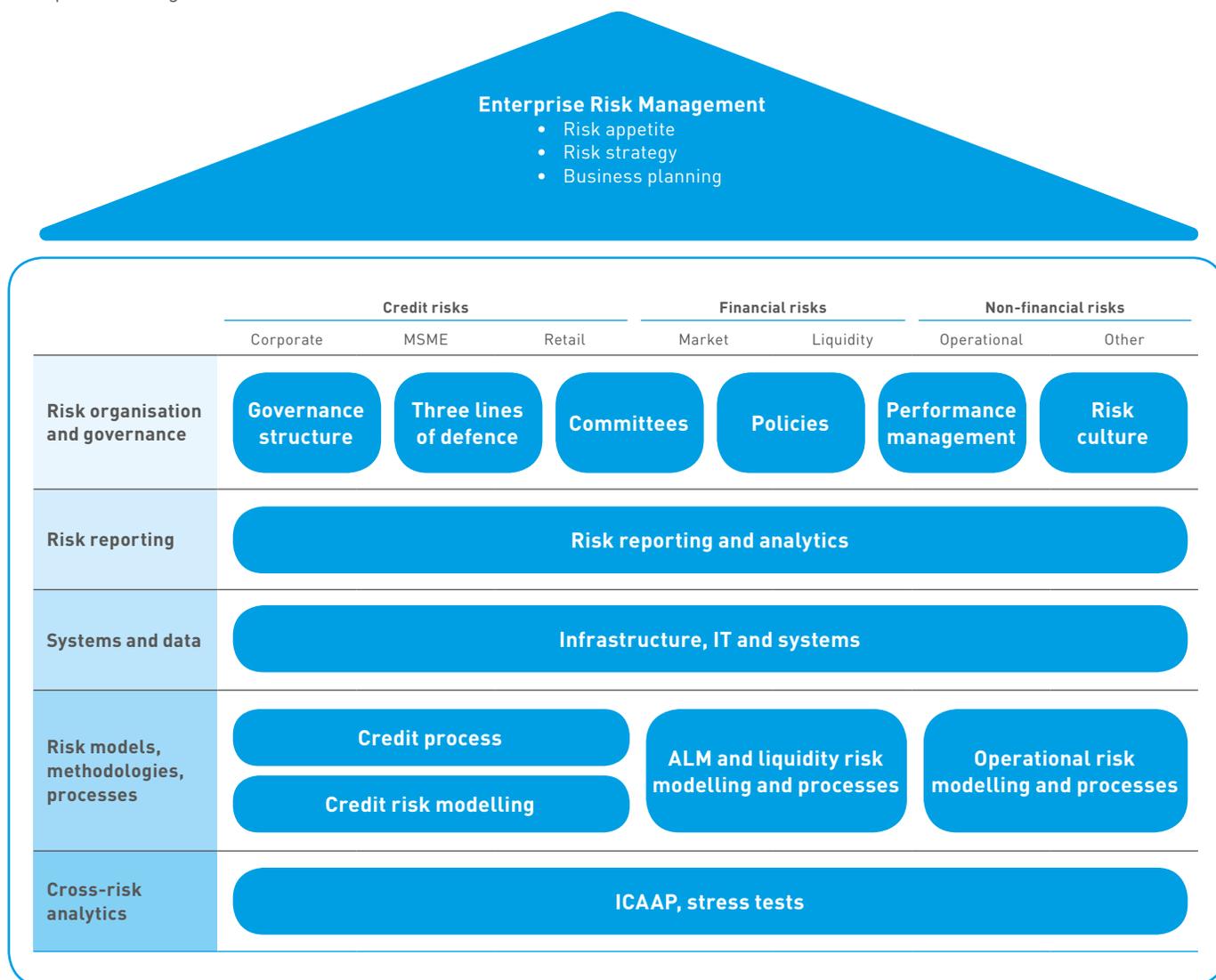


## Risk management framework

All necessary components for comprehensive risk governance are embedded in the risk management framework, which is comprised of enterprise risk management, credit, financial and non-financial risk management, risk reporting and supporting IT infrastructure, cross-risk analytical tools and techniques such as capital adequacy management and stress-testing. The following diagram depicts the risk management framework.

