Bakhvi HPP

# CAUCASUS CLEAN ENERGY HOLDING (CCEH) HYDRO VI LLC

# REPORTING ETHICAL AND COMPLIANCE BREACHES

# PROCEDURE

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# CCEH HYDRO VI LLC
# REPORTING ETHICAL AND COMPLIANCE BREACHES

## 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 (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 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

## Purpose

This procedure establishes a clear, structured process for reporting any suspected or actual breaches at CCEH Hydro VI LLC, in all areas of its operation. It aims to promote transparency, ensure timely action, and maintain the highest standards of ethical conduct and compliance across the company.

## Scope

Applicable to all employees, Supervisory Board, contractors, and stakeholders associated with CCEH Hydro VI LLC, this procedure covers the following types of breaches:

1. **Corruption or Bribery**: Engaging in, soliciting, or concealing acts of bribery or other corrupt practices, including offering or accepting undue advantages to influence business decisions.
2. **Discrimination or Harassment**: Any form of discrimination or harassment based on race, gender, age, religion, disability, or other protected characteristics, including sexual harassment.
3. **Customer Privacy Data**: Breaches involving unauthorized access, misuse, or failure to protect customer data, which must comply with data protection regulations.
4. **Conflicts of Interest**: Situations where personal interests might interfere with professional duties, compromising the integrity of business decisions.
5. **Money Laundering or Insider Trading**: Engaging in or facilitating activities aimed at concealing the origins of illicit funds, or misuse of confidential information for financial gains.

## Reporting Mechanisms

- **Open-Door Policy**

  CCEH Hydro VI LLC's management encourages a culture of openness. Employees can report concerns directly to their supervisors, HPP Director, ESG manager or through dedicated reporting channels, such as grievance mechanism without fear of retaliation. Each case is treated confidentially and handled with discretion.

- **Anonymous Reporting Options**
  Recognizing that anonymity is sometimes preferred, CCEH Hydro VI LLC provides anonymous reporting mechanisms, including a secure grievance and suggestions box. This channel ensures that concerns are reviewed without identifying the reporter, protecting individuals from any potential backlash.
- **Digital Reporting Channels**
  Grievance or concern can be submitted through secure digital platforms, ensuring efficient and confidential communication. Employees and stakeholders can use the designated email address info@bakhvi.com.ge or access the online complaints or concerns via our platform at bakhvihpp.com. These channels are designed to provide a swift and secure response to any reported concerns. To ensure confidentiality, all online grievances are directed to a mailbox managed exclusively by the ESG Manager. This controlled access ensures that only authorized personnel handle sensitive information. If a complainant wishes to receive feedback, they should include their email address in the grievance or concern, as responses will only be provided upon request to maintain privacy.

## Handling Grievances and Concerns

### Confidentiality and Protection

All grievance or concern are handled with strict confidentiality. Individuals who report in good faith are protected from any form of retaliation, including dismissal, demotion, or harassment. Maintaining confidentiality is key to building trust and encouraging transparency within the organization. At CCEH Hydro VI LLC, grievance or concern are stored securely in our protected internal virtual storage system, which is designed to prevent unauthorized access and ensure the confidentiality of all submissions. Access to this grievance or concern is strictly limited to designated personnel, specifically the ESG Manager and the company's CLO, ensuring that only authorized individuals handle sensitive information. This approach guarantees a secure environment for storing grievance or concern, allowing individuals to report concerns confidently, knowing their information is safeguarded.

### Investigation Process

Upon receiving grievance, a structured investigation process is initiated:

- **Preliminary Review**: The ESG Manager, the company Director, and the CLO will conduct an initial assessment to determine the validity of grievance or concern and whether further investigation is required. This collaborative approach ensures that each grievance is carefully evaluated, with appropriate expertise applied to assess the need for further action. With a focus on transparency and integrity, the ESG Manager and company Director work together to address all reported concerns in a thorough and responsible manner.
- **In-depth Investigation**: If warranted, a formal investigation is launched, involving relevant departments. This may include interviews, document reviews, and collaboration with external experts if necessary. Each step is documented to ensure transparency and accountability.
- Investigations into potential breaches aim to be completed within defined timeframes, based on the complexity of each case. The ESG Manager addresses each inquiry within a minimum of 10 days and a maximum of 30 days, depending on the nature and severity of the breach. If a breach remains unresolved after two responses from the ESG Manager, it may be escalated to the relevant instances as per the constitution and the law.

