



Green Bond Framework

April 2020

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Introduction

Georgia Capital PLC (“Georgia Capital”) is a UK-listed holding company, focused on investing and developing businesses in Georgia, with a GEL¹ 2.3 billion portfolio value of 31 December 2019. 2018 was the first year for Georgia Capital as an independent premium-listed company on the London Stock Exchange, following the completion of the demerger from BGEO Group PLC on 29 May 2018.

Georgia Capital’s portfolio can be categorized as follows:

1. Pipeline: education business, auto service business, digital service business;
2. Early-stage private investments: beverages business, hospitality & commercial real estate business, renewable energy business;
3. Late-stage private investments: property & casualty insurance business, housing development business, water utility business; and,
4. Listed investments: Georgia Healthcare Group, Bank of Georgia.

Georgia Global Utilities JSC (“GGU”) manages the renewable energy and water utility businesses of Georgia Capital. Both business lines are fully owned by Georgia Capital, with no minority interest.

Further information on the Company is available at www.georgiacapital.ge

Sustainability at Georgia Global Utilities

GGU helps to cover the rising demand for electricity in Georgia by investing in renewable energy projects across the country. GGU, through its subsidiaries and related entities, operates hydro power plants (total of 220 MW, of which 149 MW is linked to the water utility business) and wind power plants (21 MW), and is further investing in additional capacities. The pre-construction pipeline consists of 139 MW of hydro and 207 MW of wind power plants. Solar and geothermal energy generation opportunities are also closely investigated by the business, being at an early feasibility stage.

The water utility business provides potable water supply and wastewater treatment services to up to 1.4 million people (c. 35% of total Georgian population) and up to 36,000 legal entities.

GGU and its subsidiaries (together the “GGU Group”) operate in compliance with Georgian environmental legislation, and support Georgia’s national obligation under the EU Association Agreement. The United Nations’ Sustainable Development Goals are also directly addressed by GGU’s activities.

In 2016, the Group implemented an Environmental and Social Policy Framework. The framework consists of a combination of Environmental and Social Policy Statements, legal and regulatory review, overview of the Group’s activities and environmental impacts, description of management systems including various management plans, procedures and practices, description of the monitoring program and the stakeholder engagement process. The framework supports the intention of the Group to conduct business in a thoughtful and responsible way.

¹ GEL – Georgian Lari

In 2018, the Group introduced an Environmental and Social Management System (ESMS), which is applicable to all companies managed by GGU and all types of projects. For projects in the development phase, the Group elaborates Environmental and Social Impact Assessment (ESIA) documentation and, if needed, a Resettlement Policy Framework (RFP) and a Resettlement Action Plan (RAP).

Both- the Group’s Environmental and Social Policy Framework and the Environmental and Social Management System emphasize the Group’s ultimate goal to meet international environmental and social standards. Moreover, in January 2020, a major water utility subsidiary of GGU – Georgian Water and Power LLC – was certified as meeting the requirement and scope of registration of the ISO 14001:2015 Standard (Certificate No: GKGR-0004-EC).

Rationale for Issuance

GGU believes its business model has an important role to play in the transition toward a more sustainable and lower-carbon economy in Georgia, both through the current investment portfolio and future investments.

GGU further believes the technologies and assets it is investing in will help achieve the United Nations’ Sustainable Development Goals, and the objectives of the Paris Agreement.

GGU is certain that there is an opportunity to obtain market recognition of the role played by its businesses in facilitating a transition to a more sustainable, lower-carbon economic model, and has therefore decided to issue a Green Bond to allow investors an opportunity to support its business model and investment plans.

GGU recognizes main environmental objectives for its green projects, such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.

The environmental objectives of GGU are part of its overall strategy, and are implemented in two main areas:

- Water quality and water resource management; and
- Climate and energy.

In regards to water quality and water resource management following activities are being performed in line with international best practices:

- 24-hour access to clean water and sanitation is ensured by permanently expanding water supply and sewage network within Tbilisi-Mtskheta-Rustavi agglomeration (NACE Code E36.0.0);
- The treatment of on average 5.5 m³ wastewater per second and discharge of treated wastewater (NACE Code E37.0.0) into the transboundary river Mtkvari is ensured by recent rehabilitation of Gardabani Wastewater Treatment Plant, according to the international standards; and,
- Pollution prevention is controlled by the Decree of the Government of Georgia,² which defines maximum permissible norms of pollutant substances discharged into the sewage systems. As a

²Decree of the Government of Georgia No. 431 on approval of Technical Regulation on Rules and Maximum Permissible Norms of Pollutant Substances Discharging into Waste Water Sewage System was issued on 20/08/18

result, the state obligation under the EU Association Agreement with regard to Article 11 of Directive 91/271/EEC on wastewater treatment was fulfilled.

