

HEIDELBERGCEMENT GEORGIA - COMPANY PROFILE

HEIDELBERGCEMENT GEORGIA

In May 2006, Germany's largest cement producer HeidelbergCement acquired 51% of shares in Georgian Cement ("Kartuli Cementi") LLC. Later, the company became a 100% shareholder of the enterprise. Georgian Cement LLC was registered in Georgia on 29 October 2001. According to the Registry of Entrepreneurial and Non-Entrepreneurial (Non-commercial) Legal Entities, the owner of the enterprise (until November 28, 2017) was HeidelbergCement Central Europe East Holding B.V. registered in the Netherlands on April 10, 1969.

In November 2006, HeidelbergCement released an announcement on further expanding Georgian Cement, the Georgian cement manufacturing company, and establishing a joint venture with Chemexim International Ltd (owner of Georgian Industrial Group Holding)¹. HeidelbergCement became an owner of 75% of shares in the new enterprise, and Chemexim International – of remaining 25%. Georgian Cement LLC (hereinafter, "HeidelbergCement Georgia" LLC) was registered in Georgia on April 20, 2004.

According to the Registry of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities, the owner of HeidelbergCement Georgia is CaucasusCement Holding B.V., registered in the Netherlands on February 2, 2002, whose supervisory board members as of 2016 are: Gela Bezhuashvili, Robert Bezhuashvili, Klaus Alfred Schwind (Germany), Albert Scheuer (Germany), Christian Knell (Germany). According to the extract of November 21, 2017, the members of the company council are: Mathijs Coenraad Maria Cremers (the Netherlands), Inger Mirjam Westehof-Zweverink (the Netherlands), Albert Scheuer (Germany), Christian Mikli (Germany), Eduard Jurgen Verbeke, Max Kloosterhuis Giorgi Bachashvili and Irakli Rukhadze.

According to HeidelbergCement Georgia's [Financial Statement 2018](#), "as of 2018 and December 31, 2017, 100% owner of the company was the Netherlands-based CaucasusCement Holding B.V. ("immediate parent company"). As of 2018 and

From 2015, Green Alternative issues periodic reports on availability of information on the state of environment in Georgia. During the analysis of availability of information of the state of environment, we study accessibility of information on so-called "large-scale pollutants" and prepare company profiles of four enterprises that are singled out in terms of the scope of activities and impacts on the environment and human health.

These companies are:

- (1) RMG;
- (2) Georgian Manganese;
- (3) Saknakhshiri; and
- (4) HeidelbergCement.

This document reflects the availability of information on HeidelbergCement Georgia.

¹ [HeidelbergCement expands in Georgia](#)

December 31, 2017, following information is available with respect to the owners of CaucasusCement Holding B.V.:

HeidelbergCement Central Europe East Holding B.V. (hereinafter, HC CEE), a company registered in the Netherlands	- 45.00%
Cement Invest B.V., a company registered in the Netherlands	- 45.00%
Ms. Svetlana Lambrianova-Bezhuashvili, a citizen of Georgia	- 10.00%
	100.00%

The ultimate controlling party to HC CEE is the German-based, currently operating company HeidelbergCement AG (hereinafter, “HC AG”). Cement Invest B.V. is subject to joint control of GCF Partners LLC and Hunnewell Partners.”

HISTORY OF COMPANY REORGANIZATION

In 2017, HeidelbergCement started the consolidation of Georgian assets. HeidelbergCement Caucasus LLC (204430400) merged with HeidelbergCement Caucasus LLC (202394391) and HeidelbergBeton Georgia LLC (204559003). Prior to this, in 2009, Algeti-Minerali Ltd (216441660) merged with the Company.

On April 3, 2018, HeidelbergCement Caucasus LLC (204430400) itself merged with HeidelbergCement Georgia (230866435), which was joined by Rustavcement JSC (216291992), Meliza LLC (224071359), CaspiCement (230866747), Caucasiatrans (216439879) and LLC Quarryinvest (216439888).

The eventual owner of the consolidated company is CaucasusCement Holding B.V., registered in the Netherlands whose 50% of shares is owned by HeidelbergCement and the second half, as reported by HeidelbergCement², is owned by Cement Invest B.V., jointly managed by [Georgian Co-Investment Fund](#) and [Hunnewell Partners](#).

