

# Second-Party Opinion

## Georgia Global Utilities Green Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Georgia Global Utilities Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018.<sup>1</sup> This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Sustainable Water and Wastewater Management, and (v) Climate Change Adaptation – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will facilitate the generation of renewable energy and the development of sustainable water resource management in Georgia while building resilience to climate change. Sustainalytics further considers that the eligible investments will advance the UN Sustainable Development Goals, specifically SDGs 6, 7, and 13.



**PROJECT EVALUATION / SELECTION** Georgia Global Utilities' Green Bond Committee, comprised of cross-functional representatives including Head of Energy, Head of Water, Head of Environmental and Social Affairs, Chief Financial Officer, and Head of IR and Funding, will review and approve eligible projects on a quarterly basis. Sustainalytics views this process as in line with market practice



**MANAGEMENT OF PROCEEDS** Georgia Global Utilities' Finance Department will manage and track the proceeds using an established register. Pending full allocation, unallocated proceeds will be held in cash deposits complying with the relevant internal policies. This process is in line with market practice.



**REPORTING** Georgia Global Utilities commits to provide an annual allocation and impact report, which will be compiled by the GGU Finance and Environmental & Social Departments, on its website until the date of maturity of the Green Bond. Allocation reporting will disclose the total amount per each category and the share of financing and refinancing, as well as the balance of unallocated proceeds. Where feasible, impact reporting will provide relevant environmental impact metrics, along with the underlying methodology used in the quantitative determination. Until full allocation, Georgia Global Utilities commits to provide an annual review conducted by an external auditor. Sustainalytics views this allocation and impact reporting as aligned with market best practice.

---

|                        |                  |
|------------------------|------------------|
| <b>Evaluation date</b> | April 20, 2020   |
| <b>Issuer Location</b> | Tbilisi, Georgia |

---

### Report Sections

|                               |   |
|-------------------------------|---|
| Introduction .....            | 2 |
| Sustainalytics' Opinion ..... | 3 |
| Appendices .....              | 8 |

**For inquiries, contact the Sustainable Finance Solutions project team:**

---

**Begum Gursoy (Amsterdam)**  
Project Manager  
begum.gursoy@sustainalytics.com  
(+31) 20 205 0082

---

**Mina Jang (Amsterdam)**  
Project Support  
mina.jang@sustainalytics.com  
(+31) 20 205 02 09

---

**Jean-Claude Berthelot (Amsterdam)**  
Client Relations  
susfinance.emea@sustainalytics.com  
(+44) 20 3880 0193

---

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

## Introduction

Georgia Global Utilities JSC (“GGU”, the “Company” or the “Issuer”), a wholly owned subsidiary of Georgia Capital, operates water supply systems and invests in renewable energy projects in Georgia. As a natural monopoly, GGU’s water utility business provides water and wastewater services to up to 1.4 million people in three cities: Tbilisi, Mtskheta, and Rustavi. GGU is headquartered in Tbilisi, Georgia.

GGU has developed the Georgia Global Utilities Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and future projects that facilitate the generation of renewable energy and the development of sustainable water and waste water management practices in Georgia while building resilience to climate change. The Framework defines eligibility criteria in five areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Sustainable Water and Wastewater Management
5. Climate Change Adaptation

GGU engaged Sustainalytics to review the Georgia Global Utilities Green Bond Framework, dated April 2020, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).<sup>2</sup> This Framework will be published in a separate document.<sup>3</sup>

As part of this engagement, Sustainalytics held conversations with various members of GGU’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of GGU’s Green Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Georgia Global Utilities Green Bond Framework and should be read in conjunction with that Framework.

