Bakhvi HPP

CAUCASUS CLEAN ENERGY HOLDING (CCEH) Hydro VI LLC

ENVIRONMENT, SOCIAL & GOVERNANCE POLICY

This ESG Policy is Approved by the Company Director: Giorgi Abramishvili

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CCEH HYDRO VI LLC
ENVIRONMENT, SOCIAL & GOVERNANCE POLICY

INTORDUCTION

CCEH Hydro VI LLC (the "Company") is a company developing the Bakhvi 1 hydro power plant in Guria, region of Georgia. Bakhvi 1 HPP involves the construction and operation of a 10.9 MW run-of-the river hydroelectric power plant on the Bakhvistskali River, located within the Ozurgeti Municipality. Investors of the company include Caucasus Clean Energy Holding (CCEH), Austrian Investment Fund ILAG, and other field-specific investors from Austria and Georgia. CCEH's investors comprise well-known financial institutions from America and European countries (inclusing European Investment Bank [EIB], Dutch Development Bank [FMO], Austrian Development Bank [OeEB], etc.). ILAG holds diverse business interests across several Western countries.

Bakhvi 1 HPP is under construction on a section of the Bakhvistskali River spanning elevations between 1,735 meters and 1,383 meters above sea level. The headworks will be situated approximately 250 meters downstream from the confluence of the Bakhvistskali and Baisura Rivers. The flood intake structure will be located at an elevation of 1,731.70 meters, and the HPP building will be positioned at an elevation of 1,383.0 meters.

Bakhvi 1 HPP consists of a headworks structure, a pressure pipeline system, and an above-ground power plant building that will house the necessary mechanical and electrical equipment for electricity generation. The installed capacity of the power plant is 10.9 MW, with a design flow rate of 4.0 m^3/s.

CCEH Hydro VI LLC conducts its operations in compliance with the environmental and social management standards set by international financial institutions, including the IFC and EIB.

GENERAL

Sustainable power and infrastructure investment requires responsible business management of environmental, social and governance ("*ESG*") matters.

This ESG Policy is designed to meet standards set forth by the United Nations Principles for Responsible Investment as well as the Environmental and Social Principles and Standards of the IFC and EIB.

CCEH Hydro VI LLC is committed to implementing measurable ESG initiatives aligned with international standards. This policy establishes clear Key Performance Indicators (KPIs) and timelines to monitor progress, ensuring transparency and accountability in our sustainability efforts. CCEH Hydro VI LLC maintains a comprehensive Environmental Policy that aligns with its ESG commitments.

PRINCIPLES

CCEH Hydro VI LLC will:

1. As appropriate, minimize adverse impacts and enhance positive effects on the environment, workers, and all stakeholders.
2. Commit to continuous improvements, and encourage staff to commit to continuous improvements, with respect to management of the environment, social matters and governance.
3. Work overtime to apply relevant good international practice standards, with appropriate targets and timetables for achieving them

POLICIES

1. CCEH Hydro VI LLC shall comply with all applicable environmental laws, including international conventions ratified by the host country.
2. CCEH Hydro VI LLC shall establish and will maintain a management system for environmental and social matters of its Portfolio Investments ("ESMS")

