

## TBC Bank UN Global Compact Communication on Progress #1

### Statement of the CEO

TBC Bank has been dedicated to community and social development and ethical business practices through its many programs, initiatives and campaigns since the first years of its founding. Our efforts in Corporate Social Responsibility have been recognized regionally as well – in 2013, we were awarded the Best CSR in Central and Eastern Europe Award from the EMEA Finance Magazine.

#### *Corporate Social Responsibility*

We continued focusing on the community, workplace, marketplace and the environment in our CSR and sustainability efforts. Our current projects include a number of cause and case-based initiatives, of which I would like to highlight the following:

**Social Projects:** we provide annual financial support to First Step Georgia, one of the biggest psychological aid centers in the country, which offers unique services to children with disabilities, most of whom are in need of urgent psychological and therapeutic treatment.

**Culture and Arts:** TBC Bank runs the annual literary award program SABA, one of the most respected and anticipated literary events in the country. TBC Bank founded the program in 2002 with 2013 marking the 11th ceremony. To date, the Bank has recognized more than 100 authors and awarded GEL 325,000 in prizes. TBC Bank is also a prominent supporter of one of the oldest-running musical events in Georgia – the Tbilisi Jazz Festival, in its 16th year in 2013, and the Black Sea Jazz Festival, in its 7th year in 2013.

#### *Employee Relations*

The Bank is also distinguished with its dedication to high standards of HR management and has been named as the most desirable employer on the Georgian market. We offer our employees one of the best benefits packets in the industry, including leadership and skills development opportunities. More on our commitment to our employees is provided throughout this report.

#### *Corporate Governance*

TBC Bank has traditionally had high standards of corporate governance due to, among other reasons, our unique shareholding structure with a majority of shares held by four prominent international financial institutions (IFIs). Our Supervisory Board has also been majority-composed of directors nominated by our IFIs shareholders, who have contributed significantly to the Bank's success over the past years.

2013 was the first year following the implementation of Basel-related corporate governance practices aimed at further strengthening our already high standards. As a result, three new Supervisory Board committees – the Remuneration Committee, the Risks, Ethics, and Compliance Committee, and the Corporate Governance and Nomination Committee – were fully functional throughout the year.

In 2013, we also welcomed two new members to the Board. Following the appointment of a further independent member during the first quarter of 2014, we now have two independent and three IFI nominated members on the Board.

Our first Communication on Progress provides details on the actions and measures TBC Bank has taken since joining the Global Compact network in 2013. With this report, we would like to reaffirm our

support for the 10 principles of the UN Global Compact and the UN Development Goals in the areas of Human Rights, Labor, Environment and Anti-Corruption. We are proud and honored to share the commitment to doing business responsibly with other prominent members of the network and look forward to your comments and feedback on our work.

**Vakhtang Butskhrikidze**  
**Chief Executive Office**

## **TBC At a glance**

*We create new opportunities for the success of people and businesses.*

TBC Bank is a leading universal banking group in Georgia with an unmatched share of retail deposits at 33.1%<sup>1</sup>, and the number two position in loans and deposits with total market shares of 27.2% and 29.5% respectively.

We service more than 970 thousand clients through a diversified multichannel platform that comprises 114 branches of TBC Bank and Bank Constanta, one of the largest networks of ATMs and POS terminals in Georgia, global award-winning internet banking, market-leading mobile, iPad and iPhone banking, a call center and TBC Pay terminals and kiosks.

We employ approximately 4,500 people<sup>2</sup> across our operations, more than half of whom have been with TBC for 4 or more years.

### *Our Multichannel Distribution Platform*

TBC Bank's globally recognized multichannel distribution platform complements our full service model perfectly. While our branches are carefully designed with a primary focus on customer satisfaction, our leading multichannel distribution platform allows us to offload routine transactions from branches to e-channels. As a result, TBC has achieved the market-leading portfolio of gross loans per branch of GEL 25.2 million<sup>3</sup>.

Our multichannel capabilities have been acknowledged by a wide range of local, regional and global publications including *Global Finance* magazine which named TBC Bank as "Best Consumer Internet Bank in Georgia" and "Best Integrated Consumer Bank Site in Central and Eastern Europe" for two consecutive years, and has received "Best Bill Payment & Presentment" and "Best Integrated Consumer Bank Site" consumer internet banking global awards from *Global Finance* magazine in 2013.

### *Customer Experience*

We are market leaders in customer experience among Georgian banks. A "Mystery Shopping" study conducted by IPM named TBC Bank as the friendliest provider of banking services in the country. A TRI\*M study conducted by TNS in July 2013 named TBC as leader in most aspects of customer experience. The same study showed that the gap between TBC Bank and its closest competitor had widened from two to six points since 2012.

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<sup>1</sup> All market share data is quoted according to the figures published by the NBG and include TBC Bank and Constanta

<sup>2</sup> Including employees of all TBC Bank subsidiaries

<sup>3</sup> Gross loan portfolio according to NBG accounting standards for comparison purposes. TBC Bank portfolio includes Bank Constanta

### TBC Bank Brand

TBC Bank has one of the best-known and most trusted brands in Georgia. This is largely due to our high quality customer experience, strong reputation, long-standing relationships with customers, traditional focus on social responsibility, and targeted marketing campaigns.

Over the years, we have received a number of prestigious industry awards, including being named as "Best Bank in Georgia" six times by *Global Finance* magazine, six times by *The Banker* and twice by *EMEA Finance* and *Euromoney*.

### Products and Services

TBC Bank offers a wide range of banking products and services to its retail, corporate, SME and micro clients with the majority of our business concentrated in Georgia, which accounted for 98.3% of TBC's total assets and 97.4% of its net income as at and for the year ended 31 December 2013.

### Subsidiaries

In addition to its core banking business that TBC conducts within its retail, corporate, SME and micro segments through TBC Bank, Bank Constanta and TBC Kredit, TBC conducts supplementary operations through its other subsidiaries. These operations represented 3.3% of our total assets and 5.9% of our consolidated net income for the year ended 31 December 2013.