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>3</sup> The Georgia Global Utilities Green Bond Framework is available on GGU’s website at: <http://www.ggu.ge/green-bond-framework>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Georgia Global Utilities Green Bond Framework

Sustainalytics is of the opinion that the Georgia Global Utilities Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of Georgia Capital's Green Bond Framework:

- Use of Proceeds:
  - The eligible categories – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Sustainable Water and Wastewater Management, and (v) Climate Change Adaptation – are aligned with those recognized by the GBP 2018. Sustainalytics believes that the projects funded by the green bond proceeds will support the transition towards a resource-efficient, low-carbon economy while advancing Georgia's resilience to the impacts of climate change.
  - GGU has set a three-year look-back period and intends to report on the portion of financing vs refinancing in its annual allocation report. Additionally, GGU intends to allocate the net proceeds within two years of the date of issuance. Sustainalytics considers this to be in line with current market practice.
  - The Renewable Energy category includes investments in wind power and hydropower projects, including the refurbishment or upgrade of existing run-of-river hydro facilities and large-scale (>25MW) hydro facilities, namely the Zhinvali Hydropower Plant (HPP), with a carbon intensity of less than 100g CO<sub>2</sub>e/kWh. Regarding Zhinvali HPP, GGU confirmed that the proceeds will not be invested in any expenditures aimed at the enlargement of the HPP. Sustainalytics notes that Zhinvali HPP is not associated with any ongoing controversies or negative impact, and considers these investments to provide greater environmental benefits as they support increased lifespan and/or improved performance for existing generation projects.
  - The Energy Efficiency includes refinancing activities aimed at reducing the energy consumption of the water supply system by avoiding water loss, including the installation of water flow meters, water pressure loggers and internal electricity consumption meters, as well as the introduction of technologies such as Geographic Information System (GIS) and Supervisory Control and Data Acquisition (SCADA) systems. Following these technologies, GGU intends to improve the overall energy efficiency of its water systems through the implementation of measures such as pump efficiency monitoring and optimization of maintenance workflow, among others. Sustainalytics highlights GGU's progress of reducing the electricity consumption of its water supply system through the implementation of these activities by approximately 27% between 2017-2019.
  - The Sustainable Water and Wastewater Management category includes investments in projects aimed at reducing water loss and pollution from the water supply and wastewater treatment infrastructure, including the refurbishment of the water supply network, the installation of customer water meters, and the introduction of smart systems such as hydro modelling, SCADA and GIS. Sustainalytics acknowledges the role of water loss management systems in reducing the greenhouse gas (GHG) emissions from the water supply systems, and views positively the enablement of energy and water savings through these investments.
  - The Climate Change Adaptation category includes expenditures to flood control and prevention systems, including the protection and reinforcement of riverbank structures in Upper Svaneti region. Given the vulnerability of the region to the effects of climate change and importance of riverbank structures in minimizing flood risk, Sustainalytics considers that this use of proceeds will have positive climate adaptation impacts in the region. (Please see Section 3: Impact of Use of Proceeds)
- Project Evaluation and Selection:
  - GGU will establish the Green Bond Committee (the "Committee") comprised of the following representatives: Head of Energy, Head of Water, Head of Environmental and Social Affairs, Head of IR and Funding, and Chief Financial Officer. The Committee will ensure the alignment of the potential allocations with the GGU policies and review the nominated projects on a quarterly basis. In case of material changes, the Committee will assess and approve the replacement of the nominated project with eligible green projects based on the eligibility criteria.
  - Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - GGU's Finance Department will be responsible for managing the allocation of the net proceeds, using an established register. Pending full allocation, unallocated proceeds will be temporarily held in cash deposits following the relevant internal policies.
  - Sustainalytics considers this process to be in line with market practice.

- Reporting:
  - Until the maturity of the Green Bond, GGU intends to publish an allocation and impact report on its website annually. The reporting will be compiled by the GGU Finance and Environmental & Social Departments. Allocation reporting will provide the allocated amount per each category and the share of financing and refinancing, as well as the balance of unallocated proceeds.
  - Impact reporting, where feasible, will disclose quantitative indicators such as GHG Emissions avoided in tCO<sub>2</sub>e, energy consumption savings in MWh and details of any improvements in key water quality indicators. GGU aims to provide further disclosure of the underlying methodology used in the quantitative determination. Furthermore, GGU intends to provide a Compliance Review on an annual basis until the full allocation of proceeds.
  - Sustainalytics considers this process to be in line with market best practice.

### Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Georgia Global Utilities Green Bond Framework aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of GGU

### Contribution of framework to GGU's sustainability strategy

Sustainalytics is of the opinion that GGU articulates a strong commitment to sustainability with a focus on two key environmental areas, (i) Water Quality and Water Resource Management, and (ii) Climate and Energy. Sustainalytics highlights below the targets and performance of GGU that speak to the Company's position as a credible green bond issuer and demonstrates how the Company's sustainability strategy aligns with the issuance of green bonds.

GGU, along with its subsidiaries, operates hydropower and wind power plants with an installed capacity of 220 MW and 21 MW, respectively. To meet the rising electricity demand in Georgia, GGU is committed to facilitate its renewable energy investments across the country. Through its renewable energy projects, GGU aims to contribute to the Government's declared plan<sup>4</sup> and reduce its greenhouse gas (GHG) emissions by 15% below the business as usual scenario for the year 2030, which is equal to a reduction in emission intensity per unit of GDP of approximately 34% by 2030, compared to 2013 levels.<sup>5</sup> Following its commitment, GGU developed Water, Energy and Resource Management Plans, aiming to ensure efficient use of water, energy and resources while reducing resource consumption and GHG emissions in its operations.<sup>6</sup> Based on the Company's GHG emission inventory, recent projects avoided 406,927 tons of CO<sub>2</sub> equivalent emissions<sup>7</sup> per year.

GGU operates as a natural monopoly in Tbilisi, Rustavi and Mtskheta for providing drinking water and wastewater services to approximately 35% of total Georgian population and up to 36,000 legal entities.<sup>8</sup> Given its essential role in facilitating sustainable water resource management as the main water supplier in Georgia, GGU is committed to reducing the electricity consumption of its water services by approximately 28% by 2022 against 2017 baseline through following initiatives: (i) refurbishing old water distribution infrastructure, (ii) developing monitoring systems in 100 different spots in its cities of operation, (iii) identifying and repairing the major water-loss causes, (iv) installation of 300 online water supply meters, (v) installation of 2,000 pressure regulators and 100 pressure loggers, (vi) increasing gravity flow from water treatment plants, (vii) rearranging the working conditions of water treatment plants and major pumping stations based on hydro modelling and (viii) creating online monitoring system for water infrastructure.<sup>9</sup> Based on disclosures from GGU, as of 2019 the Company reduced the electricity consumption of its water services by 27.3% compared to 2017 levels.<sup>9</sup>

Given the GGU's commitments, time-bound quantitative goals, and disclosure on its progress, Sustainalytics is of the opinion that GGU is well-positioned to issue green bonds, and that the issuance of green bonds will further support GGU in advancing its sustainability strategy.

<sup>4</sup> Georgia's Intended Nationally Determined Contribution Submission to the UNFCCC, at: [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Georgia%20First/INDC\\_of\\_Georgia.pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Georgia%20First/INDC_of_Georgia.pdf)

<sup>5</sup> Georgia Capital, Annual Report, (2018), at: <https://georgiacapital.ge/ir/annual-reports>

<sup>6</sup> Georgia Capital, Environmental Matters, at: <https://georgiacapital.ge/csr/environment>

<sup>7</sup> Please note that this figure is based on all water utility and renewable assets owned by Georgia Capital.

