

# Environment and Social Compliance Audit Report

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Project Number: 54433-001  
September 2021

## Georgia: M Square Affordable Housing Project

Prepared by Paragon Ltd. for Asian Development Bank.

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# Environmental and Social Compliance Audit Report

## White Square Affordable Housing Project

Tbilisi, Georgia

February – August 2021

Report – Final

Client		Projects No:			
"Optima" LLC					
By					
BHP - Paragon					
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## 1. Corrective Action Plan (CAP)

The following table summarizes key E&S issues found for the sites visited by Paragon (**the Consultant**) auditors supported with the documents reviewed and interviews with selected personnel of the Georgia Real Estate daughter company – “White Square”, the commercial brand name for “Optima” LLC (**the Company**) and “BK Construction” company (**the Contractor**). In addition to that the interviews with local resident representatives were also conducted as part of the site visits.

Table 1.1: Findings and Recommended CAP

No	E&S Safeguards	Findings/Gap Analysis	Risk Level	Recommendation	Responsible persons	Completion Timing	Estimated budget/Resources	Completion Indicator
1	Organizational capacity	Based on interviews the Company representatives, and the Contractor are jointly running 3 construction project sites. Some of the Environmental responsibilities are assigned to HS officers and some of those to the Problem actives manager. However, companies do not have designated and qualified Environmental and Social personnel on place.	M	Appoint qualified E&S officer, or independent consultant for properly managing the E&S issues of the “Mirtskhulava” and “Chkondideli” projects	The Company	Prior to disbursement	Cost for additional personnel is not indicated at this stage	Appointment of E&S personnel - agreed
2	Environmental Safeguards 9. Pollution prevention	General aspects of the waste management are incorporated in the Company Environmental and Social Management plan. However, according to Georgian waste code, all companies producing more than 200 tons of domestic waste, 400 tons of construction waste and hazardous waste in any quantities are obliged to develop specific waste management plan and agree it with the Ministry of Environmental Protection and	H	Waste Management Plan to be developed as described in Georgian waste code and agreed with the MEPA and ADB.	The Company	Within 3 months after disbursement	\$1500 for hiring the consultant	Project dedicated Waste Management Plan - agreed



		Agriculture (Georgian waste code Article 14)						
3	Environmental Safeguards 9. Pollution prevention / Country Safeguard System	Environmental and Social Management Plan chapter 5.6 Waste Management states that proper waste segregation should be implemented on site. According to the Georgian Waste Code, the Hazardous, Non-hazardous and construction waste shall be segregated. However, during the site visits the following was observed: <ul style="list-style-type: none"> <li>• There is no designated temporary storage or collection area for Hazardous waste.</li> <li>• At “Chkondideli” project site, municipal and construction waste was mixed and stored together</li> </ul>	H	The Contractor shall establish adequate waste segregation process on sites in accordance with the Georgian Waste Code and Environmental and Social Management Plan 5.6	The Contractor	Prior to disbursement	Management time/ costs for development of the hazardous waste collection points to be calculated	Hazardous waste collection areas; Improved waste segregation on construction sites – agreed
4	Environmental Safeguards 9. Pollution prevention	Environmental and Social Management Plan 5.6 Waste Management states that all waste (including hazardous, municipal and construction waste) collection points should be isolated, signed and indicated on site maps. During the site	L	Waste disposal locations shall be isolated, provided with signs and included in site plans	The Contractor	Prior to disbursement	Management time	Waste disposal locations. Signs for waste collection areas. Updated site plans – agreed (Davit Oniani)

		visits, the following was observed: <ul style="list-style-type: none"><li>• construction waste collection areas are not signed with adequate information labels</li><li>• waste collection points are not indicated on site plans</li><li>• several locations with domestic waste disposed observed at both sites</li></ul>						
5	Environmental Safeguards 9. Pollution prevention	During the visit of “Chkondideli” project site, ground contamination with hydraulic oil was observed under the crane. As the audit team was informed, crane belongs to contractor and ground contamination was caused by changing the hydraulic oil. No spill/leak preventive equipment (such as drip trays, oil spill absorbents etc.) were observed on site. As a result of oil leak, more than 1m2 area of soil mixed with gravel was contaminated.	M	As the sites are not equipped with maintenance yards, all mobile equipment maintenance shall be completed outside of site in designated mechanical yards. In case of emergency maintenance, pollution prevention/spill response equipment shall be used. All personnel, including contractors shall receive adequate pollution	The contractor	Provision of locally available equipment (drip tray) – prior to disbursement. / Provision of the equipment to be purchased abroad – two months after disbursement	Management time \$1500 to purchase pollution prevention/spill response equipment for both sites.	Training records Pollution prevention/spill response equipment – agreed (one pager procedure would also be required)

				prevention/spill response trainings.				
6	Environmental Safeguards 9. Pollution prevention	Health and Safety Management Plan 5.3.10 Materials storage, handling and transportation indicates the requirements for the storage of chemicals. Including storage areas design, labelling and provision of the MSDSs for every type of chemicals used at site. During the site visit it was observed that separate chemical storage is not available. However, at “Mirtskhulava” project site some cement bags and drum of mineral oil-based chemical were observed. According to the information provided by site personnel, the MSDS is not available for above mentioned chemicals.	M	Proper chemical storage area shall be developed in accordance with Health and Safety management plan 5.3.10. MSDS shall be provided for each type of chemicals	The Contractor	Prior to disbursement	Management time	Chemical storage areas - agreed  MSDS for chemicals - agreed
7	Environmental Safeguards 9. Pollution prevention	During the site visits, it was observed that there is no designated concrete wash down facility at either site (“Mirtskhulava” and “Chkondideli” project sites). As it was identified, the concrete mixer tracks conducted the wash	L	Develop designated concrete wash down facilities (pits)	The Contractor	Two months after disbursement	Management time	Developed concrete wash down facilities (pits) - agreed

		down of the equipment from excessive concrete at various locations without control.						
8	Involuntary Resettlement	35 apartments are currently occupied by owners or owner representatives, and 4 apartments have been modified to prepare for occupation. Due to the need to a) complete the apartment blocks to meet purchase contract agreements with owners; and b) undertake such work creating an unsafe environment for current residents, the occupants of the apartments will need to temporarily relocate. Residents have agreed to voluntarily relocate at their own expense for the agreed time required to complete the apartments. However, given the H&S risks posed, this impact is not exclusively voluntary and as such triggers ADB SPS Involuntary Resettlement and as such requires a mitigation plan.	H	<p>In line with ADB SPS requirements for Existing Facilities, the project is required to undertake measures to manage the risks and impacts:</p> <p>1) develop a Temporary Relocation Plan which includes the following:</p> <p>i) Details of representatives of each affected residence;</p> <p>ii) Socio-economic data including vulnerability assessment;</p> <p>iii) Details regarding consultation and the voluntary agreements;</p> <p>iv) Access to grievance mechanism;</p>	The Company	<p>1) Prior ICM with ADB</p> <p>2) Every 3 months following ICM</p>	Management time.	<p>1) Temporary Relocation Plan submitted to ADB for clearance</p> <p>2) Engagement / status updates submitted to ADB in semi-annual social monitoring report.</p>

				<p>v) Monitoring activities and regular vulnerability assessments of affected parties with commitments to support as required.</p> <p>2) Undertake quarterly engagements with affected households providing project updates, capturing any concerns, and undertaking vulnerability assessment as indicated in the Plan.</p>				
9	Labour Standards	Article 48 paragraph 1 and 2 of Georgian Labour Code indicates the conditions of personnel redundancy. These conditions are not reflected within the samples of contracts or in corporate handbook of employees. All the rest of the relevant aspects of the labour code are incorporated within the Company corporate handbook	L	When the contract does not fully reflect the legal requirements, the cases are regulated by the articles of the current law and it has precedence over the contract. However according to the best practices and in the	The Company	Within one month after disbursement	Management time	Updated corporate handbook of employees or contracts

		of employees and GCAP Code of Conduct		best interests of the employees, it is recommended that the above-mentioned article be reflected in the contract or corporate handbook of employees.				
10	59. Grievance Redress Mechanisms – 1) Community and 2) Employee	Environmental and Social Management Plan section 5.10.1 Complaints, and Grievance Mechanism obliges the company to have the Community complaints procedure to govern all related activities, performance tracking and closures which is not developed. Community Grievance redress registry is in place, however not utilized and no grievance recording demonstrated. No separate employee Grievance Redress Mechanism was available.	M	<p>i) Develop Complaints procedure; fill in grievance redress registry for all complaints (including all historical)</p> <p>ii) Implement the community complaints procedure through community awareness raising as part of the SEP implementation. The details shall be made publicly available and shall include hotline telephone no.s or emails to raise</p>	The Company	<p>i) Prior to disbursement</p> <p>ii) Within 3 months of disbursement</p>	Management time	<p>i) Developed Community Complaints procedure including filled in grievance redress registry and submit to ADB for clearance</p> <p>ii) Implement the Grievance Redress Mechanisms, both Community and Employee as per the Initial Environmental Examination for the project</p>

				complaints as part of implementation.				
11	Community Health and Safety	The railway running through the “Mirtskhulava” project site represents the safety issue during the operational phase of the project.	M	Erect the lightweight safety wall not less than 2 m high along both sides of the railway.	The Company	As part of the project construction completion	USD 70,000	Lightweight safety wall erected
12	Environmental Safeguards 9. Pollution prevention	The existing Environmental and Social Management Plan requires periodic dust monitoring; however, no specifics are indicated. No indication of noise monitoring was also present during the audit.	M	The newly developed Initial Environmental Examination Impact mitigation matrix describes frequency and parameters to be monitored as well as the locations of monitoring.	The Company	As per Initial Environmental Examination E&S Impact and Mitigation Matrix	\$2500 per round of monitoring for both sites. Demolition activities are required at one Project site, hence monthly monitoring during this period to be about \$1500	Noise and dust monitoring reports as per set frequency

## 2. Acronyms and Units

Acronyms	Definitions
ADB	Asian Development Bank
ADB' s SPS	ADB Safeguard Policy Statement
m.a.s.l.	Meters Above Sea Level
CAI	Completion Acceptance Inspection
CAP	Corrective Action Plan
GCAP	Georgia Capital PLC
HSE	Health, Safety and Environmental
HSES	Health, Safety, Environmental and Social
EIA	Environmental Impact Assessment
EPB	Environmental Protection Bureau
ERP	Enterprise Resource Planning (database)
E&S	Environmental and Social
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
HR	Human Resource
IFC	International Finance Corporation
ILO	International Labour Organization
ISO	International Standardization Organization
km	Kilometre
km2	Square kilometre
LLC	Limited Liability Company
M	Meter
2m	Square meters
MEPA	Ministry of Environmental Protection and Agriculture (Of Georgia)
MLC	Most Likely Cases
PLC	Public Limited Company
PPE	Personal Protective Equipment
Q HSE	Quality, health, Safety and Environmental
RWC	Reasonable Worst Cases
SIA	Social Impact Assessment
SPS	Safeguard Policy Statement
WHO	World Health Organisation



### 3. Introduction

#### 3.1 Project Background

The Company “White Square” LLC, the commercial brand name for “Optima” LLC, is 100% owned by “M2 Group” LLC, (M2 Group) which is wholly owned by “Georgia Capital” PLC (GCAP) listed in the London Stock Exchange, through JSC “Georgia Real Estate” (GRE). The Company is responsible for the overall completion of the project which comprises development of two residential areas. The Contractor “BK Construction” LLC is construction contractor of the Company for this specific project.

Figure 3.1: Company Structure



The development project described within this Environmental and Social Compliance Audit Report (ESCAR) was originally initiated in 2016 by the “Sveti Group” Ltd., “Sveti Development” Ltd., “Sveti Nutsubidze” Ltd (“joint owners”), however due to the inability to complete the project, it was transferred to the Company in 2018. Following intervention by the Tbilisi Municipality and the Company in 2019, development of the three complexes was revived. The project’s implementation was re-initiated in 2020 and is currently planned to be completed in 2023.

Two out of three project sites – “Mirstkhulava” and “Chkondideli” are subject to this ESCAR.

Construction of the housing complexes resumed in 2Q 2020 and is expected to be completed by 2Q 2023 by the Contractor, a leading Georgian construction company with over 27 years of experience. The Contractor was acquired in 2017

by the Company, however due to the latest 2021 changes it was separated from the Company and is currently operating as independent construction contractor.

Regardless of the latest changes, the Contractor adheres to the Company policies, plans and procedures for the purposes of completion of “Mirtskhulava” and “Chkondideli” projects.

After conducting due diligence and agreeing with a plan with all stakeholders (including additional floor space in these projects - to make them economically viable projects), a Memorandum of Understanding (MoU) was signed in September 2019 between Tbilisi Municipality and the Company, under which the unencumbered title to the land and all the project development rights were transferred from “Sveti” to the Company.

The Project offers affordable, cost-efficient apartments in “white finishing” condition. This is above local market standards, where most apartments are sold under “black frame”, being left with cement finishing - without plumbing or electric system. Pre-sales of the apartments started in May 2020, and 14,044 sqm have already been sold (11% of the aggregate sellable area) as of 15 October 2020.

Both housing complexes will cater to low/low-middle income populations as they are in blue-collar neighbourhoods – with old-styled Soviet-blocks, trading warehouses, and near railway stations. The complexes will include common areas including green areas, basketball courts and commercial spaces, which are rare in Tbilisi.

Available detail regarding the two housing developments of “Chkondideli” and “Mirtskhulava” are summarized in the table below.

The Project comprises a 10-residential-building development at “Mirtskhulava” and a 12-residential-building development at “Chkondideli” project site. The development area of the “Mirtskhulava” residential project covers 25,365 m<sup>2</sup> of land with buildings overall area being up to 205,289 m<sup>2</sup> (1,667 the Company sellable apartments). The development area of the “Chkondideli” residential projects covers 31,011 m<sup>2</sup> of land with buildings overall area being 136,722 m<sup>2</sup> (905 the Company sellable apartments).

