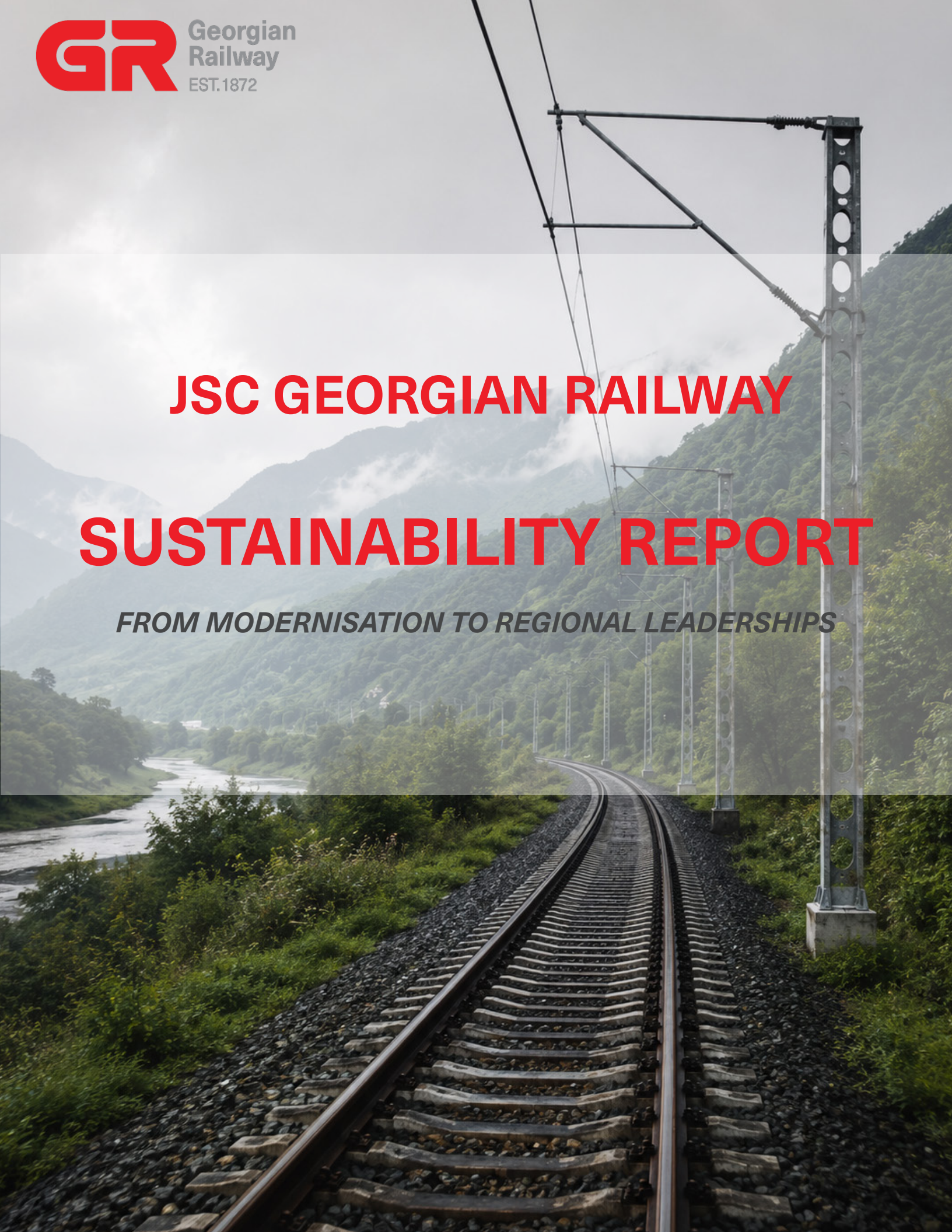
Georgian Railway
EST.1872

JSC GEORGIAN RAILWAY

SUSTAINABILITY REPORT

FROM MODERNISATION TO REGIONAL LEADERSHIPS



MESSAGE FROM THE GENERAL DIRECTOR

A HISTORIC MILESTONE IN GEORGIAN TRANSIT



At Georgian Railway, we believe that long-term success depends on developing a reliable and competitive railway while acting responsibly towards the environment, our employees and the communities connected to our operations. Financial resilience, operational performance and sustainability are closely interconnected and essential to the Company's continued development.

We consider sustainability an integral part of this approach. Our highly electrified railway network provides a strong foundation for lower-emission transport and supports the development of more sustainable regional logistics. During the year, we strengthened our greenhouse gas accounting processes, laying the groundwork for more systematic assessment of our direct emissions and better-informed environmental decisions.

Our environmental responsibilities extend beyond climate change. Pollution prevention, waste management, responsible resource use and infrastructure resilience to climate-related risks remain important considerations in our operations and investment decisions. The continued renewal of our locomotive fleet is also an important direction in improving operational performance and supporting the transition towards more energy-efficient rail transport. Progress in these areas requires reliable information, consistent implementation and continuous improvement.

Our people remain central to the Company's success. We are committed to safe working conditions, professional development, fair employment practices and social protection. We also recognise our responsibilities towards passengers, freight customers, suppliers, contractors and local communities. By maintaining safety standards, responding to concerns and considering the environmental and social impacts of our activities, we aim to build trust and contribute to the well-being of those connected to Georgian Railway.

Responsible governance underpins these commitments. We continue to develop our risk management practices, internal controls and approach to ethical business conduct. By developing our sustainability reporting with reference to the European Sustainability Reporting Standards, we aim to strengthen transparency and accountability, assess our impacts, risks and opportunities more systematically and identify areas requiring further progress.

As a key part of Georgia's transport infrastructure, Georgian Railway plays an important role in strengthening regional connectivity and supporting the development of the Middle Corridor. Our contribution depends not only on infrastructure and transport capacity, but also on reliable operations, responsible investment, strong partnerships and the ability to respond to evolving environmental and social expectations.

This Sustainability Report reflects both the progress we have made and the responsibilities that remain ahead. We view it as an opportunity to assess our performance, strengthen accountability and guide our future priorities.

I would like to thank our employees for their dedication and our partners for their continued cooperation and trust. Together, we will continue working towards a financially resilient, operationally reliable and environmentally and socially responsible Georgian Railway, contributing to Georgia's economic development and stronger regional connections.

SINCERELY,

LASHA ABASHIDZE

GENERAL DIRECTOR JSC GEORGIAN RAILWAY

TABLE OF CONTENTS

ESRS 2 - GENERAL DISCLOSURE 5

ESRS E1 - CLIMATE CHANGE 21

ESRS E2 - POLLUTIONS 36

ESRS E5 - RESOURCE USE AND CIRCULAR ECONOMY 42

ESRS S1 - OWN WORKFORCE 49

ESRS S2 - WORKERS IN THE VALUE CHAIN 68

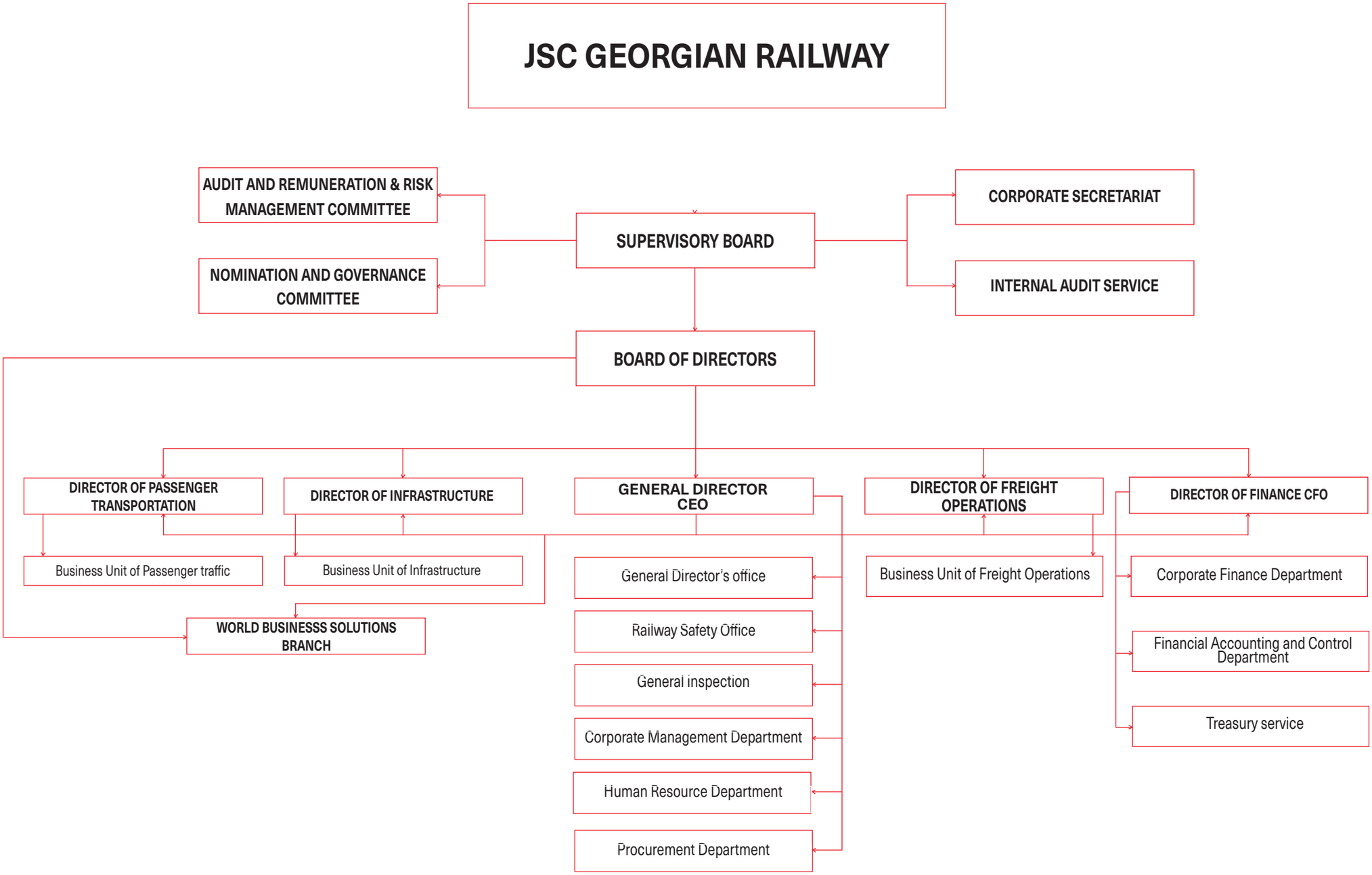
ESRS S3 - AFFECTED COMMUNITIES 77

ESRS S4 - CONSUMERS AND END-USERS 84

ESRS G1 - BUSINESS CONDUCT 93

APPENDIX 101

OUR ORGANIZATIONAL STRUCTURE



ESRS 2

GENERAL DISCLOSURES

BP-1 — GENERAL BASIS FOR PREPARATION OF THE SUSTAINABILITY STATEMENT 6

GOV-1 — THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES 7

GOV-4 — STATEMENT ON DUE DILIGENCE 14

GOV-5 — RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING 14

SBM-1 — STRATEGY, BUSINESS MODEL AND VALUE CHAIN 15

SBM-2 — INTERESTS AND VIEWS OF STAKEHOLDERS 16

SBM-3 — INTERACTION OF MATERIAL IMPACTS, RISKS AND OPPORTUNITIES WITH STRATEGY AND BUSINESS MODEL, AND FINANCIAL EFFECTS 18

IRO-1 — DESCRIPTION OF THE PROCESS TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES 19

IRO-2 — MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND DISCLOSURE REQUIREMENTS INCLUDED IN THE SUSTAINABILITY STATEMENT 20

ESRS 2 - GENERAL DISCLOSURES

BP-1 — GENERAL BASIS FOR PREPARATION OF THE SUSTAINABILITY STATEMENT

This is JSC Georgian Railway's first sustainability statement prepared with reference to the European Sustainability Reporting Standards (ESRS). It is voluntary and non-audited, and does not form part of the audited consolidated financial statements. The statement establishes a baseline for the further development of the Company's sustainability reporting.

The statement is prepared on a consolidated basis, covering JSC Georgian Railway and its subsidiaries: GR Property Management LLC, GR Logistics and Terminals LLC, Georgian Railway Construction JSC, GR Transit LLC, GR Transit Line LLC, GR Trans-Shipment LLC and Borjomi-Bakuriani Railway LLC, held indirectly through GR Property Management LLC. This scope is consistent with that of the audited consolidated financial statements.

The statement addresses value chain actors through dedicated chapters: contractors' workers on major infrastructure projects (S2), communities along the railway network (S3), and passengers and freight customers (S4), with supplier relationships described in G1-2. Quantitative metrics are reported for the Group's own operations.

The statement also supports GR's alignment with the transparency, accountability and public disclosure expectations set out in the Corporate Governance Code for State-Owned Enterprises (Government Decree No. 1618, 2021), reflecting GR's role as a state-owned enterprise. This first ESRS-referenced sustainability statement represents an early step towards meeting these broader transparency and accountability expectations and identifying priorities for future reporting cycles.

This statement includes forward-looking information concerning GR's strategic plans, targets and ambitions, including the locomotive fleet renewal programme *(see E1-1. Climate Transition Plan and E1-3 Actions)*, the planned railway line connecting to the future Anaklia Deep Sea Port, and GR's climate and workforce targets. Such statements reflect management's current expectations and are not guarantees of future performance. Actual outcomes may differ due to factors beyond GR's control, including the availability and terms of financing, government and regulatory decisions, Middle Corridor traffic volumes, the progress of third-party projects, and broader economic and political conditions.

Calculation methods and key assumptions are described alongside the relevant metrics in each chapter. In preparing this statement, the Company also drew on the GHG Protocol, the EEA/EMEP Air Pollutant Emission Inventory Guidebook and its Green Bond Framework.

Unless stated otherwise, the metrics in this statement cover GR and its consolidated subsidiaries, as described above.

GOV-1 — THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

This chapter covers information regarding the roles of the administrative, management and supervisory bodies (GOV-1), as well as information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies (Gov-2).

GOVERNANCE STRUCTURE AND COMPOSITION

Georgian Railway, as a state-owned enterprise, operates within the national legal and corporate governance framework applicable to SOEs, including the Corporate Governance Code for State-Owned Enterprises adopted by the Government of Georgia under Decree N1618 in 2021 and the Company's own Charter. The Code establishes principles and requirements relating to transparency, accountability, board responsibilities, independence, internal controls, risk management, board committees and public disclosure, while the Company's Charter further defines the powers and responsibilities of its governing bodies. At the end of 2024, a new Charter was approved by the General Meeting of Shareholders, introducing structural and procedural amendments to align the Company's governance framework with the new Law on Entrepreneurs and the Corporate Governance Code.

GR's governance structure comprises the General Meeting of Shareholders (GMS), the Supervisory Board and the Board of Directors (Management Board). The General Meeting of Shareholders is the Company's highest governing body. As Georgian Railway is 100% state-owned, shareholder authority is exercised by the State through the relevant state ownership entities, with the LEPL National Agency of State Property and the Ministry of Finance of Georgia represented in the GMS, the latter entrusted with the management of 50% of the Company's shares. The GMS is responsible for appointing Supervisory Board members, approving annual reports and Charter amendments, approving major asset transactions and investments and electing the Company's auditors.

The Supervisory Board is responsible for strategic oversight, supervision of the Board of Directors and monitoring compliance with the Company's strategic objectives, governance framework and applicable requirements. In 2025, the Supervisory Board held 12 meetings, exceeding the required minimum of four meetings per year. As of December 31, 2025, the Supervisory Board consisted of five members. One member of the Supervisory Board is female, representing 20% of its membership. Members of the Supervisory Board bring professional experience in law, engineering, and finance and banking. Members are elected for a three-year term, with a maximum of two consecutive terms. If members are not reappointed or recalled following the expiration of their term, their authority continues until they are replaced or recalled by the GMS. Decisions are generally made by simple majority vote, with the Chairman holding the casting vote in the event of a tie. Responsibility for individual sustainability-related matters is allocated to the relevant business functions and is monitored through the Company's existing management and reporting arrangements. However, overall sustainability oversight has not yet been formally assigned to a single governing body or committee. The Company is considering how to formalise this responsibility within its governance framework.

The Board of Directors (Management Board) is GR's executive body, responsible for the Company's day-to-day management and implementation of decisions of the GMS and Supervisory Board. As of December 31, 2025, it consisted of five members with clearly defined functional responsibilities. The Board translates strategic priorities into operational activities, manages business performance and ensures the implementation of Company policies and objectives, with relevant sustainability priorities integrated into the responsibilities of individual directors and their respective business areas.

The Company continuously reviews and updates its governance framework to maintain compliance with applicable legislation and the Corporate Governance Code for State Owned Enterprises and to reflect evolving governance standards and practices. The governance framework is designed to support transparency, effective oversight, sound internal controls and the Company's long-term development as a key component of Georgia's national transport infrastructure.

OVERVIEW OF THE COMPANY'S GOVERNING BODIES

Georgian Railway's governance structure comprises three key bodies: the General Meeting of Shareholders (GMS), the Supervisory Board and the Board of Directors (Management Board). Their respective roles and responsibilities are defined by the Law of Georgia on Entrepreneurs, the Corporate Governance Code for State-Owned Enterprises and the Company's Charter.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the Company's highest governing body. Georgian Railway is wholly owned by the State of Georgia, represented by the LEPL National Agency of State Property, while the Ministry of Finance of Georgia has been entrusted with the management rights of 50% of the Company's shares. The GMS is convened at least annually and may also be called extraordinarily in accordance with the Company's Charter and applicable legislation.

The GMS is responsible for key shareholder decisions, including the appointment, dismissal and remuneration of Supervisory Board members, approval of annual and financial reports, profit distribution, amendments to the Charter, appointment or dismissal of the auditor, changes to the Company's capital structure, reorganization, dissolution and liquidation, and other matters reserved for shareholder approval under Georgian law and the Charter. Decisions are generally adopted by majority vote, while certain matters require a higher quorum or majority as prescribed by law or the Charter.

SUPERVISORY BOARD

The Supervisory Board oversees the Company's management and provides strategic direction and oversight of the Board of Directors. It monitors the implementation of the Company's strategy, financial and operational performance, risk management and compliance with applicable governance requirements. The Supervisory Board also establishes and oversees board-level committees supporting its work, including the Audit and Remuneration and Risk Management Committee and the Nomination and Governance Committee.

BOARD OF DIRECTORS (MANAGEMENT BOARD)

The Board of Directors is the Company's executive body, responsible for day-to-day management and implementation of decisions of the GMS and Supervisory Board. It oversees the Company's operational and financial performance and implements its strategic priorities and policies. The responsibilities of individual directors are allocated by functional area, ensuring clear accountability for the Company's principal business activities.

STATE SHAREHOLDER RESOLUTION ON BOARD RESTRUCTURING

In 2025, the state shareholders formalized changes to the Supervisory Board following the departure of Vasil Vashakidze and Davit Samkharashvili, with the latter subsequently appointed to lead the Freight Branch. Tamar Ioseliani was appointed to the Supervisory Board as part of the transition, supporting continuity and professional renewal within the governing body. The changes also contributed to the state shareholders' objectives of strengthening corporate governance and advancing gender representation at leadership level.

CORPORATE SECRETARY

The Corporate Secretary supports the effective functioning of Georgian Railway's governance framework by providing organizational, procedural and informational support to the Supervisory Board, Management Board and shareholders. The Corporate Secretary coordinates meetings, maintains corporate records and minutes, facilitates communication between governing bodies and provides guidance on governance procedures and applicable legal requirements. The position reports directly to the Supervisory Board and operates independently from the Management Board, with the Supervisory Board responsible for the appointment and employment terms of the Corporate Secretary.

SUPERVISORY BOARD



KONSTANTINE GUNTSADZE CHAIRMEN OF SUPERVISORY BOARD

Mr. Guntsadze has 24 years of professional experience, including over 15 years with Georgian Railway, and has served as Chairman of the Supervisory Board since 2012. He holds a Doctoral degree in Philosophy from Ivane Javakhishvili Tbilisi State University and served as a Member of the Parliament of Georgia from 2004 to 2008, where he was a member of the Legal Issues Committee. During his tenure at Georgian Railway, he has contributed to the Company's infrastructure modernization, expansion of freight forwarding services and strengthening of its position in regional and transcontinental transportation, as well as the development of corporate governance in line with international standards.



GIORGI MUSKHELISHVILI

Mr. Muskhelishvili holds a degree in Civil Engineering from the Georgian Technical University and has extensive experience in public administration and management. He served as a member of the Tbilisi City Council from 2014 to 2021, holding leadership positions within his faction and serving as a majoritarian member of the Vake district, as well as participating in the Sports and Youth Affairs and Health and Social Affairs Committees. Since 2021, he has served as an Advisor to the Director of the Georgian Oil and Gas Corporation. He has been a member of the Supervisory Board of Georgian Railway since 2022 and serves on the Audit and Remuneration and Risk Management Committee and the Nomination and Governance Committee.



GIORGI KAKAURIDZE

Mr. Kakauridze holds a Bachelor's degree in Finance and Banking from Ivane Javakhishvili Tbilisi State University and an MBA from Gori University. He has extensive experience in public finance and budget management, having served in various positions at the Ministry of Finance since 2005, including Head of the Budget Department and Deputy Minister of Finance. Since 2021, he has served as First Deputy Minister of Finance and Parliamentary Secretary. His professional experience in fiscal policy, budgeting and public finance contributes to his role in the governance and oversight of Georgian Railway.



AKAKI SAGHIRASHVILI

Mr. Saghirashvili holds Master's degrees in Civil Law from Ivane Javakhishvili Tbilisi State University and Rheinische Friedrich-Wilhelms-Universität Bonn. He has over 15 years of professional experience across the public and private sectors, including extensive experience with Georgian Railway, where he held several management and legal positions. He served as Deputy Minister of Economy and Sustainable Development from 2018 to 2021 and as Deputy Minister of Justice from 2021 to 2022. His professional experience covers transport and infrastructure, public policy, corporate governance and legal affairs, with particular expertise in the development of Georgia's regional transport corridors.



TAMAR IOSELIANI

Ms. Ioseliani holds a Bachelor's degree in Law from the Georgian-American University and has over 15 years of managerial experience in the transport sector. She served as Deputy Director and later Director of the Maritime Transport Agency from 2012 to 2023, where she led initiatives in maritime governance, digitalization and international cooperation. She has also chaired the Supervisory Boards of Anaklia Sea Port and United Airports of Georgia. Since 2025, she has served as Deputy Minister of Economy and Sustainable Development of Georgia and is a member of the Supervisory Board of Georgian Railway.

SUPERVISORY BOARD MEETINGS

Meetings of the Supervisory Board are held at least once per quarter, though additional meetings may be convened upon request by a member of the Supervisory Board or the Board of Directors. Notices of meetings, along with the proposed agenda, must be sent to members at least 8 days in advance. The Supervisory Board makes decisions based on a majority vote and if a vote is tied, the Chairman has the deciding vote. Minutes of each meeting are recorded, signed by the Chairman or Deputy Chairman and include details on the meeting time, members present, discussion summary and decisions made, ensuring proper documentation and accountability.

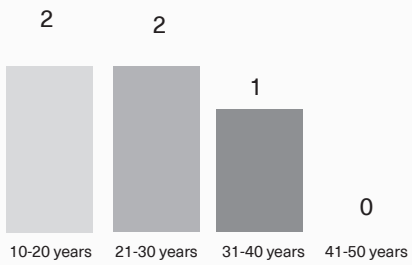
In 2025, 12 meetings were held with full attendance by the Supervisory Board members

SUPERVISORY BOARD AND COMMITTEES

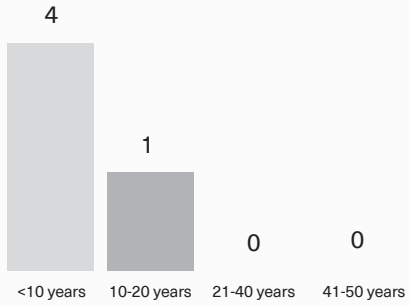
	SUPERVISORY BOARD	AUDIT AND REMUNERATION AND RISK MANAGEMENT COMMITTEE	NOMINATION AND GOVERNANCE COMMITTEE
KONSTANTINE GUNTSADZE	●		
GIORGI MUSKHELISHVILI	●	●	●
GIORGI KAKAURIDZE	●	●	
AKAKI SAGHIRASHVILI	●	●	
TAMAR IOSELIANI	●		

WORKING EXPERIENCE OF SUPERVISORY BOARD MEMBERS

IN THE INDUSTRY

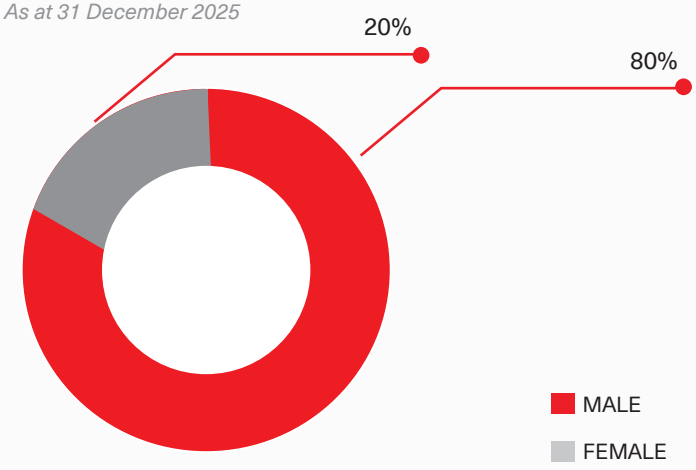


AT JSC GEORGIAN RAILWAY



SUPERVISORY BOARD GENDER SPLIT

As at 31 December 2025



BOARD OF DIRECTORS



LASHA ABASHIDZE CEO

Mr. Abashidze holds an LLM in International Law from Ivane Javakhishvili Tbilisi State University and a Master's degree in Public Administration from the Georgian Institute of Public Affairs. He has extensive experience in the railway sector and public administration, having held several management positions at Georgian Railway and served as Head of the Presidential Administration, Governor of Vake District and Vice Mayor of Tbilisi. He also worked as Head of Internal Audit at the Ministry of Education and Science and as Business Development Director at a financial institution in London. Since May 2025, Mr. Abashidze has served as General Director and Chairman of the Board of Georgian Railway.



IRAKLI TITVINIDZE CFO

Mr. Titvinidze holds a Bachelor's degree in Business Administration from the Caucasus School of Business. He has extensive experience in finance and financial management, having worked at Ernst & Young from 2006 to 2013, providing consulting services to clients in Georgia and abroad. Since 2013, he has served as Chief Financial Officer and a member of the Board of Directors of Georgian Railway, contributing his expertise in financial management, reporting and corporate finance to the Company's operations and strategic development.



DAVIT SAMKHARASHVILI FREIGHT TRANSPORATIONS SBU DIRECTOR*

Mr. Samkharashvili holds a Master's degree in Law from Ivane Javakhishvili Tbilisi State University. He began his career at Georgian Railway in 2006 as a Senior Lawyer and later served as Deputy Director and Head of the Legal Department of the Freight SBU. He also served as Deputy Director and Director of LLC Vagonmshenebeli Company and lectured in law at Caucasus University. Since 2020, he has served as a member of the Supervisory Board of Georgian Railway, contributing his experience in legal affairs, corporate management and the railway sector.



DAVIT BABUNASHVILI INFRASTRUCTURE SBU DIRECTOR

Mr. Babunashvili holds a degree in Motor Vehicle Operations Engineering from the Georgian Polytechnic Institute and a qualification in Foreign Economic Relations from the Georgian Diplomatic Academy. He has extensive experience in the railway sector, having held various management positions at Georgian Railway since 2006, including Head of the Office of the Board of Directors, Head and Deputy Head of the Operations Management Department and Deputy Head of the Corporate Management Department. Since 2024, he has served as Director of the Infrastructure Branch and a Member of the Board of Directors of Georgian Railway. He also previously held various senior positions at the Ministry of Foreign Affairs of Georgia and holds the diplomatic rank of Counselor.



DACHI TSAGURIA PASSENGER TRASNPORTATION SBU DIRECTOR

Mr. Tsaguria holds Bachelor's and Master's degrees in History from Ivane Javakhishvili Tbilisi State University. He has extensive experience in passenger transportation and communications, having held several positions at Georgian Railway, including Head of the Public Relations Department, Head of the Sales and Service Development Department and Deputy Director of Passenger Transportation. Since 2018, he has served as Director of the Passenger Transportation Branch, overseeing the Company's passenger services and related development initiatives.

**Effective January 2026, Mr. Samkharashvili concluded his tenure as Director of the Freight Transportation Strategic Business Unit (SBU). The company is currently focused on identifying a highly qualified successor to ensure a seamless leadership transition and continued operational excellence.*

BOARD OF DIRECTORS

The Board of Directors of Georgian Railway plays a critical role in the Company's day-to-day operations, overseeing a wide range of activities within the authority granted by the Company's Charter. The Board is composed of the General Director and at least three other members, all elected by the Supervisory Board. Each director serves a term of three years, with the possibility of reappointment for one additional term.

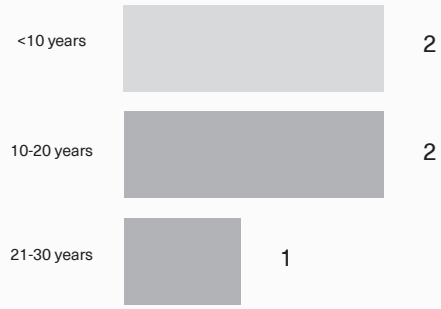
As of 31 December 2025, the Board of Directors consists of five members: the CEO, CFO, Freight Transportation SBU Director, Infrastructure SBU Director and Passenger Transportation SBU Director. These positions are integral in ensuring the effective management and operation of Georgian Railway, particularly in overseeing the different sectors of the Company.

BOARD OF DIRECTORS

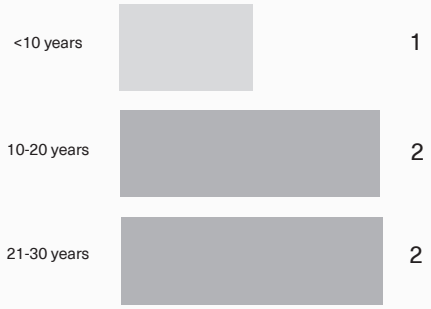
	CEO	CFO	FREIGHT TRANSPORTATION SBU DIRECTOR	PASSENGER TRANSPORTATION SBU DIRECTOR	INFRASTRUCTURE SBU DIRECTOR
LASHA ABASHIDZE	●				
IRAKLI TITVINIDZE		●			
DAVIT SAMKHARASHVILI			●		
DACHI TSAGURIA				●	
DAVIT BABUNASHVILI					●

WORKING EXPERIENCE OF DIRECTORS

AT JSC GEORGIAN RAILWAY

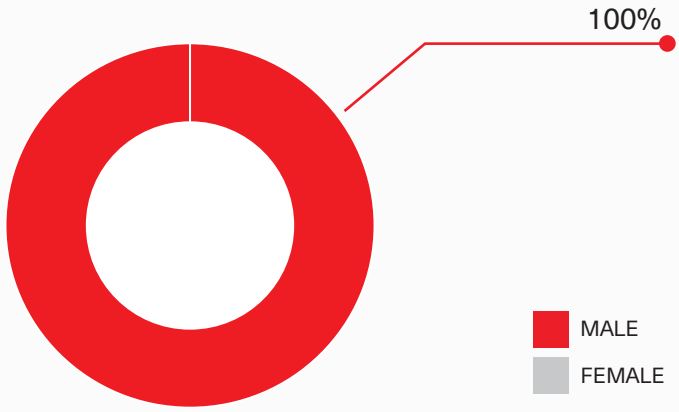


IN THE INDUSTRY



BOARD OF DIRECTORS GENDER SPLIT

As at 31 December 2025



RESPONSIBILITY FOR SUSTAINABILITY MATTERS

The Supervisory Board receives regular updates on Company performance, risks and progress toward strategic objectives and oversees sustainability matters by monitoring performance against the Statement of Corporate Intent (SCI), which sets strategic goals in environmental protection and safety, professional development of employees, risk management and the introduction of best practices in corporate governance. Sustainability-related considerations are integrated into GR's strategic planning through the SCI goals and are considered within its risk management processes.

Each goal has a named responsible owner. For example, waste minimization sits with the Environmental Protection Department, avoided transportation emissions with the Board of Directors, and first-aid/occupational safety training participation with the Occupational Health and Safety Department.

Day-to-day governance administration is managed by the Corporate Governance Department, which reports directly to the General Director.

SUPERVISORY BOARD COMMITTEES

The Company's corporate governance framework includes specialised committees that support the Supervisory Board in overseeing financial reporting, risk management, remuneration and governance matters.

Audit and Remuneration and Risk Management Committee — oversees the integrity and transparency of financial reporting, the effectiveness of internal control systems and internal audit, and the independence and performance of external auditors. The Committee monitors the Company's risk management framework, including the identification, assessment and mitigation of financial, credit, market, operational and cybersecurity. It also reviews audit findings, monitors the implementation of corrective measures and oversees remuneration policies within its mandate, supporting accountability and alignment with the Company's long-term objectives.

Nomination and Governance Committee — oversees the Company's corporate governance framework and promotes transparency, accountability and compliance with applicable governance principles. Its responsibilities include monitoring adherence to the Code of Ethics and relevant internal policies, reviewing the composition and competencies of governing bodies, and overseeing the selection and appointment of their members. The Committee also supports the improvement of governance practices, promotes clear allocation of responsibilities and contributes to the effective functioning of the Supervisory Board and the Board of Directors.

INFORMATION AND EXPERTISE

The Supervisory Board receives regular updates regarding Company performance, risks and progress toward strategic objectives. The Supervisory Board meets regularly, at least quarterly; In 2025 it held 12 meetings — well above the legally required minimum of four meetings per year — with full attendance by all Supervisory Board members at each of the 2025 meetings. Sustainability monitoring is currently conducted through the performance tracking of the SCI.

Per ESRS 2, paragraph 21(c), the following summarizes the relevant skills and expertise of Supervisory Board members relevant to overseeing the Company's operations, strategy and (in time) sustainability matters.

No Supervisory Board member currently has a formally designated sustainability, environmental or climate specialization; competencies are concentrated in law, engineering and finance. The Company recognizes that enhancing board expertise specifically on sustainability is a continuous process.

