



Bakhvi HPP

BAKHVI 2 LLC
Artificial Intelligence Policy

This Artificial Intelligence Policy is Approved by the Company Director: Giorgi Abramishvili

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Introduction

Bakhvi 2 LLC (the “Company”) is a company developing Bakhvi 2 (Bakhvi 2a, Bakhvi 2b) hydro power plants in Guria, region of Georgia. Bakhvi 2 HPP consists of a series of small and medium-sized run-of-the-river plants, Bakhvi 2a and Bakhvi 2b HPP, located on the Bakhvistskali river in the Ozurgeti Municipality, near the village of Ukanava. 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.

The construction of the Bakhvi 2 hydroelectric power station is being undertaken on the Bakhvistskali river, spanning elevations between 1,378 meters and 506 meters above sea level. The Bakhvi 2 HPP includes the development of two stations: Bakhvi 2a, with an installed capacity of 11.6 MW, and Bakhvi 2b, with an installed capacity of 23.8 MW.

The Bakhvi 2a station is a run-of-river hydroelectric power plant comprising a headworks structure, a pressure system, and an above-ground hydroelectric power plant building. The building will house all the electrical and mechanical equipment necessary for electricity generation. The pressure pipeline is being installed at the lower points of the slope on the right bank of the Bakhvistskali river. The total head of the power plant is 311.55 meters, with a design flow rate of 4.6m³/s. The average annual energy output is projected to be 45.5 GWh.

Bakhvi 2b is a run-of-river hydroelectric power plant that will comprise a headworks structure, a pressure system, and an above-ground power plant building. The pressure pipeline is being constructed on the left bank of the river. The total head of the power plant is 551.2 meters, with a design flow rate of 5.3m³/s. The average annual energy output is estimated at 92.8 GWh.

Bakhvi 2 LLC conducts its operations in compliance with the environmental and social management standards set by international financial institutions, including the IFC and EIB.

Purpose

Bakhvi 2 LLC, as the operator of the Bakhvi 2 HPP, acknowledges the strategic importance of Artificial Intelligence (AI) in modernizing operations, enhancing ESG performance, and ensuring long-term competitiveness. As digital technologies advance, this policy sets the foundation for responsible, ethical, and sustainable AI adoption throughout Bakhvi 2 LLC’s business practices.

The purpose of this AI Policy is to establish a clear and actionable framework for the responsible development, integration, and oversight of AI technologies across Bakhvi 2 LLC’s operational, administrative, and ESG domains. It ensures that all AI initiatives support the company’s strategic goals while mitigating legal, ethical, environmental, and social risks.

This policy provides guidance to ensure that AI technologies:

1. Support environmental goals by improving energy efficiency, reducing emissions, and optimizing hydropower operations;
2. Advance social responsibility through inclusive AI design, bias mitigation, workforce development, and transparent stakeholder engagement;
3. Reinforce good governance via accountable decision-making, regulatory compliance, and ethical risk management

Bakhvi 2 LLC also seeks to:

1. Balance innovation with human oversight, ensuring that AI complements human capabilities rather than replacing them;

2. Safeguard data privacy and digital security through strong governance, cybersecurity protocols, and compliance with Georgian and international standards;
3. Address emerging risks such as algorithmic bias, environmental footprint from AI infrastructure, and surveillance concerns through proactive monitoring and adaptive policy updates;
4. Promote cross-functional collaboration between technical experts, ESG leaders, and operational teams to ensure AI solutions align with the company's mission and stakeholder expectations

Through this policy, Bakhvi 2 LLC affirms its leadership in ethical technology adoption and positions itself as a responsible actor in Georgia's renewable energy transition.

AI Usage Framework

Bakhvi 2 HPP recognizes that Artificial Intelligence (AI) is a rapidly evolving tool and, at present, its use within the Company remains limited and focused on low-risk, supportive applications. AI is not used for autonomous decision-making in critical operational, environmental, or safety-related processes. The scope of AI use within Bakhvi 2 HPP includes:

1. support in data analysis, reporting, and document preparation;
2. assistance in identifying performance trends and improving efficiency;
3. limited use in forecasting and planning support, where outputs are always subject to human validation.