Table 3.1: Summary of the project

Project sites	Location	Buildable area (m <sup>2</sup> )	No of buildings	Sellable area (m <sup>2</sup> )
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“Mirtskhulava” project site	Alio Mirtskhulava street, Didube district, Tbilisi, Georgia	205,289	10	91,630 (1,667 apartments)
“Chkondideli” project site	Giorgi Chkondideli street, Didube district, Tbilisi, Georgia	136,722	12	49,697 (905 apartments)

The Asian Development Bank (ADB) is considering provision of a secured loan to the Company to partially finance the construction and finalization of the “Chkondideli” and “Mirtskhulava” project site housing complexes. In connection with the potential financing of the Project and to ensure the Company meets ADB’s safeguards and social requirements, the Company commissioned the Consultant to undertake Environmental and Social Due Diligence, through the conduct of this Environmental and Social Compliance Audit (ESCA) between February and March 2021. The Consultant is also undertaking the Initial Environmental Examination (IEE) and reviewing and strengthening the ESMP for the Project.

The ESCA at project level is based on assessment against the Applicable Framework detailed in Section 4.1.

### 3.2 Objectives of the Audit

The objective of the Audit is to determine whether the Project is in compliance with the requirements of the Applicable Framework and to identify and plan appropriate measures to address outstanding compliance issues. On this basis, the ESCA includes:

- E&S compliance checks of the Project against national and international (where no national legislation is in place or superseded with international for the purposes of the audit) regulatory E&S requirements as stated in the Applicable Framework.
- Identification of any E&S gaps, issues, and risks that may have a material influence on project completion and operations, and on the compliance and reputational status of the Project; and
- Development of an appropriate corrective action plan (CAP) for the Project, including a budget and time frame for the resolution of any activities or processes which are non-compliant.

### 3.3 Report Structure

The remaining sections of this report are structured as follows:

Section 2: Scope and methodology of this ESCA.

Section 3: Key findings of this ESCA.

Section 4: Corrective Action Plan.

This Audit report is supported by the following annexures:

Annex A: Table of Documents Reviewed.

Annex B: Table of Interviewees.

Annex C: Photo Log for Projects Visited.

Annex D: Audit interviews protocol

### 3.4 Limitations

The audit report is prepared in accordance with a scope of work agreed by the Company and the Consultant, including support from ADB safeguards specialists. The results of the ESCA are based on conditions at the time of onsite visits and documents provided by the Company as well as information obtained during the relevant personnel. A change in any of these conditions may alter the findings, observations and report content presented herein by the Consultant. A site walkthrough, by nature, is limited in its ability to fully assess potential Health, Safety, Environmental and Social (HSE&S) liabilities or concerns associated with a property. Further investigations would be required to identify the presence or absence of potential HSE&S liabilities but are beyond detection by performance of the scope of this Audit project. Laws and regulations, if referenced in this report, are provided for information purposes only and should not be construed as legal opinion or recommendation.

## 4. Scope and Methodology

#### 4.1 Applicable Standards

Project compliance will be assessed against the following standards and guidelines, in addition to the applicable Georgian and Tbilisi municipality legislation, regulations and standards:

- a) ADB Safeguard Policy Statement (SPS), 2009.
- b) ADB Social Protection Strategy, 2001.
- c) ADB Gender and Development Policy, 1998.
- d) ADB Access to Information Policy, 2019.
- e) World Bank Group/IFC EHS as well as sector specific Guidelines.
- f) International Covenant on Economic, Cultural and Social Rights and relevant ILO Core Labour Standards Conventions.
- g) Waste Code of Georgia, 2014.
- h) Georgia Standard of Environment Noise; Technical Regulation Georgia N398, 2017.
- i) Environmental Quality Condition Normative, Technical Regulation N 297/N addition 38/N, 2003.
- j) Labour Code of Georgia, 2010.
- k) Other relevant good industry practice guidelines and related documents.

#### 4.2 Scope of the Audit

With reference to the Terms of Reference agreed between ADB and the Consultant, in compliance with the requirements of ADB SPS for Existing Facilities (SPS Appendix 4 Section F), an Environmental and Social (E&S) Compliance Audit, including on site assessment requires to identify past or present concerns related to impacts on the environment, involuntary resettlement (IR) and Indigenous Peoples (IP) labour and gender. The audit was conducted to determine whether actions were in accordance with ADB’s safeguard and social requirements, and to identify and plan appropriate measures to address outstanding compliance issue. Based on the findings of the audit, a time-bound Corrective Action Plan (CAP) is developed, and to be agreed with the Company and ADB.

#### 4.3 Audit Approach

An integrated approach with three steps was undertaken as follows.

##### Step 1: Document Request and Desktop-based Review

The Consultant requested from the Company the documents policies and official commitments related to environmental, health, safety and social safeguards; information about any departments, divisions and/ or teams in the Company for environmental and social safeguards; information about the system to manage environmental and social safeguard impacts and risks; information about the Company training system for staff regarding environmental and social safeguards; human resource management; information about the Projects’ main stakeholder groups, activities through which they are engaged and consulted, and any grievance redress system and its results log; and information about the environmental, health, safety and social monitoring and reporting system of the Company.

Annex A lists the key documents provided by the Company and reviewed by the Consultant as part of the Audit process.

##### Step 2: Onsite Audit

The Consultant conducted onsite visits to the 2 sites and head office of the project on 19<sup>th</sup>, 20<sup>th</sup> and 21<sup>st</sup> of February 2021, accompanied by the Company and the Contractor representatives. During the site visits, the Consultant personnel:

- Conducted selected interviews with project management (listed in Annex B) and other stakeholders;
- Conducted a 1-day site visit and visual observation of the Projects and immediate context; and
- Reviewed the implementation and compliance status of the environmental and social mitigation and management measures.

Annex C presents the photo log for the project sites visited.

Annex D provides tabulated protocol of the interviews with the Company and the Contractor representatives, on-site employees, and community representatives at “Mirtskhulava” and “Chkondideli” project sites.

### Step 3: Gap Analysis and Reporting

Based on the information obtained during Steps 1-2, gaps against the applicable E&S audit framework in Section 4.1 were identified at project level. A Corrective Action Plan (CAP) setting out the steps that would be required to close the identified gap(s) is outlined in Section 7.0, Table 7.1.

### 4.4 Risk Categorization

Risk levels were adopted in evaluating identified E&S risks and issues against the Applicable Standards: “High”, “Medium” and “Low” risks as defined in Table 4.1

Table 4.1: Definition for Risk Categorization

Risk Level	Definition
Red Flag	Trigger of ADB SPS Prohibited Activities, legal and or regulatory consequences, or issue with potential severe consequences and limited opportunities of mitigating, leading to operation shut down (e.g. catastrophic or multiple-casualty accidents; large community or NGO protest(s); reputational damage/possibilities of significant reputational risks arising in the future; impacts to sensitive environmental and social receptors including critical habitats and Indigenous Peoples/Ethnic Minorities/Tribes and criminal proceedings).
H	Significant non-conformance with the Applicable Framework, which may result in operation/construction interruption; and/or affect sensitive receptors, and/or induce community opposition that may damage Owner’s/Investor’s reputation.
M	Non-conformance with the Applicable Framework, which may result in rectification cost or fine, and is unlikely to result in the short-term business discontinuity in current regulatory enforcement context.
L	Minor regulatory or safeguard non-compliance, which may result in limited cost or only require management time to address the issue.
BP	Best practice: approach is considered prudent but does not pose a compliance issue.

## 5. Compliance Audit of Projects Sites



## 5.1 Overview

The two construction sites which comprise the Project were audited to assess past and present activities to identify concerns related to impacts on the environment, involuntary resettlement, and Indigenous Peoples, labour and gender issues.

Figure 5.1: Project Location “Mirtskhulava” site



Figure 5.2: Project Location “Mirtskhulava” site – project aerial





Figure 5.3: Project Location “Chkondideli” site



Figure 5.4: Project Location “Chkondideli” site – project aerial

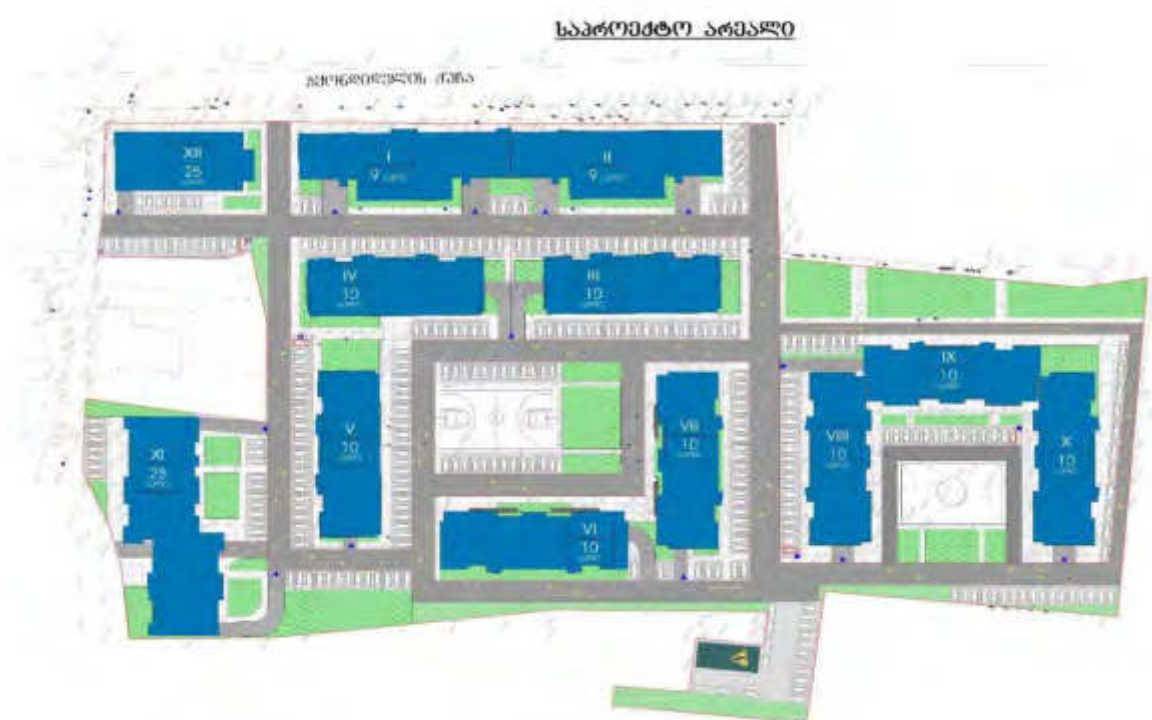


Figure 5.5: Projects’ Locations – “Mirtskhulava” and “Chkondideli” - aerial



Up to 90% of population in Tbilisi are national Georgians. There are other representatives of other nationalities in the city, mainly they are Armenians, Azerbaijanis, Kurds and other minorities.

## 5.2 Health, Safety and Environmental (HSE) and Social Management

The Project is subject to the HSE policies and plans of the Company and/or overarching policies and plans of the Georgia Capital depending on the availability and applicability of each specific document.

The management of HSE&S risks can be strengthened by providing training to the construction contractors as well as regular on-site monitoring. The daily Health and Safety toolbox talks are conducted to the site personnel. All visitors go through Health and Safety site induction and are provided with the Personal Protective Equipment (PPE) where required. Evacuation plans are available at sites.



### 5.3 Projects description

The “Mirtskhulava” and “Chkondideli” project sites are located in Didube and Nadzaladevi district of Tbilisi respectively, on the streets with the same respective names, which are both heavily settled residential areas.

At the time of the site visit, most of the construction activities covering 7 residential buildings were under construction while 3 buildings’ (buildings 7, 9 and 10) construction and the landscaped areas and playgrounds were not initiated at “Mirtskhulava” project site. At the time of site visit, construction activities covering 11 residential buildings were ongoing while 1 building (Building 12) construction and the landscaped areas and playgrounds were not initiated at “Chkondideli” project site. The project management head office reported that the overall Project is expected to be completed in 2023.

The development area of the “Mirtskhulava” residential project site covers 25,365 m<sup>2</sup> of land. According to the submitted project, the open space of the facility is 12,500 m<sup>2</sup>. Out of the overall open space 5,500 m<sup>2</sup> is designated for development of internal yards and green zones. Remaining 7,000 m<sup>2</sup> of open areas will be used for development of open parking, internal roads, and playground.

The development area of the “Chkondideli” residential project sites covers 31,011 m<sup>2</sup> of land. According to the submitted project, the open space of the facility is 12,400 m<sup>2</sup>. Out of the overall open space 4,400 m<sup>2</sup> is designated for development of internal yards and green zones. Remaining 8,000 m<sup>2</sup> of open areas will be used for development of open parking, internal roads and playgrounds.

A total of 2,160 “Mirtskhulava” project site apartments are designed in the area (from 40 m<sup>2</sup> to 150 m<sup>2</sup>) out of which 1,667 apartments are sellable by the Company while the remainder 493 apartments to be transferred to the original customers of the previous project’s development company “Sveti” as part of the legacy agreement. 303 underground parking, 177 overground parking (for common use) and one playground will be developed. The charging stations for electrical vehicles is planned to be installed at open areas of the site.

A total of 1,547 “Chkondideli” project site apartments are designed in the area (from 40 m<sup>2</sup> to 150 m<sup>2</sup>) out of which 905 apartments are sellable by the Company while the remainder 642 apartments to be transferred to the original customers of the previous project’s development company “Sveti” as part of the

legacy agreement. 168 underground parking, 302 overground parking (for common use) and one playground will be developed. The charging stations for electrical vehicles are planned to be installed at open areas of the site.