GOV-4 — STATEMENT ON DUE DILIGENCE

CORE ELEMENT OF DUE DILIGENCE	WHERE IT SITS IN THIS STATEMENT
Embedding due diligence in governance, strategy and business model	GOV-1, SBM-1, SBM-3
Engaging with affected stakeholders	SBM-2
Engaging with affected stakeholders Identifying and assessing negative impacts on people and the environment	IRO-1, SBM-3
Taking action to address negative impacts	Actions sections of the E1, E2, E5, S1, S2, S3, S4 and G1 chapters (E1-3, E2-2, E5-2, S1-4, S2-4, S3-4, S4-4, G1 Actions)
Tracking the effectiveness of these efforts	Targets and Metrics sections of the E1, E2, E5, S1, S2, S3, S4 and G1 chapters

GOV-5 — RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

GR maintains an established enterprise risk management framework: a risk map spanning macroeconomic, market, regulatory, technological/internal-control, human-resources and financial risk categories, with every individual risk scored for likelihood, severity and overall risk category. Risk oversight sits with the Supervisory Board's Audit, Remuneration and Risk Management Committee, supported by an Internal Audit Service.

Prior to publication, this statement is reviewed and validated on a decentralized basis: each disclosure area is checked by the function that owns the underlying data —CFO's office, human resource department, Legal Service, Environmental Protection, Occupational Health and Safety, etc.) responsible for reviewing their own topic areas.

Data governance forms part of GR's internal control environment. In June 2026, a Personal Data Protection Policy was approved by the Supervisory Board and agreed by the General Director. It governs how personal data is processed across the Company, including a defined data-security principle and an incident-response procedure. A dedicated Personal Data Protection Officer, named publicly on GR's corporate website, oversees its implementation. The Officer is structurally independent, accountable directly to the General Director rather than to IT or any data-processing department, and is responsible for monitoring compliance with data-protection law and the policy, advising staff, carrying out risk analysis on data processing, and acting as the organization's contact point for the state supervisory authority. Employees provide the Officer with access to the systems, premises and documentation needed for this work. This adds a named, independent oversight function relevant to the integrity of the systems this statement draws on.

On cybersecurity, GR is designated a First Category critical information system entity under the Law of Georgia on Information Security (Government of Georgia Resolution No. 646, 31 December 2021) — the highest of three tiers, reserved for systems considered vital to national security and public welfare. This subjects GR to enhanced cybersecurity standards and regulatory oversight, including a designated Information Security Manager, mandatory alignment with ISO/ISACA-based standards, and mandatory incident reporting to the national Computer Incident Support Group.

SBM-1 — STRATEGY, BUSINESS MODEL AND VALUE CHAIN

Georgian Railway is Georgia's only integrated railway company, operating across three core business areas: freight transportation, passenger services and railway infrastructure management. The Company plays a strategic role in Georgia's transport system, supporting domestic mobility, international trade and regional connectivity as part of the Transport Corridor Europe–Caucasus–Asia (TRACECA) and the Middle Corridor.

The Company's mission is to provide safe, efficient and reliable railway services that support Georgia's economic development, strengthen regional and international connectivity and contribute to sustainable development through infrastructure modernization, operational efficiency and accessible passenger services.

Georgian Railway's business model is built around the integrated management of railway infrastructure and transportation services, supported by strategic partnerships, qualified personnel, physical assets and financial resources. Its operations generate revenue from freight transportation, passenger services and related activities, while requiring continued investment in infrastructure maintenance, rolling stock, modernization and operational improvements.

The Company's strategic priorities focus on expanding freight transportation, promoting sustainable development, improving passenger service quality, maintaining liquidity and financial resilience, modernizing infrastructure and enhancing operational efficiency, and advancing digitalization. These priorities provide the foundation for the Company's long-term development and its contribution to a more connected, efficient and sustainable transport system.

SIGNIFICANT PRODUCTS AND SERVICES

GR's freight business is organized around two broad cargo categories. Liquid cargoes made up 36.2% of 2025 freight volume (4.79 million tons); dry cargoes made up the remaining 63.8% (8.46 million tons), spanning ores, grain and grain products, ferrous metals and scrap, sugar, chemicals and fertilizers, construction freight, industrial freight, cement, and other categories. On average across 2023–2025, around 38% of freight was carried using GR's own wagon fleet, with the remainder split between other railways' wagons and third-party wagons — GR is primarily a transit railway.

Passenger transportation is provided through domestic railway services connecting Tbilisi with major cities, regional centres and tourist destinations across Georgia. The Tbilisi–Batumi route is among the busiest passenger routes and is served by modern Stadler KISS double-decker trains, offering comfortable travel. Passenger services support domestic mobility, regional connectivity and access to key tourism destinations.

Alongside freight and passenger transportation, the third core business area — railway infrastructure management — covers the maintenance and operation of GR's electrified mainline network: track, bridges, tunnels, electrification, signalling and stations. The mainline is double-track along its entire length, and the network underpins both freight and passenger services.

Freight-forwarding and terminal-handling services complement Georgian Railway's core rail transportation activities and are provided through its subsidiaries. GR Logistics and Terminals provides container transportation and terminal services, while GR Transit provides liquid cargo forwarding services. The Company also provides rental services for wagons and locomotives, as well as station, terminal, cargo-handling and related railway services.

SIGNIFICANT MARKETS AND CUSTOMER GROUPS

GR's freight traffic breaks down into import, export, domestic and transit flows, reflecting its role as a transit corridor within the Middle Corridor / TRACECA route between Central Asia, the Caucasus and the Black Sea:

- Import — primarily from Russia, Azerbaijan, Bulgaria, Romania and Türkiye;
- Export — primarily to Russia, Kazakhstan, Armenia, China and Bulgaria;
- Domestic — routes including Dedoplistskaro–Rustavi, Chiatura–Zestaponi, Parto Tskali–Tbilisi, Kaspi–Supsa and Parto Tskali–Samtredia;
- Transit — from Kazakhstan, Azerbaijan, Turkmenistan, Russia, Armenia and Brazil, onward to the Netherlands, Azerbaijan, Türkiye, Armenia and China.

Container and multimodal shipping specifically runs on four main routes: China–Europe (via Black Sea ports and Türkiye), Black Sea ports–Azerbaijan, Black Sea ports–Armenia, and Black Sea ports–Tbilisi. To support this, GR maintains contracts with the national railway companies of Azerbaijan, Kazakhstan, Türkiye and Ukraine, and with Caspian and Black Sea ports and carriers, aimed at offering seamless

shipping conditions across what is typically a multi-carrier transit route.

The Government of Georgia compensates GR annually for running socially necessary passenger services under a Public Service Contract with the Railway Transport Agency (an LEPL under the Ministry of Economy and Sustainable Development). Actual compensation paid was GEL 10.2 million in 2025; under a contract amendment signed 31 December 2025, the compensation ceiling for the 1 December 2025 – 30 November 2026 period is set at GEL 15 million, built up from GR's actual cost of running the contracted services net of ticket and other revenue.

All of GR's freight and passenger transportation is carried out using electric locomotives. Fossil-fuelled machinery is used only for station work — such as shunting and yard operations — not for line-haul transportation. Revenue from fossil-fuelled station work was GEL 126,000 in 2024 and GEL 59,100 in 2025. Against GR's total consolidated revenue of GEL 648.3 million in 2024 and GEL 612.4 million in 2025, that is approximately 0.019% of total revenue in 2024 and about 0.010% in 2025. *(see also: Environmental — E1-3 Actions).*

GR's procurement process for major contracts is tender-based. Procurement prepares Technical Specifications in advance, setting out every specific requirement including demanded certifications and standards; tenders are then published on a procurement platform, and suppliers submit bids together with the required certifications in order to participate. A procurement committee verifies that submissions meet the specified requirements before a contract is awarded; a bid can be declared the winning bid without meeting the required certifications, but the contract itself is not awarded in that case — GR instead runs a new tender rather than proceeding with an uncertified supplier. Purchases below GEL 10,000 may be made without a tender; purchases above that threshold require committee approval regardless of tender status, and even off-tender suppliers must meet the same certification and standards requirements as tendered ones.

SBM-2 — INTERESTS AND VIEWS OF STAKEHOLDERS

GR names its key stakeholder groups — the Government of Georgia (sole shareholder), employees (over 10,700), customers, investors and financial partners, suppliers and contractors, regulatory bodies, and local communities, plus a secondary list covering labor unions, foreign railways, logistics companies and freight forwarders. It also describes, in general terms, how each group is engaged: regular meetings with Government, training and feedback mechanisms for employees, transparent reporting for investors, fair procurement for suppliers, and social/environmental initiatives for communities.

2025 detail by stakeholder group:

- Government of Georgia — GR paid GEL 68.8 million to the state budget in 2025 and remains one of Georgia's largest taxpayers and corporate employers (around 1% of the national workforce). 2025 Government support included GEL 10.2 million in Public Service Contract compensation for socially necessary passenger services. Separately, the Government also provided continued land and asset contributions to infrastructure projects, a property tax exemption for linear infrastructure, and support for locomotive procurement. GR also publishes an annual Activities Report separating railway infrastructure and transportation-service accounts, in compliance with EU Directive 2012/34 — a standing transparency channel toward Government and the EU.
- Customers — GR's Passenger Transportation branch runs a formal complaints-management process across three channels (Docflow, email and a telephone call center). In 2025, 405 complaints were received in total (114 via Docflow/email, 291 via the call center); 403 were reviewed, giving a 99.51% complaint-management rate. The single largest category by far was compensation requests (216 of 405, over half), followed by delays or defects in ticket purchase/refund (45) and complaints about service staff (27). The process has continued into 2026: 98.25% managed in Q1 2026, improving to 100% in Q2 2026.
- Investors and financial partners — GR publishes an annual Allocation and Impact Report on its 2021 Green Eurobond, detailing which projects proceeds were directed toward.

GR's own complaints process above does not operate in isolation: the Railway Transport Agency (LEPL, under the Ministry of Economy and Sustainable Development) has a formal, codified oversight and appeals role sitting above it. If a passenger's complaint to GR goes unresolved, or GR fails to respond within the applicable deadline, the passenger may escalate to the Agency within three months; the Agency must then decide within two months (extendable by one month with a reasoned decision), and has the power to inspect GR's relevant records, information and infrastructure while investigating a complaint. Where the Agency finds a violation, it may require corrective action within a set deadline, issue written recommendations, or impose administrative liability, and it publishes a report of its own activity — including any fines imposed — every two years.



For local communities, an engagement and grievance process operates under GR's lender-financed capital projects. Under the Railway Modernization Project (financed in part by GR's 2021 Green Bond, to EBRD environmental and social standards), GR's PR Department is formally responsible for the project's grievance redress mechanism, with HR, Legal and HSE departments engaged as needed; project stakeholders can raise grievances via the GR chancellery, a telephone hotline, or email, and the project's contractor separately maintains site-level grievance boxes and its own email channel, with a 30-day response commitment. *(see also: Social — S1-3, Processes to Remediate Negative Impacts).*

A second, separate lender-financed capital project — GR's World Bank/ADB-financed locomotive fleet renewal and related infrastructure programme *(see SBM-1. Strategy, business model and value chain)* — operates its own grievance mechanism for project-affected parties, distinct from the Green Bond project mechanism above. It offers multiple channels (a dedicated phone hotline, a project-specific email address, in-person or postal submission, and anonymous drop-boxes at project sites), commits to acknowledging a complaint within 2 working days and resolving it within 30 days, and includes a specific confidential-handling and referral pathway for sexual exploitation, abuse or harassment complaints. Complainants who are unsatisfied with the outcome may escalate within GR or pursue national courts.

SBM-3 — INTERACTION OF MATERIAL IMPACTS, RISKS AND OPPORTUNITIES WITH STRATEGY AND BUSINESS MODEL, AND FINANCIAL EFFECTS

STRATEGY AND BUSINESS-MODEL RESILIENCE

- GR's core business comprises freight and passenger rail transport and the rail infrastructure that supports both, positioning the Company within Georgia's role in the Transport Corridor Europe-Caucasus-Asia (TRACECA) / Middle Corridor *(see SBM-1 Strategy, business model and value chain)*. Rail transport has materially lower emissions per unit of freight or passenger movement than road transport; growing rail's share of Georgia's freight and transit volumes is therefore itself a climate opportunity, consistent with GR's own strategic pillar of growing the freight service business. All of GR's freight and passenger line-haul operations already run on electric traction, with fossil-fuelled equipment confined to station work *(see SBM-1 Strategy, business model and value chain)* — a structural head start on the decarbonization side of that opportunity.

HOW MATERIAL TOPICS CONNECT TO GR'S BUSINESS

Based on the material topics identified in IRO-1 and IRO-2, the paragraphs below set out where each ESRS pillar intersects with GR's own business activities.

- Environment — GR's operations run almost entirely on electric traction, with fossil-fuelled equipment confined to station work *(see SBM-1. Strategy, business model and value chain)*; infrastructure modernization projects (fleet renewal, the planned Anaklia line) nonetheless carry upstream construction-related resource and emissions impacts, and GR maintains an existing waste management plan.

- Social — GR's core business is personnel-intensive (over 10,700 employees), making workforce conditions and occupational health and safety a plausible material topic, consistent with GR's existing occupational safety management system *(see ESRS S1. Own Workforce)*. GR's Public Service Contract-subsidized passenger service and formal complaints-management process *(see SBM-1. Strategy, business model and value chain, SBM-2. Interests and views of stakeholders)* point to customer/passenger topics as material too — reinforced by a recent tightening of passenger-rights regulation *(see SBM-2. Interests and views of stakeholders)* that adds real financial and compliance exposure (administrative sanctions, a more detailed compensation regime for delays). *(see also: Social — S4-3, Passenger Rights and Compensation)*

- Governance — as a wholly state-owned enterprise with capital-intensive, partly state-subsidized operations and high procurement volumes, corruption and bribery, whistleblower protection and political engagement are all plausible material topics — already treated as such throughout the G1 chapter of this statement — alongside supplier/business-conduct topics given GR's procurement volumes *(see G1 chapter)*.

- GR-specific (not on the standard ESRS topic list) — state ownership itself and the Public Service Contract compensation arrangement *(see SBM-1. Strategy, business model and value chain),* transit-corridor competitiveness, and rail safety.

TABLE SBM-3: ALIGNMENT BETWEEN EXISTING RISK CATEGORIES AND REPORT SECTIONS

GR'S EXISTING RISK CATEGORY	WHERE THIS IS ADDRESSED IN THIS STATEMENT
MACROECONOMIC / MARKET	SBM-1 (BUSINESS MODEL EXPOSURE), SBM-3 FINANCIAL-EFFECTS SUMMARY
REGULATORY	GOV-3 (DUE DILIGENCE), SBM-3 FINANCIAL-EFFECTS SUMMARY
TECHNOLOGICAL / INTERNAL CONTROL	GOV-4 (RISK MANAGEMENT AND INTERNAL CONTROLS)
HUMAN RESOURCES	G1-1 CORPORATE CULTURE; ESRS S1 (OWN WORKFORCE)
FINANCIAL	SBM-1 (PUBLIC SERVICE CONTRACT COMPENSATION, FOSSIL-FUEL REVENUE EXPOSURE), SBM-3 FINANCIAL-EFFECTS SUMMARY

IRO-1 — DESCRIPTION OF THE PROCESS TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

For this first sustainability statement, GR identified and reviewed its material sustainability topics through a structured internal process: each topic on the ESRS 1 (AR16) list of sustainability matters, together with GR-specific topics not on that standard list, was assessed against GR's own operations, existing risk documentation, and input from the relevant business function, to identify where GR has real, evidenced impacts, risks or opportunities to report on.

The process applied for this first statement:

The ESRS 1 (AR16) sustainability matters list was reviewed in full, together with GR-specific topics (e.g. Passenger Service Contract performance, transit-corridor competitiveness), to identify GR's long-list of candidate topics.

For each candidate topic, the actual/potential positive and negative impacts GR has, and the resulting risks and opportunities, were set out drawing on GR's existing evidence base — including its enterprise risk map, Code of Ethics/ Anti-Corruption Policy content, and each function's own operational data.

For the 2025 reporting cycle, Georgian Railway conducted a qualitative assessment of candidate sustainability matters using available operational evidence, existing risk documentation and input from relevant business functions. A fully formalised scoring methodology, including documented thresholds, assigned process ownership and a target completion date, had not yet been established. Accordingly, the assessment should be understood as a preliminary qualitative exercise rather than a fully formalised quantitative double materiality assessment.

Internal subject-matter experts across each business function were consulted on their own topic areas.

SCORING REFERENCE TO BE APPLIED AS THIS PROCESS IS FORMALIZED (THRESHOLDS TO BE ADAPTED TO GR'S OWN CONTEXT):

SCORE	IMPACT MATERIALITY - HIGHEST OF SCALE / SCOPE / IRREMEDIABILITY	FINANCIAL MATERIALITY — LIKELIHOOD × EFFECT ON GR
5	National/cross-border scale; irreversible harm (or affects all employees); almost certain within 12 months if potential	Almost certain within 12 months; may fundamentally change or halt operations, cause major financial loss/gain, or crucially alter strategy
4	Broad regional scale; remediable long-term at major cost; highly likely within 12–24 months if potential	Highly likely within 12–24 months; significant delays/investment, relatively large financial effect, major strategic shift
3	City/town scale; remediable medium-term; possible within 3–5 years if potential	Possible within 3–5 years; short-term delays, limited financial effect, affects medium-term commitments only
2	Local/limited scope; quickly remediable; low probability within 5 years if potential	Low probability within 5 years; insignificant effect on operations or finances
1	No identifiable effect	Not expected within 5+ years; no effect

IRO-2 — MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND DISCLOSURE REQUIREMENTS INCLUDED IN THE SUSTAINABILITY STATEMENT

TOPIC AREA	STATUS	WHERE ADDRESSED
G1 — Corporate culture	Material — see G1-1 Corporate Culture	Ongoing investment in a more open culture (positive)
G1 — Corruption & bribery, whistleblower protection	Material — see G1-1/G1-4 Corruption and Bribery; G1-1/G1-3 Whistleblower Protection	Anti-corruption/COI policies and procedures
G1 — Supplier relationships (G1-2)	Material — see G1-2 Suppliers	Investment in more transparent supplier relations and selection procedures (positive, upstream) — see SBM-1, G1-2
G1 — Payment practices (G1-6)	Material — see G1-6 Payment Practices	Fair, predictable payment terms and internal financial control over the payment cycle (positive) — see G1-6
E1 — Climate change	Material- see Environmental chapter, Section 1	GHG emissions, energy transition plan, climate-related risks and opportunities- Section 1
E2 — Pollution	Material- see Environmental chapter, Section 2	Air, soil and water pollution controls- Section 2
E5 — Resource use and circular economy	Material — see Environmental chapter, Section 4	Resource efficiency, waste management and circular economy measures — Section 4
S1 — Own workforce	Material — see ESRS S1	Occupational health and safety, workforce composition, remuneration and benefits — Section ESRS S1
S2 — Workers in the value chain	Material — see ESRS S2	Contractor and subcontractor labour and safety standards — ESRS S2
S3 — Affected communities	Material — see ESRS S3	Community impact, land acquisition, safety and connectivity — ESRS S3
S4 — Consumers and end-users	Material — see ESRS S4	Passenger rights, accessibility and service quality — ESRS S4

ESRS E1
CLIMATE CHANGE

MATERIAL IRO 22

E1-1 CLIMATE TRANSITION PLAN 23

E1-2 POLICIES 30

E1-3 ACTIONS 31

E1-4 TARGETS 31

E1-5 ENERGY CONSUMPTION AND MIX 32

E1-6 GROSS GHG EMISSIONS 33

E1-7 GHG REMOVALS AND CARBON CREDITS 35

E1-8 INTERNAL CARBON PRICING 35



ESRS E1 - Climate Change

MATERIAL IRO

TOPIC	IRO TYPE	OCCURRENCE	DESCRIPTION	VALUE-CHAIN LOCATION
Greenhouse Gas Emissions and Decarbonisation	Impact / Opportunity	Actual; short, medium and long term	Direct greenhouse gas emissions from fuel combustion and indirect emissions from purchased electricity contribute to climate change. Decarbonisation measures, including rolling stock modernisation, energy efficiency improvements and renewable electricity procurement, provide opportunities to reduce emissions intensity.	Own Operations (Scope 1 & 2)
Climate Hazards Affecting Railway Infrastructure and Operations	Risk	Potential; short, medium and long term	Heavy precipitation, flooding, storms, strong winds, extreme heat, landslides, rockfalls and mudflows may damage railway infrastructure, increase maintenance and recovery costs, and disrupt passenger and freight services. Potential impacts include track washouts and operational stoppages exceeding 24 hours.	Own Operations: Tracks, embankments, bridges, tunnels, electrification and signalling systems
Growing Demand for Low-Carbon Transport and Modal Shift from Road to Rail	Opportunity	Potential; medium and long term	Growing demand for low-carbon logistics and a shift of freight from road to rail may increase demand for railway services, strengthen the Company's competitive position and support growth in sustainable freight and passenger transport.	Own Operations and Downstream Value Chain
Rolling Stock Modernisation and Improved Energy Efficiency	Opportunity / Risk	Potential; short, medium and long term	Modernisation of locomotives and other rolling stock, improved energy efficiency and the introduction of energy-recovery technologies may reduce energy consumption, emissions intensity and operating costs. Implementation requires capital investment and depends on the availability of financing and technology.	Own Operations
Climate-Related Regulatory Requirements and Access to Sustainable Finance	Risk / Opportunity	Potential; short, medium and long term	Evolving climate regulations, greenhouse gas reduction expectations and sustainability reporting requirements may increase compliance costs and influence investment decisions. Stronger climate performance and alignment with environmental requirements may improve access to green financing, while changing lender expectations may affect financing conditions.	Own Operations and Upstream Value Chain

Source: Company's own double materiality assessment.

E1-1 CLIMATE TRANSITION PLAN

The Company's Climate Transition Plan is incorporated into this Sustainability Report and is presented through the subsections under Section 1.1 (E1-1 Climate Transition Plan). Accordingly, the information provided in the following subsections should be read as an integrated Climate Transition Plan rather than as references to a separate corporate document. The Plan outlines Georgian Railway's strategic approach to climate change mitigation, including governance, decarbonization initiatives, implementation actions, targets and performance monitoring.

INTRODUCTION

The importance of climate transition planning has continued to grow as climate-related regulation, investor expectations and sustainability reporting requirements evolve across global markets.

Key developments include:

- The UK Transition Plan Taskforce published its Disclosure Framework and accompanying Implementation Guidance. The sector-neutral framework provides recommendations for companies and financial institutions to develop gold-standard transition plans.

- Momentum continued to accelerate in 2023 in the climate disclosure landscape with the International Financial Reporting Standards (IFRS) releasing its International Sustainability Standards Board (ISSB) final drafts, the U.S. Securities and Exchange Commission (U.S SEC) referencing transition plan disclosure as part of its recent rule proposals, and the European Financial Reporting Advisory Group (EFRAG) releasing its EU Sustainability Reporting Standards (ESRS), detailing its proposed disclosure recommendations on transition plans.

- The EU's Corporate Sustainability Reporting Directive, together with the EU Sustainability Reporting Standards developed by EFRAG will require large companies (more than 500 employees) to disclose on their transition plans for climate change mitigation and their plans to ensure that their business model and strategy are compatible with the respect of planetary boundaries of the biosphere integrity and land-system change. Companies previously covered by the NFRD (Non-Financial Reporting Directive) will have to start disclosing in 2025 on FY 2024, whilst other large & listed companies will be required to disclose transition plans the following year.

- The EU's proposed Corporate Sustainability Due Diligence Directive (CSDDD) will require all large companies with more than 500 employees (whether established in the EU and/or outside the EU) to adopt a plan to ensure that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement.

For Georgian Railway, these developments represent not only emerging regulatory expectations but also an opportunity to strengthen corporate resilience and support Georgia's transition to a low-carbon economy. As the country's primary rail transport operator, Georgian Railway contributes to sustainable mobility by providing a lower-carbon alternative to road transport. Developing and implementing a climate transition plan enables the Company to systematically identify climate-related risks and opportunities, improve energy efficiency, reduce greenhouse gas emissions, modernize infrastructure, and enhance climate resilience while supporting national and international climate objectives.

Accordingly, Georgian Railway is integrating climate considerations into its long-term strategic planning, investment decisions, operational management and sustainability governance. The Company's climate transition plan establishes a framework for achieving its decarbonization ambitions, improving environmental performance and creating long-term value for stakeholders while contributing to a more sustainable and resilient transport system.
Georgian Railway's transition plan for climate change mit¬igation is structured around measurable targets, identified decarbonisation levers and integrated governance arrange¬ments.

Progress to date includes full electrification of the railway's network, which was achieved under the Railway Modernisation Project, completed in Decem¬ber 2025. Therefore, nowadays Georgian Railway's network is almost 100% electrified. Diesel locomotives are only used for shunting operations on private railway sidings. This creates solid foundation for our commitment to a 1.5°C pathway.

The Company's short-term (2030) target to reduce Scope 1 and 2 GHG emissions intensity by 10–15% against a 2025 baseline, and its long-term (2050) ambition of 30– 50% reduction, are aligned with Georgia's Long-Term Low Emission Development Strategy (LT-LEDS 2050).

Georgian Railway plans to implement a range of investments and operational improvements aimed at reducing the

Company's GHG emissions and enhancing the overall energy and operational efficiency of its activities.

Key initiatives include:

MODERNISATION OF FREIGHT ROLLING STOCK through two complementary initiatives: the acquisition of 45 new electric locomotives, representing an investment of approximately USD 350 million, supported by the Government of Georgia in cooperation with the World Bank and the Asian Development Bank (ADB); and the planned renewal of the freight wagon fleet. Both initiatives are expected to improve energy efficiency, enhance freight operations and contribute to reducing GHG emissions. The locomotive procurement is subject to the environmental and social requirements of the financing institutions. An Environmental and Social Commitment Plan (ESCP) has been developed, establishing obligations for both Georgian Railway and the contractor.

MODERNISATION OF PASSENGER ROLLING STOCK through the acquisition of 10 new passenger trains, representing an investment of approximately USD 70 million. The project is supported by the Government of Georgia in cooperation with the Asian Development Bank (ADB). The new trains are expected to improve energy efficiency, enhance passenger transport services and contribute to reducing GHG emissions.

RESTORATION OF THE HISTORIC BORJOMI–BAKURIANI RAILWAY LINE, a railway of significant historical, cultural and tourism value. Its restoration will revive an important part of Georgia's railway heritage and strengthen the region's tourism appeal, responding to long-standing public interest in the return of this iconic railway service. As an electrified railway, its operation will provide an attractive alternative to road transport and encourage more sustainable passenger mobility, contributing to the reduction of transport-related GHG emissions.

IMPROVEMENTS IN FREIGHT OPERATIONS through extended train lengths and the abolition of the restrictive "mountain regime". These measures have enabled Georgian Railway to transport the same volume of freight using fewer trains and in less time, improving operational efficiency and reducing energy consumption and associated GHG emissions.

PROCUREMENT AND IMPLEMENTATION OF THE KTSM SYSTEM, which will enable automated monitoring of the technical condition of rolling stock while trains are in motion. The system will improve railway safety, reduce unnecessary train stops and shorten the time required for technical inspections. As a result, it will improve operational efficiency, reduce train downtime and accelerate freight transportation. More efficient train operations are also expected to contribute to lower energy consumption and associated CO_2 emissions.

OUR APPROACH TO TRANSITION PLAN

In Transition Plan we follow the six fundamental principles that guide preparation of a credible climate transition plan:

Accountability: The plan has clearly defined roles and responsibilities. This includes effective governance mechanisms, where the Supervisory board and the board of Directors are accountable for implementation of the plan.

Internally coherent: The plan is integrated into the business strategy and financial planning of the organization.

Forward looking: The plan reflect considerations of the short, medium and long-term, trending towards 2050.

Time bound and quantitative: The plan's KPIs are quantifiable and are outlined for defined timeframes.

Flexible and responsive: The plan is reviewed and updated regularly[1].

Complete: The plan covers the whole organization and its value chain, i.e., any exclusions from the plan must not be material to the organization and/or its impact on the natural environment.

1) In alignment with the 2021 update to the TCFD's recommendations, with its integration of transition plans, transition plans should at a minimum be reviewed every five years for continuous relevancy and efficacy and updated if required. The TCFD also notes that progress against the plans should be reported annually, alongside any material, substantive changes to the plan be reported annually (if required)

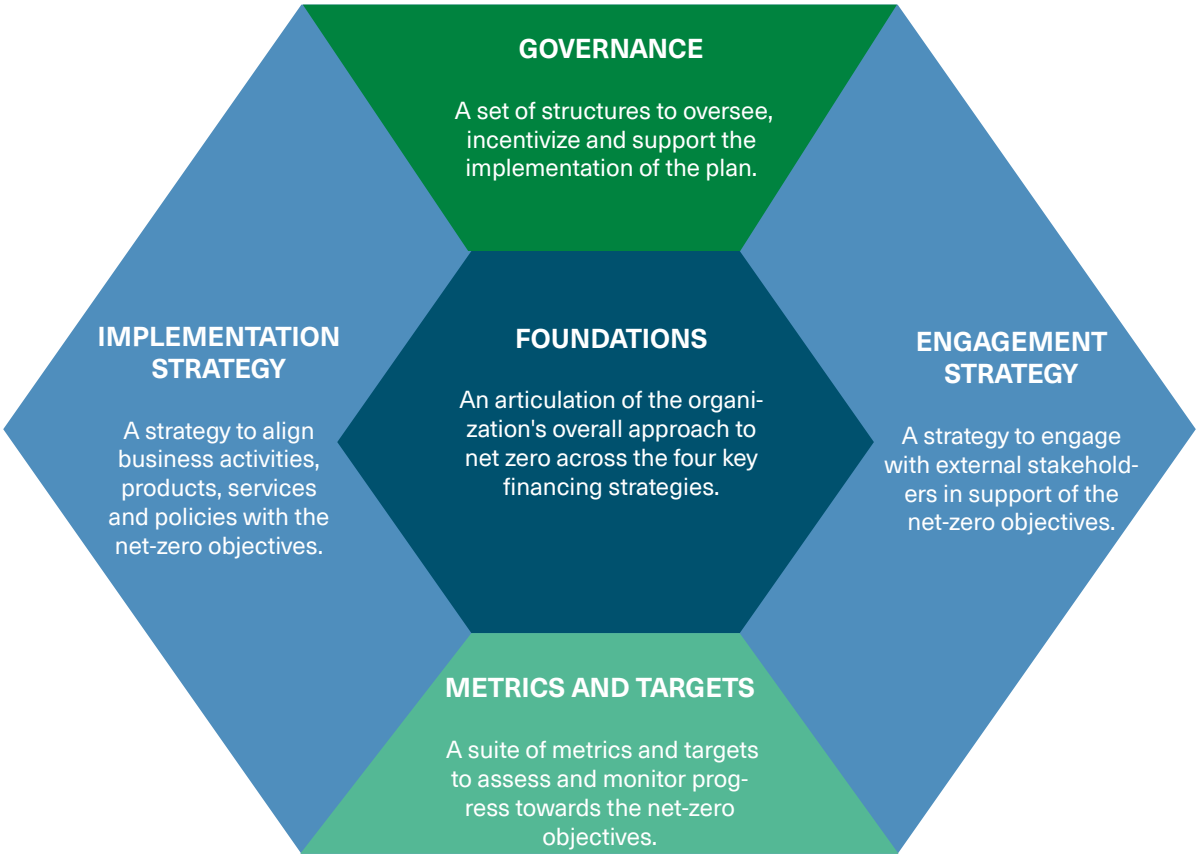


FIGURE 1.1: OUR APPROACH TO TRANSITION PLAN

Georgian Railway defines its Climate Transition Plan as a set of goals, actions and accountability mechanisms to align our business activities with a low-carbon pathway defined in Georgia's Long-Term Low Emission Development Strategy 2050 (LT-LEDS). LT-LEDS is developed by the Government of Georgia as a framework document for Georgia's long-term vision of low emission development in accordance with the provision of the Paris Agreement. LT LEDS defines a range of estimated national greenhouse gas (GHG) emissions and removals and sets a vision for 2050 based on the projections of GHG emissions and removals from the GHG emitter and sink sectors aggregated into the total national emissions. This vision is considered a GHG reduction goal by mid-century, which Georgian Railway plans to internalize in its business model and operations.

CLIMATE TRANSITION PLANNING: STRATEGIC PRIORITY FOR GEORGIAN RAILWAY

Climate change poses significant risks to Georgia's economy, transport infrastructure and the long-term resilience of the railway sector. Increasing temperatures and the growing frequency and intensity of extreme weather events - including heavy precipitation, floods, landslides, heatwaves, storms and erosion, can adversely affect railway infrastructure, operational reliability, service continuity and asset integrity. These physical impacts may result in infrastructure damage, service disruptions, increased maintenance costs and risks to passenger and freight transportation.

In addition to physical risks, the transition toward a low-carbon economy presents regulatory, technological, market and financial challenges. Evolving climate policies, carbon reduction commitments, changing customer expectations and emerging sustainability reporting requirements are reshaping the operating environment for transport companies. These transition risks may influence investment priorities, operational practices, financing conditions and stakeholder expectations.

At the same time, the transition to a low-carbon economy creates significant opportunities for Georgian Railway. As rail transport is one of the most energy-efficient and

low-carbon modes of land transportation, the Company is well positioned to contribute to Georgia's decarbonization objectives by encouraging a modal shift from road to rail, improving energy efficiency, modernizing railway infrastructure and increasing the sustainability of freight and passenger transport.

Georgian Railway recognizes the close interrelationship between climate-related risks and opportunities. The Company's Climate Transition Plan is built on this understanding and provides a strategic framework for integrating climate considerations into business planning, investment decisions, asset management, operational processes and long-term development.

Successfully implementing the Climate Transition Plan requires coordinated action across the Company's operations and collaboration with key stakeholders:

CUSTOMERS: Freight and passenger customers increasingly seek low-carbon transport solutions. Georgian Railway aims to provide reliable, energy-efficient and sustainable transport services that support customers in reducing their own greenhouse gas emissions and achieving their sustainability objectives.

INVESTORS AND FINANCIAL INSTITUTIONS: Investors and lenders increasingly consider climate performance and sustainability commitments when making investment decisions. Georgian Railway seeks to maintain transparent climate-related disclosures and strengthen its environmental performance in line with internationally recognized reporting frameworks, thereby supporting access to sustainable finance.

EMPLOYEES: Employees play a vital role in implementing the Company's climate objectives. Georgian Railway promotes environmental awareness, capacity building and continuous improvement to strengthen employee engagement in climate action and sustainable operations.