The use of AI is strictly prohibited in cases where:

1. It involves processing confidential, sensitive, or personal data without appropriate safeguards;
2. Decisions are made without human review and accountability;
3. Outputs cannot be verified, explained, or justified by responsible personnel.

All AI tools and applications must be approved prior to use. The approval process is coordinated by the ESG Manager in consultation with relevant functions, and where necessary, escalated to the Company Director. The approval process ensures that:

1. The intended use is appropriate and proportionate to the Company's size and operations;
2. Risks related to data protection, cybersecurity, and ethical use are assessed;
3. The tool aligns with the Company's environmental, social, and governance commitments.

Bakhvi 2 HPP ensures that all AI use is subject to appropriate human oversight at all times. This means that:

1. All AI-generated outputs are reviewed and validated by designated employees;
2. Final decisions remain the responsibility of human personnel;
3. AI is used as a support tool, not a substitute for professional judgment.

Employees using AI tools are required to follow basic rules to ensure responsible use:

1. Only approved AI tools may be used;
2. Confidential, commercially sensitive, or personal data must not be entered into AI systems unless explicitly authorized;
3. Outputs must be critically reviewed for accuracy, bias, and reliability before use;
4. Any concerns, errors, or unintended outcomes must be reported to the responsible manager.

To support implementation, Bakhvi 2 HPP establishes a Responsible AI Program, which ensures that the principles set out in this Policy are applied in practice. The program includes:

1. Identification of approved AI use cases within the Company;

2. Assignment of responsibility for oversight and monitoring;
3. Periodic review of AI use and performance;
4. Awareness and guidance for employees on responsible AI use;
5. Documentation of AI-related decisions, risks, and mitigation actions where relevant.

The Responsible AI Program is proportionate to the Company’s size and operational complexity and is subject to ongoing review as AI use evolves.

Responsible AI Program

Bakhvi 2 HPP applies a proportionate and controlled approach to the use of Artificial Intelligence, reflecting the Company’s size and limited use of AI. AI is currently used only for low-risk, supportive tasks such as document preparation, data analysis, and general administrative support. It is not used for autonomous decision-making in operational, environmental, safety, or compliance-related matters.

The Responsible AI Program ensures that AI use is practical, controlled, and aligned with the Company’s governance and ESG commitments. All AI use is subject to human review, and final decisions remain the responsibility of Company personnel.

Only approved AI tools may be used. Approval is coordinated by the ESG Manager and, where necessary, the Company Director, with additional oversight and validation from the Holding ESG and Sustainability Lead, based on the intended use, associated risks, and data protection considerations

Employees are required to use AI responsibly, including:

1. Reviewing all outputs before use;
2. Not entering confidential or sensitive data into ai tools;
3. Using ai only for appropriate business purposes.

Any issues, errors, or concerns related to AI use must be reported to the manager responsible and escalated where necessary.

The Company periodically reviews AI usage to ensure it remains appropriate and aligned with its operational needs.

Item	Approach at Bakhvi 2 HPP
Scope of AI use	AI use is currently limited and focused on low-risk, supportive activities such as document preparation, data analysis, and administrative support. AI is not used in core operational, environmental, or safety-critical decision-making.
Prohibited use	AI is not used for autonomous decision-making or in situations where outputs cannot be verified. Confidential, commercially sensitive, or personal data is not entered into AI tools unless appropriate safeguards and approvals are in place.
Approval process	AI tools are subject to prior approval by the Company Director, based on input from the ESG Manager and, where appropriate, validation by the Holding ESG and Sustainability Lead.
Human oversight	All AI-generated outputs are reviewed by designated employees, and final decisions remain the responsibility of Company personnel.
Employee rules	Employees may use only approved AI tools, must review outputs for accuracy and relevance, and must avoid inputting sensitive or restricted data.
Monitoring & review	AI use is periodically reviewed by the ESG Manager to ensure it remains appropriate, low-risk, and aligned with Company policies and operational needs.
Incident handling	Any errors, misuse, or concerns related to AI use must be reported to the manager responsible and escalated to the ESG Manager or Company Director, with involvement of the Holding ESG and Sustainability Lead where appropriate.