Out of total “Chkondideli” project site apartments 39 are currently occupied by the factual owners – 35 households actually living in the apartments and 4 apartments locked while their owners live elsewhere.

Tbilisi is traditionally mixed cultures area with no ethnic minority dominated communities. No naturally protected areas, buffer zones of protected areas, wetlands, mangrove, estuarine, or cultural heritage are identified in the vicinity of the project sites’ areas.

## 5.4 Environment and Social Safeguards

### 5.4.1 Environmental Safeguards

#### *a. Environmental and Social Assessment*

The permit compliance status of the Project summarized as follows in the table 5.2

Table 5.2: Permit Compliance Status of the Project

Permit	Issuing Authority- Date	Remark
Architectural; Construction 01.13.04.017.406	Tbilisi City Hall – 31/01/2020; 30/10/2020	Mirtskhulava Blocks 1, 2
Architectural; Construction 01.13.04.017.405	Tbilisi City Hall – 31/01/2020; 30/10/2020	Mirtskhulava Blocks 3,4
Architectural; Construction 01.13.04.017.409	Tbilisi City Hall – 4/2/2020; 20/05/2020	Mirtskhulava Block 5
Architectural; Construction 01.13.04.017.408	Tbilisi City Hall – 5/2/2020; 9/10/2020	Mirtskhulava Block 6,7
Architectural; Construction 01.13.04.017.411	Tbilisi City Hall – 31/01/2020; 20/05/2020	Mirtskhulava Block 8
Architectural; Construction 01.13.04.017.109	Tbilisi City Hall – 3/2/2020; 14/12/2020	Mirtskhulava Blocks 9, 10

Architectural; Construction 01.13.04.017.407	Tbilisi City Hall	Mirtskhulava Roads
Architectural; Construction 01.13.04.017.106	Tbilisi City Hall	Mirtskhulava Green Zone
Water and drain	Georgian Water and Power - 29/06/2020	Mirtskhulava water and drain infrastructure
Architectural; Construction 01.12.12.024.211	Tbilisi City Hall – 17/02/2020; 02/12/2020	Chkondideli Block 1
Architectural; Construction 01.12.12.024.213	Tbilisi City Hall – 14/02/2020; 23/10/2020	Chkondideli Block 2
Architectural; Construction 01.12.12.024.215	Tbilisi City Hall – 06/02/2020; 04/03/2020	Chkondideli Block 3
Architectural; Construction 01.12.12.024.214	Tbilisi City Hall – 10/02/2020; 04/02/2020	Chkondideli Block 4
Architectural; Construction 01.12.12.024.212	Tbilisi City Hall – 06/02/2020;	Chkondideli Block 5
Architectural; Construction 01.12.12.024.224	Tbilisi City Hall – 06/02/2020; 04/03/2020	Chkondideli Block 6,7
Architectural; Construction 01.12.12.024.262	Tbilisi City Hall – 07/02/2020; 09/03/2020	Chkondideli Block 8, 9, 10
Architectural; Construction 01.12.12.024.260	Tbilisi City Hall – 06/02/2020; 20/05/2020	Chkondideli Block 11
Architectural; Construction 01.12.12.024.216	Tbilisi City Hall – 04/02/2020; 11/12/2020	Chkondideli Block 12
Architectural; Construction 01.12.12.024.209	Tbilisi City Hall	Chkondideli Roads
Architectural; Construction 01.12.12.024.206	Tbilisi City Hall	Chkondideli Green Zone
Architectural; Construction 01.12.12.024.218	Tbilisi City Hall	Chkondideli Green Zone

Architectural; Construction 01.12.12.024.263	Tbilisi City Hall	Chkondideli
Water and drain	Georgian Water and Power - 29/06/2020	Chkondideli water and drain infrastructure
Tree cutting	Tbilisi City Hall	Chkondideli

*b. Environmental and Social Management Plan*

- For the purposes of the project the Company utilises an overarching Environmental and Social Management Plan (ESMP). This is not project specific ESMP – it is overarching document, prepared by the Company for use at all of their construction projects. The ESMP was last updated on 20 November 2020 by the Company. It is implemented as part of the management documentation and adhered to by the Contractors in case projects specific contractor management plan is absent.
- The Environmental and Social Management Plan consists of the following major sections: key responsibilities describing who is responsible for which specific activities; Procedure section describing Environmental and Social Aspects and their mitigation; Environmental code of behaviour for environmental and social aspects; requirement for pre- and post-work surveys; ground contamination procedure and requirements; water contamination and treatment procedure and requirement; emissions to air procedure and requirement (including noise and vibration); waste management and requirements; energy efficiency and ODS; social code of conduct; public awareness and consultation; community relations (including grievance redress mechanism); use of local infrastructure; local residents. These sections are provided as part of the overarching ESMP, though not all of them might be applicable to the purposes of the “Mirtskhulava” and “Chkondideli” projects. Therefore, the decision had been made to use the Environmental and Social Impact and Mitigation Matrix to cover all the project specific components.

Overall project Environmental aspects had been assessed as of Category B against the ADB safeguards.

5.4.2 Social Safeguards

*a. Land Acquisition and Resettlement*

The development project described within this ESCAR was originally initiated in 2016 by the “Sveti Group” Ltd., “Sveti Development” Ltd., “Sveti Nutsubidze” Ltd (“joint owners”), however due to the inability to complete the project, it was transferred to the Company in 2018. Following intervention by the Tbilisi Municipality and “M2 Group” in 2019, development of the three complexes was revived. The project’s implementation was re-initiated in 2020 and is currently planned to be completed in 2023.

Two out of three former “Sveti” projects are subject of this Audit report – “Mirtskhulava” and “Chkondideli”.

Both project sites are located within the Tbilisi residential areas. M2 Development obtained the construction right on the subject land parcels located on #9-11 Mirtskhulava Str., and #22 Chkondideli Str., Tbilisi. The land parcels are under the ownership of the Company [“Optima” LLC] (ID 05160819). Following detailed review of permitting procedures and as the follow up from the Land Audit (Document Reference MD/LND/001 and MD/LND/002) conducted in December 2020, all plots already have construction permits from Tbilisi City Hall. As determined during the Land Audit, this Audit and researched through the public registry, there are no legacy issues related to unpaid compensation or ongoing grievances from Sveti period. The ESCA determined that there is no additional land acquisition required.

Based on the site visits and conducted interviews, temporary relocation will be required for people currently inhabiting the incomplete buildings at the outer edges of the sites. At “Chkondideli” site from the time of the projects abandoned by Sveti, there have been 39 households (more than 110 people) occupying flats within incomplete buildings, which upon completion of the project should have been passed in their ownership as per the set contracts.

The audit site visit identified absence of the utility infrastructure (such as water, sewage, electricity, elevators, internal refurbishment of common areas) required by design of the buildings and the residents currently occupying the buildings are using artisanal connections to municipal electricity, water and sewage outside the buildings.

For the completion of the project as per set conditions, these families shall leave the locations for certain period to allow for the project’s completion in accordance with the conditions of the contracts. Per individual contracts set

with these families’, notification on relocation for the mentioned period shall be conducted at least a month prior to the required activities initiation.

At “Mirtskhulava” project site, there is the building under the Company ownership, which is currently utilized by “Geomeridian” renting certain parts of the building for commercial and residential purposes as per agreement with previous project owner “Sveti”. This building is to be demolished at some stage of the project.

There are no residents in the buildings to be demolished at “Mirtskhulava” project site, only users renting the commercial premises. The existing agreement allows the Company to provide them a notice to vacate with the details provided below.

On 27th of August 2019, “Sveti Group” Ltd., “Sveti Development” Ltd., “Sveti Nutsubidze” Ltd (“joint owners”), “Sveti Transfers” (hereinafter “Seller”) and “M2 Vake” (presently the Company) placed the purchase agreement, according to which the joint owners, among other conditions’ fulfilment, shall transfer property under their ownership in legally and materially flowless condition to the seller (point “b” of the agreement’s “Pre-conditions” addendum point 3). Thereafter the property was to be transferred from the seller under the ownership of the buyer considering fulfilment of all pre-conditions the buyer undertook as an obligation from the existing owners under the contract.

Based on the purchase agreement of 27th of August 2019, the agreement on “Mirtskhulava” project site was signed on 30th of August 2019 among “Sveti Development” Ltd., company “Geomeridian” (former owner of the property presently renting the premises for use as commercial areas), “Sveti Transfer” Ltd and “M2 Vake” (presently the Company), which reflects the pre-conditions fulfilment by “Geomeridian” similar to those they had towards the “Sveti Development” Ltd.

Based on the above, the property transferred to the ownership of the Company, including project site located at “Mirtskhulava” street, should have been in legally and materially flawless condition that in turn precludes any legal presence of the third-party representatives.

Temporary relocation plan shall be developed for the “Chkondideli” project site due to the sensitivity of the conditions, while “Mirtskhulava” project site inclusion is not deemed necessary for the action based on the nature of building utilization. The development of this plan is currently underway and shall be



submitted to the auditing company for inclusion within the final draft of the audit report.

Based on all the above, the Involuntary Resettlement of the project is assessed as Category B.

Figure 5.6: “Mirtskhulava” site building for demolition location



Figure 5.7: “Chkondideli” site buildings currently with residents



#### *b. Indigenous Peoples*

The project sites are in a non-ethnic minority dominated area. Up to 90% of population in Tbilisi are national Georgians. There are other representatives of other nationalities in the city, mainly they are Armenians, Azerbaijanis, Kurds and other minorities. Therefore, ADB Safeguard Requirements 3 (ADB SR3) is not triggered for the project and the categorization for indigenous people is assessed as Category C.

#### *c. Monitoring and reporting on implementation of Social Mitigation Measures*

The monitoring and reporting of social mitigation measures, performances and problems is conducted based on the Environmental and Social Impact and Mitigation Matrix reflected within the Initial Environmental Examination (IEE). So far, no demonstration of the monitoring on implementation of social mitigation measures was available to be provided during the audit.

### 5.5 Environmental and Social Aspects

#### 5.5.1 Capability and Organizational Resources

For the time of the audit, no designated and qualified Environmental and Social (E&S) specialist resource was available within the company. Some of the site E&S responsibilities were split between Health and Safety (H&S) officers and problem actives manager. The company should fill this gap by either hiring staff or outsourcing the position as indicated in Corrective Action Plan. The community/stakeholder relations responsibilities are also assigned to the problem actives manager, which is the corporate role.

The following documents, that are also referenced in Annex A have been reviewed as part of this audit:

1. Environmental and Social Policy
2. Anti-Bribery and Anti-Corruption Policy
3. Code of Conduct and Ethics
4. Diversity Policy
5. Remuneration Policy
6. Whistleblowing Policy
7. Non-Audit Services Policy
8. Organizational structure
9. Environmental and Social Management Plan
10. Health and Safety Management Plan
11. Emergency Management Plan
12. Project Health and Safety Management Policy
13. Corporate Handbook of Employees
14. Organizational structure
15. Construction permits – Mirstkhulava site
16. Construction permits – Chkondideli site
17. Contract agreement between White Square and BK Construction
18. Project’s description
19. Red Lines schematics
20. Company contractors’ list
21. Land Audit Report – “Mirtskhulava” site
22. Land Audit Report – “Chkondideli” site
23. General Plan including Topography and Geology
24. FAQ – “Mirtskhulava”
25. FAQ – “Chkondideli”
26. Trees inventory (“Mirtskhulava”)
27. Grievance Redress Registry template

- 28.Code of Conduct
- 29.Samples of contract with employees
- 30.Health and Safety Management Policy
- 31.Environmental and Social Management Plan

These are guiding company as a whole and specific projects under the Company implementation and are adhered to by the contracting companies depending on the project specific documentation availability/applicability. The requirements that are reflected within the available documentation and are applicable to the project are demonstrated as being in compliance with, except for those findings that are specifically indicated within the Corrective Action Plan and reflected within the Environmental and Social Impact and Mitigation Matrix covering project specific outstanding aspects.

#### 5.5.2 Air Emissions

The dust concentration is subject to World Health Organization (WHO) standards, which are also referenced by International Finance Organization (IFC). In addition to that the Environmental Quality Condition Normative, Technical Regulation N 297/N addition 38/N is available in Georgia, however listing air quality standards per specific chemical composition rather than Particulate Matter (PM) size, therefore WHO standards are considered to be applicable for the purposes of the project.

Table 5.3: WHO Ambient Air Quality Guideline

Parameter	Averaging Period	Guideline Value in $\mu\text{g}/\text{m}^3$
Particulate Matter PM 10	1 year	70 (Interim target-1) 50 (Interim target-2) 30 (Interim target-3) 20 (guideline)
	24 hours	150 (Interim target-1) 100 (Interim target-2) 75 (Interim target-3) 50 (guideline)
Particulate Matter PM 2.5	1 year	35 (Interim target-1) 25 (Interim target-2) 15 (Interim target-3) 10 (guideline)



	24 hours	75 (Interim target-1) 50 (Interim target-2) 37.5 (Interim target-3) 25 (guideline)
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At the time of the site visit, most of the base construction activities which contribute to the elevation of the background dust concentration were either completed or not initiated, hence no boundary dust monitoring being conducted. The existing Environmental and Social Management Plan requires periodic dust monitoring; however, no specifics are indicated. However, the newly developed Initial Environmental Examination Impact mitigation matrix describes frequency and parameters to be monitored as well as the locations of monitoring. The baseline dust monitoring will be conducted by the Consultant as part of the data collection for the Initial Environmental Examination.