GOVERNMENT AND REGULATORY AUTHORITIES: Georgian Railway supports Georgia's national climate commitments and works to align its operations with evolving environmental legislation, international sustainability standards, and the country's Nationally Determined Contribution (NDC) under the Paris Agreement.

BUSINESS PARTNERS AND SUPPLIERS: The Company encourages suppliers and contractors to adopt responsible environmental practices and increasingly considers sustainability aspects within procurement and project implementation processes.

Accordingly, Georgian Railway is strengthening its governance, strategic planning, risk management, operational practices and performance monitoring to integrate climate considerations across the organization. Through the implementation of its Climate Transition Plan, the Company aims to improve climate resilience, reduce greenhouse gas emissions, enhance energy efficiency, modernize its infrastructure and reinforce its role as a key contributor to Georgia's transition toward a low-carbon, climate-resilient transport system.

FOUNDATION, DATA GAP AND QUALITY REVIEW

Georgian Railway's Climate Transition Plan is developing upon a comprehensive understanding of the Company's material climate-related risks, opportunities and greenhouse gas emissions profile. The Plan is informed by climate risk assessments, emissions data, operational and energy performance indicators, and an evaluation of the Company's infrastructure and business activities. These assessments enable Georgian Railway to identify and prioritize the most significant climate-related vulnerabilities, while also recognizing opportunities to enhance operational efficiency, strengthen climate resilience and contribute to the transition to a low-carbon transport system.

The Company's climate transition planning is supported by existing operational data, climate-related risk screening and environmental performance monitoring. These processes remain under development, and the Company intends to strengthen the completeness of its climate-related data, asset-level risk assessment and governance arrangements over future reporting cycles.

The Climate Transition Plan aligns the Company's strategic objectives with the goals of the Paris Agreement and supports the transition toward a climate-resilient and low-carbon business model that contributes to limiting global warming to 1.5°C.

The implementation of the plan is embedded within the Company's governance framework and is supported through measurable targets, performance indicators and regular monitoring to ensure continuous progress toward its climate commitments.

The Company collects and analyses climate-related information from its operations, including data on energy consumption, fuel use, greenhouse gas emissions and other relevant environmental indicators. Where appropriate, this information is complemented by data relating to operational activities and infrastructure that may be exposed to climate-related hazards. These data support the identification of material climate-related risks and opportunities and

contribute to the implementation of the Company's Climate Transition Plan.

Climate-related information also supports the assessment of trends in environmental performance, the monitoring of progress against climate objectives and the preparation of sustainability disclosures in line with applicable reporting frameworks. The availability and quality of climate data continue to improve as the Company strengthens its environmental data management and reporting processes.

Recognizing that the quality and completeness of climate-related information are essential for effective decision-making, Georgian Railway periodically reviews available datasets, data sources and methodologies used for greenhouse gas accounting and climate-related assessments. Where limitations or data gaps are identified, the Company seeks to enhance data quality through the gradual improvement of monitoring and reporting processes, taking into account operational feasibility and evolving reporting requirements.

These activities support a more comprehensive understanding of the Company's climate-related impacts, risks and opportunities, while providing a stronger basis for long-term planning, climate resilience and the continuous improvement of environmental performance.

CLIMATE RISK MATERIALITY ASSESSMENT

Climate-related risks are categorized as physical risks and transition risks. These categories are closely interconnected, as the impacts of climate change may accelerate regulatory, technological, market and societal changes toward a low-carbon economy. Georgian Railway considers these risks alongside climate-related opportunities and the environmental impacts of its own activities.

PHYSICAL RISK

Physical climate risks arise from acute weather events and chronic changes in climate conditions that may affect the safety, reliability and performance of railway infrastructure and operations. Relevant hazards include heavy precipitation, flooding, landslides, rockfalls, storms, extreme heat and prolonged temperature changes.
For Georgian Railway, these hazards may damage tracks, bridges, tunnels, signalling systems, overhead electrification infrastructure, rolling stock, stations and other operational assets. Potential consequences include increased maintenance and rehabilitation costs, service disruptions, reduced operational efficiency and interruptions to passenger, freight and logistics activities.

TRANSITION RISKS

Transition risks arise from evolving climate policies and environmental legislation, technological change, energy markets and stakeholder expectations. They may influence Georgian Railway's investment planning, infrastructure modernization, operational costs, procurement, financing and corporate reputation. The same developments may create opportunities to improve energy efficiency and strengthen rail transport's position as a lower-carbon alternative to road transport.

MATERIALITY APPROACH AND ASSESSMENT METHODOLOGY

Georgian Railway applies a preliminary materiality-based screening approach to identify climate-related risks and opportunities that may affect its infrastructure, operations, financial performance and long-term resilience. Physical risks are assessed by considering the nature and likelihood of each hazard, the exposure and sensitivity of railway assets and activities and the potential severity of operational, safety and financial consequences. Transition risks are considered across policy and legal, technology, market and reputational dimensions. The evaluation informs the Company's economic steering and the assessment of climate-related threats against short- and medium-term business targets.

For physical climate risks, a "High" relevance rating is assigned where the potential impact involves an operational stoppage exceeding 24 hours or a decrease in adjusted EBITDA of at least 0.5 million GEL. This threshold supports the prioritization of operational and financial resources and the integration of climate resilience into infrastructure planning, maintenance and long-term investment decisions.

The assessment draws on internal analysis of historical operational impacts and climate-related damage, together with geographic characteristics, historical weather events, climate projections and publicly available climate informa-

tion where relevant and available. The historical analysis described in the assessment refers to service disruptions exceeding 24 hours and direct financial losses of approximately 1.2 million GEL. These incident-level losses are distinct from a decrease in adjusted EBITDA and should not, on their own, be treated as validation of the financial materiality threshold.

The matrix presents preliminary enterprise-level relevance ratings and does not constitute a completed asset-level climate vulnerability assessment. Further assessment may include geographical mapping of critical assets, analysis of historical incidents, evaluation of existing controls and climate scenario analysis over short-, medium- and long-term horizons. The assessment framework described here calls for at least one high-emissions scenario for physical risks and a scenario compatible with limiting global warming to 1.5°C for transition risks and opportunities.

GEOGRAPHIC CONCENTRATION OF PHYSICAL RISKS

Infrastructure located in mountainous sections of the railway network is generally more exposed to landslide and rockfall hazards, while railway assets situated near rivers and low-lying areas may be more vulnerable to flooding and erosion. Railway infrastructure within the Black Sea coastal zone may also face long-term risks associated with coastal flooding, shoreline erosion and changing sea levels. In addition, increasing temperatures represent a cross-cutting climate risk that may affect railway infrastructure and operations throughout the network.

Climate risk exposure is location-specific. Georgian Railway considers geographical characteristics in infrastructure management, maintenance planning and investment decisions and intends to strengthen the spatial assessment of risks affecting critical assets.

DOUBLE MATERIALITY AND ENVIRONMENTAL IMPACTS

Georgian Railway considers climate-related matters from both financial and impact perspectives. The risk screening matrix addresses potential financial and operational implications for the Company (Outside-In). The Company's own environmental impacts (Inside-Out) are addressed through its Climate Transition Plan, emission reduction targets *(Section 1.6 Gross GHG Emissions)* and environmental management policies *(Section 2.4 Pollution of Air, Water and Soil).* The environmental impacts below are presented separately to distinguish effects on the environment from risks to the business:

TABLE E1.1.1: THE ENVIRONMENTAL IMPACTS

NEGATIVE ENVIRONMENTAL IMPACT	RELEVANT ACTIVITIES AND IMPACT PATHWAY	TIME HORIZON	PRELIMINARY RELEVANCE	MANAGEMENT RESPONSE
GHG Emissions from Operations (Scope 1 & 2)	Direct contribution to climate change through fuel combustion and electricity use	Short, Medium, Long term	High	Environmental Management System (EMS); Pollution control procedures *(Section 2.4)*.
Biodiversity & Habitat Fragmentation	Infrastructure maintenance and modernization projects affecting natural ecosystems (e.g., Emerald Network)	Medium, Long term	Medium	Appropriate Assessments for sensitive areas; Tree planting and nursery operations
Resource Depletion	High consumption of primary raw materials (ballast, steel, concrete) for track maintenance	Medium, Long term	Medium	Circular economy initiatives; Waste Management Plan; Recycling of historical waste
Air & Soil Pollution	Emissions from diesel shunting and construction; risk of soil contamination from hazardous materials	Short, Medium, Long term	Medium-High	Environmental Management System (EMS); Pollution control procedures *(Section 2.4)*.

CLIMATE-RELATED OPPORTUNITIES

The transition to a low-carbon economy creates opportunities for Georgian Railway to strengthen its competitive position, improve operational efficiency and enhance climate resilience. The Company's approach focuses on modal shift from road to rail, infrastructure and fleet modernization, energy transition and digital innovation, supported by sustainable finance and stakeholder confidence. The table below consolidates the opportunities identified in the assessment. Potential benefits depend on implementation and market conditions; time horizons and relevance ratings are shown where specified in the underlying assessment:

TABLE E1.1.2: CLIMATE-RELATED OPPORTUNITIES AND POTENTIAL BENEFITS

OPPORTUNITY, CATEGORY AND STRATEGIC DRIVER	AFFECTED BUSINESS AREA AND RELATED TOPIC	POTENTIAL BENEFITS	TIME HORIZON	PRELIMINARY RELEVANCE
Modal shift from road to rail — Market; Demand for low-carbon transport	Freight & Passenger Operations; Climate mitigation	Potential growth in transport demand and market share as customer preferences and national carbon policies, including LT-LEDS, support lower-carbon logistics.	Medium - long	High
Energy efficiency — Technology; Infrastructure & Fleet Modernization	Operations; Climate mitigation	Lower energy consumption and maintenance costs through high-performance assets, including the Modernization Project identified in the assessment as completed in 2025.	Short-long Medium	Medium-High
Energy transition — 100% Electrification of mainline	Mainline traction	Reduced exposure to fossil-fuel price volatility and lower Scope 1 emissions. The assessment identifies DB's "Green Power" strategy as a reference point.	Not specified in the assessment	High
Climate-resilient infrastructure — Adaptation	Infrastructure; Climate adaptation	Reduced climate disruption	Long	Not separately rated in the assessment
Digital innovation and asset management — Technology; AI & Data-driven operations	Infrastructure and traffic management; Climate resilience	Improved maintenance efficiency, punctuality and reliability, supporting the attraction of high-value freight customers.	Medium	Medium
Sustainable finance — Financial; Alignment with EU Taxonomy & ESRS	Corporate Finance; Transition Plan	Potential access to green bonds, improved financing opportunities and more favorable financing terms through transparent reporting and robust climate transition performance.	Medium - long	Medium
ESG reputation — Reputation; Leadership in Green Logistics	Corporate; Governance	Stronger stakeholder confidence and customer loyalty, reinforcing Georgian Railway's role in the national economy.	Short-long	Medium-High

E1-2 POLICIES

Georgian Railway recognizes climate change as one of the key environmental challenges affecting both its operations and the transport sector. The Company is committed to supporting the transition to a low-carbon and climate-resilient economy through policies that promote greenhouse gas emission reductions, energy efficiency, climate adaptation and sustainable infrastructure development.

The Company's environmental management practices are supported by environmental and social commitments established under the Modernisation Project's Environmental and Social Action Plan (ESAP). These commitments covered the following key areas:

ENVIRONMENTAL MANAGEMENT SYSTEM: Updating the existing Environmental Management System to align it with EBRD and ADB environmental and social requirements, relevant international standards and good industry practice.

ENVIRONMENTAL AND SOCIAL MONITORING: Conducting regular monitoring of the Contractor's implementation of the Environmental and Social Management Plan (ESMP), including the environmental and social monitoring programme.

WASTE AND HAZARDOUS MATERIALS MANAGEMENT: Improving waste management practices at project sites and developing specific management arrangements for creosote-treated railway sleepers, asbestos-containing materials (ACM) and equipment or materials potentially contaminated with polychlorinated biphenyls (PCBs).

WASTEWATER AND WATER QUALITY MONITORING: Identifying tunnel drainage discharge points and conducting periodic wastewater sampling and analysis to prevent contamination of nearby rivers during construction.

CONSTRUCTION SITE REHABILITATION AND WASTE REMOVAL: Updating the Waste Management Plan to include arrangements for the removal of construction-related waste and the clean-up of project sites following completion of construction activities.

BIODIVERSITY PROTECTION: Monitoring potential impacts on the Borjomi-Kharagauli-2 Emerald Network site and its surroundings, developing a Biodiversity Conservation Plan and applying measures to protect biodiversity during project implementation.

Ecosystem restoration and invasive species monitoring: Using native plant species for biological land remediation and landscaping following construction, as well as monitoring the spread of invasive alien species along the new railway corridor during the operational phase.

These commitments were primarily established in connection with the Modernisation Project and reflect the environmental management measures applied by the Company in the implementation of major infrastructure development activities.

The implementation of Georgian Railway's climate-related approach is supported through the integration of climate considerations into the Company's day-to-day operations and strategic planning processes. Climate-related requirements are considered throughout infrastructure development, asset management, maintenance planning, procurement activities, environmental management and capital investment decisions.

The implementation of these policies is coordinated across relevant business units, including infrastructure management, environmental protection, engineering, procurement and operational departments.

Climate-related policies will also be support the implementation of the Company's Climate Transition Plan by providing a consistent framework for managing greenhouse gas emissions, improving energy efficiency, strengthening climate resilience and ensuring alignment with applicable legal and regulatory requirements.

E1-3 ACTIONS

Georgian Railway implements a range of measures to strengthen the resilience of its railway infrastructure against the physical impacts of climate change, including increased frequency of extreme precipitation, flooding, landslides, rockfalls, heat stress and other climate-related hazards. Current actions include:

- Identification and periodic review of climate-sensitive railway sections and infrastructure exposed to physical climate risks;
- Regular inspection and monitoring of high-risk locations to enable early identification of infrastructure vulnerabilities;
- Progressive modernization and rehabilitation of railway infrastructure, including tracks, bridges, tunnels, power supply systems, overhead contact lines and traction substations, to improve resilience to climate-related hazards;
- Preventive maintenance and replacement of ageing infrastructure to reduce operational disruptions resulting from extreme weather events;
- Integration of climate resilience considerations into future infrastructure planning, investment and asset management processes.
- Railway Modernization Project: Project improved operational safety, enhanced network reliability and increased the resilience of the railway corridor to geotechnical and climate-related risks such as landslides, rockfalls and extreme precipitation events.
- Limitation on usage of diesel locomotives: Diesel locomotives are strictly limited to shunting operations and auxiliary services.
- Electric locomotive fleet renewal: The acquisition of 45 new electric locomotives will support the reliability and continuity of freight transport operations.
- Passenger electric train fleet renewal: The acquisition of 10 new electric passenger trains will contribute to the reliability and continuity of passenger transport services.
- Borjomi–Bakuriani railway line restoration: The restoration of this historic electrified railway line will support the rehabilitation and continued use of existing railway infrastructure.
- KTSM system implementation: The introduction of an automated rolling stock monitoring system will improve railway safety, enable early detection of technical defects and help reduce operational disruptions.
- Improvements in freight operations: The extension of train lengths and the abolition of the restrictive “mountain regime” have improved freight transport efficiency, enabling the same volume of cargo to be transported using fewer trains and in less time, while reducing energy consumption and associated GHG emissions.

E1-4 TARGETS

Georgian Railway has established measurable, time-bound targets to manage its transition to a low-carbon and climate-resilient business model. These targets are aligned with Georgia’s Long-Term Low Emission Development Strategy (LT-LEDS 2050) and the objectives of the Paris Agreement to limit global warming to 1.5°C.

The Company’s climate targets are structured across two primary pillars: Decarbonization (Mitigation) and Infrastructure Resilience (Adaptation). Progress against these targets is monitored annually and integrated into the Company’s strategic steering and capital expenditure planning.

SHORT-TERM TARGETS (2030):

OBJECTIVE	METRIC	TARGET (2030)	BASELINE YEAR
Climate-sensitive sections monitoring	Share monitored annually	100% annual monitoring	2025
Climate resilience assessment	Priority assets assessed	Assess all high-risk assets	2025
Critical infrastructure modernization	Modernization progress	Continue risk-based modernization	2025
High-risk sections maintenance	Share covered by monitoring and maintenance	100% coverage	2025

LONG-TERM TARGETS (2050):

OBJECTIVE	METRIC	TARGET (2050)	BASELINE YEAR
Climate-resilient railway network	Critical infrastructure modernization	Continuous modernization	2025
Reduced climate-related disruptions	Number of climate-related disruptions	Reduce disruptions	2025
Climate-resilient investments	Share of major projects integrating climate resilience	100% integration	2025

E1-5 ENERGY CONSUMPTION AND MIX

Energy consumption is one of the key environmental aspects of Georgian Railway's operations and represents an important component of the Company's climate transition strategy. As a railway operator, Georgian Railway relies primarily on electricity to support railway operations, while diesel fuel, petrol and natural gas are consumed for auxiliary transport, maintenance activities, heating and other operational purposes.

The Company monitors energy consumption across its operations to improve energy efficiency, reduce greenhouse gas emissions and support the implementation of its Climate Transition Plan. Energy performance information also supports the identification of opportunities for operational optimization, infrastructure modernization and emission reduction.

The Company's energy profile is characterized by a high degree of electrification, with elec¬tricity serving as the primary source for traction operations. To ensure alignment with ESRS E1-5 requirements and in¬ternational best practices, the Company has consolidated its energy data into a single metric (kWh), providing a com¬prehensive view of its energy balance.

During the reporting year, Georgian Railway consumed electricity for railway traction, administrative buildings, stations, maintenance facilities and other supporting operations. The Company maintains detailed electricity consumption records by operational category.

- Electricity consumption for freight traction amounted to 138,038,612 kWh,
- Electricity consumption for passenger traction accounted for 7,369,299 kWh.
- Electricity consumed by administrative offices and other communal facilities totaled 24,627,606 kWh.

Additional energy sources included diesel fuel and petrol used by the Company's vehicle fleet, as well as natural gas consumed for heating purposes. This level of disaggregation supports more effective energy management, facilitates the identification of efficiency improvement opportunities and contributes to the implementation of the Company's Climate Transition Plan.

The Company's energy profile is characterized by a high degree of electrification, with electricity serving as the primary source for traction operations. To ensure alignment with ESRS E1-5 requirements and international best practices, the Company has consolidated its energy data into a single metric (MWh), providing a comprehensive view of its energy balance.

TABLE E1.5: TOTAL ENERGY CONSUMPTION AND MIX (2025)

ENERGY SOURCE	CONSUMPTION (MWH)	SHARE (%)	OPERATIONAL CATEGORY
Total Electricity Consumption	**170,035.52**	**86.2%**	Traction & Stationary
— thereof Traction (Freight)	138,038.61	69.9%	Mainline operations
— thereof Traction (Passenger)	7,369.30	3.7%	Mainline operations
— thereof Stationary (Buildings)	24,627.61	12.5%	Administrative & Depots
Total Fossil Fuel Consumption	**18,396.39**	**13.8%**	Auxiliary & Shunting
— thereof Diesel (Locomotives/vehicles fleet)	9,20,552.07 (2,055,207 Litres)	10.4%	Mainline,administrative and Depots
— thereof Petrol (Vehicle Fleet)	4,161.31 (462,368 Litres)	2.1%	Administrative & Depots
— thereof Natural Gas (Heating)	3,733.36 (353,873 m^3)	1.9%	Administrative & Depots
Total Energy Consumption	**197,370.86**	**100.0%**	Group-wide Balance

Note: Conversion factors applied: Diesel (0.010 MWh/L), Petrol (0.009 MWh/L).

To support the assessment of energy efficiency and operational performance, Georgian Railway monitors energy intensity indicators across its core railway activities. These indicators relate electricity consumption used for railway traction to the level of transport activity performed during the reporting period and provide a basis for evaluating trends in operational energy efficiency over time.

The following energy intensity indicators are used:

FREIGHT TRAIN ENERGY INTENSITY

$$\text{kWh per train km} = \frac{\text{Freight traction electricity consumption (kWh)}}{\text{Freight train-km}} = \frac{138{,}038{,}612}{4{,}113{,}929} = 33.56 \text{ kWh/train-km}$$

PASSENGER TRAIN ENERGY INTENSITY

$$\text{kWh per train km} = \frac{\text{passenger traction el. consumption (kWh)}}{\text{Passenger train-km}} = \frac{7{,}369{,}299}{202{,}846} = 36.33 \text{ kWh/train-km}$$

OVERALL RAILWAY TRACTION ENERGY INTENSITY

$$\text{kWh per train km} = \frac{\text{Total railway traction electricity consumption(kWh)}}{\text{Total train-km}} = \frac{145{,}407{,}911 \text{ (kWh)}}{4{,}316{,}775 \text{ km}} = 33.68 \text{ kWh/train-km}$$

REVENUE-BASED INTENSITY

In accordance with ESRS E1-5 (para. 40-43), the Company has introduced a financial intensity metric to track the de-coupling of energy consumption from economic output. For the reporting year 2025, the energy intensity relative to rev¬enue was 322.35 MWh per million GEL(based on a total energy consumption of 197,370.86 MWh and a total revenue of GEL 612 million).

Energy Intensity (Revenue) = 197,370.86 MWh / 612.4 Mil¬lion GEL=322.35.

E1-6 GROSS GHG EMISSION

A robust greenhouse gas (GHG) emissions inventory is a fundamental component of Georgian Railway's Climate Transition Plan and supports the Company's climate-related decision-making, target setting and sustainability reporting. The measurement and disclosure of gross GHG emissions provide the basis for understanding the Company's climate impact, identifying emission reduction opportunities and monitoring progress toward its decarbonization objectives.
Georgian Railway quantifies its greenhouse gas emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (2004) , which serves as the internationally recognized methodology for corporate GHG accounting. The Company's climate-related disclosures are also aligned with the principles of IFRS S2 Climate-related Disclosures and the European Sustainability Reporting Standards (ESRS E1 – Climate Change).

For the reporting year 2025, Georgian Railway calculated its gross Scope 1 and Scope 2 greenhouse gas emissions, covering direct emissions from sources owned or controlled by the Company and indirect emissions associated with purchased electricity and heat. Greenhouse gas emissions are reported as gross emissions, meaning they are presented before the application of any carbon offsets, carbon credits, or greenhouse gas removals.

In alignment with international best practices, the Company intends to enhance the completeness of its inventory by including fugitive emissions (refrigerant losses) in Scope 1 and introducing location-based reporting for Scope 2 in future cycles.

At present, Scope 3 greenhouse gas emissions have not been quantified and are therefore not included within the current reporting boundary. Consequently, Georgian Railway's total gross greenhouse gas emissions reported for 2025 comprise the sum of Scope 1 and Scope 2 emissions.

- Scope 1: Emissions from sources owned or controlled by Georgian Railway. These include mobile combustion from diesel locomotives, self-propelled railway equipment, the road vehicle fleet and mobile machinery; stationary combustion from natural gas used for heating and diesel used in generators; and fugitive emissions, where applicable. Emissions are calculated using activity data from internal records and relevant IPCC and UK Government DEFRA/DESNZ 2025 emission factors.

- SCOPE 2: Indirect GHG emissions: Emissions associated with the generation of purchased electricity, heating, and cooling consumed by Georgian Railway. Scope 2 emissions are calculated using the location-based method, applying relevant emission factors sourced from NBG-VU (2022) — a joint GHG accounting framework developed by the National Bank of Georgia and Vrije Universiteit Amsterdam. The calculation covers electricity used for railway traction, electricity consumed by the Company's facilities and offices, as well as purchased heating and cooling.

TABLE E1.6.1: GROSS GHG EMISSIONS INVENTORY (2025)

SCOPE	EMISSION CATEGORY / SOURCE	ACTIVITY DATA	EMISSION FACTOR	EMISSIONS (tCO_2e)
Scope 1	Shunting Locomotives (Diesel)	1,241,306 L (1,364.43 t)	3.517 tCO_2e/tonne	4,799
Scope 1	Service Fleet & Special Equipment (Cars & Machinery)	Multiple (Diesel & Petrol)	Various (DEFRA / IPCC)	2,923
Subtotal	**Total Scope 1 (Direct Emissions)**	—	—	**7,722**
Scope 2	Purchased Electricity — Railway Traction	145,400,000 kWh	0.065 $kgCO_2e$/kWh	9,451
Scope 2	Purchased Electricity — Administrative & Depots	24,627,625 kWh	0.065 $kgCO_2e$/kWh	1,601
Scope 2	Stationary Combustion (Natural Gas & Generators)	353,873 m^3 / 717 L	0.050 M^3/kWh	18
Subtotal	**Total Scope 2 (Location-based Indirect)**	**170,027,625 kWh**	—	**11,069**
Total	**Gross GHG Emissions (Scope 1 + Scope 2)**	—	—	**18,792**

**Derived from a conversion factor of 10.55 kWh/m^3.*

GHG EMISSIONS INTENSITY

To evaluate the carbon efficiency of railway operations, Georgian Railway calculates its greenhouse gas (GHG) emissions intensity by relating total Scope 1 and Scope 2 emissions to both its operational activity and financial output. This dual approach ensures alignment with ESRS E1-6 (para. 53) and provides a consistent measure of carbon performance. By monitoring intensity relative to both train-kilometers and revenue, the Company supports the long-term tracking of progress towards its climate objectives and the decoupling of its environmental footprint from its economic growth. For the reporting year 2025, the GHG emissions intensity relative to transport activity was 4.35 $kgCO_2e$ per train-kilometer. The calculation is based on the ratio of total Scope 1 and Scope 2 emissions to the total distance operated:GHG emissions intensity.

$$\text{KgCO2e per train-km} = \frac{\text{Scope 1 + Scope 2 (kgCO2e)}}{\text{Freight train-km + Passenger train - km}} = \frac{18,791,694.82}{4,316,775} = 4.35 \text{ kgCO2e per train-km}$$

This figure is established as the official baseline for the Company's reduction targets. Georgian Railway will monitor this indicator annually to evaluate the effectiveness of emission reduction measures and track progress against its long-term decarbonization objectives.

To align with national and international climate goals, the Company has established the following intensity reduction pathway:

TABLE E1.6.2: EMISSIONS REDUCTION TARGETS

TIME HORIZON	TARGET	BASELINE
Short Term – 2030	Reduce Scope 1 and Scope 2 emissions intensity by 10–15%.	2025
Long Term – 2050	Achieve a reduction of at least 30–50% in Scope 1 and Scope 2 emissions.	2025

***The Company will review these targets periodically and revise them, where appropriate, to reflect technological developments, changes in the national energy mix, regulatory requirements and progress in implementing the Climate Transition Plan.*

E1-7 GHG REMOVALS AND CARBON CREDITS

During the reporting period, Georgian Railway did not utilize carbon credits, carbon offsets, or certified greenhouse gas removals to compensate for its greenhouse gas emissions. The Company reports gross greenhouse gas emissions in accordance with the GHG Protocol and does not currently rely on offsetting mechanisms to achieve its climate objectives.

The Company operates a tree nursery and carries out tree planting activities along selected railway corridors primarily for landscape restoration, wind protection, erosion control, and biodiversity enhancement. While these activities contribute positively to the local environment, Georgian Railway does not currently quantify the associated carbon removals, and therefore these activities are not included within the Company's greenhouse gas inventory.

E1-8 INTERNAL CARBON PRICING

Georgian Railway does not currently apply an internal carbon pricing mechanism or shadow carbon price in its investment appraisal or operational decision-making processes. The Company will continue to monitor developments in climate policy and carbon pricing mechanisms as part of its climate governance and transition planning.

ESRS E2
POLLUTION

MATERIAL IRO 37

E2-1 POLICIES 38

E2-2 ACTIONS 38

E2-3 TARGETS 39

E2-4 POLLUTION OF AIR, WATER AND SOIL 40

E2-5 SUBSTANCES OF CONCERN AND SUBSTANCES OF VERY HIGH CONCERN 41

E2-6 EXPECTED FINANCIAL EFFECTS 41



ESRS E2 - Pollutions

MATERIAL IRO

TOPIC	IRO TYPE	OCCURRENCE	DESCRIPTION	VALUE-CHAIN LOCATION
Combustion-Related Air Pollution (NOx, PM)	Impact	Actual; short, medium and long term	Direct atmospheric emissions from diesel shunting locomotives and vehicle fleet operation, contributing to local air pollution.	Own Operations
Soil and Water Contamination	Impact	Potential; short, medium and long term	Risk of soil and water contamination from accidental spills of fuel, lubricants and hazardous substances, as well as from creosote-treated wooden sleepers and legacy PCB-containing oils.	Own Operations
Upstream Supply Chain Emissions	Impact	Potential; medium and long term	Air emissions and other pollution associated with the production of purchased infrastructure materials, including steel rails and concrete.	Upstream Value Chain
Environmental Regulatory Transition	Risk	Potential; short and medium term	Evolving environmental legislation and stricter pollution-control requirements may increase compliance, monitoring and remediation costs.	Own Operations

Georgian Railway's identification and assessment of pollution-related impacts, risks and opportunities (IROs) draws on the Company's existing environmental management and operational control infrastructure, established under its Occupational Safety and Environmental Management System. This includes:

Environmental inspection records — biannual environmental monitoring conducted under the Company's Environmental Control procedures (Section 27 of the Occupational Safety and Environmental Management System), covering compliance with permit and license conditions across Company facilities;

Environmental Inspection Protocol findings — structured facility-level assessments (Appendix 21) covering emission sources, wastewater discharge, oil spill risk, hazardous and non-hazardous waste storage, and soil contamination indicators at depots and operational sites;

Hazardous Waste Logbook data — operational records (Appendix 17) documenting the type, quantity and disposal pathway of hazardous waste generated across Company facilities, providing a factual basis for assessing soil and water contamination risk;

Operational and asset data — records relating to diesel-powered shunting operations, fuel and lubricant storage, and infrastructure maintenance activities (e.g., creosote-treated sleeper replacement, referenced in Section 1.3) that generate or have historically generated pollution-related impacts;

Incident records — documentation of accidents, dangerous occurrences and environmental non-conformities recorded through the Company's occupational safety and environmental control processes.

In accordance with ESRS E2, Georgian Railway has identified the following material impacts, risks, and opportunities related to pollution of air, water, and soil. These IROs inform the Company's policies and management actions."

E2-1 POLICIES

GPollution-related matters at JSC Georgian Railway are governed by the Occupational Safety and Environmental Management System (OSEMS), which forms an integral part of the Company's overall management system and establishes the key principles, organisational structure, responsibilities and procedures for environmental protection and the management of environmental risks.

OSEMS is based on applicable Georgian legislation, the ISO 45001 standard and the International Labour Organization's (ILO) guidelines. The environmental policy set out in the document commits the Company to avoiding, minimising and mitigating the environmental impacts arising from its activities, improving its environmental performance and implementing appropriate environmental protection measures.

The Company's approach to pollution prevention is based on the principles of regulatory compliance, environmental risk management and continuous improvement. Environmental considerations are integrated into the Company's operations, with the aim of avoiding, minimising and mitigating adverse environmental impacts.

The system also defines responsibilities for ensuring compliance with environmental requirements and establishes provisions for environmental monitoring and control, inspections and audits. The Occupational Safety and Environment Service is responsible for supporting the implementation of the environmental policy and the requirements established by the management system.

E2-2 ACTIONS

During the reporting period, the Company continued implementing measures designed to prevent and control pollution throughout its operations. These measures include regular maintenance of operational equipment, inspection of fuel and lubricant storage facilities, implementation of spill prevention procedures, proper segregation and management of waste, monitoring of environmental parameters where required, and application of environmental protection measures during construction and maintenance activities. The Company also provides environmental awareness and operational training to relevant personnel and continuously reviews operational practices to improve pollution prevention performance and maintain compliance with applicable environmental requirements.

In addition to these general pollution prevention and control measures, the Company implements specific actions to address key pollution-related impacts and risks associated with its operations, including air pollution, hazardous substances and chemical contamination.

PREVENTION AND REDUCTION OF AIR POLLUTION

One of Georgian Railway's key measures for managing air pollution is the high level of electrification of its railway network. As of 2025, Georgian Railway's network has been almost fully electrified. The majority of both freight and passenger transportation is operated using electric locomotives and electric multiple units (EMUs), while diesel locomotives are primarily used for shunting operations and on non-electrified sidings and sections. This reduces reliance on diesel and contributes to the reduction of combustion-related air pollutant emissions.

The prevention of air pollution is also supported by the optimization of traction energy consumption. The discontinuation of the so-called "mountain mode" and the introduction of longer trains have improved energy efficiency per tonne-kilometre and reduced the energy intensity of freight transportation. These operational measures contribute to more efficient energy use and, where combustion-based energy sources are used, may also contribute to reducing associated air pollutant emissions.

MANAGEMENT OF HAZARDOUS WASTE AND HAZARDOUS SUBSTANCES

As part of the joint "PCB-Free Electricity Distribution in Georgia" project implemented by the Ministry of Environmental Protection and Agriculture of Georgia, the Regional Environmental Centre for the Caucasus (REC Caucasus) and UNIDO, the Company conducted laboratory testing of oils containing polychlorinated biphenyls (PCBs) and identified and labelled the relevant equipment.

To date, 4,000 litres of PCB-containing oil have been removed from the Company's operations.

In addition to PCB-containing oils, the Company has identified several waste streams requiring appropriate handling, transportation and management, including wooden sleepers contaminated with petroleum products and/or creosote, waste paint containers and expired paints, heavy fuel oil, waste diesel, waste oil, and soil and ground contaminated with petroleum products. The identified quantities comprise 33,584 kg of contaminated wooden sleepers, 21,140 kg of waste paint containers and expired paints, 14,000 kg of heavy fuel oil, 27,439 litres of waste diesel, 24,063 litres of waste oil and 132 m^3 of soil and ground contaminated with petroleum products. Based on the Company's cost assessment, the estimated total cost of managing these waste streams, including transportation, ranges from GEL 617,978 to GEL 688,504.

The Company plans to progressively remove and appropriately manage the identified waste over the five-year period from 2027 to 2031. The indicative annual budget is distributed equally across the five years, based on the estimated maximum total cost, including transportation.

TABLE E2-2. WASTE MANAGEMENT PLAN

YEAR	PLANNED ACTIVITY	ESTIMATED COST (GEL)
2027	Removal and appropriate management of identified waste	137,700.80
2028	Removal and appropriate management of identified waste	137,700.80
2029	Removal and appropriate management of identified waste	137,700.80
2030	Removal and appropriate management of identified waste	137,700.80
2031	Removal and appropriate management of identified waste	137,700.80
Total		**688.504.00**

These measures are aimed at the proper identification, control, safe management and final removal of hazardous waste, thereby reducing the risk of environmental pollution associated with hazardous substances.

