

Georgian Renewable Power Operations JSC.
GRPO

Green Bond Framework

June 2022

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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 2.6 billion portfolio value as of 31 March 2022.

Georgia Capital’s portfolio can be categorized as follows:

1. Listed and observable portfolio companies: Bank of Georgia, Water Utility
2. Large portfolio companies: Retail (pharmacy), Hospitals, Insurance (P&C & Medical)
3. Investment stage portfolio companies: Clinics and Diagnostics, Renewable Energy, Education
4. Other portfolio companies

Georgia Global Utilities JSC (hereinafter “GGU”) was a holding company of water utility and renewable energy businesses until the demerger. On 31 December 2021 Georgia Capital JSC, holding company of GGU- entered into a share purchase agreement with FCC Aqualia S.A. with the intention of selling up to 100% of its interest in GGU’s water utility business by way of a two-stage transaction.

On 3 February 2022, the closing of the first stage of the transaction occurred and FCC Aqualia S.A. acquired title over 65% of the total capital stock of GGU (effectively representing 80% interest in the water utility business). For more information on the above transaction please refer to:

<https://georgiacapital.ge/ir/news/proposed-disposal-water-utility-business>

<https://georgiacapital.ge/ir/news/completion-first-stage-disposal-water-utility-business>

After the completion of demerger and spin-off of the renewable energy business from GGU, GCAP will directly hold 100% stake in renewable business through the newly established holding company – GRPC Group JSC, which will combine renewable energy’s operating assets under the Georgian Renewable Power Operations JSC (GRPO) and pipeline projects under the Georgian Renewable Power Company JSC (GRPC).

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

Sustainability at GRPO

GRPO helps to cover the rising demand for electricity in Georgia by investing in renewable energy projects across the country. GRPO, through its subsidiaries and related entities, operates hydro power plants (total of 50 MW) and wind power plant (21 MW).

GRPO and its subsidiaries 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 GRPO’s activities.

In 2020 GRPO’s subsidiaries 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 GRPO’s activities and environmental impacts, description of management systems including various management plans, procedures and practices, description of the monitoring program and the stakeholder

¹ GEL – Georgian Lari

engagement process. The framework supports the intention of GRPO to conduct business in a thoughtful and responsible way.

In 2020 GRPO's subsidiaries introduced an Environmental and Social Management System (ESMS), which is applicable to all companies and all types of projects.

Both - GRPO's Environmental and Social Policy Framework and the Environmental and Social Management System emphasize GRPO's ultimate goal to meet international environmental and social standards.

On 23 July 2020 GGU Group (*subsidiaries of GRPO together with water utility business*) has successfully priced an inaugural US\$ 250 million green bond offering (the "Notes"). The Regulation S/Rule 144A senior unsecured US\$-denominated 7.75% green notes, with a 5-year non-call 2-year bullet maturity, were settled on 30 July 2020. The Notes are being issued and sold at par value. The proceeds of the Notes are used to refinance all existing loan arrangements of GGU and to finance capital expenditures in the water supply and sanitation business. The Notes were listed on the Global Exchange Market of the Irish Stock Exchange and rated B+ (stable) by Fitch and B (positive) by S&P.

Rationale for Issuance

GRPO believes its business model has an important role to play in the transition toward a more sustainable and lower-carbon economy in Georgia.

GRPO 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.

GRPO 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.

GRPO 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 GRPO are part of its overall strategy, and are implemented in two main areas: Climate and Energy.

Under GRPO's climate and energy projects, the following activities are being performed in line with international best practices - climate change mitigation is supported by implementation of GRPO'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.

Biodiversity protection is also one of the priorities for GRPO, 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 GRPO 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

GRPO’s subsidiaries have aligned this Green Bond Framework with the Green Bond Principles, 2021². GRPO has also taken into account the developing ‘EU Taxonomy’³ on environmentally-sustainable economic activities in determining eligible Uses of Proceeds.

Direct Use of Proceeds

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

Net proceeds from the Green Bond issuance will free up parent company’s capacity and secure liquidity for equity needs of the pipeline projects on GRPC Group level, resulting in further development of Georgia Capital’s renewable energy arm.

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)	

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.

² <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

³ https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy_en

The Green Bond Committee will be responsible for:

- Ensuring the proposed allocations are aligned with the relevant GRPO 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:

- GRPO Head
- 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. Net proceeds will be allocated at issuance. This process will be managed by the GRPO 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.

Reporting

Within 1 year of issuance, and annually thereafter until the full allocation of the bond funds will be achieved, GRPO will make available an External Report.

The External Report will be compiled by the GRPO 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 GRPO website.

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.

GRPO 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 Georgian Renewable Power Operations Green Bond Framework. The Second Party Opinion is available at [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/georgian-renewable-power-operations-jsc/georgian-renewable-power-operations-green-bond-framework-second-party-opinion-\(2022\)/georgian-renewable-power-operations-green-bond-framework-second-party-opinion-\(2022\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/georgian-renewable-power-operations-jsc/georgian-renewable-power-operations-green-bond-framework-second-party-opinion-(2022)/georgian-renewable-power-operations-green-bond-framework-second-party-opinion-(2022))

GRPO 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 under GRPO

Asset name	Capacity (MW)	Development Stage	Details
Hydropower Plants			
Mestiachala HPPs	30	Operational	Run of river
Hydrolea HPPs (3 HPPs)	20	Operational	Run of river
1. Akhmeta HPP	9	Operational	Run of river
2. Debeda HPP	3	Operational	Run of river
3. Kasleti HPP	8	Operational	Run of river
Wind Power Plants			
Qartli Wind Farm	21	Operational	
Total	71		

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.

Georgian Renewable Power Operations JSC 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 Georgian Renewable Power Operations JSC's 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 Georgian Renewable Power Operations JSC Bonds, or the solicitation of an offer to underwrite, subscribe for or otherwise acquire any debt or bonds of Georgian Renewable Power Operations JSC, 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 Georgian Renewable Power Operations JSC 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 Georgian Renewable Power Operations JSC's Bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of Georgian Renewable Power Operations JSC Bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such Georgian Renewable Power Operations JSC Bonds regarding the use of proceeds and its purchase Georgian Renewable Power Operations JSC Bonds should be based upon such investigation as it deems necessary.

Georgian Renewable Power Operations JSC 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 Georgian Renewable Power Operations JSC Bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any Georgian Renewable Power Operations JSC Bonds if the Georgian Renewable Power Operations JSC 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 Georgian Renewable Power Operations JSC 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 Georgian Renewable Power Operations JSC 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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