#### 5.5.3 Noise

The boundary noise level during construction period is exempt from the Georgia Standard of Environment Noise (Technical regulation Georgia N398) during the daytime (see article 1 section 2) therefore combination of the IFC Environmental Noise Management Guideline and Georgia Noise Standards (which are at cases more stringent) were utilized with the project applicable standards provided within the table below:

Table 5.4: IFC and Georgia Noise Standards

Receptor	IFC Noise standard (dBA)		Georgian Noise standard (dBA)			Applicable Noise standard (dBA)		
	day	night	day	evening	night	day	evening	night
Residential	55	45	50	45	40	55	45	40

Noise impacts should not exceed the levels presented in Table above or result in a maximum increase in background levels of 3 dBA at the nearest residential receptor location off-site.

At the time of the site visit, most of the compressing activities that are the most significant contributors to the environmental noise level were either completed or still to be initiated. No evidence of noise monitoring during these periods were provided to the Consultant during the audit. Nevertheless, baseline noise monitoring will be conducted by the Consultant as part of the data collection for the Initial Environmental Examination (IEE). The environmental noise

monitoring by the Company will be conducted in accordance with the monitoring program developed as part of the IEE.

#### 5.5.4 Wastewater

The wastewater at both sites comprises concrete wash and sewage water. No concrete mud pits were constructed at either project site, and the concrete wash down was disposed of on surface locations at multiple locations across the sites. The impact is obvious contamination of ground surface, though groundwater contamination is not expected due to the depth of the latter. The sewage is reportedly collected by the vacuum truck within the underground storage locations (tanks) is discharged into the municipal sewage system through the Georgian Water and Power company indicated manhole. The destination of the domestic and construction waste is identified to be the Didi Lilo Municipal Landfill, for domestic and inert waste, which was established in 2010. This landfill is the main waste disposal site in Tbilisi, located 1 km east of the village of Didi Lilo. According to the existing project documentation, its total area is 84 hectares. The area designated for landfill cells is 63.3 ha (76% of the total area). The design capacity of the landfill is approximately 74.8 million tons. It is divided into 4 cells. With regards to the sewage – it is reportedly disposed of in municipal sewage infrastructure; however, no track records/detail information was provided by the project.

#### 5.5.5 Waste Management

The waste is not categorized into hazardous and non-hazardous and no waste management plan/procedure available with the project which is required by the Waste Code of Georgia. Domestic waste is collected by local municipal services as disposed in the regular trash bunkers. Construction waste is to be disposed reportedly using same route, as mentioned above.

The study completed as part of the preparation for the project Initial Environmental Examination demonstrated no existing asbestos and asbestos-containing materials at the project sites. No such material is planned to be used by the project either.

#### 5.5.6 Chemical Management

The chemical substances management is governed by the requirements described within the Health and Safety Management Plan, 5.3.10. Material Storage, Handling and Transportation, however the requirements are breached at the site level. The number of chemicals were observed at site as well as the warehouse with no Material Safety Data Sheet (MSDS) available, and no designated chemical storage area.

#### 5.5.7 Occupational and Community Health and Safety

The project HS management is conducted by the Contractor HS Manager (one for both projects sites) and two HS officers each designated for specific project site – “Mirtskhulava” and “Chkondideli”. The Project is subject to the HSE policies and plans of the Company. There is no task specific procedure available at any level of the company structure, however task specific processes are described within the relevant management plans. To be specific, the implemented HSE procedures include but are not limited to subcontractor management, incident record and investigation, permit to work, emergency response plans covering construction activities. Project management reported two incidents that took place to this point, minor hand cut and one case of three employees identified under influence of alcohol in 2020 as part of random drug/alcohol test. There was no significant incident reported at that stage. Proper and adequate personnel protection equipment (PPE) including helmets, safety goggles, masks (where required), safety shoes and ear plugs are provided for all site employees by the Contractor.

Both sites are equipped with the designated locations for site employees change over, dining and hygiene locations, separately for male and female where required.

თავმჯდომარის ადგილი  
Meeting place

ცეცხლქედი  
Fire extinguisher

სამსახური სტანდი  
Fire stand

უსაფრთხო მიმართულება  
SAFE DIRECTION

სირენა  
ALARM SYREN

თქვენ იმყოფებით აქ  
YOU ARE HERE

ოფისი  
Office

საევაკუაციო გასასვლელი  
Emergency Direction

საბავშვო ტუალეტი  
Toilet

112

According to the Georgia Railway Law, the railroad right-of-way shall consider 20 meters on each side to be free of any load. However, the Addendum to the Law provides opportunity for the right-of-way width requirement to be negotiated and narrowed based on the circumstances of, and agreement for each specific case. It should also be noted the Civil Code of Georgia allows for the infrastructure to be established on the land under a third-party ownership with servitude agreement in place, e.g., railway under “Georgia Railroad” JSC passing through the Company owned land.



The following had been identified as part of the audit review process:

1. The railway land parcel being under the ownership of the “Electrodzravi” LLC in 2006 and loaded with the “Georgian Railway” JSC servitude within the limits of narrowed right-of-way to significantly below 20 meters at each side along the railway to accommodate the servitude needs.
2. Company “Geomeridian” purchased the land from “Electrodzravi” LLC in 2007 seemingly with no renewal of the servitude; no renewed document is available through the Georgia Government Public Registry.
3. The land was purchased from “Geomeridian” by “Sveti” with the purposes of residential project development, again with no signs of renewed servitude, and was consequently transferred to the Company as described in the Initial Environmental Examination.
4. Upon transfer of the project from “Sveti” to the Company and during the update of the architectural and construction permits as part of the project Urban Development Regulation Plan renewal, the subject has been discussed with Tbilisi Municipality with respective permits’ updates obtained with no demonstration of any legislative impediments related to this piece of infrastructure.

The presence of the railway at the location of the project site upon completion of the construction would present safety issue to the local community.

Considering significance of railway infrastructure for social development and with determination to avoid any potential legal disputes, the Company conducted investigation of the potential matter resolving options with “Georgian Railway” JSC. As an outcome of the process the Company obtained a written confirmation (available in Georgian language) on the railway right-of-way width reduction to accommodate “Mirtskhulava” project site construction activities and post-development period with the condition of the Company to erect the lightweight safety wall not less than 2 m high along both sides of the railway.

#### 5.5.8 Ecosystems and Groundwater

Based on the available documentation and interviews, as well as the visual inspection of the site no sensitive ecosystems and no groundwater were identified at the depth applicable to the construction activities.

The vegetation inventory is available with the Company for both “Mirtskhulava” and “Chkondideli” sites. In accordance with the inventory and obtained tree cutting permit all trees listed for cutting have been already cut at both sites. At “Mirtskhulava” site there are 3 red list species trees – Walnut (lat. *Juglans Regia*) with two out of those dry and cut with permit obtained and one requiring re-planting upon completion of the project construction. At “Chkondideli” site 2 red list trees identified – Walnut (lat. *Juglans Regia*) will be retained at their current locations.

#### 5.5.9 Stakeholder Engagement and Consultation

From the nature and history of the project it is identified, a thorough stakeholder analysis was conducted for project sites and comprehensive document records filed regarding stakeholder engagement. In the absence of such information as the Sveti legacy, the stakeholder engagement was conducted by the Company and the Consultant. The detailed information on various components of the stakeholder engagement is provided within the section 8. Information Disclosure, Consultation and Participation of the Initial Environmental Examination. Both project sites are legacy project and located on the former industrial areas with no prior residents. There was no EIA prepared by Sveti as was not required for the type of project by local legislation and therefore no stakeholder engagement and no requirement for Resettlement plan was deemed necessary. There were no legal challenges with regards to the land acquisition.

According to the Company, onsite consultations as well as similar project experiences, three major stakeholder groups are identified for the project, including (a) municipal government authorities, (b) real estate customers, and (c) local community.

Given the scale and nature of the project, an ESIA is not required for the project, however Initial Environmental Examination will be completed is to be completed to comply with Lender’s requirements. During the process of the Audit no open complaints existed from this group of stakeholders against the Company.

However, as per information obtained during the interviews, specifically with the head of the Company Legal department there was reportedly a case of the nearest neighbours complaining about the project not being within the approved “red lines” (site formal boundaries). The complaint was raised in June

of 2020 and closed in December 2020. The documents were reviewed by the Consultant during the audit interview with the head of the Company Legal department. The complaint was reviewed, and corrections applied where necessary. The updated site formal boundaries reflected within the latest Urban Development Regulation Plan.

In addition to that it is worth mentioning herein there is still one open case currently in the court by the customer against “Sveti”. The specific of this case originated from the distinguished type of contract between the complainer with Sveti, which considered them to be compensated in case the flat was not completed as per initial contractual arrangements. The Company is currently involved within this case as the third party.

#### 5.5.10 Grievance Redress Mechanisms

##### *5.5.10.1 Community Grievance Redress Mechanism*

The project manager reported that grievances (if any) raised by local communities during the process of construction are to be handled by the Georgia Real Estate legal and the project was not involved in the process of addressing grievances that the local communities had on the project. The interview with relevant personnel revealed only one open complain case which is currently under processing as described under the 3.5.9 Stakeholder Engagement and Consultation.

The overarching Environmental and Social Management Plan section 5.10.1 Complaints, and Grievance Mechanism obliges the company to have the complaints procedure to govern all related activities, performance tracking and closures which is not developed. Grievance redress registry is in place, however not utilized and no grievance recording demonstrated, which is a non-conformance against ADB safeguards. Therefore, the project specific Community Grievance Redress Mechanism has been developed as part of the Initial Environmental Examination.

At the time of the audit there were residents living in the residential compound still under construction at “Chkondideli” project site and there were commercial areas rented within the compounds to be demolished in due course at “Mirstkhulava” project site as described in detail under 5.4.2 Social Safeguards, a. Land Acquisition and Resettlement. They are aware of the Grievance Redress Mechanism process available with the Company and understand the process,

which is followed, which was disclosed as part of the consultations the Company conducted with the relevant stakeholders (local communities, governmental officials – Tbilisi Municipality/Ministry of Economy).

#### *5.5.10.2 Employee Grievance Redress Mechanism*

The overarching Environmental and Social Management Plan or any other Company document does not contain Employee Grievance Redress Mechanism or any requirements against such. Therefore, as part of the preparation of the Initial Environmental Examination a separate Employee Grievance Redress Mechanism has been developed by the Consultant and reflected within the IEE.

#### *5.5.11 Labour and Social Protection*

In total, at “Chkondideli” project site there are 50 Contractor laborers; among them one female – site offices cleaner (31 laborers are paid per volume of work completed and 19 are paid monthly salary), and 5 interns who are paid monthly salary; at “Mirtskhulava” project site - 98 Contractor laborers among them one female – site offices cleaner (73 laborers are paid per volume of work completed and 25 are paid monthly salary), and 5 interns who are paid monthly salary. The internship lasts for up to six months and adheres to the national labour code with the interns completing the activities related to their specific qualifications.

At the head office there are in total 121 the Contractor employees, who are not necessarily office based, but also working on site as per need, among them 10 females. Therefore, male employees are typically engaged in labourers’ positions, whilst females are in other various site- and office-based positions.

The Company head office consist of 29 units, out of which 14 are led by female.

The project adopts corporate HR policies and procedures i.e., Corporate Employee Handbook, which adheres to the national labour code, which in turn reflects all the requirements of the International Labour Organisation with Georgia being the latter’s signatory. Labour related issues are centrally managed by the HR Department of the Company and the Contractor.

The employee contracts are directly signed between the Contractor and the individual employees, and no collective bargaining agreements were signed as of absence of necessity, though there is no prohibition by the Company. Reportedly, the workers are typically working 40 hours per week. Wages are paid on the last working day of each month.

Georgia Capital policies as well as the Company corporate handbook of employees include provisions for anti-discrimination, no forced labour and

diversity of employees. Anti-bribery and anti-corruption policies are available at the level of Geo Capital as well. Maternity leaves are specifically described within the Company corporate handbook of employees and are available for both genders depending on the specific employee needs.

The Company and the Contractor office staff contracts are permanent, while on-site employees' contracts are fixed term for the duration of the specific project. All benefits in accordance with the legislative requirements are reflected within the Company corporate handbook of employees.

All employees are hired directly by the relevant companies without involvement of third parties/agents.

No complaints are currently received from any employees for breach of contract. As part of the documentation review and interview with the Company and “the Contractor, HR departments there was no underaged personnel hired by the project. The minimum age of the personnel was seen to be over 18-year-old.

Based on the interviews with both male and female employees of the Company and the Contractor no signs of sexual harassment or discrimination was identified. The Company corporate handbook of employees as well as Geo Capital “Diversity Policy” regulate sexual harassment and discrimination. In addition to that as part of the IEE preparation, the Employee Grievance Redress Mechanism has been developed to regulate these matters.

Basic health insurance applies to all staff employees, which is paid by the company however can be upgraded on request from employee and on his expense. The site workers are insured for accidents only. All site-base employees are resident of Tbilisi; hence no construction workers camp is settled.

#### 5.5.12 Gender and Development

There is the specific Code of Conduct and Ethics as well as Diversity Policy available as an overarching Geo Capital document. No indication of gender inequality or discrimination is identified from document review and worker interviews, both male and female.

All the female employees at the project are entitled to the same specific benefits as other females in the Company. In consideration of features of subcontracted

positions (i.e., machine operation, heavy manual operation), all operators involving maintenance and operation at the project are male.

The percentage of female employees within the construction sector in Georgia is traditionally quite low – average of 15% of all construction sector employees. The gender analysis of the Company and the Contractor employees demonstrated 17.3% of office-based staff are female employees, with the Company this percentage being over 48% with almost half females holding managerial positions. While, from the nature of the project being mail-biased with site-based employees are mostly male, the employees tagged “office-based” with significant percentage of females, are also conducting frequent site visits for various construction related activities. This shows some improvement of gender balance within the construction sector comparing with country average.

In addition to the above, the conducted analysis allows the consideration of the project for the category of “Some Gender Elements” of the Guidelines for gender mainstreaming categories of ADB projects.