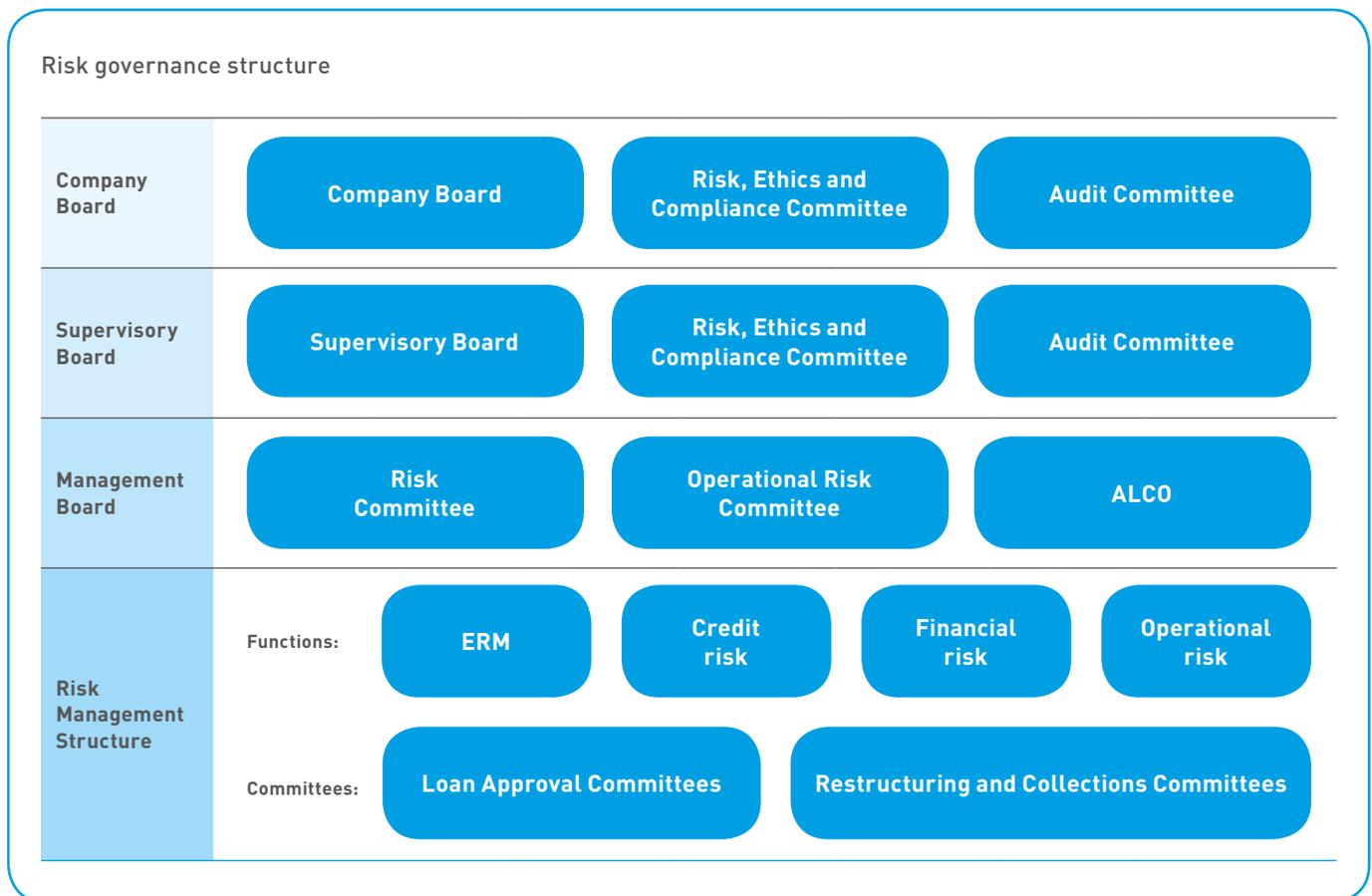
### Group risk management framework



## RISK MANAGEMENT continued

### Governance

The Group conducts its risk management activities within the framework of its unified risk management system. Involvement of all governance levels in risk management, clear segregation of authorities and effective communications between different structures facilitates clarity regarding the Group's strategic and risk objectives, adherence to the Group's risk appetite and sound risk management. The Group's governance structure ensures adequate oversight and accountability, as well as clear segregation of duties. The Board and the Supervisory Board have joint overall responsibility to set the tone at the top of the Group and monitor compliance with the established objectives, while the Management Board governs and directs the Group's daily activities.