### Shareholders

The Bank's shareholders include International Finance Corporation (IFC), Deutsche Investitions Entwicklungsgesellschaft mbH (DEG), the European Bank for Reconstruction and Development (EBRD) and Nederlandse Financierings-Maatschappi Voor Ontwikkelingslanden N.V. (FMO), with a combined share capital of 56%. Other international institutional investors, J.P. Morgan Chase Bank, N.A., London Branch ("JPMorgan") and Ashmore Cayman SPC No. 2 Ltd. ("Ashmore"), in aggregate hold 9% of the Bank's shares. The two founding shareholders jointly hold 27% of the Bank's share capital, while the remaining 8% is owned by management and other minority shareholders.

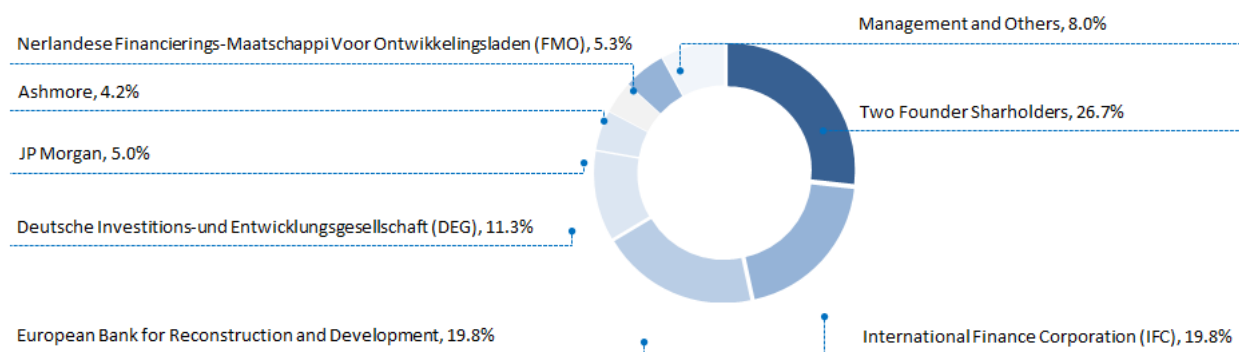


Figure 1 TBC Bank Shareholding Structure (31 December 2013)

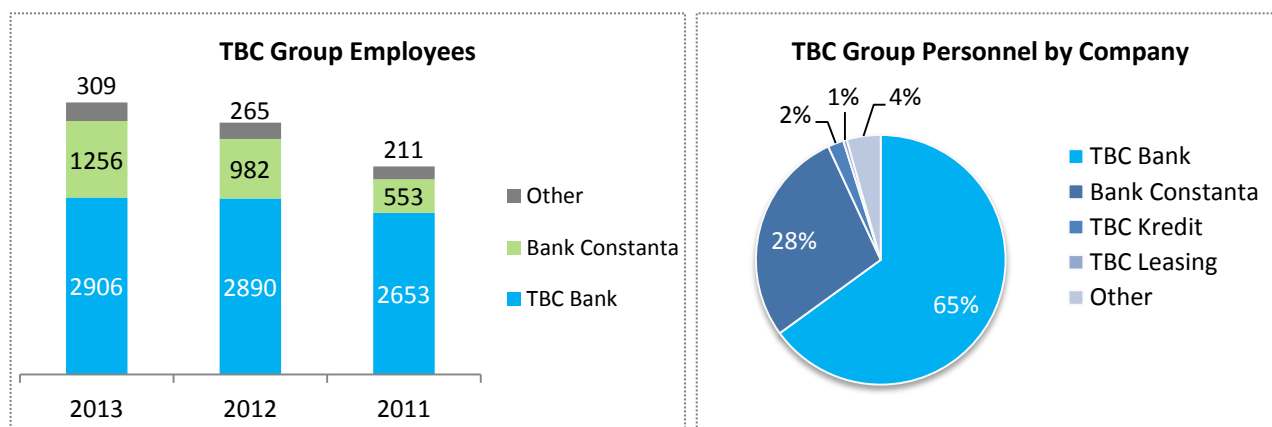
### Ratings

TBC Bank is rated by Fitch Rating Agency and Moody's Investor Services. The Bank's current ratings are BB- (Long Term IDR)/ B (Short Term IDR) assigned by Fitch and B1 (FC)/ Ba3 (LC) assigned by Moody's.

## People

*Our best employees are a key competitive strength for TBC. We depend on our employees to deliver against our strategy. In 2013 we achieved significant progress in our commitment to continue building our unique culture, strengthen our team and enhance internal policies.*

TBC Group employed 4,471 people as at 31 December 2013, 334 and 1,504 more than the same period in 2012. The majority of the Group's staff was employed at TBC Bank with 65% of the total workforce, while Bank Constanta employed the second largest portion, 28% of all Group employees. TBC Kredit, TBC Leasing and other TBC Bank subsidiaries employed the remaining 7% of our employees. During 2013, 98% of TBC's employees worked full time. As at the same date, 4,184 of its employees (or 97.9% of the total) were based in Georgia.

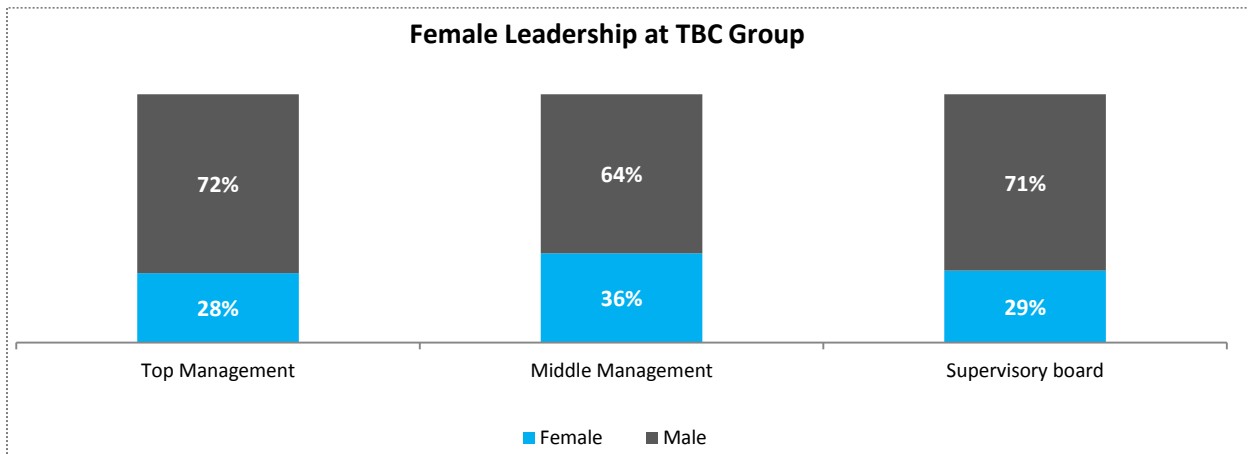
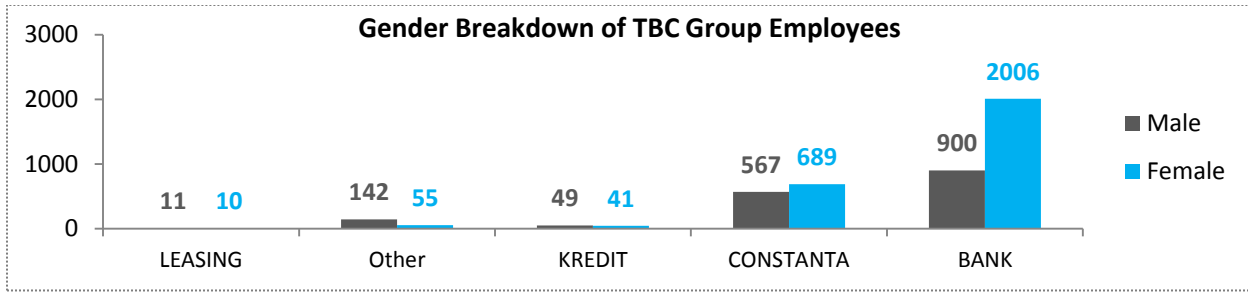


