



Bakhvi HPP

CAUCASUS CLEAN ENERGY HOLDING (CCEH) HYDRO VI LLC CORPORATE GOVERNANCE MANUAL

This Corporate Governance Manual is Approved by the Supervisory Board



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List of the abbreviations

Abbreviation	Definition
Manual	Governance Manual
SB	Supervisory Board
Company	CCEH HYDRO VI LLC
Management	The list of the positions that are collectively referred to as Management is seen below: <ul style="list-style-type: none">• Company Director• Technical Director• ESG Manager• Financial Director
CCEH	Caucasus Clean Energy Holding
MW	Megawatt

CCEH HYDRO VI LLC CORPORATE GOVERNANCE MANUAL

1. Introduction

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 Bakhvistkali 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 (including 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 Bakhvistkali 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 Bakhvistkali 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 m³/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.s

2. Purpose of the Governance Manual

The Governance manual (the “Manual”) serves as a basic framework and ensures that:

1. Resources are utilized efficiently.
2. There is a clear delineation of the roles as well as responsibilities between the management and the Supervisory Board.
3. There is good governance practice that ensures diligent decision-making process, cultivates accountability, and minimizes the principal-agent conflict of interest.
4. Heighted check and balance instruments are in place to minimize future uncertainties and reduced likelihood of unforeseen events as well as event reversal risks.
5. The best course of action is done to meet agreed-upon goals and objectives.
6. There is heightened scrutiny on each aspect of the HPP development related to technical, ESG, financial and legal.
7. Produced reports and records are standardized, accurate and reliable.

The Management of the company is responsible for implementing this governance manual while the Supervisory Board and its Committees (if any) are responsible for overseeing the efficient execution.

Ownership Structure

CCEH HYDRO VI LLC is a limited liability company (LLC) registered in Georgia, serving as the owner and operator of Bakhvi 1 HPP. The company’s ownership is structured as follows:

Shareholder	Ownership Share %
LLC Bakhvi 1 – Holding Company	56.67%
Joint Stock Company, Industrieliegenschaftenverwaltung	37.33%
Hans Holding LLC	1.99%
Ing. Werner Panhauser	1.99%
Taras Nizharadze	1.99%

This structure reflects a strong investment partnership, bringing together expertise in renewable energy development and sustainable infrastructure management.

Commitment to Transparency and Minority Shareholder Protection

- Transparency and fairness are the core principles of CCEH Hydro VI LLC's governance. The company provides regular financial and operational updates, ensuring that all investors, including minority shareholders, are well-informed on all aspects of HPP operation.
- Key protections for minority shareholders include:
 - Access to Information – All shareholders receive regular reports on corporate decisions and financial performance.
 - Legal Safeguards – The company adheres to governance laws that prevent undue influence by majority shareholders, ensuring equal treatment for all investors.

Compliance and Regulatory Framework

CCEH Hydro VI LLC operates in full compliance with Georgian corporate laws and international best practices. The company is committed to:

- Upholding the Law on Entrepreneurs of Georgia to ensure governance practices meet legal and ethical standards.
- Conducting annual financial audits through independent third-party auditors, reinforcing integrity and trust in reporting.
- Conducting periodic or upon Investors request ESG audits through independent third-party auditors, reinforcing integrity and trust in reporting.

By upholding solid ownership and governance structure, CCEH Hydro VI LLC creates a transparent, accountable, and investor-focused environment, paving the way for long-term stability and sustainable growth.

3. Governance - Governing Body

3.1. General Meeting of the Partners ("General Meeting")

The General Meeting is the supreme governing body of the Company. A General Meeting shall be held at least once per year, at the legal address of the Company or at any other place. The General Meeting shall be convened upon the request of a director of the Supervisory Board ("SB") or a holder of the Company's Class "A" shares who possesses at least 5% of the issued capital. The General Meeting shall elect a chairman, who shall prepare and sign the minutes of meeting.

