

# **Green – Energy Holding LLC**

## **Green Financing Framework**

**December 2024**

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## Introduction | About the Company

Green – Energy Holding LLC (“**GEH**”) is that operates in in Georgia’s clean energy sector through subsidiaries (together the “**Group**”). Our mission is to enhance Georgia’s renewable energy infrastructure by investing in hydropower and wind projects that generate sustainable, clean energy.

At Energy Development Georgia LLC (“**EDG**”), a subsidiary of GEH, we focus on contributing to Georgia’s renewable energy landscape by owning and operating a cascade of hydroelectric power plants (“**HPPs**”), with a total installed capacity of 15.25 MW. Our operations consistently achieve an average load factor of over 42.7% at P75<sup>1</sup>.

- Sashuala HPP 1 (8 MW),
- Sashuala HPP 2 (5 MW), and
- Sashuala HPP (2.25 MW).

We primarily serve the local market, providing clean and affordable energy across Georgia. Additionally, we have the flexibility to export electricity to Turkey. Most of our HPPs benefit from long-term Power Purchase Agreements (“**PPAs**”) with the Electricity System Commercial Operator (“**ESCO**”), which ensures stable and predictable cash flows in US dollars. These agreements support the long-term sustainability of our operations in the renewable energy space. For more detailed information on our assets and relevant PPAs please refer to Annex 1.

The Group is also actively seeking new opportunities to invest in green energy projects, further expanding our renewable energy portfolio.

### Detailed information about the assets:

Sashuala HPP 1 is a run-of-the-river hydroelectric power plant with an installed capacity of 8 MW. It is situated in the Chokhatauri municipality, near the village of Metsieti. Sashuala HPP 1 was commissioned on February 2, 2021, with an actual construction cost of approximately USD 1.5 million per megawatt (excluding VAT). Sashuala HPP 1 is the largest plant in the portfolio, generating 51% of the company’s 2023 revenues, split between PPAs (68.19%), direct sales (9.35%), and exports (22.46%).

Sashuala HPP 2 is another run-of-the-river hydroelectric plant located in the Chokhatauri municipality. It has an installed capacity of 5 MW. Construction of the Sashuala HPP 2 began in April 2018 and it was commissioned on December 24, 2019. Sashuala HPP 2 accounted for 37% of total revenues in 2023, split between PPAs (61.63%), direct sales (7.45%), and exports (30.93%).

Sashuala HPP is another run-of-the-river hydroelectric power plant situated in the Chokhatauri municipality with an installed capacity of 2.25 MW. Construction of the above mentioned HPP commenced in August 2021 and it was made operational on December 22, 2022. Being a new project, Sashuala HPP is not eligible for a PPA and it is selling its electricity exclusively on the wholesale electricity market.

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<sup>1</sup> P50, P75 and P90 are statistical measures to estimate the expected power output under various conditions. Such estimates are based on statistical analysis of historical data, such as water flow rates and energy production, and are used to assess the economic feasibility of a hydropower project.

## Our Sustainability Strategy

As part of our commitment to sustainable development, we integrate environmental responsibility into every aspect of our operations. Our group helps to cover the rising demand for electricity in Georgia by investing in renewable energy projects across the country. Our hydro power projects are developed under rigorous environmental, social, and governance (ESG) standards, ensuring minimal impact on biodiversity while contributing to renewable energy production. We operate in compliance with Georgian environmental legislation, The United Nations' Sustainable Development Goals are also directly addressed by our activities. We aim to balance energy generation with the preservation of ecosystems, ensuring that our operations support long-term environmental sustainability.

Key pillars of our sustainability strategy include:

- **Environmental Impact:** We rigorously monitor and manage our environmental footprint, focusing on aquatic ecosystems, geodynamic stability, and pollution control.
- **Community Engagement:** We actively engage with local communities, investing in infrastructure improvements, social welfare programs, and initiatives aimed at enhancing quality of life.
- **Health and Safety:** Our Group prioritizes the health and safety of its employees, ensuring appropriate working conditions, healthcare, and protective measures for all workers.