We are proud to have one of the lowest employee turnover rates in Georgia with approximately 0.67% per month in 2013.

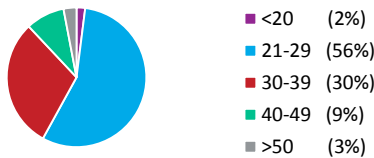
Turnover rates by Department	2011	2012	2013
Head office + branches	9% (181)	6% (134)	7% (153)
Finance	12% (5)	7% (3)	5% (2)
Corporate	14% (7)	15% (7)	13% (6)
Retail & SME	6% (5)	6% (6)	8% (8)
Operations	4% (8)	5% (11)	4% (12)
Risks	6% (5)	6% (6)	9% (7)
IT	16% (19)	13% (16)	12% (14)
Branches	6% (72)	6% (79)	7% (89)

### Equal Opportunity Employment and Gender Balance

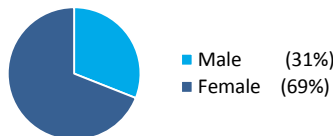
TBC Bank is an equal opportunity employer. We do not discriminate based on gender, age, ethnicity, religion, or other factors. This policy is an important component of the Code of Conduct that states our commitment to a strict policy of equal opportunity employment.



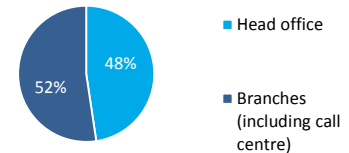
TBC Bank Employee Age Breakdown



TBC Bank Employee Breakdown by gender



TBC Bank Employee Composition by location



### Performance Assessment and Remuneration

The Bank strategy is the main driver for the senior management to set their goals and targets. These goals and targets are clearly defined at each level of the Bank, which then are used to determine the performance assessment and incentives of the Bank's employees.

The motivation system in the branches and other front offices has been developed with an external consultant. For the relevant staff in the head office, the Bank implemented the Management by Objectives (MBO) system to assess staff performance. The system requires all employees and their immediate supervisors to set clear goals and objectives. At the end of each period, performance assessment is made according to the pre-agreed and transparent criteria.

The ranking aspect of the MBO allows for a more impartial comparison for performance across the Bank's staff and reveals top performers as well as underperformers each end of the year.

### ***Employee Communication and Survey***

TBC Bank regularly communicates to its employees, providing information on the Bank and its activities and receiving regular feedback from all staff. Information is communicated via executive presentations, corporate news magazines, intranet content, and various employee appreciation and motivation events organized by the Human Resources department.

In order to accurately assess the attitude and experience of our employees, the HR department conducts regular Employee Satisfaction and Engagement Surveys each year, which among other things monitors staff engagement and loyalty. The results are discussed and appropriate action plans are set by the management each year.

### ***Employee Benefits Policy***

TBC Bank employees received benefits in the form of paid annual leave and sick leave, bonuses, and non-monetary benefits in addition to salaries and wages.

TBC's ability to continue to retain, motivate and attract qualified and experienced banking and management personnel is vital to TBC's business. To this end, TBC Bank offers the market-leading employee benefits package that reflects the high value placed on our workforce.

### ***Code of Ethics***

The Bank's new Code of Ethics was approved in May 2013. This document regulates important areas of corporate culture and corporate values. Last year, the Bank made important progress in terms of aligning the Bank's Code of Ethics with international best practices. The Code emphasizes enhanced team work and team spirit, respect for colleagues and a client focused service model.

The Code was reviewed and approved by the Risks, Ethics and Compliance Committee at the Supervisory Board level and updates to the Code of Ethics were reported to the Supervisory Board.

### ***Code of Conduct***

The Code of Conduct regulates the internal policy for the Bank's employees, including such important areas as equal opportunity employment, discipline, conflict of interests, confidentiality, relations with staff and clients, and working conditions. The Code of Conduct was revised and updated in August 2013 to fully reflect changes introduced by the new Labor Code in the country, as well as international best practices. As a result, some of the employee benefits were revised up to the current levels as reported in this document. The Code of Conduct is developed in cooperation with relevant Supervisory Board committees and is reported to the Board.

TBC provides its employees with competitive pension and health insurance benefits. TBC's contributions to these benefit programs vary according to the employees' position and salary level.

Schedule of Employee Benefits	Trigger	Type of benefit
Health insurance	After 1 year	Monthly co-payment
Pension funds	After 2 year s	Monthly co-payment
<b>Social benefits</b>		
Marriage	After 6 months	By case
Child birth	After 6 months	By case
Death of the family member	After 6 months	By case
Paid leave & day off	After 11 months	By case
Non tangible motivation for middle management	0 months	Annual Ind. fund
International & local MBA, trainings, seminars	After 1 year	Competitive

### **Employee Training and Leadership Development**

TBC's employment strategy is to attract and retain skilled and well-trained employees at all levels. Its human resource management system is supported by a tailored IT system to manage personnel through career planning, training, and performance evaluations. TBC Bank provides mandatory training programs on all key skills, including customer services, negotiation skills, conflict resolution, time management, business communication, team building and banking products.

