

# **MIEJSKIE WODOCIĄGI I OCZYSZCZALNIA SP. Z O.O.**

## **Green Bond Framework**

September 2020

# **An Introduction to the Municipality of Grudziądz and the Company Miejskie Wodociągi i Oczyszczalnia Sp. z o.o.**

The municipality of Grudziądz, ('Municipality'), is located in the central part of Pomerania Voivodeship close to the Vistula River. It plays a role of a natural capital of the region with regard to administration, trade and services for almost 300.000 inhabitants. Its central location makes it an attractive area for investors dealing with both Western and Eastern Europe – 120 km from sea harbours in Gdańsk and Gdynia, highway A1 (Gdańsk – Łódź) and hub for national roads.

The Municipality's economy is mostly based on trade and non-specialised industrial processing (paper, foods, chemical, metal, light industry) with predominance of small-to-medium enterprises (SME), totalling 1,400 corporates. It is also the base of a military centre, a regional hospital and two prisons.

Miejskie Wodociągi i Oczyszczalnia Sp. z o.o. ("MWiO") is a company that is 100% owned by the municipality of Grudziądz, with over 110 years of history serving the municipality of Grudziądz and protecting its natural environment. In 2019 all infrastructure ownership of the Municipality's water and sewerage was transferred to MWiO in order to integrate and merge responsibility in one company. Before this transaction MWiO was the already the operator, but not the owner of the infrastructure. By establishing a separate company, MWiO can obtain funding on its own, also via the European Union as well as from Polish environmental state institutions.

Grudziądz, as a local government unit, is legally obliged to comply with all social and environmental regulations that are included in the municipality's development strategy. They are executed by all related companies, including MWiO.

MWiO's activity in water and sewerage is regulated by the Polish Water Law and Environmental Law, and many other regulations which controls the process on how to supply water and the collective discharge of waste water and Regulation on the establishment of average water consumption standards. It has integrated Quality and Environment Management System compliant with ISO standards, owns a well-equipped laboratory that complies with ISO/IEC 17025 standard for sample testing obtained from the Central Laboratory and built its own Environmental Education Centre. MWiO's landfill modernisation has received awards from many institutions for its positive impact.

There have been no incidents of ESG violation registered for the company.

MWiO fulfils technical and sanitary requirements which are subject to numerous controls by environmental institutions including the Voivodship Inspectorate of Environmental Protection – regarding issued water and legal permits; Polish Waters - regarding the regularity of transmitted data for the calculation of fees for water services and Sanepid – regarding scheduled water testing.

## **Drainage system - environmental aspects**

In Grudziądz there is a rich network of drainage ditches for which the main task is to regulate water relations in order to improve soil production capacity, facilitate its cultivation and protect against floods. In addition, the watercourse network also functions as a rainwater receiver discharged through a rainwater drainage system.

Due to such an extensive watercourse system, Grudziądz has great potential for rational management of rainwater by collecting its different watercourses, and thus to limit the flow of rainwater to the waters of the Vistula River, which runs in the vicinity of the administrative borders of the municipality of Grudziądz.

In addition, the rainwater drainage system has improved significantly over the last 15 years. The fundamental reason for this is the construction and make over of the city's main roads, within which the drainage system was modernized in order to achieve positive environmental measures. An example of this is the construction of two retention and filtering tanks as well as retention and buffer tanks during the construction of new national road in the city's area. Construction of the tanks regulated water outflow during extreme weather phenomena, i.e. severe rain. Moreover, the retention and filtration tanks used, through the infiltration process, drain water directly into the ground through the openwork slopes and the bottom. Therefore, accumulated rainwater is managed at its place of origin as the way of adaptation to climate change.

The construction of rainwater pre-treatment devices was another positive environmental aspect. Currently, there are 35 devices operating in the city, whose main task is to separate and retain both petroleum

substances and mineral suspensions in rainwater and snowmelt flowing down from the drainage network. The devices are periodically audited and serviced by specialized companies in order to keep the highest efficiency in the process of water purification before sending them to the receiver.

Road infrastructure in the city, which is characterized by high traffic, has appropriate drainage facilities that minimize negative contamination effect on the environment. In addition, 280 m<sup>3</sup> (the average) of contaminated sludge is utilized during cleaning of the separators located in the municipality.

