

TEGETA

HOLDING

Green Bond Framework
17.03.2023

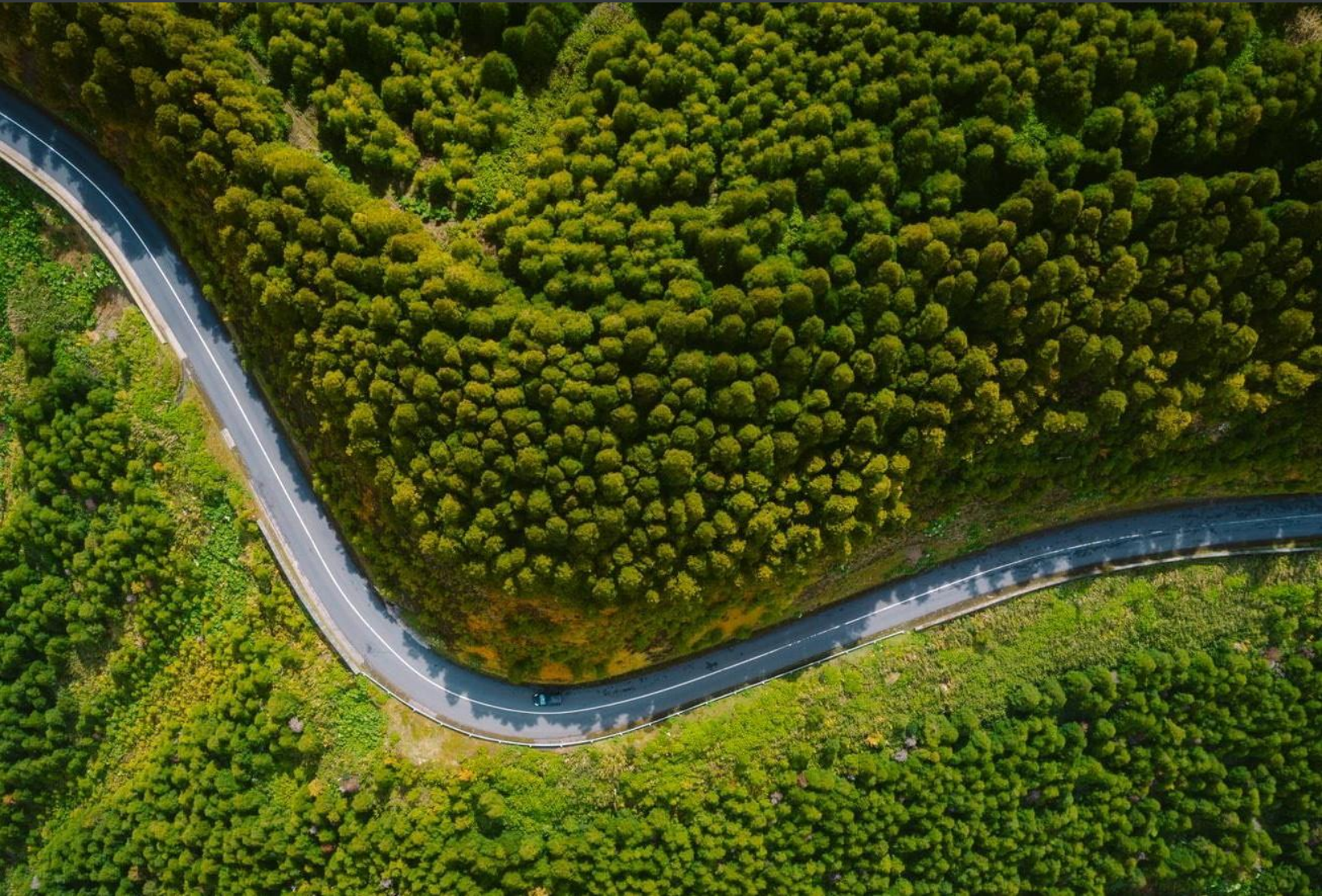


Table of Contents

Tegeta Motors Green Bond Framework	3
About Tegeta Motors	3
Tegeta Motors Vision and Approach to ESG	4
Basis of the Tegeta Motors Green Bond Framework	6
Use of Proceeds	6
Process for Project Evaluation and Selection.....	8
Management of Proceeds.....	8
Reporting	8
Allocation of Proceeds	8
Impact report.....	8