ENHANCEMENT OF SPILL RESPONSE CAPACITY

To strengthen the Company's capacity to respond to accidental spills of petroleum products and other hazardous substances, the Company plans to procure four mobile oil-spill collection tanks, each with an approximate capacity of 10,000 litres. The tanks will be made of chemically resistant and corrosion-resistant materials and will have a compact design suitable for transportation and deployment at relevant operational locations.

The planned capital expenditure for the procurement amounts to GEL 80,000 excluding VAT (GEL 20,000 per unit). The procurement is planned to be completed by the end of October 2026.

This action is intended to strengthen the Company's spill response capacity and improve its ability to contain and manage accidental releases of petroleum products, thereby reducing the potential risk of pollution to soil and water.

PROGRESSIVE REPLACEMENT OF CREOSOTE-TREATED WOODEN SLEEPERS

The Company continues to progressively replace creosote-treated wooden sleepers with more environmentally preferable alternatives, including water-based treated or concrete sleepers. This measure aims to reduce the risk of chemical contamination of soil and groundwater associated with creosote.

As of 2025, wooden sleepers are installed along approximately 283 km of track. The Company plans to replace approximately 10 km of track with alternative sleepers annually over the coming years.

E2-3 TARGETS

The Company aims to continuously improve its pollution prevention performance through effective environmental management and operational controls.

At the reporting date, the Company's primary objective is to maintain compliance with applicable environmental legislation while minimizing pollution risks associated with its operations. Pollution prevention efforts focus on reducing the likelihood of accidental releases, improving operational practices and strengthening environmental monitoring.

The Company has established the following pollution prevention targets to support effective environmental management, minimize pollution risks and ensure continuous compliance with applicable environmental legislation. These targets will be reviewed periodically as the Company's environmental management framework continues to evolve.

- Maintain 100% compliance with applicable environmental permits and pollution-related legal requirements across all operational facilities.
- Maintain zero significant environmental pollution incidents annually.
- Ensure 100% investigation and implementation of corrective actions for all reported pollution-related incidents and environmental non-conformities.
- Conduct annual inspections of pollution prevention infrastructure at relevant operational sites.
- Maintain 100% availability of spill response equipment at locations where hazardous substances are stored or handled.
- Deliver annual pollution prevention and spill response training for employees whose activities involve pollution risks.

In addition, the Company has established the following targets to support the progressive reduction of specific pollution-related risks identified through its operations:

- Progressively remove and appropriately manage the identified waste streams within the Company's operations, with the planned removal of all identified waste between 2027 and 2031

- Progressively replace creosote-treated wooden sleepers with more environmentally preferable alternatives in order to reduce the risk of soil and groundwater contamination associated with creosote.

Where appropriate, pollution-related objectives and performance indicators will continue to be reviewed and further developed as part of the Company's environmental management framework

TARGETS RELATED TO POLLUTION

"Georgian Railway is committed to the systematic reduction of its environmental footprint. The Company's primary target is to maintain full compliance with national and international environmental legislation while progressively minimizing pollution risks associated with its operations.

2.3.1 Strategic Objectives Our current efforts are focused on qualitative improvements that will serve as the foundation for future measurable targets:

Operational Control: Enhancing environmental monitoring and operational protocols to reduce the likelihood of accidental releases of hazardous substances.

Emission Reduction: Supporting the long-term goal of improving local air quality by prioritizing the phase-out of older diesel assets.

Continuous Improvement: In alignment with European best practices the Company aims to establish more granular, outcome-oriented targets as our environmental data management systems mature."

E2-4 POLLUTION OF AIR, WATER AND SOIL

The Company's activities have the potential to generate emissions to air, discharges to water and impacts on soil through operational activities, infrastructure maintenance, equipment servicing, construction works and the handling of fuels, lubricants and other operational materials.

Potential air emissions primarily arise from the operation of diesel-powered equipment, maintenance activities and construction works. Potential impacts on water resources may occur through wastewater generation, surface water runoff and accidental releases of pollutants. Potential soil impacts are primarily associated with the storage and handling of fuels, lubricants, chemicals and other hazardous materials. The Company implements operational controls, monitoring programmes and preventive measures designed to minimize these impacts. Where environmental monitoring is required by legislation or permit conditions, it is carried out in accordance with applicable requirements. Pollution incidents are managed through established emergency response procedures and corrective actions.

Impact Overview and Monitoring: "Georgian Railway's activities have the potential to generate emissions to air, discharges to water, and impacts on soil through operational activities, infrastructure maintenance, equipment servicing, construction works, and the handling of fuels, lubricants, and other operational materials. The Company implements operational controls, monitoring programs, and preventive measures designed to minimize these impacts. Where environmental monitoring is required by legislation or permit conditions, it is carried out in accordance with applicable requirements. Pollution incidents are managed through established emergency response procedures and corrective actions."

Air Pollution Metrics: "Potential air emissions primarily arise from the operation of diesel-powered equipment, maintenance activities, and construction works. In accordance with ESRS E2-4, the Company tracks key atmospheric pollutants generated from its combustion activities (based on Scope 1 fuel consumption of 2,055,207 liters of diesel and 462,368 liters of petrol). Following European best practices, the absolute emissions of nitrogen oxides (NOx) and particulate matter (PM) are identified as the most material air quality metrics for railway operations."

Combustion-Related Air Emissions: In 2025, Georgian Railway consumed 2,055,207 litres of diesel, equivalent to approximately 1,726.37 tonnes of diesel, based on a diesel density of 0.84 kg/L. Using the EEA/EMEP 2023 Guidebook, Category 1.A.3.c Railways emission factors, estimated NOx emissions amounted to approximately 90.46 tonnes, based on an emission factor of 52.4 kg NOx per tonne of diesel, while PM_{10} emissions amounted to approximately 2.49 tonnes, based on an emission factor of 1.44 kg PM_{10} per tonne of diesel. SO_2 emissions have not been estimated for 2025 due to the unavailability of data on the sulfur content of the diesel fuel consumed. Georgian Railway intends to assess and calculate these emissions in future reporting periods, subject to the availability of the required fuel composition data.

Water and Soil Protection: "Potential impacts on water resources may occur through wastewater generation, surface water runoff, and accidental releases of pollutants. Potential soil impacts are primarily associated with the storage and handling of fuels, lubricants, chemicals, and other hazardous materials. The Company maintains centralized records of these substances to support its pollution prevention efforts."

E2-5 SUBSTANCES OF CONCERN AND SUBSTANCES OF VERY HIGH CONCERN

The Company uses a range of fuels, lubricants, oils, maintenance chemicals, paints and other operational substances necessary to support its activities.

These substances are stored, handled and used in accordance with applicable environmental, occupational health and safety requirements. Procedures are implemented to minimize the risk of accidental releases and to ensure appropriate storage, transportation and disposal where applicable.

The Company continues to review the substances used in its operations and seeks, where feasible, to reduce environmental risks through responsible procurement, safe handling practices and appropriate operational controls.

E2-6 EXPECTED FINANCIAL EFFECTS

The Company recognizes that pollution-related risks and opportunities may have financial implications through environmental compliance obligations, pollution prevention measures, monitoring activities, environmental remediation, waste management and future investments in environmental protection.

During the reporting period, pollution prevention activities formed part of the Company's routine operational and environmental management expenditures. Investments in environmental protection contribute to reducing operational risks, maintaining regulatory compliance and supporting the long-term sustainability of the Company's operations.

The Company continues to assess pollution-related financial impacts and will further enhance the evaluation of environmental risks and opportunities as its sustainability reporting practices continue to develop.

As part of its waste management planning, Georgian Railway has identified several waste streams requiring removal and appropriate management, including wooden sleepers contaminated with petroleum products and/or creosote, waste paint containers and expired paints, heavy fuel oil, waste diesel, waste oil and soil and ground contaminated with petroleum products. Based on the Company's current cost assessment, the estimated total cost of managing these waste streams, including transportation, ranges from GEL 617,978 to GEL 688,504. The Company plans to progressively remove and appropriately manage the identified waste over the period 2027–2031, with an indicative annual budget of GEL 137,700.80 based on the estimated maximum total cost.

This estimate represents a preliminary assessment of future expenditure rather than a formally recognised provision in the Company's financial statements. The Company will monitor and update the estimates as waste management requirements, contractor pricing and market conditions change.

ESRS E5

RESOURCE USE AND CIRCULAR ECONOMY



MATERIAL IRO 43

E5-1 POLICIES 44

E5-2 ACTIONS AND RESOURCES 45

E5-3 TARGETS 46

E5-4 RESOURCE INFLOWS 47

E5-5 RESOURCE OUTFLOWS 47

E5-6 EXPECTED FINANCIAL EFFECTS 48

ESRS E5 - Resource Use and Circular Economy

MATERIAL IRO

TOPIC	IRO TYPE	OCCURRENCE	DESCRIPTION	VALUE-CHAIN LOCATION
Material Substitution and Resource Efficiency	Impact / Opportunity	Actual; short, medium and long term	Replacement of creosote-treated wooden sleepers with concrete sleepers or safer treated alternatives reduces hazardous material use and the risk of chemical leaching. The Company also seeks to improve resource efficiency through more durable materials and efficient asset management.	Own Operations
Soil Conservation and Biological Reclamation	Impact	Actual; short and medium term	Removal, preservation and reuse of fertile topsoil during infrastructure works support land reclamation and restoration of disturbed sites using native plant and tree species.	Own Operations / Project Sites
Resource Outflows and Hazardous Waste Management	Impact / Risk	Actual; short, medium and long term	Railway maintenance and infrastructure activities generate waste streams, including scrap metal, replaced sleepers, waste oils, paint residues, waste fuels and oil-contaminated soil. Appropriate segregation, recovery, recycling and disposal are required to manage these materials and address historical waste accumulation.	Own Operations and Downstream Value Chain
Resource Inflows and Circular Procurement	Risk / Opportunity	Potential; medium and long term	Potential; medium and long term Dependence on virgin materials such as steel rails, ballast and cement, together with the absence of systematic tracking of recycled material content in procurement, may limit circularity. Increasing the use of recycled or secondary materials where technically and economically feasible may improve resource efficiency.	Upstream Value Chain

The Company recognizes that the efficient use of natural resources and the transition towards a circular economy are essential for sustainable infrastructure management and long-term operational resilience. The Company seeks to optimize the use of materials, minimize waste generation, extend the useful life of assets where feasible and promote resource efficiency throughout its operations.

Resource management is integrated into operational planning, maintenance activities and infrastructure development to reduce environmental impacts, improve operational efficiency and support the sustainable use of resources.

E5-1 POLICIES

The Company has established policies and operational procedures that promote responsible resource use and support the principles of the circular economy. These policies encourage efficient use of raw materials, responsible procurement, waste prevention, reuse and recycling where technically and economically feasible and compliance with applicable environmental legislation.

Resource management practices are incorporated into maintenance activities, infrastructure projects and operational processes to reduce unnecessary resource consumption and maximize the value of materials throughout their life cycle.

The Company also promotes responsible management of construction materials, operational equipment and other resources through planning, preventive maintenance and continuous improvement of operational practices.

The Company operates in accordance with a Waste Management Plan approved by the Ministry of Environmental Protection and Agriculture of Georgia. The Plan establishes procedures for waste prevention, segregation, collection, storage, transportation, recovery and disposal in compliance with national legislation.

In addition, the Company operates under a comprehensive Safety Management System (SMS), developed in collaboration with Polish railway specialists under a European Union-funded Twinning Project and approved by the Supervisory Board. The SMS serves as the primary corporate risk-control framework designed to ensure that the organization safely controls operational and transportation hazards. Utilizing a structured Plan-Do-Check-Act (PDCA) cycle (incorporating planning, operation, performance evaluation, and continuous improvement), the SMS integrates risk evaluation and environmental incident prevention across all divisions. In terms of resource protection, the system establishes binding guidelines for traffic safety and cargo containment that mitigate the risk of rail transit accidents. By securing the physical integrity of rail corridors, the SMS acts as a preventive policy that shields surrounding ecosystems and high-weight track infrastructure—such as carbon-intensive stone ballast and soil—from chemical or oil contamination, thereby avoiding the premature generation of hazardous waste and extending the operational lifecycle of GR's resource inflows.

To systematically manage operational ecological risks, the Company operates under its integrated Occupational Safety and Environmental Management System (ESMS / OSEMS), which was officially approved by the Board of Directors on June 8, 2023. Grounded in national legislation (including the Waste Management Code and the Environmental Assessment Code of Georgia) and structurally aligned with the international standard ISO 45001 and the ILO-OSH 2001 guidelines, the system serves as an integrated governance framework. While the system is not formally certified to the ISO 14001 environmental standard, it incorporates comprehensive environmental control procedures—including systematic site audits, compliance tracking, and environmental risk planning—that actively govern and drive GR's resource efficiency, waste segregation, and material circularity goals across all corporate operations, workshops, and track maintenance depots. *(see also: Social — S1-1, Policies Related to Own Workforce).*

At the individual level, environmental responsibility is integrated into corporate culture through the Code of Ethics and Conduct. The Code explicitly obliges each employee to protect the country's ecology, actively spend company resources to a minimum, and use materials strictly in accordance with service needs. Under Article 15 of the Code, employees are mandated to refuse any professional activities that violate existing legislation, pollute the environment, or cause ecological damage, thereby embedding accountability into daily professional actions.

During civil engineering and track modernization activities, such as the Main Railway Modernization Project, the Company enforces strict circular policies regarding soil conservation and biological restoration. In compliance with Technical Regulation No. 424 of the Government of Georgia ("On the removal, storage, use and reclamation of the fertile layer of the soil"), the fertile topsoil layer must be systematically removed, stockpiled, and stored in designated spoil grounds to maintain its biological viability. Following construction, this soil is systematically redistributed over disturbed sites for biological reclamation using native plant and tree species grown in the Company's specialized forest nursery. Additionally, the Company utilizes seedlings from its specialized forest nursery to plant green windbreaks and implement bio-engineering erosion control measures along vulnerable track corridors, thereby serving both operational safety and ecological restoration goals. Before executing any reclamation, the Company is legally required to agree and secure approval for the reclamation project from the Ministry of Environmental Protection and Agriculture of Georgia, which is formally integrated as a mandatory permit condition under Environmental Protection Decision Order No. 722/ბ.

To mitigate the risk of toxic chemical contamination along national rail corridors, the Company strictly enforces the Regulations concerning the International Carriage of Dangerous Goods by Rail (RID). Following European Union Directive 2008/68/EC and national Decree No. 17 (issued January 22, 2025), these rules establish legally binding standards for classification, packaging, and high-visibility hazard markings of hazardous materials. RID compliance mandates rigorous pre-trip technical inspections of wagon structures and railcar braking systems before every journey to prevent accidental derailments or cargo leakages. These containment and emergency mitigation protocols protect nearby soil, groundwater, and carbon-intensive track ballast from dangerous contamination, avoiding the premature generation of large-scale hazardous waste.

TABLE E5-1. ENVIRONMENTAL POLICY COVERAGE

GOVERNING DOCUMENT	HAZARDOUS WASTE	END-OF-LIFE / RECYCLING	VALUE CHAIN (SUPPLIERS)
Safety Management System (SMS)	Mitigates operational and transit accident risks to prevent soil/ballast contamination and avoid premature hazardous waste generation.	Extends the operational lifecycle of carbon-intensive track infrastructure by securing the physical integrity of rail corridors.	
Waste Management Plan (2024)	Mandates strict sorting and safe handling protocols.	Enforces EPR for electronic waste recovery.	
Occ. Safety & Env. Management System	Requires biannual hazard training and active site audits.		
Code of Ethics and Conduct (2022)	Grants employees “Ecological Refusal” rights.		Contractually binds sub-contractors to baseline standards.
Technical Regulation No. 424 (Soil Protection)	Prevents toxic spills to protect physical assets.	Mandates 100% topsoil reuse for biological recultivation.	
RID Dangerous Goods Standards			Enforces rigorous transit containment and inspection rules.

E5-2 ACTIONS AND RESOURCES

During the reporting period, the Company continued implementing measures to improve resource efficiency and support circular economy principles across its operations.

Actions include optimizing the use of materials during maintenance and construction activities, promoting the reuse of suitable components where technically appropriate, segregating waste to facilitate recycling, improving inventory management, and extending the service life of operational assets through preventive maintenance.

The Company reuses railway sleepers while they remain technically fit for service, extending their useful life before replacement is necessary.

The Company also allocates financial and operational resources to support environmental management, maintenance of infrastructure, waste management and initiatives aimed at improving resource efficiency.

Future actions will continue to focus on reducing resource consumption, increasing material recovery and strengthening circular economy practices throughout the Company's operations.

The reuse of suitable infrastructure components is considered where technically appropriate and in accordance with applicable safety and quality requirements. The Company continues to develop its resource management practices, including the identification and tracking of materials reused within its operations.

During the reporting period, Georgian Railway continued its participation in the national Extended Producer Responsibility (EPR) system as a member of the Producer Responsibility Organization for Waste Electrical and Electronic Equipment (WEEE), batteries and accumulators, and waste oils. Through this membership, the Company supports the collection, recovery and environmentally sound treatment of these waste streams in accordance with applicable legislation.

Within the framework of the Extended Producer Responsibility (EPR) system established under Government of Georgia Resolution No. 326 (2020), Georgian Railway, as a member of a Producer Responsibility Organization (PRO), contributes to the proper management of waste electrical and electronic equipment (WEEE), batteries and accumulators, and waste oils by transferring these waste streams to the relevant organization for collection, recovery and environmentally sound treatment in accordance with applicable national legislation.

During the reporting period and in the coming years, the Company has identified the following actions to strengthen resource efficiency and support the transition towards a circular economy:

By the end of 2027, the Company plans to conduct a comprehensive waste inventory across all its operations. As part of this process, historical waste accumulated from previous years will be identified, quantified and recorded separately from currently generated waste.

By the end of 2028, the Company intends to submit to the Ministry of Environmental Protection and Agriculture of Georgia a time-bound Waste Management Action Plan, setting out measures and implementation milestones for the management of historical waste over the coming years.

E5-3 TARGETS

The Company aims to improve resource efficiency by promoting responsible material use, reducing unnecessary resource consumption and supporting circular economy principles within its operational activities.

Current efforts focus on optimizing maintenance practices, improving waste management, increasing opportunities for material reuse and recycling, and extending the useful life of infrastructure and operational assets where feasible.

For its short-term horizon, targeted for 2030, the Company commits to maintaining 100% compliance with its Waste Management Plan and all applicable waste management legislation to ensure its operations continuously align with environmental regulations. To optimize waste diversion, the Company will ensure the 100% transfer of all separately collected waste electrical and electronic equipment (WEEE), waste batteries and accumulators, and waste oils to authorized recovery or recycling organizations.

Concurrently, to support systematic, long-term waste reduction planning, the Company will complete a comprehensive waste inventory designed to clearly distinguish historical waste from operational waste. The Company also aims to increase the reuse and recycling of materials generated through its routine maintenance and infrastructure rehabilitation activities, prioritizing these recovery efforts wherever technically and economically feasible. To establish a rigorous, data-driven monitoring framework, the Company will develop and annually monitor specific resource efficiency and circular economy performance indicators.

Looking toward the long-term horizon of 2050, the Company commits to continuously increasing the share of materials recovered and recycled through its circular resource management practices. This long-term strategy focuses on minimizing the disposal of recoverable waste by maximizing all available opportunities for reuse, recycling, and material recovery. To deeply embed circularity within its corporate governance, the Company will integrate circular economy principles directly into its infrastructure maintenance, procurement, and asset management decisions, ultimately improving overall resource efficiency through the optimization of material consumption and the extension of the operational life of its infrastructure assets.

WASTE & CIRCULAR ECONOMY ROADMAP

2030 year horizon (short-term)

COMPLIANCE

100% compliance with the Waste Management Plan and applicable legislation

100% transfer of separately collected WEEE, batteries and waste oils to authorized organizations

Complete waste inventory and separate historical and operational waste

Increase reuse & recycling from maintenance and infrastructure projects

Establish annual KPIs for resource efficiency and circular economy

Evidence: waste records, transfer certificates, inventory records and annual KPI monitoring

2050 year horizon (long-term)

CIRCULARITY

Maximum recovery of materials through reuse, recycling and recovery

Minimum disposal of recoverable waste

Circular economy principles integrated into procurement, maintenance and asset management

Improve resource efficiency through optimized material consumption

Extend infrastructure asset life through improved resource management

Evidence: annual circularity KPIs, procurement records, recycling/recovery data and asset-management indicators

E5-4 RESOURCE INFLOWS

The Company's operations require the use of a variety of materials, products and natural resources necessary for railway infrastructure, rolling stock maintenance and operational activities.

The Company's operational and infrastructure activities require the procurement of substantial quantities of materials, including steel rails, ballast, concrete sleepers and cement. Currently, the total mass of procured materials, as well as their recycled and secondary material content, is not fully tracked. In line with the phased implementation of ESRS requirements, Georgian Railway plans to progressively improve its procurement and logistics data management processes to enable more accurate quantitative reporting of resource inflows and determination of the proportion of recycled and secondary materials in future reporting periods.

Key resource inflows include construction materials, steel products, rails, sleepers, ballast, aggregates, electrical equipment, fuels, lubricants, water, energy and maintenance materials.

For track sleepers, the Company actively executes a material substitution program under its Environmental and Social Action Plan (ESAP 3.4a) to systematically phase out traditional wooden sleepers treated with toxic, coal tar creosote, replacing them with long-life concrete sleepers. This transition helps reduce the use of hazardous operational substances and minimizes the risk of soil and groundwater contamination. In terms of energy inflows, the Company's railway network is almost fully electrified, enabling the utilization of electric locomotives and electric multiple units (EMUs) for both freight and passenger transportation, which minimizes reliance on fossil fuels.

The Company seeks to improve procurement practices by promoting efficient resource use, considering product durability and quality, and minimizing unnecessary material consumption wherever possible. Opportunities to increase the use of recycled or sustainably sourced materials are evaluated where technically feasible and economically justified.

E5-5 RESOURCE OUTFLOWS

Resource outflows generated by the Company's activities primarily include waste materials, replaced infrastructure components, scrap metal, construction and demolition waste, packaging materials, used oils, end-of-life equipment and other operational waste streams.

Where feasible, materials are reused, recycled or recovered in accordance with applicable legislation and operational requirements. Waste that cannot be recovered is managed through authorized waste management operators.

The Company continues to improve waste segregation, material recovery and responsible disposal practices to reduce the environmental impact associated with resource outflows and to support the transition towards a more circular use of resources.

TABLE E5-5. DISCLOSED WASTE GENERATION AND MANAGEMENT BREAKDOWN

DISCLOSED WASTE MATERIAL / TYPE	VOLUME / QUANTITY	MATERIAL CONTEXT & OPERATIONS
Wooden sleepers (contaminated with oil/creosote)	33,584 kg	Replaced with concrete sleepers to minimize hazardous leaching. Managed under a dedicated plan for safe dismantling and disposal.
Waste paint containers & expired paints	21,139.677 kg	Hazardous maintenance residues requiring specialized handling and safe disposal.
Mazut (Heavy fuel oil)	14,000 kg	Heavy fuel oil residues from operations, requiring strict environmental management and disposal.
Waste diesel	27,439 Liters	Auxiliary and fleet fuel waste collected for safe hazardous waste disposal.
Waste oil (including PCB-containing)	24,062.6 Liters	Includes PCB-containing oils from legacy infrastructure, managed under the joint "PCB-Free Electricity Distribution in Georgia" project.
Oil-contaminated soil and ground	131.6 m^3	Remediated ground and soil collected to prevent trackbed and groundwater contamination.

The identified waste streams comprise 33,584 kg of contaminated wooden sleepers, 21,139.677 kg of waste paint containers and expired paints, 14,000 kg of heavy fuel oil, 27,439 litres of waste diesel, 24,062.6 litres of waste oil and 131.6 m^3 of oil-contaminated soil and ground. The estimated cost of managing these waste streams, including transportation, ranges from GEL 617,978 to GEL 688,504. Based on the upper estimate, the Company's preliminary five-year waste management expenditure for 2027–2031 is projected at GEL 137,700.80 per year. These amounts represent estimated future expenditure for waste collection, transportation, treatment and disposal and have not been recognised as a formal provision.

E5-6 EXPECTED FINANCIAL EFFECTS

The Company recognizes that improving resource efficiency and implementing circular economy principles may generate long-term economic benefits through reduced material consumption, improved asset utilization, lower waste management costs and increased operational efficiency.

At the same time, implementation of resource efficiency initiatives may require investments in infrastructure, equipment, maintenance programmes, waste management systems and environmental improvement measures. The estimated cost of waste management, including transportation, ranges from GEL 617,978 to GEL 688,504, with preliminary annual expenditure for 2027–2031 projected at GEL 137,700.80, based on the upper estimate. These amounts represent estimated future expenditure and have not been recognised as a formal provision.

The Company continues to evaluate the financial implications of resource use and circular economy initiatives and expects that improved resource management will contribute to long-term operational resilience, environmental performance and sustainable value creation.

ESRS S1

OWN WORKFORCE



MATERIAL IRO 50

S1-1 POLICIES RELATED TO OWN WORKFORCE 51

S1-2 PROCESSES FOR ENGAGING WITH OWN WORKFORCE AND WORKERS' REPRESENTATIVES 53

S1-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR OWN WORKFORCE TO RAISE CONCERNS 54

S1-4 TAKING ACTION ON MATERIAL IMPACTS AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES 55

S1-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES 57

S1-6 CHARACTERISTICS OF THE UNDERTAKING'S EMPLOYEES 59

S1-7 CHARACTERISTICS OF NON-EMPLOYEE WORKERS IN THE UNDERTAKING'S OWN WORKFORCE 60

S1-8 COLLECTIVE BARGAINING COVERAGE AND SOCIAL DIALOGUE 61

S1-9 DIVERSITY METRICS 61

S1-10 ADEQUATE WAGES 62

S1-11 SOCIAL PROTECTION 62

S1-12 PERSONS WITH DISABILITIES 63

S1-13 TRAINING AND SKILLS DEVELOPMENT METRICS 63

S1-14 HEALTH AND SAFETY METRICS 64

S1-15 WORK-LIFE BALANCE METRICS 66

S1-16 COMPENSATION METRICS (PAY GAP AND TOTAL COMPENSATION) 67

S1-17 INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS 67

ESRS S1 - OWN WORKFORCE

Disclosures on working conditions, health and safety, data privacy, remuneration, social dialogue and related matters

MATERIAL IRO

Georgian Railway is one of the largest employers in the country, and the people who operate, maintain and manage the railway are central to its performance and to its long-term development. The following impacts, risks and opportunities relating to the Company's own workforce were identified as material and are addressed in the disclosures that follow.

TOPIC	IRO TYPE	OCCURRENCE	DESCRIPTION	VALUE-CHAIN LOCATION
Occupational health and safety	Impact	Actual and potential; all time horizons	Occupational safety and health are among the principal professional considerations in the railway sector, and the Company manages them through a dedicated management system covering training, protective equipment and incident investigation.	Own operations
Remuneration	Impact	Actual; short and medium term	The average wages of Company employees have historically remained below the national average, which the Company is addressing through successive salary increases.	Own operations
Workforce age structure	Risk	Potential; medium and long term	The workforce is ageing, with employees aged 51-60 forming its largest share, requiring planned succession and recruitment as this generation approaches retirement.	Own operations
Attractiveness of railway professions	Risk	Potential; medium and long term	Sustaining the interest of younger people in railway professions is necessary to secure the future workforce.	Own operations
Skills and competences	Risk	Actual and potential; short and medium term	Contemporary digital, efficiency and cross-sector skills require continuing development across the workforce as the Company modernises.	Own operations
Training and education partnerships	Opportunity	Actual and potential; medium and long term	The Railway Transport College and related partnerships extend training capacity, support the recruitment pipeline, and improve engagement with younger and underrepresented groups.	Own operations
Work-life balance	Opportunity	Potential; short and medium term	The remote and hybrid working arrangements introduced in 2026 can improve employee wellbeing and support retention.	Own operations
Gender diversity and equal opportunity	Opportunity	Actual and potential; medium and long term	Women remain underrepresented in the Company's technical business units; the recruitment pipeline built through the Railway Transport College is gradually improving gender diversity.	Own operations
Workforce optimisation	Impact	Actual; short and medium term	The Company is reducing headcount as part of a broader organisational optimisation process, from 11,740 to 10,719 employees in 2025, continuing through 2026-2030 primarily through natural retirement.	Own operations

Source: Company's own double materiality assessment.

S1-1 POLICIES RELATED TO OWN WORKFORCE

To manage the material impacts and risks associated with its own workforce, and to open up opportunities for fair, sustainable and safe employment, JSC Georgian Railway applies an integrated, Company-wide policy framework.

As part of implementing its policies, the Company undertakes to comply with the Labour Code of Georgia and with the wider framework of Georgian and international law governing labour and employment:

- Labour Code of Georgia, and in particular Article 23 on internal labour regulations, which is the provision under which the Company's internal policies are issued;
- The Constitution of Georgia, Article 26, which guarantees the right to freely chosen employment, the right to safe working conditions, and the right to form and join trade unions;
- The Law of Georgia on the Elimination of All Forms of Discrimination, which prohibits direct and indirect discrimination on any ground and is enforced through the Public Defender of Georgia;
- ILO Convention No. 87 (Freedom of Association and Protection of the Right to Organise) and No. 98 (Right to Organise and Collective Bargaining), together with Convention No. 29 (Forced Labour), all ratified by Georgia;
- The Organic Law of Georgia on Labour Safety, together with ISO 45001 on occupational health and safety management systems, as the legal and technical basis for the Company's occupational safety and health arrangements.

The Company's organisational structure assigns clear responsibility for implementing these policies. The Board of Directors are responsible for implementation, while strategic oversight and the approval of policy rest with the Supervisory Board; the aim is to ensure responsibilities are clearly assigned.

Compliance with these policies is monitored by the part of the Company best placed to oversee each one in practice — the Occupational Safety and Environmental Service for safety matters, Human Resources for personnel and employment matters — and more generally by the Company's Internal Audit Service, which conducts periodic reviews of compliance with internal regulations and reports to the Supervisory Board, the Audit and Remuneration and Risk Management Committee and the General Director.

The following internal principles, codes, and guidelines apply to JSC Georgian Railway as a whole. Accordingly, all employees constituting our own workforce, across every business unit and hierarchical level, are included under this protective umbrella. Key policies are developed and refined through active social dialogue with workers' representatives and trade unions, ensuring they reflect the actual needs of the workforce. To maintain transparency, these policies are consistently communicated and remain fully accessible to all employees via the Company's internal corporate portals and dedicated HR channels.

The Company's principal internal instruments are:

Code of Ethics and Conduct: approved by the Board of Directors and agreed with the Supervisory Board, it applies to all employees and rests on four principles — transparency, impartiality, privacy and availability. It requires adherence to legislation and the Company's internal corporate acts, with employees expected to stay familiar with the rules that apply to them and to report irregularities to their immediate supervisor or the relevant monitoring service; independence and impartiality in every professional interaction, including the timely and accurate disclosure of relevant information; and the protection of personal and other confidential information belonging to customers, employees and business partners, with access limited to what is necessary for official duties. It also requires employees to identify, disclose and avoid conflicts between their personal interests and those of the Company, its shareholders or its business partners — arising, in particular, in relations with third parties, the giving or receiving of gifts, and the disclosure or issuance of information — with objectivity and professional independence expected in the exercise of every role. It further sets out the Company's core values — teamwork, professionalism and customer satisfaction — expressed through a fair attitude towards clients, mutual respect, care for colleagues' safety and the safe custody of Company assets, and it prohibits discrimination on grounds including race, gender, religion, disability, sexual orientation, age and health status.

Occupational Safety and Environmental Management System: grounded in Georgian legislation, ISO 45001 and the ILO-OSH 2001 guidelines, it is designed to protect employee health and reduce environmental risk through the systematic identification and evaluation of hazards, preventive and control measures, and continuous monitoring of compliance. Responsibility is organised across three levels, from the Director General and Branch Directors down to sectoral department heads: the Company funds risk assessment, training and protective equipment; department heads and supervisors enforce internal regulations and fire and intoxication safety; technical and engineering staff maintain safe machinery; Human Resources conducts pre-employment medical checks; and the Occupational Safety and Environmental Service itself oversees policy implementation, conducts internal audits of the System, and manages training and incident reporting. It commits the Company to case-by-case incident investigation, monthly incident analysis and quarterly trend reporting, and to continuing safety-awareness training on hazards including work at height, confined spaces, electrical work and hazardous waste, under the guiding environmental principle "Green is our choice."

Data Privacy/Security Policy: based on Georgian data protection law, this policy covers how the Company handles personal data belonging to employees, job applicants and other people it deals with. Five rules apply: data must be collected and used fairly and lawfully; only for clear, specific reasons; only as much as is actually needed; kept accurate and up to date; and kept only as long as necessary, after which it is locked, deleted, destroyed or made anonymous. A Personal Data Protection Officer is responsible for putting this into practice, backed by a Data Subject Rights Protection Commission with members from Legal service, Human resource department and General Inspection. Requests about personal data are handled through a dedicated HR channel.

Remuneration Policy: establishes a fair and transparent salary system based on meritocracy, objectivity and a standardised position-evaluation methodology. Positions are ranked through a salary matrix of vertical hierarchical ranks and horizontal qualification ranks, with each rank determined through a structured evaluation of competencies, problem-solving, responsibility and working conditions, carried out by the relevant structural unit together with Human Resources and approved by the Board of Directors — so that remuneration reflects the value of a role within the Company rather than the characteristics of the person holding it.

Grievance Mechanism for Employees: designed to prevent the violation of employees' rights and to secure the timely, comprehensive and objective investigation of complaints and the peaceful resolution of disputes, it provides a confidential and documented route for raising and resolving workplace concerns. It sets out the methods and processes for submitting and considering complaints, the investigation of identified violations, and the rights, duties and responsibilities of everyone involved in the review process, built throughout on the principles of accessibility, impartiality, confidentiality and transparency.

Anti-Corruption and Anti-Bribery Policy: in force across all levels of the Company and the Group, including members of the Supervisory Board, all employees on permanent and temporary contracts (including interns), and business partners, consultants and agents acting on the Company's behalf. It sets out a zero-tolerance approach to corruption and bribery in any form, whether offered, accepted or attempted, directly or through third parties, and regulates the giving and receiving of gifts and hospitality, political and charitable contributions, and conflicts of interest. It identifies high-risk indicators across the Company's operations — including undocumented payments and the use of non-standard bank accounts in financial operations, breaches of procurement procedure and unjustified supplier preference, and manipulation of shipping documentation or falsification of accounting records in railway operations — and requires employees to report suspected violations to the Compliance function, with confirmed breaches treated as grounds for disciplinary or legal consequences.