In addition, TBC Bank has developed a special talent management program that entered its third year in 2013. Starting from 2010, the Bank has identified certain employees with high leadership potential and provided them with special career development tools and opportunities through a budget especially allocated for this program.

## **Corporate Governance**

*Continually building on historically high corporate governance standards*

High quality of corporate governance has always been a differentiating factor for TBC. Significant reinforcement of the corporate governance function was implemented in 2009, when prominent International Financial Institutions: IFC, EBRD, FMO and DEG became majority owners of the Bank and contributed their expertise and experience in this field.

TBC is a party to the Corporate Governance Code for Commercial Banks adopted by the Banking Association of Georgia in September 2009, which was drafted with the guidance of IFC based on internationally recognized principles of good corporate governance. Since the implementation of the Basel II and III project in 2012, TBC Bank was one of the first financial institutions in Georgia to further strengthen its corporate governance in accordance with Principles For Enhancing Corporate Governance issued by Basel Committee on Banking Supervision and to align its own corporate governance function with international standards of best practice.

### *Supervisory Board*

The Supervisory Board plays a key role in the Corporate Governance of the Bank. It has ultimate responsibility for the Bank's business, risk strategy and financial soundness, as well as how the Bank

organizes and governs itself. The Board appoints and supervises the Management to ensure achievement of the Bank's strategic objectives, as well as the Management's ongoing response to the risks inherent in the business activities. The Board is also responsible for the appointment, evaluation and compensation of the Management Board members. In addition, the Board is responsible for the following specific areas:

- Approving purchases or disposals by TBC Bank that exceed 3% of the Bank's total regulatory capital;
- Approving the issuance of procura (general power of attorney) by the management of TBC Bank;
- Approving the establishment and liquidation of TBC Bank's branches;
- Authorizing any borrowing by TBC Bank if such borrowing exceeds 20% of the Bank's regulatory capital;
- Electing, changing or removing the external auditor;
- Approving the listing of TBC Bank's shares on a stock exchange;
- Approving investments by TBC Bank, which exceed an aggregate total amount of U.S.\$1 million;
- Approving any sale, lease, exchange, transfer, pledge, contribution or other disposition of the assets of TBC Bank and certain of its subsidiaries exceeding 5% of the book value of TBC Bank;
- Approving disposals of TBC Bank's assets, which exceed 5% of the Bank's regulatory capital;
- Approving TBC Bank's financial indicators for the following year, including its business plan or annual budget; and
- Approving the entering into related party transactions above USD 100,000.

The Supervisory Board consists of seven members elected by the General Meeting of Shareholders for a term of four years each. The Chairman and the Deputy Chairman of the Supervisory Board are elected by a simple majority of votes. The Chairman of the Supervisory Board may not simultaneously hold the position of General Director (CEO) of TBC Bank. The following table provides details on the Supervisory Board members and their respective appointment year.



### Supervisory Board Composition

Name	Position	Initial Year of Appointment	Date of Appointment of Current Term	Date of Expiration of Current Term
<b>Mamuka Khazaradze</b>	Chairman of the Supervisory Board	1992	2013	2017
<b>Badri Japaridze</b>	Vice-Chairman of the Supervisory Board	1992	2013	2017
<b>Eric J. Rajendra *</b>	Member (Nominated by IFC)	2010	2010	2014
<b>Irina Schmidt</b>	Member (Nominated by DEG)	2012	2012	2016
<b>Nicholas Dominic Haag</b>	Member (Nominated by EBRD)	2013	2013	2017
<b>Emile Groot **</b>	Member (Nominated by FMO)	2009	2013	2013
<b>Nikoloz Enukidze</b>	Independent Member	2013	2013	2017

Two consequent changes have been applied as at the Annual Report publication date


















\* The term for Eric J. Rajendra has been extended for four more years until 4 May 2018



\*\* Stefano Marsaglia was appointed as the new independent member of the Supervisory Board after FMO waived its right to nominate a Supervisory Board member.

#### *Supervisory Board Committees*

TBC Bank has established Risks, Ethics and Compliance Committee, Remuneration Committee, Corporate Governance and Nomination Committee and Audit Committee in accordance with Georgian law, the Principles For Enhancing Corporate Governance issued by Basel Committee on Banking Supervision and in line with international standards of best practice. These committees assist the Supervisory Board to effectively perform its responsibilities. The following table sets out the various Committee compositions.

## Composition of the Board Committees

Board Members	Audit Committee	Remuneration Committee	Corporate Governance and Nomination Committee	Risks, Ethic and Compliance Committee
<b>Mamuka Khazaradze</b>				
<b>Badri Japaridze</b>				
<b>Eric J. Rajendra</b>				
<b>Irina Schmidt</b>				
<b>Nicholas Dominic Haag *</b>				
<b>Emile Groot **</b>				
<b>Nikoloz Enukidze ***</b>				
<b>Other committee member</b>				

 Chairperson    
  Member

The following changes have been applied as at the Annual Report publication date:

- \* Nicholas Dominic Haag has replace Emile Groot as the Chairperson of the Audit Committee.
- \*\* The term for Emile Groot expired in 2013. Stefano Marsaglia was appointed as the new independent member of the Supervisory Board after FMO waived its right to nominate a Supervisory Board member.
- \*\*\* Nikoloz Enukidze has replaced Irina Schmidt as the new Chairperson of the Risks, Ethics and Compliance Committee. He has also joined the Audit Committee as an independent member.

#### *Audit Committee*

The Supervisory Board works with the Audit Committee in order to fulfil its oversight function. The Audit Committee responsibilities include: reviewing and monitoring the integrity of the Bank's financial statements, as well as the effectiveness of the internal control over financial reporting; reviewing and monitoring the performance of the internal audit function, as well as the performance, qualifications and independence of the external auditors of the Bank; reviewing and monitoring the risk management activities with the existing policies and procedures.

#### *Risks, Ethics and Compliance Committee*

The Supervisory Board receives reports, recommendations and assessment from the RECC on any actions to be taken regarding the Bank's risk management strategy, risk appetite and tolerance, as well as risk management system and risk policies. This includes credit, market, liquidity, operational, compliance, reputational and other risks of the Bank. RECC committee also reviews and approves large exposures to customers. Other main responsibilities of the Committee are to commit the Bank to the highest standards of ethical behaviour and to oversee the compliance function of the Bank.