As for climate and energy direction, the following activities are being performed in line with international best practices:

- Climate change mitigation is supported by implementation of GGU’s renewable energy projects (NACE Code D.35.1.1), also contributing to Georgia’s declared plan to reduce Greenhouse Gas (GHG) emissions by 15% in base case scenario or up to 25% subject to access to low-cost financial resources and technology transfer; and,
- Compliance with the requirements of the Directive (2007/50/EC) on assessment and management of flood risks, early warning system for hydro projects (including high-quality monitoring, alarm and notification systems) has been introduced and successfully tested.

Biodiversity protection is also one of the priorities for both businesses, directions and is ensured by compliance with IFC Performance Standard 6. As an example, in wind projects, four-season detailed monitoring of birds and bats is conducted in line with Scottish Natural Heritage (2014) and EUROBATS Guidelines (2014). In hydro projects, effective fish pass structures are designed, and adequate environmental flow is ensured.

Moreover, ESMS implemented by the Group encompasses additional environmental objectives, such as sustainable waste management, air, water and soil pollution prevention, sustainable use of energy and natural resources.

Alignment with the Green Bond Principles

GGU has aligned this Green Bond Framework with the Green Bond Principles, 2018³. GGU has also taken into account the developing ‘EU Taxonomy’⁴ on environmentally-sustainable economic activities in determining eligible Uses of Proceeds.

Use of Proceeds







An amount equal to the net proceeds of any Green Bond issued will be used to finance and/or refinance, in whole or in part, Eligible Green Projects as defined below.

GGU intends to make allocations to Eligible Green Projects where investment has been made in the project within the three-year period preceding the date of Green Bond issuance.

On a best efforts basis, GGU intends to allocate an amount equal to the net proceeds raised by the Green Bond issuance within two years of the date of issuance.

³ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁴ https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy_en

Eligible Green Project Categories	Eligibility Criteria	Example Green Projects	Example Impact Metrics	Relevant EU Taxonomy NACE Codes	Relevant SDGs
Renewable energy	Hydropower or Wind Power electricity generation assets with a carbon intensity of less than 100g CO2e/kWh	Refer to Appendix 1 for list of examples	tCO2e avoided	D.35.1.1 (Wind Power, Hydropower)	
Energy efficiency	Projects which serve to reduce the energy consumption of the water supply system	<p>Installation of water flow meters and zoning of water supply area</p> <p>Installation of water-level measurement equipment in reservoirs</p> <p>Installation of water pressure loggers at critical points</p> <p>Installation of internal electricity consumption meters</p> <p>Hydro-modeling</p> <p>Introduction of GIS and SCADA⁵ systems</p>	Energy consumption savings, MWh	E36.0.0	
Pollution prevention and control	Projects which improve the quality of discharges to water	Gardabani waste water treatment plant, supplying population with waste water collection and treatment services	Improvements in key parameters for treated wastewater: e.g. TSS, BOD, COD, Total N, Total P ⁶	E37.0.0	
Sustainable water and wastewater management	Projects which reduce water losses and pollution from the water supply and wastewater treatment infrastructure	<p>Refurbishment of the water supply network to reduce water losses</p> <p>Smart water infrastructure projects - introduction of hydro-modeling, SCADA, GIS and other smart systems</p> <p>Installation of customer water meters</p> <p>Replacement of liquid chlorine systems with sodium hypochlorite systems</p>	Improvements in key water quality parameters		 
Climate Change Adaptation	Flood control and prevention systems	Construction and maintenance of riverbank protection structures (Mestia, Kasleti)	Qualitative reporting	D.35.1.1	

⁵ GIS – Geographical Information System, SCADA – Supervisory Control and Data Acquisition

⁶ TSS – Total Suspended Solids, BOD – Biochemical Oxygen Demand, COD – Chemical Oxygen Demand, N – Nitrogen, P - Phosphorous

		Introduction of early warning system for Zhinvali HPP			
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Exclusions

Allocations will be made to Eligible Project Categories as specified above. The following Uses of Proceeds are specifically excluded:

- Financing of any fossil-fuel power generation projects
- Financing of any activities involving alcohol, tobacco, gaming, or weapons manufacture.

Process for Project Evaluation & Selection

To ensure that allocations are made to Eligible Green Projects as specified above, the Company will establish a Green Bond Committee.

The Green Bond Committee will be responsible for:

- Ensuring the proposed allocations are aligned with the relevant GGU policies concerning project development;
- Ensuring the proposed Eligible Green Projects are aligned with the categories and eligibility criteria as specified in the Use of Proceeds section above, and approving any proposed changes to the register of Eligible Green Projects in the event that the projects no longer meet the eligibility criteria (e.g. following divestment, liquidation, technology switch, concerns regarding ongoing alignment with eligibility criteria etc.); and,
- Reviewing and approving allocation and impact reports.