<sup>8</sup> GGU, Georgia Global Utilities Green Bond Framework, (2020), at: <http://www.ggu.ge/green-bond-framework>

<sup>9</sup> Georgia Capital, Investor Presentation, (2020), at: <https://georgiacapital.ge/sites/default/files/2020-03/Georgia%20Capital%20Investor%20Presentation.pdf>

### Well positioned to address common environmental and social risks associated with the projects

While the eligible categories are recognized as impactful by the Green Bond Principles 2018, Sustainalytics recognizes that the eligible projects may lead to potential adverse environmental and social risks such as occupational health and safety, community relations, land-use change, and biodiversity loss. Sustainalytics considers that GGU is well-positioned to manage and mitigate potential risks through the following procedures and standards:

- In conformance with the Georgian legislation and the International Finance Corporation (IFC) performance standards<sup>10</sup>, GGU implemented an Environmental and Social Management System (ESMS), which applies to all companies managed by GGU and all types of projects. The system mainly focuses on sustainable waste management, air, water and soil pollution prevention, sustainable use of energy and natural resources, and occupational health and safety.<sup>5</sup> As part of the ESMS, GGU conducts an Environmental and Social Impact Assessment (ESIA) for the projects in the development stage, and where necessary, outlines a Resettlement Policy Framework (RFP) and a respective Resettlement Action Plan (RAP) to address the interests of involved parties associated with projects.<sup>5</sup>
- In accordance with the Directive (2007/50/EC)<sup>11</sup> of the European Parliament on the assessment and management of flood risks, GGU introduced early warning systems for its hydro projects, including high-quality monitoring, alarming and notification systems.<sup>3</sup> Considering the potential environmental and social risks of large-scale hydro plants, GGU favors investments related to the development of small and medium-sized hydropower plants.<sup>5</sup>
- GGU developed following plans: (i) campsite, dumpsite, traffic and waste management plans, (ii) stakeholder engagement plan, (iii) and environmental and social management plan, aiming to ensure the adequate risk mitigation for its hydro and wind power projects at the construction stage.<sup>5</sup>
- GGU confirmed that part of the projects will be executed by Georgian Water and Power LLC, the wholly-owned water utility subsidiary of GGU. As of January 2020, Georgian Water and Power LLC is certified with ISO 14001:2015,<sup>12</sup> indicating the presence of the environmental management systems to mitigate adverse environmental impacts and communicate with associated stakeholders regarding environmental information for environmental management.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that GGU is well positioned to manage potential environmental and social risks commonly associated with the use of proceeds.

### Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

#### Importance of fostering climate change adaptation measures in Upper Svaneti region

Georgia is part of the South Caucasus mountain regions where the effects of climate change are significant due to extreme weather events such as heavy rains and hailstorms.<sup>13</sup> Floods and mudslides lead to human casualties, infrastructure breakdown, and economic losses in the country, threatening both communities and the natural ecosystem.<sup>13</sup> Additionally, due to the severe climate events in Georgia, the health and safety of the river system for the consistent availability of drinking water, irrigation and energy was in question.<sup>14</sup> Given this context, the Government of Georgia adopted the *Intended Nationally Determined Contribution (INDC)*,<sup>14</sup> which articulates the importance of climate adaptation measures and aims to reduce the vulnerability of the most endangered communities.

GGU intends to finance expenditures related to flood control and prevention systems, including the protection and reinforcement of riverbank structures in Upper Svaneti, particularly in Mestia and Kasleti. Upper Svaneti is considered as one of the most vulnerable Georgian regions to the effects of climate change due to its glacier ecosystem and the frequency of heavy precipitation. According to studies, the average annual temperature in Upper Svaneti will rise by 4 Celsius by the end of the century, which is expected to cause a substantial

<sup>10</sup> IFC, Resource Efficiency and Pollution Prevention, (2012), at:

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps3](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps3)

<sup>11</sup> Directive 2007/60/EC of the European Parliament and of the Council, (2007), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32007L0060>

<sup>12</sup> ISO, ISO 14001:2015 Environmental management systems - Requirements with guidance for use, at: <https://www.iso.org/standard/60857.html>

<sup>13</sup> UN Environment Programme, Outlook on Climate Change Adaptation in the South Caucasus Mountains, (2015), at:

<https://www.grida.no/publications/161>

<sup>14</sup> Government of Georgia, Georgia's Intended Nationally Determined Contribution Submission to the UNFCCC, at:

[https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Georgia%20First/INDC\\_of\\_Georgia.pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Georgia%20First/INDC_of_Georgia.pdf)

reduction in the size of glaciers. To address these challenges, in 2014, the Government engaged with the United Nations Development Programme (UNDP) Georgia for the *Upper Svaneti Adaptation Strategy to the Climate Change*, which aims to reduce the vulnerability of the regions' economy and natural ecosystem.<sup>15</sup> In accordance with the strategy, GGU implemented river bank structures in Mestia and Kasleti, aiming to minimize flood risks while advancing the resilience of approximately 10 thousand people in vulnerable communities.<sup>16</sup>

Given the regional context of Upper Svaneti, Sustainalytics is of the opinion that the expenditures related to riverbank structures will directly contribute to flood risk management while advancing the Government's climate adaptation measures.

### Importance of facilitating hydropower and wind power investments in Georgia

In 2018, natural gas, coal and oil accounted for 74% of the primary energy supply in Georgia, followed by hydropower (18%), biofuels and waste (8%), electricity imports (2%), geothermal, solar, wind and others (1%).<sup>17</sup> As these figures show, Georgia's energy supply relies heavily on fossil fuels, demonstrating the important role of facilitating renewable energy investments.<sup>18</sup> Based on 26,000 rivers with a total length of 60,000 km, water is an abundant natural resource with a high potential for hydro energy in Georgia.<sup>19</sup> Among these rivers, approximately 300 rivers are considered to be vital for energy production with the total annual potential capacity of 15,000 MW.<sup>18</sup>

In addition to its initiatives for hydropower, the Government prioritized the utilization of wind power for the country's electricity generation needs. Wind power is considered to have significant potential with an annual electricity generation of 4 billion kWh, and installed capacity of 1,500 MW.<sup>18</sup> Georgia's first wind power plant was built in 2016.<sup>20</sup>

Considering the above, Sustainalytics believes that fostering renewable energy projects will increase the share of renewable energy in the country's total electricity consumption and harvest the full potential of hydro and wind power in Georgia.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

| Use of Proceeds Category                    | SDG                            | SDG target   |
|---|--------------------------------|--|
| Renewable energy                            | 7. Affordable and Clean Energy | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix   |
| Energy efficiency                           |                                | 7.3 By 2030, double the global rate of improvement in energy efficiency.   |
| Pollution prevention and control            | 6. Clean Water and Sanitation  | 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally |
| Sustainable water and wastewater management |                                | 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity            |
| Climate Change Adaptation                   | 13. Climate action             | 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries   |

<sup>15</sup> UNDP Georgia, *Upper Svaneti Adaptation Strategy to the Climate Change*, (2014), at: [http://www.undp.org/content/dam/georgia/docs/publications/GE\\_UNDP\\_EE\\_Upper\\_Svaneti\\_adaptation\\_Climate\\_Change\\_Eng.pdf](http://www.undp.org/content/dam/georgia/docs/publications/GE_UNDP_EE_Upper_Svaneti_adaptation_Climate_Change_Eng.pdf)

<sup>16</sup> Information has been provided by GGU.

<sup>17</sup> National statistics office of Georgia, at: <https://www.geostat.ge/en/modules/categories/631/energy-balance-of-georgia-2018>

<sup>18</sup> Ministry of Energy of Georgia, *El.Energy – Potential*, at: [http://energy.gov.ge/energy.php?id\\_pages=60&lang=eng](http://energy.gov.ge/energy.php?id_pages=60&lang=eng)

<sup>19</sup> Ministry of Energy of Georgia, *El.Energy - History*, at: [http://energy.gov.ge/energy.php?id\\_pages=54&lang=eng](http://energy.gov.ge/energy.php?id_pages=54&lang=eng)

<sup>20</sup> AGENDA.GE, *Watch how Georgia's first wind power plant was built*, at: <https://agenda.ge/en/news/2016/2421>

## Conclusion

GGU has developed the Georgia Global Utilities Green Bond Framework under which it will issue green bonds and use the proceeds to finance or refinance eligible projects categories: (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Sustainable Water and Wastewater Management, and (v) Climate Change Adaptation. Sustainalytics considers that the projects funded by the green bond proceeds will support the transition towards a resource-efficient, low-carbon economy while advancing Georgia's resilience to the impacts of climate change.