Collective Agreement with the Trade Union: a substantial part of the workforce is additionally covered by a collective agreement negotiated between the Company and its trade union. Such agreements typically regulate matters including remuneration and social guarantees on top of statutory minimums, and establish the arrangements for continuing dialogue between the Company and employee representatives, complementing the internal instruments described above rather than substituting for them.

STRATEGIES TO PROMOTE EQUAL OPPORTUNITIES AND COMBAT DISCRIMINATION

An Equal Opportunities policy and statement have been endorsed by senior management and communicated to all employees, and the Company's internal labour regulations were amended in December 2024 to record equal-opportunity and anti-discrimination provisions, taking effect from January 2025. Employees across the Company have attended Unconscious Bias and Gender Equality Awareness training, and the results are visible in how the Company recognises its people: among Railway Day award nominees, the share of women rose from 20 percent in 2023 to 23 in 2024, above women's 17 percent share of the workforce at the time.

The Company also tracks workforce data broken down by sex and has reviewed its salary methodology for gender bias. That review found that the risk of gender-based wage disparity is excluded by the way positions are defined.

Recruitment practice has also evolved, with vacancies published externally as well as internally and job descriptions revised to use gender-neutral language, widening access to roles across the Company. Georgian Railway continues to work toward greater diversity at every level of the organisation, including within its own governance bodies.

S1-2 PROCESSES FOR ENGAGING WITH OWN WORKFORCE AND WORKERS' REPRESENTATIVES

Georgian Railway engages with its own workforce through channels suited to the matters at stake: collective dialogue with the trade union representing a substantial part of the workforce on employment conditions, structured representation on occupational safety within each operational subdivision, and direct engagement between line management and employees in the course of daily operations.

Each channel is described below, beginning with collective dialogue, the principal route through which employment conditions are agreed.

SOCIAL DIALOGUE AND COLLECTIVE BARGAINING

A significant proportion of the Company's workforce is unionised, and the Company maintains active social dialogue with the Trade Union of Georgian Railway Employees through regular roundtable meetings, at which pay, working conditions and other workforce matters are raised, discussed and, where possible, resolved directly between the parties; the Union is also consulted more broadly in the development and revision of the Company's internal labour policies.

This routine dialogue extends to formal negotiation: the Company and the Union concluded a Collective Agreement in April 2023, covering employment conditions, remuneration and workplace benefits, for a four-year term running to April 2027.

Where a matter cannot be resolved through this dialogue, Georgian law provides a further, formal route: under Article 48[1] of the Labour Code of Georgia, a concern raised by at least twenty employees is treated as a collective dispute, requiring conciliation between the Company and the trade union representing them.

REPRESENTATION ON OCCUPATIONAL SAFETY

Alongside collective bargaining, occupational safety is the area in which employee participation is most formally structured, reflecting both its materiality for a railway operator and the specific requirements of the Company's Occupational Safety and Environmental Management System. Under that System, employee participation is to be secured before decisions on occupational safety are taken, through consultation with employees and their right to bring forward proposals.

To give effect to this, employees within each structural subdivision elect a safety representative from among their own number, and the head of the subdivision is responsible for assisting with the election and for displaying the list of representatives in a visible place. Each representative is allocated paid working time of not less than two and not more than five hours per week to carry out the role, together with the equipment necessary to exercise it, and the time allocated is confirmed in writing. The mandate of the representative includes:

- representing the interests of employees before the employer, the occupational safety specialist and the supervisory body;
- inspecting compliance with occupational safety standards in the working area and at workplaces, and notifying the employer immediately where violations are identified;
- requesting information from the employer on matters affecting occupational safety and reviewing it with the employer or with employees;
- submitting proposals to improve the observance of occupational safety standards and to reduce or eliminate elevated levels of danger;
- participating in discussions arranged by the employer on workplace safety, and in investigations into the causes of occupational injuries, occupational diseases and other accidents; and
- submitting comments and proposals to the supervisory body during its examination of the observance of occupational safety standards.

Beyond these formal channels, line managers engage employees directly in the course of daily operations, and Human Resources is developing an employee satisfaction survey, to complement the representative channels described above. Operational responsibility for engagement rests with that Service and with the heads of individual structural units, while the Board of Directors holds strategic oversight of workforce engagement, supported by the Supervisory Board in the exercise of its oversight function.

S1-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR OWN WORKFORCE TO RAISE CONCERNS

Georgian Railway provides employees with a safe, accessible and confidential means of raising workplace concerns, addressed through a fair and consistent process under the Company's Grievance Mechanism for Employees, approved by the Board of Directors (Resolution No. 18/46, 14 December 2023) and agreed with the Supervisory Board (Protocol No. 1, 18 January 2024). The Mechanism applies to all employees and rests on four principles — transparency, impartiality, confidentiality and accessibility — covering violations of employees' recognised rights, including discrimination, harassment, sexual harassment, improper treatment in the workplace, breaches of occupational safety conditions, and the deterioration of labour conditions.

To raise such a concern, employees may approach their immediate supervisor or Human Resources directly, or submit a written complaint — by name or anonymously — through complaint boxes at Company premises, the chancellery, the electronic document-management system, or by email to InfoHR@railway.ge; a dedicated hotline (2198191) is also available on working days between 09:00 and 18:00. Complaints must be submitted in Georgian, are registered within five days, and a complaint concerning facts more than one month old will not be registered.

Once a complaint is registered, resolution proceeds in two stages. First, an informal conciliation process, led by an independent conciliator and normally completed within three weeks (extendable by up to one further week in exceptional circumstances), seeks to resolve the matter directly between the parties. If the matter remains unresolved, it proceeds to the Grievance Review Commission — three permanent members drawn from Human Resources, the Legal Service, and the Control, Monitoring and Inspection Department, appointed by order of the General Director, who must act independently and recuse themselves from any conflict of interest. A copy of the grievance is delivered to the alleged offender within five days of registration, who has a further five days to respond, and the Commission must reach its decision within one month of registration.

Throughout this process, employees, witnesses and other participants who raise concerns in good faith are protected from dismissal, demotion, retaliation or any other negative treatment; the Company may apply temporary measures during proceedings, such as a transfer to another unit or the option to work remotely, to protect a complainant before a decision is reached. Confirmed breaches of this protection carry the Company's strictest disciplinary measures, up to and including termination of employment, and the confidentiality obligations owed to everyone involved apply indefinitely, surviving the end of their relationship with the Company. The Mechanism also maintains zero tolerance for false or malicious grievances, and its operation is reported on once a year by the responsible officer to the curator director and the General Director.

Alongside this general Mechanism, the Railway Modernization Project operates its own grievance channel, reflecting the Company's obligations under its financing agreements with international lenders: project stakeholders may submit grievances and comments by letter to the GR chancellery, via a dedicated telephone hotline, or by email, with contact details published on the GR website. The Company's Public Relations Department manages this channel, engaging Human Resources, Legal Department or Health, Safety and Environment Department as needed depending on the nature of the grievance.

Separately, the Contractor engaged on the Project maintains its own channel for project workers, with dedicated grievance boxes at project sites, a company email address and a maximum response deadline of 30 days, managed by the Contractor's own HR and Legal functions.

Beyond these mechanisms, the Company maintains topic-specific reporting channels suited to the nature of the concern: suspected ethical violations may be reported to a direct supervisor or the Company's control units under the Code of Ethics and Conduct; suspected corruption or bribery to the Compliance Service under the Anti-Corruption and Anti-Bribery Policy, which protects the confidentiality of the person reporting and prohibits any retaliatory action against them; and data-related concerns to the Data Subject Rights Protection Commissioner under the Personal Data Protection Policy. Separately, under the Occupational Safety and Environmental Management System, employees have the right to refuse dangerous work and to request a workplace transfer on medical grounds. During 2025, the Company did not receive any grievances under the Employee Grievance Mechanism.

S1-4 TAKING ACTION ON MATERIAL IMPACTS AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES

The actions below translate the policies set out in S1-1 into concrete programs addressing the material impacts, risks and opportunities identified for GR's own workforce: the workforce's age structure and the attractiveness of railway professions to younger recruits, the skills and competences required by a modernizing railway, the Company's remuneration levels relative to the national average, and occupational health and safety. Three further areas — work-life balance, diversity and gender equality, and the organizational effects of workforce optimization — are addressed here as well. Each topic below sets out the action taken, the resources committed, and, where data exists, how its effectiveness is measured.

HUMAN CAPITAL DEVELOPMENT AND TRAINING

To address the risk of an aging workforce — where personnel aged 51–60 currently make up the largest share of GR's employees — and to close gaps in contemporary digital and cross-sector skills, the Company has prioritized human capital development through the Railway Transport College (RTC), a non-commercial legal entity co-founded by GR together with the Ministry of Education, Science and Youth and Georgian Technical University.

In 2025, the RTC's total student quota increased from 775 to 865 places, and the college now operates 20 long-term professional education programs alongside 22 short-term training and retraining programs, with the Locomotive Driving program quota alone tripled from 60 to 150 students. During the year, 223 students completed long-term programs (up from 180 in 2024, bringing the college's cumulative total to 774 graduates), and 528 participants completed short-term programs (up from 305 in 2024). The college pursued several modernization steps in 2025:

- Reduced dual-program duration from 24 to 16–17 months, following a regulatory change;
- Underwent international quality verification by the UK's BTEC for its Railway Electric Supply program.
- Initiated a cooperation agreement with China's Nanjing Vocational Institute of Railway Technology.
- Submitted an Erasmus+ application, still under review and carried into the college's 2026 plan.

Infrastructure investment included GEL 2,089,537 in Ministry funding for two new practical training pavilions, with total 2025 college funding of GEL 5,571,833.

Beyond these specific initiatives, further training and skills-development programs are planned for 2026 and subsequent years, to be delivered within the Company's approved annual training budget.

The college also delivered short-term training inside two Rustavi penitentiary facilities, engaged public school students through its award-winning "Georgia's Iron Road from Past to Future" project, and hired a dedicated inclusion specialist in 2025 to support a student with a disability-related learning need.

Beyond the RTC's vocational education role, Georgian Railway delivers a broad internal training program covering safety, compliance, governance, and technical systems for its own employees, with further expansion planned for 2026, including large-scale rollouts of personal data protection training and a new digital workflow system (e-Flow) (*See S1-13 Training and Skills Development Metrics)*.

Measuring The Effectiveness Of Training And Skills Development Actions

Long-term graduates rose from 180 (2024) to 223 (2025), and short-term completions rose from 305 (2024) to 528 (2025), both tracked year-over-year as direct output measures. Graduate satisfaction is separately measured through an annual survey (91 graduates and 40 short-term participants surveyed for the 2024 cohort), with findings used to revise the questionnaire and identify participant needs. Investment in skills complements the Company's approach to remuneration and wellbeing, described next.

PAY, BENEFITS AND WELLBEING

The Company has implemented several measures to address the material impact of wages historically below the national average, and to improve general employee wellbeing. From 2019 to 2025, GR implemented four salary increases, most recently a 10.0% increase effective January 1, 2025, which brought the average employee benefits package — salary plus bonuses — to GEL 1,829 in 2025, up from GEL 1,630 in 2024. Remuneration is complemented by a Company-wide bonus scheme, under which all employees receive bonus three times a year.

On employee wellbeing, the Company funds healthcare

costs for employees and their families that are not covered by standard insurance — GEL 359,103 in 2025, GEL 464,790 in 2024 and GEL 466,006 in 2023 *(see S1-11 Social Protection)* — and in 2025 allocated approximately GEL 5.9 million to a loyalty program that rewards long-term personnel, including a first-time pension retirement payment *(see S1-15 Work-Life Balance Metrics)*.

Measuring The Effectiveness Of Pay And Wellbeing Actions

Total employee turnover — all departures, as a share of headcount — rose from 6% in 2023 to 8% in 2024 and held steady at 8% in 2025, without a further increase over the period these salary increases were implemented, consistent with the measures having helped stabilise workforce retention alongside other factors. The gap with the national average has also narrowed in relative terms: GR's average package grew 12.2% between 2024 and 2025, against 10.9% growth in the national average over the same period, although GR's average remains below the national figure.

WORK-LIFE BALANCE AND WORKING TIME

In March 2026, the Company introduced a formal route for employees to request remote or hybrid working arrangements. Order No. 369 of 11 March 2026, issued under Board of Directors Resolution No. 13/42 of 12 December 2025, approved a standard individual-application form through which an employee may request a transition to remote or hybrid work; the head of the relevant structural unit, together with the curator director and the human resource department, reviews each application against the employee's individual circumstances and the need to maintain uninterrupted production processes before approving or declining it. Oversight of the order's implementation rests with the Head of the human resource department.

Measuring The Effectiveness Of Work-Life Balance Actions

As the order took effect in March 2026, no usage or outcome data are yet available; the Company intends to track the number of approved applications by department as an initial indicator of uptake.

DIVERSITY AND INCLUSION

With EBRD support, Georgian Railway carried out the following:

- Launched the "Equal Opportunities in the Railway Sector of Georgia and Strengthening the Technical Skills of Young People" initiative in 2022, a two-year project with the RTC, implemented by the French firm AETS. It produced new and updated short-term RTC training programmes and an equal opportunities action plan for GR and the RTC;
- Renovated the RTC building in 2018 and adapted it for inclusive learning, with upgraded training equipment, computers and locomotive simulators.
- Plans to renovate 80 railway platforms over ten years for people with disabilities, at a total estimated cost of GEL 80 million; of the 340 passenger platforms and station buildings on the asset register, 13 are recorded as adapted so far, with a further 11 under reconstruction *(see S4-4 Taking Action on Material Impacts and Approaches to Managing Material Risks and Pursuing Material Opportunities)*.

Measuring The Effectiveness Of Diversity And Inclusion Actions

Female enrolment at the RTC, the primary tracked indicator, rose from 112 students in 2024 to 145 in 2025, reaching 23% of the student body.

OCCUPATIONAL SAFETY

To mitigate safety-related professional hazards, the Company runs a structured occupational safety training cycle for all employees under its Occupational Safety and Environmental Management System:

- Introductory training for every newly hired employee, before they begin work.
- On-the-job training, repeated at least once every three months for all employees.
- Technical safety courses, held at least once a month within each structural unit.
- First-aid and emergency-response training, delivered at least once a year by an internal or external specialist.

Training outside this Cycle is also triggered whenever work is interrupted for more than 60 days (30 days for high-danger

work), when safety legislation or equipment changes, or after a violation that created a real risk of an accident.

The Company's rules on personal protective equipment (PPE) include:

- Free-of-charge issuance to employees in harmful, hazardous or extreme-temperature roles, determined by risk assessment and the nature of the work;
- No access to the workplace without the required equipment;
- Mandatory fall-protection equipment for anyone working at height above two meters;
- Logging of equipment on issuance and return, with regular inspection, and removal from use and labelling of any equipment found defective.

GR's safety framework also includes a fund providing financial support for employees' health-related costs not covered by standard insurance, totalling GEL 359,103 in 2025 *(see S1-11 Social protection)*; according to the Company, this includes support connected to workplace incidents, though this has not been separately confirmed in GR's published disclosures.

Measuring The Effectiveness Of Safety Actions

GR's own workplace death rate fell sharply from 0.41 to 0.09 per 1,000 average employees between 2024 and 2025, while the injury rate rose slightly, from 0.21 to 0.23 per 1,000 average employees, over the same period — a mixed but broadly positive trend that GR will continue to track as the SMS project progresses.

WORKFORCE OPTIMIZATION

Alongside these actions on training, pay, work-life balance, diversity and safety, Georgian Railway is also managing a structural change to the size of its workforce. In 2025, the Company undertook a workforce reduction as part of a broader organizational optimization process, with headcount falling from 11,740 to 10,719 during the year.

This process is directly connected to the aging-workforce risk described above. GR's internal workforce planning reflects the increasing number of employees reaching pension age, while the Company's workforce adjustments take into account natural retirement and ordinary staff attrition. Employees who left the Company through the pension reform mechanism received compensation totaling GEL 3,320,731 in 2023 and GEL 5,508,794 in 2025 *(see S1-11 Social protection)*.

Taken together, these actions represent the Company's current response to the material impacts and risks affecting its own workforce, ranging from immediate operational measures — personal protective equipment, paid safety-representative time — to multi-year commitments such as the RTC's education programs and the phased headcount optimization running through 2029. Several of the actions described above are new or still building a track record, most notably the March 2026 work-life balance order, and the Company expects the evidence base for their effectiveness to strengthen over the coming reporting cycles. The targets that structure and measure this ongoing work are set out below.

S1-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

The targets below are derived from the policies, engagement processes and actions described in S1-1 to S1-4, and specify how Georgian Railway intends to manage, over time, the material impacts and risks affecting its own workforce.

WORKFORCE SIZE AND STRUCTURE

Georgian Railway takes workforce demographics into account in its workforce planning, particularly the aging workforce and the increasing number of employees approaching pension age. Workforce adjustments are managed primarily through natural retirement and ordinary staff attrition, rather than additional involuntary redundancies, as described under Actions (see *S1-4 Taking Action on Material Impacts and Approaches to Managing Material Risks and Pursuing Material Opportunities)*.

Measuring Progress Against The Workforce Target

Progress against the workforce plan is reviewed annually through the Company's State of Corporate Intent (SCI) — a four-year plan that Corporate Finance re-forms each year together with Human Resources and the Management Board. Workforce indicators tracked under this process include the number of employees per kilometre of mainline track, targeted to fall from 8.0 in 2025 to 6.6 by 2029 as headcount optimisation continues.

Near-term training commitments that are already funded and underway into 2026 are described as an action under S1-4, rather than restated here as a target.

PAY AND REMUNERATION

Georgian Railway has set a target to bring its average employee benefit above the national average, from its current position below that benchmark: GEL 1,829 against a national average of GEL 2,283 in 2025 (see *S1-4 Taking Action on Material Impacts and Approaches to Managing Material Risks and Pursuing Material Opportunities*). Separately, under the World Bank-financed TC GATE Project, Georgian Railway is working toward a performance-driven remuneration and incentive policy that would link pay for top executives and other management positions to targets in the Company's Statement of Corporate Intent KPI matrix, targeted for Supervisory Board approval ahead of the Project's 2031 closing.

GENDER COMPOSITION OF THE WORKFORCE

Beyond pay, Georgian Railway is also pursuing a gender-diversity target under the Framework Agreement it signed with the European Bank for Reconstruction and Development on 9 June 2021, in connection with the Company's Green Bond. Under this agreement, GR committed to increase the share of female employees in its total workforce by five percentage points within five years of the bond's allocation, and adopted an Equal Opportunities Action Plan within two years of the same date, delivered through the EBRD/AETS "Equal Opportunities in the Railway Sector of Georgia" initiative described in S1-4. Much of the Company's workforce is concentrated in physically demanding, field-based roles — track maintenance, freight handling, train operation — that have traditionally drawn fewer female applicants across the railway sector, which shapes the pace at which that balance can shift. Georgia's labor market is nonetheless moving toward greater gender diversity more broadly, and Georgian Railway expects its own workforce to follow that trend over time. Due diligence conducted for the bond transaction in May 2021 put the female share of the workforce at 16% at that time; a separate baseline assessment conducted between November 2022 and March 2023 put it at 17%. The female share of the workforce stood at 16.87% in 2025 *(see S1-9 Diversity Metrics)*, and closing the remaining gap to the five-point target continues to be a Company priority.

GENDER DIVERSITY OF BOARD

A related but narrower requirement applies specifically to the Company's governing bodies. The Corporate Governance Code for State-Owned Enterprises, adopted by the Government of Georgia under Decree No. 1618 of 2021, requires that at least 25% of board members be women. Georgian Railway's 2025 Annual Report discloses this as a deviation from the Code: one female member currently serves on the Supervisory Board, and the Company has committed to meeting the 25% requirement across both the Supervisory Board and Board of Directors "in upcoming appointments," without a specified deadline. In 2025, the state shareholders restructured the Supervisory Board, and Tamar Ioseliani joined as its current female member.

Together, these four commitments set out Georgian Railway's near-term direction on headcount, pay and gender diversity, spanning both the general workforce and the Company's governing bodies. HR, Finance and Legal are best placed to confirm the underlying data and timelines described above as each is finalized.

S1-6 CHARACTERISTICS OF THE UNDERTAKING'S EMPLOYEES

The Group is one of the largest corporate employers in Georgia, with more than 10,300 employees as of 30 June 2026, organized across five business units — Head Office, the Infrastructure, Freight and Passenger business units, and a group of smaller subsidiaries. The Company also effectively creates additional employment in related industries, such as railcar manufacturing and construction. This section sets out the size and structure of that workforce: how it is distributed across business units, how that distribution differs by gender, and how it has changed year over year as the Company's broader workforce plan takes effect.

TABLE S1.6.1. EMPLOYEE DISTRIBUTION BY BUSINESS UNIT:

For the year ended 31 December	**2025**	**2024**	**2023**
Head Office	673	748	755
Infrastructure SBU	4,100	4,460	4,611
Freight SBU	4,704	5,047	5,221
Passenger SBU	945	1,019	1,059
Subsidiaries	297	466	473
Total	**10,719**	**11,740**	**12,119**

Source: internal staffing register.

The total workforce contracted by 1,400 employees between 2023 and 2025, a decline concentrated in the Infrastructure and Freight business units, which together account for around 73% of the reduction. This reflects the workforce optimization plan described under Actions and Targets (S1-4, S1-5): headcount is falling mainly through pension-age retirements and ordinary attrition in an aging workforce, rather than through a reduction in the underlying business.

GENDER DISTRIBUTION BY BUSINESS UNIT

That contraction is landing on a workforce whose gender composition already varies sharply across business units. Women make up 55.7% of Head Office personnel — a majority — compared with 7.7% of the Infrastructure Strategic Business Unit and 15.9% of Freight, the Group's two largest units by headcount and its most operationally and technically oriented. The Passenger business unit and the Group's subsidiaries sit in between, at 40.8% and 37.1% respectively. The pattern mirrors a wider point made elsewhere in this chapter (S1-9): workforce composition in these units reflects the technical and operational character of the roles themselves.

TABLE S1.6.2. EMPLOYEE DISTRIBUTION BY GENDER AND BUSINESS UNIT, AS OF 30 JUNE 2026:

BUSINESS UNIT	WOMEN	MEN	TOTAL	% WOMEN
Head Office	245	195	440	*55.7%*
Infrastructure SBU	312	3,716	4,028	*7.7%*
Freight SBU	749	3,949	4,698	*15.9%*
Passenger SBU	382	554	936	*40.8%*
Subsidiaries	75	127	202	*37.1%*
Total	1,763	8,541	10,304	*17.11%*

Source: Staffing register, 30 June 2026 (own analysis by business unit).

WORKFORCE TURNOVER

Turnover here reflects two forces moving in the same direction: ordinary attrition, and the retirement of an aging workforce as it reaches pension age. The Company's most recent internal workforce assessment (November 2022–March 2023) recorded 1,496 employees already at or beyond standard pension age (1,140 men and 356 women), and a further 2,157 approaching it, aged 60 to 65 (1,797 men and 360 women) — the same demographic pressure that the pension-age release figures in S1-5 project forward through 2030. The Group monitors annual employee turnover company-wide. The rate was 6% in 2023 and rose to 8% in both 2024 and 2025 (excluding subsidiaries).

Taken together, this section shows a workforce that is shrinking in a planned way: through pension-age retirement and ordinary attrition, and through a one-time pension-reform release of roughly 600 positions in 2025, rather than through a reduction in the underlying business. That decline is concentrated in the Infrastructure and Freight business units, and it is landing on a workforce whose gender composition already varies sharply by business unit, from a female majority at Head Office to a heavily male composition in the Group's technical, operational units. Ordinary employee turnover, tracked separately from the pension-reform release, has held in the 6–8% range since 2023. Human resource departmenrt and Finance will continue to update these figures as the workforce optimization plan (S1-5) progresses through 2030.

S1-7 CHARACTERISTICS OF NON-EMPLOYEE WORKERS IN THE UNDERTAKING'S OWN WORKFORCE

Georgian Railway operates with a business model built around a stable, directly employed workforce, reflecting the safety and reliability requirements of national rail operations: all core operational, technical and administrative functions are performed by regular employees in a direct employment relationship with the Company. The Group does not use self-employed individuals or workers provided by employment agencies to perform work under its direct supervision in any of these core business processes.
One category of non-employee worker is nonetheless material to GR's own workforce: site security, under a legal mandate introduced in 2026. The key facts:

ITEM	DETAIL
Legal basis	Legislative amendments adopted by the Parliament of Georgia, 17 March 2026
Responsible body	Security Police Department, a Legal Entity of Public Law under Georgia's Ministry of Internal Affairs
Effective date	3 July 2026
Scope	Bridges, tunnels, depots, stations and other designated strategically important rail facilities nationwide; onboard safety escort on a defined set of passenger train services
Personnel (GR's own records)	Approximately 604 officers assigned across GR's protected facilities
Open item	Public reporting attributed to the Company cites a larger nationwide total of 818 officers across 76 locations; not yet reconciled with GR's internal records

Source: Staffing register, 30 June 2026 (own analysis by business unit).

Because these officers work continuously at GR's own sites, at staffing levels the Company itself specifies per facility, they are treated here as non-employee workers in GR's own workforce, distinct from the Company's directly employed staff.

S1-8 COLLECTIVE BARGAINING COVERAGE AND SOCIAL DIALOGUE

Union membership within Georgian Railway is broad-based, and the great majority of employees are covered by the collective consultation arrangements described under S1-2. The Company's labour union, the Trade Union of Georgian Railway Employees, has been affiliated with the International Transport Workers' Federation and the European Transport Workers' Federation since 2000.

This engagement is underpinned by a formal Collective Agreement between the Company and the Union, concluded in April 2023 for a four-year term running to April 2027. Alongside the Agreement, Georgian law provides a further, formal channel for dialogue, described in full under S1-2: under Article 48[1] of the Labour Code, a concern raised by at least twenty employees is treated as a collective dispute, obliging the Company to conduct conciliation with the Union. This statutory channel operates independently of the Collective Agreement, so employees can raise a concern, including on pay, without waiting for the Agreement's next renewal.

The Company has also introduced the "Rule of Receiving and Reviewing Complaints to Georgian Railways," a formal complaints-handling mechanism intended to address workforce concerns before they escalate into collective disputes, complementing both the statutory channel above and the Grievance Mechanism described under S1-3.

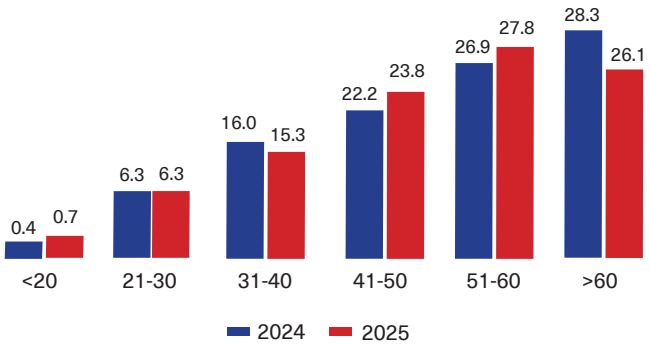
Because the Group's workforce is based entirely in Georgia, the breakdown of collective bargaining coverage by country required under ESRS S1-8 for employees in the European Economic Area does not apply.

Together, union membership, the Collective Agreement and the statutory collective-dispute mechanism give Georgian Railway's workforce multiple, overlapping channels for collective voice, reinforced by the complaints-handling routes described under S1-3.

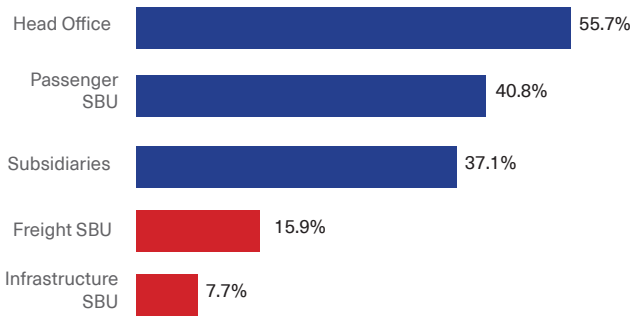
S1-9 DIVERSITY METRICS

The composition of Georgian Railway's workforce reflects the technical and operational character of railway employment, and the Company monitors gender and age composition closely as it works to broaden participation. In 2025 the share of women in the workforce rose to 16.87%, from 16.64% in 2024, continuing a gradual upward movement; the breakdown below, by age and by business unit, shows where that movement is, and is not, taking hold.

Age distribution
% of workforce



Share of womenby business unit
% of women



That gap is not evenly spread: women make up 55.7% of Head Office staff, above gender balance, compared with just 7.7% of the Infrastructure business unit and 15.9% of Freight — the Group's two largest units by headcount, and its most technically specialised.

Closing that gap is an area the Company is actively working on, mainly through the Railway Transport College. Georgian Railway and the RTC launched a joint Equal Opportunities initiative in 2022, with EBRD support, aimed at building a stronger pipeline of qualified women for the operational

business units (see *S1-4 Taking Action on Material Impacts and Approaches to Managing Material Risks and Pursuing Material Opportunities)*. Female enrolment at the RTC has grown accordingly, from 112 students in 2024 to 145 in 2025, reaching 23% of the student body. Recognition within the Company follows a similar pattern: women received 20% of Railway Day award nominations in 2023, 23% in 2024 and 21% in 2025, in all three years above their share of the overall workforce, indicating that recognition is not simply tracking headcount.

Taken together, these metrics describe a workforce whose overall gender composition is moving gradually, whose distribution across business units mirrors the technical division of labour described in S1-6, and where the recruitment pipeline built through the Railway Transport College and the Company's own governance commitments (S1-4, S1-5) represent the main levers available to change that composition over time.

S1-10 ADEQUATE WAGES

GR is committed to establishing a fair and transparent remuneration system that supports the financial stability of its workforce and its ability to attract and retain qualified staff. The Company's Remuneration Policy is grounded in principles of meritocracy, objectivity, and consistency, applying a standardized methodology to evaluate the relative value of each position rather than the characteristics of the person holding it.

GR identifies the national average monthly salary in Georgia as its primary benchmark for assessing wage adequacy. Between 2020 and 2024, GR's own average salary rose from GEL 1,135 to GEL 1,630, while the national average rose from GEL 1,191 to GEL 2,059. The 2025 figures already cited under S1-5 — GEL 1,829 against a national average of GEL 2,283 — are the most recent point of comparison.

The Group ensures wage transparency through a salary matrix model consisting of 15 vertical hierarchical ranks and five horizontal qualification ranks. Each rank is determined through a structured evaluation of competencies, problem-solving, responsibility, and working conditions, and all employee remuneration meets or exceeds the statutory minimum wage requirements in Georgia.No employee is paid less than Georgia's statutory minimum wage; remuneration is set and adjusted in line with applicable Georgian labour law. Wage levels, and any adjustments to them, are also a recurring subject of the collective bargaining and social dialogue channels described under S1-8.

Taken together, these mechanisms give Georgian Railway a structured, transparent basis for setting pay, and multiple channels through which wage levels can be renegotiated. Closing the gap with the national average, however, remains an explicit objective rather than an achieved outcome *(see S1-5 Targets Related to Managing Material Negative Impacts, Advancing Positive Impacts, and Managing Material Risks and Opportunities).*

S1-11 SOCIAL PROTECTION

Georgian Railway ensures that 100% of its workforce across all regions of Georgia is protected against the loss of income resulting from major life events, through a combination of national public programs and supplementary internal benefits. In 2023, the Company's total employee healthcare and insurance expenditure was GEL 12.4 million, funding standard medical coverage across the workforce; where a serious illness generates costs beyond that standard coverage, a separate supplementary fund — GEL 359,103 in 2025, GEL 464,790 in 2024 and GEL 466,006 in 2023 — provides additional support *(see S1-15 Work-Life Balance Metrics)*. The Company operates in strict accordance with national labor legislation to uphold statutory protections related to unemployment and parental leave — including maternity, paternity, and parental leave — all of which are formalized within individual employment contracts.

To manage the professional risks inherent in the railway sector, the Group provides dedicated insurance coverage for work-related accidents and maintains a formal registry and investigation process for occupational diseases to identify and remediate long-term health risks. A testament to the Group's commitment to income protection is its handling of the Borjomi-Bakuriani Railway's technical suspension: while services on the line were suspended, staff continued to receive their full salaries throughout.

The Company also protects the long-term financial security of its employees by requiring participation in the national pension system and improving its pension strategy to support both workforce optimization and employee welfare.

Employees who voluntarily retire receive a payment of six months' salary, an incentive intended to support their transition while opening positions for younger recruits *(see S1-6 Characteristics of the Undertaking's Employees)*. In 2025, 600 individuals retired under the pension reform, for whom a total expenditure of GEL 5,508,794 was incurred; the equivalent figures were GEL 3,320,731 in 2023 and GEL 722,485 in 2024, reflecting the varying number of employees retiring under the reform each year.

TABLE S 1.11. COMPANY EXPENDITURE ON HEALTH-RELATED FINANCIAL SUPPORT AND FIRST-TIME PENSION RETIREMENT SUPPORT, 2023-2025 (GEL)

YEAR	HEALTH-RELATED FINANCIAL SUPPORT	FIRST-TIME PENSION RETIREMENT SUPPORT
2025	359,103	5,508,794
2024	464,790	722,485
2023	466,006	3,320,731

Source: Company loyalty-programme records, 2016-2026.

Underlying policy basis

This protection rests on four things: the Company's Remuneration Policy (S1-10); required participation in Georgia's national pension and social insurance systems; a registry that tracks and investigates occupational diseases, run under the Occupational Safety and Environmental Management System; and training. On training, the Railway Transport College runs a short course specifically on protecting employees from occupational diseases, so this knowledge isn't confined to the safety function alone — it feeds into the Company's wider training offer too.
In short, income protection, health protection and training are not run as three separate programmes — they work together.

S1-12 PERSONS WITH DISABILITIES

Georgian Railway is committed to an inclusive working environment in which employment opportunities are accessible to persons with disabilities. The Code of Ethics and Conduct expressly prohibit discrimination on grounds of disability, and the Company's actions in this area fall into two categories: accessibility of its physical infrastructure, and inclusive access to training and employment routes.

On training, the Railway Transport College building was renovated and adapted for inclusive learning, and in 2025 the College appointed a dedicated inclusion specialist to support a student with a disability-related learning need.