3. CCEH Hydro VI LLC shall implement the Environmental and Social Action Plan (ESAP) which outlines key actions and commitments to ensure compliance with environmental and social requirements
4. CCEH Hydro VI LLC Management shall appoint from among its team an ESG Manager who shall, among other things, be responsible for the proper operation and maintenance of the ESMS.
5. CCEH Hydro VI LLC should demonstrate good practice of meaningful dialogue, consultation and participation with stakeholders. Stakeholder concerns should be considered as early as possible in the HPP assessment process as well as constitute a crosscutting element throughout the HPP' life cycle, in order to enhance sustainability and contribute to success.
6. CCEH Hydro VI LLC will use its reasonable best efforts to ensure that is complies with applicable national and local laws on employment; do not make use of forced labor of any kind; do not employ or make use of harmful child labor; pay wages that meet or exceed industry or legal national minima; treat its employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, or HIV status; allow consultative work-place structures and associations which provide employees with an opportunity to present their views to management; and for remote operations involving the relocation of employees for extended periods of time, ensure that such employees have access to adequate housing and basic services.
7. As soon as reasonably practicable and in any event within 48 hours after becoming aware of the occurrence, notify the Holding of any social, labor, health and safety, security or environmental incident including any claim for environmental or social damages accident, loss of life, material breach of law, material effect on the environment. In the event of a significant health and safety incident, or in case where there has been substantial damage to the environment or a significant adverse environmental impact, the holding shall be notified immediately upon discovery. The respective governmental bodies, as defined by the legislation, should also be notified. As soon as reasonably practicable thereafter CCEH Hydro VI LLC shall specify in each case the nature of the incident, accident, or circumstance and the impact or effect arising or likely to arise therefrom, and the measures being taken, or plans to be taken, to address them and prevent any future similar event; and keep the investors' representative reasonably informed of the on-going implementation of those measures.
8. This ESG Policy is closely aligned with the standalone Environmental Policy, and the two should be read together to ensure a holistic understanding of our sustainability approach. Both policies reinforce our commitment to responsible environmental management, social responsibility, and strong governance practices, ensuring alignment with national regulations and international best practices.

ANTI-BRIBERY AND ANTI-CORRUPTION

CCEH Hydro VI LLC is dedicated to conducting its business with utmost honesty, integrity, and adherence to anti-bribery and anti-corruption laws. This commitment extends to complying with relevant laws, including those specific to Georgia. If local laws impose stricter requirements than those outlined in this policy, the more stringent local regulations will take precedence. The act of bribery and corruption is absolutely prohibited. Within this context, a "bribe" encompasses any form of value, loan, award, or benefit that is offered, promised, given, or received directly or indirectly by any individual. Such offerings are reasonably made as an incentive for specific actions or omissions related to the individual's duties, to influence a decision or obtain an improper or unfair advantage, either for the benefit of the corporation or any other party. "Corruption" refers to the misuse of power or position for personal gain.

EXCLUSIONS

The following categories of activities are excluded from the CCEH Hydro VI LLC working universe:

1. Production or activities involving forced labor or child labor;
2. Production or trade in any product or activity deemed illegal under country laws or regulations or international conventions and agreements, or subject to any phase-out bans, such as:

- Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
- Unsustainable fishing methods (e.g., blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length);

3. Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.
4. Purchase of land or real-estate investment except where it is directly associated with the HPP (e.g., land for the construction of a power plant).
5. Production or activities that impinge on the land owned, or claimed under adjudication, by Indigenous People, without full documented consent of such people.
6. Processing of toxic waste.
7. Gambling and betting activities.
8. Cross-border trades in waste and waste products.
9. Destruction of High Conservation Value area.

ESG PRINCIPLES

CCEH Hydro VI LLC will use its reasonable best efforts to adhere to the following ESG principles:

1. Comply with applicable laws.
2. Minimize adverse impacts.
3. Enhance positive effects.
4. Commit to continuous improvements.
5. Strive to apply relevant international good practice standards.
6. Employ an environmental and social management system to effectively address ESG risks and realize ESG opportunities.

CCEH Hydro VI LLC ESG initiatives will seek to create positive impact by:

1. Contributing to the improvement of the living and working standards of individuals impacted by the HPP.
2. Contributing to the enhancement of corporate governance of the HPP.
3. Contributing to the development and augmentation of environmental standards of the HPP and its surrounding communities;
4. Minimizing the social footprint of the HPP.

INTEGRATION WITH ENVIRONMENTAL POLICY

CCEH Hydro VI LLC maintains a comprehensive Environmental Policy that is fully aligned with its ESG commitments, ensuring a cohesive and strategic approach to sustainability. To reinforce this alignment, the ESG Policy and Environmental Policy are closely integrated and should be read together.

