

Semi-annual Environment & Social Monitoring Report (June to December 2014)

Environmental and Social Performance Report
April 2015

GEO: Adjaristsqali Hydropower Project

Prepared by Adjaristsqali Georgia LLC

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SEMI – ANNUAL ENVIRONMENTAL AND SOCIAL MONITORING REPORT

Georgia: Adjaristsqali Georgia LLC

Annual Environmental and Social Monitoring report (AMR)

Reporting Period: (01/06/2014) – (31/12/2014)

Company and Project Information:

Company: Adjaristsqali Georgia LLC ("AGL" or "the Company")

Physical address of the Company:

6 Irakli Abashidze Street

Batumi - 6010

Georgia

Company website: www.agl.com.ge

Project: The development, construction, operation and maintenance of the Shuakhevi and Skhalta hydro-electric power plants with total electricity generation capacity of 181 MW, to be located on the Adjaristsqali River in Georgia.

Authorised Adjaristsqali Georgia LLC representative who can be conducted by Lenders on the AMR:

Name: Jeff Terry

Title: HSE Director

Company: Adjaristsqali Georgia LLC

Tel: +995 577508801

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Certification of the AMR by Adjaristsqali Georgia LLC:

I certify that the data contained in this AMR completely and accurately represents Adjaristsqali Georgia LLC operations during this reporting period.



Adjaristsqali Georgia LLC Employee Name


Signature

Summary:

During this reporting period all tunnel faces, numbering 12 in total were commenced and at the end of the reporting period approximately 1/3 of the 32km tunnel program had been completed. The dams at Didachara and Skhalta had ground preparations finalised in readiness for the February excavation works.

The Shuakhevi Powerhouse excavation works progressed and was 70% complete by the end of this reporting period. Shuakhevi Powerhouse construction is anticipated in early February 2015.

Environment & Social

Road traffic partnership scheme with EBRD and the UK led NGO, EASST, was finalised in December 2014. This week of community training will help raise road risk and driving statistics to the wider communities around the Project areas.

English language courses were also finalised with a Tbilisi based NGO to offer free courses in schools and community halls. This is a 5 months program to help children and others acquire basic English communication, this is especially aimed at shop / store owners.

Severely affected people by the Project have been working in cooperation with AGL to finalise their needs in terms of restoration of livelihood temporarily lost or permanently. AGL has made it clear to the communities that the vast majority will be made available to the communities although AGL will retain the ownership rights. This will further help and support communities with key targets such as additional grazing land and land made available for vegetation and tree growth.

The first spoil disposal at Zamleti in the Khulo Municipality is planned for re-cultivation in January 2015. This area before the spoil disposal was steep in design. It is now a 900m² area that will be rehabilitated for tree and vegetation growth, further supporting the community's small groups of migrating cattle. 900m² is small in its singular sense, however, once more rehabilitated spoil areas are made available in the first half 2015 the new usable land made available to the communities will be substantial.

Compliance evaluation:

The Project operated to satisfactory level of compliance as per the requirements of Schedule 12, ESAP that was developed by the financing parties. In August 2014, the UK Consulting company ARUP, conducted an implementation audit of the LALRP and, recorded some areas for improvement. AGL positively received these recommendations and closed the actions by November. The primary issue from the audit was stakeholder engagement within the communities and grievance management.

The UK based Consultant, Mott MacDonald (MML) completed a Corrective Action Plan (CAP) from March 2014 to October 2014. This seven month CAP brought the Projects social and accounting standards up to the necessary Performance Standards of the financiers. MML updated the CAP in December 2014. It was subsequently issued to ADB in the same month.

A Detailed Livelihood Restoration (DLRP) was agreed upon between the Lenders and AGL in December 2014. This DLRP will require a further update in March 2015 as the first quarter will be used to accurately coordinate the NGO(s) responsible for livelihood restoration and restoration

training. In November and December 2014 AGL experienced great difficulty in ascertaining restoration measures and number of people in affected communities due to people confirming acceptance of the restoration plan but then dropping out.

Major environmental and social achievements:

AGL commissioned several small scale projects within the affected communities ranging from road development, drainage installation and bridge strengthening in remote communities. In mid-November 2014 AGL opened a new gymnasium in the Didachara village. This was achieved through AGL's CSR program and was warmly received by the mayor and village leaders.

In August 2014 AGL's senior staff officially opened the public Information Centres (IC's) in Khulo and Shuakhevi with local authorities and local press people present. The IC's are staffed by two local personnel in each IC from within the community. Within the IC's visitors can read leaflets, brochures, communicate with staff and view videos and stills of the Project activities of above ground and below ground works. Also on display are key items such as Project progress, employment opportunities and targets such as environmental protection measures and the ban on hunting.

The villages of Tsalana in the Khulo Municipality and Chankhalo in Shuakhevi Municipality have had historical differences over resettlement and landslides dating back to the 1960's. The local people in these villages were attempting block roads used by the Project to undertake its works. Over a period of an approximate one year, AGL was instrumental in negotiations with government bodies and local communities in reaching an agreement whereby works were allowed to commence without hindrance or harassment.

AGL's Owner's Engineer, at the start of the Project works seemed reluctant to act appropriately and assist AGL in program management and construction HSE. The OE assumed a 'monitoring' role only when, what was required, was positive inter. From February 2014 to June 2014, AGL management readjusted their mind-set and approach to ensure that they participated professionally in the Project allowing AGL to meet the Lender's obligations and Georgian legislation.