The General Meeting is authorized to make decisions on the following issues with a simple majority of the votes cast, unless the higher majority is required under the Law on Entrepreneurs:

- a. Determining the deadlines for the capital contributions (including the form of contribution) by the partner and/or issuing calls for contributions;
- b. Adopting any resolution to initiate legal proceedings against directors and appointing a representative to act on behalf of the company in such proceedings;
- c. Approval or rejection of the profit distribution proposal submitted by the Supervisory Board, as well as any decisions regarding the distribution or payment of dividends or other distributable funds of the Company
- d. Appointment or dismissal of members of the SB
- e. Adoption or resolutions concerning the approval of transactions exceeding USD 1,000,000 in value

The General Meeting is authorized to adopt resolutions on the following matters with the consent of at least 80% of the votes of the holders of Class "A" shares, unless a higher majority is required under the Law on Entrepreneurs



- a. Amendments to the capital structure, including changes to the Company's issued capital, the creation of different classes of shares, the issuance of rights to participate in the Company's profits or silent partnership interests, or similar transactions, as well as any modifications to the rights attached to any class of the Company's shares
- b. Entering into, amending, or terminating agreements with executive directors and senior management, as well as executing related-party transactions not approved in the annual budget
- c. Approval of the annual financial statements, amendment of the dividend policy, and dismissal of directors and, where applicable, members of the SB
- d. The sale, lease, or other disposition of all or substantially all of the Company's assets
- e. Approval of any transaction the value of which exceeds 50% of the book value of the Company's assets as of December 31 of the preceding financial year
- f. Approval of the liquidation or reorganization of the Company

3.2. Governance - Supervisory Board ("SB")

Composition of the Supervisory Board

CCEH Hydro VI LLC is dedicated to maintaining a well-balanced and independent Supervisory Board that upholds the highest standards of corporate governance. To ensure fair and objective oversight, the Board includes independent Directors who meet strict independence criteria, ensuring they have no financial or operational conflicts of interest. Their role is to bring unbiased perspectives, strengthen decision-making, and enhance overall governance effectiveness.

The Supervisory Board regularly reviews its composition to ensure a diverse range of expertise, backgrounds, and skills. This includes maintaining a well-rounded mix of financial, ESG, operational, and risk management expertise

According to the Company's charter, Supervisory Board members are elected by the Partners at the General Meeting for the term of three (3) years. Upon the expiration of the term of any member of the SB, their term of office shall be extended until a new member is elected, ensuring continuity in governance. The partners are authorized to dismiss members of the SB prior to the expiration of their term at a General Meeting. In the event of withdrawal or resignation, the relevant partners are authorized to nominate another individual as a replacement. The holders of the Company's Class "A" shares are obliged to ensure that the nominated candidate is appointed to the SB in a timely manner.

Partners must appoint SB Member based on suitability for that vacancy, at a General Meeting, regardless of race, color, ethnic or national origins, disability, age, gender (including pregnancy), marital status or sexual orientation. SB Member must ensure that they comply fully with the organization's equal opportunities policy.

Mandate of the Supervisory Board

The Supervisory Board has clearly defined its role as well as that of management. The Board's role is to monitor, control and evaluate the management of the business and internal affairs of the Corporation in the best interests of CCEH Hydro VI LLC and its shareholders. Management's role is to oversee the Company's day-to-day operations. Management is responsible for preparing and, following Board approval, implementing the Corporation's strategic plan, as approved by the SB.

The Board approves all matters expressly within its jurisdiction as set out in this manual, the Georgian Law on Entrepreneurs and any other applicable law, and the Company's charter.

SB meetings are held on a monthly basis. The date of the SB meeting is agreed during the previous meeting. The presentation describing the reporting period is covered during the SB meeting which is sent to other attendees 5 days before the meeting.

Content of the SB presentation

The presentation for the Board meeting is developed by the team responsible for operations. The deck should cover development over the reporting period and incorporate:



1. Key developments regarding technical, ESG, financial, commercial, legal, administrative, H&S, PR, etc. over the reporting period
2. HPP development schedule with focus on the items on the critical path
3. Consideration regarding the most critical items
4. Detailed analysis of the potential risks as well as mitigation tools
5. The presentation may also cover the updates on the material events that have been incurred before the reporting period but will have its implication on the present/future period.

Lastly, the SB may excuse certain members of the SB or management from attending all or part of a meeting when a conflict of interest may arise or when it deems appropriate.

All key decisions of the Company are approved by the Board.

Management should present an updated budget to the Board during each meeting with detailed Budget versus Actual Analysis (“BvA”) and anticipated cash needs over the remaining period.

Each new budget item as well as any negative deviation from the budgetary item should be approved by the Board. Thus, (i) insertion of any new items or (ii) acceptance of negative deviation should be presented to the Board for approval.

Management has the full discretion to utilize the approved budget and make adjustments related to timing, payment arrangement etc. provided that the total sum is unchanged over the remaining construction period.

For the sake of efficiency, the Board may delegate specific decisions to either Management or the Management Committee. The delegation should specify the subject, allowable deviation and term of validity.

Management is responsible for assessing the need for such approval beforehand and seek such delegation from the Board members during the Board meetings.

