

BAKHVI 2 LLC
SUSTAINABILITY REPORTING BOUNDARIES

The Document is Approved by the Company Director: Giorgi Abramishvili

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BAKHVI 2 LLC SUSTAINABILITY REPORTING BOUNDARIES

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 Bakhvistkali 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 Bakhvistkali 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 Bakhvistkali 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.

At Bakhvi 2 LLC, we are deeply committed to fostering transparency and accountability in all aspects of our operations. We recognize the critical importance of sustainability as a cornerstone of our long-term success and as a responsibility to our stakeholders and the communities we serve. Our sustainability reporting is designed to provide a clear, accurate, and comprehensive view of our environmental, social, and governance (ESG) impacts. We strive to align our reporting practices with globally recognized standards and frameworks, ensuring that our disclosures meet the highest levels of integrity and reliability. Bakhvi 2 LLC is committed to sustainable operations and transparent reporting.

This document outlines the sustainability reporting boundaries, detailing the entities included in financial statements and their relevance to sustainability disclosures. Sustainability reporting applies solely to Bakhvi 2 LLC and covers only its direct operations and impacts.

This document outlines the sustainability reporting boundaries, detailing the entities relevant to the construction phase and their sustainability impacts. Sustainability reporting applies solely to Bakhvi 2 LLC and covers only its direct construction activities and related impacts.

Through this commitment, we aim to:

1. Clearly define and communicate the boundaries of our sustainability reporting, ensuring they reflect the full scope of our organizational activities and align with our financial reporting.
2. Continuously improve the quality and coverage of our sustainability disclosures, providing stakeholders with actionable insights into our performance and progress.
3. Subject our sustainability data to rigorous internal reviews and third-party assurance processes, reinforcing confidence in the accuracy of our disclosures.
4. Actively engage with stakeholders to ensure our reporting addresses their expectations and contributes to meaningful dialogue about our sustainability performance.

At Bakhvi 2 LLC, transparency in sustainability reporting is more than a compliance exercise - it is a reflection of our core values and an essential component of building trust with our stakeholders.

Reporting Boundaries

The scope of Bakhvi 2 LLC's sustainability reporting encompasses the following key elements to provide a comprehensive and transparent representation of our environmental, social, and governance (ESG) performance:

1. Operational Coverage:

- All activities and operations directly related to the construction of Bakhvi 2 HPP and under the HPP's direct management and control

2. Organizational Structure and Reporting Entities

- The largest shareholders of the HPP are Caucasus Clean Energy Holding (CCEH) and ILAG. Caucasus Clean Energy Holding (CCEH) is an international investment holding company that was founded in 2015 and has been successfully operating in the Georgian market since then. The investors of the Holding are well-known financial institutions from various western countries of the EU and the US.
- Bakhvi 2 LLC is the primary operational entity responsible for the hydropower plant's activities.

Financial Alignment

1. Sustainability reporting boundaries align with our financial consolidation practices, covering all entities included in our consolidated financial statement, including those in the construction phase
2. Activities contributing to the HPP's financial scope, including those in the construction phase, are included, ensuring a comprehensive view of our business impacts. Financial coverage is reflected in our annual and financial audit reports
3. Financial contribution is assessed to determine its materiality in sustainability reporting. Entities significantly involved in the construction phase are included in the reporting scope, ensuring comprehensive disclosure of sustainability impacts

Responsibilities and Governance

- **The Role of the Supervisory Board:** The role of the Supervisory Board is to oversee the development of the HPP and ensure that:
 - The Management acts in line with their fiduciary duties.
 - All efforts are made to develop the HPP with highest integrity, responsibility, and accountability.
 - Management implements and follows the strategy defined and decisions made by the SB.
 - All ongoing activities are in line with the goal to develop the HPP in the most efficient manner.
- **Management of the Company:** The Management has the key role in the HPP development with the full discretion to manage the HPP, lead daily operations of the Company with the goal to ensure efficient development of the HPP and simultaneously steward the shareholders interest as much as practicable.
 - The Management should conduct risk management audit periodic and/or ad-hoc basis associated to the HPP development phase and present it to Management Committee if needed.
 - The Management should always act in the best interest of the company as required by the fiduciary duty and being accountable toward the Holding and Shareholders.
- The management has the discretion to have a strategic discussion related to the HPP development with the central as well as local government. The non-exhaustive list of the items that needs the constant and timely communication with the government includes: MoUs, construction permits, ESIA's, Environmental Permit Forest usage permits, etc.
- The management of the Company should immediately raise any key concerns in the process of GR to the Holding through MC and board meetings to seek for the support from the Holding to ensure the efficient development of the HPP, manage the bureaucratic burden and expedite the process to the extent possible.

