



PRIME CONCRETE

# GREEN / BLUE BOND FRAMEWORK

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## 1. Introduction

Prime Concrete LLC (hereinafter "Prime Concrete", and "We") is the leading Contracting and Materials Company operating throughout Georgia, specializing in Civil Engineering, Water Infrastructure, and Port Construction. As contractors, we have experience in delivering civil engineering, project management, and specialist building services for:

- Marine and Ports' infrastructure
- Road construction
- Water supply and wastewater treatment facilities
- Industrial facilities

In recent years, as EPC contractors, we have worked on projects such as:

- The reconstruction container berth #7 of APM Terminals at Poti Port
- Construction of the Inland Container Terminal,
- Construction of the new berth and cofferdams for the PACE Terminal at Poti Port.
- Construction of WWTP in the municipalities of Zugdid, Anaklia, Poti, Ureki and Tbilisi

Prime Concrete's construction materials division manufactures a range of high-quality building materials and products, including Rady-mixed concrete, aggregates, concrete blocks and paving stones, precast concrete elements.

The company's revenue has risen above 10 million USD in recent years, and we employ between 250 and 300 staff depending on project requirements.

Prime Concrete has created and implemented Health, Safety, and Environment (HSE) practices and Quality Assurance procedures based on international standards. Currently, the company is undergoing an international audit and by June 2023, its procedures are expected to be certified according to ISO 9001, ISO 14001, and ISO 45001.

## 2. Objectives of the Green Bond Framework

As the marine construction leader in Georgia, we understand that the execution of our projects has a significant environmental global and socio-economic local impact on the communities. Prime Concrete wishes to contribute to rising ambition in the achievement of the Paris Agreement goals and thus goes to capital markets to raise capital with the help of a green bond. At Prime Concrete we also understand our responsibility to focus on educating our staff, establish sustainable working practices and use state-of-art technologies and equipment that will enable us to protect the environment and contribute to the global effort to combat climate change.

Following the recommendations of the updated Green Bond Principles (GBP) published by the International Capital Market Association (ICMA, in June 2021) and to facilitate transparency, disclosure, and integrity in the Green Bond issuance process, we have developed our own Green Bond Framework.

We use the following four pillars: (i) Use of Proceeds, (ii) Process for Project Selection and Evaluation, (iii) Management of Proceeds, and (iv) Reporting, to demonstrate our efforts in launching a credible Green Bond as per international standards and to aid investors to access the information necessary to evaluate the environmental impact of their Green Bond investments.

Other guiding principles that we have incorporated into our Green Bond Framework are the United Nations Sustainable Development Goals (UN SDGs). We are also considering several national legislative documents, such as Georgia's 2023 Climate Strategy and Action Plans and the Sustainable Finance Taxonomy developed by the National Bank of Georgia and passed by the Georgian Parliament in August 2022. In this way, we are not only building sustainable business practices, but we are also contributing to Georgia's national commitment to the Paris Agreement. With our Green Bond Framework, we will strive to always align with the newest national and international goals and ambitions. Thus, the document may be amended and updated in accordance with national/international standards and market changes. Prime Concrete developed its materiality matrix with the aim of positioning its Sustainable Development Goals (SDG) commitments in the business model as well as in its relations with stakeholders.