As part of its stewardship role, SB advises management on important business matters and has the following responsibilities

A. Strategy

1. Adopt strategy planning process, approve the strategic plan and monitor management’s implementation of the plan while taking into account CCEH Hydro VI LLC’s risks and opportunities.

B. Corporate Social Responsibility and ESG Aspects

1. Oversee climate-related risks, emissions reduction strategies, and responsible business practices to enhance long-term sustainability.
2. Evaluate CCEH Hydro VI LLC’s strategy, performance and risks with respect to corporate social responsibility, and assess whether the Company manages its resources ethically, for the benefit of its stakeholders and in a manner that increases shareholder value.
3. Review and approve CCEH Hydro VI LLC’s corporate responsibility plan and its approach to environmental, social and governance (ESG) factors, and ensure the integration of these ESG factors into such aspects as the Company’s operational and business decision-making
4. Review CCEH Hydro VI LLC’s policies and practices relating to ESG performance, communication and commitment to ensure that the Company meets its obligations and targets effectively as a responsible corporate citizen.

C. Financial Matters, Risk Management and Internal Controls

1. Ensure that a process to identify and assess the key risks related to CCEH Hydro VI LLC’s activities is in place and oversee the implementation of appropriate systems to manage these risks.
2. Monitor the evolution of risks that are relevant to the SB’s mandate or that have been assigned to the SB and ensure that appropriate action plans are implemented.
3. Approve and periodically review risk appetite statements and targets for key risks.



4. Ensure that the risk management framework and risk management processes take ESG-related risks into account
5. Review the risk management report produced by management at least on an annual basis
6. Ensure the effectiveness of the Company’s internal controls over financial reporting as well as disclosure control and procedures.
7. Establish a mechanism for receiving feedback from CCEH Hydro VI LLC’s shareholders and other stakeholders.
8. Approve annual operating and capital budgets, the issuance of securities and any material transactions outside the course of normal business in accordance with policies in effect.
9. Approve annual and interim consolidated financial statements and related reports, including any other documents relating to continuous disclosure.

Risk Management Procedure

This is the direct responsibility of the Supervisory Board, the Director and the Management to ensure that there are effective mechanisms for Loss Prevention as well as Loss Reduction.

- Loss Prevention is the process of taking action to reduce the probability that a loss event will occur.
- Loss reduction is the process of seeking to reduce the size of a loss if a loss event occurs.

The risk management matrix below shows the risk tolerance of the Company as a function of the frequency and severity. The matrix can be used to decide:

- when it is appropriate to accept (retain) risk,
- when it is best to reduce the potential magnitude (or severity) of the risk, and
- when it makes sense to transfer risk.

Risk Management Matrix		
Loss characteristics	High frequency	Low frequency
High severity	Risk avoidance	Risk transfer (insurance)
Low severity	Risk reduction	Risk retention

- **Risk Avoidance** assumes removal of the possibility that an event involving loss will occur,
- **Risk Transfer** involves insurance companies that are too risky for the HPP,
- **Risk Reduction:** small-magnitude risks with low threat to provide material adverse impact will be retained (i.e., self-insured),
- **Risk Retention:** risk clearly falls below the materiality threshold and could be retained over the normal course of the business.

Case-specific needs analysis should be run to classify the event and the magnitude/severity reduced to the point where the expected cost is equal to the expected benefit.

As a rule of thumb, benefit from the risk mitigation activity should exceed the foreseen cost / threat that could be provided by the specific event.

D. Human Resources (“HR”) and Succession Planning

1. Appoint, evaluate and set compensation and employment conditions for the management, taking into consideration the SB’s expectations and objectives.
2. Ensure that a process is in place to train and develop the desired skills set for the management, and that a succession plan is in place for them.



E. Governance

1. Ensure that the size and composition of the SB and its committees (if any) promote effective decision-making.
2. Approve SB Director nominees for election by shareholders and fill SB vacancies.
3. Ensure, to the extent possible, that the Director of the Company and other members of the Management behave ethically and create a culture of integrity within CCEH Hydro VI LLC.
4. Develop a vision for governance by adopting, at a minimum, a set of governance principles and best-industry guidelines, and reviewing CCEH Hydro VI LLC's Corporate Governance Manual as needed.
5. Develop an onboarding program for new SB members and offer all members continuing education opportunities in accordance with the Corporate Governance Manual
6. Specify the SB's expectations and each member's responsibilities regarding attendance of, and time and effort devoted to, SB and SB committee meetings (if any).
7. Take the following steps, as well as any additional reasonable steps, to ensure adherence to the highest ethical standards within the Company: review the Code of Ethics (applicable to regular, temporary, contractual, full- or part time employees, officers and members of the SB of the Company).