In early January 2015, AGL successfully teamed up with EBRD to initiate a traffic safety week in the affected municipalities of Khulo and Shuakhevi. This is part of the Project's CSR program to warn and advise the local university and local schools of the dangers of dangerous driving and standing in roads, especially at night. This has had the added bonus of assisting the Project in raising the awareness of road safety as the Project has numerous large and small vehicles using the public roads to access work, camp and spoil disposal areas.

The collaboration mentioned has been warmly received by the senior government in Tbilisi and the local Adjara Government in Batumi. The close, positive working relationships between AGL and the authorities will ensure sustenance of the achievement.

Major challenges and issues for the Company:

No significant environmental incidents arose during this semi-annual reporting period. Likewise, no serious issues or complaints were issued for governmental authorities.

A major and recurring social request is for employment by the affected communities. The Project makes endeavours to employ as many local people as possible. As of December 2014 the Project directly or indirectly employs 483 Georgians.

The most significant negative aspect of 2014 was the claims that the Project is causing or at least speeding up the decay to houses in the remote area of Chankhalo. One resident was claiming that his was severely cracked and falling down due to the blasting operations in the Chankhalo Adit. This issue reached its height in mid-November 2014. By early December 2014 it was established, through investigation that the claimant was compensated by the Georgian government in 2012 as his was 'cracking' due to a landslide; a landslide that as present long before the Project arrived. At present the Project is monitoring noise and vibration levels and working with the government on this matter. Although this was raised to government level, the government were satisfied that the Project was not causing the damages stated by the claimant that lived 450m away from the Chankhalo Adit; the blasting in the Adit was another 550m. This means the claimant's house was approx. 1km from the work site.

In the Q2 the Project received a series of protests by villagers as the works areas and camps were attempting to be established. The two most vocal villages were Tsablana and Gurta located in the Khulo Municipality. These villages finally accepted the Project was going to take place in April 2014. From this date these villages have benefitted from employment and small CSR activities.

CSR activities are conceived within the affected communities between the residents and village leaders. These ideas are then fed through the mayor and then into the AGL. Upon agreement, the CSR activity(s) are implemented by the local community residents. CSR activities include, but not limited to; road widening, water pipe installation, school refurbishment, paving of roads and drainage installation.

As stated in paragraph 4 above, in relation to media attention, a resident at Chankhalo made several claims about the impacts of blasting to the local press in Batumi. These claims found their place with discussions at senior government level. Subsequently, AGL formed a team to work alongside governmental bodies to analyse these claims, and, after thorough investigations over a three month period (October, November & December 2014), concluded that the Shuakhevi HEPP was not contributing to the claimant's statements. The Government of Georgia issued a formal statement on the 12th December 2014 to confirm this. However, AGL is still monitoring the tunneling operations at Chankhalo and other locations to assess impacts.

Key Project implementation data relevant to E&S performance evaluation:

Start of construction date: 26th July 2013

Start of commercial operation date: N/A

Gross electricity generation capacity (MW): N/A

Net electricity generation capacity (MW): N/A

Gross Electricity generated during the reporting year (GWh/year): N/A

Net Electricity generated during the reporting year (GWh/year) – Total, a portion exported to Turkey, a portion delivered to Georgia: N/A

Plant capacity factor (%) – Gross Electricity generated (GWh/year) / Gross electricity generation capacity MW x 8,760 hour/year: N/A

Number of workers as of Dec 31 of the reporting year

Number of direct employees of AGL: 29 in total disaggregated as 9 expatriate and 20 Georgian. AGL also employs an additional 80 local people to undertake small CSR projects in affected communities. This brings the total to 100 Georgian and 9 expatriate = 109 persons in AGL.

Contractors:

Name of the company: AGE Batum

Number of workers: 983

580 Turkish workers and 403 Georgian workers employed by the civils Contractor AGE Batum (disaggregate number of expatriate and local workers):

Total number of workers: 983

Compliance with IFC Performance Standards / EBRD Performance Requirements / ADB Safeguard Policy Statement (SPS):

PS1/PR1/SPS – Assessment and Management of Environmental and Social Risks and Impacts:

E&S Assessment and Management System / Policy:

The Project EHS Policy is attached as Annex 1 at the rear of this document. In this reporting period the Turkish Contractor, AGE strengthened its team with the addition of two HSE managers. This has given the Contractor real direction and understanding of AGL's systems and targets. The EHS organisational chart is located at the rear of this document in Annex 2.

The Owner's Engineer (OE), Mott MacDonald, recruited several key personnel into their Engineering staff that further bolstered the need for positive EHS improvement in the office and workplace environments. The AGL HSE Director has worked closely with the OE & Contractor and set the Policies and targets for HSE during this reporting period and into 2015. The close professional relationship between the Project companies is increasing and developing into an effective partnership.

In the last quarter of 2014 the Project made large steps towards the obligation of ISO Certification. AGL and the OE has recruited several persons into each organisation to deal with this under the leadership of the AGL HSE Director. These additional are inexperienced local persons that require significant amounts of training and support. It anticipated that the Project will reach this standard by mid-2015 but regular training will be required to new AGL staff throughout 2015. Integration within the Owner's Engineer team will also be required to ensure

that confidentiality is retained between the two organisations during the Construction period.

Identification of Risks and Impacts: Based on the actual operation of the Company (including construction phase) during the reporting year, please provide a summary of the key risks and impacts that the Company was faced with and the actions taken. Key risks encountered during the construction processes were mainly confined to the tunnel construction works. At the early stages of tunnel works in June 2014 the changing geology of the tunnel was producing a lot of loose rock from the tunnel crown. This resulted in an evaluation of rock classification and the initiation of rock Category 1a. This allowed a mixture of category 1 and 2 specification. This measure was introduced in August 2014 and immediately reduced the number of near-miss occurrences due to falling rock.