### Environmental Impact

Since 2018, through our subsidiary EDG, we have been working with Gama LLC to monitor and manage our environmental impact. This partnership focuses on:

**Biodiversity:** Implementing measures to minimize negative effects on the biological environment, particularly aquatic life near our hydroelectric power plants.

**Geodynamic Stability:** Taking preventive actions to reduce the risk of hazardous geodynamic processes.

### **Pollution Control:**

- **Air Quality:** Reducing emissions to protect ambient air quality;
- **Noise and Vibration:** Implementing strategies to lessen noise and vibrations affecting the community and wildlife;
- **Water Protection:** Preventing contamination of surface and underground water sources;
- **Soil Conservation:** Avoiding soil and ground pollution through responsible waste disposal and material handling.
- **Hazardous Materials:** Adhering to regulations for the storage and use of explosive materials when necessary.

**Waste Management:** Following our waste management plan to reduce environmental impact through effective waste reduction, recycling, and disposal.

## **Community Engagement**

We have undertaken several initiatives in Khidi Village to improve local living conditions:

- **Infrastructure Improvements:** Repaired village roads and installed drainage systems to enhance transportation and reduce flood risks.
- **Support for Vulnerable Residents:** Provided assistance to socially vulnerable individuals to promote inclusivity within the community.
- **Urban Development:** Paved and developed specific areas to support local development and enhance the village's appearance.

## **Health and Safety**

We are committed to the health and safety of our employees. Employee Support includes:

- Providing suitable living conditions for construction personnel;
- Offering medical assistance and healthcare services;
- Supplying appropriate special clothing and personal protective equipment.

## **Rationale for Pursuing Sustainable Financing**

Our Group is committed to supporting Georgia's transition to a low-carbon economy through the development and operation of renewable energy assets. By leveraging green financing (green bonds and loans), Green – Energy Holding LLC aims to further expand its renewable energy assets through its subsidiaries while ensuring environmental preservation and climate resilience. The issuance of green instruments will allow us to finance projects that align with global sustainability frameworks, such as the UN Sustainable Development Goals (SDGs) and the Paris Agreement. Our green financing strategy ensures that our financial initiatives directly contribute to climate action and the promotion of clean, affordable energy.

Our decision to pursue sustainable financing through the issuance of green instruments reflects our commitment to environmental responsibility and long-term value creation. By raising capital for our renewable energy projects, we support the transition to renewable energy while safeguarding ecosystems. This financing approach not only aligns with global climate goals but also enhances transparency and trust with our stakeholders. Moreover, it allows us to access the growing market of responsible investors, ensuring that our financial strategy contributes to both economic growth and environmental preservation.

## Green Financing Framework

Green – Energy Holding LLC has established this Green Financing Framework (the “Framework”). The purpose of this Framework is to have a single robust methodology in place for acquiring all future green financing throughout the Group. The Framework is aligned with the Green Bond Principles (“GBP”), issued by the International Capital Market Association (“ICMA”) in June 2021<sup>2</sup> and Green Loan Principles 2023<sup>3</sup> issued by the Loan Market Association and defines the investments eligible for financing as Green Financing Instruments issued by the Group companies. We have also taken into account the developing EU Taxonomy<sup>4</sup> on environmentally-sustainable economic activities and Georgian sustainable finance taxonomy<sup>5</sup> in determining eligible Uses of Proceeds.

Potential Sustainable Financing Instruments may include various types of green financing instruments, such as Green Bonds (including public and private format debt), Green Loans (including but not limited to Term Loans, Project Finance Loans, Asset Finance, Loans and Revolving Credit Facilities (RCF), to which an eligible asset or project, or a group of those, are allocated.



The Framework is presented through the following 4 core components:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

This Framework may be updated from time to time to ensure continued alignment with voluntary market practices, emerging standards and classification systems. Any updated version of this Framework will either maintain or improve the current levels of transparency, reporting and disclosure and will be subject to the same external review standards.

