



WHEN TRUST MATTERS



# GEORGIA GLOBAL UTILITIES GREEN FINANCE FRAMEWORK



**Document title:** Second Party Opinion on GEORGIA GLOBAL UTILITIES GREEN FINANCE FRAMEWORK

**Prepared by:** DNV Business Assurance Spain, S.L.U

**Location:** Madrid

**Date:** 28<sup>th</sup> June 2024

This assessment is valid so long as the evidence provided to DNV remains materially unchanged and remains applicable in the context of the financial Framework being assessed.

## Table of Contents

|  |    |
|--|----|
| GEORGIA GLOBAL UTILITIES GREEN FINANCE FRAMEWORK .....                   | 1  |
| GEORGIA GLOBAL UTILITIES GREEN FINANCE FRAMEWORK.....                    | 3  |
| DNV INDEPENDENT ASSESSMENT .....   | 3  |
| Scope and Objectives   | 3  |
| Responsibilities of the Management of GGU and DNV                        | 3  |
| Basis of DNV’s opinion   | 3  |
| Work undertaken  | 4  |
| DNV’s findings   | 4  |
| SCHEDULE 1: DESCRIPTION OF ACTIVITIES TO BE FINANCED UNDER THE FRAMEWORK | 6  |
| SCHEDULE 2: GGU SPECIFIC GREEN FINANCE FRAMEWORK ELIGIBILITY ASSESSMENT  |    |
| PROTOCOL   | 7  |
| 1. Use of proceeds   | 7  |
| 2. Process for Project Selection and Evaluation                          | 9  |
| 3. Management of proceeds  | 10 |
| 4. Reporting   | 11 |

**Disclaimer**

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organisation were applied as per the scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this assessment.

**Statement of Competence and Independence**

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct<sup>1</sup> during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data reviewed as part of this assessment. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

<sup>1</sup> DNV Code of Conduct is available from the DNV website (www.dnv.com)

# GEORGIA GLOBAL UTILITIES GREEN FINANCE FRAMEWORK

## DNV INDEPENDENT ASSESSMENT

### Scope and Objectives

GEORGIA GLOBAL UTILITIES JSC. (henceforth referred to as “GGU” or the “Company”) together with its subsidiaries, is a water and renewable energy company that provides drinking water and wastewater collection and treatment services to approximately 1.4 million people in Georgia and generates electricity through its portfolio of four hydroelectric power plants. GGU's water and wastewater business is a natural monopoly in the capital city of Tbilisi and the surrounding area, including the cities of Rustavi, Mtskheta and Gardabani, providing potable water to these areas.

GGU is currently part of the Aqualia Group. 80% of its issued and placed share capital is held by FCC Aqualia S.A. (through its wholly owned subsidiary Aqualia Georgia LLC) and the remaining 20% is held by Georgia Capital PLC (through its wholly owned subsidiary Georgia Capital JSC).

Georgia Capital PLC is a UK listed holding company focused on investment and business development in Georgia.

As for FCC Aqualia S.A., is a water management company owned by the Spanish citizen services group FCC (51%) and the Australian ethical fund IFM Investors (49%). The company specialises in each component of the integral water cycle, which consists of the collection, treatment, purification and distribution of drinking water, and the collection and subsequent treatment of wastewater so that it can be returned to the environment in optimum condition.

GGU has decided to update its Green Finance Framework (henceforth referred to as the “Framework” or “GFF”) established in 2020.. The Framework enables issuance of Green Financing instruments which may include bonds, private placements, commercial paper and loans.

DNV Business Assurance Spain, S.L.U. (henceforth referred to as “DNV”) has been commissioned by GGU to provide a Green Bond and Green Loan eligibility assessment on the Framework. Our methodology to achieve this is described under ‘Work Undertaken’ below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of bonds/loans issued via the Framework, the value of any investments in the Bond/Loan, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

### Responsibilities of the Management of GGU and DNV

The management of GGU has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform GGU management and other interested stakeholders in the Framework as to whether the Framework is aligned with Green Bond Principles 2021, with June 2022 Appendix I (GBP) and the Green Loan Principles 2023 (GLP). In our work, we have relied on the information and the facts presented to us by GGU.

DNV is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by GGU management and used as a basis for this assessment were not correct or complete.