High risk activities above ground such as works at height, plant operation and electricity are controlled specific risk assessments and method statements (RAMS). These are in Turkish and English. Each work team has a Turkish translator to help ensure that communication is free flowing and comprehensible.

Organizational Capacity and Competency:

Please Annex 2 for the HSE organisational chart. HSE direction and Policy is set by the AGL HSE Director with final authorisation coming from the AGL Chief Construction Officer (CCO).

The roles and responsibilities are broadly set out in the Overarching CEMP with more specific duties named in the AGL & AGE HSE Plans. The Plans and CEMP was subjected to the ARUP audit on implementation in August 2014. ARUP passed several comments for an update. Where appropriate, the comments were incorporated into the HSE Plans and CEMP to ensure compliance with the Lender's requirements.

The Project has targeted areas as working at height, medical arrangements, tunnel working and vehicle operation for training due to the high potential for loss of life to Project personnel and members of the public. Works at height over 5m are completed by specifically trained persons by the civils Contractor. Scaffolding and working at height training has been completed as a key component in only allowing scaffolding and working platforms to be changed, altered or dismantled by these specially trained persons to reduce the likelihood of falls or falling objects from height.

AGL's social team numbers 12 persons. 6 of these employees have the role of distributing Project information to the community as well as recording grievances and advising the public on Project status new phases of work and possible employment opportunities. Unexpectedly, the most significant challenge of the AGL social team was to obtain suitable contributions for the AGE (Contractor) social team. During this reporting period, the AGL social team has worked closely with the Contractors social team but with limited results. The affected communities are using AGL's social team as the main point of contact for all means of communication and grievance. A major target of 2015 is to have the Contractors team become more involved in the

in the affected communities with a view to answering queries in the communities, dealing with complaints at ground level to prevent grievances being raised.

The contractor's social team numbers 7 persons plus 1 lead social member. This brings the Project's combined social team to 20 persons. Proper leadership and participation in the 2015 will be essential if continuous development is to be sustained. As the Project implements more CSR schemes, AGL is reviewing its social team in terms of personnel numbers to assess if additional staff are required. A decision will be made in March 2015 on this.

Emergency Preparedness and Response:

The Project has developed area specific procedures to deal with emergencies. AGE, with input from AGL, has developed an Emergency Response Plan and Spill Response Plan. These Plans show how, who and when these Plans will be initiated. They also contain roles and responsibilities along with communication lines.

The list of ERP's are named below:

1. AGL HSE Plan, dated September 2014
2. AGE HSE Plan, dated November 2014
3. Emergency Spill Response Plan, dated February 2015
4. Community Emergency Response Plan, date January 2015

For serious occurrences that could have an impact on the Lender's organisations, the AGL CCO & HSE Manager notify the Lender group as per the CTA to advise of the occurrence, measures taken and rectification action that will be adopted to redress loss and prevent recurrence with future activities or emergencies that concern the affected communities.

Monitoring and Review: If the Company publicly reported on overall E&S performance (e.g. sustainability report), please describe how it was done. Please also provide a summary of the Company's internal inspections and audits conducted to verify E&S performance compliance. AGL has conducted internal monitoring of the HSE performance and compliance with the project HSE Plans, RAMS and Lender's requirements. E&S monitoring focused on payments, land acquisition, filing to ISO Standards and adherence to Project monitoring documents such as the SEP & LALRP. Minor non-compliances were noted with the SEP. This was due to the increase in staff to manage the systems. The main cause for improvement was with the filing requirements and training of new staff.

Stakeholder Engagement: Please provide a summary of how the Company continued to engage stakeholders, including affected communities and civil society organizations, to ensure that their concerns are properly monitored and addressed. Please also describe how the affected communities were informed about the progress of E&S management programs.

Through 2014 AGL, and therefore the Project has developed close and effective relationships with external agencies such as NGO's and the government. As part of the obligations in the

LALRP & SEP, AGL is now in partnership with UNDP for restoration measures that are specified in the Detailed Livelihood Restoration Plan. UNDP will provide day-to-day management of implementation with funding and support from AGL. This cooperation and relationship will continue through 2015.

AGL has contracts with local NGO's to help facilitate the requirement of environmental monitoring to assess impacts, if any, are occurring to surrounding areas of construction. The NGO are Batumi Botanical Centre, PSOVI and Flora and Fauna. This provision ensures that all species of animal, tree and vegetation is assessed to review condition and population. These NGO's have direct access to AGL management to exchange information of the effectiveness of environmental mitigation or areas where risks are developing.

PS2/PR2/ADB's Social Protection Strategy 2001 – Labor and Working Conditions:

Human Resources Policies and Procedures:

The Project has not received any claims and allegations of mistreatment by employers. The Project has an internal grievance mechanism which can be completed anonymously if chosen by the claimant. However, from Project commencement in October 2013 no such allegations have been made by Project related personnel or external organisations regulatory agencies or courts.

Workers Organization:

Total number of direct workers (disaggregated by expats, local workers):

580 Turkish workers and 403 Georgian workers employed by the civil Contractor AGE Batumi. 120 people are employed by AGL. These are divided up as 9 expatriate, 20 directly employed Georgian staff and 80 Georgian people from affected villages on a contract basis as street marshals and labour to undertake CSR activities. The 20 directly employed staff are on long term contracts. 10 of the Georgian staff are from affected communities and 10 are from Batumi. The 80 Georgian people employed are on rotating 3 months contracts as street marshals or CSR labour personnel. These persons are from affected communities and villages.

