

Order № 93/04

Of the Governor of the National Bank of Georgia

3 August, 2022

Tbilisi

On Approval of Regulation on Loan Classification and Reporting according to the Sustainable Finance Taxonomy

Pursuant to Article 15 (1)(g), Article 3 (2), Article 47, Article 48 (1) and (3) of the Organic Law of Georgia on the National Bank of Georgia, and Article 29 (1) of the Law of Georgia on the Activities of Commercial Banks, I hereby order:

Article 1. To approve the Regulation on Loan Classification and Reporting according to the Sustainable Finance Taxonomy along with the attached appendices.

Article 2. The order shall enter into force from January first, 2023.

Governor of National Bank of Georgia

K. Gvenetadze

Regulation on Loan Classification and Reporting according to the Sustainable Finance Taxonomy

Article 1. General Provisions

1. The purpose of the “Regulation on Loan Classification and Reporting according to the Sustainable Finance Taxonomy” (hereinafter - the Regulation) is to develop a loan classification system for commercial banks based on the sustainable finance taxonomy.
2. The purpose of sustainable finance taxonomy is to develop a classification system that will identify economic activities that serve environmental, social and/or sustainable development goals and support the development of sustainable finance in Georgia.
3. This Regulation applies to commercial banks, branches of foreign banks, and subsidiaries of foreign banks operating in Georgia (hereinafter - the Commercial bank).
4. In case of violation of the requirements set by this Regulation, the National Bank of Georgia (hereinafter - the National Bank) is authorized to apply the supervisory measures or/and sanctions (fines) established by the Law.

Article 2. Definition of Terms

The terms used in this Regulation have the following meanings:

- a) “green taxonomy” - a classification system that establishes a list of economic activities with positive environmental effects by defining corresponding technical criteria;
- b) “social taxonomy” - a classification system that establishes a list of economic activities with positive social impact;
- c) “loan” - as defined by the Article 2 (1) of the Decree of the Governor of the National Bank of Georgia №117/04 August 10, 2017 on “Assets Classification and the Creation and Use of Reserves for Losses by Commercial Banks”;
- d) “green loan” - a loan, which is exclusively used to finance economic activities listed in the green taxonomy;
- e) “social loan” - a loan, which is exclusively used to finance economic activities listed in the social taxonomy;
- f) “sustainable loan” - a loan, which is exclusively used to finance economic activities that simultaneously meet the requirements of green and social taxonomies.

Article 3. Sustainable Finance Taxonomy

1. Sustainable finance taxonomy is composed of green and social taxonomies.

2. Green taxonomy is defined by Appendix 1 of this Regulation, while the social taxonomy is defined by Appendix 2 of this Regulation.

Article 4. Rights and Obligations of the Commercial Banks

1. Commercial banks are obliged to:
 - a) assign the loan to a green loan category only in accordance with Article 2 (d) of this Regulation;
 - b) classify as green, social, or sustainable only that part of the loan that meets the requirements of the corresponding category;
 - c) submit to the National Bank monthly report on green loans, within 20 calendar days following the end of the month, in accordance with the Green Loan Monthly Reporting Form defined by Appendix 3 of this Regulation;
 - d) follow this Regulation when defining green loans in Environmental, Social, and Governance Reporting and Disclosure Form under Pillar 3 Annual Reporting;
2. Commercial banks have a right to define social and sustainable loans in Environmental, Social, and Governance Reporting and Disclosure Form under Pillar 3 Annual Reporting. In this case, obligations set by this rule will apply to them.
3. A Commercial bank has a right to classify a loan as social and sustainable in accordance with Article 2 (e) and (f) of this Regulation.
4. A commercial bank shall not use the terms - green, social, sustainable loan if the loan does not meet the requirements set by this Regulation.

Article 5. Transitional Provisions

1. Article 4 (1)(d) and (2) of this Regulation to enter into force from January first, 2024.

Appendix 1 - Green Taxonomy

Appendix 2 - Social Taxonomy

Appendix 3 - Green Loan Monthly Reporting Form