It is of interest that, according to HeidelbergCement report of 2017³, “on November 10, 2017, HeidelbergCement sold 55% of its shares in fully consolidated Caucasus Cement Holding B.V and its Georgian subsidiary companies: HeidelbergCement Georgia LLC, HeidelbergCement Caucasus LLC and Terjola-Quarry LLC. The price of the sale was 20.8 million EUR, which was paid in cash.”

NEW CO-OWNERS

CO-INVESTMENT FUND

Co-Investment Fund (GCF) was established in 2013 by Bidzina Ivanishvili, former Prime Minister and current manager of the ruling party Georgian Dream. According to information [available at the GCF website](#),

² [HeidelbergCement sells half of its Georgian business, 10 November 2017](#)

³ [HeidelbergCement Annual Report, 2017](#)

On 10 November 2017, HeidelbergCement sold 55% of the shares in the fully consolidated CaucasusCement Holding B.V., ‘s-Hertogenbosch, Netherlands, and its Georgian subsidiaries LLC HeidelbergCement Georgia, LLC HeidelbergCement Caucasus, and LLC Terjola-Quarry, Tbilisi (CaucasusCement Group). The sales price amounted to €20.8 million and was paid in cash. The divestment resulted in a gain of €4.5 million, which is shown in the additional ordinary income. The participation of 45% remaining after the divestment is accounted for as a joint venture in the consolidated financial statements.

“HeidelbergCement is one of the leading brands in the world’s cement and concrete market, operating in Georgia since 2006. In 2017, the GCF and Hunnewell Partners jointly acquired 50% of shares in HeidelbergCement Georgia for upgrading the Kaspi plant. With the support of GCF, a \$100 million investment project at HeidelbergCement Kaspi plant was planned which envisaged full modernization of Kaspi cement plant and construction of dry line for clinker production that would significantly reduce production costs.”

According to the information that was released upon its establishment, the GCF is managed by GCF Partners LLC (404992718) registered in Georgia. Its shareholders were: Giorgi Bachiasvili - 42%, Levan Vasadze, Russian Federation, - 16%, and Ucha Mamatsashvili (Bidzina Ivanishvili’s close relative and trusted person in business relations) - 42%. As of today, 100% shareholder of the company and the Director General is Giorgi Bachiasvili. Levan Vasadze left the company in 2014, and Ucha Mamatsashvili - in February 2018.

[According to the consolidated financial statement 2018](#), GCF Partners own 100% of two subsidiary companies: Marneuli Cement Ltd (404490298) and Tbilisi Technopolis Ltd (406129648). According to the statement, the company provides investment management, general management and other consulting services.

In 2014, the Company entered into Investment Agent and Investment Management Agreements with GCF Luxembourg SARL (Luxco, a private limited company established and operating under law of the Grand Duchy of Luxembourg) and GCF GP (limited liability company, registered under Cayman Islands law). In 2017, the Company entered into a General Management Services and Share Management Agreement with Georgian Tourism Development Fund LLC (GTDF, I/C 405033734, owned by [JSC FRANKSTON INTERNATIONAL S.A.](#), 754525/Panama⁴).

HUNNEWELL PARTNERS

The company [website](#) says that Hunnewell Partners is the pre-eminent Private Equity firm in the Caucasus that manages assets in telecommunications, metallurgy (steel), real estate and media. It also says that Hunnewell Partners manages a successful litigation funding business on behalf of Park Street Litigation, which has invested in some of the largest cases in the English High Court in the last decade.

The company founding partners are Igor Alexeev, Ben Marson and Irakli Rukhadze. The website does not provide any other valuable information; however, extensive information about the company and its founders can be obtained in the [case files](#) of the UK High Court regarding the disposition of property of billionaire Badri Patarkatsishvili, who died in 2008, and a number of media publications that appeared during the court litigation⁵.