All AGL employees are on salaries that are, on average, double the minimum wage. The contracts of employment are developed by the Georgian legal team and vetted by the lead Georgian legal officer that has both Georgian and UK legal qualifications.

Total number of direct workers who are members of the workers' organization(s):

Name(s) of the workers' organization(s)

The Project, in most part uses AGL's legal team to advise Project management organisations and unions. The AGL team has close working relationships with both the OE and the Contractor AGE. To date no organisations have been sought out by workers; managers

encourage the freedom of speech and would welcome the addition of union involvement on the Project in a controlled and proportionate measure.

Retrenchment:

Retrenchment was, and is not an option used on this Project.

Grievance

Mechanism:

The weekly, monthly and semi-annual review of the grievance mechanism for the Project and internal personnel revealed no particular grievance against a work area, supervisor, and manager or accommodation area.

The conclusions drawn from this is that AGL have been actively involved with workers on site via informal discussions about activities and problems with a view to rectification with immediate effect. Likewise, the AGL manage team have been giving the accommodation areas, canteens and medical centers close scrutiny to ensure that workers supports services are in optimal condition and functioning as per contractual arrangements.

Child Labor / Forced Labor:

AGL has ensured the Project is compliant with the Child Labor Standards and the Child Labor laws of Georgia. This has been achieved, and the standard will be sustained by having close involvement from the AGL legal team, active monitoring by AGL and the Contractor. At present the youngest age on the Project is 19. Such persons are subject to lower risk activities and subject to close management in a team of experienced workers. Child labour is assessed monthly and quarterly as part of the management audit system.

Occupational Health and Safety (OHS): Please provide occupational health and safety performance data of the Company using the tables below and analyse the effectiveness of the actions being taken for improvement. Please attach short descriptions of accidents (including fatalities), dates, results of investigation, preventive measures taken. Please provide a summary of OHS training programs carried out for the reporting period.

The Project experienced a swift increase in June 2014 from approximately 430 employees to 740 employees. Around 112 of these were inexperienced workers carrying out industrial activities but with agricultural backgrounds. These resulted in an increase in vehicles accidents and moderate injuries resulting in 3 or more days from work.

In September 2014 a Turkish tunnel worker received a severe injury to his left foot that resulted in amputation as he came into contact with a jumbo drill rig. This major accident was the only one incurred by the Project in the whole of 2014 but, with the increase of 3 day accident by inexperienced employees was sufficient to breach the 7.5 target rate for the construction phase.

Occupational Health and Safety Performance (Construction / Operation Phase)

Item	Number			Target
	Employees	Contractors	Total	
A: Fatalities: ¹	0	0	0	0
B: Total Lost Time Accidents (including vehicular): ²	0	18	18	N.A.
C: Total number of lost workdays resulting from incidents: ³	0	69		N.A.
D: Total man-hours worked this reporting period:		620		N.A.
E: Incidence during this reporting period: (Note: Incidence = total lost workdays / total hours worked)	0	0		N.A.
F: Lost Time Injury Frequency Rate (Number of lost time accidents x 1,000,000 hours / total man-hours worked = injuries per million hours worked)	0	9.0		N.A.
G: Lost Time Severity Rate (Total Lost workdays x 1,000,000 hours / total man-hours worked = lost workdays per million hours worked)	0	8.8		7.5 or less (construction phase) 4.5 or less (operational phase)

Note: Targets for Lost Time Severity Rate are industry benchmarks based on 2008 US Bureau of Labor Statistics data.

Improvement Trend of Occupational Health and Safety Performance

Item	2014	2015	2016	----
A: Fatalities: [Employees] [Contractors] [Total]	0			
B: Total Lost Time Accidents (including vehicular): [Employees] [Contractors] [Total]	18			
C: Total number of lost workdays resulting from incidents: [Employees] [Contractors] [Total]	69			
D: Total man-hours worked this reporting period: [Employees] [Contractors] [Total]	620			
E: Incidence during this reporting period:	0			

¹ Please attach separate reports detailing the circumstances of each fatality. Also discuss how the company has provided benefits/assistance to the worker's family.

² In capacity to work for at least one full workday beyond the day on which the accident or illness occurred.

³ Lost workdays are the number of workdays (consecutive or not) beyond the date of injury or onset of illness that the employee was away from work or limited to restricted work activity because of an occupational injury or illness.

[Employees] [Contractors] [Total]				
F: Lost Time Injury Frequency Rate	US 9.0			
[Employees] [Contractors] [Total]	UK 0.9			
G: Lost Time Severity Rate	8.8			
[Employees] [Contractors] [Total]				

Workers Engaged by Third Parties: Please provide a summary of how the Company is managing and monitoring the performance of third party employees in relation to the requirements of the PSs / PRs.

Third parties such subcontractors and consultants are subjected to weekly and monthly monitoring practices by AGL, MML and AGE management. Records, such as inspections and audit are maintained at the main camp. AGE (contractor) employ third party organisations for calibration services and testing or key site items such as lifting equipment and cranes. These third party employees or visitors are subjected to the same induction and supervision practices as full time Project employees on the Shuakhevi HEPP.