F. Environmental, Health and Safety

1. Monitor CCEH Hydro VI LLC's compliance with environmental and occupational health and safety policies.
2. Monitor and review, as needed, the Company's policies and practices relating to the environment and occupational health and safety.

In performing their duties, SB members are expected to act with integrity, in good faith and in the best interests of the Company and to exercise the same degree of care, diligence and skill that a reasonable person would exercise in comparable circumstances.

The SB will review the adequacy of its mandate once per year.

3.3. Board Independence Statement

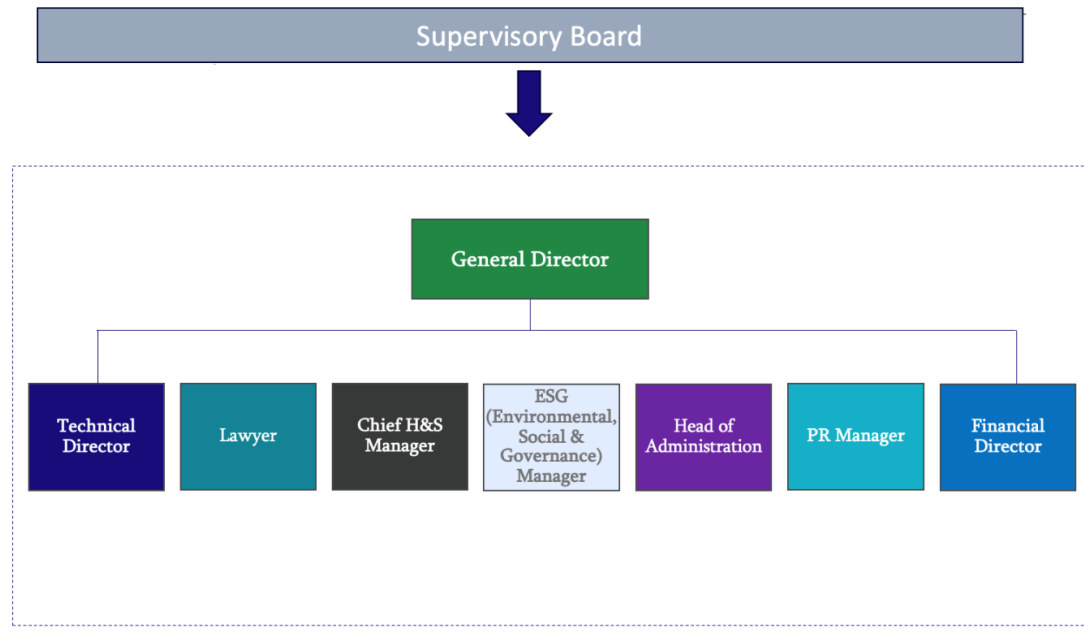
Key element of successful and effective corporate governance is maintaining a Supervisory Board and key management persons independent, ensuring unbiased oversight and decision-making procedure in the best interest of all stakeholders within the organization. Thus, stringent criteria were established for evaluating the independence of Directors:

1. **Employment History:** The Director must not have held an executive position within the company during the past years.
2. **Family Members and Employment:** The Director must not be related to anyone who is an executive officer in the company or any of its parent or subsidiary entities.
3. **Customer or Supplier Affiliation:** The Director must not have affiliations with any significant customer or supplier of the company.
4. **Not-for-Profit Affiliation:** The Director must not be connected to a not-for-profit organization that receives substantial contributions from the company.
5. **Other Conflicts of Interest:** The Director must not have any other conflict of interest that the Board deems inconsistent with being considered independent.



3.4. Structural Independence

Organizational Chart



While each and every Dimension have its own Managers/Leads, they are also audited by either third parties or management team.

1. Technical and H&S Dimension – The executive management team conducts internal inspections to ensure that the asset is operational and functioning efficiently and all H&S requirements are in place and strictly followed
2. Finance Dimension – Each year, a financial audit is carried out by one of the top four audit firms.
3. ESG Dimension – Audit of Environmental & Social Management System (ESMS) is provided by independent auditor; also, regular monitoring is undertaken by the Holding ESG and Sustainability Lead.

The absence of any Supervisory Board member from the Management Team indicates a clear separation of roles, with the Director and Chairperson/Board member roles being entirely distinct. Additionally, the Director presents decisions, which may or may not be approved by the Supervisory Board.