ENVIRONMENTAL ISSUES

According to the [Financial Statement 2018](#) of HeidelbergCement Georgia, available on the website of the Service for Accounting, Reporting and Auditing Supervision (SARAS), “Georgia’s environmental legislation is evolving, and the

⁴ [Co-Investment Fund conceals the owner of FRANKSTON INTERNATIONAL, 12 April 12, 2016, Tabula](#)

⁵ <http://forbes.ge/news/5127/britanulma-sasamarTlom-irakli-ruxaZe-amxila>

[London court ruled that search of assets of Patarkatsishvili, conducted by Irakli Rukhadze, was illegal, www.on.ge](#)

forms of enforcement are constantly reviewed by government bodies. Potential liabilities that may arise due to changes to current regulations or laws as well as civil litigation cannot be assessed, however, they could have a significant impact. An important regulation to be considered by the management is the noise and environmental pollution regulations. Management annually submits reports on fulfilling norms related to noise and environmental pollution by cement plants. Moreover, if the Ministry of Environment Protection receives any complaint regarding activities of the enterprise, an unscheduled inspection is carried out. **As the management says, the plants fully comply with the established norms and there is no risk of breaching regulations”.**

It is noteworthy that during the preparation of this report, the staff of Green Alternative made a field trip to collect information on the environmental and social impact of one of the plants of HeidelbergCement Georgia in Kaspi. Based on simple inspection and interviews with the population, a number of problems due to operation of the plant have been identified such as: polluted air, noise and dust generated during the plant operation, roads damaged by the movement of HeidelbergCement vehicles; disordered sewage system; chaotic waste in the town; health problems that people associate with the operation of the plant and lack of employment opportunities⁶.

For violations of conditions of [positive ecological expertise](#) for cement production at Kaspi plant issued on September 2, 2009, a protocol of administrative offence was drawn up on February 29, 2016 (for violation of conditions ##1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 of the ecological expertise). To remedy violations of the environmental impact permit conditions identified as a result of the inspection, specific time limits have been determined for HeidelbergCement Georgia LLC.

In July 2017, the Environmental Supervision Department inspected the status of unfulfilled obligations within the time limits. As it turned out, the following obligations were still not fulfilled within the specified timeframe:

- Within the prescribed time limit (2 months), failed to submit to the Ministry for consideration a technical report on installing-passporting of air-dust collection device and ventilation systems together with actual efficiency data;
- Within the prescribed time limit (2 months), failed to submit to the Ministry for consideration information on technical report on noise monitoring in accordance with the noise suppressing activities plan;

⁶ [Field Trip Report - Kaspi, Green Alternative, December 11, 2018](#)

- During the inspection process, it was established that HeidelbergCement Georgia LLC conducts water intake from the surface water facilities, although the issue of water intake from the river has not been determined in accordance with the environmental impact permit;
- The inspection revealed that HeidelbergCement Georgia LLC did not comply with the recommendations/obligations as provided for in the EIA report⁷.

On July 31, 2017, regarding the identified violations against the HeidelbergCement Georgia LLC, a Protocol #035963 was again drawn up. Based on the protocol, and by its Decree dated September 04, 2017, the Court found HeidelbergCement Georgia LLC to be liable for the administrative offence and imposed a fine of GEL 15,000. The Decree came into force and, in order to prevent the non-fulfilment of the permit conditions, the Ministry has once again defined reasonable time limits for HeidelbergCement Georgia. Only then did the company begin to fulfil conditions.

It is noteworthy that upon the enactment of the Environmental Assessment Code as of January 1, 2018, the Ministry of Environmental Protection and Agriculture has been obliged⁸ to publish a further analysis of activities on the Ministry's website, which includes:

- a) Monitoring of conditions and mitigation measures;
- b) Analysis of environmental impact of the activity;
- c) Assessment of changes in environmental characteristics provided for in the EIA report.

This obligation is not fulfilled even at the end of the second year after the Code's enactment - neither in respect with HeidelbergCement Georgia nor any other enterprise. Information on the fulfilment of conditions is available only upon request of public information.