### Basis of DNV’s opinion

We have adapted our green and social eligibility assessment methodology to create a GGU- specific Green Bond/Loan Framework Eligibility Assessment Protocol (henceforth referred to as “Protocol”) - see Schedule 2. Our Protocol includes a set of suitable criteria that can be used to underpin DNV’s opinion.

As per our Protocol, the Use of Proceeds criteria against which the Framework has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that any Green Financing Instrument must use the proceeds to finance eligible activities, that should produce clear green benefits.

- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a Green Financing Instrument or the borrower of a loan should outline the process it follows when determining the eligibility of an investment using the proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that the Green Financing Instruments and loans should be tracked within the issuing organisation, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting should be provided on the use of proceeds until all have been allocated, and that quantitative and/or qualitative performance indicators should be used.

## Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by GGU in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of an GGU-specific Protocol, adapted to the purpose of the Framework, as described above and in Schedule 2 to this Assessment.
- Assessment of documentary evidence provided by GGU on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with GGU management, and review of relevant documentation and evidence related to the criteria of the Protocol.
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

## DNV's findings

DNV's findings regarding Use of Proceeds financing are listed below, with further detail provided in Schedule 2.

### 1. Principle One: Use of Proceeds.

GGU intends to use the proceeds from Green Financing Instruments to finance or re-finance green projects which contribute to the achievement of the SDGs. Proceeds will be used for acquisition or development of projects within the categories of:

- Sustainable Water and Wastewater Management

All green projects, including those for re-financing, will be reviewed according to eligibility and exclusionary criteria as defined in the GFF.

GGU intends to make allocations to Eligible Green Projects where the investment has been made in the project no earlier than the 24 months preceding the date of issuance under this Framework. On a best-efforts basis, GGU intends to allocate an amount equal to the net proceeds raised by the Green Financing Instruments within four years from the date of issuance.

DNV concludes that eligible categories outlined in the Framework are consistent with the categories outlined in the GBP (2021) and the GLP (2023).

### 2. Principle Two: Process for Project Evaluation and Selection.

DNV reviewed the GFF which describes the process through which projects are evaluated and selected. GGU has created a specific process and committee for the evaluation and selection of eligible projects to review that projects meet eligibility criteria, apply exclusionary criteria, and to monitor eligible projects during lifetime of the Green Financing Instruments.

GGU has established a Sustainable Finance Committee responsible for ensuring that allocations in the proposed Eligible Green Projects are aligned with the categories and eligibility criteria defined, and for approving any changes needed in the register of Eligible Green Projects in the event that a project is no longer eligible.

DNV concludes that GGU's Framework appropriately describes the process of project evaluation and selection and is in line with the requirements in the GBP (2021) and the GLP (2023).

### 3. Principle Three: Management of Proceeds.

DNV has reviewed the Framework which states that use of proceeds of any Green Finance Instrument will be directed to financing and re-financing GGU's green projects.

The Framework articulates that a green finance register will be created for the purpose of monitoring the eligible projects/assets and the allocation of proceeds to these projects/assets which contribute to the achievement of the SDGs.

Pending disbursement of any proceeds raised from the issuance of Green Financing Instruments, proceeds will be managed in line with GGU's cash management processes and policies

DNV concludes that there is a clear process in place for the management of proceeds as outlined within the Framework, and that this meets the requirements of the GBP and GLP.

### 4. Principle Four: Reporting.

DNV can confirm GGU has committed to annual reporting specific to any Green Finance Instrument under this Framework until the tracked proceeds are fully allocated to eligible projects.

This reporting includes both allocation and impact reporting annually on the expected environmental impacts of the eligible green projects financed. GGU clearly outlines the proposed impact indicators for each eligible category and units of measurement.

DNV concludes that GGU has made appropriate plans to produce reporting on the allocation and the environmental impacts of the issuances and that this is in line with the requirements of the GBP and GLP.

On the basis of the information provided by GGU and the work undertaken, it is DNV's opinion that the Framework meets the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the Green Bond Principles 2021 and green loans within the Green Loan Principles 2023.

**for DNV Business Assurance Spain, S.L.U**

Madrid, 28<sup>th</sup> June 2024.