# OUR PEOPLE

## As Georgia's leading employer, we work hard every day to reinforce employee loyalty and attract the best talent

### Overview

We are committed to being the best employer in the country and recruiting the best people in order to ensure our long-term leadership. We work in a highly competitive industry and our human resources (HR) policy is directed at attracting and retaining top talent. At the end of 2016, TBC Bank employed 6,292 people, compared with 5,262 people at the end of 2015. The Bank and Bank Republic accounted for 92% of the overall workforce.

The tables below show the number of years that employees have stayed with TBC Bank and the breakdown of employees by age.

Years with TBC Bank, 2016

0-1 years	23%
1-4 years	40%
4-10 years	28%
>10 years	9%

Breakdown of employees by age, 2016

<20	0.4%
20-29	54%
30-39	33%
40-49	10%
>50	3%

### Commitment to equal opportunity

We are an equal opportunity employer. As part of our Code of Conduct and Code of Ethics, we do not discriminate in employment decisions based on gender, ethnicity, religion or disability. The table below shows the breakdown of employees by gender according to seniority and job function in 2016.

#### All employees

	Male	Female
All employees	35%	65%

#### Leadership

	Male	Female
Board of Directors	100%	0%
Top management	88%	12%
Middle management	65%	35%

### Performance assessment and remuneration

We have developed and implemented performance assessment and remuneration systems that we believe are transparent and fair, giving all employees an opportunity to achieve their full potential within TBC Bank. We consider it crucial that our staff are aware of expectations from them while also having a chance to provide feedback.

We have a combination of a management-by-objectives (MBO) and a target-based systems. For most of the back office, we use a MBO system, as part of which an employee and a line manager agree on a set of objectives and goals that are closely aligned to the strategic objectives of TBC Bank as a whole. The progress is measured every six months through employee performance reviews.

To ensure that a performance assessment is fair and accurate, the bank uses an uniform scoring system. For most of the front office, we use a target-based system including both quantitative and qualitative components. The results evaluation takes place monthly, quarterly and/or annual basis depending on the position.

To further enhance the systems, we worked with one of the most experienced HR consultancies, Mercer, and are now in the process of implementing their recommendations.

In 2016, we also introduced a 360-degree evaluation system for middle managers to help them better understand their strengths and weaknesses and become more effective.

Part of a compensation package for mid-level managers is TBC PLC shares. This promotes to align their interests with those of our shareholders. In total, we aim to pay around 15-20% of total compensation in shares with a three-year vesting period. In 2016, around 64,000 shares were awarded as bonus shares. The remuneration system for directors is described in the Remuneration Report on page 108.

### Employee benefits policy

We understand that non-wage compensation, in the form of benefits that go above and beyond statutory requirements, is a crucial tool for retaining employees and keeping them motivated. TBC Bank offers the leading benefits package in the Georgian market, including paid annual and sick leaves, fully paid six-month maternity and paternity leaves and attractive health insurance and pension schemes. We also provide monetary awards in case of marriage and childbirth as well as a compensation in case of serious illness or death. In addition, we offer special support for large families and grant GEL10,000 to our employees for the birth of each child after the third one.

We have also established a special TBC fund, which is used to finance medical treatment of employees or their close relatives suffering from serious health issues. Contributions to the fund are voluntary and employees can donate up to 1% of their salary each month. In 2016, the fund aided more than 100 people.

### Training and leadership development

Our HR management system is designed to meet our strategic need to employ the best people on the market and to maximise their performance.

We use a digital, distance-learning system for many training programmes, allowing greater flexibility at a lower cost to TBC Bank. We also run the TBC Academy, an in-house educational resource that provides employees an opportunity to gain new banking skills and attend lectures given by our senior and middle

management. Classes range in subject and include financial institutions, capital markets, credit risks, financial risks, marketing and banking products. The academy was established in 2011 and we had more than 250 graduates at the end of 2016. We also use the academy as a platform to organise trainings and workshops for our staff across the country.