LICENCES

According to HeidelbergCement Georgia's [Financial Statement 2018](#), "the company has obtained several licences to extract minerals. In general, Georgian legislation obliges users of minerals to recultivate areas within their licences. However, Georgian legislation is not sufficiently sophisticated in this filed and does not provide detailed guidance to include all possible situations. The company management has done a detailed analysis of all its licences and decided that it would not bear any substantial recultivation costs after expiration of these licences or during their use **since it is impossible to recultivate areas used on the basis of licences because the licence area is defined as a mining area and, according to Georgian legislation, recultivation on such areas is not permitted.** In addition, reserves of minerals in the licence area exceed the total amount that the company is entitled to extract during the licence period, which allows the Government to transfer mining rights to other enterprise and exclude ore liquidation. It is not excluded that the legislation may change in the future and has an effect on the company's current licences. The company has not recognized recultivation accruals in this financial statement. These accruals can have a significant impact on the financial reporting if they become necessary."

⁷ A letter from the Environmental Supervision Department #DES11800004242 of January 25, 2018 to the Minister of Environmental Protection and Agriculture.

⁸ Article 17, Environmental Assessment Code

Mining licenses of HeidelbergCement Georgia LLC - Extract from the Mining Licence Register of provided by the National Agency for Mines⁹.

Licence No	Title of the facility	Term of registration and validity	Volume of resources	Area	Transfer
397	Extraction of cement limestone from Kavtiskhevi deposit, Kaspi Municipality	29.09.00 13.10.00 20 years		129 ha	License issued to Georgian Cement LLC was transferred 13/326, 21.08.12
398	Extraction of cement limestone from Saskhori deposit, Mtskheta Municipality	29.09.00 13.10.00 20 years		114 ha	License issued to Georgian Cement was transferred 13/323 21.08.12
399	Extraction of cement clay from Kaspi deposit, Kaspi Municipality	29.09.00 13.10.00 20 years		102 ha	License issued to Georgian Cement was transferred 13/327, 21.08.12
1000440	Extraction of Kebaani limestone in Kaspi municipality, village of Kebaabi	28.02.12 25.02.27	total extraction 2 809 202 t	33.19 ha	
1000791	Extraction of Gardabani clay (cement) from in Gardabani Municipality	21.08.12 23.12.28	total extraction 1 056 490 t	10,94 ha	License #100352 issued to Georgian Cement was transferred
1000792	Extraction of Kavtiskhevi limestone (cement) in Kaspi municipality, village of Kavtiskhevi	21.08.12 27.01.29	total extraction 10 239 112 t	43,99 ha	License #100394 issued to Georgian Cement was transferred
1000793	Extraction of cement limestone at Metskruli pit of Kavtiskhevi cement limestone deposit in Kaspi Municipality, near village of Kavtiskhevi	21.08.12 10.10.28	total extraction 2 723 292 t	9,9 ha	Licence #100214 issued to Georgian Cement was transferred
1000794	Extraction of flux (cement) limestone on the left pit of limestone deposit in Dedoplistskaro municipality	21.08.12 15.02.27	total 29048000 t clinkering process of no less than 500000t	26,7 ha	Licence #00469 issued to RustavCement was transferred Licence #100151 issued to Georgian Cement was transferred
1002574	Groundwater extraction (for entrepreneurial purposes) in Kaspi Municipality, near village of Kvemo Chocheti	19.05.15 20.05.40	657 m ³ /s	0.07 ha	
1004276	Extraction of zeolite-containing tuffs (Darbaziskhevi pit) in Mtskheta municipality, near village of Dzegvi	14.02.17 15.02.37	total extraction 993 000 t	4.31 ha	
1005253	Extraction of underground fresh water(for entrepreneurial purposes) on the area of town Kaspi, #2 Parnavaz str.	14.02.18 15.02.43	30 660 m ³ /s	0.07 ha	
1005388	Extraction of underground fresh water (for entrepreneurial purposes) in Rustavi city, on adjacent area to cement plant and JSC Perliti	16.04.18 17.04.43	5000 m ³ /s	0.07 ha	
1005432	Extraction of underground fresh water (for entrepreneurial purposes) in city of Rustavi, on adjacent area to cement plant and JSC Perliti	02.05.18 03.05.43	800 m ³ /s	0.07 ha	

⁹ [Mining Licence Register as of December 4, 2019](#). The documents is available upon request at the National Agency of Mines