### **Modernization of the sewage treatment plant in Nowa Wieś near Grudziądz**

The sewage treatment plant for Grudziądz was put into operation in 2002 and in 2009 a medium-temperature sludge dryer was commissioned. Further investments were made in 2018-2019 when the sewage treatment plant was modernized by adding a fourth technological line, a fourth secondary settler, a third fermenter thickener, a second biogas tank and the infrastructure accompanying these facilities.

The sewage treatment plant is a mechanical and biological facility that is chemically supported (phosphorus precipitation) with an increased level of nutrient removal.

Sludge stabilization takes place in the process of anaerobic mesophilic fermentation, whose by-product is biogas burned in cogeneration units producing electricity and heat. The fermented sludge is subjected to a drying process, in which 90% of dry matter content is obtained.

### **Sustainability Focus**

MWiO has had its long-term investment plan for 2018-2021 approved by a resolution of the Grudziądz City Council, under which it carries out new investment tasks as well as modernization of existing facilities and installations related to the company's service activities.

MWiO has an updated policy based on the standards arising from the legal requirements of PN-EN ISO 9001: 2015-10, PN-EN ISO 14001: 2015-09 and the Integrated Quality and Environment Management System, which are regularly verified by the company's management team and external institutions.

Moreover, the company imposed environmental targets for implementation that results from its internal policy aimed at, among others:

- A photovoltaic power plant was built in the central pumping station (Waryńskiego St.) to reduce energy purchase from external operators with solar cell power up to 30 KW,
- An installation has been built to monitor and prevent water losses from the water supply network to minimize the depletion of natural groundwater resources,
- Ensuring the safety of the wastewater treatment process by modernizing the wastewater treatment plant, while maintaining the parameters of pollution indicators for treated wastewater in line with the water permit (care for surface water quality of Osa River, which receives the treated wastewater),
- Reduction of odor emission to the air,
- Elimination of emissions of process wastewater to the soil (water from rinsing the filters of the water treatment plant to the settling tanks).

The purpose of Green bonds is to finance and refinance the water and sewage network, as well as the storm water drainage system, owned by MWiO and modernization and development of it going forward.

### **Green Bond Framework**

This Green Bond Framework is aligned with the 2018 version of the ICMA Green Bond Principles. Recognizing that market standards and best practices are still evolving, MWiO will follow market developments and, when deemed necessary, make appropriate updates to this framework.

This Green Bond Framework covers the issuance of Green Bonds for Miejskie Wodociągi i Oczyszczalnia Sp. z o.o. – the company owned by the Municipality of Grudziądz.

### **Use of Proceeds**

The net proceeds raised from the issuance of Green Bonds will be used to finance and refinance, in whole or in part, projects and assets with environmental benefits that promote the transition toward a low-carbon and climate resilient future.

Net proceeds can finance both existing and new Green Projects, where new projects are defined as ongoing Green Projects and Green Projects taken into operation less than 24 months prior to the issuance of Green Bonds.

Only investments which comply with the Green Project Criteria defined below are eligible to be funded by Green Bonds and fulfil the definition of Green Projects. For the avoidance of doubt, Green Bonds will not be used to finance investments linked to fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, mining, gambling or tobacco.