No non-compliance regarding gender and development is identified against ADB SPS for the project. In addition, interviews revealed no disproportionate impacts are caused by the project on women.

## 6. Corrective Action Plan

### 6.1 Recommended CAP for Audited Projects Sites

The following table summarizes key E&S issues found for the Project sites visited by the Consultant.

Table 6.1: Findings and Recommended CAP

No	E&S Safeguards	Findings/Gap Analysis	Risk Level	Recommendation	Responsible persons	Completion Timing	Estimated budget/Resources	Completion Indicator
1	Organizational capacity	Based on interviews the Company representatives, and the Contractor are jointly running 3 construction project sites. Some of the Environmental responsibilities are assigned to HS officers and some of those to the Problem actives manager. However, companies do not have designated and qualified Environmental and Social personnel on place.	M	Appoint qualified E&S officer, or independent consultant for properly managing the E&S issues of the “Mirtskhulava” and “Chkondideli” projects	The Company	Prior to disbursement	Cost for additional personnel is not indicated at this stage	Appointment of E&S personnel - agreed
2	Environmental Safeguards 9. Pollution prevention	General aspects of the waste management are incorporated in the Company Environmental and Social Management plan. However, according to Georgian waste code, all companies producing more than 200 tons of domestic waste, 400 tons of construction waste and hazardous waste in any quantities are obliged to develop specific waste management plan and agree it with the Ministry of Environmental Protection and	H	Waste Management Plan to be developed as described in Georgian waste code and agreed with the MEPA and ADB.	The Company	Within 3 months after disbursement	\$1500 for hiring the consultant	Project dedicated Waste Management Plan - agreed



		Agriculture (Georgian waste code Article 14)						
3	Environmental Safeguards 9. Pollution prevention / Country Safeguard System	Environmental and Social Management Plan chapter 5.6 Waste Management states that proper waste segregation should be implemented on site. According to the Georgian Waste Code, the Hazardous, Non-hazardous and construction waste shall be segregated. However, during the site visits the following was observed: <ul style="list-style-type: none"> <li>There is no designated temporary storage or collection area for Hazardous waste.</li> <li>At “Chkondideli” project site, municipal and construction waste was mixed and stored together</li> </ul>	H	The Contractor shall establish adequate waste segregation process on sites in accordance with the Georgian Waste Code and Environmental and Social Management Plan 5.6	The Contractor	Prior to disbursement	Management time/ costs for development of the hazardous waste collection points to be calculated	Hazardous waste collection areas; Improved waste segregation on construction sites – agreed
4	Environmental Safeguards 9. Pollution prevention	Environmental and Social Management Plan 5.6 Waste Management states that all waste (including hazardous, municipal and construction waste) collection points should be isolated, signed and indicated on site maps. During the site	L	Waste disposal locations shall be isolated, provided with signs and included in site plans	The Contractor	Prior to disbursement	Management time	Waste disposal locations. Signs for waste collection areas. Updated site plans – agreed (Davit Oniani)



		visits, the following was observed: <ul style="list-style-type: none"><li>• construction waste collection areas are not signed with adequate information labels</li><li>• waste collection points are not indicated on site plans</li><li>• several locations with domestic waste disposed observed at both sites</li></ul>						
5	Environmental Safeguards 9. Pollution prevention	During the visit of “Chkondideli” project site, ground contamination with hydraulic oil was observed under the crane. As the audit team was informed, crane belongs to contractor and ground contamination was caused by changing the hydraulic oil. No spill/leak preventive equipment (such as drip trays, oil spill absorbents etc.) were observed on site. As a result of oil leak, more than 1m2 area of soil mixed with gravel was contaminated.	M	As the sites are not equipped with maintenance yards, all mobile equipment maintenance shall be completed outside of site in designated mechanical yards. In case of emergency maintenance, pollution prevention/spill response equipment shall be used. All personnel, including contractors shall receive adequate pollution	The contractor	Provision of locally available equipment (drip tray) – prior to disbursement. / Provision of the equipment to be purchased abroad – two months after disbursement	Management time \$1500 to purchase pollution prevention/spill response equipment for both sites.	Training records Pollution prevention/spill response equipment – agreed (one pager procedure would also be required)

				prevention/spill response trainings.				
6	Environmental Safeguards 9. Pollution prevention	Health and Safety Management Plan 5.3.10 Materials storage, handling and transportation indicates the requirements for the storage of chemicals. Including storage areas design, labelling and provision of the MSDSs for every type of chemicals used at site. During the site visit it was observed that separate chemical storage is not available. However, at “Mirtskhulava” project site some cement bags and drum of mineral oil-based chemical were observed. According to the information provided by site personnel, the MSDS is not available for above mentioned chemicals.	M	Proper chemical storage area shall be developed in accordance with Health and Safety management plan 5.3.10. MSDS shall be provided for each type of chemicals	The Contractor	Prior to disbursement	Management time	Chemical storage areas - agreed  MSDS for chemicals - agreed
7	Environmental Safeguards 9. Pollution prevention	During the site visits, it was observed that there is no designated concrete wash down facility at either site (“Mirtskhulava” and “Chkondideli” project sites). As it was identified, the concrete mixer tracks conducted the wash	L	Develop designated concrete wash down facilities (pits)	The Contractor	Two months after disbursement	Management time	Developed concrete wash down facilities (pits) - agreed

		down of the equipment from excessive concrete at various locations without control.						
8	Involuntary Resettlement	35 apartments are currently occupied by owners or owner representatives, and 4 apartments have been modified to prepare for occupation. Due to the need to a) complete the apartment blocks to meet purchase contract agreements with owners; and b) undertake such work creating an unsafe environment for current residents, the occupants of the apartments will need to temporarily relocate. Residents have agreed to voluntarily relocate at their own expense for the agreed time required to complete the apartments. However, given the H&S risks posed, this impact is not exclusively voluntary and as such triggers ADB SPS Involuntary Resettlement and as such requires a mitigation plan.	H	<p>In line with ADB SPS requirements for Existing Facilities, the project is required to undertake measures to manage the risks and impacts:</p> <p>1) develop a Temporary Relocation Plan which includes the following:</p> <p>i) Details of representatives of each affected residence;</p> <p>ii) Socio-economic data including vulnerability assessment;</p> <p>iii) Details regarding consultation and the voluntary agreements;</p> <p>iv) Access to grievance mechanism;</p>	The Company	<p>1) Prior ICM with ADB</p> <p>2) Every 3 months following ICM</p>	Management time.	<p>1) Temporary Relocation Plan submitted to ADB for clearance</p> <p>2) Engagement / status updates submitted to ADB in semi-annual social monitoring report.</p>

				<p>v) Monitoring activities and regular vulnerability assessments of affected parties with commitments to support as required.</p> <p>2) Undertake quarterly engagements with affected households providing project updates, capturing any concerns, and undertaking vulnerability assessment as indicated in the Plan.</p>				
9	Labour Standards	Article 48 paragraph 1 and 2 of Georgian Labour Code indicates the conditions of personnel redundancy. These conditions are not reflected within the samples of contracts or in corporate handbook of employees. All the rest of the relevant aspects of the labour code are incorporated within the Company corporate handbook	L	When the contract does not fully reflect the legal requirements, the cases are regulated by the articles of the current law and it has precedence over the contract. However according to the best practices and in the	The Company	Within one month after disbursement	Management time	Updated corporate handbook of employees or contracts

		of employees and GCAP Code of Conduct		best interests of the employees, it is recommended that the above-mentioned article be reflected in the contract or corporate handbook of employees.				
10	59. Grievance Redress Mechanisms – 1) Community and 2) Employee	Environmental and Social Management Plan section 5.10.1 Complaints, and Grievance Mechanism obliges the company to have the Community complaints procedure to govern all related activities, performance tracking and closures which is not developed. Community Grievance redress registry is in place, however not utilized and no grievance recording demonstrated. No separate employee Grievance Redress Mechanism was available.	M	i) Develop Complaints procedure; fill in grievance redress registry for all complaints (including all historical) ii) Implement the community complaints procedure through community awareness raising as part of the SEP implementation. The details shall be made publicly available and shall include hotline telephone no.s or emails to raise complaints as part of implementation.	The Company	i) Prior to disbursement ii) Within 3 months of disbursement	Management time	i) Developed Community Complaints procedure including filled in grievance redress registry and submit to ADB for clearance ii) Implement the Grievance Redress Mechanisms, both Community and Employee as per the Initial Environmental examination for the project

11	Community Health and Safety	The railway running through the “Mirtskhulava” project site represents the safety issue during the operational phase of the project.	M	Erect the lightweight safety wall not less than 2 m high along both sides of the railway.	The Company	As part of the project construction completion	USD 70,000	Lightweight safety wall erected
12	Environmental Safeguards 9. Pollution prevention	The existing Environmental and Social Management Plan requires periodic dust monitoring; however, no specifics are indicated. No indication of noise monitoring was also present during the audit.	M	The newly developed Initial Environmental Examination Impact mitigation matrix describes frequency and parameters to be monitored as well as the locations of monitoring.	The Company	As per Initial Environmental Examination E&S Impact and Mitigation Matrix	\$2500 per round of monitoring for both sites. Demolition activities are required at one Project site, hence monthly monitoring during this period to be about \$1500	Noise and dust monitoring reports as per set frequency



## 7. Annexes

### 7.1 Annex A: List of Documents Reviewed

No	Name of the document	Company
1	Environmental and Social Policy	Georgia Capital PLC
2	Anti-Bribery and Anti-Corruption Policy	Georgia Capital PLC
3	Code of Conduct and Ethics	Georgia Capital PLC
4	Diversity Policy	Georgia Capital PLC
5	Remuneration Policy	Georgia Capital PLC
6	Whistleblowing Policy	Georgia Capital PLC
7	Non-Audit Services Policy	Georgia Capital PLC
8	Organizational structure	JSC Georgia Real Estate
9	Environmental and Social Management Plan	M2
10	Health and Safety Management Plan	M2
11	Emergency Management Plan	M2
12	Project Health and Safety Management Policy	M2
13	Corporate Handbook of Employees	M2
14	Organizational structure	“Optima” LLC
15	Construction permits – Mirstkhulava site	“Optima” LLC
16	Construction permits – Chkondideli site	“Optima” LLC
17	Contract agreement between White Square and BK Construction	“Optima” LLC) / BK Construction
18	Project’s description	“Optima” LLC
19	Red Lines schematics	“Optima” LLC
20	Company contractors’ list	“Optima” LLC
21	Land Audit Report – “Mirtskhulava” site	“Optima” LLC
22	Land Audit Report – “Chkondideli” site	“Optima” LLC
23	General Plan including Topography and Geology	“Optima” LLC
24	FAQ – “Mirtskhulava”	“Optima” LLC
25	FAQ – “Chkondideli”	“Optima” LLC
26	Tree’s inventory (“Mirtskhulava”)	“Optima” LLC
27	Grievance Redress Registry template	“Optima” LLC
28	Code of Conduct	BK Construction
29	Samples of contract with employees	BK Construction
30	Health and Safety Management Policy	BK Construction
31	Environmental and Social Management Plan	BK Construction

7.2 Annex B: List of interviewed personnel

No	Name	Company	Position
1		Georgia Real Estate (GRE)	CEO
2		Georgia Real Estate (GRE)	Department Managing Director
5		“Optima” LLC	CEO
6		“Optima” LLC	Product and design department, Head of Unit
7		Georgia Real Estate (GRE)	Managing Director in Legal; HR maternity leave substitution
8		“Optima” LLC	Problem actives management and rehabilitation department, Head
9		BK Construction	HR department, Head
10		BK Construction	Mirtskhulava Site Manager
11		BK Construction	Mirtskhulava Site Health and Safety Officer
12		BK Construction	Health and Safety Manager
13		“Optima” LLC	Assistant Design Manager
14		Community of “Mirtskhulava” project site	“Geomeridian” rental
15		Community of “Chkondideli” project site	Resident of incomplete building No 3

### 7.3 Annex C: Photo Log for Project Sites Visited – “Mirtskhulava” and “Chkondideli”

#### “Mirtskhulava” Site Photo Log



Pic 001 – “Mirstkhulava” parking lot



Pic 002 – “Mirstkhulava” residential area



Pic 003 – “Mirstkhulava” parking lot



Pic 004 – “Mirstkhulava” entrance road

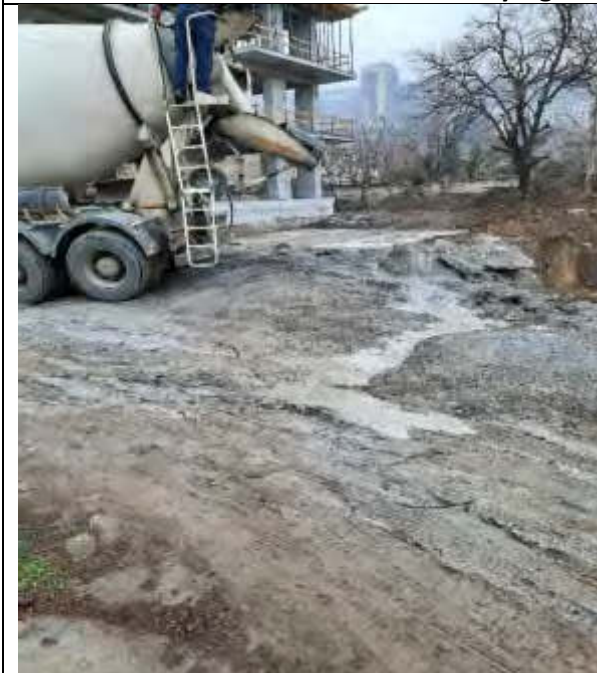




**Pic 005 – “Mirtskhulava” entrance safety sign**



**Pic 006 – “Mirtskhulava” no littering sign**



**Pic 007 – “Mirtskhulava” concrete wash**



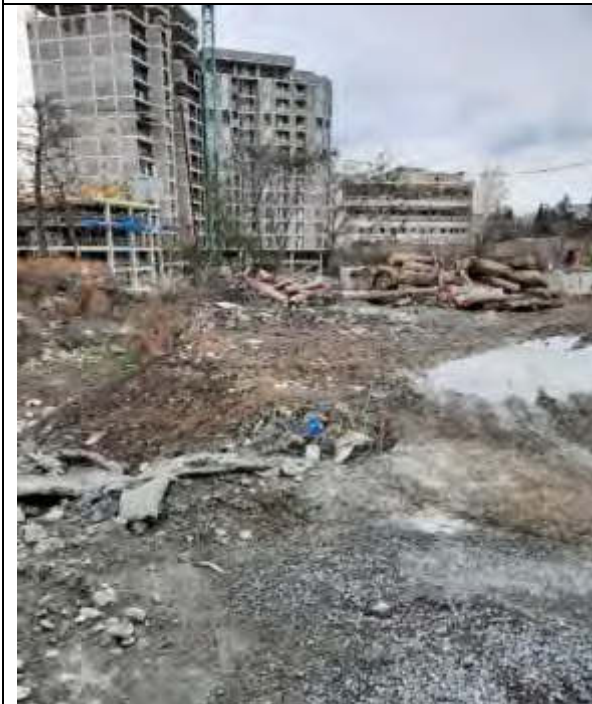
**Pic 008 – “Mirtskhulava” concrete wash**