3.5. Board Diversity Policy

The Company has adopted a Board Diversity Policy. Under this policy, the SB which is responsible for recommending nominees for Directors to General Meeting, will use objective criteria to assess candidates while also taking into account the benefits of including diverse individuals who allow the SB to better reflect the communities in which the Company operates in terms of characteristics such as, but not limited to, gender, age and place of origin. As part of the search process, initial lists of qualified candidates will include women and members of other designated groups. Detailed overview of Board Diversity Policy is given into Annex #1.

3.6. The Chairman of the Supervisory Board

Role of the Chairman

The Chairman of the Supervisory Board is appointed by the Board. The primary role of the Supervisory Board is to take all reasonable steps to ensure that the Board fulfills its responsibilities effectively and that it understands and respects the boundaries between the responsibilities of the Supervisory Board and those of management.

The responsibilities of the Chairman include the following:



A. Leadership and Board Effectiveness

1. Exercise leadership and take all reasonable steps to ensure that the Supervisory Board works as a cohesive group.
2. Take reasonable steps to ensure that the resources available to the Supervisory Board are appropriate and allow it to do its work well.

B. Supervisory Board Management

1. Preside over the SB and shareholder meetings.
2. Set the agenda of SB in consultation with Director of the Company.
3. Take all reasonable steps to ensure that sufficient time is allocated at SB meetings for serious, in-depth discussion of the business under consideration.
4. Adopt working methods that allow the SB to conduct its work effectively and efficiently.

C. Board Quality and Succession Planning

1. Develop a competency grid to help with the selection of Board members.
2. Evaluate the performance of the SB, its committees (if any) and to discuss the list of nominees for Directors to be submitted to the SB for approval.
3. Review and revise, as required, CCEH Hydro VI LLC's onboarding and continuing education programs for Directors.

D. Communication Between Supervisory Board and Management of the Company

1. Ensure a constructive relationship between SB and management by working closely with the Director of the Company to promote a healthy governance culture.

3.7. Director of the Company

Role of the Director

The day-to-day management of the Company shall be carried out by the Director of the Company (the "Director") in accordance to the Company's charter. The Director shall comply and implement the decision of the General Meeting and the Supervisory Board.

The responsibilities of the Director include the following:

A. Management and Leadership

1. Manage the business and internal affairs of the Company
2. Demonstrate leadership and vision in managing the Company, particularly as regards establishing and implementing the Company's values, mission, strategic priorities and organizational structure.
3. Assume responsibility for the recruitment, compensation, performance evaluation, leadership development and succession planning of management personnel, subject to the approval of the SB.
4. Ensure compliance with the Company's legal, accounting, ethics, environmental, and health and safety policies to ensure that CCEH Hydro VI LLC fully complies with applicable laws and regulations.
5. Foster a corporate culture that promotes ethical practices, integrity and a sense of social responsibility.

B. Strategy

1. Ensure the effective utilization of CCEH Hydro VI LLC's resources to enable the Company to achieve its strategic objectives

C. Communication

1. Serve as the Corporation's primary spokesperson by communicating effectively with all stakeholders and ensure that information communicated to the public accurately describes the Corporation's position.

3.8. Management of the Company

Management has the key role in the HPP development and complete discretion to manage the HPP, lead the daily operations of the Company with the aim of ensuring efficient development of the HPP, and simultaneously steward the Shareholders' interests as much as practicable.



Management should always act in the best interests of the Company as required by their fiduciary duty and be accountable to the Shareholders.

The Management should conduct risk management audit periodic and/or ad-hoc basis associated to the HPP development phase and present it to Supervisory Board if needed. (Risks correlated to HPPs are presented in the section - Risk Management Procedure).

The Management should always act in the best interest of the company as required by fiduciary duty and being accountable toward the Shareholders.

Risk Management Procedure

In addition to this, the company may bear the following risks associated to the development phase:

- **Business risk:** represents variability of operating income that arises from both firm-specific risk factors and industry risk factors. It can be drilled down with two aspects
 - **Sales risk** – Sales risk becomes highly relevant once the HPP is operational and refers uncertainty about the firm’s sales. In hydropower industry, it is associated to unfavorable generation patterns and volatility of the electricity prices (determined by demand & supply curves).
 - **Counterparty risk** – refers probability that one of the parties in a transaction might default on its contractual obligation. Providing that the main product for the company is electricity, the firm requests its buyer’s bank guarantee and/or requests advance payment scheme.
- **Financial risk:** systematic risk of being exposed to interest rate risk that is borne by the firm. Interest expense is accrued periodically and paid with principal amount. The greater the proportion of debt in a firm’s capital structure, the greater the firm’s financial risk.
 - **Solvency risk** – this is the risk that the organization will be unable to continue to operate because it has run out of cash.
- **Market risk:** uncertainty about market prices of assets
- **Liquidity risk:** this is the risk of loss when selling an asset at a time when market conditions make the sales price less than the underlying fair value of the asset.
- **Construction delay risk:** Construction delays can have a direct impact on budgets, revenue timelines, and overall delivery commitments. The possibility of delays during the construction phase of the HPP, which may lead to increased costs, postponed revenue generation, and potential penalties. In hydropower projects, such delays may stem from adverse weather conditions, unforeseen geological challenges, regulatory or permitting holdups, supply chain disruptions, or underperformance of contractors. The company mitigates this risk by implementing comprehensive management practices, engaging experienced contractors, setting clear milestones, and maintaining close coordination with regulatory bodies and local stakeholders.
- **Regulatory & Political risk:** this is the risk that the regulatory environment will change, imposing costs on the firms or restricting its activities. Furthermore, aggressive political actions both internally and externally may deteriorate firm’s sustainable operations.
- **ESG risks:**
 - **Climate Change Impact:** Changes in water availability can affect hydropower generation. The company mitigates this through hydrological modeling, infrastructure resilience, and adaptive management.
 - **Biodiversity & Environmental Compliance:** The company ensures compliance with water flow, fish migration, and habitat preservation regulations through ESIA assessments and ecological flow monitoring.
 - **Social & Community Relations:** CCEH Hydro VI LLC prioritizes stakeholder engagement to address local community concerns regarding environmental and social impacts.



Risk Management Governance and Oversight

A structured and transparent risk management framework designed to safeguard its financial stability, operational continuity, and regulatory compliance.

To enhance accountability, a dedicated Risk Manager will oversee enterprise-wide risk identification, assessment, and mitigation. This individual, approved by the Supervisory Board, will operate independently to ensure unbiased risk oversight.

- Risk governance at CCEH Hydro VI LLC follows a three-tiered structure:
 - **Supervisory Board (SB):** Provides strategic risk oversight, ensuring risk management policies align with corporate objectives.
 - **Risk Manager:** The company's Director holds the role of Risk Manager and has the authority to delegate this responsibility to managers. However, the role may also be established at the Board level to ensure consistency across the operations, reinforcing a risk governance approach. The function of Risk Manager is to identify company-relevant risk factors, scenario modeling, and ensuring compliance with the company's internal risks framework and if applicable regulatory requirements.

CCEH Hydro VI LLC's risk governance is structured around clear accountability and proactive risk mitigation. The Supervisory Board ensures risk management is fully integrated into corporate decision-making. The Risk Management Policy establishes structured risk reporting, escalation, and response mechanisms. Risk scenario analyses ensure early detection of emerging threats, allowing proactive mitigation and long-term operational resilience.

Lobbying and Trade Associations

CCEH Hydro VI is a member of the Georgian Renewable Energy Development Association (GREDA), which serves as a lobbying partner to the Government of Georgia on energy and environmental legislation. While CCEH Hydro VI does not engage in direct political lobbying, its affiliation with GREDA provides a formal channel for contributing to policy development that supports sustainable renewable energy practices. This relationship is considered an indirect impact pathway within CCEH Hydro VI's sustainability reporting boundary, reflecting the company's commitment to transparent and responsible engagement beyond its operational footprint.

Task Force on Climate-Related Financial Disclosures (TCFD)

Governance

- The Supervisory Board actively oversees climate-related risks and opportunities, receiving updates from the General director, who is informed by the ESG manager, during monthly Board meetings. This regular oversight ensures that CCEH Hydro VI LLC's climate initiatives align with national energy goals, sustainability standards, and the company's long-term vision.
- The ESG team collaborates with the Director, Operations, Finance, and Health & Safety team to manage climate risks. This team is responsible for overseeing initiatives in water management, energy use in construction activities, emissions monitoring and reduction, and construction waste management, setting performance targets that ensure compliance with Georgian environmental standards and support the company's sustainability and resilience goals.

Strategy

- Climate-Related Risks and Opportunities:
 - Short-Term (1-3 years): Ensure compliance with emerging regulations on emissions controls for construction activities and enhance energy efficiency in construction processes through technology and improved resource management.
 - Medium-Term (3-10 years): Adapt to changing rainfall patterns that could impact water flow and generation capacity.



- Long-Term (10+ years): Prepare for hydrological changes and potential extreme weather events by investing in resilient infrastructure and advanced technology to ensure operational stability.
- Climate risks, such as variations in weather patterns and water availability, impact Bakhvi 1 HPP's construction timeline and resource management. Implementing energy-efficient construction practices and sustainable material use helps mitigate costs and emissions, supporting both financial planning and sustainability goals.