#### *Corporate Governance and Nomination Committee*

The Supervisory Board receives recommendations from the Corporate Governance and Nomination Committee on matters related to developing Corporate Governance principles and guidelines applicable to the Bank, monitoring the Bank's governance practice against the international best practices, selecting and screening individuals qualified to become the candidates for the Supervisory Board and the Management Board membership. The Committee also makes recommendations to the Board on the composition of the Supervisory Board and the Management Board as well as on the composition and structure of the Supervisory Board Committees.

#### *Remuneration Committee*

Supervisory Board receives recommendations from the Remuneration Committee on the compensation system for the Supervisory and the Management Boards, reviewing achievements of and determining compensation for the Supervisory and Management Boards, the Highest Paid Employees and Heads of Business Lines. In addition, the Committee approves a long-term motivation program and supports its development, settling the compensation policy for the Bank's management representatives' dismissal, and approving an annual report prepared with regards to remuneration policy and practice.

#### *Management Board*

The Management Board is responsible for TBC's day-to-day management, with the exception of functions reserved to the General Meeting of Shareholders and the Supervisory Board. The Supervisory Board appoints the members of the Management Board for renewable terms of four years and are also in charge of their dismissal. Banking regulations contain certain limitations as to who may become a member of the Management Board and criteria that each director must fulfil. The scope of authority of each member of the Management Board is defined by a contract entered into with the director upon appointment.

TBC Bank has established the following Management Board Committees: Credit Committee, Assets and Liabilities Management Committee (ALCO), Operational Risk Management Committee, Customer Satisfaction Committee, IT Steering Committee, Change Advisory Board Committee and Operations Management Committee.

The following table sets out the Management Board composition for year 2013.

Management Board Composition				
Name	Position	Initial Year of Appointment	Date of Appointment of Current Term	Date of Expiration of Current Term
<b>Vakhtang Butskhrikidze</b>	Chairman of the Management Board Chief Executive Officer	1995	2010	2015
<b>Paata Gadzadze</b>	First Deputy Chief Executive Officer	1996	2010	2015
<b>Giorgi Shagidze</b>	Deputy CEO, Chief Financial Officer	2010	2010	2015
<b>Vano Baliashvili</b>	Deputy CEO, Chief Operating Officer	2002	2010	2015
<b>Archil Mamatelashvili</b>	Deputy CEO, Chief Risk Officer	2014	2014	2018
<b>Mariam Meghvinetukhutsesi</b>	Deputy CEO, Corporate Banking	2009	2010	2015
<b>Nino Masurashvili</b>	Deputy CEO, Retail & SME Banking	2006	2010	2015

#### *Main Management Board committees*

In order to effectively carry out its daily responsibilities, the Management Board has established the following committees:

#### *Credit Committee*

The Credit Committee is composed of top and middle managers of TBC Bank, is chaired by the CEO and meets once a month or more frequently, as required. The exact composition of the Credit Committee varies among the retail, corporate, SME and micro segments. The Credit Committee reports to the Management Board.

The Credit Committee is responsible for maintaining loan portfolio quality within acceptable risk levels and ensuring that TBC's lending guidelines are consistent with relevant legislation and regulatory policies. The Credit Committee reviews the quality of TBC's loan portfolio on a regular basis and monitors and controls the recovery and collection process in respect of TBC's loans. It informs the Management Board about notable developing trends and recommends necessary actions in order to take advantage of new opportunities and maintain proper portfolio diversification.

The Credit Committee delegates its loan approval authority to the Loan Approval Committees.

#### *Assets and Liabilities Management Committee (ALCO)*

The ALCO has nine members, is chaired by the CEO and meets once a month or more frequently, as required. It is supported by middle management from TBC Bank's finance operations. The ALCO reports to the Management Board.

The ALCO is responsible for overseeing the effective implementation of TBC Bank's asset and liability management policies in order to (i) maximize shareholder value and enhance profitability, (ii) ensure that liquidity, interest rate, foreign exchange, capital adequacy and interbank counterparty risks are managed efficiently within the Risk Appetite Statement, and (iii) ensure compliance with existing covenants and limits

from the NBG, IFIs and other third parties. The functions of the ALCO include setting and monitoring risk exposure limits based on reports, analysis, forecasts, stress tests and hypothetical scenarios prepared by TBC's financial risk management and other functions; approving risk management methodologies; making decisions and amendments to TBC's asset liability structure; approving risk hedging instruments; and deciding on corrective actions in case specified limits are breached. The ALCO is given authority to make a number of decisions regarding TBC's assets and liabilities under its governing documents, although authorization for certain decisions is reserved to the Management Board.

#### *Operational Risks Committee*

The Operational Risks Committee has six members comprising top and middle managers of TBC Bank and is chaired by the CEO. The Operational Risks Committee reports to the Management Board.

The Operational Risks Committee is responsible for reviewing operational risks faced by TBC, overseeing these risks and making decisions in order to minimize them. Meetings of the Operational Risks Committee are held on a quarterly basis or more frequently, as required.

The Operational Risks Committee functions are to review and approve operational risk management policy; review and approve recommendations related to the development of the risk management framework; review and approve the limits of risk insurance; discuss reports on operational risks; monitor critical risks; and prepare recommendations for the Management Board on these issues.

## **Compliance Department**

The Compliance Department is focused on improving the entire compliance system. It is responsible for coordinating the identification, assessment and documentation of compliance risks associated with TBC's activities, including the development of new products and business practices, the proposed establishment of new types of business or customer relationships or material changes in the nature of such relationships and other related measures. The Compliance Department is authorized to plan and administer TBC's overall compliance systems, perform compliance-related direction and supervision, and instruct on corrective action and other measures to branches, offices, divisions, headquarters, subsidiaries, and affiliates, both in and out of Georgia, upon the occurrence of violations of compliance, all in an integrated fashion.

Anti-money laundering is one of the Compliance Department's main functions, established according to the compliance legislation and recommendations of competent international organizations. TBC is committed to high standards of anti-money laundering and requires Management and employees to adhere to these standards in order to prevent the use of TBC's products and services for money laundering purposes. Adherence to this policy is mandatory for all TBC group companies and for all employees.