The Green Bond Committee will be comprised of the following representatives:

- Head of Energy
- Head of Water
- Head of Environmental and Social Affairs
- Chief Financial Officer
- Head of IR and Funding

The Committee will meet on a quarterly basis to review proposed allocations and ensure these are made in line with the specified uses here above.

Management of Proceeds

An amount equal to the net proceeds raised by the Green Bond will be allocated to Eligible Green Projects as specified above. This process will be managed by the GGU Finance Department.

The Finance Department will establish a register of Eligible Green Projects and will track allocations to the projects matched to the Green Bond proceeds.

Pending allocation, proceeds will be held in cash deposits on a temporary basis in accordance with the relevant internal policies.

Reporting

Within 1 year of issuance, and annually thereafter until the date of maturity of the Green Bond, GGU will make available an External Report.

The External Report will be compiled by the GGU Finance and Environmental & Social Departments and will include (i) an Allocation Report and (ii) an Impact Report, subject to the availability of suitable information and data. Where impact data is reported, details of the methodology applied in compiling the data will be provided.

These reports will be made available publicly on the GGU website at www.ggu.ge/green-bonds.

It is anticipated that the Allocation Report will include:

- Total amount of proceeds allocated to Eligible Green Projects per category, noting any instances where allocations could not be made as originally planned, due to e.g. divestments, project terminations or suspensions etc.;
- The proportion of the proceeds allocated to refinancing of existing Eligible Green Projects; and,
- Unallocated proceeds.

GGU will also report on selected environmental impacts of its Eligible Green Projects subject to the availability of suitable information and data (refer to indicative metrics in Use of Proceeds table above).

External Review

Sustainalytics have provided a Second Party Opinion on the Georgia Global Utilities Green Bond Framework. The Second Party Opinion is available at <https://www.sustainalytics.com/sustainable-finance/our-work/>

GGU also intends to commission a “Compliance Review” within 1 year of Green Bond issuance and annually thereafter, until full allocation of any Green Bond proceeds, with the intention of confirming that the Green Bond proceeds have been allocated in accordance with the Use of Proceeds specified in this framework document.

Appendix 1

List of Renewable Power Generation Assets

Asset name	Capacity (MW)	Gross Generation Capacity (GWh)	Development Stage	Details
Hydropower Plants				
Zhinvali HPP	130	383	Operational	HPP with a dam
Tetrikhevi HPP	12	3	Operational	HPP on amelioration channel
Saguramo HPP	4	28	Operational	HPP on regulated water
Bodorna HPP	3	13	Operational	HPP on regulated water
Mestiachala HPPs	50	174	Operational	Run of river
Hydrolea HPPs	21	105	Operational	Run of river
Wind Power Plants				
Qartli Wind Farm	21	85	Operational	
Total	241	791		

Disclaimer

The information and opinions contained in this Framework are provided as at the date of this document and are subject to change without notice.

Georgia Global Utilities does not assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise.

This Framework represents current Georgia Global Utilities policy and intent, is subject to change and is not intended nor can be relied on, to create legal relations, rights or obligations.

This Framework is provided for information purposes only and does not constitute or form part of, and should not be construed as, an offer or invitation to sell Georgia Global Utilities Bonds, or the solicitation of an offer to underwrite, subscribe for or otherwise acquire any debt or bonds of Georgia Global Utilities, and nothing contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever.

Any decision to purchase any Georgia Global Utilities Bonds should be made solely on the basis of the information to be contained in any offering document produced in connection with the offering of such bonds.

Prospective investors are required to make their own independent investment decisions. No representation is made as to the suitability of any Georgia Global Utilities Bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of Georgia Global Utilities Bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such Georgia Global Utilities Bonds regarding the use of proceeds and its purchase Georgia Global Utilities Bonds should be based upon such investigation as it deems necessary.

Georgia Global Utilities has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and investor reporting, in connection with Georgia Global Utilities Bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any Georgia Global Utilities Bonds if the Georgia Global Utilities fails to adhere to this Framework, whether by failing to fund or complete Eligible Green Projects or to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise.

In addition, it should be noted that all of the expected benefits of the Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in Government policy (whether with a continuity of the Government or on a change in the composition of the Government), changes in laws, rules or regulations, the lack of available suitable

projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives.

In addition, each environmentally focused potential purchaser of Georgia Global Utilities Bonds should be aware that Eligible Green Assets may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. On this basis, all and any liability, whether arising in tort, contract or otherwise which any purchaser of Georgia Global Utilities Bonds or any other person might otherwise have in respect of this Framework or any Georgia Global Utilities Bonds as a result of any failure to adhere to or comply with this Framework is hereby disclaimed.

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