Our targets, as outlined in the Environmental Policy, are directly aligned with the United Nations Sustainable Development Goals (UN SDGs), demonstrating our commitment to global sustainability efforts. By embedding these targets into our business operations, we actively contribute to climate action, responsible resource management, and social well-being, in line with international best practices. Through this integration, CCEH Hydro VI LLC strengthens its commitment to responsible hydropower operations, regulatory compliance, and transparent sustainability reporting, ensuring that our ESG strategy remains impactful, measurable, and globally relevant.

ESG GOALS, KPIS, AND TIMELINES

CCEH Hydro VI LLC believes that meaningful ESG progress is achieved through clear, measurable goals and a strong commitment to accountability and continuous improvement. As a member of the United Nations Global Compact, we align our efforts with the United Nations Sustainable Development Goals (UN SDGs) and have established the following specific objectives and key performance indicators (KPIs) to guide our sustainability journey.

Environmental Goals

1. Reducing Carbon Footprint: During the construction phase, we are committed to minimizing our carbon footprint by optimizing fuel consumption, reducing unnecessary emissions, and integrating energy-efficient construction practices. We prioritize the use of sustainable materials and responsible logistics to lower overall environmental impact. Upon completion of construction and transition to operation, the company will focus on significantly reducing Scope 1, Scope 2 and Scope 3 emissions, with Scope 3 emissions being tracked starting from 2025. This will be achieved by optimizing internal electricity consumption, improving operational energy efficiency, and maximizing the use of renewable energy sources. Progress will be monitored and reported annually to track intermediate milestones and ensure alignment with our 2030 reduction targets. Further details on CCEH Hydro VI LLC's approach, specific measures, and detailed targets are outlined in the Sustainability and Emissions Reduction Plan.
2. Expanding Emissions Management: During the construction phase, we are committed to minimizing emissions by optimizing resource use, reducing fuel consumption, and implementing sustainable procurement practices to lower supply chain-related emissions. We actively assess and manage indirect environmental impacts to align with our broader carbon reduction strategy.
3. Upon completion of construction and transition to operation, the company will continue to track and reduce Scope 1, Scope 2, and Scope 3 emissions. This includes addressing supply chain impacts and other indirect emissions to enhance overall carbon reduction and drive long-term sustainability.
4. Enhancing Energy Efficiency: As part of our commitment to sustainability, we are taking active steps to reduce environmental impact throughout the construction phase by adopting energy-efficient practices, optimizing workflows, and integrating advanced technologies. We are also prioritizing the use of eco-friendly, sustainable construction materials to help lower the HPP's overall carbon footprint. Looking ahead to the operational phase, our focus will shift to maximizing energy efficiency across all internal processes. This includes optimizing electricity consumption and increasing the use of renewable energy within our operations, ensuring that our approach remains both responsible and forward-thinking.
5. Sustainable Water Management: We are committed to responsible water management by implementing strict control measures to minimize water waste and prevent contamination. Proper handling and disposal of construction-related wastewater to prevent negative impacts on local water bodies. Once the hydropower plant becomes operational, we will ensure full compliance with ecological flow requirements and optimize long-term water management by water monitoring systems to maintain full compliance with ecological flow requirements, minimize water waste, and safeguard local ecosystems.
6. Reducing Environmental Impact: CCEH Hydro VI LLC is committed to minimizing its overall environmental impact across all phases. During the construction phase, comprehensive biodiversity studies are conducted, focusing on the impact of wildlife, including animals, birds, reptiles, amphibians, their habitats, and plant species. Special attention is given to species listed on the IUCN Red List and the Georgian Red List to protect and conserve endangered species in the HPP area. Surveys are conducted to assess the health of aquatic life and species living in the Bakhvistskali river and surrounding ecosystems to safeguard local water resources and ensure HPP does not negatively affect the hydrological balance. Geological studies are carried out to assess potential environmental impacts related to soil stability ensuring adherence to environmental standards. Air quality, dust, and vibration are monitored to evaluate the impact of construction activities on the surrounding environmental and local communities. These assessments are governed by the environmental monitoring plan, which outlines the scope, frequency, and methodology for each study, and are conducted by independent third-party