In addition to our in-house training options, we sponsor various training opportunities and international certifications including CFA,

ACCA and FRM for all employees. We also give an opportunity to our best and brightest talents to study MBA at the leading Georgian and the world's top 30 universities. In 2016, 17 managers received financial support for MBA.

We also offer middle managers individual executive coaching sessions with independent certified coaches to reveal their full potential, increase motivation and perform better.

TBC Academy Graduation



## OUR PEOPLE continued

### Our most recent survey, conducted in December 2016, generated a participation rate of 74% and an engagement index as high as 88%

#### Employee motivation and engagement

As one of the crucial goals of our HR policy is to constantly improve employee engagement and motivation levels, we organise a number of activities during the year for this purpose.

To improve internal communication and enhance TBC Bank spirit, we have created several clubs for employees to support their interests and pastimes. Clubs include groups for employees with more than three children; 'TBC Talents', for employees talented in sports, art and other skills; and those for employees with more than a decade of experience at TBC Bank. In 2016, we founded new clubs for photographers, football players and other interests. These clubs bring together employees with mutual interests from different departments and branches, leading to better communication and an opportunity to relax together and socialise after a hard day's work. To promote healthy lifestyle, the Bank has special discounts and family offers in various sport centres. We also offer free consultations and medical examinations for employees occasionally. In 2016, around 1,500 employees benefited from this offer. Furthermore, we care about the youngest members of TBC family and provide primary school children Back to School packages.

To boost team spirit, TBC Bank organises weekend fieldtrips and retreats at all levels. These fieldtrips reduce stress, improve job satisfaction and boost efficiency. In 2016, TBC Bank's senior management decided to take all middle managers of the TBC Bank to Scotland for a friendly match between the Georgian and Scottish national rugby teams. Apart from supporting the national team in a challenging game and getting together to have fun overseas, these initiatives bolster the involvement of our employees with the sport and is in line with our strategy of becoming the ambassadors for rugby in Georgia.

TBC Bank organises certain promotions during the year distributing free tickets for cinema, ballet and opera plays, and rugby games on first come first served principle. Besides, employees receive special discounts for various popular cultural events. We also host book fairs where our employees can buy books at special discount.

We are proud to have the first corporate online brand shop in Georgia, where employees can buy different stationary, clothing, accessories and gift items. We collaborate with Georgian designers and create exclusive collections for TBC Bank. The products in online store are subsidised by TBC Bank and sold at discount to make them more affordable for all employees. The online shop was a great success with more than 5,000 items sold during 2016, proving high brand loyalty among the employees.

Regular communication with employees is an integral part of TBC Bank's corporate culture. TBC Bank ensures that the entire team is informed about the latest developments of the Group's activities including strategy, performance, policies and procedures, new initiative and key events via presentations, intranet content, emails, social network groups, SMS notifications and different corporate events organised by our internal communication managers.

Employee feedback and engagement is very crucial for us. To this end, we started to monitor staff engagement levels in 2012. A special survey is conducted annually, in partnership with the leading international universities and a research firm, which provides a clear picture of our strengths and weaknesses as perceived by our employees. Our most recent survey, conducted in December 2016, generated a participation rate of 74% and an engagement index as high as 88%. The results of the survey are analysed thoroughly and the employee feedback is incorporated into the future actions taken by the management.

#### Student internships

Since 2012, the Bank has run an internship programme, intensive 12-month on-the-job training schemes for the best third and fourth-year students from Georgia's top universities. After the programme completion the best trainees receive permanent job offers from the Bank. This programme has proven to be very successful and helped us identify the brightest and most talented students who are part of our team today. In recognition of our efforts, we were named "Best Student Recruiter" in 2016 by Free University, Georgia's leading university.

#### Ethics and conduct

We have adopted a comprehensive range of policies and systems to ensure that TBC Bank complies with the highest corporate governance standards and prudent management principles, training and development. We consider it vital to provide clear guidelines on business ethics and conduct that apply to each member of TBC Bank team.

We strictly protect international and domestic laws of human rights and freedom. Significant attention is given to detection and elimination of discrimination revealed in any form or on any grounds (including gender, age, physical disability or religious affiliation), in respect of any employee.