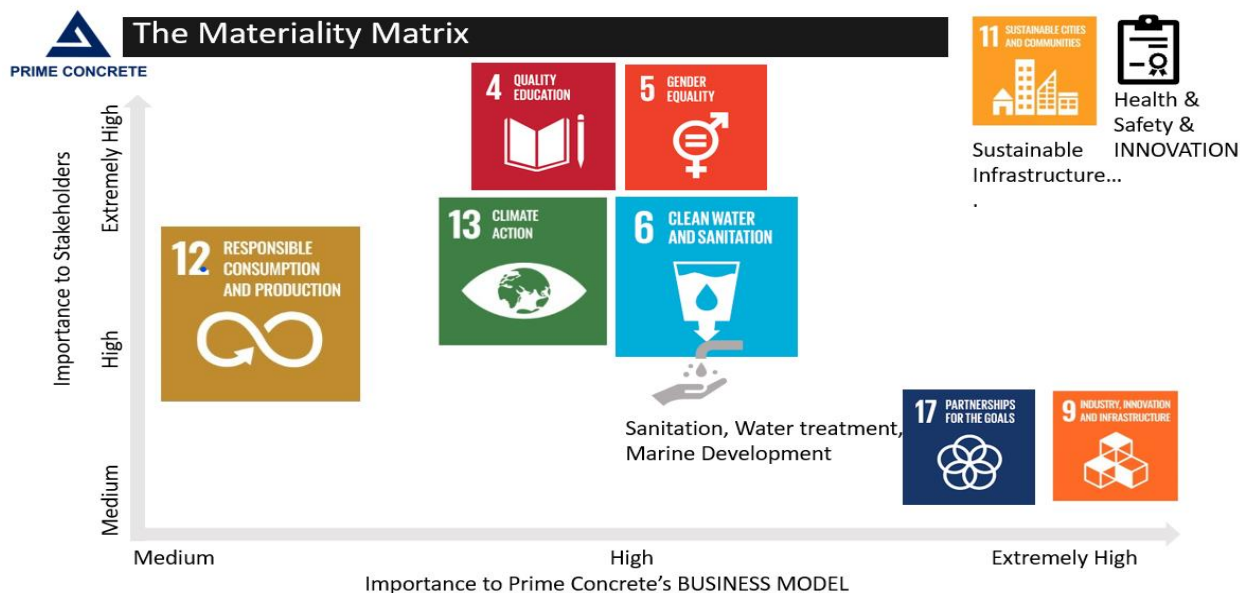














Figure 1: Materiality Matrix with SDG Goals

### 3. Green Bond Framework



#### 3.1. Use of Proceeds

Prime Concrete recognizes the need and responsibility to transition towards low-carbon business models and sustainable working practices. Net proceeds from the Green Bond issuance will be used to finance and refinance Eligible Green Projects according to International Capital Markets Association’s (ICMA) Green Bond Principles (GBP). ICMA’s Green Bond Principles list broad categories of eligible assets. Being aware of the global efforts for sustainable development, we are also subjecting our Green Bond Framework to the UN Sustainable Development Goals (SDGs).

Use of Proceeds Category	Re-finance	New Projects	Eligible Green Projects Categories	Green / Blue Bond	SDG Goal Alignment
GGBS – reduction of use of cement	√	√	- Pollution prevention and control. - Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products		
Fuel economy / renewed park	√	√	- Pollution prevention and control. - Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products;		
Solar panels	x	√	- Renewable energy		
Production facilities; and X-blocks – environmentally friendly solutions in engineering	√	√	- Pollution prevention and control. - Terrestrial and aquatic biodiversity. - Sustainable water and wastewater management - Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products;		
Recycle water and aggregates	x	√	- Sustainable water and wastewater management. - Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products;		
Wastewater treatments	x	√	- Sustainable water and wastewater management.		

For the above-mentioned ICMA-compliant Project Activities and as a cross-cutting priority for all Prime Concrete operations, we identify health and safety, gender equality, quality education, and partnerships for the future as crucial pillars of our business; thus, our commitment spans the following SDGs.



Across our supply chain and client base, we commit to  SDG partnerships. The UN Global Compact's Corporate Responsibility Award 2021 Business for Sustainable Development has selected APM Terminals Poti, our client, as the winner of the nomination Sustainable Cities and Communities (SDG 11 ).

### 3.2. Process for Project Evaluation and Selection

At Prime Concrete, we have committed to creating a dedicated Green Bond Committee responsible for screening, evaluating, and selecting financed and/or refinanced projects using the proceeds from the Green Bond(s).