specialists to ensure objectivity, technical accuracy, and compliance with national and international environmental standards.
Mitigation measures developed by international consultants are incorporated into the HPP to address identified environmental risks. During the construction period, daily site inspections are carried out by the ESG team to ensure the proper implementation of these mitigation measures and to minimize any adverse environmental impacts.

In the operational phase, the same rigorous practices will continue to ensure the ongoing protection of the environment. Ongoing monitoring of aquatic life, air quality, water quality, and geological stability will be conducted to assess and mitigate any environmental impacts. The environmental monitoring plan will continue to govern these activities, ensuring consistency and long-term sustainability from construction through to operation.

Social Goals

1. Maintaining Community Engagement: We prioritize open communication with stakeholders by conducting structured meetings with municipal authorities, village representatives, and residents at least two times a year.
2. Empowering Stakeholders: We are enhancing our grievance mechanism, ensuring all concerns are addressed within a clearly defined response time, fostering trust and accountability.
3. Ensuring Employee Well-Being: Every employee is at the heart of our operations. We commit to delivering annual health and safety training, ensuring 100% participation, and continuously improving workplace conditions.
4. Empowering Communities for a Sustainable Future: The social program, implemented through the Project Affected Area (PAC), is dedicated to transforming lives and fostering lasting change within the community. Each initiative focuses on creating opportunities, empowering individuals, and ensuring sustainable development for future generations. We are committed to improving the quality of education by providing essential resources, scholarships, and supporting programs that enhance teaching and learning. Our dedication extends to people with special needs, ensuring they have access to the necessary resources and opportunities for full inclusion. The program also focuses on vital infrastructural improvements such as road upgrades, all contributing to the community's growth. In addition, we empower women through targeted programs that enhance their skills, opportunities, and leadership roles. Local entrepreneurs receive support through training and financial assistance to foster self-reliance, economic growth, and sustainable livelihoods.

   Through these initiatives, we are not only addressing immediate needs but building a future where every individual has the opportunity to thrive, ensuring that the HPP contributes to long-term positive change for the entire community

Governance Goals

1. Keeping Policies Dynamic and Relevant: Our ESG policy will undergo annual reviews and updates, integrating feedback from stakeholders to stay aligned with evolving best practices.
2. Ensuring Compliance and Integrity: We are dedicated to full compliance with national environmental and labor regulations, as well as international ESG frameworks, ensuring responsible and ethical business conduct.
3. Transparent and Data-Driven Reporting: We will publish an annual ESG report, providing clear, data-backed insights into our sustainability performance, measured against established KPIs.
4. Aligning with Global Standards for Responsible Business: Our governance framework is guided by the Ten Principles of the United Nations Global Compact (UNGC), ensuring our operations uphold fundamental values in human rights, labor, environment, and anti-corruption

THE ESG POLICY ANNUAL REVISION PROCESS

Aligned with internationally recognized ESG practices and standards, our Company undertakes a comprehensive review of the ESG Policy at the end of each year. This systematic review, led by the Company ESG Manager, ensures that our disclosures accurately reflect current assessments, performance metrics, and operational practices. If any modifications are made during the revision process, the updated documentation is subjected to a thorough approval procedure. Initially, the proposed changes are carefully reviewed and endorsed by the Company Director. Following this, the revised document is shared with the Caucasus Clean Energy Holding ESG and Sustainability Lead for final validation, ensuring that each modification adheres to our commitment to quality, transparency, and regulatory compliance. Material revisions to the ESG Policy are submitted to the Supervisory Board for review and oversight. The updated version of the ESG Policy is uploaded onto the company's webpage, while the previous version remains accessible on the website in the archive folder.