social integration of imprisoned people.
- Wissol Group distributed gift vouchers to veteran residents of Samtredia in order to celebrate the 9 May - Victory Day in 2012. With those vouchers veterans could receive medicine for free at the pharmaceutical company Aversi stores.
- On 23rd of March, 2012, Wissol Group and Social Service Agency of the Ministry of Health, Labor and Social Affairs of Georgia had signed the memorandum to support the social integration of orphan children living in family house in Kutaisi together. The memorandum was signed within the framework of “My Friend” project at the Fitness Center Laguna Kutaisi. Wissol Group cares for the healthy future of the orphans living in a family-house type shelter in Kutaisi thus gives them an opportunity to regularly visit

the Fitness Center Laguna Kutaisi and attend matches of Football Club Torpedo Kutaisi.

- Wissol believes that young people in Georgia should be engaged in studying and sports, as a healthy lifestyle is a key to success on both personal and professional levels. Supporting Georgian Sports became a corner stone in Wissol CSR activities. Wissol has built 4 most modern sport centers at different locations in Tbilisi investing 25 million GEL for sport infrastructure development in total. Within the framework of the project 3 rugby stadiums and 4 modern football pitches have been constructed. Wissol has also built a 200 meter open, modern cycle track in Didi Digomi according to the project of a famous sports architect Sander Douma. Wissol has developed sport complex for wrestling and judo sports and developed in-house sports complex for playing and conducting matches in mini-football, basketball and volleyball. Sport Complexes care about healthy future of up to 3000 children per month in total.
- Since 2010 Wissol Group is the owner of a legendary Georgian football Club Torpedo Kutaisi and the company invests millions for its development every year. European standard infrastructure, most modern sport management systems and devoted fans lay solid ground for the club success and development. Furthermore, Wissol Group builds children football academy at the base of Torpedo Kutaisi for the better future of Georgian football.
- Wissol Group invested about a million GEL for the development of Laguna Fitness Complex in Kutaisi, western Georgia. The fitness center located at 2500 sq.m territory of Torpedo Kutaisi sports complex consists of the swimming pools designed for professional or amateur swimmers and kids, fitness halls, sauna, solariums and massage cabins with professional instructors and creates an ideal atmosphere “when you choose a healthy life”.

Health, Safety and Environment

- We fully accept our responsibility for the health and safety of our customers, employees and the community in which we operate; therefore, Wissol has put in place Company Health, Safety and Environmental Policy
- Wissol is the first and only oil company in Georgia which has received an ISO 9001:2008 Quality Management Certificate, having held it since 2006.
- Wissol terminal in Tbilisi and the largest in-land oil storage facility in Samtredia follow strict safety regulations.
- Wissol service stations are built according to all international safety standards
- From 2007 Wissol offers environmentally friendly Compressed Natural Gas (CNG) at its integrated service stations Georgian-wide.

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- Storage tanks at Wissol service stations are equipped with filters against oil evaporation and spill.
- Oil products are transported by special fleet equipped with separate pipes for each six products available at Wissol and filters against oil evaporation.
- Wissol traditionally celebrates 5th of June, World Environment Day, encouraging healthy lifestyle. Sport events are organized in cooperation with the United Nations Development Program (UNDP) representation in Georgia and the Ministry of Environment Protection and Natural Resources.
- All Wissol employees have health insurance.
- Pump attendants at Wissol service stations are dressed in nonflammable clothing.
- Luckily we have never had a case of traumas at work.
- At all Smart supermarkets customers can find bio corner and enjoy healthy products by German brand Bio Greno.

Business partners

We believe in long-term relationships built upon understanding and trust to achieve mutual prosperity.

Control and Finance

- Wissol operates its business in a responsible manner and does not get engaged in any corruption practices.
- The company contributes to the economic development of Georgia. Wissol is one of the biggest taxpayers in the oil sector.
- Wissol has transparent financial management and displays its financial highlights audited by independent international auditors on its website as well as through mass media.
- No cash payments are practiced. Wissol is engaged in electronic transfers.

Wissol Awards and Certificates

In 2012 at the annual Golden Pergament awards (organized by News Agency GHN) Samson Pkhakadze was named as the “Best Entrepreneur of 2012”. The very same day, the Golden Pergament named Smart as the “Best Brand of 2012”.

2012 – Diploma of `Favorite Brand - Golden Brand`, Organized by The Financial and Global Idea;

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2012 - Diploma - The biggest employer in the industry - The Union of Oil Products Enterprisers, Importers and Customers;

2012 - Diploma - The owner of the largest network of service stations - The Union of Oil Products Enterprisers, Importers and Customers;

2012 - Diploma - The Company with high sense of social responsibility- The Union of Oil Products Enterprisers, Importers and Customers;

2012 - Diploma - for the contribution to the development of Georgian sport - The Union of Oil Products Enterprisers, Importers and Customers;

2012 - Diploma - The company with the important infrastructure projects - The Union of Oil Products Enterprisers, Importers and Customers;



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