We provide clear anti-bribery and anti-corruption policy that applies to all employees' of TBC Bank irrespective of location, function or grade. TBC Bank has zero tolerance of bribery and corruption, and all employees are required to act professionally, fairly and with integrity in all business dealings and relationships.

To support our corporate culture TBC Bank has implemented a whistleblowing policy, which is available to all employees. It identifies the rules and conduct requested of all individuals working for the Group and defines employee rights and responsibilities.

The policy encourages all employees to report on any suspected violations in an open manner without fear of retaliation. In addition, TBC Bank provides channels for anonymous whistleblowing for anyone who believes a violation of internal standards or law requirement has taken place, but refrains from reporting through normal reporting lines. Our guidelines seek to ensure that complaints are recorded and that employees are safe from any potential retaliation.

The following group policies can be found on our IR website at [www.tcbankgroup.com](http://www.tcbankgroup.com)

- Code of Ethics
- Code of Conduct
- Whistleblowing Policy
- Anti-Bribery and Anti-Corruption Policy

Internal photo contest – ‘Georgian Alphabet’



# CORPORATE SOCIAL RESPONSIBILITY

## We are committed to being a market leader for our businesses, our communities and our environment.

### Overview

At TBC Bank, we believe that achieving and maintaining leadership in corporate social responsibility (CSR) is as vital as being number one in any part of our business, and this remains a core goal. As a LSE premium-listed company, we have pledged to uphold the highest international standards in conduct as an employer and corporate citizen, and we benchmark ourselves against global leaders.

At home, as one of Georgia's most recognised companies, we understand the impact of our actions. Our goal is to provide employees with a clear understanding of our CSR strategy and maximise their involvement as corporate citizens. We want to be perceived internally and externally as not only a business leader, but also a responsible group of companies. As always, we are open and transparent about our CSR projects.

### Communities

Our investments in different communities are characterised by their long-term nature, as we concentrate on projects where we can amplify effect. We focus on supporting four main areas: business, young generations, rugby and culture.

### Business

We believe that one of our main contributions to society is to encourage successful businesses across Georgia. To this end, we have devised a business support programme, which allows us to share the expertise of our people and partners with growing companies. It provides crucial support for developing micro, small and medium-sized enterprises (MSME), which are the backbone of the national economy. The programme includes an educational web portal ([www.tbcbusiness.ge](http://www.tbcbusiness.ge)) and free training sessions and consultations, as well as networking events, conferences and masterclasses.

In 2016, around 4,500 MSME company representatives attended training sessions conducted by leading professionals on different topics, such as internet marketing, innovation, CVP analysis, budgeting, taxation and agricultural management.

For our borrowers, we also offer more in-depth individual consultations with experts in internet marketing, innovation, finance and taxation. Last year, 60 MSME company representatives attended these consultations free of charge.

In addition, we organise other events, such as annual masterclasses on popular topics and networking for MSME representatives. Around 1,000 people attended various events in 2016.

Last year, we extended the scope of our Business Support Programme, launching the annual Business Awards ceremony. It aims to encourage success and excellence among Georgia's businesspeople and bring innovative new products and services from around the country to the public's attention. The event was a resounding success, attracting over 500 companies, while the project reach was estimated at 4.5 million views. The awards were supported through traditional and social media, with more than 300 video reports and articles on the topic.

### Young talent

In 2016, we continued to develop projects aimed at helping talented young people in their professional development. We backed new projects supporting young entrepreneurs and artists. We are particularly proud of Project 12, which used the work of 12 young Georgian artists on Visa Pay stickers. We also hosted the Da Vinci scientific festival, which aims to promote science and STEM-related fields among young people by encouraging schoolchildren to pursue their scientific interests. We plan to expand the event in 2017. In addition, we have also financed the renovation of Tbilisi's famous Mziuri Park and opening of the non-profit Mziuri Cafe, which hosts various literary evenings, exhibitions and presentations for children and students.

### Rugby

We provide full-scale support for rugby in Georgia as part of a long-term partnership with the Georgian Rugby Union to promote the sport. In particular, we support our national team in its quest to succeed internationally and ultimately join the Six Nations. In 2016, we sponsored two major promotional campaigns across Georgia, which included a strong digital component to enable fans to support our players as much as possible.