Tegeta Motors Green Bond Framework

Tegeta Motors intends to issue the Green Bond, which will be the Company's third placement of debt securities. Total amount of placement is up to GEL 20 million that will be solely used to finance purchase of green vehicles for future realization across the market. Tegeta Motors has developed this Green Bond Framework specifically to issue Tegeta Motors Green Bonds which are expected to support their development plans while committing to support country's environment by facilitating light and heavy (road and non-road) electric vehicle fleet with Electric Vehicle charging stations.

About Tegeta Motors

Tegeta Motors LLC is the leader representative of automobile industry in Georgian Market, established in Georgia with over 28 years of experience.

The company provides full range of sale and after-sale services and products to individuals and corporate clients for vehicle and equipment maintenance. Geographical expansion in Y2021 enabled the company to introduce its services and consumer goods to regions – South Caucasus - in Azerbaijan and Armenia and Central Asia in Uzbekistan. Today the Company provides most of its services and exclusive products to its international branches. Tegeta Motors unites 30 branches having well-diversified geographical diversification with its urban (53%) and rural (47%) locations in all big and mid-sized cities and strategic positions around the country – Tbilisi, Kutaisi, Batumi, Poti, Zugdidi, Gori, Akhaltsikhe and Telavi. Together with vehicle and equipment related services Tegeta Motors provides readily available light vehicles, heavy vehicles, special equipment for purchase within exclusivity agreements, distribution and dealership cooperations granted by internationally famous partners like – Toyota, Porsche, Volvo, Bridgestone, MAN, JCB, Mazda, e.t.c.

Tegeta Motors is one of the largest companies in the country based on the number of employees and income generated. The Company unites more than 25 subsidiaries with more than 2 500 employees. 62% out of total labor are front-line employees. As stated by Forbes Georgia - Tegeta Motors Holding holds 4th place with its GEL 660 million total revenue from Non-Banking top 150 companies that totaled revenue of GEL 28 billion in Georgia in FY2020.

Tegeta Motors Vision and Approach to ESG

Tegeta Motors plans to carry out further efforts contribute to the decarbonization of the automotive and transport sectors, while reducing environmental impact of its own and related party day-to-day operations. Furthermore, the company plans to increase Georgia's green vehicle fleet with approximately 1,500 new fully electric, light, heavy road and heavy non-road vehicle model sales in Y2022, Y2023 and Y2024 that has been identified as core direction for vehicles' business development of Tegeta Motors. The company is determined to extend EV charging stations network with – additional stations in Y2022, Y2023 and Y2024.

The company's target is aligned with the 2015 Paris Agreement and the new EU milestones released on July 14th, 2021 for Y2030 including:

- 55% reduction of emissions from cars by 2030
- 50% reduction of emissions from vans by 2030
- 0 emissions from new cars by 2035

The three pillars of decarbonization — electrification, decarbonization of electricity and energy efficiency — intertwine and support each other, It is expected that EVs will account for 32 % of the total market share for new car sales worldwide and in Europe alone 40% of new car sales by Y2030, thus 23 million electric cars are targeted to be sold globally by Y2030. In addition, the Government of Georgia introduced Georgia's 2030 Climate Change Strategy and Action Plan, which identifies the path to reach Georgia's 2030 GHG (greenhouse gas) emissions reduction targets for climate change mitigation, as set in Georgia's Updated NDC - Nationally Determined Contribution to the Paris Agreement of the UNFCCC United Nations Framework Convention on Climate Change.

It is estimated that 80% of local air pollution in Tbilisi, Georgia's capital, is attributable to road transport. High-level emissions intensity in Georgia is caused by an aging car fleet primarily consisting of second-hand models. As of 2021, over 83% of car fleet registered in Georgia were over 10 years old. Gasoline accounts for 41% of energy demand, diesel supplies 18%, 6% is hybrid and 1% is electric. Out of all private light-duty vehicles 31% is concentrated in Tbilisi. The share of electric vehicles on market is still negligible but the number of low emissions vehicles is on the rise, mainly on account of increased supply of hybrid and electric vehicles.