PS3/PR3/SR1 – Resource Efficiency and Pollution Prevention:

Resource Efficiency – Greenhouse Gas (GHG) emissions avoidance: Please provide the Company's estimate about the GHG emissions avoidance effect of the Project:

GHG emissions avoidance of the Project

Year	Gross electricity generation (MWh / year)	Auxiliary electricity consumption (MWh / year)	Net electricity generation (MWh / year)	Grid emission factor (tonCO ₂ / MWh)	GHG emissions avoidance (tonCO ₂ / year)
	A	B	C = A – B	D	E = C x D
PDD for CDM					
Actual					
2015					
2016					
2017					

Note: PDD for CDM (Project Design Document, completed 31/08/2012)

Estimated CO2 Emissions from Mobile Sources (Gasoline Vehicles)

	Total number of vehicles	Total length of distance travelled (km)	Gasoline consumed		Gasoline vehicle efficiency (litre / km)	CO2 emissions factor (kgCO2/TJ-LHV)	CO2 emissions (tonCO2)
			(litre)	(TJ LHV)			
		A	B	C	D=B/A	D=69300	E=BxD/1000
2015						69300	
2016							
2017							
2018							

Note: CO2 emissions factor (gasoline) 69300 kgCO2/TJ-LHV from 2006 IPCC Guidelines.

Estimated CO2 Emissions from Mobile Sources (Diesel Vehicles)

	Total number of vehicles	Total length of distance travelled (km)	Diesel consumed		Diesel vehicle efficiency (litre / km)	CO2 emissions factor (kgCO2/TJ-LHV)	CO2 emissions (tonCO2)
			(litre)	(TJ LHV)			
		A	B	C	D=B/A	D=74100	E=BxD/1000
2015						74100	
2016							
2017							
2018							

Note: CO2 emissions factor (diesel oil) 74100 kgCO2/TJ-LHV from 2006 IPCC Guidelines.

Pollution Prevention – Waste: Please provide a summary of non-hazardous and hazardous waste generation and minimization activities using the table below. Please add a summary description of major recycling activities conducted.

Non-hazardous and Hazardous Waste Minimization Activities

Item	Non-hazardous waste				Hazardous waste			
	Generated (ton)	Re-cycled (ton)	Disposed (ton)	Recycling ratio (%)	Generated (ton)	Re-cycled (ton)	Disposed (ton)	Recycling ratio (%)
	A	B	C=A-B	D=B/A	E	F	G=E-F	H=F/E
2014	285	-	285	%	13.71	13.60	13.71	92%

Please add a summary description of major recycling activities conducted.

The Contractor has initiated a waste segregation system in the workplace and camp areas. This system comes in the form of colour coded waste bins. However, this waste is then taken to a licensed refuse in the city of Batumi where no such waste segregation of waste recycling

exists resulting in mixing of the waste categories. AGL has made several call to the waste disposal in Tbilisi to confirm receipt of the hazardous waste and the correct quantities as per removal

Hazardous waste types are segregated in the workplace. These waste are then collected in suitable vehicles under license and taken to Tbilisi where a license hazardous disposal factory receives the waste.

PS4/PR4/SR1 – Community Health, Safety, and Security

Implementation of key actions for community health and safety (dam safety): Please provide a summary of the planned key mitigation measures of related to dam safety (e.g. dam safety review conducted, dam safety monitoring, community emergency response program).

This section can be completed in the June 2015 report. At this point (December 2014) no dam construction is taking place; only dam excavation works are ongoing.

What can be said at this stage is that dam construction works are, and, will be subject to risk assessment and a thorough method statement for construction phase. These procedures will be positively monitored by the OE and AGL management team for compliance.

Implementation of key actions for security personnel management: Please provide a summary of the planned key mitigation measures of the security staff about appropriate use of force where applicable toward workers and affected Communities.

Implementation of key actions to other incidents. Please provide summary of incidents⁴ recorded, including date, scale of damage and injury, if any; authorities in charge of investigation/recording, and media or community reactions, if any; action taken to respond to the incident; and any outstanding issues and proposed measures. Please provide any other health and safety events or out-reach activities.

The security personnel on his Project are made up of the Contractors personnel and, at major establishments such as the main camp and explosives magazine, local Police are used. From the start of the Project setup in October 2013, no civil unrest has been aimed at the camp or Magazine, no force has been needed and no involvement from the Police has been sought by AGL or the Project.

PS5/PR5/SPS – Land Acquisition and Involuntary Resettlement:

Land Acquisition, Livelihood Restoration: Please provide a summary of the land acquisition and livelihood restoration, including implementation of the Land Acquisition and Livelihood Restoration Plan. Identify any gaps and the corresponding measures/corrective actions undertaken by the Company.

⁴ Including incidents that have caused damage to the environment or to human health, and/or attracted attention of outside parties (e.g., fire, explosion, chemical or oil spill, and pollution release).

The Project has not caused physical displacement of people.

The Land Acquisition and Livelihood Restoration Plan (LALRP) implementation was subject to a strict review by the UK based Consultant, Mott MacDonald (MML) from March 2014 to September 2014. Key findings from this audit were proper filing and archiving, internal monitoring, training and awareness of new AGL staff and their land acquisition Consultant, Expert XXI and finally payment of outstanding compensation to Affected Persons. In mid-December 2014 MML produced an updated Audit report with CAP that showed these findings were closed. AGL prepared a Detailed Livelihood Restoration Plan (LRP) to address those affected by economic displacement. The Detailed LRP is available on ADB website <http://www.adb.org/projects/47919-014/documents>.