## Corporate Social Responsibility

TBC Bank has one of the best-developed Corporate Social Responsibility strategies in the country. We firmly believe that it is our responsibility to support the community, the environment and our wider stakeholders among which we operate. Our outstanding CSR track record was recognized by the EMEA Finance Magazine with the “Best Corporate Social Responsibility in Central and Eastern Europe and CIS 2013” award.

The Bank’s CSR Strategy covers four main areas:

### *Community*

TBC Bank ensures that its CSR commitments reflect the needs and requirements of our community. Our current projects include charitable causes and individual cases (such as First Step Georgia, working with children with disabilities), developing modern culture and arts (including the literary award SABA and the Jazz series), and protecting cultural heritage (including numerous restoration projects undertaken by the Bank).

### *Workplace*

TBC Bank is dedicated to creating the best workplace experience for its employees. We offer employees the largest benefits package in the country, as well as advanced professional education and training opportunities. Projects implemented for TBC Bank employees include:

- TBC Fund for Employees with Large Families (founded in 2013);
- TBC Academy provides training and workshops in different areas of business and banking free of charge for TBC Bank employees (founded in 2011);
- Financial aid of up to GEL 40,000 toward tuition at Top 100 Business Schools for TBC Bank employees;
- Full social benefits package, including health insurance, pension schemes, and lengthy, fully-paid maternity and paternity leave

### *Marketplace*

TBC Bank has a traditional commitment to supporting small and medium size businesses. We have a track record for attracting dedicated facilities for SME financing – including local currency and sector-specific funds for high-priority industries in the country (such as agriculture, healthcare and energy).

Additionally, TBC Bank is the first bank in the region to offer free educational services to its SME clients through the TBC Bank Business Support Program launched in 2013 with support from IFC and ADB and in partnership with IBM, Ernst & Young and BDO.

### *Environment*

TBC Bank has one of the most advanced Environmental and Social Risk Management systems in the region. Our ESMS Policy is aligned with the requirements of all international best practices. The system has been developed in cooperation with EBRD, IFC, DEG, ADB, and FMO and includes provisions that are often much stricter than national requirements. The Bank also ensures that its clients and sub-contractors comply with international social and environmental standards.

## **2013 CSR Highlights**

TBC Bank's major CSR projects presented below are divided into four strategic areas covered by the Bank.

### **Community**

The Bank's 2013 budget for community projects totaled GEL 800,000. Major projects included the first television channel dedicated fully to culture, SABA literary award, TBC Status Jazz series, and various social projects. Among these are:

#### **Literary Award SABA**

The award program is one of the most respected and anticipated literary events in the country. TBC Bank founded the program in 2002 with 2013 marking its 11th anniversary. We established the SABA Literary Awards because of the apparent lack of development of the literary world at the time. The Georgian public had very limited information, if any, about new works created and published. Until now the Bank has recognized more than 100 authors of different narrative genres. SABA award recipients receive cash and non-cash prizes, with a total of GEL 325,000 awarded by 2013.

#### **TBC Bank Community CSR Projects**

SABA Literary Award

SABA Electronic Bookstore

Artarea TV

TBC Art Gallery

TBC Gallery

Different social projects

JAZZ series and other musical projects

Photo competition Kolga

Projects for tourism and youth sports promotion

#### **Electronic Bookstore**

In 2012, the SABA brand was extended to the market through the first online bookstore that offers downloadable versions of SABA award-winning works, classic series from both Georgian and international authors, books on business and management, children's titles and others. About 300 books were uploaded to the SABA online bookstore at the time of its launch.

In 2013, we launched the first local e-book application "SABA Offline Reader" that is compatible with Windows and Mac operating systems. It is now possible to find about 5000 books on the virtual shelves of SABA due to TBC's support of this innovative project. The SABA online book store is especially important as it promotes Georgian literature beyond the country's borders, and allows new authors to be discovered and appreciated. Dozens of established and up-and-coming writers have already created their own electronic books and sold them using our innovative e-book platform. The book store can be found at [www.saba.com.ge](http://www.saba.com.ge).

#### **Artarea**

TBC Bank continued to develop its online art-television Artarea TV, which was founded in 2012, throughout 2013. This is the first television channel that allows Georgian viewers to keep up to date with current events in culture, music and arts.

Artarea has been in operation for more than eighteen months and is already being broadcast via cable. The project brings together Georgian writers, musicians, painters and journalists, as well as other people interested in culture, with their own blogs and video blogs. In 2013 the project expanded its activity to cover digital artists, and provided facilities where students interested in arts can attend various master classes and meet artists and authors.

In order to encourage more active knowledge-sharing, TBC Bank founded an art café, ARTISHOK, in 2013. The café has since turned into a hub for artists to meet and generate ideas.

#### **TBC Galleries**

TBC Bank has dedicated two new art spaces – TBC Gallery and TBC Art Gallery – to different events and exhibitions, often created and/or showcased exclusively for the Bank. One such exhibition was featured at Sotheby's – the first time

Georgian art received international exposure and recognition of this scale. Sotheby's will be featuring more Georgian artists in its upcoming exhibition Crossroads from Istanbul to Kabul, again with support from TBC Bank.

During 2013, the Art Gallery hosted three well-known painters and sculptors. Overall, TBC Gallery hosted 50 events in 2013, including exclusive concerts, book presentations, photo exhibitions and other art projects.

### ***Promotion of Georgian Artists Abroad***

In 2013, TBC Bank's project *Touch Georgia*, which is organized by TBC Art Gallery, held the first presentation of Georgian art and culture to the German public and foreign partners in Cologne, Germany. The presentation was held in the exhibition space of the German Investment and Development Company (DEG), which is one of the shareholders of the Bank. The Exhibition featured traditional Georgian art forms and cuisine: modern paintings, cloisonné enamel, folk music, national costumes, Georgian wine from Chateau Mukhrani and Georgian Cheese produced by the Phoka Monastery, also supported by the Bank. The exhibition in Germany will be followed by the presentation of German Culture at TBC Art Gallery in Tbilisi, organized by DEG.

### ***Social Projects***

TBC Bank actively supports multiple social causes. The highlights of TBC's support in 2013 are presented below:

#### ***Financial Support to Psychological Support Center Green House***

With this project, TBC Bank provides therapeutic and psychological support to children with limited abilities free of charge. Green House is a Georgian equivalent of the French Green House, which provides medical treatment based on the method of French psychoanalyst Françoise Dolto. The center treats up to 150 children every day.

