

Public Information Summary

Host Country	Georgia
Names of Borrowers	Poti New Sea Port LLC and Transford LLC
Project Description	Expansion of Poti New Sea Port through reconstruction of a ship berth and acquisition of equipment for handling bulk cargo, primarily fertilizer (the “Project”).
Proposed DFC Loan	\$25,000,000 Direct Loan
All-Source Funding Total	\$33,120,000
Policy Review	
Developmental Objectives	<p>The Project is expected to have a positive development impact in Georgia by increasing maritime transport capacity and improving the country’s ability to function as a transit hub between Europe and Asia. The Project is expected to increase the cargo throughput capacity of Poti New Sea Port by reconstructing a new berth, deepening the seabed to accommodate larger ships, and providing modern cargo handling systems. Modernizing port infrastructure in Georgia will also contribute to global food security by increasing the availability of large bulk handling services for fertilizer and cargo in the Black Sea along the Middle Corridor, which offers an alternative to transport routes through Russia. The Project is also expected to address economic growth challenges in the Samegrelo-Zemo region, an underdeveloped region within Georgia that has the highest percentage of poor households in the country. The Project will support jobs in an area that suffers from high rates of poverty and unemployment and procure goods and services from local businesses.</p>
Environment and Social Assessment	<p>Screening: The Project has been reviewed against DFC’s categorical prohibitions and determined to be categorically eligible. Projects involving rehabilitation of existing port infrastructure and limited dredging of uncontaminated materials are screened as Category B because adverse Project-related environmental and social impacts are site-specific and readily mitigated using adequate environmental and social management systems.</p> <p>Applicable Standards: DFC’s environmental and social due diligence indicates that the Project will have impacts that must be managed in a</p>

manner consistent with the following of the International Finance Corporation's ("IFC") 2012 Performance Standards ("PS"):

PS 1: Assessment and Management of Environmental and Social Risks and Impacts.

PS 2: Labor and Working Conditions;

PS 3: Resource Efficiency and Pollution Prevention; and

PS 4: Community Health, Safety and Security.

The Poti New Sea Port LLC acquired the land required for the Project through a negotiated sale at fair market values. In addition, project activities are not expected to adversely impact modified habitats containing "significant biodiversity value", natural habitats, critical habitats, legally protected areas, cultural heritage sites, or indigenous peoples. Therefore, PS 5, 6, 7 and 8 are not triggered by the Project at this time.

In addition to the above standards, the Project will also be required to comply with:

- IFC's Environmental, Health, and Safety ("EHS") General Guidelines (April 30, 2007); and
- IFC's EHS Guidelines for Ports, Harbors, and Terminals (April 30, 2007)

Environmental and Social Risks and Mitigation: Environmental and social issues of concern include the need for a robust Environmental and Social Management System, stakeholder engagement, stakeholder and worker grievance management, characterization and disposal of dredged material, water quality, occupational health and safety, ambient air quality, and emergency preparedness and response.

This is a follow-on investment in Poti New Sea Port. In 2018, DFC (then OPIC) supported the development of Phase 1, which included the refurbishment, modernization, and deepening of the north inner harbor of the port at Poti. Phase 1 operations began in October 2022.

Environmental and Social Management System

As part of Phase 1, the Borrowers prepared an Environmental and Social Policy Framework to define the environmental and social objectives and principles that will guide the Project to achieve sound environmental and social performance during both construction and operation. The Borrowers will also prepare an adequate environmental and social impact assessment for the Project ("Phase 2").

The Borrowers have appointed an EHS Manager who will be responsible for overseeing the day-to-day implementation of the

Environmental and Social Management Plans during the construction and operations phases, and for monitoring environmental and social impacts, record-keeping, and updating of the plans as necessary.

The Borrowers will prepare adequate Environmental and Social Management Plans for Phase 2 construction and will update the existing Phase 1 operational management plans to include Phase 2 activities. The Borrowers will also be required to prepare an adequate Dredging Management Plan for the deepening dredging activities. The Borrowers will be required to provide to DFC an Annual Environmental and Social Report summarizing its E&S monitoring data.

Stakeholder Engagement and Grievance Management

The Borrowers developed a Stakeholder Engagement Plan (“SEP”) in December 2015. The SEP was updated in November 2021 to cover construction and operations under Phase 1. The Borrowers will be required to further update the SEP to include coverage of Phase 2 activities and to identify stakeholders relevant to the Project’s overall area of influence for both phases. The SEP will also be updated to strengthen its identification of vulnerable and disadvantaged stakeholders and differentiated stakeholder analyses and engagement measures for them; identification and analyses of construction-related stakeholders for Phase 2; identification and inclusion of other interested stakeholder groups including any project opponents.