To implement the Detailed LRP a variety of role players from the government, civil society and private sector will be involved. AGL places great emphasis on their employees to inform people locally about the Project and livelihood restoration activities. This means of communication is efficient and through personal contacts and meetings with AHs, AGL receives instant feedback on plan and activities. In addition, AGL encourages AHs to visit its office or call its local staff directly (mobile phone numbers for the Project team have been distributed throughout the Project area). AGL has participated in TV debates, TV interviews, and seminars in order to inform stakeholders and APs about the Project. A range of stakeholders in addition to AHs are being consulted including:

- Municipality authorities
- Community leaders
- The Chairman of the Board of the Autonomous Republic of Adjara and the Ministry of Economy in Adjara
- Ministry of Agriculture
- UNDP
- Private sector
- Education and training centers

AGL, as the Project Proponent, has overall responsibility for the Project including for the preparation, implementation and financing of LRP tasks. AGL has established a land acquisition and resettlement (LAR) Team for this Project that manages LAR tasks and will also manage LRP tasks and administers and documents this Detailed LRP. The LAR Team works in the field to consult and coordinate with APs, resettlement stakeholders, contracted service providers, and partners. Its main tasks include carrying out the field surveys, compiling and negotiating entitlement packages, and helping APs wishing to use the grievance redress mechanism.

LALRP CAP

This audit report concludes that all of the key actions due to be completed at the present time (December 2014) have been completed satisfactorily by AGL. This includes the actions on preparation of the Detailed LRP, preparation of an internal monitoring report for November 2014 and updating the data spreadsheets to ensure that AHs are listed correctly according to whether they lost more or less than 10% of their productive land. Regarding the payment of outstanding compensation, AGL has paid all of the underpayments due, with the exception of 37 payments of less than 50 GEL (the greatest of these was 37 GEL and the second highest was 17 GEL). In case the persons concerned express an interest in receiving the outstanding compensation AGL has set the money aside and will pay any genuine outstanding amount requested, however small. However, for the purposes of the CAP, the compensation action on AGL is considered closed.

There are a small number of ongoing actions, or actions that were not due at the present time, which are presented in an updated CAP in section 3 and summarised as follows:

- Implementation of the Detailed LRP
- Monthly internal monitoring reports on resettlement to be submitted to ADB
- Organisation of AHs into correct categorisation on data spreadsheets
- Preparation of an Addendum LALRP when new land needs to be acquired
- Updating the spreadsheets (or creation of new spreadsheets) when new land is acquired
- Preparation of a Completion Audit when all land has been acquired

AGL now has suitable personnel resources and competence to manage these systems in line with Lenders Standards. In addition, the UK based Consultant, ARUP have been contracted to conduct independent quarterly or semi-annual reporting on behalf of the Lenders group. ARUP will be focusing on the LALRP, DLP and Stakeholder Engagement Plan (SEP) implementation and key items for AGL.

In this reporting period (June 2014 to December 2014), AGL purchased a total of 19,843m² of land for the Project works.

Please provide a summary of PS5/PR5/SPS related stakeholder engagement and outcomes.

AGL has had significant involvement with government authorities and local press during 2014. Communication with external organisations at the highest level has been effective.

A key target for improvement is the delivery of the SEP at the village level. During this reporting period, AGL has recorded and concluded that villages have not received information on the stipulated Lender's topics of AIDS / HIV, employment, the Project, Businesses, financial management and women's rights.

AGL is committed to rectifying this area of communication in the first quarter of 2015. This will be achieved by conducting small workshops and meetings at 'grass-roots' level in the communities using village hall or municipality buildings.

AGL has a dedicated team in place in the community to ensure delivery as per the requirements of the SEP. AGL senior will donate suitable time to ensure compliance with SEP. AGL senior management has also invested time with training and awareness of its staff to ensure implementation is detailed and thorough. The SEP implementation will be subject to the monthly internal monitoring by the Land, Social and Environmental Director and the Health, safety & Environmental Director.

PS6/PR5/SR1 – Biodiversity Conservation and Sustainable Management of Living Natural Resources

Implementation status of key actions: Please provide the implementation status of key mitigation measures for conservation of biodiversity, including implementation of the Biodiversity Action Plan.

The obligations in the BAP for the construction activities are being managed by AGL management and local NGO's that monitor tree, plant, mammal, reptile, amphibian and bird species for potential impact. The NGO's are PSOVI (birds and mammals), Flora & Fauna (river habitat and water based species & Batumi Botanical Centre (Plant and tree life). Project mitigation measures such sedimentation ponds and silt traps in the work area well established. In the wider area outside the Project workspaces, the NGO's monitor the site boundaries to ensure the Project does not enter restricted areas.

Table 7.1 is the Summary of conservation objectives section under the Adjaristsqali BAP Rev G. Below is a summary of the BAP:

B1 Protect the natural forest habitats and the populations of notable plant species during construction of the Project

B2 Replant affected forest and enhance forest habitat within the Study Area

C1 Protect river habitat and associated species during construction and operation of the Project

C2 Provide support for the enhancement of river habitats, fisheries and awareness raising within the Study

Area in the period 2013-2016

D1 Protect terrestrial mammals and reptiles during construction of the Project

D2 Provide offsetting and enhancement for the protected mammal and reptile populations in the Study Area

E1 Protect bird species during construction

E2 Provide compensation and increase understanding of priority bird species in the Study Area

AGL, through its Local NGO involvement, also monitors nesting bird and migrating bird activity along with large mammal observation through visual and camera trap activity whilst also monitoring the effects on reptile and amphibians in water courses and areas upstream and downstream of construction sites,

Ecological flow management: Please provide a summary of the ecological flow management during the reporting year.

AGL's local NGO, Flora and Fauna, completed all eco-flow monitoring in the summer of 2014 with the final low-flow survey undertaken as per the ESIA Chapter 10. AGL now has fixed base stations in place downstream of the the dams, weir and powerhouse locations to monitor flow activity along with humidity, TSS and temperature. This data is then analysed by the Georgian Government and NGO's. All records are maintained in the AGL main camp.