### Corrective Actions

At CCEH Hydro VI LLC, confirmed breaches will result in tailored corrective actions designed to address the issue and prevent recurrence. These actions may include:

a) **Disciplinary Measures**: Implementing appropriate disciplinary actions, up to and including termination of employment, for individuals responsible for the breach.

b) **Legal Actions**: Initiating legal proceedings when necessary to uphold compliance and protect the integrity of the HPP.
c) **Policy Amendments**: Reviewing and updating internal policies and procedures to prevent similar issues in the future.
d) **Additional Training and Awareness Initiatives**: Ethics and Compliance Training: Regular sessions covering core ethical standards, compliance expectations, and specific regulatory requirements relevant to the HPP operations. These sessions help employees understand and uphold the company's values and legal obligations
e) **Environmental Awareness Training**: A structured process is in place to identify and report any ethical or compliance breaches related to environmental violations and misconduct. This approach ensures employees understand their responsibility to uphold company standards and provides a clear, confidential channel for reporting concerns.
f) **Community Engagement and Cultural Sensitivity Training**: Focused sessions on effective communication, conflict resolution, and cultural awareness to enhance interactions with local communities. This training helps build trust and fosters positive relationships with Project-Affected Communities (PACs).
g) **Continuous Awareness Campaigns**: Periodic reminders reinforce key compliance messages and values, ensuring that ethical behavior remains top-of-mind for all employees.

1. Process Improvements: Modifying workflows or operational processes to mitigate risks associated with similar breaches.
2. Enhanced Oversight and Monitoring: Increasing the frequency or scope of monitoring activities to detect and prevent future issues.
3. Stakeholder Engagement: Engaging with affected stakeholders to address concerns, rebuild trust, and maintain community relations.
4. Environmental Remediation: Implementing necessary measures if a breach results in environmental impacts, including restoration or mitigation.
5. Health and Safety Protocol Updates: Strengthening safety measures to prevent breaches that may affect workers or community safety.
6. Enhanced Reporting Mechanisms: Improving reporting channels to ensure concerns are raised and addressed more effectively.

### Record Keeping and Monitoring

CCEH Hydro VI LLC maintains detailed records of all reported breaches, investigations, and outcomes. These records are securely stored, regularly reviewed, and analyzed by ESG manager/ESG Officer and the company's CLO to identify patterns or systemic issues that require attention. This helps in enhancing internal controls and mitigating risks.

### Responsibilities:

1. *The Supervisory Board:* Holds the ultimate responsibility for approving this policy, ensuring it aligns with the organization's ethical standards and strategic objectives.

2. *Director:* Responsible for creating a supportive environment where employees feel comfortable reporting concerns and ensuring prompt escalation of reports.

3. *ESG manager:* Manages the overall process, from receiving and investigating grievance or concern to implementing corrective measures and reporting findings to management. Regular reviews of the procedure ensure its effectiveness and alignment with best practices.

4. *CLO:* Acts as the first point of contact for receiving grievances or concerns and shares them to the ESG Manager for further assessment. Participates in discussions regarding appropriate actions and, when necessary, communicates the final decision to complainant.

5. *All employees:* Must promptly report any suspected breaches and adhere to company policies.

## Continuous Improvement

CCEH Hydro VI LLC is committed to continuous improvement. Regular audits by the Holding ESG and Sustainability lead and the inviting third parties to the reporting system will be conducted to ensure efficiency and effectiveness. Feedback from employees and stakeholders will be used to refine the process, ensuring it remains relevant and robust against emerging risks.

## Conclusion

This procedure is essential to fostering a culture of integrity, accountability, and transparency at CCEH Hydro VI LLC. By providing clear, accessible, and confidential reporting channels, we empower employees and stakeholders to safeguard the ethical standards and compliance that underpin our operations.

## Reporting Ethical and Compliance Breaches Procedure Annual Revision Process

Aligned with internationally recognized ESG practices and standards, our company undertakes a comprehensive review of the Reporting Ethical and Compliance Breaches Procedure 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. The Supervisory Board members are informed regarding changes, reinforcing our commitment to maintaining high international ESG standards.

The updated version of the Reporting Ethical and Compliance Breaches Procedure is uploaded onto the company's webpage, while the previous version remains accessible on the website in the archive folder.