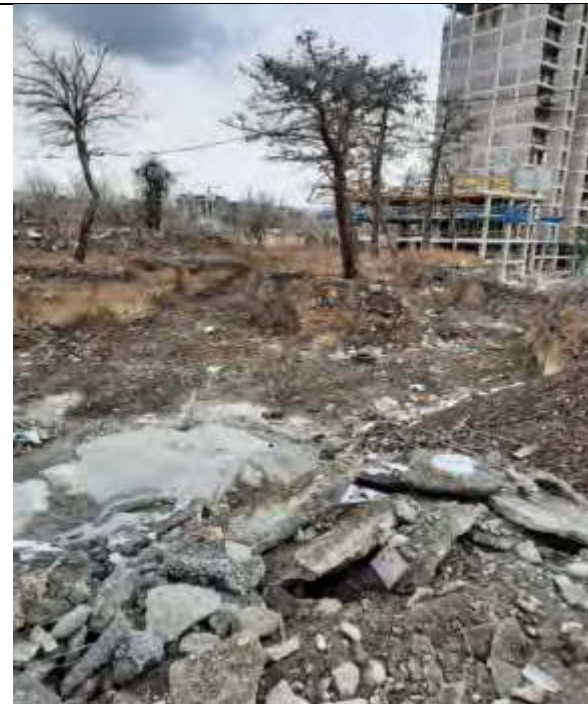
**Pic 009 – “Mirtskhulava” concrete wash**



**Pic 010 – “Mirtskhulava” concrete wash**



**Pic 011 – “Mirtskhulava” trees cut down**



**Pic 012 – “Mirtskhulava” trees outside red lines**





Pic 013 – “Mirtskhulava” site toilet



Pic 014 – “Mirtskhulava” site toilet



Pic 015 – “Mirtskhulava” site hand-wash



Pic 016 – “Mirtskhulava” site hand-wash





Pic 017 – “Mirtskhulava” personal hygiene sign (face-mask and hand-wash rules)



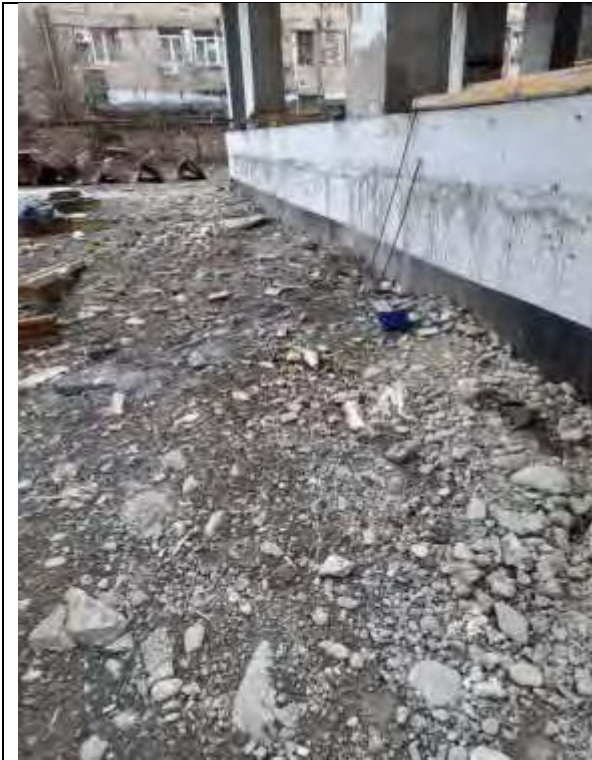
Pic 018 – “Mirtskhulava” separate toilet for female staff



Pic 019 – “Mirtskhulava” separate toilet for female staff



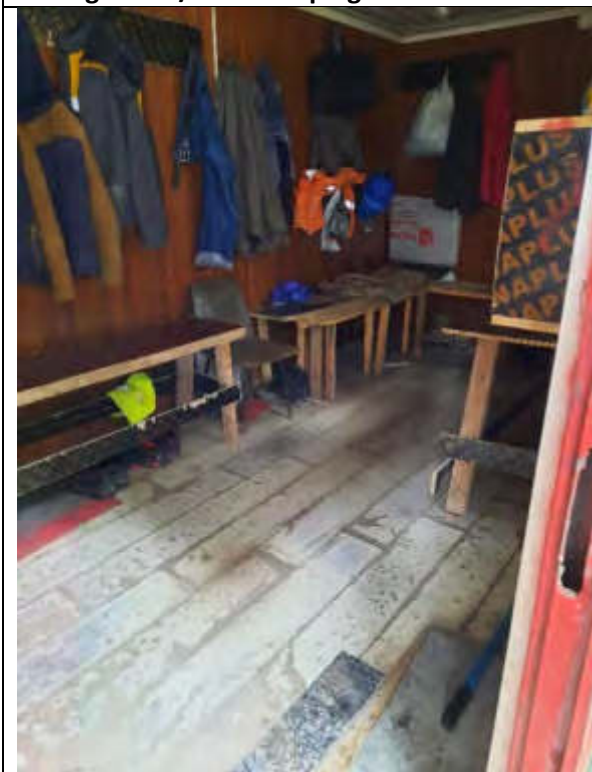
Pic 020 – “Mirtskhulava” chemical management (no pollution prevention/spill response equipment)



**Pic 021 – “Mirtskhulava” waste management/housekeeping**



**Pic 022 – “Mirtskhulava” waste management/housekeeping**



**Pic 023 – “Mirtskhulava” site change room**



**Pic 024 – “Mirtskhulava” waste management**





Pic 025 – “Mirtskhulava” waste management



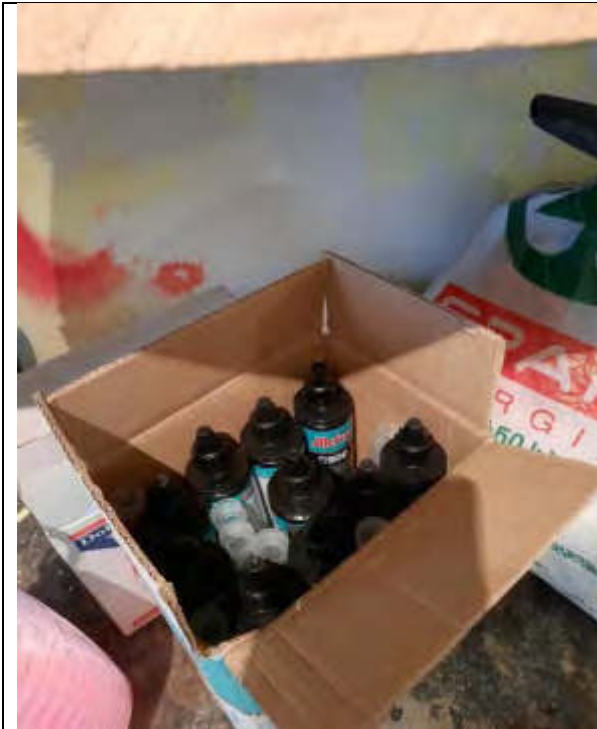
Pic 026 – “Mirtskhulava” waste management



Pic 027 – “Mirtskhulava” warehouse



Pic 028 – “Mirtskhulava” warehouse



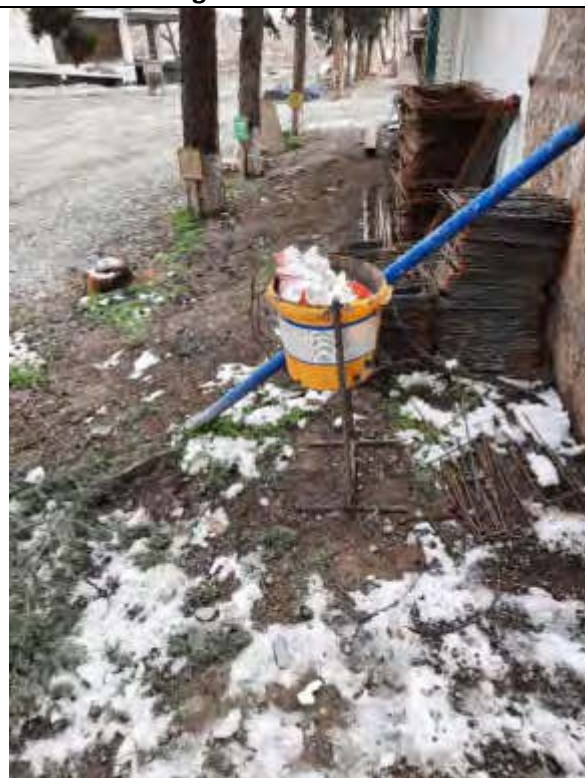
Pic 029 – “Mirtskhulava” warehouse – chemical management



Pic 030 – “Mirtskhulava” warehouse – chemical management



Pic 031 – “Mirtskhulava” warehouse – chemical management



Pic 032 – “Mirtskhulava” waste management and no damage to trees sign





**Pic 033 – “Mirtskhulava” no damage to trees sign**



**Pic 034 – “Mirtskhulava” site dining area**

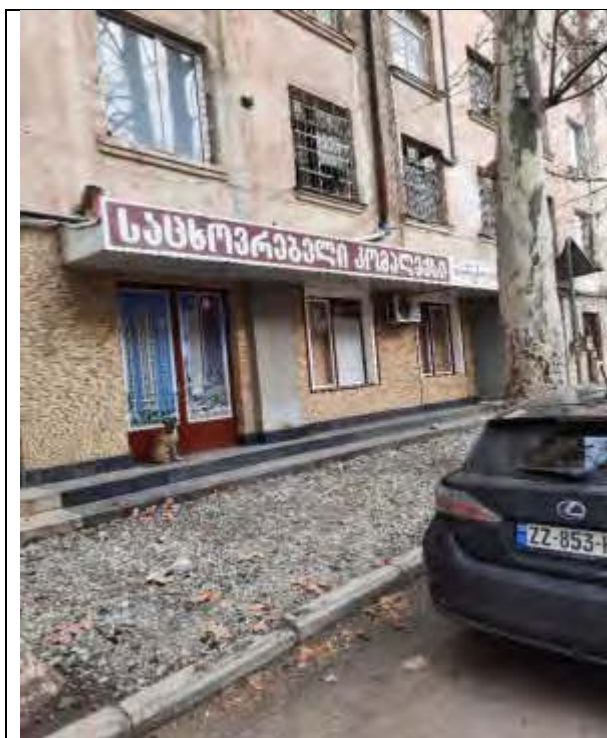


**Pic 035 – “Mirtskhulava” site dining area**



**Pic 036 – “Mirtskhulava” building under White Square ownership currently occupied by previous owner (rented out) – for future demolition**





**Pic 037 – “Mirtskhulava” building under White Square ownership currently occupied by previous owner (rented out) – for future demolition**



**Pic 038 – “Mirtskhulava” building under White Square ownership currently occupied by previous owner (rented out) – for future demolition**



**Pic 039 – “Mirtskhulava” building under White Square ownership currently occupied by previous owner (rented out) – for future demolition**



**Pic 040 – “Mirtskhulava” building under White Square ownership currently occupied by previous owner (rented out) – for future demolition**





**Pic 041 – “Mirtskhulava” site railway (1)**



**Pic 042 – “Mirtskhulava” site railway (2)**



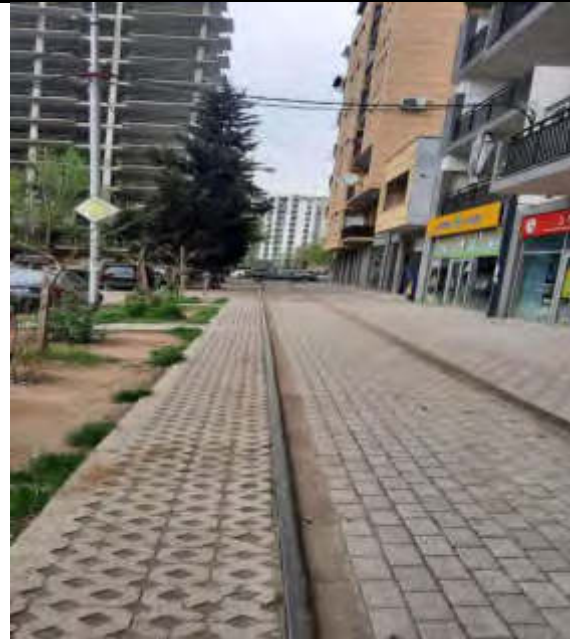
**Pic 043 – “Mirtskhulava” site railway (3)**