Late in 2015 AGL will commence the design of the Operational Manual for the Project. The data collated during the pre-construction in line with the ESIA, and data collated during the construction phase will help the conclusions and decision during the Operational Manual design.

PR10/SPS/ADB's Public Communications Policy 2011 – Stakeholder Engagement

Implementation status of key actions: Please provide the implementation status of stakeholder engagement plan and any evolutions or modifications to the Project SEP.

As stated in 4.6 above, AGL needs to closely follow the specification in the SEP to achieve satisfactory adherence in the first quarter of 2015.

Information Disclosure: Please provide a summary of project related information that has been disclosed as well as consultations conducted with affected people, local communities, civil society groups, and other stakeholders during the monitoring period, in what form and any comments received.

In June and July 2014 AGL released, through its Information Centre's (IC's) in the two affected municipalities of Khulo and Shuakhevi, a multitude of leaflets on the Project, social activities, construction methods and the environment. In addition to this, interactive videos are available for members of the public to allow them to view modern construction techniques with a view to allaying any fears about blasting and other construction activities.

Public Grievance Mechanism: Please provide a summary of stakeholder concerns complaints, grievances, or protests received from local communities, recorded dates and organizations involved and measures taken to address such grievances and any outstanding issues and proposed measures for resolution.

The most common grievances noted through trend analysis were multiple allegations of cracked houses to blasting activities and heavy mobile plant in close proximity to houses. The most serious claimant for damages as a result of blasting was in a village called Chankhalo.

The Project has installed vibration magnitude sensors and portal noise recording devices at the tunnel portal and receptors such as human dwelling, structures of interest and where people are making allegations of high noise and vibration. This is being completed in conjunction with cooperation from the local authorities and periodic participation from the main Georgian government in Tbilisi.

At the end of this reporting period, AGL had a total of 116 grievances. Two of the se grievances are open and pertain to two local residents claiming cracked house due to construction works. These are anticipated for closure in January 2015.

Corporate sustainability activities: Please provide a summary of the Company's corporate sustainability activities (e.g. corporate social responsibility activities, corporate community support activities, corporate sustainability reporting activities), if conducted during the reporting year.

CSR proposal are agreed upon within communities by the village leaders and mayors. These proposal are then issued in writing to AGL. Selection is made and, through the use of local people, implementation initiated.

From March to October 2014 AGL undertook several bridge repairs, road widening, road resurfacing and employment of affected village personnel through its street marshal scheme. In late November 2014 AGL opened a new gymnasium in the affected village of Didachara with participation from the local authorities and press.

Implementation status of the Environmental and Social Action Plan (ESAP) included in Schedule 12 – Form of Action Plan of the CTA: Please provide a summary of the implementation status of the ESAP using the format below.

No	Action	Source of requirement	Implementation Schedule	Target For Successful Implementation / Reporting Requirement	Implementation Status as of Dec 31 of the Reporting Year
1	Report to Lenders on the status of each ESAP requirement and compliance with PRs/PSs/SRs.	ADB SR1 EBRD PR1 IFC PS1	- Semi-annually throughout construction until commissioning - Annually during operation	Submission of reports in format to be mutually agreed, acceptance by Lenders <i>ESHS Reporting Requirement:</i> - Completeness and adequacy of ESHS Report	ADB require monthly reports as their main form of reporting but may requests the semi-annual report. EBRD and IFC will be provided with this semi-annual report with additional interim report wither from AGL directly or from the Lender's Consultant, ARUP.
2	Finalize development of the ESHS Management System to include (as required by ESIA, vol. IV, sec.4.2.2): - Register of environmental and social aspects -Register of requirements and conditions in legislation, consents, permits, etc. - Schedule of monitoring program, including required and recommended	ADB SR1 EBRD PR1 IFC PS1 Best Practice	Prior to commencement of construction works and then prior to commercial operation	- Finalized ESHS with all aspects included. - Lender approval of monitoring program - Monitoring of environmental management (including design change <i>Report to Lenders:</i> - Status of ESHS Management System development - Metrics of key performance indicators as set down in AGL ESHS - Summary of audit results of AGL ESHS implementation	The Overarching HSE Plan is the AGL Plan. This is further supported by the specific controls specified in the Contractor HSE Plan, risk assessments and method statements. The HSE organisation chart is shown in Annex 2. EHS monitoring schedules are specified in the HSE Plans and undertaken by senior managers on a monthly basis from the Contractor, MML & AGE. The findings are then collated and distributed to the work teams for closure with involvement from the construction line managers. The survey and audit schedule is being managed by a dedicated team within AGL that's works closely with the ESIA developer, MML. This is to ensure that AGL's obligations are met not just with ESIA but also with the BAP.

	surveys/ inspections/audits (EHS Monitoring Schedule) - Development Monitoring procedures - Environmental Operating procedures - Preparation of action lists and responsibilities - Development of training materials and key performance indicators. - Design Change Management procedure				Operating procedures for power generation have yet to drafted. This is anticipated for the 3 rd quarter of 2015.
4	Implement ESMP and all associated plans	ADB SR1 EBRD PR1 IFC PS1 Best practice	Throughout construction and operation	- ESMP and all plans implemented - ESHS impacts avoided, minimized, mitigated or compensated <i>Report to Lenders:</i> - Highlights of implementation, including major deviances	Noise, dust and water discharge are being monitored as per the ESMP & CEMP control documents. Result are collated monthly and issued to the Engineer for review. This item will remain under scrutiny.