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#### About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 13,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

## SCHEDULE 1: DESCRIPTION OF ACTIVITIES TO BE FINANCED UNDER THE FRAMEWORK

| ICMA Eligible Project Categories                    | Description of Projects to be Financed  | UN SDG Alignment   |
|---|---|--|
| <b>Sustainable Water and Wastewater Management.</b> | <p>Investments dedicated to the construction, development, acquisition, maintenance, monitoring and operation of water projects:</p> <ul style="list-style-type: none"> <li>– Water Monitoring: Smart networks, early warning systems for storms, droughts, floods or dam failure, water quality/quantity and other characteristic monitoring processes and equipment.</li> <li>– Water Storage: Rainwater harvesting systems, storm water management systems, water distribution systems, infiltration ponds, aquifer storage, groundwater recharge systems, sewer systems, pumps/pumping stations, and sand dams.</li> <li>– Water Treatment: drinking water treatment, water recycling systems, ecological retention system, current force reduction mechanisms, and R&amp;D related to such projects.</li> <li>– Water Distribution: rainwater harvesting systems, gravity fed canal systems, pumped canal or water distribution/supply systems, terracing systems, drip, flood and pivot irrigation systems, related equipment, and installation of customer water meters.</li> <li>– Flood Defences: surge barriers, pumping stations, levees, gates, sediment catching, and riverbank protection structures.</li> <li>– Water Saving Technologies: Products designed to reduce water losses throughout the water cycle, including water metering (both meter installation and replacement) of residential and non-residential customers, and zoning.</li> <li>– Reducing Risk of Flooding Impacts: improved hydrometeorological forecasting, early warning systems and infrastructure for flood mitigation.</li> </ul> |     |

## SCHEDULE 2: GGU SPECIFIC GREEN FINANCE FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

### 1. Use of proceeds

| Ref. | Criteria          | Requirements  | Work Undertaken  | DNV Findings   |
|------|-------------------|---|--|--|
| 1a   | Type of bond/loan | <p>The bond must fall in one of the following categories, as defined by the Green Bond Principles (GBP):</p> <ul style="list-style-type: none"> <li>• Green Use of Proceeds Bond</li> <li>• Green Use of Proceeds Revenue Bond</li> <li>• Green Project Bond</li> <li>• Green Securitized Bond</li> </ul> <p>Green loans are any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects. Green loans must align with the four core components of the Green Loan Principles (GLP), as set out below. Green loans should not be considered interchangeable with loans that are not aligned with the four core components of the GLP.</p> | <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>– GGU_Green Finance Framework_28<sup>th</sup> June_2024</li> <li>– Discussions with issuer</li> </ul> | <p>The GGU Framework applies to Bonds falling in the category of a Green Use of Proceeds Bond, and Loans that align with the four components of the GLP.</p> |

| Ref. | Criteria                 | Requirements  | Work Undertaken  | DNV Findings   |
|------|--------------------------|---|--|--|
| 1b   | Green Project Categories | The cornerstone of a Green Finance Instrument is the utilization of the proceeds which should be appropriately described in the legal documentation for the security.   | <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>- GGU_Green Finance Framework_28<sup>th</sup> June_2024</li> <li>- Discussions with issuer</li> </ul> | <p>GGU intends to use the proceeds from Green Financing Instruments to finance or re-finance green projects which contribute to the achievement of the SDGs. Proceeds will be used for acquisition or development of projects within the categories of:</p> <ul style="list-style-type: none"> <li>- Sustainable Water and Wastewater Management</li> </ul> <p>All green projects, including those for re-financing, will be reviewed according to eligibility and exclusionary criteria as defined in the GFF.</p> <p>GGU intends to make allocations to Eligible Green Projects where the investment has been made in the project no earlier than the 24 months preceding the date of issuance under this Framework. On a best-efforts basis, GGU intends to allocate an amount equal to the net proceeds raised by the Green Financing Instruments within four years from the date of issuance.</p> <p>We conclude that the Framework describes the proposed utilization of proceeds.</p> |
| 1c   | Environmental benefits   | All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer. | <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>- GGU_Green Finance Framework_28<sup>th</sup> June_2024</li> <li>- Discussions with issuer</li> </ul> | <p>The GFF outlines the expected environmental benefits that will be realised by the Green Finance Instruments:</p> <ul style="list-style-type: none"> <li>- Clean drinking water supplied</li> <li>- Mitigation of the consequences of floods and droughts</li> <li>- Reduced non-revenue water</li> <li>- Improved sanitation facilities</li> <li>- Reduced energy consumption for the water supply system</li> <li>- GHG emissions reduced/avoided</li> </ul>   |