## Use of Proceeds

An amount equal to the net proceeds from the issuance of the Green Financing Instruments will be used to finance or refinance, in part or in full, new or existing Eligible Green Projects.


| Eligible Green Category | Eligibility Criteria   | Example Green Projects                 | Relevant EU Taxonomy NACE Codes   | Relevant SDGs   |
|-------------------------|--|--|-----------------------------------|---|
| Renewable energy        | The activity complies with either of the following criteria: | Refer to Annex 1 for list of examples* | D.35.1.1 (Wind Power, Hydropower) |   |

<sup>2</sup> CMA’s GBP 2021: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>3</sup> LMA Green Loan Principles 2023: [Green Loan Principles 23 February 2023.pdf](https://www.lma.eu.com/~/media/1287262/2023-02-23-GLP-2023.pdf) (lma.eu.com)

<sup>4</sup> EU taxonomy report: [https://knowledge4policy.ec.europa.eu/publication/sustainable-finance-teg-final-report-eu-taxonomy\\_en](https://knowledge4policy.ec.europa.eu/publication/sustainable-finance-teg-final-report-eu-taxonomy_en)

<sup>5</sup> [Sustainable Finance Taxonomy for Georgia](https://nbg.gov.ge/sustainable-finance-taxonomy) (nbg.gov.ge)

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|--|--|--|--|---|
|  | <ul style="list-style-type: none"> <li>- Hydropower facilities with meeting at least one of the following criteria: <ul style="list-style-type: none"> <li>(i) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir or has low storage capacity, or</li> <li>(ii) the power density of the electricity generation facility is above 10 W/m<sup>2</sup> (or 5 W/m<sup>2</sup> for facilities operational before 2019), or</li> <li>(iii) the life cycle GHG emissions from the generation of electricity from hydropower are lower than 50 gCO<sub>2</sub>e/kWh (or 100 gCO<sub>2</sub>e/kWh for facilities operational before 2019).</li> </ul> </li> <li>- Wind Power electricity generation assets</li> </ul> |  |  |  |
|--|--|--|--|---|

*\*The renewable energy generation assets listed in Annex 1 are provided for illustrative purposes and do not represent an exhaustive list.*

The Group may finance or refinance the acquisition, development (including, but not limited to engineering and geological surveys), construction, refurbishment<sup>6</sup>, procurement and/or installation of equipment in relation to the projects that meet the hydropower criteria listed in Eligibility criteria.

Additionally, projects with significant risks, controversies or anticipated negative impacts that lack mitigation measures outlined in the Environmental Impact Report will be excluded from the Eligibility Criteria.

## Exclusions

Allocations will be made to Eligible Project Categories as specified above. The proceeds from the Group's Green Financing Instruments will not be directly allocated to projects for which the purpose is fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as

<sup>6</sup> In case of hydropower plants those that will not increase the size of the dam or reservoir

rare-earth elements or fossil fuels), gambling or tobacco. For the avoidance of doubt, eligible wind and hydropower use of proceeds will not be directly connected to fossil fuel production assets.

### **Process for Project Evaluation and Selection**

To ensure that allocations are made to Eligible Green Projects as specified above, the Green – Energy Holding LLC will establish a Green Bond Committee. The Green Bond Committee will be responsible for:

- Initial screening of the proposed Eligible Green Project to ensure it meets our baseline sustainability and environmental criteria. This includes verifying environmental documentation, project feasibility, and regulatory compliance.
- Ensuring the proposed Eligible Green Projects are aligned with the categories and eligibility criteria as specified in the Use of Proceeds section above; and,
- Reviewing and approving allocation reports.

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

- The Director
- Representatives from the board of the GEH
- Energy Development Georgia’s chairman of the audit committee
- Person qualified in E&S

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 of the Green Financing Instrument issued under this Framework will be managed and overseen by the Finance team of the company, which issued bonds and / or received loans.

Net proceeds from the issuance of Green Financing Instruments can be used to finance or refinance new or existing projects and expenditures in accordance with the eligibility criteria outlined above.