To implement the vision from the NDC the goal is to reduce the GHG emissions in the transport sector by 15% below the reference scenario projection by Y2030 resulting in zero or low emission.

To give access and encourage the society on energy efficient decisions, develop and deliver Sustainable ecosystem the company is oriented on increasing electric vehicles sales share in upcoming years and reach -- % by Y2023 to ensure increase in the electric and hybrid vehicles, as well as improvement of the infrastructure for electric vehicles and the gradual replacement of the existing fleet.

Tegeta Motors concentrates on importing and selling not only electric light vehicles, but also electric heavy vehicles. Tegeta categorizes heavy vehicles as Road and Non-road machineries. In the category of - Road vehicles- Tegeta includes motor vehicles designed solely or principally for use in transport

on public roads. Electric Buses are also included in the Road Category. Focusing on busses with efficient and high- quality driveline components underlines the company's supportive strategy in the context of environmental friendly city-mobility activities.

The Non-road category includes vehicles that are not Motor Vehicle or a vehicle used solely for competition, which shall include, but not be limited to excavators, backhoes, cranes, compressors, generators, bulldozers and similar equipment. The portfolio of Tegeta Motors is diversified and high concentration is made on Electric Forklifts, mini excavators. CO2 emission level for road and Non-road vehicles is 0g/km, which proofs highest decarbonization strategy of the company.

Tegeta Motors pays attention to the usage of natural resources, preservation of nature and emissions through product portfolio along with its environmentally safe operations according to internal procedures. The main goal of the company is to lower pollution levels by managing, separating, sorting, and recycling waste and exhaust. Hazardous materials are preserved in iron barrels, ventilated buildings with special floor panels to prevent leakage in soil. Also, secondary tires are recycled into stud tiles for playground fields and sport-grounds by partner companies. In Y2022 Tegeta Motors LLC established non-entrepreneurial (non-commercial) daughter company "Tegeta Green Planet", which will be operating originally on residual waste recycling under legal framework of Law of Georgia, Waste Management Code. The objective of this Code is to protect the environment and human health.

The Company strives to increase energy efficiency benefiting internal goals and overall environment, which as for today is reinforced by established internal mechanisms. Operational and logistics activities of the company are supported with electric vehicles that have decreased fuel consumption and reduced exhaust fumes.

Paper-usage for document related operations were substituted with digital means, that is attained in front and back office processes, as well as followed by reduced office waste through switch to digital operations, that as an outcome resulted in decreased paper usage while encumbering deforestation issues.

Tegeta Motors satisfies Environmental Management System requirements that is affirmed by certificate ISO 14001:2015 furnished in Y2021. Since Y2019 Toyota Center Tegeta LLC, subsidiary of Tegeta Motors, joined global initiative, "EcoChallenge 2050" promoting sales of alternate combustion engine vehicles to push customers toward electric and hybrid vehicles.

Tegeta Motors has made its strategic objective to actively commit to CSR activities while supporting women empowerment and vulnerable population with providing teaching, financing and employment opportunities through its subsidiary companies. In 2021 Tegeta Motors launched long-term social campaign Tegeta. Care, reaching more than 600 beneficiaries.

The Company made a priority to commit to sustainable and efficient solutions by providing clean, quiet and safe transportation, which will be achieved by the funds allocated by Green Bond Issuance.

Basis of the Tegeta Motors Green Bond Framework

Following Green Bond Framework is aligned with ICMA GBP and LMA GLP providing four core component guidelines:

- Use of proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

Components were collaborated with Alignment of the framework to the Green Bond Principles and Tegeta Motors sustainability strategy.