On physical accessibility, Georgian Railway has a formal plan in place: a programme to renovate railway platforms over a ten-year period, specifically to improve accessibility for passengers and employees with disabilities, alongside modern passenger rolling stock that already incorporates accessibility features *(see S1-4 Taking Action on Material Impacts and Approaches to Managing Material Risks and Pursuing Material Opportunities)*. Some of this is already delivered: a number of trains, including the Stadler Bussnang fleet, along with service centers and station platforms such as Kopitnari Railway Station, are already adapted for wheelchair users, with special seats, accessible bathrooms and elevators.

S1-13 TRAINING AND SKILLS DEVELOPMENT METRICS

Georgian Railway develops workforce skills along two tracks: a vocational education pipeline for future railway professionals, delivered through the Railway Transport College, and training for its current employees, covering operational and safety topics as well as broader compliance and equality themes.

Through the Railway Transport College (RTC), the Group offers 20 comprehensive professional educational programs across dual, modular, and integrated formats. These programs are specifically designed to address core railway specializations, including locomotive management, track construction, signalling, and railway power supply, ensuring that the workforce possesses the technical competencies required for modern international rail markets.

In 2025, the RTC had 623 professional students enrolled, comprising 478 men and 145 women — 39 more than in 2024, with a notable increase in female students (up 33). During 2025, 223 students completed their chosen long-term professional education program and attained the relevant qualification, up from 180 in 2024. Since its establishment, the RTC has had a total of 774 graduates.

In 2025, GR trained around 1,160 employees across different internal training themes, with the bulk of the effort concentrated in safety-related areas — especially first aid (440 participants) and fire safety (424) — alongside smaller programs in operations, dual college training (92 participants), EU coordination and jurisprudence. Gender-related training saw a marked spike the year before: 510 participants in 2024, up from just 16 in 2023, reflecting the Equal Opportu-

nities rollout described under S1-9. This continued a multi-year pattern where safety training has consistently dominated GR's overall training activity, though 2026 has brought a new focus: so far this year GR has run large-scale training on the roll-out of its e-Flow document management system (800 participants) and on personal data protection (1,008 participants), alongside smaller sessions on information security, office AI tools and working-time recording.

Alongside this operational and safety-focused training, GR has also delivered structured training on compliance and equality topics under the Equal Opportunities Action Plan referenced in S1-4 and S1-5. In February 2024, GR delivered Unconscious Bias and Gender Equality Awareness training to 80% of top and mid-level managers across all departments, in Tbilisi and the regions, and delivered gender-sensitive and inclusive communication. In May 2024, training on the use of the Company's grievance mechanism *(see S1-3 Processes to Remediate Negative Impacts and Channels for Own Workforce to Raise Concerns)* was extended to the same group of managers. To support this roll-out, HR Service trained six internal trainers using material from AETS, UN Women and the Public Defender's Office of Georgia, who then delivered sessions across departments, including site visits to depots such as Khashuri. Beyond this, the largest share of GR's internal training activity is made up of short-term professional and technical courses run across the Company's operational departments.

INVESTMENT IN TRAINING

GR's own expenditure records include a separate line for employee study and retraining, tracked since 2016. Separate long-term and short-term figures were recorded through 2018; only a short-term figure has been recorded in each year since 2019. Reported annual spend is set out below.

TABLE S 1.13. EMPLOYEE STUDY AND RETRAINING EXPENDITURE, 2016–2025:

YEAR	LONG-TERM (GEL)	SHORT-TERM (GEL)	TOTAL (GEL)
2016	50,303	159,241	209,544
2017	108,403	114,479	222,882
2018	10,969	70,850	81,819
2019	—	151,396	151,396
2020	—	10,629	10,629
2021	—	5,440	5,440
2022	—	7,500	7,500
2023	—	89,029	89,029
2024	—	17,761	17,761
2025	—	31,946	31,946

Source: Company loyalty-programme records, 2016-2026.

Taken together, GR's training activity spans the Railway Transport College's vocational pipeline for future railway professionals, internal operational and safety training for existing staff, and thematic compliance and equality training delivered through the Equal Opportunities Action Plan.

S1-14 HEALTH AND SAFETY METRICS

Georgian Railway tracks its occupational safety performance through a small set of core indicators, monitored annually and reported to management as part of the Occupational Safety and Environmental Management System described under S1-1.

TABLE S 1.14. FATALITIES AND INJURIES PER AVERAGE NUMBER OF EMPLOYEES ('000), 2023–2025:

INDICATOR	2025	2024	2023
Deaths per average number of employees ('000)	0.09	0.41	0.24
Injuries per average number of employees ('000)	0.23	0.21	0.37
Accident rate per million ton-km	0.03	0.03	0.04

Each rate is calculated per 1,000 average employees: the number of work-related deaths, or injuries, recorded in the year, divided by the average number of employees over that year, then multiplied by 1,000. The accident rate follows the same logic but relative to traffic rather than headcount — the number of accidents divided by total freight and passenger traffic, in million ton-km, for the year — a standard rail-industry safety measure that allows performance to be compared across years of different traffic volumes. On that basis, the death rate fell sharply between 2024 and 2025, from 0.41 to 0.09 per 1,000 average employees, while the injury rate rose slightly over the same period, from 0.21 to 0.23. Read together, this is a broadly positive trend that the Company will continue to track as the Safety Management System project referenced under S1-4 progresses; the overall accident rate per million ton-km held steady at 0.03 in 2024 and 2025, down from 0.04 in 2023.

The Company's Safety Management System, approved by the Supervisory Board in 2025, formalises this monitoring: alongside lagging indicators such as the rates above, it also tracks leading ('early warning') indicators — drawn from technical and control inspections — intended to flag deteriorating conditions before an incident occurs. Incidents are also classified by severity under the Occupational Safety and Environmental Management System, which treats any event injuring three or more people as a 'mass accident' requiring a dedicated investigation.

PERSONAL PROTECTIVE EQUIPMENT AND WORKSITE CONTROL

To mitigate operational hazards, Georgian Railway provides personal protective equipment — including specialised clothing, footwear and respiratory protection — free of charge to its workforce, based on formalised risk assessment documents. Employees undergo specific training on the correct use of this equipment and are held responsible for maintaining its condition. Compliance is reinforced by a three-stage control mechanism applied at all worksites: Stage I, operational control carried out daily by work supervisors; Stage II, administrative control carried out at least monthly by the administration; and Stage III, sectoral control carried out by the relevant departments.

HIERARCHY OF OCCUPATIONAL RISK PREVENTION

Preventive measures are applied in order of effectiveness, following the standard hierarchy of controls also reflected in the Company's Annual Report:

Elimination of the hazard — removing it from the work environment entirely;

Substitution — replacing the hazardous source with a safer alternative;

Engineering controls — implementing engineering solutions and collective protection equipment;

Administrative controls — enforcing safe work practices and internal regulations; and

Personal protective equipment — provided as the last line of defence, based on the risk assessment.

TRAINING AND EMPLOYEE PARTICIPATION

Training and employee involvement are treated as core components of the management system rather than a supporting activity. New and transferring employees receive introductory training covering Company hazards, occupational safety rights and responsibilities, and emergency response procedures, followed by on-the-job training — primary, repetitive, unscheduled and targeted, as circumstances require — and profession-specific instruction, including first aid and technical safety briefings held monthly against approved thematic plans. Employees in hazardous roles,

and those returning from extended leave, receive additional targeted instruction, and all sessions are logged and signed by both instructor and participant. GR allocates its internal training budget on the same basis: approximately 80% is committed to the annual regular training schedule, with the remaining 20% held for training delivered on demand.
A parallel emergency and risk management framework governs emergency response planning and evacuation, first aid provision, and accident investigation and reporting, under which supervisors are responsible for documenting accidents and ensuring corrective actions are implemented. High-risk sites are identified through the Occupational Risk Assessment Order №01-15/n (18 February 2020) issued by the Ministry of Labour, Health and Social Affairs of Georgia, and preventive measures are then assigned following the hierarchy of controls set out above.
Taken together, GR's safety performance is managed through the same structure that produces these metrics: a three-stage control mechanism operated at worksite level, a defined hierarchy of preventive measures, and a training and emergency-response framework that applies to all employees, with additional instruction for those in hazardous roles.

S1-15 WORK-LIFE BALANCE METRICS

Georgian Railway supports its employees in balancing professional responsibilities with personal and family commitments, combining statutory entitlements with additional benefits agreed through collective bargaining.

Foremost among these statutory entitlements is family-related leave. Under the Labour Code of Georgia, employees are entitled, on request, to:

Pregnancy and childbirth leave — 126 calendar days paid, on request, rising to 143 days for complications or multiple births (Article 37);
childcare leave — up to 604 calendar days, of which 57 days are paid (587 days for complications or multiple births) (Article 37);
parental leave for fathers — the father may take this leave in his own right, or use any of the mother's unused leave (Article 37(4));
extended unpaid leave — a further 12 weeks, taken in blocks of at least two weeks per year, until the child turns five (Article 40);
state funding — the paid portion of this leave is funded through a one-time state payment capped at GEL 1,000 (Article 39); the Labour Code does not otherwise require private employers to continue salary during this leave, though the Company may agree to do so individually.

These entitlements are formalised in individual employment contracts.

Beyond statutory leave, the Company introduced hybrid working arrangements in April 2026. As at the time of writing, around 60 employees — mainly in office-based, non-operational roles — work under this arrangement, splitting their time between the office and remote work; this is a recent initiative and the Company expects the number of participating employees to grow as it beds in.

Complementing these statutory entitlements, the Company provides financial support at significant family occasions through the loyalty programme established in negotiation with the Union. Company records show the following payments under this programme:

TABLE S 1.15. LOYALTY PROGRAMME PAYMENTS AT FAMILY OCCASIONS, 2016–2025 (GEL)

YEAR	JUBILEE DATE	CHILDBIRTH	FIRST DAY AT SCHOOL	GOLD MEDAL GRADUATION
2025	220,600	84,000	17,000	22,500
2024	225,400	108,600	19,750	27,500
2023	229,000	113,400	23,750	26,250

Source: Company loyalty-programme records, 2016-2026.

Payments dipped in the years following the pandemic before recovering; broader social protection coverage is described under S1-11.

Taken as a whole, GR's approach to work-life balance rests on three pillars: the statutory leave entitlements set out in the Labour Code; flexibility in working arrangements, now including the hybrid working pilot launched in April 2026; and financial support at significant family milestones, delivered through the loyalty programme. None of these operates in isolation — an employee returning from parental leave, for instance, can also draw on hybrid working and the loyalty programme's childbirth payment in the same period.

S1-16 COMPENSATION METRICS (PAY GAP AND TOTAL COMPENSATION)

For the 2025 reporting period, the Group reported an average employee benefit of GEL 1,829, which reflects growth from GEL 1,630 in 2024. This increase was supported by a Group-wide 10.0% salary increase implemented in January 2025.

Alongside this workforce-wide average, the Group separately discloses executive compensation: its key management personnel received total remuneration of GEL 1,764,000 in 2025, which includes short-term benefits, insurance, and pension contributions.

Returning to the workforce as a whole, average gross monthly base salary is also reported by gender: male employees earned GEL 1,553 on average, against GEL 1,480 for female employees, an unadjusted gap of approximately 4.7%. The median monthly base salary across the workforce was GEL 1,395. This is below the 5% tolerance value defined by the EU standard, and well below Georgia's national unadjusted gender pay gap, which the National Statistics Office of Georgia put at 32% in 2024. GR's gap will continue to be monitored as part of the Company's ongoing workforce reporting.

S1-17 INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS

During the 2025 reporting period, JSC Georgian Railway received no reports from employees regarding substantiated instances of serious human rights violations or grave breaches of equal opportunity standards. Internal reviews of the Group's grievance and whistleblowing channels confirmed that no incidents related to harassment, psychological violence, or discriminatory conduct were identified within the own workforce. the Company was also not subject to any official sanctions, legal penalties, or material compensation claims recognized in its financial statements stemming from severe human rights impacts or labor-related violations during the year.

ADDITIONAL INFORMATION

Beyond the disclosures required under the specific ESRS S1 datapoints above, GR reports the following additional information on its own workforce, in line with the approach taken by peer railway undertakings in their sustainability reporting.

RECRUITMENT AND VOCATIONAL TRAINING PARTNERSHIPS

The Railway Transport College (RTC), GR's affiliated vocational training institution described under S1-13, is itself an employer. As of 2025, the College employed 193 people: 30 administrative staff, 110 academic staff, 48 instructors delivering short-term training and retraining programmes, and 5 contracted (non-staff) personnel.

In 2025, the RTC engaged for the first time with Tbilisi City Hall's municipal programme "Learn and Get Employed," submitting applications for three short-term professional programmes. Two of these — Cargo Transportation Specialist and Geodetic Works Performance — were subsequently delivered at the College's Tbilisi campus under the programme's funding, with 18 of the 20 enrolled participants completing their training.

Separately, under an agreement with the State Center for Convicts' Professional Training and Retraining, and with funding from the Professional Skills Agency, the RTC began delivering the short-term programme "Cargo Transportation Control Specialist" inside Rustavi Penitentiary Establishment No. 16, enrolling 8 participants.

The RTC also facilitates direct engagement between its graduates and prospective employers. In 2025, the Railway Transport Agency organised an information session at the College for locomotive-driver employers, attended by representatives of twelve companies: Poti Transterminal, Agara Sugar Company, Georgian Trans Expedition, Georgian Cement, Pace Georgia, Georgian Locomotive Company, Trans Express Georgia, Black Sea Terminal, Rustavi Azot, Dry Port, Georgian Manganese, and GR Logistics and Terminals.

These partnerships extend the RTC's training activity described under S1-13 into direct cooperation with municipal employment programmes, the penitentiary system, and the wider logistics sector's own recruitment channels.

ESRS S2

WORKERS IN THE VALUE CHAIN

MATERIAL IRO 69

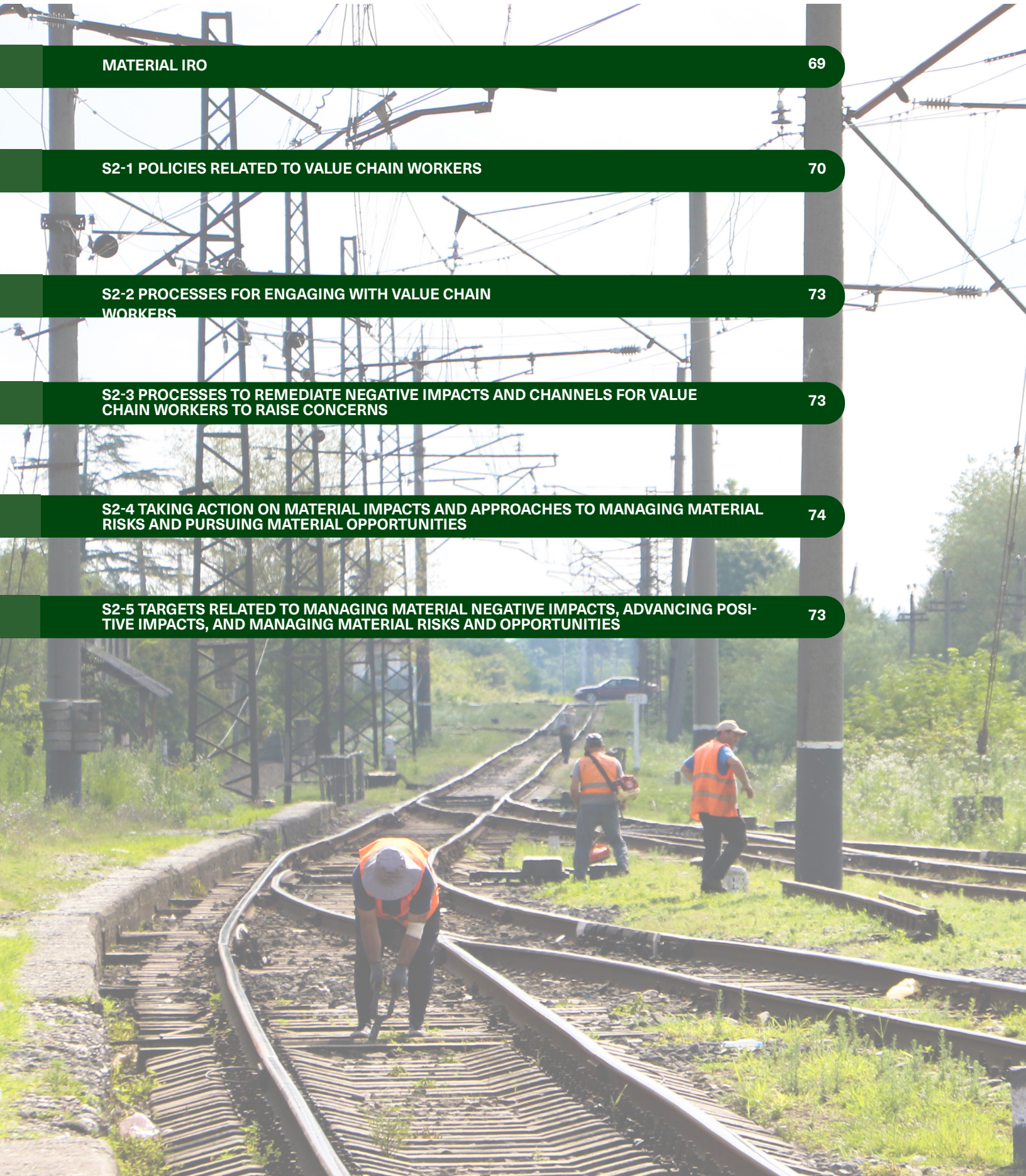
S2-1 POLICIES RELATED TO VALUE CHAIN WORKERS 70

S2-2 PROCESSES FOR ENGAGING WITH VALUE CHAIN WORKERS 73

S2-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR VALUE CHAIN WORKERS TO RAISE CONCERNS 73

S2-4 TAKING ACTION ON MATERIAL IMPACTS AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES 74

S2-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES 73



ESRS S2 — WORKERS IN THE VALUE CHAIN

Disclosures on the labour and human rights conditions of contractors', subcontractors' and suppliers' workers

Georgian Railway's operations depend on a broad network of contractors, subcontractors and suppliers, whose employees carry out much of the construction, rehabilitation and equipment-supply work associated with the Company's modernisation programmes. These value chain workers often work on or near live railway infrastructure, alongside Georgian Railway's own employees, and their occupational health, safety and labour conditions are treated by the Company as a material sustainability topic.

Georgian Railway extends a defined set of labour, safety and conduct requirements to its contractors and their workers, covering matters such as fair recruitment and working conditions, freedom of association, the prohibition of child and forced labour, occupational health and safety, and access to grievance channels. This section concerns the Company's materially significant contracting relationships — principally construction and infrastructure projects with the potential to affect the environment and surrounding communities. These requirements are embedded in the Company's contracting documentation and monitored through site supervision, contractor reporting and periodic independent review, and they are strengthened further for the Company's larger, internationally financed investment projects, where additional labour management and worker protection instruments apply.

This section sets out the material impacts, risks and opportunities Georgian Railway has identified in relation to value chain workers, the policies and processes through which the Company manages them, the channels available to value chain workers to raise concerns, the actions the Company is taking, and the targets guiding its ongoing work in this area.

MATERIAL IRO

TOPIC	IRO TYPE	OCCURRENCE	DESCRIPTION	VALUE-CHAIN LOCATION
Occupational health and safety	Impact	Actual and potential; all time horizons	Subcontractor workers who perform work on or near railway infrastructure, particularly on modernisation and rehabilitation projects, may be exposed to occupational hazards.	Upstream / Own
Responsible sourcing and supplier selection	Risk	Potential	Engaging contractors and suppliers without adequate labour and health-and-safety standards may result in violations affecting workers and undermine the Company's sustainability commitments and reputation.	Upstream
Gender-based violence and harassment	Risk	Potential; all time horizons	Contractor and Company personnel working together on project sites are exposed to the risk of gender-based violence and harassment, addressed through dedicated Codes of Conduct and awareness-raising commitments.	Upstream / Own
Women's participation in contractor workforce	Opportunity	Actual and potential; medium term	The Company's commitment to a minimum share of construction jobs for female employees can broaden participation and improve working conditions across contractor workforces.	Upstream

Source: Company's own double materiality assessment.

S2-1 POLICIES RELATED TO VALUE CHAIN WORKERS

Georgian Railway engages a significant number of value chain workers — chiefly the employees of construction contractors, subcontractors and suppliers on its materially significant modernisation, rehabilitation and procurement projects — and considers their occupational health, safety and labour rights a material topic. The framework governing these workers derives principally from commitments made under the Company's international financing arrangements and from the project-specific instruments adopted under them. Georgian Railway's own Code of Ethics and Conduct and its Occupational Safety and Environmental Management System are addressed under ESRS S1. the scope of each in relation to contractor personnel is set out below.

POLICIES CURRENTLY IN FORCE AND PLANNED EXTENSION

Georgian Railway is planning to extend its Anti-Corruption and Anti-Bribery Policy to prohibit the offering or receipt of benefits to or from a contractor, a subcontractor, or their employees and agents. The Occupational Safety and Environmental Management System, approved by Ordinance of the Board of Directors on 12 December 2022, endorsed by the Supervisory Board on 21 February 2023, and grounded in Georgian legislation and international occupational safety good practice, commits the Company to case-by-case incident investigation, monthly incident analysis and quarterly trending reports, and expressly calls on "all our employees and our contractors to report any possible incidents." It further commits the Company to continue raising the awareness of both employees and contractors on critical safety risks including work at height, confined spaces, electrical work, transportation, manual handling, natural gas and hazardous waste. The scope of each instrument in relation to value chain workers is summarised below.

INSTRUMENT	APPLIES TO OWN EMPLOYEES	APPLIES TO CONTRACTORS AND THEIR WORKERS
Code of Ethics and Conduct	Yes	No — scope defined by reference to employees
Anti-Corruption and Anti-Bribery Policy	Yes	Yes — extends to contractors, subcontractors, their employees and agents
Occupational Safety and Environmental Management System	Yes	Yes — incident reporting and safety awareness extend to contractors
Safety Management System	Yes	Yes — contractors within scope of safety governance and consultation
Environmental and social action plan for the Modernisation Project	Yes	Yes — for Lender-financed activities
Environmental and social commitment plan for World Bank-financed projects	Yes	Yes — for the Modernisation Project
Labor Management Procedures (in preparation)	Yes	Yes — direct and contracted workers alike

Source: Code of Ethics and Conduct; Anti-Corruption and Anti-Bribery Policy.

The Modernisation Project began in September 2010. Its financing has moved through successive phases with different international financial institutions: the World Bank financed the project's earliest phase, followed by the Asian Development Bank, and most recently the EBRD. Later references in this chapter to "World Bank-financed," "ADB-financed" and "EBRD-financed" project activities all describe this same Modernisation Project at different stages of its financing, rather than separate undertakings.

Source: Internal project financing records.

GREEN BOND COMMITMENTS AFFECTING CONTRACTOR WORKERS

In connection with its green bond issuance, Georgian Railway has committed to a set of development outputs affecting the workers of its construction contractors: allocating at least 10% of jobs arising from construction to female employees; implementing a policy against sexual harassment together with supporting procedures; and offering awareness-raising activity each year on that policy for the Company's staff and for its contractors. Georgian Railway reports progress against these commitments annually through its website, and aligns them with United Nations Sustainable Development Goal targets 5.5 on women's participation and leadership, 8.5 on full and productive employment and decent work, and 8.8 on the protection of labour rights and the promotion of safe and secure working environments for all workers.

These commitments are significant for this topic because they extend expressly to contractors rather than to the Company's own workforce alone, and because they were made in a publicly disclosed instrument subject to independent external review and annual public reporting.

MINIMUM LABOR REQUIREMENTS APPLIED TO SIGNIFICANT CONTRACTORS

For contractors engaged on its EBRD- and ADB-financed railway Modernisation Project and its World Bank-financed Trans-Caspian Corridor project, Georgian Railway sets minimum compliance requirements covering: national labour, social security and occupational health and safety regulations; the abolition of child labour; the elimination of forced labour; the elimination of discrimination in respect of employment; and freedom of association and collective bargaining. Its contractors must maintain human resources policies in written form and communicate them to workers in a clear, understandable and accessible way in the main language(s) spoken by the workforce. Labour contracts must be concluded in writing before the working relationship begins, covering at a minimum entitlement to wages, working hours and break periods, overtime arrangements and overtime compensation, and benefits such as sick, maternity/paternity and holiday leave, with any material changes documented and communicated to workers. Workers must not be discouraged from electing worker representatives, forming or joining workers' organisations of their choosing, or bargaining collectively, and must not be discriminated against or subjected to retaliation for doing so.

HR POLICY COMMITMENTS FOR CONTRACTORS

Georgian Railway is enhancing its HR Policy so that it applies expressly to the Company and its (sub)contractors, requiring documented labour contracts and clear salary-payment provisions, prohibition of child and forced labour, adherence to core ILO standards, non-discrimination and equal opportunity, collective-dismissal principles and availability of a grievance mechanism. The enhanced Policy will be attached to all contracts concluded in connection with the Modernisation Project or other Lender-financed activity, will require bidders to confirm compliance in their bids, and will be translated and communicated to Company, contractor and supplier personnel in the language(s) spoken by the workforce.

GRIEVANCE MECHANISM FOR MAIN PROJECT WORKERS

Georgian Railway has developed and implemented a workers' grievance mechanism that allows for anonymous grievances, allows grievances to be raised in the language(s) of the workforce, and is communicated to workers through a variety of channels. The mechanism is available to its contractors, including the Project contractor, with contractors reporting regularly to Georgian Railway on grievance management. The operation of these channels is described under S2-2 and S2-3.

LABOR MANAGEMENT PROCEDURES FOR WORLD BANK-FINANCED ACTIVITIES (PROJECT IS IN PROGRESS)

For its World Bank-financed investment programme, Georgian Railway is required to develop, finalise and implement Labour Management Procedures consistent with international good practice and the national legislation of Georgia, and to finalise those procedures within 30 days of the Effective Date. Georgian Railway will require contractors — and require contractors to obligate their subcontractors — to prepare and implement Occupational Health and Safety Management Plans, with bidders required to include corporate OHS management principles in their bids, and will establish a grievance mechanism for Project workers before they are engaged, maintained throughout implementation. Georgian Railway will incorporate these Procedures and a Code of Conduct into the environmental and social specifications of procurement documents and contracts, and will require contractors and supervising firms to provide monthly environmental and social monitoring reports.

As drafted, the Procedures set out terms and conditions of employment including hours of work, wages and leave; measures to ensure non-discrimination and equal opportunity in recruitment and treatment; a prohibition on child labour, with a minimum age of 18 for civil works, and on forced labour; and a dedicated Code of Conduct for all Project workers addressing behavioural risks including sexual exploitation and abuse and sexual harassment. The draft framework distinguishes direct workers (Company staff assigned to the Project) from contracted workers (personnel employed by suppliers and works contractors, including construction personnel at the Khashuri depot site) and applies the same labour standards to both, with contractors accountable for the labour and occupational health and safety performance of their own staff and subcontractors, and non-compliance subject to contractual remedies and potential work stoppages.

These commitments apply to a World Bank-financed project distinct from the Company's EBRD/ADB-financed activities described above. The Procedures are being finalised for adoption ahead of the Effective Date and will be incorporated into the Company's contracting documentation for the corresponding investment programme.

LABOUR MANAGEMENT PROCEDURES FOR ADB-FINANCED ACTIVITIES (PROCUREMENT CONTRACT IS IN PROGRESS)

For its ADB-financed EMU procurement, Georgian Railway follows the labour rules in the Asian Development Bank's Standard Bidding Document and General Conditions of Contract. Suppliers and their subcontractors may not use forced labour or trafficked workers, and may not employ children under 15 (or the national minimum age) or under 18 in hazardous work (GCC Clause 13). Where the project carries a high risk of sexual exploitation, abuse or harassment, Supplier staff must follow an attached Code of Conduct covering health and safety, a ban on sexual exploitation and harassment, and a way to report violations without retaliation. Confirmed violations can lead to termination of the worker's contract and referral to the authorities. These rules apply only to the ADB-financed EMU contract, separate from the World Bank-financed programme described above.

PROCUREMENT-EMBEDDED LABOR STANDARDS

For its World Bank-financed procurement — for example the electric locomotive tender — Georgian Railway frames bidder and contractor obligations around compliance with labour and working-conditions standards consistent with international good practice, including for functionally linked works such as the Khashuri depot, which will be financed and constructed by the successful bidder. Georgian Railway assigns responsibility for ensuring that procurement documents and all resulting contracts include specialised environmental, social, labour and occupational health and safety clauses, together with a Code of Conduct for supplier personnel, to a designated Procurement Specialist within the Company.

Georgian Railway's Procurement Agency Charter requires the Procurement Agency to ensure lawful and non-discriminatory treatment of all procurement participants, providing an institutional safeguard that complements the project-specific labour and ESHS clauses described above.

EMERGING NATIONAL PROCUREMENT STANDARDS

Beyond these Lender-specific requirements, Georgia's own procurement rules are moving in the same direction. A draft Public Procurement Law, developed as part of the country's approximation to EU Directives 2014/24/EU and 89/665/EEC, would extend statutory screening of suppliers and subcontractors for labour-rights compliance and child labour to all public procuring entities, including Georgian Railway, and would make compliance with a Code of Ethics and disclosure of subcontractor information mandatory in defined cases. Once in force, this would apply the same underlying

standards the Company already holds its Lender-financed contractors to across its wider supplier base.

Outside Lender-financed activity, the Company's standard contract terms include a governing-law clause providing that the contract and any disputes arising from it are regulated in accordance with the legislation of Georgia, which itself sets minimum labour, non-discrimination and occupational health and safety requirements applicable to all employers operating in the country.

S2-2 PROCESSES FOR ENGAGING WITH VALUE CHAIN WORKERS

Contractors work alongside Georgian Railway's own employees on some of the Company's highest-risk activities — trackside maintenance, construction on live lines, and operations at stations and depots — and the Company treats their safety as inseparable from its own. At corporate level, the Safety Management System establishes consultation with contractors as a standing requirement: periodic group meetings are held not less than quarterly, together with incident-driven interviews and public discussions, with the views expressed recorded in minutes, evaluated and fed back to participants. Responsibility for this consultation is shared between the Director General; the safety apparatus and the heads of the technical departments concerned with traffic safety. Separately, the Company's own Occupational Health, Safety and Environment Protection Service — staffed by certified labour-conditions inspectors — carries out regular site inspections and workplace-factor measurements, with findings recorded in formal reports that department heads are required to act on and correct. The Company's occupational health and safety policy explicitly extends its incident-reporting expectation to contractors as well as employees, and incidents are analysed monthly, with quarterly trend reports compiled across operations, engineering, projects and technical-maintenance functions.

Periodic independent review adds a further channel. An environmental and social due diligence audit conducted by Ramboll in April 2021 included site visits to project locations and accommodation camps and interviews with the construction contractor's personnel as well as Company and supervision-engineer staff, covering occupational health and safety, labour relations, accommodation and grievance management. Georgian Railway has also obtained an external gap analysis of its environmental and social performance from Avalon Consulting. Findings from these reviews are addressed through corrective action plans agreed with the financing institutions, and directly informed two of the commitments described under S2-1: the minimum labour requirements applied to significant contractors, and the strengthened grievance mechanism for project workers.

Operational responsibility for social performance on the Modernisation Project, including contractors' labour and working conditions, sits with the Company's Social Manager, in the role since 2015, supported by the heads of the Environmental Protection Division and the Health and Safety Division. Georgian Railway intends to strengthen these arrangements further as part of a broader effort to align its projects with the standards required by leading international financial institutions. For its World Bank-financed activities specifically, the Labour Management Procedures being prepared would introduce mandatory safety induction for contractor personnel before site access and a requirement for contractors to report serious incidents to the Company within 24 hours.

S2-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR VALUE CHAIN WORKERS TO RAISE CONCERNS

Value chain workers on Georgian Railway's projects can raise concerns through two channels: the grievance mechanism operated by their employer, the construction contractor, and Georgian Railway's own corporate grievance channels, which are open to the public and not restricted to Company employees. Both are described below, together with how concerns are handled, the protections afforded to those who raise them, and the Company's approach to remedy.

Georgian Railway's approach to grievance handling is built on four principles, set out in the Company's formal Grievance Mechanism:

- Accessibility to all affected groups, including vulnerable people
- Confidentiality and protection against retaliation
- Transparency: the process is publicised and explained clearly
- Promptness, with a target resolution period of 30 days

TABLE S 2.3. THE CHANNELS AVAILABLE TO VALUE CHAIN WORKERS ARE SET OUT BELOW:

CHANNEL	OPERATED BY	HOW TO RAISE A CONCERN	RESPONSIBLE FUNCTION
Contractor grievance mechanism	Construction contractor	Grievance boxes on site; written grievance policy; email	Contractor's human resource department and legal department
Company grievance channels	Georgian Railwayes	Written submission to the GR chancellery; telephone hotline; email; site grievance boxes; verbal communication	Public Relations Department, with HR, Legal and HSE Departments as neededemployees and agents

Source: EBRD Framework Agreement.

Independent review confirms these arrangements are followed in practice: in its appraisal of the Company's most recent World Bank-financed investment, the World Bank recorded that Georgian Railway has a functioning grievance mechanism with multiple intake channels, providing independent confirmation that the channels above are operational.

Turning to how a concern is handled once raised: grievances may be submitted anonymously and in the language spoken by the worker, and their existence is communicated to workers through a variety of channels. A designated grievance manager, normally drawn from the human resources function, reviews each concern with the worker and issues a decision within a set period; this does not affect the worker's right to pursue the matter with the labour inspectorate or through national courts. Georgian Railway intends to formalise this process further under the Labour Management Procedures being prepared for its World Bank-financed activities, including a logged reference number for each complaint, a two-day acknowledgement target and a right of appeal to higher management.

The Company is also considering formalising a dedicated channel for business partners and their employees within a prospective Code of Conduct for Business Partners, to complement the grievance channels described above.

This process is backed by clear protections for those who use it. Workers raising concerns are protected against retaliation: complaints are handled confidentially, and workers are not to be discriminated against for raising a grievance, participating in a workers' organisation, or bargaining collectively.

Finally, on remedy: where a grievance concerns a contractor, Georgian Railway takes the matter up with the contractor in writing so it is resolved jointly; where review or monitoring identifies shortcomings, corrective action is pursued through plans agreed with the contractor and the financing institutions. Contractors report regularly to the Company on their grievance handling, and grievances and their resolution are tracked through the Company's periodic environmental and social monitoring reports.