**Pic 044 – “Mirtskhulava” site railway (4)**



Pic 045 – “Mirtskhulava” site railway (5)



Pic 046 – “Mirtskhulava” site railway (6)



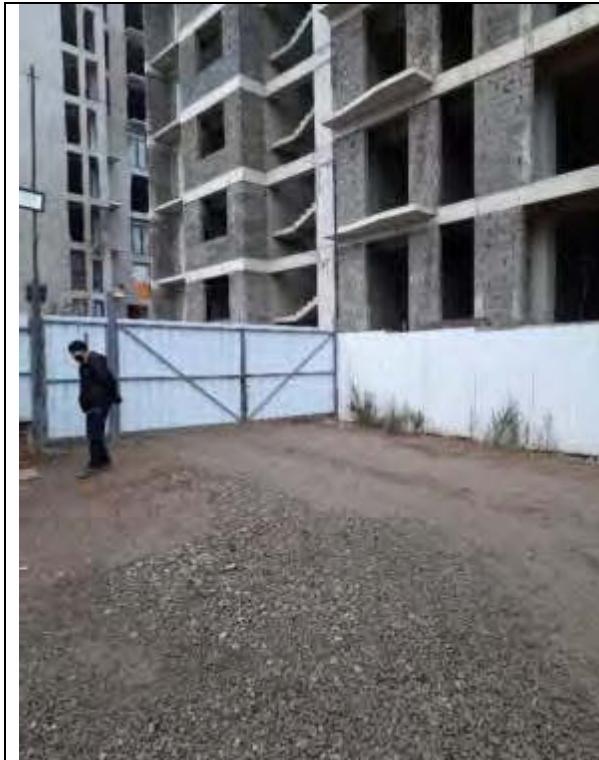
Pic 047 – “Mirtskhulava” site railway (7)



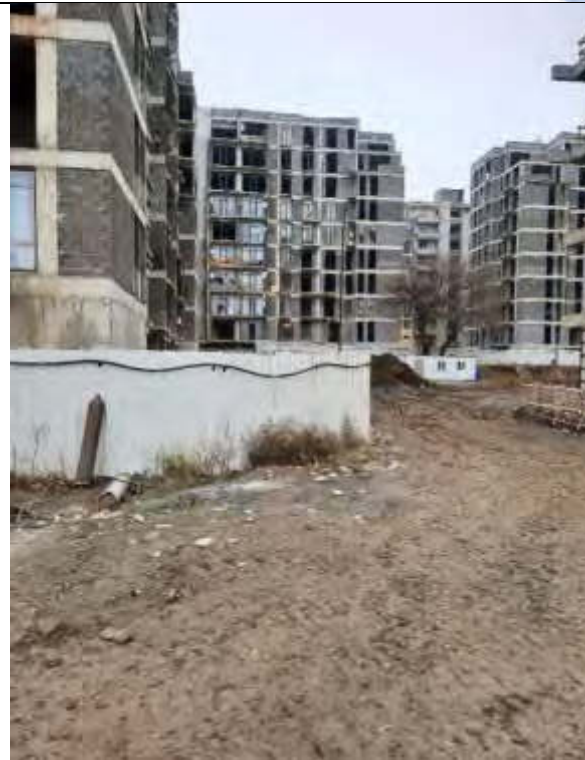
Pic 048 – “Mirtskhulava” site railway (8)

**“Chkondideli” Site Photo Log**

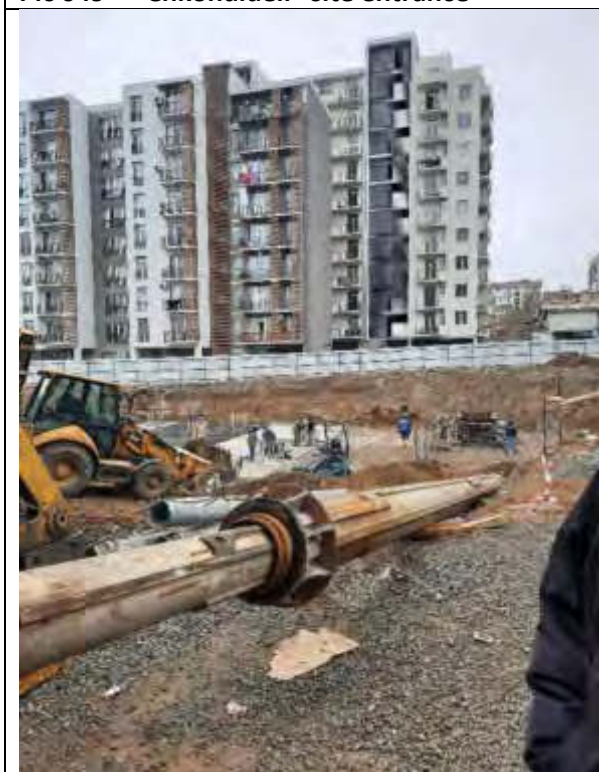




Pic 049 – “Chkondideli” site entrance



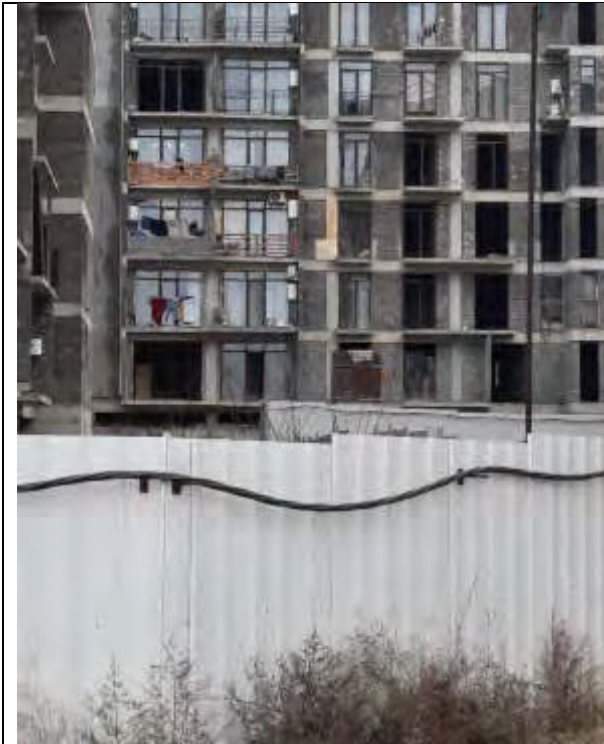
Pic 050 – “Chkondideli” site



Pic 051 – “Chkondideli” site nearest residents



Pic 052 – “Chkondideli” site perimeter



**Pic 053 – “Chkondideli” incomplete building occupied by residents**



**Pic 054 – “Chkondideli” incomplete building occupied by residents**



**Pic 055 – “Chkondideli” incomplete building occupied by residents**



**Pic 056 – “Chkondideli” incomplete building occupied by residents**





**Pic 057 – “Chkondideli” waste management**



**Pic 058 – “Chkondideli” waste management**



**Pic 059 – “Chkondideli” waste management, housekeeping**

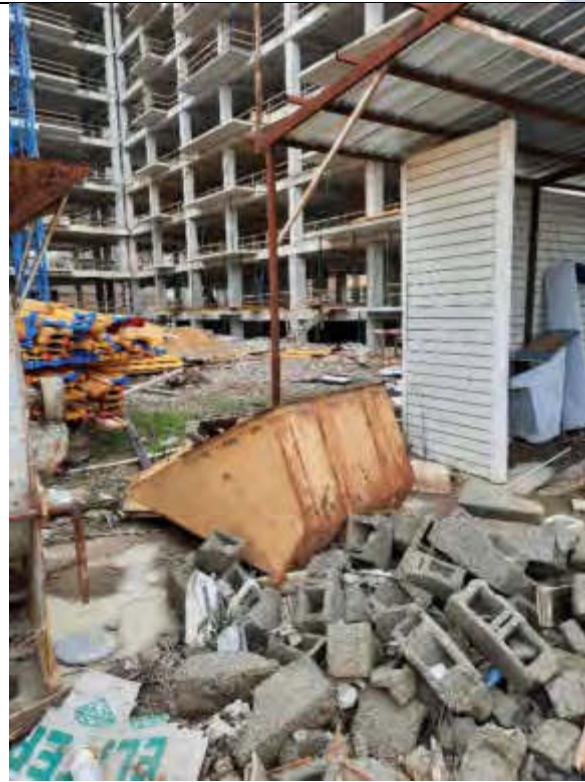


**Pic 060 – “Chkondideli” waste management, housekeeping**





**Pic 061 – “Chkondideli” waste management, housekeeping**



**Pic 062 – “Chkondideli” waste management, housekeeping**

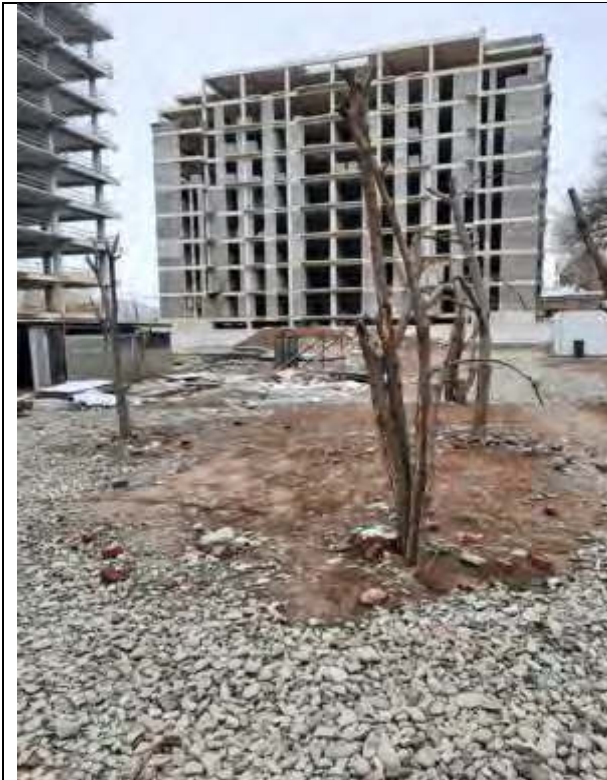


**Pic 063 – “Chkondideli” concrete wash**



**Pic 064 – “Chkondideli” concrete wash**





**Pic 065 – “Chkondideli” plants**



**Pic 066 – “Chkondideli” plants**



**Pic 067 – “Chkondideli” chemical management, pollution prevention**

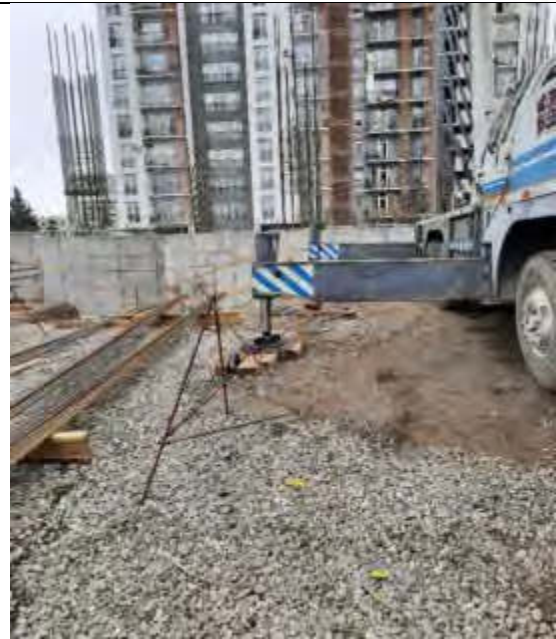


**Pic 068 – “Chkondideli” chemical management, pollution prevention**





**Pic 069 – “Chkondideli” waste management, pollution prevention**



**Pic 070 – “Chkondideli” waste management, pollution prevention**



**Pic 071 – “Chkondideli” pollution prevention, spill response**



**Pic 072 – “Chkondideli” pollution prevention, spill response**



**Pic 073 – “Chkondideli” site toilets**



**Pic 074 – “Chkondideli” site toilets**



**Pic 075 – “Chkondideli” hand-wash**



**Pic 076 – “Chkondideli” office and warehouse**

“Optima” LLC Environmental and Social Due Diligence  
Environmental and Social Compliance Audit Report

7.4 Annex D – Audit Interviews protocol

Interviews conducted on 19<sup>th</sup>, 20<sup>th</sup> and 22<sup>nd</sup> of February, 2021

No	Name	Company	Position	Subject	Comment
1		Georgia Real Estate (GRE)	CEO		
1.1				Documented hierarchy to show interconnection of Geo Capital, GRE, M2, Optima/BK Construction	Group financial director - M2 is daughter whose daughter company is Optima LLC. White board picture on hierarchy of the companies
1.2				How is M2 reflected within the overall process	Same as above
1.3				General contract (agreement) of Geo Cap with daughter companies - documented evidence to be provided	
1.4				Job descriptions for ESMS and HS	They are peers having separate responsibilities
1.5				When are you planning to start outsourcing of E&S staff of the project?	GRE willing to have the Consultant staff to be outsourced; would it be the conflict of interest (talk to )
1.6				Waste management - inventory (type and amount of disposed waste) to identify if the formal waste management plan is required to be developed as per Georgia legal requirement (Waste Code)	Not responsibility. Assure to speak to the proper personnel
1.7				If is not the proper person to ask this question, then who we should speak about it to?	Davit Oniani
1.8				Waste management - contractor	
1.9				Separate HS plan for each construction site - (BK CEO) to provide as per MoM 16 Feb 2021	Waste management discussion to be conducted with him as per