Use of Proceeds

The funds generated from the Green Bond Issuance will be initially directed to finance or refinance eligible green projects from different brands representing light and heavy road and non-road EVs that meet Eligibility criteria and sustainable development goals below:

Use of Proceeds	CO2 Emission (g/km)	Initial Investment
Light Vehicles	0	61
Road Vehicles (including Buses)	0	12
Non-Road Vehicles	0	31
EV Chargers	0	70

Tegeta separates vehicles into three categories: **Light, Road and Non-road Vehicles:**

- **Light vehicles:** All chosen Light Vehicles' fuel type is Electric with 0 CO2 Emission level. Additionally, most concentration is on low-budgeted EVs.
- **Road vehicles:** Tegeta incorporates motor vehicles designed solely or principally for use in transport on public roads, including buses. Tegeta is actively involved in different project to improve city-mobility. Working on municipal projects, Tegeta takes into consideration environmental support and provides municipal transports with 0 g/km CO2 emission level.
- **Non-Road vehicles:** Tegeta incorporates vehicles that are not Motor Vehicle or a vehicle used solely for competition, which shall include, but not be limited to, excavators, backhoes, cranes, compressors, generators, bulldozers and similar equipment. Tegeta mostly concentrates on Electric Forklifts, mini excavators, where CO2 emission level is 0 Including, but not limited to, heavy EVs of JCB, Heli, Clark underlines the readiness of Tegeta to use Environmental friendly vehicles in daily activities.

Due to framework Tegeta also focuses on development of Electric charger stations to maintain positive impact on Environment. Concentrating on light and heavy EVs increases demand on EV chargers that proofs Tegeta's vision to implement environmental friendly activities.

Tegeta will reinvest in light and heavy electric vehicles and EV charger inventory throughout the life of ADB's Green Bond.

Project related to sale of environmentally safe vehicles

ICMA GBP - Clean transportation (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)



UN SDG -

13. Climate action

The project promotes mechanisms for raising capacity for effective climate change-related planning and management activities. Also, Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation and impact reduction.

11. Sustainable cities and communities

Project related to building up inventory on all-electric light and heavy vehicles from various international brands and suppliers The CO2 emissions for qualifying use proceeds of the bond is set out on [page x]. Introduction of fully electric vehicles promotes the country's economic development and makes urban areas more livable through sustainable and efficient transportation.

Target population - Drivers, Passengers, General public

Project related to establishing dedicated charging station ecosystem

ICMA GBP - Clean transportation (such as electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)



UN SDG -

9. Industry innovation and infrastructure

The project promotes reliable, sustainable and resilient infrastructure with a focus on affordable and equitable access for all vehicle users – Tegeta will be deploying additional 70 charging points (100 currently in the country). The project will deploy sustainable infrastructure for the use of EVs and ensure affordable and equitable access for all users.

11. Sustainable cities and communities

Project related to financing and establishing charging stations around countries strategic locations ensuring ease of electric vehicle ownership and creating affordable EV ecosystem with adequate charging infrastructure.

Target population - Drivers, Passengers, General public.

Process for Project Evaluation and Selection

Tegeta Motors has established internal Green View committee for selecting, evaluating and monitoring eligible Green projects comprising of following relevant departments and bodies:

- Strategic Planning and Analysis
- Investor Relations
- Administration
- Security
- Human Resources
- Car Sales

Green View Committee considers compliance of proposed projects for eligibility throughout the maturity of the Green Bonds, ensuring the product portfolio alignment with categories specified in use of proceeds, confirming the framework content, Monitoring funds allocation.

Management of Proceeds

The net proceeds of the Green Bond will be managed and allocated from the issuance to above stated eligible projects. Related divisions will periodically and upon necessity monitor allocation of the amounts. Tegeta Motors strives to achieve effective allocation by financing and refinancing proceeds. In case of pending allocations the company will invest available free cash in cash and its equivalents temporarily until purposes, to ensure that tranches will be directed to Green Bond Projects.

Reporting

Until full allocation of the Green Bond issuance Tegeta Motors will report on annual basis on allocation and Impact Reporting.

Allocation of Proceeds - present percentage and balance of allocated and unallocated investments

Impact report –provide metrics regarding eligible projects environmental impact with performance indicators:

- Annual amount of greenhouse gas emissions savings from use of electric vehicles
- Annual number of vehicle users using the electric charging network increased
- Increase of Total inventory of electric vehicles
- Increase of Total number charging points for electric vehicles.