Sustainable Artificial Intelligence

AI's promise in enhancing operational efficiency, forecasting accuracy, and environmental stewardship is increasingly evident, particularly in sectors like renewable energy where data-driven decision-making plays a pivotal role. In the context of hydropower operations, AI enables smarter water flow regulation, predictive maintenance, grid optimization, and real-time environmental monitoring, delivering substantial gains in productivity and sustainability.

However, alongside these benefits come complex risks. AI systems, if not responsibly designed and deployed, can inadvertently contribute to negative outcomes such as disproportionate environmental burdens, exclusion of vulnerable communities, and biased decision-making. The energy and resource demands of training AI models can also conflict with broader climate goals if not carefully managed.

AI's promise in enhancing operational efficiency, forecasting, and environmental stewardship is increasingly evident. However, its development and deployment must align with sustainability imperatives to avoid unintended social, environmental, and ethical consequences. Bakhvi 2 LLC therefore recognizes the critical need to align all AI initiatives with sustainability principles. This includes upholding social equity in AI applications and ensuring that all uses of AI respect fundamental human rights and ethical standards. Bakhvi 2 LLC aims to balance usages of AI-driven innovation with ethical and responsible practices.

The company commits to a responsible innovation model, where technological advancement is guided by values of transparency, accountability, fairness, and ecological stewardship. Sustainable AI at Bakhvi 2 LLC means not just using AI for environmental good, but also ensuring that the use of AI itself does not create new forms of harm. Through governance, continuous assessment, and stakeholder engagement, Bakhvi 2 LLC strives to ensure that AI serves as a positive force for long-term resilience and responsible growth.

Artificial Intelligence Policy

Bakhvi 2 LLC's AI policy is built around the following strategic pillars, designed to ensure the safe, ethical, and sustainable use of AI across all areas of operation:

Ethical Use of AI in Bakhvi 2 HPP Operations

At Bakhvi 2 HPP, AI applications in operations follow ethical principles to maintain transparency, accountability, and fairness in every process. Specifically:

1. **Transparent decision-making:** AI outputs used for equipment monitoring, maintenance forecasting, and generation scheduling are presented in ways that operational staff can understand, verify, and explain;
2. **Documented and verifiable processes:** All AI assisted decisions include recorded data sources, decision rationale, and assigned operational responsibility;
3. **Bias prevention:** Potential biases, such as errors in interpreting sensor data or prioritizing operational scenarios, are identified and mitigated before AI tools are used in critical processes;
4. **Ethical and operational reviews:** Before AI is introduced into any operational process, a review assesses potential risks, unintended impacts, or adverse effects on safety, reliability, and local stakeholders;
5. **Ongoing oversight:** AI performance and outcomes are regularly evaluated to ensure alignment with operational goals and ethical commitments

With these safeguards in place, AI is a vital tool for Bakhvi 2 HPP's operations. Its ability to process vast amounts of performance data, predict maintenance needs, and optimize generation schedules enhances efficiency, reliability, and safety. By combining AI's capabilities with thorough ethical oversight, the plant ensured that technology serves as a trusted partner in delivering sustainable and responsible energy production.

Environmental Impact Management

While AI can support sustainability goals, its own use must also be environmentally responsible.

1. Bakhvi 2 LLC will evaluate the energy demands and computational intensity of any AI system before adoption, favoring lightweight and efficient models when possible;
2. Cloud providers or data centers must demonstrate clear environmental performance metrics, with preference given to facilities powered by renewable energy;
3. The company will encourage the use of energy-saving algorithms, optimized data storage strategies, and responsible decommissioning of outdated systems to minimize long-term environmental impact.

Workforce Adaptation and Human-Centered AI

Bakhvi 2 LLC believes AI should not replace the workforce. The company's goal is to strengthen operational excellence while maintaining the central role of human expertise.

1. A "just transition" approach will guide all automation efforts, ensuring that employees are supported through training, capacity building, and role evolution;
2. Human-in-the-loop systems will be prioritized in sensitive or high-stakes applications to preserve human oversight and judgment;
3. Internal awareness programs will emphasize the value of human-AI collaboration, fostering innovation without eroding critical human skills like leadership, problem-solving, and communication.