The Green Bond Committee comprises a team of 5: Tinatin Zhizhiashvili, Alexander Sokolowski, Giorgi Burdiashvili, Shota Rukhadze and Tea Kuchava. The Committee reports directly to Board of Directors and meets once per quarter. Decisions made by the Committee are to be made by a majority vote. Within the mandate of the Committee fall the following tasks:

- 1) Screening and evaluation of Eligible Green Projects as per the criteria set out in Section 3.1 Use of Proceeds
- 2) Approve projects where there is a high likelihood that the long-term environmental effects are positive.
- 3) Follow market and international standards changes and update the GBF accordingly.
- 4) Discuss, research, and where needed seek expert advice in order to determine if a given project is compliant with the GBP.
- 5) Keep a clear record of finances – report expenditures related to the selected projects.

### 3.3. Management of Proceeds

The company's Finance Department will manage the net received distribution of funds using the established register. The company will allocate proceeds for refinancing and green projects throughout the term of the Bond.

The company will discuss and design a system for tracking, monitoring, and ultimately reporting of funds raised through the Green Bond issuance. The Treasury will also be responsible for determining which types of investment will be eligible as temporary

investments pending the allocation of proceeds to projects under Section 3.1 Use of Proceeds.

### 3.4. Reporting

The company assumes responsibility for providing the distribution of Bond proceeds and impact reporting, which will be published on the company's website every year until the end of the term of the Bond. The report shall include the following information: the total amount allocated to eligible projects, The share of received funds allocated for the refinancing of relevant projects, and the balance of unused funds. In addition, Company undertakes the responsibility of reporting relevant impact indicators.

#### a. Allocation Reporting

The *Allocation Report* will be published on a regular basis and will focus on the funds allocated to Eligible Green Projects. The report will include a list of the projects to which proceeds have been allocated and a detailed description. It will also present a clear record of the amounts allocated to the individual projects and the cumulative bond proceeds allocated to each category from the GBF.

#### b. Impact Reporting

An environmental impact reporting is part of the reporting process, and its aim is to communicate to investors the expected and/or achieved environmental impacts as a result of the eligible projects to which Green Bond proceeds have been allocated.

KPI	Unit	Global Reporting Initiative Category
Proceeds allocated to eligible projects	USD	Not applicable
GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO <sub>2</sub> equivalent	Metric tons of CO <sub>2</sub> e avoided	GRI Standard 305-5
Renewable energy capacity (solar) installed	kW	GRI Standard 302
Wastewater reduced as a direct result of concrete production water recycled	Liters of water recycled annum	GRI Standard 303-3

The company will develop its own Climate Action Strategy, in line with Georgia's 2030 Climate Action Strategy, within one year of issuing the green/blue bond. Thus, starting from H2/2024, Prime Concrete will report the reduced GHG emissions at the eligible projects and company levels.

Where possible, Prime Concrete will test the achieved results against a set of reference values, or ex-ante; the project development will set baseline-year values against which results will be measured. Data obtained during the reporting stage should be made transparent in the report. The report should detail the methodology used and describe the impact indicators used. However, it is accepted that – even given the best endeavors – the achieved impacts may defer from the expected results. Overall, the following key performance indicators will be reported:

The overall Greenhouse gas emissions from the operation equals 8,690 tons CO<sub>2</sub>eq. /year; the specific emissions per 1 m<sup>3</sup> of product equals 224.49 kg CO<sub>2</sub>eq./m<sup>3</sup>, the same value per ton of casted concrete 86.34 kg CO<sub>2</sub>eq./ton. The factual reduction of the emissions achieved in 2022 was 1,150 tons of CO<sub>2</sub> eq/year, which is appx 13 % of the company's overall emissions. Prime Concrete plans to continue improving the company characteristics focusing on further reduction of greenhouse gas emissions. The reduction can realistically reach a value of 2 thousand tons of CO<sub>2</sub> eq/year, which is a very significant target compared to estimates with old technology for 2022. This can result in a 10% further reduction per unit of final product.

The installed capacity of solar panels will be 395 kW, with expected production of 488,000 kWh per annum.

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#### **4. External Review**

Prime Concrete will have its Green Bond Framework reviewed by an experienced external reviewer, who will assess its validity and alignment with the GBP. In addition, the Green Bond Framework and the Second Party Opinion will be publicly available on Prime Concrete's website.