Licence No	Title of the facility	Term of registration and validity	Volume of resources	Area	Transfer
1005539	Extraction of limestone (cement) for processing Dzegvi limestone deposit in Mtskheta municipality	30.05.18 29.10.20	200 000 t/year	12,5 ha	Amendment of mining licence #0652 issued to Georgian Cement Amendment (change of name) of licence #1004518 issued to HeidelbergCement Caucasus
1005540	Extraction of sand-gravel of the river Khrami in Marneuli Municipality, near village of Imeri	30.05.18 31.12.21	total extraction 109 200 83	3.64 ha	Amendment of licence #1004191 (change of name) Amendment to licence #1004494 issued to HeidelbergCement (change of name)
1005541	Extraction of Kavtiskhevi sand/gravel on the river Mtkvari in Kaspi Municipality, near Mikeltskaro	30.05.18 26.01.21	total extraction 181 800 m ³	6.06 ha	Amendment of licence #1003325 issued to HeidelbergBeton Georgia (change of name) Amendment to licence #1004493 (change of name) issued to HeidelbergCement Caucasus (change of name)
1005542	Extraction of underground fresh water (for entrepreneurial purposes) on the territory of Tbilisi	30.05.18 28.04.41	29 200 m ³ /s	0.07 ha	Amendment of licence #1003564 issued to HeidelbergBeton (change of name) Amendment to licence #1004492 issued to HeidelbergCement Caucasus (change of name)
1005543	Extraction of underground fresh water (for entrepreneurial purposes) in Marneuli municipality, near village of Lezhbadini	30.05.18 23.11.41	35 000 m ³ /s	0.07 ha	Amendment of licence #1004099 issued to HeidelbergBeton Georgia (change of name) Amendment of licence #1004491 issued to HeidelbergCement Caucasus (change of name)
1005544	Extraction of manganese of Chkhari-Ajemeti (Crystal Range) in Terjola Municipality, village of Nakhshirghele	30.05.18 13.09.27	total extraction 20 000 t	2,84 ha	Part of licence #00844 Amendment of licence #01011 issued to Georgian Cement LLC (change of name) Amendment of licence #1004470 issued to HeidelbergCement Caucasus (change of name)
1005545	Limestone extraction in Mtskheta municipality, near village of Nichbisi	30.05.18 07.11.26	total extraction 103 000 m ³	10,7 ha	Amendment of licence #00370 issued to Georgian Cement LLC (change of name) Amendment of licence #1004469 issued to HeidelbergCement Caucasus (change of name)
1005546	Extraction of underground fresh water for household purposes (Well holes #1 and # 2) on the company owned area in Rustavi (city)	30.05.18 27.09.32	360 m ³ /day	15-meter radius per each	Amendment of licence #00862 issued to Georgian Cement (change of name) Amendment of licence #1004468 issued to HeidelbergCement Caucasus (change of name)
1005547	Extraction of sand and gravel from the river Khrami in Marneuli Municipality, near to village of Imeri	30.05.18 01.09.22	total extraction 76 800 m ³	2.56 ha	Amendment of licence #1004826 issued to HeidelbergCement Caucasus (change of name)
1005548	Extraction of sand from Metekhi II and from the river Mtkvari in Kaspi Municipality, near village of Metekhi	30.05.18 29.12.20	total extraction 645 600 m ³	21.52 ha	Amendment of licence #1003254 issued to HeidelbergBeton Georgia (change of name) Amendment of licence #1004481 issued to HeidelbergCement Caucasus (change of name)

Licence No	Title of the facility	Term of registration and validity	Volume of resources	Area	Transfer
1005549	Extraction of underground fresh water (for entrepreneurial purposes) on the territory of Tbilisi, #2 lane, Peikrebi #1	30.05.18 07.04.42	60 000 m ³ /s	0.07 ha	Amendment of licence #1004413 issued to HeidelbergCement Caucasus (change of name)
1005550	Extraction of underground fresh water on the territory Poti (city), Nabadi district	30.05.18 16.03.42	20 000 m ³ /s	0.07 ha	Amendment of licence #1004346 issued to HeidelbergCement Caucasus (change of name)
10000383	Extraction of Gardabani cement clay in Gardabani Municipality, near city of Rustavi	29.11.18 21.12.27	total extraction 4155731.68 t	26.92 ha	Licence #01015 issued to Georgian Cement LLC was transferred Part of Licence #1000795 was transferred to Technometal Ltd
10000745	Extraction of underground fresh water (for entrepreneurial purposes) in Marneuli municipality, near Sakrebulo of Kulari village	17.05.19 18.05.24	4500 m ³ /s	0.07 ha	
10000963	Extraction of “Lezhbadini” sand and gravel from the river Khrami in Marneuli municipality, near village Khanji-Gazlo	17.05.19 24.10.25	total extraction 1692402 m ³	58.73 ha	Part of licence #1003037 was transferred to Rustavi 2015 LLC Amendment of licence #1003858 issued to HeidelbergBeton Georgia (change of name) Amendment of licence #1004483 issued to HeidelbergCement Caucasus (change of name) Amendment of licence #1005538 (extension of the validity period)
10001103	Extraction of underground fresh water (for entrepreneurial purposes) on the area of Kaspi (town), #2 Parnavaz str.	25.11.19 26.11.29	300 m ³ /s	0.07 ha	