Data Governance and Cybersecurity

AI systems depend on data. Bakhvi 2 LLC recognizes that data quality, integrity, and security are foundational to trustworthy AI.

1. All AI-related data practices will comply with Georgian data protection laws and international good practices, including lawful data collection, minimal use, purpose limitation, and timely deletion;
2. Access to datasets used for AI model training or inference will be controlled through role-based permissions, secure cloud environments, and encryption protocols;
3. To address growing digital threats, AI-enabled cybersecurity solutions will be deployed to detect anomalies, flag suspicious behavior, and automatically respond to cyber risks like phishing, malware, and ransomware.

Regulatory Compliance

Bakhvi 2 LLC operates in a dynamic regulatory environment and commits to maintaining full legal and ethical compliance in the use of AI technologies.

1. The company will actively track developments in national legislation, international AI standards, and sector-specific guidance (e.g., for energy and critical infrastructure);
2. Where no explicit laws exist, Bakhvi 2 LLC will apply international good practices, including those from the OECD, EU AI Act proposals, and ISO frameworks, to ensure responsible AI conduct;
3. A system for internal audits and policy updates will be maintained to ensure the AI policy evolves in line with regulatory and technological change.

AI Risks and Mitigation Measures

Bakhvi 2 LLC recognizes that while AI offers substantial opportunities, it also introduces unique and evolving risks that must be managed proactively. The following key risk areas have been identified, along with mitigation strategies:

Algorithmic Bias and Discrimination

AI systems may reflect or amplify societal biases embedded in training data; to address this, Bakhvi 2 LLC conducts fairness assessments and bias testing prior to deployment, using diverse datasets and independent reviews where applicable.

Lack of Transparency and Explainability

Black-box algorithms can obscure how decisions are made, reducing trust and accountability; to mitigate this, Bakhvi 2 LLC prioritizes interpretable AI models and mandates explainability testing for all critical systems.



Data Privacy and Surveillance

AI systems often require large volumes of personal and operational data, raising concerns over unauthorized use or surveillance; to address this, Bakhvi 2 LLC enforces strict data governance policies, including access controls, encryption, and compliance with data protection laws.

Environmental Footprint of AI Systems

The energy demands of model training and data storage may undermine sustainability goals; to mitigate this, Bakhvi 2 LLC selects efficient algorithms and relies on low-emission data centers whenever feasible.

Cybersecurity Vulnerabilities

AI technologies can both expose and be targeted by sophisticated cyber threats; to manage this risk, Bakhvi 2 LLC uses AI-enabled cybersecurity tools for intrusion detection and collaborates with third-party IT specialists to continuously strengthen system defenses.

Workforce Displacement

Automation may lead to job disruption or skill gaps within the organization; to address this, Bakhvi 2 LLC supports a “just transition” approach by offering training, upskilling, and integrating AI as a tool to enhance, not replace, human roles.

Regulatory Lag and Legal Uncertainty

Rapid AI development can outpace existing laws, creating compliance challenges; to mitigate this, Bakhvi 2 LLC actively monitors regulatory trends and builds flexibility into its AI policies to ensure alignment with evolving standards.

By systematically identifying and mitigating these risks, Bakhvi 2 LLC aims to ensure the safe, ethical, and sustainable use of AI across all business areas.

Artificial Intelligence Policy Annual Revision Process

Aligned with internationally recognized ESG practices and standards, Bakhvi 2 LLC undertakes a comprehensive review of its Artificial Intelligence Policy at the end of each year. This systematic review, led by the Company ESG Manager and the lawyer, ensures that the policy accurately reflects current risk assessments, system performance metrics, and evolving 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 the company’s commitment to quality, transparency, and regulatory compliance. The Supervisory Board members are informed regarding any changes, reinforcing Bakhvi 2 LLC’s commitment to maintaining high international ESG standards.

The updated version is uploaded onto the company’s official website, while the previous version remains accessible in the archive folder to ensure transparency and continuity in governance documentation.