1.10				Obtain confirmation the provided Emergency Management Plan (as well as the E&S and H&S Management Plans English versions) can be considered the originals of what is the working document	These three documents can be used as evidence as they are the working document for the project with the companies implementing the project itself using these documents as the reference
1.11				E&S Policy to be provided as per MoM 16 Feb 2021	Obtained from the link [REDACTED] already provided
1.12				Stakeholder engagement plan to be provided by the GeoCap or daughter companies as per MoM 16 Feb 2021	Not [REDACTED] responsibility. Assure to speak to the proper personnel
1.13				Formal project description if available	Should be available within the land audit which the Consultant already completed
1.14				Employee’s redundancy mechanism - what is your role (explained)	HR and [REDACTED]
1.15				Grievance mechanism - what is your role (explained)	HR and [REDACTED]
1.16				Any complaints from locals or any other parties already formally received? Responded? If not - what is the plan? Including legacy complains from Sveti	No formal complaints received so far
2	[REDACTED]	Georgia Real Estate (GRE)	Department Managing Director		
2.1				What is your role in the company - explained	Quality assessment and control, alignment with the given project requirements. Some companies provide analysis reports (cement, metal part) in which case there is no need for a separate control by the company to be provided. Using [REDACTED] for noise, dust, also might be vibration monitoring. Baseline monitoring to be completed as well. Working conditions monitoring already conducted. Geology is available with the data on underground water as part of the well drilled

2.2				Samples of the NCR Report/Incident Investigation/H&S Inspection	██████████
2.3				Waste Management process	What type of construction waste is there? Security obtaining information on number of wastes disposing vehicles leaving sites. Domestic waste disposed of in the usual way similar to the containers available within the streets collected by municipal waste collection services
2.4				Environmental Monitoring planned (if no records)	Records not available for monitoring (noise, dust), but will be provided when monitoring is conducted
2.5				Grievance mechanism - what is your role (explained)	██████████ to interview next week
2.6				Is Occupational Health and Safety part of your responsibilities	██████████
2.7				Working conditions provision - procedure? Formal? (including hygiene and locker rooms)	██████████
2.8				Flora on the site - trees to be cut - are they inventoried in any way?	Permit available on trees to be cut/relocated (the project permit contains this information as well). ██████████ has information on these trees as per their species and reference number. Inventory was conducted by the separate company
2.9				Concrete washing pit arrangements	No pits available for the concrete washing, was not within the project and never paid attention to.
2.10				PPE requirements and provision	██████████
2.11				Physical fit for task assessment - is it conducted?	██████████
3	Document Control personnel	Georgia Real Estate (GRE)			



3.1				Document control procedure/process	██████ responded: ██████ - administrator of the GRE Group is responsible for the document control and if any document is required than ██████ needs to be contacted to obtain them. No separate document control is available at the Company. ██████ at front desk does the letters. The new system is under construction and is planned to be completed in nearest future (██████), which will be also controlling documents. All client documentation is saved under the soft of the sales department (██████ - M2 developed specifically for their own needs from 2012 or so. All projects are saved on the share drive.
4	HR Department representative	Georgia Real Estate (GRE)	HR is on maternity leave and therefore ██████ was interviewed instead		
4.1				Employee Corporate Statement (HR Policy)	██████ to provide
4.2				Internal grievance mechanism	Non-existent
4.3				Position announcement process	The department requiring a new employee requests Legal/HR to announce the position in the external tools (jobs.ge for example) with the dates. The CVs obtained and provided to the department of interest and interviews conducted based on merit. General test is conducted (legal) or presentation from the candidate (for sales department)
4.4				Employee selection process	Based on CVs shortlisted in accordance with the requirements listed in the announcement, test or

					presentation where required and interview of the candidate
4.5				Employee redundancy process	In accordance with the legislation. Compensations available, maternity leave including
4.6				Benefits - including health insurance	Standard package provided by the GRE (direct contract with Imedil). In case above standard is desired by the employee, it is paid by the employee with the company paying directly from employees salary.
4.7				Work related health damage - how is it covered in case of no insurance	Ask [REDACTED]
4.8				Gender balance - % to be provided both at office and site staff	As per organizational chart - good. Percentage can be obtained from it.
4.9				Underaged at work - under 16 and 16 - 18 (in case there are such cases - what is the contractual arrangements)	Ask [REDACTED]
4.10				Working conditions provision - procedure? Formal? (including hygiene and locker rooms)	Ask [REDACTED]
					GRE does not manage site construction employees (laborers) contractors etc. This is conducted by the BK construction ([REDACTED])
					BK college in Zestafoni "Construct2", where specialists in construction are educated for free. Upon completion of the course three-month internship is offered at BK and availability of positions. Academic study also takes place in the college, financed by the government (prarab)
5	[REDACTED]	Optima LLC	CEO		

5.1				What's your role in the company - explained	<p>Company developed for the completion of the incomplete projects such as one obtained from Sveti. This is the reason for the separately created company. (Chkondideli, Mirtskhulava and Nutsubidze). All three are covered by their own financial models. Memorandum agreed with Municipality of Tbilisi. Due to the scope (400000 m3 to be built). Optima = White square (for the purposes of communication) is the brand name of the project and marketing is developed as per this brand (White square Mirtskhulava, while square Chkondideli, white square Nutsubidze. Up to 2000 Sveti customers - all contracted with three parties involvement (customer, Sveti, white square). White square offer to customers - 60/40 - with 60% to be covered during the construction and 40% to be paid upon construction completion but before it is transferred to the customer. In addition to that 10% less in case the lamp sum is paid simultaneously. March 2023 is the target date for completion of the project (shavi karkasi vs tetri karkasi which was supposed to be provided by Sveti).</p>
					<p>There were complains with regards to the shavi karkasi vs tetri karkasi, however the suggestion from White square is for shavi karkasi, however it was the subject of their agreement with the previous company - Sveti. There are people who do not have the complete documentation on ownership of the apartment or payment conducted up to now (up to 10 such cases per each project). By the end of March this year all customers shall be satisfied.</p>
5.2				Red Lines to be provided as per MoM 16 Feb 2021	<p>██████ to provide</p>

5.3				Involuntary resettled people living within the premises of the Mirtskhulava - is the plan to remove the settlement and resettle these people? How?	The building where the resettled people live is not within the Company borders. The other building (brick barakis tipis shenoba) used to belong to the Geomeridian company, which has this building leased and they are waiting for the Company to inform them on the need to leave the building for the Company to demolish it. The Geomeridian has interest in the Company project both living areas and office areas. There is the contract with the separate company which will be doing the demolition of this building and should have the document which includes the study of the building material (in terms of asbestos availability or any other pollution), this company has agreement with municipality too. [REDACTED] to provide the contract and any additional documentation description.
5.4				With regards to the people already living within the constructed parts of the site, which have to be resettled temporarily to hand the project over - what is the plan?	There are people who already paid the whole sum and some who did not (but not many such). The condition with this people is placed verbally on the following: the building that are within the deep premises will be retained there and the safety precautions followed so that these people would not have to be removed from there for a long time (not for months), while with the residents of the outer buildings the notifications will be sent to them with the updated contract to be completed earlier than the rest of the project (2022). These residents will have to be relocated from there for one year. Complains if any come to [REDACTED] if received in written. There is the problem unit available within the Company who deal with those [REDACTED] also taking care of any complaints received from outside (neighbours) and also client care unit ([REDACTED] Individual or small group discussions take place to solve the issues. Presentation is available for one such meetings ([REDACTED] to check if available and provide). Whether the safety risks are assessed for those

					residents who currently live within the premises? And who is responsible for the safety precautions for them? Not the Company, but reputational and potentially financial risks exist. Existing project does not have the engineering part and some changes are required for the infrastructure to be fit in (water) and also some changes to the balconies to make them suitable for the installation of the heating system (kvabi).
5.5				Is there any information on what the functional occupancy of the site land before the project was started (archaeology/pollution, including asbestos)	Check land audit conducted by the Consultant. Also, the same audit for any information on project description.
5.6				Any complaints from locals or any other parties already formally received? Responded? If not - what is the plan? Including legacy complains from Sveti	Explained within the point 5.4
6		Optima LLC	Product and design department Head of Unit		
				What's your role in the company - explained	Two permits for the projects, one for Sveti (project agreements) and one for the Company (development or

					construction agreement), however they will be all combined and there will be the common permits for both
7		Georgia Real Estate (GRE)			Was not available and delegated (Safety Officer) - will meet him tomorrow at Mirtskhulava project during site visit.
8		Georgia Real Estate (GRE)	Managing Director in Legal and HR		
					One case in court: customer (Chkondideli - and already living there) claiming Sveti was supposed to pay him large fine in case the project is not completed on time. The payment is not complete yet and the customer claims that he should not be paid as the part of compensation (fine from Sveti). His apartment is refurbished and occupied by him. He claims \$20000. There is still no contract available for this person (three way contract - customer, Sveti, White square)
9	Varlaam Gureshidze	Optima LLC	Problemuri aktivebis martvis reabilitaciis ufrosi		
				What's your role in the company - explained	Any problematic activities. From the beginning - relationship to the customers acquired from Sveti. There are some complains, however regulated then and there.
				Is there any formal mechanism of communication with complains - grievance mechanism (?)	Up to now there were no formal complains. Usually, contact information is provided for the complainers to call and discuss their issues. There were complaints from Chkondideli neighbours who were



					complaining about red lines (to municipality), but it was solved. No complains on noise as there is state road there and noise level is not significantly increased by the current activity.
				Warehouse that is located at the edge of the site	Current occupants asked to retain the building for as long as possible. The Company agreed upon delay in demolition of the building
				Residents of Chkondideli that are already living there	There was communication with this people and agreed upon (verbally) that they will have to leave their premises when it is time for the Company to complete the construction (most probably starting this summer). It is estimated that about 6 months will be required to complete the works for the first building where 38 out of 60 occupied apartments are located. The rest 22 are spread across other buildings. The overall completion of the works for the buildings where people already live is estimated to take up to 1 year.
				Is there any resettlement action plan for these people who already live in the not-complete buildings?	There is nothing written at this stage, but up to now there was only verbal communication. Should be not an issue to write a plan.
				Cross available within the premises of the site close to the gate to the church	This was created for the church and shall be removed from the premises of the site
				The building along the road - where first floor is occupied with the offices (GeoMeridian)	There are people who rent areas above the offices and the preliminary verbal communication with GeoMeridian is done. GeoMERidian will be compensated with areas (ფართი) when building is completed - 20000 m2 - contract is available between GeoMERidian, the Company and Sveti. When Sveti started construction the whole building was occupied by tolvilebi, who were all satisfied with the living premises.

10		BK Construction	HR department - head		
				Employee Corporate Statement (HR Policy)	Shinaganacesi is available and will be provided by Besik. The updated version was approved last year.
				Internal grievance mechanism	No formal procedure available. No internal complains identified so far. However, in case there is the need, the head of HR department is required to respond the complain as soon as possible.
				Employee selection process	Positions are announced (engineering-technical roles) for the specific qualification. CVs reviewed and phase 1 successful candidates are invited for the interviews to obtain additional details and accepted for trial period (up to 6 months as per Georgia legislation). Laborers employment takes place through commercials, newspapers - about 750 people working currently at the company (these two specific projects: Chkondideli - 50 laborers (31 paid per volume of work completed), (among them one female cleaner) and 5 interns; Mirtskhulava - 98 laborers (73 paid per volume of work completed), (among them one female cleaner), 5 interns. Interns are coming from the "Construct2" college alumnus, they also have paid 10-weeklong industrial internship - GEL500 + GEL 80 - for accommodation payment) - also internal spread of the requirements. Office - in total 121 employees (not necessarily office based, but also working on site as per need) among them 10 female workers. Contracts - typical as per Georgia labour legislation (template to be provided by █████). Some of the labourers are on completion of the volume of work completed (m2 of concrete filled x payment), also contract for such type of labourers available (template to be provided by █████ too). In-time

					and over-time hours are reflected within the special forms per each employee.
				Employee redundancy process	In case of breach of contract - act is developed for employee to be fired, signed by all responsible parties including employee of interest. Warning system is also available (verbal). During redundancies - very simply contracts are not prolonged. In case of open contract - notice is provided 1, 2, 3 months in advance with relevant compensations.
				Benefits - including health insurance	Health insurance for office employees - minimum with employees able to raise the insurance package. Labourers are also insured for accident damage.
				Work related health damage - how is it covered in case of no insurance	Covered by insurance
				Gender balance - % to be provided both at office and site staff	See info in upper sections.
				Underaged at work - under 16 and 16 - 18 (in case there are such cases - what is the contractual arrangements)	Employees from 18 year only, including interns. Maximum limit - 65-year-old, there are exceptions (specialists) of up to 70-year-old

				Working conditions provision - procedure? Formal? (including hygiene and locker rooms)	As per requirements of the Georgia legislation. In winter heating equipment is provided for warmth and in case clothes needs to be dried. No formal procedure available.
10		"Geomeridian" rental			
				Representing one of the commercial companies renting the areas from "Geomeridian" at "Mirtskhulava" project site - within the building to be demolished - discussion of the current circumstances and plans	Mr. [REDACTED] confirmed the fact on the building to be demolished is known to the company he is representing and the "Geomeridian" company which there are renting the area from. They are already looking for the area to move their company to.
					The Consultant discussed if current project construction activities are in any way interfering with Mr. [REDACTED] business activities, for which received confirmation on not having any interference.
11	Beka Tsiklauri	"Chkondideli" project site	Resident of incomplete building No3	Discussion of the current circumstances and plans of "Optima" LLC for completion of the construction activities and hence temporary relocation of the residents currently living within incomplete buildings	The Consultant discussed the current circumstances the resident of the incomplete buildings are living and the plans of the Company to conduct the temporary relocation of these customers with the purposes of completion of the project construction activities. It is understood from the discussion that the verbal agreement with current residents of the incomplete building was conducted by the Company and the buildings to be emptied within one-month prior notice