Risk Management

- The company's climate risk assessment includes environmental impact assessments, hydrological analyses, and scenario modelling. This approach also considers risks across the supply chain, enhancing resilience and ensuring comprehensive climate risk management.
- Processes for Managing Climate Risks:
 - Advanced water monitoring systems are already in use during the construction phase to track hydrological conditions and ensure compliance with environmental flow requirements. These systems will continue to be utilized during both the construction and operational phases to optimize production during variable water conditions, ensuring operational efficiency and sustainable water use.
 - Slopes are being fortified during the construction phase to enhance resilience against extreme weather events, ensuring site stability and worker safety. As construction progresses, facilities will also be designed and reinforced to withstand climate-related impacts, ensuring long-term operational continuity and risk mitigation.
- Climate-related risks are managed based on the Climate Change Impact Assessment, Environmental Policy, and Environmental and Social Impact Assessment (ESIA), ensuring the implementation of relevant mitigation measures. During the construction phase, advanced water monitoring systems, including gauging stations, are deployed to track hydrological conditions and ensure compliance with environmental flow requirements. These systems will continue to be utilized during the operational phase to optimize production during variable water conditions. The turbines have been designed to prevent any impact on water quality, ensuring that turbined water will be released back into the river without alteration once operational.

Metrics & Targets

- Monitoring Metrics: CCEH Hydro VI LLC's key sustainability metrics include:
 - Water Usage and Flow Rates: During the construction phase, water monitoring systems track hydrological conditions and ensure compliance with environmental flow requirement. In the operational phase, these systems will continue to monitor water consumption trends and ecological flow, aligning with efficiency and conservation.
 - Energy Efficiency: Energy usage during construction is monitored to optimize resource consumption and reduce emissions. In the operational phase, efficiency improvements will be measured to support cost-effective and sustainable power generation.
 - Scope 1, 2, and 3 Emissions: GHG emissions are tracked throughout construction, covering fuel consumption, material transport, and contractor activities. During operation, monitoring will continue to assess direct emissions (Scope 1), indirect emissions from purchased electricity (Scope 2), and broader supply chain and transportation-related emissions (Scope 3).

Climate-Related Targets:

- Carbon Emissions: During the construction phase, efforts will focus on minimizing Scope 1 and Scope 2 emissions through fuel efficiency, optimized logistics, and lower-carbon construction materials. Following the start of operations, the HPP intends to establish a baseline for Scope 1 and Scope 2 emissions, against which a 30% reduction target by 2030 will be defined.



- **Energy Efficiency:** Energy consumption during construction is being monitored and optimized to reduce inefficiencies. Once operational, a baseline for energy use will be established to guide future energy efficiency targets and performance tracking.
- **Water Conservation:** The minimum environmental flow release will be ensured in compliance with environmental permits and the Environmental and Social Impact Assessment (ESIA), allowing natural river flow downstream to support biodiversity. For hygiene and potable water use, compliance with health and safety standards will be maintained, alongside initiatives to promote water conservation. Staff will be trained to minimize unnecessary water use, such as turning off taps when not actively in use.

4. Enforcement of the Governance Manual

The enforcement of the Manual is up to date, though it undergoes annual revisions. The Governance Manual is actively enforced to ensure compliance with corporate governance principles, regulatory requirements, and best practices. It undergoes regular reviews and periodic updates to reflect evolving governance standards, operational needs, and industry developments. The manual is reviewed at least annually, with amendments approved by the Supervisory Board to maintain its relevance and effectiveness in guiding CCEH Hydro VI LLC's governance framework.

5. Governance Manual Annual Revision Process

Aligned with internationally recognized corporate governance practices, the Board undertakes an annual review of the Governance Manual to ensure its continued alignment with the Company's values, strategic priorities, and regulatory requirements. This review process allows for assessing current diversity metrics, inclusion strategies, and governance frameworks. If any modifications are proposed during the review, the Board carefully evaluates and discusses them. Changes are then subject to formal approval by the majority of Board members, reinforcing our commitment to transparency, inclusivity, and best governance practices.

Once approved, the updated version of the Governance Manual is made publicly available on the Company's website, while the previous version remains accessible in the archive for reference.



6. Annex #1 Board Diversity Policy

CCEH HYDRO VI LLC BOARD DIVERSITY POLICY

Introduction

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 (including 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 m³/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.