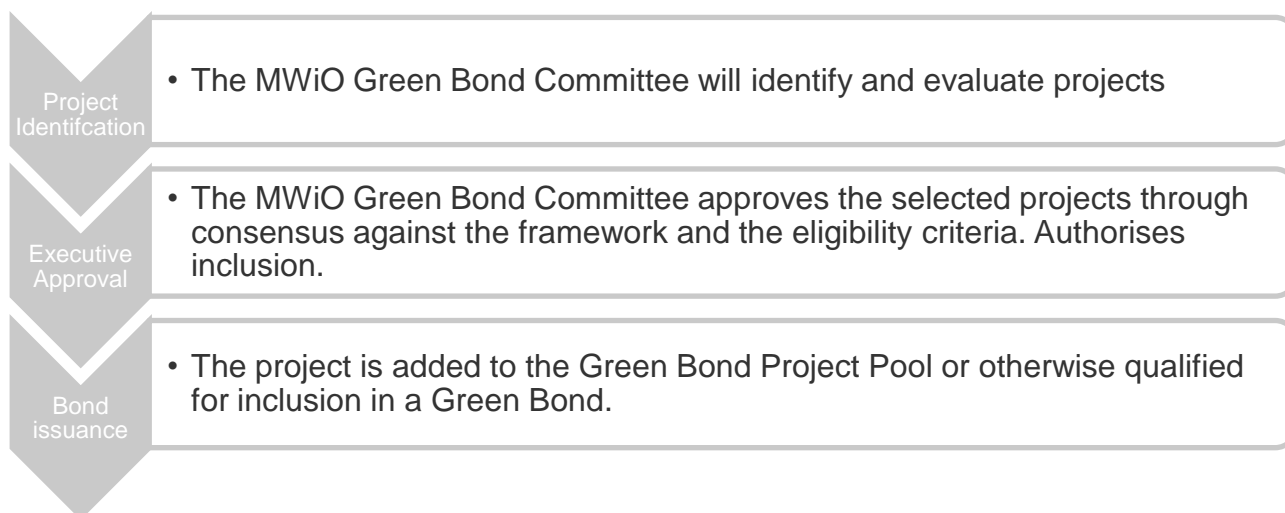
## Green Project Criteria

### Sustainable water and wastewater management such as:

- **Acquisitions, investments and expenditures** related to storm water drainage system and water and sewerage infrastructure with GHG mitigation and/or climate adaptation and resilience benefits.

### Process for Project Evaluation and Selection

MWiO will set up an internal Green Bond Committee, consisting of representatives from the Treasury Department, a representative of the Environmental Protection Desk and the CEO of MWiO. The Green Bond Committee will be responsible for evaluating and selecting assets and projects eligible for green funding in accordance with the Green Project Criteria defined above. The decisions made by the Green Bond Committee will be made in consensus and to ensure transparency and traceability, all decisions will be documented and filed.



### Management of Proceeds

Net proceeds from Green Bonds issued under this Green Bond Framework will be earmarked for financing and refinancing of assets and projects that meet the Green Project Criteria.

Bond proceeds raised will be allocated to nominated Green projects within 24 months of issuance.

If an asset or project financed by Green Bonds no longer qualifies as eligible according to the Green Project Criteria, the asset or project will be removed from the pool of Green Projects, and when necessary replaced by other assets or projects that meet the criteria. The Green Bond Committee will ensure that the amount of eligible assets and projects at all times exceeds the total amount of Green Bonds outstanding.

Net proceeds from Green Bonds awaiting allocation to Green Projects will be managed and invested according to the overall liquidity management policy of the company. Proceeds will be held in cash or cash equivalents within the treasury function of the organisation or in short-term or temporary investments that do not include fossil-fuel intensive activities or operations.

## **Reporting**

To enable investors and other stakeholders to follow MWiO issuance of Green Bonds and the development of the assets and projects being funded, an investor letter will be made available on the company's website. The investor letter will include an allocation report and an impact report and will be published annually as long there are Green Bonds outstanding.

### **Allocation reporting:**

- The total amount of outstanding Green Bonds
- Description of all Green Projects funded by Green Bonds
- Amounts invested in each investment category defined under Green Project Criteria and the amount of new financing versus refinancing
- An overview of unallocated proceeds

### **Impact reporting:**

MWiO strives to report on the environmental impact of the investments financed by Green Bonds. Different impact indicators will be relevant for different investments and the below list shows example indicators for the different investment categories defined in this Green Bond Framework.

For ongoing investments in Green Projects, where final impact is not yet observable, MWiO will aim to provide an estimate of the final impact.

- Annual water savings
- Annual volume of wastewater treated or avoided
- Capacity of plants being built
- Number of meters of piping/conduit laid, upgraded or replaced
- Number of person equivalents (PE) of water or wastewater the plant processes, identifying any increase that can be attributed to the investment
- Reduction of emissions into the local environment (nitrogen and phosphorous, Biochemical Oxygen Demand, etc)
- Where relevant, amount of electricity, biogas or other energy carrier expected to be produced each year, along with avoided CO2 emissions (see above sections on electricity and district heating)
- Health metrics (such as air and water quality)
- Biological metrics: biological diversity, wildlife
- Project's effect on increased resilience to climate change

### **External Review**

MWiO will obtain an eligibility assessment from DNV GL to confirm the transparency of this Green Bond Framework and its alignment with the ICMA Green Bond Principles 2018. The eligibility assessment will be made available on the company's website together with this Green Bond Framework and other relevant Green Bond documents.