## 2. Process for Project Selection and Evaluation

| Ref. | Criteria   | Requirements  | Work Undertaken  | DNV Findings  |
|------|--|---|--|---|
| 2a   | Investment-decision process                                | <p>The issuer/borrower of a Green Finance Instrument should outline the decision-making process it follows to determine the eligibility of projects using Green Finance proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> <li>• A process to determine how the projects fit within the eligible Green Projects categories identified in the GBP and GLP;</li> <li>• The criteria making the projects eligible for using the Green proceeds; and</li> <li>• The environmental sustainability objectives</li> </ul> | <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>– GGU_Green Finance Framework_28<sup>th</sup> June_2024</li> <li>– Discussions with issuer</li> </ul>   | <p>DNV reviewed the GFF which describes the process through which projects are evaluated and selected. GGU has created a specific process and committee for the evaluation and selection of eligible projects to review that projects meet eligibility criteria, apply exclusionary criteria, and to monitor eligible projects during lifetime of the Green Financing Instruments.</p> <p>GGU has established a Sustainable Finance Committee responsible for ensuring that allocations in the proposed Eligible Green Projects are aligned with the categories and eligibility criteria defined, and for approving any changes needed in the register of Eligible Green Projects in the event that a project is no longer eligible.</p> <p>DNV concludes that GGU's Framework appropriately describes the process of project evaluation and selection and is in line with the requirements of the GBP/GLP.</p> |
| 2b   | Issuer's environmental and social and governance framework | <p>In addition to information disclosed by an issuer or a borrower on its Green Financing process, criteria and assurances, Green Finance investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.</p>  | <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>– GGU_Green Finance Framework_28<sup>th</sup> June_2024</li> <li>– Code of Ethics and Conduct_GGU_2022</li> <li>– Georgian Water and Power Management System Policy, 2023</li> <li>– Discussions with issuer</li> </ul> | <p>We conclude that, from the information provided and publicly available information, GGU's approach to managing environmental sustainability is in line with the objective of the Framework.</p>  |

### 3. Management of proceeds

| Ref. | Criteria           | Requirements  | Work Undertaken   | DNV Findings  |
|------|--------------------|---|---|---|
| 3a   | Tracking procedure | The net proceeds of Green Instruments should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green Projects. | Evidence reviewed: <ul style="list-style-type: none"> <li>- GGU_Green Finance Framework_28<sup>th</sup> June_2024</li> <li>- Discussions with issuer</li> </ul> | We conclude that proceeds will be tracked in an appropriate manner and attested to by a formal internal process, which is documented in the Framework.<br><br>DNV concludes that there is a clear process in place for the management of proceeds as outlined within the Framework, and that this meets the requirements of the Sustainable Financing of the GBP. |
| 3b   | Tracking procedure | So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible Green investments or loan disbursements made during that period.  | Evidence reviewed: <ul style="list-style-type: none"> <li>- GGU_Green Finance Framework_28<sup>th</sup> June_2024</li> <li>- Discussions with issuer</li> </ul> | We conclude that there is a clear process in place for the tracking of the balance taking disbursements into account.   |
| 3c   | Temporary holdings | Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.   | Evidence reviewed: <ul style="list-style-type: none"> <li>- GGU_Green Finance Framework_28<sup>th</sup> June_2024</li> <li>- Discussions with issuer</li> </ul> | We conclude that GGU has disclosed how it will manage any unallocated proceeds in line with GGU's cash management processes and policies.   |

#### 4. Reporting

| Ref. | Criteria             | Requirements  | Work Undertaken   | DNV Findings  |
|------|----------------------|---|---|---|
| 4a   | Periodical reporting | In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond/Loan proceeds have been allocated including - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact. | Evidence reviewed: <ul style="list-style-type: none"> <li>- GGU_Green Finance Framework_28<sup>th</sup> June_2024</li> <li>- Discussions with issuer</li> </ul> | <p>DNV can confirm GGU has committed to annual reporting specific to any Green Finance Instrument under this Framework until the tracked proceeds are fully allocated to eligible projects. This reporting includes both allocation and impact reporting annually on the expected environmental impacts of the eligible green projects financed. GGU clearly outlines the proposed impact indicators for each eligible category and units of measurement.</p> <p>DNV concludes that GGU has made appropriate plans to produce reporting on the allocation and the environmental impacts of the issuances and that this is in line with the requirements of the GBP.</p> |