At CCEH Hydro VI LLC, we recognize the importance of diversity in our boardroom. Diversity not only enriches our decision-making processes but also reflects our commitment to inclusivity and equal opportunities. This Board Diversity Policy outlines our firm dedication to fostering a diverse and inclusive board composition, ensuring that our board reflects a broad spectrum of backgrounds, perspectives, and experiences.

Definitions of Key Terms

Supervisory Board (SB): The governing body responsible for overseeing the strategic direction, corporate governance, and major decision-making processes of CCEH Hydro VI LLC. The Supervisory Board is elected by the Partners at a General Meeting and ensures compliance with corporate governance principles while supporting the long-term success of the Company.

Management: The executive team responsible for the day-to-day operations of CCEH Hydro VI LLC, including the implementation of board-approved policies, execution of business strategies, and overall operational performance. Management ensures effective decision-making and adherence to the Company’s strategic objectives.

Partners: Entities or individuals holding ownership stakes in CCEH Hydro VI LLC who participate in high-level strategic decision-making. Partners have the authority to nominate and appoint Supervisory Board members and influence key corporate governance matters, ensuring alignment with the Company’s long-term goals.

Shareholders: The individuals or entities that hold shares in CCEH Hydro VI LLC and have specific rights and responsibilities within the Company’s governance framework. Shareholders may include institutional investors, private equity firms, or other financial stakeholders who contribute to the Company’s strategic direction and financial stability.



Purpose

The purpose of this policy is to establish clear guidelines and requirements for promoting diversity within the composition of our Supervisory Board. We aim to create a board that encompasses a variety of perspectives, skills, and attributes to enhance the effectiveness and governance of our company.

Supervisory Board (“SB”)

Election and Term Length of Supervisory Board Members:

The Supervisory Board of CCEH Hydro VI LLC shall consist of no more than five (5) members. Supervisory board members are elected by the Partners at a General Meeting for the term of three (3) years. Upon the expiration of the term of any member of the Supervisory Board, their term of office shall be extended until a new member is elected, ensuring continuity in governance. The partners are authorized to dismiss members of the Supervisory Board prior to the expiration of their term at a General Meeting. In the event of a withdrawal or resignation, the relevant partners are authorized to nominate another individual as a replacement. The holders of the Company’s Class “A” shares are obliged to ensure that the nominated candidate is appointed to the Supervisory Board in a timely manner.

The nomination process for board candidates shall adhere to the following principles and diversity factors:

Transparency

All board nominations will be conducted transparently, with clear criteria and qualifications communicated to potential candidates.

Merit-Based Selection

Candidates will be evaluated based on their qualifications, experience, and alignment with the strategic objectives of the company, with diversity factors being integral to the selection process.

Inclusive Search

The board shall actively seek out candidates from diverse backgrounds through a comprehensive and inclusive search process, including outreach to diverse professional networks and organizations.

Evaluation and Reporting

The board's nominating committee shall regularly assess the effectiveness of this policy in promoting diversity within the boardroom and provide reports to shareholders outlining the progress made and areas for improvement.

Diversity Factors

In selecting candidates for the Supervisory Board, the following diversity factors shall be taken into consideration:

Professional Background and Expertise:

- Diversity of professional backgrounds, including but not limited to finance, legal, technology, ESG, marketing, operations, and human resources.
- Expertise in various industries relevant to company's operations.

Gender Diversity:

- Ensuring a balanced representation of genders to eliminate gender bias and promote gender equality within the boardroom.

Ethnicity and Cultural Diversity:

- Encouraging representation from diverse ethnic and cultural backgrounds to reflect the global nature of our business and customer base.



Geographic Diversity:

- Striving for geographic diversity to capture regional perspectives and insights that align with our diverse markets and stakeholders.

Conclusion

At CCEH Hydro VI LLC, we are committed to fostering a Supervisory Board that reflects the diversity of the communities we serve and the stakeholders we represent. By embracing diversity in all its forms, we strengthen our ability to navigate challenges, seize opportunities, and drive sustainable long-term value for our shareholders and society as a whole.

Board Diversity Policy Annual Revision Process

Aligned with internationally recognized corporate governance practices, the Board undertakes an annual review of the Board Diversity policy to ensure its continued alignment with the Company's values, strategic priorities, and regulatory requirements. This review process allows for assessing current diversity metrics, inclusion strategies, and governance frameworks. If any modifications are proposed during the review, the Board carefully evaluates and discusses them. Changes are then subject to formal approval by the majority of Board members, reinforcing our commitment to transparency, inclusivity, and best governance practices.

Once approved, the updated version of the Board Diversity Document is made publicly available on the Company's website, while the previous version remains accessible in the archive for reference.