#### ***Financial Support to First Step Georgia***

First Step Georgia is one of the biggest psychological aid centres in Georgia. TBC Bank provides annual financial support to the organization enabling First Step to provide up to ten unique services to children with disabilities, most of which are in need of urgent psychological and therapeutic treatment. The organization also runs a Day Centre that provides uninterrupted treatment for children suffering from particularly serious conditions. An out-patient program is also available.

#### ***Financial Support to Internally Displaced Persons***

TBC Bank was the founder and the largest contributor to the charity foundation TBC Fund, created in order to support the country's refugee population. The Bank donated GEL 5 million during the first year to the Fund's operations and actively encouraged other corporations to participate. The Fund has since built a new school in an IDP village and continues to finance several social, educational, sports, health, arts and cultural projects for the refugee population.

### ***Tourism and Sports***

#### ***Infrastructure Improvements in Tusheti***

TBC Bank financed road-works in the remote mountainous region of Tusheti during 2013. As part of a two-year project, the Bank also aims to implement infrastructural works in the Tusheti Preserved Territories in 2014. The works include rehabilitation of the equestrian road and the construction of a tourist shelter.

#### ***Equestrian Competition in Mukhrani***

TBC Bank organized and financed the first equestrian competition at Chateau Mukhrani for children aged 7-14 in show jumping. The Bank plans to maintain the tradition of supporting sports among young people with this and similar initiatives throughout the coming years.



### **Jazz Series**

TBC Bank is a prominent supporter of two of the longest-standing musical events in Georgia: the Tbilisi and Black Sea Jazz Festivals, which are in their 16<sup>th</sup> and 7<sup>th</sup> years, respectively, in 2013. We also support the year-long Jazz Series with numerous annual events. TBC Bank also frequently organizes exclusive events for its 'Status Clients' and general audiences. More information about the Jazz series can be found at the Festival website [www.tbilisijazz.com](http://www.tbilisijazz.com).

### **Other Musical Projects**

- In 2013, TBC Bank supported the 'Evgeny Mikeladze First National Competition Among Young Orchestral Musicians'. The competition aimed to promote wind instruments and support the development of this musical skill in Georgia. The competition was open nation-wide and recruited 100 young musicians in its inaugural year.
- TBC Bank financed the first solo album of Davit Aladashvili, a Georgian student at the Julliard School master program in New York City. The premiere of the album was also held in New York.
- In 2013, TBC Bank provided tuition support for a talented young vocalist Beka Goginashvili at the Ozimo Art Academy of Opera in Italy.

### **Kolga Photography Competition for Young Artists**

TBC Bank is the traditional financial partner of Georgia's largest and most prestigious photo competition Kolga. The purpose of this competition is to discover and promote young photographers and their work. In 2013, Kolga Tbilisi Photo celebrated its 10<sup>th</sup> anniversary.

### **workplace**

As one of the most important aspects of its CSR strategy, TBC Bank takes special care to provide workplace conditions of the highest standard for its employees. Key initiatives of 2013 are highlighted below.

#### ***TBC Club for Employees with Large Families***

TBC Bank established a club for Bank employees who have more than two children. Underlying this initiative is the highest value we place on the importance of children and strong families for our company, our community, and for the country as a whole.

The Club supports families through special promotions, events and functions. The club was founded in 2013 and already unites 200 TBC Bank employees.

A special, one-time gift of GEL 10,000 is provided to all TBC Bank employees who have their fourth and next child. One such gift was awarded in 2013.

#### ***TBC Academy***

TBC Academy is an HR initiative that aims to improve general understanding and knowledge of TBC Bank employees in the field of banking. We believe that TBC Bank's highly-professional workforce is a competitive edge for our company. Thus, we take special care to provide exclusive access to leading industry professionals from within the Bank to all of our employees, who are able to develop their skills in banking finance, time management, banking operations and other areas.

## Marketplace

### TBC Educational Platform for SMEs

The Business Support Program (see details on the right) launched one of the year's most important projects – the first Educational Platform for SMEs in the region. In addition to supporting the Bank's SME customers, the project serves a wider purpose of educating the Georgian business community and creating opportunities for their growth and development.

[www.tbcbusiness.ge](http://www.tbcbusiness.ge) is the first educational web portal of its kind in Georgia and in the wider region that is tailor-made for SMEs. The web portal provides free-of-charge tools and services to its visitors on the basics of launching, managing or developing your own business. The unique feature of the website is that it is equally useful for both new and experienced businessmen. The website offers tools, articles and useful templates on marketing and human resource management, financial reporting and accounting, business planning etc. The Platform also offers business tutorials and free Q&A sessions with leading experts and consulting firms in the world, such as E&Y, BDO, and PwC.

[www.tbcbusiness.ge](http://www.tbcbusiness.ge) is just a few months old and already the video tutorials have been viewed by thousands of people. For example, one of the popular videos – "HR Motivation" by Alexander Jejelava, Founder and Chairman of the Management Academy – has been viewed by nearly 15,000 visitors.

The website was created through the joint efforts of TBC Bank and the IFC, World Bank Group, and in partnership with IBM.

## Environment

### Leading ESMS Policy

TBC Bank was one of the first banks in the country to develop an Environmental and Social Management System (ESMS). Our International Financial Institution (IFI) shareholders – DEG, IFC, EBRD, and FMO – provided expertise and guidance throughout the process to ensure that the Bank implements the most advanced and comprehensive system based on the highest standards of international best practice.

The ESMS Policy focuses on the environmental and social issues associated with commercial lending and investments. The main provisions of the ESMS policy are as follows:

- Environmental and social (E&S) risks associated with the Bank's operations, relying on tools like EBRD's Environmental and Social Risk Management Manual,

## TBC Bank Small Business Support Program

Our Business Support Program 7 Steps to Success offers unprecedented educational and business development services to the Bank's SME clients free of charge.