Taken together, these arrangements give value chain workers more than one route to raise a concern, with independent verification and a growing degree of formalisation in how each is handled. The actions Georgian Railway is taking to strengthen these channels further are described under S2-4.

S2-4 TAKING ACTION ON MATERIAL IMPACTS AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES

The principal negative impact identified in relation to value chain workers is exposure to occupational hazards among the workers of contractors and subcontractors performing construction and infrastructure works. Georgian Railway manages this impact through its construction contracts, a layered system of supervision and inspection, and a structured corrective action programme agreed with its financing institutions. The actions below relate principally to the railway Modernisation Project, where the concentration of contracted construction labour has been greatest; physical construction on that project is now complete and it is in its defects liability period. The sections that follow set out the contractual and supervisory controls Georgian Railway applies, how resulting incidents and grievances are handled and remedied, and the further actions planned as its World Bank-financed programme develops.

The primary control is contractual. Georgian Railway's construction contracts follow the FIDIC Yellow Book, a standard international contract template used when the contractor is responsible for both designing and building the works. Contracts also include an Employer Requirements Annex — the Company's own schedule setting out the specific safety, health and environmental standards the contractor must meet. The Modernisation Project contract is structured this way and governed by Georgian legislation. Under it, the contractor must comply with applicable safety regulations, ensure the safety of all persons on site, and submit and follow a Construction Health, Safety and Environmental Management Plan. Liability for legal non-compliance rests with the contractor.

and remedied, and the further actions planned as its World Bank-financed programme develops.

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This contractual control is backed by active oversight. Compliance is checked through several independent layers of supervision, summarised below, and enforced with real authority: where the contractor fails to meet acceptable standards, the supervision engineer can issue a stop order halting the activity until the non-compliance is addressed.

CONTROL LAYER	PERFORMED BY	FREQUENCY	OUTPUT
Routine site HSE supervision against the Construction Health, Safety and Environmental Management Plan checklists	Construction contractor	Routine	Internal supervision records
Job hazard and occupational risk assessment; delivery of HSE training to contractor personnel	External HSE consultant engaged by the construction contractor	In accordance with an approved annual training plan	Risk assessments kept up to date; training records. Training materials are available in Georgian and translated into Chinese where required
HSE inspection of contractor operations on behalf of Georgian Railway	Independent supervision engineering firm	Weekly and monthly	Inspection reports to Georgian Railway documenting inconsistencies with designs, procedures, plans and regulations, and progress on corrective actions
Review of supervision reports; project progress meetings; unplanned site inspections	Georgian Railway HSE management	Continuous and ad hoc	Feedback on priority issues; monitoring of contractor corrective actions
Monthly environmental and social monitoring reporting	Contractors and supervising firms	Monthly	Reports on E&S performance against metrics set in bidding documents and contracts, submitted to the financing institution
Independent environmental and social due diligence and compliance audit; external gap analysis	Independent consultants appointed in agreement with the financing institutions	Periodic	Audit findings and an agreed Environmental and Social Action Plan

Source: Environmental and Social Due Diligence Report (EBRD/ADB, rev03).

This oversight extends to how incidents themselves are handled. Contractors must notify Georgian Railway immediately of any incident with significant safety, health or environmental impact, with major occupational incidents also reportable to the competent national authority. Each incident is investigated to establish its causes and inform corrective action, tracked through a consolidated corrective action register maintained by the contractor with the supervision engineer's support.

Where such incidents cause harm, remedy follows. Under its Environmental and Social Action Plan, Georgian Railway has committed to ensuring appropriate financial compensation for any person suffering injury or illness caused by project activities, with the provision of compensation verified and tracked as a corrective action.Where a grievance concerns a contractor, the Company's practice is to take the matter up with the contractor in writing so it is resolved jointly.

More broadly, this risk management extends into the Company's own governance. Georgian Railway's Safety Management System expressly recognises safety risks arising from cooperation with contractors, verifying their qualifications and quality documentation, and defines external organisations — including individual contractors operating outside the Company's direct control — as falling within the scope of its safety governance.

Georgian Railway's own procurement practices also shape the conditions under which value chain workers are employed. For Lender-financed activity, environmental, social, labour and occupational health and safety clauses, together with a code of conduct for supplier personnel, are required in procurement documents and resulting contracts, with this responsibility assigned to a designated Procurement Specialist under the Labour Management Procedures being prepared for World Bank-financed activities.

Awareness-raising is a further element of this approach. Under its Green Bond Framework, Georgian Railway has committed to offer at least one awareness-raising activity each year on its sexual harassment policy, for both its own staff and its contractors. This complements Article 12 of the Company's Code of Ethics, which prohibits all forms of harassment and discrimination for the Company's own employees.

The overall adequacy of these arrangements has itself been independently assessed. In appraising the Company's most recent World Bank-financed investment, the World Bank recorded that Georgian Railway already possesses a strong corporate system for managing environmental impacts, labour and worksite safety, noting its dedicated environmental and occupational health and safety units staffed by certified professionals, its designated contact persons across cargo, passenger and infrastructure divisions, its regular training programme, and its familiarity with international financial institutions' standards through ongoing cooperation with EBRD, ADB and UNIDO.

This oversight capacity is described in more detail elsewhere in this statement. Georgian Railway's own environmental and social management resources — including its Social Manager and dedicated HSE divisions — are set out under S2-2. These internal resources are supplemented by external parties: the independent supervision engineering firm, the contractor's own HSE team, and independent consultants engaged for periodic review.

Taken together, the effectiveness of these actions is tracked through several parallel mechanisms: a follow-up labour audit verifying implementation of the corrective action plan, the consolidated corrective action register, monthly monitoring of contractor labour and working conditions, and review of key deliverables by the financing institutions before they are treated as complete. Where independent audit found the trackability of corrective actions to be insufficient — including stop-order follow-ups not consistently tracked — this was itself recorded as a corrective action, requiring closer Company oversight of timely implementation by the contractor.

Looking ahead, these arrangements are set to be strengthened further. Under the Labour Management Procedures being prepared for its World Bank-financed activities, Georgian Railway plans to require contractors to provide site-specific occupational health and safety management plans, personal protective equipment at no cost to workers, and emergency response protocols; to give all project workers mandatory safety induction before site access; to require contractors to report serious incidents within 24 hours; and to deliver quarterly awareness sessions on sexual exploitation, abuse and harassment.
Taken together, these measures combine contractual control, layered supervision and independent verification with a forward-looking programme of improvement for value chain workers. The targets guiding Georgian Railway's ongoing work in this area are set out under S2-5.

S2-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

Georgian Railway has set one quantified target bearing on workers in its value chain. Under its Green Bond Framework, published in connection with its green bond issuance, the Company committed to allocating at least 10% of construction-related jobs to female employees.Because construction work on the Company's projects is performed by contractors, this target applies to the composition of contractor workforces, and is reported annually through the Company's website alongside the wider set of development outputs to which it belongs.

Beyond this target, Georgian Railway has not set further measurable, time-bound outcome targets for workers in its value chain within the meaning of ESRS. The effectiveness of the policies and actions described under S2-4 is instead tracked through the monitoring and corrective action mechanisms described there, including follow-up audits, monthly contractor labour monitoring, and review of key deliverables by the Company's financing institutions before they are treated as complete.

ESRS S3

AFFECTED COMMUNITIES

MATERIAL IRO 78

S3-1 POLICIES RELATED TO AFFECTED COMMUNITIES 79

S3-2 PROCESSES FOR ENGAGING WITH AFFECTED COMMUNITIES 79

S3-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR AFFECTED COMMUNITIES TO RAISE CONCERNS 80

S3-4 TAKING ACTION ON MATERIAL IMPACTS AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES 81

S3-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES 83

ESRS S3 — AFFECTED COMMUNITIES

Disclosures on the communities affected by the Company's infrastructure, operations and investment projects

MATERIAL IRO

Georgian Railway's infrastructure runs through towns and villages across much of Georgia. Its projects — from major modernisation works to station renovations — inevitably intersect with the daily life of communities along the line.

These interactions take different forms at different stages. Construction brings temporary disruption: traffic, noise, dust and access restrictions. Once built, the railway itself raises ongoing questions of noise, vibration and safety for people living and moving near the tracks. Where new works require land, that land is acquired from private owners, with consequences for their property and livelihoods that the Company manages through valuation, compensation and, where necessary, resettlement.

The following impacts, risks and opportunities relevant to affected communities have been identified through the Company's project experience and ongoing operations.

TOPIC	IRO TYPE	OCCURRENCE	DESCRIPTION	VALUE-CHAIN LOCATION
Disturbance from infrastructure works	Impact (negative)	Actual and potential; short and medium term	Construction, rehabilitation and station renovation works can disturb the life of surrounding communities through construction traffic, noise, dust and temporary access restrictions.	All
Noise and vibration from railway operations	Impact (negative)	Actual and potential; all time horizons	Noise and vibration created by railway operations, and their effects on nearby buildings, may disturb the life of surrounding communities, requiring ongoing monitoring at the operation stage.	Own / downstream
Land acquisition and resettlement	Impact	Actual, substantially concluded for the current project; potential for future projects	Land required for the Company's projects is acquired from private owners, affecting their property and livelihoods; this impact is managed through compensation, valuation and, where required, resettlement processes.	All
Property damage from construction activities	Impact (negative)	Actual; short term	Construction activities, including blasting operations, have on occasion been linked by residents to property damage such as cracking in nearby buildings, addressed through investigation and, where warranted, compensation.	Own / downstream
Community safety, including at level crossings	Risk	Actual and potential; all time horizons	Railway operations create safety risks for members of the public near the line and at crossings; community safety is addressed through the Company's safety management arrangements.	Own / downstream
Access to mobility and regional connectivity	Impact (positive)	Actual and potential; all time horizons	Provision of efficient and comfortable railway services, including accessible station infrastructure, may improve the lives of people across the regions of Georgia.	Own / downstream

Source: Company's own double materiality assessment.

S3-1 POLICIES RELATED TO AFFECTED COMMUNITIES

Georgian Railway's activities affect communities across Georgia in two distinct ways. Railway infrastructure has a continuous presence in the areas it passes through, affecting nearby residents on an ongoing basis. Construction, rehabilitation and station renovation works add a second, episodic layer of impact during active project periods. That framework rests on three elements: a stated corporate commitment to social responsibility; a project-level document on the health and safety of the population; and resettlement and consultation commitments accepted as conditions of the Company's EBRD, ADB and World Bank financing.

CORPORATE SOCIAL RESPONSIBILITY

The first of these three elements is the Company's stated commitment to corporate social responsibility, one of its stated values, directing initiatives toward supporting local communities, promoting ethical and environmentally sustainable practices, and ensuring that operations generate value for the broader society. Local communities are identified as one of the Company's key stakeholder groups.

COMMUNITY HEALTH AND SAFETY

The second element addresses community health and safety directly. A Health and Safety Principles for Workers and Population document, developed for the railway Modernisation Project, sets out measures to protect the population during construction, including perimeter warning signs at work sites, traffic control by trained personnel at crossing points, and a code of conduct for workers. For projects financed by international partners, the Company's Environmental and Social Commitment Plan requires the assessment and management of community risks arising from project activities — including construction traffic, noise, dust, property damage, labour influx and worker conduct — together with a Community Health, Safety and Security Plan covering both construction and operation, and measures to prevent and address sexual exploitation, abuse and harassment involving communities.

LAND ACQUISITION AND RESETTLEMENT

The third element concerns land acquisition. Where land is required for its projects, the Company's commitments include a gap assessment of resettlement activities against international performance standards, covering compensation, complaints and outstanding cases, together with screening of land-acquisition impacts and preparation of resettlement or livelihood-restoration plans where required. These commitments, with the exception of the Company's stated corporate social responsibility value, attach to specific, large-scale financed projects rather than to the Company's operations as a whole; the Company does not presently maintain a single community engagement policy applying across all of its operations.

S3-2 PROCESSES FOR ENGAGING WITH AFFECTED COMMUNITIES

Georgian Railway engages with affected communities through several established routes: statutory public hearings under the national environmental impact assessment process, direct consultation with landowners during land acquisition, day-to-day contact between communities and project personnel, corporate channels open to any member of the public, and consultation with institutional stakeholders on environmental matters. Each is described below, together with how responsibility for this engagement is held and assessed.

LAND ACQUISITION AND RESETTLEMENT

Consultation with affected communities on the railway Modernisation Project has taken place principally through public hearings required under the national environmental impact assessment process, conducted with the involvement of the relevant municipalities.

The matters raised by participants, recorded below, reflect the concerns communities themselves identified:

ENVIRONMENTAL IMPACT ASSESSMENT	DATE OF HEARING	LOCATION	PARTICIPANTS	ISSUES RAISED BY PARTICIPANTS
Railway Modernisation Project (Khashuri–Kharagauli)	14.04.2011	Office of Zestafoni Municipality	11	Protected areas; impact on a mineral water well; noise during the construction phase
Variation of Tunnel 9 West	29.11.2013	Office of Kharagauli Municipality	Not recorded	Mineral water; tree-cutting works; Red List species
Variation of the Zvare section, km 20+760 – km 23+060	31.07.2020	Zvare community, in the yard of a kindergarten	28–35	Impact on Zvare's mineral waters; changes to the buffer zone; provision of information on blasting works

Source: Environmental and Social Due Diligence Report (EBRD/ADB, rev03, 2021).

CONSULTATION WITH AFFECTED LANDOWNERS

Consultation is not limited to the hearing process. Where land is required for project purposes, the Company consults directly with the affected landowner, at times including the owner's neighbours: the applicable legislative provisions are explained in a language the owner understands, an independent valuation body assesses the property and discusses the valuation methodology with the owner, and, if the owner agrees, a purchase agreement is concluded and registered in the public register.

CORPORATE CHANNELS OPEN TO COMMUNITY MEMBERS

Independently of any project, members of the public may contact Georgian Railway in writing through the Company chancellery, by telephone hotline and by electronic mail, with contact details published on the Company's website; responsibility for managing the grievance mechanism sits with the Public Relations Department. Under the Safety Management System approved by the Board of Directors, public discussions with interested parties are one of three consultation methods through which the Company pursues its safety objectives.

ACCOUNTABILITY AND ASSESSMENT OF EFFECTIVENESS

These channels are coordinated at two levels. Day-to-day responsibility for stakeholder engagement sits with the Company's Social Manager, with the Public Relations Department supporting the grievance mechanism. Under its Environmental and Social Action Plan, the Company also committed to appoint a Community Liaison Officer, a site-level role responsible for engaging communities and helping resolve grievances as they arise. Engagement activities are reported to financing institutions through the Company's periodic environmental and social monitoring reports.

Together, these channels give Georgian Railway multiple ways to hear from and respond to affected communities, from formal statutory hearings to everyday contact with project personnel. How communities can raise a concern, and how the Company remedies it, is described next under S3-3.

S3-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR AFFECTED COMMUNITIES TO RAISE CONCERNS

Members of affected communities are able to raise concerns with Georgian Railway through the Company's corporate channels, open to any member of the public. The Company also has practical experience of providing remedy where its activities, or those of its contractors, have caused damage to community property. Both are described below.

CHANNELS CURRENTLY AVAILABLE

Members of the public may contact Georgian Railway in writing through the Company chancellery, by telephone hotline and by electronic mail, with contact details published on the Company's website. Responsibility for managing the grievance redress mechanism sits with the Public Relations Department, which engages other functions — including the Human resource department and Legal Department — according to the character of the matter raised.

REMEDY IN PRACTICE

Beyond receiving concerns, the Company has provided remedy where damage has been attributed to its activities. Concerns raised by residents have included cracks appearing in houses attributed to blasting operations, for which compensation was reportedly paid or assistance with repair works provided. Where a grievance concerns the conduct of a contractor, the Company's practice is to address the matter to the contractor in writing so that it is resolved jointly rather than treated as a matter internal to the contractor. Under the Environmental and Social Action Plan, the Company has further committed to ensuring appropriate financial compensation for any person suffering injury or illness caused by project activities, a commitment that extends beyond workers to members of affected communities.

COMPENSATION AND ASSISTANCE IN LAND ACQUISITION

Where land is acquired, compensation is determined through independent valuation, discussed with the owner so that the basis of calculation is understood, and paid following conclusion and registration of a purchase agreement. Beyond compensation itself, Georgian Railway provides assistance to affected owners at its own discretion, including transportation, help registering problematic land plots, preparation of demarcation drawings, and preparation of documents for the public register. Under the Environmental and Social Action Plan, the Company has also committed to a gap assessment of its resettlement activities, focused on compensation rates and outstanding cases.

Grievances received in connection with the Modernisation Project, and their resolution, are reported through the Company's periodic environmental and social monitoring reporting to its financing institutions. The actions Georgian Railway takes in response to impacts on affected communities, including these remediation measures, are described next under S3-4.

S3-4 TAKING ACTION ON MATERIAL IMPACTS AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES

Georgian Railway's actions in relation to affected communities take several forms: measures applied during construction to protect nearby communities, continuing obligations at the operation stage directed at noise, vibration and the structural safety of nearby buildings, the Company's response when community concerns have arisen, the completion of land acquisition for the Modernisation Project, and investment in passenger infrastructure serving communities across the network. Each is described below.

MEASURES APPLIED DURING CONSTRUCTION WORKS

Community protection during construction was managed principally through requirements imposed on contractors. Under the Environmental and Social Commitment Plan, community health and safety risk mitigation measures were included in the Environmental and Social Management Plans, addressing risks such as the movement of construction vehicles, the propagation of noise, dust and emissions, and accidental damage to local roads, fences and other property. The document Health and Safety Principles for Workers and Population, prepared for the Modernisation Project, provided for warning signs around construction areas, traffic control by trained personnel at crossing points, measures addressing communicable disease, and a code of conduct for workers. During construction the contractor maintained a worker responsible for safety on site and a watchman at night, and its security regulations prohibited access to construction sites by non-construction personnel, children and other persons; no cases of injury to local residents were reported.

TRACK SECURITY AND LEVEL-CROSSING SAFETY

None of the Company's track network passes through nationally protected areas, so no track-fencing measures are required or planned specifically for such areas. More broadly, to reduce the risk of unauthorised access to the railway right-of-way, the Company plans to fence approximately 60 kilometres of track in 2026–2027, followed by approximately 20 kilometres in each subsequent year. On level crossings specifically, the network currently has 55 protected crossings and 148 unprotected crossings; a phased conversion programme using new crossing-protection technology is planned to bring an estimated 30 unprotected crossings under protection in 2027–2028, followed by approximately 10 further crossings each year thereafter.

Separately, an estimated 283 kilometres of track are currently laid on wooden sleepers, of which approximately 73 kilometres are on the central mainline; the pace at which these will be replaced with reinforced-concrete sleepers in future years has not yet been finalised, with an internal planning estimate suggesting up to approximately 10 kilometres per year.

OPERATION-STAGE OBLIGATIONS FOR NOISE, VIBRATION AND BUILDING SAFETY

The environmental decision issued for the modernised section imposes continuing obligations on Georgian Railway at the operation stage. The Company is required to monitor noise levels and vibration at the nearest residential houses monthly for the first year of operation and quarterly thereafter, submitting results to the competent agency, and to agree and implement additional mitigating measures — such as vibration-minimising track, noise protection screens, green buffers and noise-reducing windows — where monitoring or resident complaints indicate this is needed. The Company is further required to assess and annually monitor the condition of nearby buildings and structures, to continuously monitor geodynamic processes around the railway station and surrounding slopes, and to conduct a post-construction engineering-geological study before the section enters commercial operation.

RESPONSE TO COMMUNITY CONCERNS ARISING IN OPERATION

Where matters affecting communities have arisen, the Company has investigated and responded. Following landslide processes in the Kharagauli municipality that caused damage to local villages, residential properties and infrastructure, and public discussion suggesting a connection with the project's blasting operations, the Company examined the question against its construction records and concluded that no technical evidence indicated a causal link: the affected area lies a significant distance from the construction buffer zone, and the relevant tunnel and slope-cutting works had been completed in 2017 and 2021-2022 respectively.

LAND ACQUISITION AND ITS COMPLETION

Land acquisition for the Modernisation Project has been completed. During the most recent reporting period, consultation was conducted with the affected population in respect of the single remaining plot, agreement was reached, and the redemption procedures for the project as a whole were concluded, with no case of refusal and no expropriation procedure required.

INVESTMENT IN PASSENGER INFRASTRUCTURE SERVING COMMUNITIES

Georgian Railway maintains passenger infrastructure distributed across the country, and a programme of reconstruction is under way through which platforms are being rebuilt to be accessible to persons with disabilities. Improving the accessibility and condition of station infrastructure is the principal way in which the Company acts on the positive impact identified in its materiality input: that efficient and comfortable railway services may improve the lives of people across the regions of Georgia.

S3-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

Georgian Railway has not set quantified, time-bound outcome targets for affected communities within the meaning of ESRS.

The Company's approach instead relies on the monitoring and mitigation obligations described under S3-4. At the operation stage, this includes monthly noise and vibration monitoring at the nearest residential houses during the first year of operation and quarterly thereafter, annual assessment of nearby building conditions, and continuous monitoring of geodynamic processes around the railway station and surrounding slopes, each carried out against obligations set by the environmental decision governing the modernised section.

Beyond these monitoring obligations, Georgian Railway's programme to rebuild station platforms for accessibility to persons with disabilities is ongoing.

ESRS S4

CONSUMERS AND END-USERS



MATERIAL IRO 85

S4-1 POLICIES RELATED TO CONSUMERS AND END-USERS 85

S4-2 PROCESSES FOR ENGAGING WITH CONSUMERS AND END-USERS 88

S4-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR CONSUMERS AND END-USERS TO RAISE CONCERNS 88

S4-4 TAKING ACTION ON MATERIAL IMPACTS AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES 90

S4-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES 91

ESRS S4 — CONSUMERS AND END-USERS

Disclosures on passengers and other users of the Company's services and infrastructure

MATERIAL IRO

Georgian Railway's passenger services connect towns and regions across the country, in many cases providing the only public transport link between smaller settlements and Georgia's economic centres. Passengers on its mainline, regional and international routes rely on the Company not only to move them, but to do so safely, reliably and on affordable terms.

The railway also touches the lives of people who are never passengers. Wherever the network crosses roads and settlements — most directly at its many level crossings — public safety depends on measures the Company puts in place, independent of any ticket purchased.

THE FOLLOWING IMPACTS, RISKS AND OPPORTUNITIES HAVE BEEN IDENTIFIED FOR THIS TOPIC.

TOPIC	IRO TYPE	OCCURRENCE	DESCRIPTION	VALUE-CHAIN LOCATION
Affordability and reach of services	Impact (positive)	Actual or potential; all time horizons	Preferential tariffs and regional services with simplified access make railway transport an affordable, practical option for groups such as students, veterans and residents of areas without access to private transport.	Own / downstream
Accessibility for passengers with reduced mobility	Impact (negative)	Actual; all time horizons	Not all passenger stations are accessible to passengers with reduced mobility.	Own / downstream
Passenger information	Impact	Actual or potential; all time horizons	Information about train services, delays and changes is, or is not, easily accessible to railway users.	Own / downstream
Perceived safety of passengers and the public	Impact	Actual; all time horizons	Passengers and other service users may feel safe on or near the railway where the necessary safety precautions are implemented.	Own / downstream

Source: World Bank Sustainability Reporting Gap Assessment, March 2026.

S4-1 POLICIES RELATED TO CONSUMERS AND END-USERS

Georgian Railway's passenger services are governed by a binding public service contract concluded with the sector regulator, together with the Company's commitments on service quality and conduct toward customers, its tariff and fares policy, its personal data protection framework, and its safety management arrangements. The Company treats passenger service as a component of the country's social infrastructure and regional integration, not solely as a commercial transport function.

REGULATORY FRAMEWORK AND APPROXIMATION COMMITMENTS

Georgian Railway's obligations toward passengers are not solely commercial or self-adopted. Under the Association Agreement with the European Union, Georgia has undertaken to approximate its legislation to Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road, the basis on which the Public Service Contract is built. Georgia's Railway Code, as amended, already sets out passenger guarantees consistent with this direction, including rights to information, specific guarantees for persons with disabilities and persons with reduced mobility, a

defined right to compensation for delay, and a right to complain to the Railway Transport Agency, which may impose administrative sanctions for a breach. The more detailed rule transposing Regulation (EU) 2021/782 on rail passengers' rights and obligations, previously in draft at the Railway Transport Agency, was adopted by the Minister of Economy and Sustainable Development on 10 August 2026 and took effect on publication two days later, replacing the Agency's 2017 rule on passenger rights and obligations. Among other things, it sets out: non-discrimination in fares and contract terms; carrier liability for death or injury arising from railway operation; passenger information rights, including real-time journey information and complaint procedures; ticketing, baggage and reservation rules; and specific access guarantees for persons with disabilities and persons with reduced mobility, including free travel for an accompanying person where required and free onboard ticket purchase where no ticket office is available at the departure station. It also establishes a dedicated procedure for the Railway Transport Agency's own review of passenger complaints, alongside the Company's own channels described under S4-3.

PUBLIC SERVICE CONTRACT

The principal instrument governing passenger services is the Public Service Contract concluded in June 2024 between Georgian Railway and the Railway Transport Agency, the national railway safety authority and sector regulator established in July 2023 under the Ministry of Economy and Sustainable Development. The contract is based on European Union Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road. It formalises the delivery of socially necessary passenger services and establishes measurable standards for service quality, transparency and regulatory compliance, ensuring that essential services remain available on routes that are not commercially viable. Five core performance indicators are defined under the contract -- punctuality, safety, reliability, tidiness and complaints management. These indicators are contractually binding and subject to monthly reporting to the Agency, including the submission of detailed monthly statistical data on passenger operations. The Agency publishes an annual report on contractual performance.

SERVICE QUALITY CRITERIA AND PASSENGER SATISFACTION MEASUREMENT

THE COMPANY MEASURES PASSENGER SATISFACTION THROUGH A STRUCTURED ON-BOARD SURVEY, SCORED ON A FIVE-POINT SCALE ACROSS NINE CRITERIA:

CRITERION	WHAT IT MEASURES
Availability	Service frequency, reliability and operating hours
Ease of movement	Boarding and alighting the train; paying fares and buying tickets
Information	Access to information on schedules, fares and on-board services
Punctuality	Arrival at destination on time
Customer care	Whether staff assist passengers and resolve problems or complaints, during and after the journey
Comfort	Seating, cleanliness, lighting, ventilation and temperature
Safety	Whether the passenger regards the train as a safe means of transport
Value for money	Acceptability of the fare relative to service quality
Overall satisfaction	General satisfaction with service quality

Source: Passenger Satisfaction Questionnaire 2025.

Alongside these ratings, the survey records each respondent's travel frequency, journey purpose, origin and destination stations, class of accommodation, sex and age, and asks two open questions on which criteria matter most to them and what additional on-board services they would like to see.

CONDUCT TOWARD CUSTOMERS AND TARIFF POLICY

The Company's Code of Ethics and Conduct addresses conduct toward customers directly. It provides that the provision of high-quality services is to be conducted with transparency and respect, that all interactions with clients are guided by the principle that the client's needs are of primary importance, and that in addressing those needs ethical and responsible conduct is to be consistently maintained with the objective of fostering enduring and trustworthy relationships. The Code applies to all employees of the Company and is enforced through mandatory acknowledgment upon hiring.

This same customer-centred approach extends to the Company's commercial terms. The Company maintains a published tariff policy, the most recent update to which was made in February 2026, with details publicly accessible on the Company's website. Preferential tariffs are offered to defined groups in order to promote affordability and inclusion: students, Company employees, military veterans and children are eligible for discounted fares. Regional services, which are characterised by frequent stops in local towns and villages and by affordable fares and simplified access, are described by the Company as instrumental to social equity in providing reliable transport for those without access to private vehicles, and as ensuring that remote communities remain connected to the country's economic and social life.

ACCESSIBILITY FOR PASSENGERS WITH REDUCED MOBILITY

Accessibility is addressed through two channels. In rolling stock, the double-decker electric trainsets acquired in 2016 and 2017 for mainline services include accessibility features for persons with disabilities alongside ergonomic seating, on-board wireless internet and climate control. In fixed infrastructure, the Company operates a programme of platform reconstruction under which platforms are rebuilt to a standard adapted for persons with disabilities, with works at various stages of completion across the network. Since 31 December 2025, this has been reinforced by a binding contractual requirement: under the Public Service Contract, the Company must transport persons with disabilities and persons with reduced mobility without discrimination, must maintain designated personnel to provide them with appropriate assistance, and must ensure that personnel providing that assistance directly complete specialised training on disability and on making rail passenger transport accessible.

The rule adopted in August 2026 (see above), together with the wider EU passenger rights framework it transposes, sets out specific requirements in relation to persons with disabilities and persons with reduced mobility. These require non-discriminatory access rules for their transport to be established, and require that reservations and tickets be offered at no additional cost, that a reservation or ticket may not be refused and that the person may not be required to be accompanied except where strictly necessary to comply with those access rules. They further require that information on the accessibility of stations and their facilities, on rail services and on the access conditions of rolling stock be provided on request in accessible formats. Under the recast instrument, where a person with disabilities is accompanied in order to satisfy the access rules, the accompanying person is entitled to travel free of charge.

Those instruments also require the access rules to be established with the active involvement of representative organisations of persons with disabilities and persons with reduced mobility, where relevant. This connects directly to S4-2: engagement with such organisations is a defined requirement of the passenger rights framework.

PASSENGER INFORMATION, DIGITAL SERVICES AND DATA PROTECTION

Turning to how the Company reaches passengers directly, its official portal enables passengers to purchase tickets online, choose seating preferences, view real-time train schedules and receive travel updates and notifications, and tickets may be purchased both online and at ticket offices. Access to information on train services, delays and changes is identified in the Company's materiality input as an impact on end-users capable of being positive or negative according to how well it is delivered, and information is one of the nine criteria against which passengers are asked to assess service quality.

The same digital channels also carry passengers' personal data, which the Company protects separately. The Company maintains a Personal Data Protection Policy and a data privacy and security policy intended to ensure the protection of human rights and freedoms, including the right to privacy, in the course of personal data processing. Data is to be processed fairly and lawfully without impinging on the dignity of the data subject; processed only for specific, clearly defined and legitimate purposes, with further processing for incompatible purposes inadmissible; processed only to the extent necessary and proportionate to the purpose; kept valid, accurate and updated, with data collected without legal grounds or irrelevant to the purpose blocked, deleted or destroyed; and retained only for the period necessary to achieve the processing purpose. Implementation sits with a designated Personal Data Protection Officer supported by a Data Subject Rights Protection Commission. The Policy governs the processing of personal data belonging to covered persons and is reported in relation to the Company's own workforce under ESRS S1.

SAFETY OF PASSENGERS AND THE PUBLIC

Turning to the physical safety of passengers and the public, this is governed by the Safety Management System approved by the Board of Directors, which expressly brings passengers and other persons within the scope of the risks the Company manages jointly with other participants in the railway system. Safety is one of the five binding indicators under the Public Service Contract, measured as the proportion of trains operating without damage or delay, and is one of the nine criteria against which passengers assess service quality. The Company additionally holds a target of zero accidents within its approved corporate planning framework, reported under S4-5.

S4-2 PROCESSES FOR ENGAGING WITH CONSUMERS AND END-USERS

Georgian Railway engages with passengers principally through a structured on-board satisfaction survey, through complaint-handling channels operated under its Public Service Contract and corporate grievance arrangements, and through direct commercial dialogue with freight customers. Passenger information and digital services are addressed as a policy matter under S4-1 and are not repeated here.

PASSENGER SATISFACTION SURVEY AND COMPLAINT-HANDLING

The passenger satisfaction survey described under S4-1 is the Company's primary channel for obtaining passengers' views directly, rather than through representative bodies. The Company has confirmed that these surveys are conducted for targeted routes; the response records reviewed to date cover the Khashuri-Zestafoni regional route, and results are analysed and reported as outcomes under S4-4. The coverage and cycle of the survey are addressed under S4-1.

This survey is complemented by the complaint channels themselves, which form a second engagement route. Complaints management is one of the five binding indicators under the Public Service Contract, and the channels supporting it function as a continuous engagement mechanism: passengers raise concerns and receive a response, with performance verified monthly by an independent external auditor. In 2025 the Company received 405 complaints through its email/document-flow and call-centre channels combined, of which all but two were resolved; the resolution rate was 98 to 100% across the first two quarters of 2026.

ENGAGEMENT WITH FREIGHT CUSTOMERS

Engagement with freight customers takes place through commercial relationship management rather than a survey instrument: senior management holds regular meetings with corridor partners, and the Company's tariff policy is adjusted on the basis of market demand analysis. A freight customer satisfaction survey with a 90% target is included among the Company's corporate planning indicators from 2026.

Accountability for all three channels is centralised. Operational responsibility for passenger service quality, including the satisfaction survey, sits with the Passenger Transportation business unit, which also reports Public Service Contract indicator performance, including complaints management, to the Railway Transport Agency monthly. The Public Relations Department manages the corporate grievance channels.

Together, the satisfaction survey, the complaint channels and direct engagement with freight customers make up the Company's principal channels for hearing from consumers and end-users. How concerns raised through these channels are remedied is set out next under S4-3.

S4-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR CONSUMERS AND END-USERS TO RAISE CONCERNS

Passengers may raise concerns with Georgian Railway through channels operated under the Public Service Contract and through the Company's corporate channels, and the Company maintains a defined instrument establishing passenger rights and the circumstances in which compensation is due. Performance in handling complaints is one of the five indicators against which the Company reports monthly to the sector regulator and is verified by an independent external auditor.

PASSENGER RIGHTS AND COMPENSATION

Among the Company's internal regulatory instruments is a document addressing passenger rights and obligations, described in the Company's own policy list as covering service quality standards and the procedure for compensation in the event of train delay. Georgia's own passenger rights rule, adopted in August 2026 and addressed under S4-1, now makes this a binding legal requirement rather than an approximation commitment; the extent to which the Company's internal instrument has been updated to match the adopted rule has not yet been confirmed and should be checked before publication.

CHANNELS FOR RAISING COMPLAINTS, AND THEIR HANDLING AND CLOSURE

The Company has established accessible channels for receiving complaints, including telephone hotlines and written forms, and maintains detailed records of all submissions. Passengers may also use the Company's general corporate channels: written submission to the chancellery, the telephone hotline and electronic mail. The Public Relations Department manages the corporate grievance redress mechanism and engages other functions -- including the Legal Department and the HSE Department -- according to the nature of the matter raised. Separately, the Company's Code of Ethics and Conduct provides a distinct rule governing the receipt and review of suspected violations.