6	Further develop OHS plan to be specific to Adjaristsqali project(s) and ensure that the procedures and HSE manuals referred within it are an integral part of health safety and environmental management on site	ADB SR1 EBRD PR2 IFC	Prior to construction	<ul style="list-style-type: none"> - OHS plan further developed, adopted, and implemented - Minimum lost time incidents and fatalities - Monitoring of environmental and social management and mitigation as per AGL ESHS Monitoring Schedule <p><i>Report to Lenders:</i></p> <ul style="list-style-type: none"> - Status of updating of OHS plan - Outcome of OHS monitoring as per ESHS Monitoring Schedule. - Summary of OHS issues, including incident and enforcement statistics, status of training, etc. <p><i>Report to cover AGL and contractor workforces</i></p> <ul style="list-style-type: none"> - Report to Lenders immediately in case of major accidents and / or fatalities 	<p>AGL maintains a detailed register of all accidents and near-miss occurrences that are reported.</p> <p>As of December 31st, the Project has sustained 18 accidents</p>
7	Implement Labor Grievance Plan (2012 including grievance mechanism made available to all AGL and contractor workers	ADB SR1 EBRD PR2 IFC PS 2	Throughout construction and operation	<ul style="list-style-type: none"> - Plan implemented, mechanism made available. - Timely resolution of <p><i>Report to Lenders: Outcome of labor grievance monitoring as per ESHS Monitoring Schedule</i></p> <ul style="list-style-type: none"> - Summary of grievances and resolutions 	A grievance mechanism has been developed and implemented by AGL and AGE. This item is closed but subject to ongoing scrutiny by AGL and audit personnel

8	<p>Review Spoil Management Plan to ensure:</p> <ul style="list-style-type: none"> - Plan is consistent with ESIA and project design, including estimated spoil quantity - Specific method statements and risk assessments are completed for each spoil disposal site - Clarity on potential land acquisition - Site specific subsidiary plans to cover management of each individual site during fill and subsequent site reinstatement - Designs sufficient to prevent erosion due to specified flooding events 	<p>Georgian law ADB SR1 EBRD PR3 IFC</p>	<p>Prior to spoil generation</p>	<ul style="list-style-type: none"> - Site specific spoil management plans developed/approved by AGL - Spoil managed according to plan - Monitoring of environmental management and mitigation as per AGL ESHS Monitoring Schedule <p><i>Report to Lenders:</i></p> <ul style="list-style-type: none"> - <i>Status of site specific spoil management plans</i> - <i>Outcome of spoil monitoring as per EHS Monitoring Schedule</i> 	<p>Specific spoil disposal plans are in place along with construction methodology and risk assessments.</p> <p>As of December 2014, spoil areas are being with excavated rock from the tunnel activities in the agreed designated areas that are in accordance with the Spoil Disposal Plan. Re-cultivation of these spoil areas will commence in early March 2015 in advance of the Spring time.</p>
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No	Action	Source of requirement	Implementation schedule	Target For Successful Implementation / Reporting Requirement	Implementation Status ⁵ as of Dec 31 of the Reporting Year
9	Complete all necessary additional surveys, reviews and consultations identified in the ESIA and project permit approval conditions. Modify ESMP and associated plans as needed to incorporate findings into environmental and social management.	Georgian law ADB SR1/SR2 EBRD PR3 IFC PS 3 Best Practice	Prior to commencement of construction	- Surveys, reviews, consultations completed - ESMP modified as needed <i>Report to Lenders:</i> - <i>Status of additional surveys and impacts of outcomes on ESMP</i>	Phase II, mesohabitat, Low flow, high flow, Critical Habitat Assessment and pre-construction surveys were completed as required in the BAP and ESIA. These surveys were completed under the supervision and guidance of MML. This action is now closed. However, survey will be ongoing as part of the ESIA and BAP monitoring procedures. These undertaken by NGO's and, where needed specialist support from MML
10	Identify mitigation measures for concrete within CEMP11 and ensure appropriate management techniques are employed through the ESMP.	ADB SR1 EBRD PR3 IFC PS3 Best Practice	Prior to commencement of construction	- Mitigation measures identified - ESMP modified as needed <i>Report to Lenders:</i> - <i>Updated CEMP12</i> - <i>Outcome of CEMP12 implementation monitoring as per EHS Monitoring Schedule</i>	This 'prior to construction' stipulation was met. This required was assessed for conformance by the lender's auditor in August 2014 and the government of Georgia. Both parties were satisfied with the documentation and implementation. This item is now closed but will be continuously monitored.

⁵ Please attach supporting documents (as necessary) and if standards or thresholds are exceeded, specify the corrective actions implemented or to be implemented.

11	Identify within CEMP09 specific solutions with regards to the need for management of waste at appropriately licensed landfill or other sites.	Georgian law ADB SR1 EBRD PR3 IFCPS3 Best Practice	Prior to commencement of construction	<ul style="list-style-type: none"> - Solutions identified - CEMP09 modified <i>Report to Lenders: - Updated CEMP09</i> <i>- Status of site – specific spoil wastedisposal site</i> <i>- Outcome of monitoring spoil management</i> 	<p>Licences for hazardous waste transport was obtained from the MoE in January 2014, the Contractor has a hazardous waste contract established with a licenced disposal area in Tbilisi.</p> <p>This item is closed but will require licence renewal in January 2015.</p>
12	Identify and evaluate risks to	ADB SR1	Prior to creation	<ul style="list-style-type: none"> - Community H&S risk 	<p>The Project has a Community & Project Emergency Plan. This has been made available to Lender's auditors and the Georgian authorities. The Plan was developed between local community mayors, AGL and the Contractor. The [Plan has been tested several times due environmental conditions. The Contractors personnel was used to clear landslides and snowfall.</p> <p>This item is now closed but we be subject to annual review as a minimum.</p>