The Borrowers will also be required to improve the Project stakeholder Grievance Mechanism (“GM”) to address deficiencies identified through a detailed review of the GM by the Independent Environmental and Social Consultant including: a plan to inform stakeholders about the GM, including channels for filing grievances, steps to resolve grievances, and timeframes for each step; and ensuring that the GM is gender sensitive and inclusive.

DFC will require the Borrowers to prepare a separate grievance mechanism for workers, or to revise the existing overarching grievance mechanism, to ensure that it has in place a dedicated process for internal grievances. The worker grievance mechanism shall include an anonymous channel.

Characterization and Disposal of Dredged Material, and Water Quality

The Borrowers analyzed the material to be dredged for heavy metals, TBT, PCBs, hydrocarbons, and chlor-organic pesticides. Two of the parameters were found to be above international standards (Ni and Cu); however, this has been shown from prior sediment studies to be a result of naturally high background levels in the region. None of the other

parameters was found to be above Georgian or international limits. Therefore, the material was determined by DFC and the Borrowers to be suitable for disposal at sea.

The material to be dredged will be disposed of at sea in an undersea “canyon” that has served as the historical location for disposal of dredged material for the Old Port. The government of Georgia has designated the canyon as the approved site for at-sea disposal of uncontaminated dredged material from Poti New Sea Port.

During both deepening and maintenance dredging activities, the Borrowers will implement a Water Quality Monitoring Program to monitor the impacts from dredging and disposal activities.

Air Emissions and Ambient Air Quality

The Project may result in adverse impacts to ambient air relating to dust/particulates released from the bulk storage piles on site. DFC’s Independent Engineer (“IE”) reviewed the Project’s existing Phase 1 Air Emissions Management and Dust Control Plan (the “Plan”) and found that the mitigation measures set out in the Plan are likely to significantly reduce any potential operational dust emissions from the bulk storage piles at the facility, and that Phase 1 emissions from vehicles, machinery, trains, and ships are unlikely to have a significant adverse impact on local ambient air quality. Also, the Borrowers represent that after Phase 2 is complete, all bulk storage piles will be moved within the existing covered warehouse, further reducing adverse impacts to ambient air quality from the storage and movement of bulk cargo.

However, the IE also determined that there was not an adequate pre-Phase 1 air quality (“AQ”) baseline, and that the Plan could be improved to further minimize potential Project-related AQ impacts. Therefore, DFC will require the Borrowers to implement an adequate air quality monitoring system and collect current baseline data for at least 1 month prior to the start of construction of Phase 2, as well as additional data once Phase 2 becomes operational. DFC will also require the Borrowers to update the Plan to identify any additional nearby receptors relating to AQ, maintain a more detailed inventory of dust sources on-site, and implement procedures for the periodic review and updating of the Plan.

Occupational Health and Safety (“OHS”)

There have been no lost time incidents or fatalities as part of DFC’s support of the Phase 1 development. The Borrowers will prepare site-specific construction and operational phase OHS Management Plans for Phase 2. All Phase 2 subcontractors will adhere to the Borrower’s OHS

Management Plans and procedures and will implement health and safety communication and training programs to prepare workers to recognize and respond to workplace hazards. Construction safety specifications will be an integral part of the tender documentation for the subcontractors, and the Borrowers will require that each contractor appoint dedicated OHS officers. The Dredging Contractor will include OHS mitigation measures in the Dredging Management Plan.

Emergency Preparedness and Response

The EPC contractor will be required to develop a site-specific Emergency Preparedness and Response Management Plan for Phase 2 construction. The plan will include an overview of risks and emergency scenarios, emergency preparedness and response procedures, spill prevention and control measures, roles and responsibilities, notifications and communications (including alarms, warning systems and back-up systems), equipment, and resources.

The Borrowers will prepare a Project-specific Emergency Preparedness and Response Plan prior to beginning Phase 2 operations, and the Dredging Contractor will be required to include adequate emergency preparedness and response measures in the Dredging Management Plan.

In case of severe weather, the Georgian State Hydrography Service will issue a severe weather warning, after which the Poti Harbor Master announces the port closure. Crane operation will be suspended during high winds.

Oil spill response measures will be coordinated with Poti Port and will follow Poti Port's Oil Spill Contingency Plan, which arranges responses by spill severity.