[Profiles of Mining Licensees](#), a publication of Green Alternative in 2019, provides following information on an important mining area (partly HeidelbergCement Georgia licensing area) such as Dedoplistskaro municipality in Kakheti where limestone is extracted:

- Mining licence holders;
- License validity, area, volume of resources to be extracted;
- Forest covered area within the license perimeter;
- Loss of forest area over the past years;
- Agreements on special use of forest;
- Recultivation measures planned/implemented by the user of minerals;
- Compensation measures for forest ecosystems (restoration, renewal, promotion) and monetary compensation.

INFORMATION ABOUT THE STATE OF ENVIRONMENT

HeidelbergCement Georgia did not have a Georgian website as reported by Green Alternative in the company profile in 2017¹⁰. Information about the company was available in a [special section](#) of the main website. The information

¹⁰ HeidelbergCement Georgia - Company profile 2017, www.greenalt.org

was only provided in English. In 2018, information is also available in [Georgian](#). As it says, the company is running four cement plants and nine concrete plants. According to the website, the company owns cement plants in Kaspi (1) and Rustavi (2), as well as cement grinding mill in Poti, cement terminal in Supsa and 13 concrete batching plants. The company has more than 1200 employees in Georgia. The website contains information about the new structure after reorganization.

The website contains a brief description of the plants and products that might be useful for the product buyer; however, it provides no information on the extraction and processing of resources that is important for people who study the impact on the environment and health as a result of such processes.

HeidelbergCement Georgia **does not provide the public with information on the damage caused to the environment and/or environmental conditions resulted from its activities**; implemented and/or planned measures for environmental impact reduction and/or prevention.

Nor the Ministry of Environment Protection and Agriculture provides information about the environmental condition in the area affected by company activities, although, according to international and national legal requirements, this information should be accessible to the public proactively – without having to request the information. The last national report prepared on the environmental condition¹¹ mentions that “in Georgia, sub-industries such as cement, gypsum-concrete and asphalt-concrete are characterized with extremely large-scale dust emissions. At present, the industrial sector in terms of atmospheric air pollution is represented by several large entities: in Kvemo Kartli – JSC Azoti owned by JSC Energy Invest, and JSC Rustavcement owned by HeidelbergCement Georgia LLC, in Shida Kartli – Kaspicement owned by HeidelbergCement Georgia LLC, and in Adjara - Batumi Oil Terminal LLC. However, the report says nothing about the types and scales of pollution as well as possible threats to the environment and population.

¹¹ [National 2010-2013 report on environmental condition](#)



This document was produced under Green Alternative's project "Advocacy for transparent and accountable mineral resources governance in Georgia", project implemented in cooperation with the Heinrich Boell Foundation Tbilisi Office and under Green Alternative's project "Improving governance in energy, mining and transport sectors in Georgia" implemented with financial assistance of the Open Society Foundations Network.



The content of this publication is the sole responsibility of Green Alternative and can under no circumstances be regarded as reflecting the views of the Heinrich Boell Foundation Tbilisi Office and views of the Open Society Foundations Network.

Author: Nino Gujaraidze

© GREEN ALTERNATIVE, 2019



39b Paliashvili St., IV floor
0179 Tbilisi, Georgia
Tel./Fax: (995 32) 222 38 74
greenalt@greenalt.org
www.greenalt.org