Sustainalytics considers GGU's project evaluation and selection process, management of proceeds, and reporting to be aligned with market practice. Furthermore, Sustainalytics believes that the Georgia Global Utilities Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, and 13. Additionally, Sustainalytics is of the opinion that GGU has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that GGU is well-positioned to issue green bonds and that the Georgia Global Utilities Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

## Appendices

### Appendix 1: Green Bond / Green Bond Programme - External Review Form

#### Section 1. Basic Information

---

|  |   |
|--|---|
| <b>Issuer name:</b>  | Georgia Global Utilities JSC                  |
| <b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>   | Georgia Global Utilities Green Bond Framework |
| <b>Review provider's name:</b>   | Sustainalytics                                |
| <b>Completion date of this form:</b>   | April 20, 2020                                |
| <b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b> |   |

---

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :                        |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

## Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

### 1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – (i)Renewable Energy, (ii)Energy Efficiency, (iii)Pollution Prevention and Control, (iv)Sustainable Water and Wastewater Management, and (v)Climate Change Adaptation – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will facilitate the generation of renewable energy and the development of sustainable water resource management in Georgia while building resilience to climate change. Sustainalytics further considers that the eligible investments will advance the UN Sustainable Development Goals, specifically SDGs 6, 7, and 13.

#### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input checked="" type="checkbox"/> Climate change adaptation  |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

GGU's Green Bond Committee, comprised of cross-functional representatives including Head of Energy, Head of Water, Head of Environmental and Social Affairs, Chief Financial Officer, and Head of IR and Funding, will review and approve eligible projects on a quarterly basis. Sustainalytics views this process as in line with market practice

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- Defined and transparent criteria for projects eligible for Green Bond proceeds
- Documented process to identify and manage potential ESG risks associated with the project
- Summary criteria for project evaluation and selection publicly available
- Other (*please specify*):

#### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (*please specify*):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

GGU's Finance Department will manage and track the proceeds using an established register. Pending full allocation, unallocated proceeds will be held in cash deposits complying with the relevant internal policies. This process is in line with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

#### Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

### 4. REPORTING

Overall comment on section (*if applicable*):

GGU commits to provide an annual allocation and impact report, which will be compiled by the GGU Finance and Environmental & Social Departments, on its website until the date of maturity of the Green Bond. Allocation reporting will disclose the total amount per each category and the share of financing and refinancing, as well as the balance of unallocated proceeds. Where feasible, impact reporting will provide relevant environmental impact metrics, along with the underlying methodology used in the quantitative determination. Until full allocation, GGU commits to provide an annual review conducted by an external auditor. Sustainalytics views GGU's allocation and impact reporting as aligned with market best practice.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |  |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings   |
| <input type="checkbox"/> Decrease in water use              | <input type="checkbox"/> Other ESG indicators (please specify): details of any improvements in key water quality indicators. |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report   |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): GGU's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Georgia Capital: <https://georgiacapital.ge/>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

---

## Disclaimer

© Sustainalytics 2020. All rights reserved.

The intellectual property rights to the information contained herein is vested exclusively in Sustainalytics. No part of this deliverable may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings without the express written consent of Sustainalytics.

As the information herein is based on information made available by the issuer, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this deliverable is complete, accurate or up to date, nor assumes any responsibility for errors or omissions and Sustainalytics will not accept any form of liability for the substance of the deliverable and/or any liability for damage arising from the use of this deliverable and/or the information provided in it. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this deliverable shall be construed as to make a representation or warranty on the part of Sustainalytics, express or implied, regarding the advisability to invest in companies, selection of projects or make any kind of business transactions. It shall not be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the issuer’s economic performance, financial obligations nor its creditworthiness.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)