CHANNEL	BASIS	AVAILABLE TO	HANDLED BY
Telephone hotline	Public Service Contract complaints management; corporate channel	Passengers and any member of the public	PR Department
Written complaint forms	Public Service Contract complaints management	Passengers	Passenger Transportation business unit
Written submission to the chancellerychancellery	Corporate channel	Any member of the public	PR Department
Electronic mail	Corporate channel	Any member of the public	PR Department
On-board resolution with service staff	Service practice	Passengers during the journey	On-board staff
Data subject rights requests	Personal Data Protection Policy	Data subjects including service users	Personal Data Protection Officer and Data Subject Rights Protection Commission

Source: Code of Ethics and Conduct.

How these channels are handled and closed is itself measured. Complaints management is a contractually binding indicator under the Public Service Contract, defined as the proportion of complaints addressed and closed within a reasonable time, with a contractual threshold set by the regulator. Performance is reported monthly to the Railway Transport Agency and verified by an independent external auditor. Complaint volumes and resolution rates are reported under S4-2, and performance against the contractual target is reported under S4-5.

PASSENGERS' OWN ASSESSMENT OF THESE CHANNELS, AND THEIR ACCESSIBILITY

The Company's passenger satisfaction survey asks passengers directly how easily problems or complaints can be resolved, both during the journey and after it has ended. In the survey records reviewed, these two criteria received the lowest scores of the nine criteria assessed. Detailed figures are reported under S4-4.

Whether passengers can find these channels is a related question. Contact details for the Company's corporate channels, and for the complaint channels operated under the Public Service Contract, are published on the Company's website.

These channels for remedy and complaint operate alongside the actions the Company takes on the underlying causes of passenger concerns, which are set out next under S4-4.

S4-4 TAKING ACTION ON MATERIAL IMPACTS AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES

Georgian Railway's actions in relation to passengers and other end-users are directed at four of the five impacts identified for this topic: the quality and reliability of the service, measured against binding contractual indicators; the accessibility of services to all passenger groups, including those with reduced mobility; the availability of information; and the safety of passengers and of the public who interact with railway infrastructure. Performance is reported below both against the Company's contractual obligations and, separately, as passengers themselves assess it.

PERFORMANCE AGAINST CONTRACTUAL SERVICE INDICATORS

The five indicators established under the Public Service Contract are reported monthly to the Railway Transport Agency and verified by an independent external auditor. Performance in the reporting period was as follows.

INDICATOR	WHAT IT MEASURES	TARGET	ACTUAL
Punctuality	Trains arriving and departing within 15 minutes of the scheduled time	70%	95.7%
Safety	Trains operating without damage or delay	90%	98.6%
Reliability	Scheduled trips completed; cancellations, partial cancellations and delays over 180 minutes count as failures	90%	99.8%
Tidiness	Trains cleaned before departure	90%	85.7%
Complaints management	Complaints addressed and closed within a reasonable time	85%	99.51%

Source: Public Service Contract monthly performance reporting to the Railway Transport Agency, verified by an independent external auditor.

Four of the five indicators exceeded their contractual targets, in three cases by a substantial margin. Tidiness was the single indicator to fall below target. The Company monitors cleanliness through regular cleaning routines and inspections, taking into account the age and technical condition of individual trains, and supplements the objective data with passenger satisfaction survey results. The complaints management figure shown above reflects the Company's own complaint records for the full reporting year.

Alongside the contractual indicators, the Company obtains passengers' own assessment of service quality through its on-board satisfaction survey. In the survey records reviewed, covering the Khashuri-Zestafoni regional route in April 2026, seventy-seven passengers completed the full instrument, giving a mean total score of 76.9 out of 100, equivalent to 3.85 out of 5 across the nine criteria assessed. The pattern is consistent: passengers rate the fundamentals of the service favourably, regarding the railway as safe (4.13 out of 5),

the fare as acceptable relative to the quality received, and ticketing as convenient (4.17). The lowest-rated aspects are the ease of resolving a complaint, addressed under S4-3; the on-board environment in terms of lighting, ventilation and temperature; and the availability of information about schedules, fares and on-board services.

ACTION ON ACCESSIBILITY, ROLLING STOCK AND PASSENGER INFORMATION

Turning from measurement to action, the Company's work during the reporting period addressed three further impacts identified for this topic. The inaccessibility of stations to passengers with reduced mobility is identified as an actual negative impact, and the Company is acting on it through a programme of platform reconstruction under which platforms are rebuilt to a standard adapted for persons with disabilities; the double-decker electric trainsets acquired for mainline services in 2016 and 2017 incorporate accessibility features in rolling stock. The asset register records 340 passenger platforms and station buildings across 36 municipalities, of which 13 are recorded as adapted, 11 as undergoing reconstruction with an adapted platform being built, and 1 as planned. Alongside accessibility, the Company continues to invest in the passenger fleet more broadly: two locomotives are undergoing comprehensive capital repairs and are to return to service under modernised standards, with the initiative planned to extend to a further three, and essential services on commercially unviable routes continue to be sustained through the Public Service Contract. On passenger information, addressed as a policy matter under S4-1, the Company's official portal continued to operate throughout the reporting period and no material change to it was identified in the documents reviewed.

ACTION ON SAFETY OF PASSENGERS AND THE PUBLIC

The final area of action concerns the safety of passengers and of persons on or near the railway, addressed through continuing investment in signalling and train control. Microprocessor semi-automatic blocking has been installed and commissioned on eleven inter-station crossings on one segment of the network, with electrical centralisation built using optical fibre cable. Installation works for the same system were completed on a further section during the reporting year, with commissioning scheduled for the following year. Relay-microprocessor electrical centralisation systems have been installed at successive stations along the modernised segment. Planned measures include a unified stationary technical data recording system for rolling stock, the replacement of depreciated wagon retarders, an automated hill management system at the sorting facility, light-emitting diode modules for entry and exit signals, and uninterruptible power supplies for electrical centralisation systems at stations.

Passengers' own assessment supports these measures: safety is among the highest-rated criteria in the satisfaction survey. The signalling investments described above concern train control between stations rather than crossing safety.

Targets against which this performance is measured, including the contractual indicators and the Company's own corporate planning targets, are set out next under S4-5.

S4-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

Unlike the Company's other social topics, consumers and end-users are governed by an established framework of quantified targets. Two sets operate in parallel and are set out below: the five service indicators established under the Public Service Contract, which are contractually binding, set by the sector regulator, reported monthly and verified by an independent external auditor; and the indicators contained in the Company's Statement of Corporate Intent for 2026 to 2029, approved within the Company's financial supervision framework and reported against annually.

The five indicators under the Public Service Contract carry contractual target values: punctuality at 70%, safety at 90%, reliability at 90%, tidiness at 90% and complaints management at 85%. Performance against each is reported under S4-4. These targets are externally set rather than self-determined, and performance against them is externally verified, which distinguishes them from targets the Company sets for itself. In parallel, the Statement of Corporate Intent establishes the following indicators bearing on consumers and end-users for the period 2026 to 2029.

INDICATOR	OWNER	2026	2027	2028	2029
Passenger satisfaction survey	Passenger business unit	90%	90%	90%	90%
Punctuality	Passenger business unit	70%	70%	70%	70%
Number of passengers (million)	Passenger business unit	2.0	2.0	2.2	2.3
Passenger seating capacity (million)	Passenger business unit	2.6	2.7	2.9	3.0
Number of accidents	Infrastructure business unit	0	0	0	0
Freight customer survey	Freight business unit	90%	90%	90%	90%

Source: Statement of Corporate Intent, Georgian Railway 2026-2029.

The passenger satisfaction target is the principal outcome target for this topic, and the zero accidents target bears directly on the safety of passengers and of persons on or near the railway. Both are held by named business units, measured on a consistent basis year to year, and reported annually against actual performance. Alongside these two, the freight customer survey and the number-of-passengers and seating-capacity indicators round out the Company's planning targets for the period, each tracked by the responsible business unit.

Beyond the indicators above, the Statement of Corporate Intent provides for an investment plan for the revitalisation of passenger rolling stock, to be developed, approved monitored and for the optimisation of operating costs on the same cycle. Together with the reduction in operating cost per passenger and the increase in passengers carried per employee set out in the same framework, these define the Company's planned trajectory for passenger services over the period.

ESRS G1

BUSINESS CONDUCT

MATERIAL IRO 94

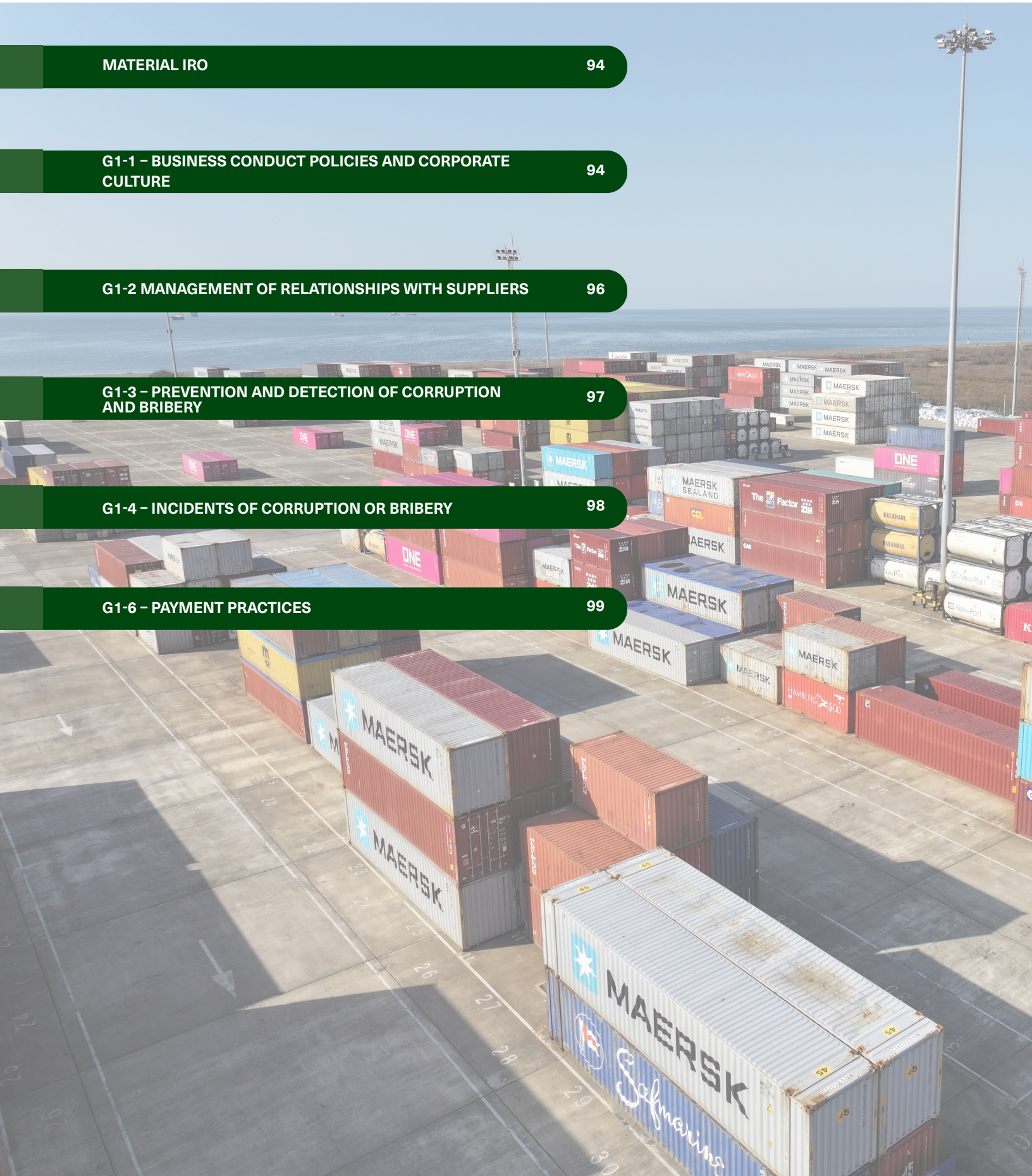
G1-1 – BUSINESS CONDUCT POLICIES AND CORPORATE CULTURE 94

G1-2 MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS 96

G1-3 – PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY 97

G1-4 – INCIDENTS OF CORRUPTION OR BRIBERY 98

G1-6 – PAYMENT PRACTICES 99



ESRS G1 - BUSINESS CONDUCT

MATERIAL IRO

TOPIC	IRO TYPE	OCCURRENCE	DESCRIPTION	VALUE-CHAIN LOCATION
Corporate Culture & Business Ethics	Impact	Actual; Short, Medium, Long term	Promoting a values-driven corporate culture anchored in the Code of Ethics and Conduct, including transparency, impartiality, privacy and availability.	Own operations
Corruption, Bribery & Fraud Prevention	Risk	Potential; Short, Medium, Long term	Exposure to potential bribery, facilitation payments and procurement non-compliance risks affecting financial integrity.	Own operations & Business Partners
Whistleblower Protection & Grievance Channels	Impact / Risk	Potential; Short, Medium term	Risk of inadequate reporting channels or fear of retaliation limiting early disclosure of operational misconduct.	Own operations & Value Chain
Payment Practices & Supplier Terms	Impact / Risk	Actual; Short, Medium term	Managing cash flows to ensure predictable and non-discriminatory settlement terms for commercial contractors.	Upstream Value Chain
Transparent Supplier Relationships & Procurement	Impact	Actual; Short, Medium, Long term	Ensuring fair treatment of suppliers through competitive e-tenders and applying mandatory ESHS standards on major capital projects.	Upstream Value Chain

G1-1 – BUSINESS CONDUCT POLICIES AND CORPORATE CULTURE

CORPORATE CULTURE

G1-1 POLICIES

GR has adopted a Code of Ethics and Conduct applicable to all employees, built around four core principles — transparency, impartiality, privacy and availability — covering adherence to legislation, independence and impartiality, and protection of confidential information. The Code also contains the conflict-of-interest provisions, covering third-party relations, gifts, and disclosure obligations. “Our Values” (teamwork, professionalism, customer satisfaction, mutual respect, safe custody of assets, corporate social responsibility) round out the cultural framework.

The Code of Ethics and Conduct is approved by GR’s Board of Directors and subsequently by the Supervisory Board. It is administered on a day-to-day basis by the Human Resources Department, which is responsible for ensuring that employees are introduced to the Code and sign the relevant order or employment contract. Amendments to the Code are reviewed and approved by the Board of Directors upon the recommendation of employees, Board members, or the Human Resources Department.

The Internal Labor Regulation (Article 21) sets out GR’s conflict-of-interest rules in more operational detail: an employee who becomes aware of a conflicting activity or transaction is required to inform the General Director, via their line supervisor, and act on the resulting guidance; managers are separately barred from carrying out the same activity as, or participating in, a competing company, on penalty of dismissal; and the hiring of family members or close relatives into positions where one directly manages the other, or where they would jointly control company property or finances, is prohibited. These rules are consistent with the Law of Georgia on Entrepreneurs, which prohibits managers from engaging in competing activity without the company’s consent and requires them to act in good faith and in the company’s best interests.

Every new hire completes a personal data sheet during onboarding that identifies family relationships, which allows GR to apply the Internal Labor Regulation’s restrictions on family members directly managing each other or jointly controlling company property or finances.

G1-1 ACTIONS

The Human Resources Department ensures that employees are introduced to the Code of Ethics and Conduct and sign the relevant order or employment contract. Every new hire also completes a personal data sheet during onboarding that identifies family relationships, which allows GR to apply the Internal Labor Regulation's restrictions (Article 21) on family members directly managing each other or jointly controlling company property or finances.

In public procurement, every member of a tender or procurement commission is required to confirm the absence of a conflict of interest by a signed declaration uploaded to the state e-procurement system, and must immediately recuse themselves from the procedure if a conflict exists. In 2026, a contract-specific version of this requirement was added to the e-procurement system's CMR module, requiring a conflict-of-interest declaration for each individual contract.

The Human Resources Department is developing a formal employee engagement framework, including a structured Employee Satisfaction Survey planned, which will establish baseline metrics for tracking organizational health and satisfaction.

G1-1 TARGETS

GR's Statement of Corporate Intent (SCI) sets targets for 2026–2029 under strategic goal "04. Professional development of employees and retention of qualified personnel", which is owned jointly by the Human Resources Department and the Board of Directors.

Two annual targets apply in each year from 2026 through 2029. The first is an employee satisfaction rate of 95%, owned by the Human Resources Department and measured through the Employee Satisfaction Survey, the first structured round of which is planned for 2027. The second is employee turnover below 6%, owned by the Board of Directors and tracked through the annual turnover indicators reported under Metrics below.

G1-1 METRICS

Regarding social and engagement metrics, Georgian Railway's Human Resources Management Department is actively developing the formal survey methodology and operational framework required to systematically measure employee engagement and organizational culture. Rather than an operational shortfall, this represents an active development initiative aimed at launching the Company's first structured Employee Satisfaction Survey, which will establish official baseline metrics for future workplace strategies.

Quantitative data on workforce composition and turnover is fully tracked and reported. Standalone employee turnover for Georgian Railway, excluding subsidiaries, was 8% in 2025, remaining unchanged from 2024 and up from 6% in 2023. This rate reflects the planned organizational restructuring and staffing optimizations prioritized by management during the reporting period. Turnover rates across individual strategic business units in 2025 were recorded at 10% for the Head Office, 8% for Freight Transportation, 8% for Passenger Transportation, 7% for Infrastructure, and 3% for World Business Solutions. The overall gender distribution of the standalone workforce stands at 83.13% male and 16.87% female. The demographic profile reflects a mature workforce structure, where employees aged 30 or under account for 6.97%, while those aged 51 to 60 represent 27.84%, and individuals aged 60 or older constitute 26.10% of total personnel.

GR's expenditure on the loyalty program and health-related financial support totalled GEL 1.4 million in 2025. Apart from that GEL 5.5 million was paid as the compensation for retired personnel who left their jobs during the year. *(see also Social — S1-15, Work-Life Balance Metrics)*.

G1-2 MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS

G1-2 POLICIES

As a contracting authority, GR is governed by the Law of Georgia on Public Procurement, under the oversight of the State Procurement Agency of Georgia. Procurement follows standardized procedures covering planning, announcement of tenders, evaluation, contract award and contract management. The procurement function prepares Technical Specifications in advance, setting out all requirements, including the demanded certifications and standards. Purchases below GEL 10,000 may be made without a tender; purchases above this threshold require committee approval, and suppliers outside a tender must meet the same certification and standards requirements as tendered ones *(see SBM-1. Strategy, business model and value chain)*.

Individuals involved in procurement must comply with legal and ethical standards, and participants can challenge procurement decisions through an independent review body (see also G1-1 Corporate Culture for the conflict-of-interest declaration of procurement commission members).

Product quality conditions are set individually for each contract, based on the specific procurement item. Contracts also build in warranty and risk-management terms: extended warranty periods tied to correct installation and periodic technical inspection by the supplier, with suppliers obligated to monitor and rectify defects promptly, within strictly defined timelines, at no additional cost to GR. Warranty coverage is governed by operational standards that exclude unauthorized interventions, preserving the long-term safety and integrity of the assets covered.

For major contracts financed by international financial institutions, such as the renewal of the locomotive fleet and the purchase of electric multiple units *(see E1-1 Climate Transition Plan)*, procurement documents and resulting contracts carry specialized environmental, social and occupational health and safety clauses, as well as a Code of Conduct for supplier personnel. Contracted workers are covered by defined labor standards, including a prohibition on child labor and forced labor.

G1-2 ACTIONS

GR conducts its procurement through the Unified Electronic System of Public Procurement. A procurement committee verifies that submissions meet the specified requirements before a contract is awarded, and concluded contracts are made publicly available on the official electronic platform.

GR's procurement runs at two levels: consolidated (state) tenders, where GR's requirements are folded into unified state procurements for economies of scale, process transparency and standardized products; and independent tenders, published on the official state procurement portal, where the requesting structural unit defines the technical specifications and minimum quality standards within the terms of reference.

For high-risk or specialized procurements, such as fuel sampling and large-scale infrastructure repairs, quality validation is carried out by independent, accredited experts; a favorable expert evaluation is a mandatory prerequisite for signing the acceptance-delivery certificate and advancing to the next administrative stage.

Major contracts financed by international financial institutions are procured in line with the procurement standards of the financing institutions and international best practice.

G1-3 – PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY

G1-3 POLICIES

Georgian Railway maintains a zero-tolerance approach toward all forms of corruption, bribery, facilitation payments, conflicts of interest, hidden commissions, and money laundering. The Anti-Corruption and Anti-Bribery Policy applies comprehensively across the Group—encompassing JSC Georgian Railway and all subsidiaries in which it holds a controlling interest of over 50%. Its coverage extends to members of the Supervisory Board and Board of Directors, permanent and temporary employees, interns, contractors, business partners, and any third-party agents acting on behalf of the Group.

The policy establishes operational thresholds to govern interactions with third parties, including a maximum allowance of GEL 1,000 for gifts and souvenirs, a cap of GEL 160 per person per event for hospitality expenses, and a GEL 500 threshold requiring formal reporting and review by the Financial Control Service. Functional risk management is supported through tailored high-risk indicators across core business areas.

Furthermore, the policy regulates charitable contributions, permitting them only under strict internal controls and approval protocols. It enforces full compliance with financial accounting standards, explicitly prohibiting off-book accounts, falsified documentation, or unauthorized financial transactions, ensuring that every corporate activity is transparently documented and auditable.

To further institutionalize these governance controls, Georgian Railway's Legal Service is currently finalizing the enhanced, comprehensive policy. The formal approval and implementation of the finalized Anti-Corruption and Anti-Bribery Policy by the Board of Directors is scheduled for 2027, reinforcing the Group's ongoing commitment to integrity, transparency, and ethical business conduct.

G1-3 ACTIONS

GR applies several controls in practice to prevent and detect corruption. Gifts and hospitality are governed by a principles-based test — reasonable, transparent, not conditioned on any reciprocal favor and given openly.

The draft policy directs employees to report suspected violations immediately. This is a separate channel from the employee Grievance Mechanism described under, G1-3 Whistleblower Protection. The reporting person's confidentiality is protected and retaliation against them is prohibited. GR also plans regular training so that employees understand corruption risks, prevention mechanisms, their responsibilities and reporting procedures.

To ensure institutional oversight, the policy defines the designated controlling bodies and authorized entities responsible for monitoring compliance. Severe operational misconduct, corruption allegations, or compliance breaches are handled through Georgian Railway's overarching investigative framework under Article 18.4 of the Internal Labor Regulation. This provisions grants the Control, Monitoring and Inspection Department explicit authority to conduct company-wide investigations in close coordination with the Legal Service and the Human Resources Department.

GR regulates its largest capital projects, the renewal of its rolling stock *(see E1-1. Climate Transition Plan)*, in line with international best practice and the anti-corruption policies of the international financial institutions. The supply and maintenance contracts oblige the contractor to refrain from corrupt, fraudulent, collusive, coercive and obstructive practices, and to permit the financiers to inspect and audit all accounts and records relating to the procurement process and contract performance. The contracts are concluded under the financiers' procurement rules. This applies alongside GR's procurement conflict-of-interest declaration *(see G1-1 Business Conduct Policies and Corporate Culture).*

G1-3 – WHISTLEBLOWER PROTECTION

G1-3.1 POLICIES

GR's Employee Grievance Mechanism, which also serves as its whistleblower policy, gives every employee the right to raise a complaint about a violation of their rights, including discrimination, harassment (including sexual harassment), improper treatment at the workplace, violation of labor safety conditions and deterioration of working conditions. Complaints are handled through a defined, time-bound process with review by a dedicated commission. The Mechanism was approved by the Board of Directors (Resolution No. 18/46, 14 December 2023) and agreed with the Supervisory Board (Protocol No. 1, 18 January 2024).

G1-3.2 ACTIONS

Employees can submit a complaint to their supervisor or the Human Resources Department, or through complaint boxes at GR premises, the chancellery or the electronic document-management system. Complaints can also be sent by e-mail to infohr@railway.ge or by phone through a dedicated hotline (2198191). Written complaints may be submitted by name or anonymously.

After registration, a copy of the complaint is delivered to the alleged infringer within five days, who has five days to respond. A conciliation procedure, led by an independent conciliator, normally takes up to three weeks and can be extended by one week in exceptional circumstances. If the matter remains unresolved, it goes to the Grievance Review Commission, which consists of three permanent members drawn from the Human Resources Department, the Legal Service and the Control, Monitoring and Inspection Department, appointed by order of the General Director. Members act independently and recuse themselves in case of a conflict of interest. The Commission interviews the parties and witnesses and decides by majority vote within one month of registration.

Employees, witnesses and other participants who raise concerns in good faith are protected from dismissal, demotion, retaliation and any other negative treatment; any such treatment of a complainant, witness or related person is subject to strict disciplinary measures, up to termination of employment. While a case is open, and with the complainant's consent, temporary protective measures are available, including transfer to another structural unit or remote work. Everyone handling a complaint is bound by confidentiality that continues after the end of their employment, and knowingly submitting a false complaint triggers disciplinary responsibility. Personal data collected during a complaint is handled under GR's Personal Data Protection Policy, approved by the Supervisory Board and agreed by the General Director in June 2026 *(see GOV-4. Consumers and End-Users)*.

Beyond employees, GR's stakeholders can raise concerns through the Company's corporate channels: written submissions to the chancellery, a telephone hotline and e-mail, managed by the Public Relations Department, which engages the Legal Department and the Health, Safety and Environment Department depending on the nature of the matter *(see S4-1. Policies Related to Consumers and End-Users).* The Railway Modernization Project operates its own grievance channel, and the project contractor maintains a separate channel for project workers, including grievance boxes at project sites, an e-mail address and a maximum response deadline of 30 days *(see S1-3. Processes to Remediate Negative Impacts and Channels for Own Workforce to Raise Concerns)*. Similar approach will be used during the implementation of the highly material projects, such as rolling stock renewal projects.

Concerns are also directed to topic-specific channels. Suspected ethical violations may be reported to a direct supervisor or the Company's control units under the Code of Ethics and Conduct.

G1-3 TARGETS

Georgian Railway's primary target is the finalization, formal approval, and company-wide adoption of its Anti-Corruption and Anti-Bribery Policy. The Group's overarching strategic target remains the maintenance of zero (0) confirmed incidents of corruption, bribery, or financial misconduct.

Following the policy's official adoption, further operational key performance indicators (KPIs), including target metrics for employee training coverage and periodic risk assessments will be established, ensuring that policy frameworks and reporting tools are fully accessible across all organizational levels

G1-4 – INCIDENTS OF CORRUPTION OR BRIBERY

No confirmed incidents of corruption, bribery or financial misconduct were recorded at GR during the 2025-2026 reporting period, in line with the Group's target of maintaining zero such incidents. No regulatory investigations, convictions or financial penalties relating to corruption or bribery were recorded in 2025-2026 either.

G1-6 – PAYMENT PRACTICES

G1-6 POLICIES

Payments for goods delivered and services received are centralized and managed by the Treasury Service. GR's standard payment period is 10 business days from the request submission in the GR's ERP system, unless the contract states otherwise; payment terms agreed in contracts vary by procurement type. For international or strategic procurements, the Treasury Service opens and controls letters of credit, with settlement executed in accordance with the conditions of the documentary letter of credit.

Every payment is processed in GR's SAP system through a multi-level approval workflow. A payment request is initiated by the responsible unit (Procurement or Operations) together with the supporting documentation, and it cannot proceed without the confirmation of the heads of five functions: the initiating unit, Accounting, Budgeting, Financial Control and Tax.

Once the request is approved, it goes to the Treasury Service. Settlement runs through an electronic banking system built on dual authorization: the transfer is executed only after it has been confirmed by the Treasury Service and approved jointly by the Chief Financial Officer and the Head of the Treasury Service. The Treasury Service is responsible for the control of funds transferred to creditors and of banking payment orders.

Every function involved in the payment workflow, including the initiating unit, Accounting, Budgeting, Financial Control, Tax and Treasury, has its own instruction governing its role, responsibilities and actions in the process. This ensures that each step is performed under defined rules rather than on an individual basis.

G1-6 ACTIONS

The Financial Control Service acts as an independent filter within the payment workflow: it cross-examines every payment request and its supporting documentation (acceptance-delivery acts, expert reports, consignment notes, defect acts, trade-receivable notices) against active contracts, Board of Directors resolutions, orders, and court or enforcement decisions, and performs a final expert validation. A payment package for maximum of three business days is allocated to Financial Control for the review, which sets a defined processing time for this step.

Because initiation, tax and budget review, accounting, financial control and treasury execution are kept in separate hands, no single function can initiate, approve and execute a payment. This multi-level authorization creates a "four-eyes" structure and significantly reduces payment-related risks.

Major infrastructure and construction projects are settled on the basis of payment certificates and invoices issued by an independent engineering supervisor ("the Engineer"), rather than on subjective evaluation. Any deduction or set-off of mutual claims against a contractor requires the Engineer's confirmation, a binding court decision or a written acknowledgement from the counterparty.

This approval and control structure reduces the risk of fake or duplicate invoices and unauthorized financial-flow leakage, incorrectly assessed tax or VAT treatment, payment obligations incurred outside the approved budget, and overdue or discriminatory payment terms toward suppliers and counterparties. The same payment procedure applies to all suppliers.

G1-6 METRICS

The Company settles 98% of payments below GEL 5,000, primarily involving small and medium-sized enterprises, within three days of receiving the relevant supporting documentation.

APPENDIX

CONTENT INDEX — GENERAL DISCLOSURES (ESRS 2) AND BUSINESS CONDUCT (ESRS G1) **101**

CONTENT INDEX — CLIMATE CHANGE (ESRS E1) **101**

CONTENT INDEX — POLLUTION (ESRS E2) **102**

CONTENT INDEX — RESOURCE USE AND CIRCULAR ECONOMY (ESRS E5) **102**

CONTENT INDEX — OWN WORKFORCE (ESRS S1) **103**

CONTENT INDEX — WORKERS IN THE VALUE CHAIN (ESRS S2) **103**

CONTENT INDEX — AFFECTED COMMUNITIES (ESRS S3) **103**

CONTENT INDEX — CONSUMERS AND END-USERS (ESRS S4) **104**

4. APPENDIX

CONTENT INDEX — GENERAL DISCLOSURES (ESRS 2) AND BUSINESS CONDUCT (ESRS G1)

DR	DISCLOSURE REQUIREMENT	PAGE
BP-1	General basis for preparation of the sustainability statement	6
GOV-1	The role of the administrative, management and supervisory bodies	7
GOV-4	Statement on due diligence	14
GOV-5	Risk management and internal controls over sustainability reporting	14
SBM-1	Strategy, business model and value chain	15
SBM-2	Interests and views of stakeholders	16
SBM-3	Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects	18
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities	19
IRO-2	Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement	20
G1-1	Business conduct policies and corporate culture	94
G1-2	Management of relationships with suppliers	96
G1-3	Prevention and detection of corruption and bribery	97
G1-4	Incidents of corruption or bribery	98
G1-6	Payment practices	99

CONTENT INDEX — CLIMATE CHANGE (ESRS E1)

DR	DISCLOSURE REQUIREMENT	PAGE
E1-1	Climate transition plan	23
E1-2	Policies related to climate change mitigation and adaptation	30
E1-3	Actions and resources in relation to climate change policies	31
E1-4	Targets related to climate change mitigation and adaptation	32
E1-5	Energy consumption and mix	33
E1-6	Gross Scopes 1, 2, 3 and total GHG emissions	38
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	35
E1-8	Internal carbon pricing	35

CONTENT INDEX — POLLUTION (ESRS E2)

DR	DISCLOSURE REQUIREMENT	PAGE
E2-1	Policies related to pollution	38
E2-2	Actions and resources related to pollution	38
E2-3	Targets related to pollution	39
E2-4	Pollution of air, water and soil	40
E2-5	Substances of concern and substances of very high concern	41
E2-6	Anticipated financial effects from pollution-related impacts, risks and opportunities	41

CONTENT INDEX — RESOURCE USE AND CIRCULAR ECONOMY (ESRS E5)

DR	DISCLOSURE REQUIREMENT	PAGE
E5-1	Policies related to resource use and circular economy	44
E5-2	Actions and resources related to resource use and circular economy	45
E5-3	Targets related to resource use and circular economy	46
E5-4	Resource inflows	47
E5-5	Resource outflows	47
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	48

CONTENT INDEX — OWN WORKFORCE (ESRS S1)

DR	DISCLOSURE REQUIREMENT	PAGE
S1-1	Policies related to own workforce	51
S1-2	Processes for engaging with own workforce and workers' representatives	53
S1-3	Processes to remediate negative impacts and channels for own workforce to raise concerns	54
S1-4	Taking action on material impacts, and managing material risks and opportunities	55
S1-5	Targets related to managing material impacts, risks and opportunities	57
S1-6	Characteristics of the undertaking's employees	59
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	60
S1-8	Collective bargaining coverage and social dialogue	61
S1-9	Diversity metrics	61
S1-10	Adequate wages	62
S1-11	Social protection	62
S1-12	Persons with disabilities	63
S1-13	Training and skills development metrics	63
S1-14	Health and safety metrics	64
S1-15	Work-life balance metrics	66
S1-16	Compensation metrics (pay gap and total compensation)	67
S1-17	Incidents, complaints and severe human rights impacts	67

CONTENT INDEX — WORKERS IN THE VALUE CHAIN (ESRS S2)

DR	DISCLOSURE REQUIREMENT	PAGE
S2-1	Policies related to value chain workers	70
S2-2	Processes for engaging with value chain workers	73
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	73
S2-4	Taking action on material impacts, and managing material risks and opportunities	74
S2-5	Targets related to managing material impacts, risks and opportunities	76

CONTENT INDEX — AFFECTED COMMUNITIES (ESRS S3)

DR	DISCLOSURE REQUIREMENT	PAGE
S3-1	Policies related to affected communities	79
S3-2	Processes for engaging with affected communities	79
S3-3	Processes to remediate negative impacts and channels for affected communities to raise concerns	80
S3-4	Taking action on material impacts, and managing material risks and opportunities	81
S3-5	Targets related to managing material impacts, risks and opportunities	83

CONTENT INDEX — CONSUMERS AND END-USERS (ESRS S4)

DR	DISCLOSURE REQUIREMENT	PAGE
S4-1	Policies related to consumers and end-users	85
S4-2	Processes for engaging with consumers and end-users	88
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	88
S4-4	Taking action on material impacts, and managing material risks and opportunities	90
S4-5	Targets related to managing material impacts, risks and opportunities	91