The Finance team will ensure, on a best-effort basis, that the portfolio of Eligible Projects exceeds, or at least is equal to, the net amount of Green Financing Instrument proceeds raised under this Framework.

The Group companies have set up internal procedures to track on the company and the instrument level the use of proceeds of its green financings and has established a register to monitor the Green Eligible Projects.

GEH plans to temporarily hold any unallocated proceeds in cash and cash equivalents. For the avoidance of doubt, unallocated proceeds will not finance GHG-intensive activities or any other activity inconsistent with this Framework.

GEH intends to allocate the net proceeds of each tranche within 36 months from its respective date of issuance.

## Reporting

Within 1 year of bond issuance, and annually thereafter until the full allocation of the bond and/or loan funds will be achieved, Green – Energy Holding LLC and any of the Group’s bond issuer companies will make available an Allocation Reports.

Until an amount equal to the net proceeds has been earmarked in full to Eligible Green Projects, and later, in case of any material change in the list of Eligible Green Projects earmarked, the GEH and any of the Group’s bond issuer companies will publish annually Allocation Reports. The reports will be publicly available at [edgeorgia.ge](http://edgeorgia.ge).

With the aim of providing disclosure on the allocation of net proceeds, the Allocation Reports will include separately regarding companies and instruments:

- 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,
- The balance of unallocated proceeds.

It is anticipated that the Allocation Report will also include key performance metrics, subject to the availability of suitable information and data:

- Annual renewable energy generation in MWh/GWh for electricity and GJ/TJ for other energy sources
- Capacity of renewable energy plants constructed or rehabilitated, measured in MW

- Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent/a

Green – Energy Holding LLC will also report on the material developments related to Eligible Green Projects, including ESG controversies and issues, where feasible and relevant.

## External Review

### Second-Party Opinion

*Morningstar Sustainalytics* has been appointed to review the Group's Green Financing Framework and ultimately verify its alignment with the ICMA Green Bond Principles, Green loan Principles and market practices. The Second-Party Opinion can be found at: [Link](#)

The Group also intends to commission a Compliance Review after the full allocation of any Green Financing 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.

## Annex 1

| HPP            | Location                 | Capacity (MW) | Year of Commissioning | Load factor, %     | PPA price, US\$/kwh | PPA coverage | PPA expiration |
|----------------|--------------------------|---------------|-----------------------|--------------------|---------------------|--------------|----------------|
| Sashuala HPP   | Chokhatauri Municipality | 2.25          | 2022                  | 53.8% <sup>7</sup> | N/A                 | N/A          | N/A            |
| Sashuala HPP 1 | Chokhatauri Municipality | 8             | 2021                  | 48.7%              | 6                   | 8m/10Y       | 28/07/2031     |
| Sashuala HPP 2 | Chokhatauri Municipality | 5             | 2019                  | 50.7%              | 6                   | 8m/10Y       | 01/10/2030     |

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<sup>7</sup> P50 planned data is used to calculate load factor

## Disclaimer

This Green Financing Framework (the “Framework”) is intended to provide non-exhaustive, general information.

The Framework may contain or make reference to information not separately reviewed, approved or endorsed by Green – Energy Holding LLC (“GEH”) and, accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the GEH as to the fairness, accuracy, reasonableness or completeness of such information.

The Framework may contain statements about future events and expectations that are forward-looking statements. None of the future projections, expectations, estimates or prospects in the Framework should be taken as forecast or promise nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared, are correct or exhaustive or, in the case of the assumptions, fully stated in the Framework.

The reference to compliance of operations of the GEH to the Georgian Law and EU legislation should not be taken as, an assurance or guarantee.

The GEH has and undertakes no obligation to update, modify or amend the Framework or the statements contained herein to reflect actual changes in assumptions or changes in factors affecting these statements or to otherwise notify any addressee if any information, opinion, projection, forecast or estimate set forth herein changes or subsequently becomes inaccurate.

It should be noted that some of the expected benefits of the Eligible Green Projects referred to in the Framework might not be achieved.

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