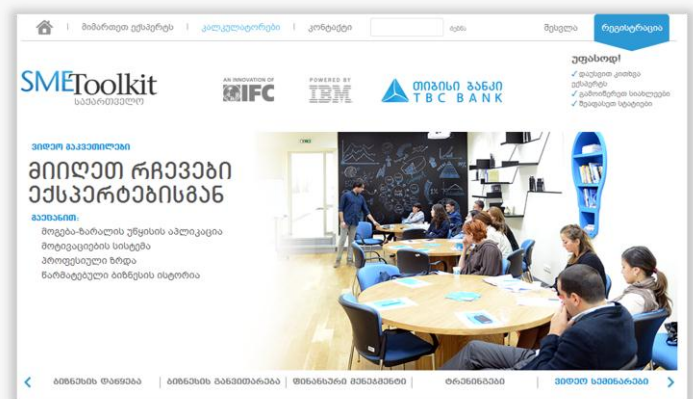


Services currently available to our customers include:

- **Free training sessions** financed by ADB cover important topics, such as Budgeting, CVP Analysis, Social Media Marketing, HR, and Strategic Management. By the end of 2013, 1,063 clients had taken part in these trainings.
- **Upgraded Internet Bank** for legal entities
- **Completely new Mobile Bank** for legal entities
- **First educational web portal** in the region [www.tbcbusiness.ge](http://www.tbcbusiness.ge) (financed by IFC and in partnership with IBM). Here, businesses can find readily available, Georgian-language resources that include tools for financial accounting, direct selling, and human resource management. The portal also offers pre-set materials, such as agreement forms, template accounting forms, and a Q&A blog.
- **SMS Banking** services for legal entities

In 2014, the TBC Business Support Program will launch the following additional services:

- **Free business consultation** services for SMEs
- **Business conferences** for SMEs



IFC's web-based ES toolkit, FMOs Sectoral Guidelines for Environmental and Social Risk Assessment, IFC's Sustainability Framework and Performance Standards and Guidance Notes, UNEP-FI's Guide to Banking and Sustainability, and ADB's ESMS Template for Banks and Funds.

- Protection of human and labor rights, especially those of vulnerable population groups, including children and indigenous peoples.

TBC Bank regularly updates the SEMS document together with its shareholder and partner IFIs.

The latest update to the policy was approved by the Supervisory Board and signed by our CEO in December 2012. Our commitment to regularly reviewing and upgrading our SEMS policy ensures that the Bank effectively manages environmental and social risks associated with its operations in order to minimize its impact on the environment and its stakeholders.

Full details of the TBC Bank ESMS policy are available on the Bank's Investor Relations [website](#).

### **EBRD Caucasus Energy Efficiency Program (CEEP)**

TBC Bank was also the first and one of the most successful participants of the Caucasus Energy Efficiency Program (CEEP), developed by EBRD. We have raised a total of USD 20 million under the CEEP program, with the first agreement for USD 10 million concluded in 2007. We signed the second USD 10 million agreement in 2012, with all program components implemented in 2013. This latest five year facility is dedicated to financing renewable energy and energy efficiency projects of corporate and SME customers – a sector in which the Bank has a particular interest and an especially successful track record. To date, the Bank has financed energy efficiency and renewable energy projects both in corporate and retail segments in aggregate volume of approximately USD 35 million, of which approximately USD 20 million was disbursed under the CEEP program.

## **Progress on GC Principles**

### **GC Principles 1-2: Human Rights**

#### **ESMS Policy**

Our SEMS provides that the Bank manages the environmental and social risks associated with its operations in order to minimize impacts on the environment and our stakeholders and to enhance long term returns to our shareholders. TBC is committed to ensuring our customers are also fulfilling their environmental and social responsibilities.

TBC Bank ESME policy is available through the Bank's Investor Relations [website](#). Please refer to the section titled *Corporate Social Responsibility - Environment* for more details.

### **GC Principles 3-6: Labor**

TBC Bank's HR strategy is fully in line with the local requirements and international best practices. The Bank complies with and endorses labour standards that are well above the national minimum as required by the current labor code, including in important areas as health insurance, adequate working environment and competitive pay. TBC Bank is also committed to protecting all policies against child labor.

Please refer to the section titled *People* for more details on trainings, professional development and employee performance assessment.

### **GC Principles 7-9: Environment**

## **ESMS Policy**

The ESMS policy fully covers local requirements and international best practices with regards to standards of environmental protection. Please refer to the ESMS policy document (linked above) for additional details.

The Bank ensures that all of its clients are in compliance with the guidelines and requirements detailed in the SEMS document. Environmental reporting guidelines are covered in detail in Annexes D and E of the SEMS policy document. The SEMS policy is available through the Investor Relations [website](#).

Please refer to the section titled *Corporate Social Responsibility - Environment* for more details.

## **GC Principles 10: Anti-Corruption**

### **Local Legislation Overview**

The authority that coordinates the AML/CTF processes in country is Financial Monitoring Service (FMS) of Georgia. FMS of Georgia is a member of Moneyval (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism) and actively cooperates with international organizations and foreign Financial Intelligence Units. It became a member of the Egmont Group in 2004 that connects 116 analogue authorities around the world. In such a way the FMS provides a rapid exchange of information with competent authorities of different countries.

### **TBC Bank AML Unit Overview**

TBC Bank has developed written policies and procedures in order to protect the Bank from reputational, operational and juridical risks. TBC Bank has anti-money-laundering policies, which consist of “Know Your Customer” procedures, assessment of correspondent banks’ and potential partners’ AML policies, processing and retaining documentation, maintaining and updating its client database, operational standards, and risk-based assessment of customers, due diligence and enhanced due diligence evaluation, identification of suspicious transactions that are subject to monitoring, and procedures for reporting to the FMS. These policies and amendments are approved by the Bank’s Management Board. The Bank’s anti-money-laundering policies are available to all employees through the Bank’s intranet resource. The AML unit provides training to its staff on a regular basis.

## **Measurement of Outcomes**

### **Human Rights and Environment (SEMS)**

There have not been any complaints or violations observed in terms of Human rights and environmental policies as provided in the ESMS document. TBC Bank continues to rigorously endorse the ESMS requirements and standards among all of its partners and submits reports on each of its clients every six months. Please refer to the section titled *Corporate Social Responsibility - Environment* for more details.

### **Labour (HR)**

TBC Bank performs employee satisfaction surveys annually, where the Bank consistently achieves high levels of employee satisfaction. Please refer to the section titled *People* for more details.

### **Anti-corruption (AML)**

The Bank is fully compliant with all relevant local and international AML, KYC and Compliance legislation.

## **Contact for Further Enquiries**

Please contact [TBC Bank’s Investor Relations Department](#) for additional information.