To increase awareness about rugby and our leading players, we have created a short video about the game in Georgia (with over 600,000 views), its rules and individual bright stars. We also fund the development of the sport in the regions, including youth leagues. The youth rugby competition in Batumi has become a significant annual event with our continuing support. In short, TBC Bank is an ambassador for the sport. We are excited to watch our youth and adult teams emerging as serious competitors internationally.



## CORPORATE SOCIAL RESPONSIBILITY continued

### Engineering

The ancient Georgian alphabet has long faced a challenge that disappeared many years ago from the English-speaking world, namely a lack of sophisticated fonts that work across IT platforms. In the information age, this has been an issue for Georgian businesses.

TBC Bank decided to try to tackle this problem by devising the #Writeingeorgian project. As part of this, we recruited both Georgian and foreign designers for a new role, font engineer.

One related initiative in 2016 was the "Georgian A" competition to design Georgian fonts for use in IT. There were 12 winners, whose fonts have been digitised and will soon be available to the public.

### Translation database

In 2016, we developed a project to create a Georgian-English parallel translation database on the Microsoft platform. The aim is to carry out sentence-by-sentence translation of various texts for integration with Microsoft's machine-learning API. The ultimate goal is that the API will carry on its own learning of language forms so that it can eventually correctly translate any sentence between Georgian and English. In addition, Bing translation will be directly integrated within Microsoft applications like Office, Skype and Windows.

### Mountain resorts

TBC Bank provides ongoing support to develop mountain resorts in Georgia. This is in line with our strategy to promote a healthy lifestyle among young generations and underscores our commitment to support businesses and economic development in the country. Developing the mountain resorts has a direct, two-fold effect on the economy, as it helps local businesses to prosper and encourages tourism.

### Art and culture

TBC Bank has traditionally supported Georgia's arts through long-term, high-impact undertakings. We remain the partners of Georgian ballet, supporting the development of this exquisite art form and promoting local talent to international audiences.

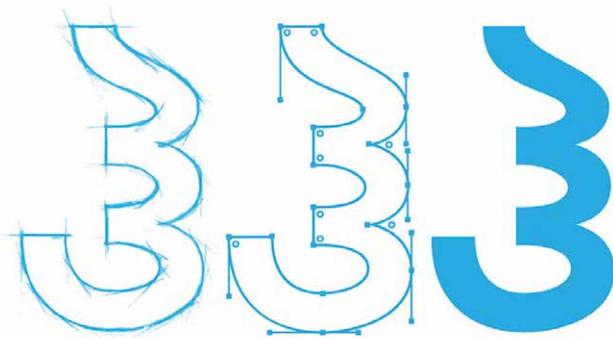
Another project is Artarea, which was the country's first online TV channel dedicated specifically to art and culture. Offering online lectures, exhibitions, concerts and other programmes, it is gaining popularity and is already watched in ten countries.

We also continue to support Georgian artists by showcasing their work in our TBC Bank galleries in three main cities: Tbilisi, Batumi and Kutaisi. The aim is to raise awareness and promote Georgian art. In 2016 we organised over 80 exhibitions.

### Literature

TBC Bank continues to support the Saba literary prize, one of the most respected and anticipated literary events in Georgia. Since founding the programme in 2003, we have awarded 128 prizes in different categories totalling around GEL500,000. The satellite project is the SABA online platform ([www.saba.com.ge](http://www.saba.com.ge)). It has been gaining popularity among the local and expatriate communities, with more than 4,000 e-books and audio books.

In 2016, we started a new project, "City-Library", as part of which we have scattered over 300 free e-books in public places around the city, such as parks, green spots and bus stops. Anyone interested can download them to smartphones and tablets using QR readers and read popular literature using the Saba Reader mobile application.



#წერეჯართულად



# CORPORATE SOCIAL RESPONSIBILITY continued

## Environment

TBC Bank understands that even organisations operating outside the industrial sectors, such as financial institutions, have an impact on the environment, and we take our responsibility to take care of the surrounding environment seriously. We strive to minimise our environmental footprint from the most senior levels of management to the lowest level of the organisation. We understand that this stems from both our own direct activities and indirectly through projects that we choose to finance. Our responsibility includes managing the environmental and social risks associated with our operations to reduce our environmental impact.

