Georgia Global Utilities

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Introduction

In 2020, Georgia Global Utilities (GGU) issued green bonds aimed at financing and refinancing environmentally impactful projects to facilitate the generation of renewable energy and the development of sustainable water resource management in Georgia while building resilience to climate change. In 2021, GGU engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Georgia Global Utilities Green Bond Framework.[1]

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2020 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Georgia Global Utilities Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Georgia Global Utilities Green Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs while Table 2 lists the associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	• Hydropower or Wind Power electricity generation assets with a carbon intensity of less than 100g CO_2e/KWh	• tCO_2e avoided
Energy Efficiency	• Projects which serve to reduce the energy consumption of the water supply system	• Energy consumption savings (MWh)
Pollution Prevention and Control	• Projects which improve the quality of discharges to water	• Improvements in key parameters[2] of treated wastewater: e.g., TSS, BOD, COD, Total N, Total P
Sustainable Water and Wastewater Management	• Projects which reduce water losses and pollution from the water supply and wastewater treatment infrastructure	• Improvements in key water quality parameters
Climate Change Adaptation	• Flood control and prevention systems	• Qualitative reporting

[1] Georgia Global Utilities Green Bond Framework, at: https://51e625f9-f545-4610-8b7f-886390cdb033.filesusr.com/ugd/608e6c_b8756c926ae849cc8e2be1073578c450.pdf
[2] TSS – Total Suspended Solids, BOD – Biochemical Oxygen Demand, COD – Chemical Oxygen Demand, N – Nitrogen, P - Phosphorous

Issuing Entity's Responsibility

GGU is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of GGU's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from GGU employees and review of documentation to confirm the conformance with the Georgia Global Utilities Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by GGU with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by GGU.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,[3] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of GGU's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Georgia Global Utilities Green Bond Framework.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Georgia Global Utilities Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2020 to determine if impact of projects was reported in line with the KPIs outlined in the Georgia Global Utilities Green Bond Framework and above in Table 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

[3] Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Impact and Allocation Reporting by Eligibility Criteria

Use of Proceeds Category	Green Projects Financed	Net Bond Proceeds Allocation (USD'000)	Annual Environmental Impact Reported by Eligibility Criteria
Renewable energy	Construction of Mestiachala HPPs	36.595	240.2 MW of installed capacity[4] 93,100 CO2 eq. emission avoided in tones[4] 457.8 GWh renewable energy generation[4] Over 126,000 households served with clean energy[4]
	Construction of Debeda HPP	4.560	
	Construction of Kasleti HPP	11.720	
	Construction of Akhmeta HPP	13.298	
	Construction of Qartli wind farm	27.426	
Energy efficiency	Installation of water flow meters and zoning of water supply area	820	175.2 GWh self-produced energy consumption[5]
	Installation of smart infrastructural assets (pressure loggers, water level measurement equipment, valves and etc.)	7.403	
	Introduction of GIS and SCADA systems, other IT supports tools and programs	1.657	
Pollution prevention and control	Modernization of Gardabani WWTP	21.154	The treatment of on average 164,687,177 m^3 of wastewater and 11,162 m^3 sludge Permissible concentration, mg/l after rehabilitation: Suspended particles from 60 to 35, BOD from 40 to 25, total nitrogen from 20 to 10, total phosphorus from 2 to 1, COD reduced to 125.
Sustainable water and wastewater management	Refurbishment and development of the water and wastewater network	67.317	Upgrade of 140 km water and 52 km wastewater network [6] 62.4% water loss ratio[7] Reduction of water losses of approximately 3.2 million m^3 Connection of 2,862 new customers to uninterrupted water[8] supply and
	Installation of customer water meters	9.249	
	Replacement of liquid chlorine systems with sodium hypochlorite systems	427	
	Refurbishment of pumping stations and reservoirs	3.236	

[4] Total annual figure for renewable energy projects
[5] 27% reduction in self-produced electricity consumption during 2017-2020
[6] Impact reported for refinancing: 422km of water and 78km of wastewater network rehabilitation during 2017-2019.
[7] Water loss ratio reduced from 71% to 62% during 2017-2020
[8] Impact reported for refinancing: 12,801 connection of new customers during 2017-2019.

	Refurbishment of water treatment plants	1.576	wastewater services
	Connection of new customers	26.321	20,150 water meters including 1,291 smart meters installed to end customers[9]
Climate Change Adaptation	Installation of early warning system on Zhinvali HPP	282	Protection of a total of 30,000 to 50,000 people as a result of pre-notification system installed
	Riverbank protection	1.119	
Total		234.160	

[9] Impact reported for refinancing; During 2017-2020, 104,022 water meters installed to end customers out of which 32,100 were smart meters.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.