The Bank has adopted the Environmental and Social Risk Management Policy to ensure compliance with local environmental legislation and applicable international guidelines. It outlines our liabilities in terms of impact on both the environment and communities. We apply it to our lending practices with customers and to our other banking activities.

We believe that we can foster an efficient management culture by complying with environmental, health and safety, and labour regulations, as well as by engaging in sustainable practices in these fields.

## Waste management and energy conservation

We believe that our most visible environmental impact can be seen in the waste generated directly by our activities, such as used paper, printer cartridges, fluorescent lamps, etc. For increased accountability, we measured the waste generated in 2016 and designed a waste management programme to minimise our environmental impact with the guidance and approval of the Ministry of Environment and Natural Resources Protection of Georgia.

We shred non-hazardous waste paper from our office activities and exchange it with a recycling facility in return for books that we donate to orphanages, vulnerable families and libraries in remote villages in Georgia's many mountainous regions. Hazardous office waste includes printer cartridges, for which we use a service that supplies new cartridges and recycles the used ones to minimise our impact.

To reduce our environmental footprint, lower our energy costs and further cut our hazardous waste production, we also eliminated fluorescent lights throughout our offices and replaced them with more energy-efficient LED lighting. We recycled the old fluorescent bulbs and installed motion-sensitive light switches in areas where constant lighting is not necessary.

We are already seeing positive results from these energy efficiency initiatives, as electricity costs dropped significantly YoY in the beginning of 2017. We plan to expand our waste management programme by installing a waste separation system.

## Greenhouse gas emissions

As one of the largest financial institutions in Georgia and a constituent of the LSE's premium segment, TBC Bank has a commitment to disclose its greenhouse gas (GHG) emissions; specifically, to calculate and report GHG emissions from the usage of fuel and electricity for its direct operations. To this end, we commissioned the Energy Efficiency Centre Georgia to prepare a report on GHG emissions from activities for which TBC Bank is responsible. This report allowed us to obtain a more complete picture of our direct impact in 2016, including by calculating GHG emissions from TBC Bank's business activities in tonnes of carbon dioxide (CO<sub>2</sub>) equivalent, based on the GHG protocol's concept of "scopes" (Scopes 1, 2 and 3).

## Total CO<sub>2</sub>e emissions data for the FY 2016

	Tonnes
Scope 1*	1,804
Scope 2	1,147
Scope 3	268
Total emissions	3,219
Total emissions per full time employee	0.52

\* Scope 1 – 1,209 CO<sub>2</sub>e emissions in tonnes (from combustion of fuel (NG) from owned operation and facilities of TBC Bank);  
533 CO<sub>2</sub>e emissions in tonnes (from owned vehicles of TBC Bank);  
63 CO<sub>2</sub>e emissions in tonnes (from owned generators of TBC Bank).

## Calculation methodology

This report, which has been prepared by the Energy Efficiency Centre Georgia (EECG), describes all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (Scope 1 and 2) and additionally the emissions under Scope 3 that are applicable to our business. In preparing the emissions data, the World Resources Institute (WRI) "Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition)", emissions factors from the UK government's Greenhouse Gas Conversion Factors for Company Reporting 2016 and national Provider, Intergovernmental Panel on Climate Change (IPCC) emission factors for electricity (tCO<sub>2</sub>\*/MWh) were used. The required data was collected and the report developed for the boundaries of TBC Bank's main banking activities, which includes all service offices and/or retail branches where it has operational control, as follows:

**Scope 1** (combustion of fuel and operation of facilities) includes emissions from combustion of natural gas, diesel and/or petrol in equipment at owned and controlled sites. It also includes combustion of, among others, petrol, diesel fuel and natural gas in owned transportation devices.

**Scope 2** (purchased electricity for own use, i.e. lighting, office appliances, cooling, etc) includes emissions from used electricity at owned and controlled sites. To calculate the emissions, the conversion factor for Non-OECD Europe and Eurasia (average) conversion from the UK Government's Greenhouse Gas Conversion Factors for Company Reporting 2016 and national IPCC emission factors for electricity (tCO<sub>2</sub>\*/MWh) have been used.

**Scope 3** includes emissions from air business travels (short haul, medium haul, long haul and international haul).