Risk Management Processes

Risk Identification and Review: The Management conducts periodic and ad-hoc risk reviews, identifying material risks across the following categories:

1. **Construction Risks:** Engineering challenges, supply chain disruptions, regulatory and permitting risks, equipment and machinery failures, delays in timeline, natural catastrophes, health and safety incidents.
2. **ESG Risks:** Environmental impact (Scope 1, Scope 2, and Scope 3 emissions), resource efficiency (water usage, energy), deforestation and land use change, impacts on sensitive species and ecosystem, waste management, soil erosion and degradation, and stakeholder concerns.
3. **Health and Safety (H&S) Risks:** workplace accidents and injuries, inadequate use of personal protective equipment (PPE), working at heights, machinery-related hazards, poor site safety culture, lack of emergency preparedness, and risks associated with working near water bodies or in remote, hard-to-access areas during the construction phase
4. **Financial Risks:** Budget overruns, supply chain disruptions, contractor claims and disputes, contractor insolvency, exchange rate fluctuations, delayed commercial operation date.
5. **Reputational Risks:** Regulatory compliance, environmental concerns, ethical breaches, unsafe working conditions, labour rights violations, and stakeholder engagement failures.

Materiality Assessment: Material risks are prioritized through periodic assessments, integrating both internal business impacts and external societal/environmental impacts. Results are validated by third-party assurance providers where applicable.

Risk Mitigation: Identified risks are addressed through actionable mitigation strategies, which include scenario analyses, sensitivity testing, and defined contingency plans.

Audit and Monitoring: The risk management processes undergo third-party verification annually to ensure alignment with best practices and continuous improvement.

Lobbying and Trade Associations

Bakhvi 2 LLC 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 Bakhvi 2 LLC 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 Bakhvi 2 LLC'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

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 Bakhvi 2 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 2 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: Bakhvi 2 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. Once operational, the HPP aims to reduce Scope 1 and Scope 2 emissions by 30% by 2030
 - Energy Efficiency: Energy consumption during construction is being monitored and optimized to reduce inefficiencies
 - 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.

Progress against these targets is reviewed regularly, with transparent reporting in Bakhvi 2 LLC's annual sustainability disclosures. This process supports the plant's commitment to responsible, transparent, and resilient operations in the renewable energy sector.

Geographical Scope:

- All areas and geographies where Bakhvi 2 HPP is being constructed and will operate, including key HPP sites and future operational facilities

- Reporting on environmental and social impacts specific to certain areas or operational areas, where applicable.

Policies and Procedures:

1. ESG Policy - Aligns with sustainability governance and ESG performance management.
2. Environmental and Social Management System (ESMS) – Provides a structured and systematic framework for identifying, assessing, managing, and monitoring environmental and social risks and opportunities throughout the HPP lifecycle. Environmental and Social Action Plan (ESAP) – Outlines specific actions, timelines, and performance milestones to address identified environmental and social risks in line with international standards
3. Governance Manual - Supports clear roles, responsibilities, and oversight structure for ESG matters.
4. Materiality Analysis - Ensures focus on key ESG topics most relevant to stakeholders and business.
5. Reporting Ethical and Compliance Breaches - Demonstrates accountability and ethical governance.
6. Environmental Policy - Covers environmental commitments, including resource efficiency and emissions management.
7. ESIA - Ensures compliance with local and international standards for environmental and social impacts.
8. Stakeholder Engagement Plan - Supports communication and trust-building with internal and external stakeholders.
9. Community Health and Safety plan - aligns with ESG principles by prioritizing social and community well-being.
10. Annual ESG Report - Consolidates all relevant aspects, including ESG disclosures and sustainability boundaries.

Indicators and Metrics:

1. **Environmental indicators:** Greenhouse gas emissions (Scope 1, Scope 2, and Scope 3), energy consumption (renewable and non-renewable), water usage, and waste generation, focusing on resource efficiency and environmental impact mitigation.
2. **Social indicators:** Employee health, safety, and well-being; diversity and inclusion metrics; human rights performance (including operations and supply chains); and community engagement outcomes.
3. **Governance indicators:** Ethical business practices, regulatory compliance, and risk management integration, particularly linking materiality assessment results to enterprise risk management. Oversight of ESG processes by the Supervisory Board or senior management, with verification conducted by third-party assurance providers where applicable.

Temporal Boundaries:

- The reporting period aligns with our fiscal year to ensure consistency between financial and non-financial disclosures related to the construction phase of the HPP.

Bakhvi 2 LLC is committed to enhancing its sustainability reporting practices. By clearly defining reporting boundaries and responsibilities, the company aims to provide transparent and comprehensive sustainability disclosures, reflecting its dedication to sustainable development and continuous improvement.

Sustainability Reporting Boundaries Annual Revision Process

Aligned with internationally recognized ESG practices and standards, Bakhvi 2 LLC conducts an annual review of its Sustainability Reporting Boundaries to ensure alignment with regulatory requirements, operational updates, and stakeholder expectations. This process ensures that sustainability disclosures accurately reflect current assessments, performance metrics, and governance structures.

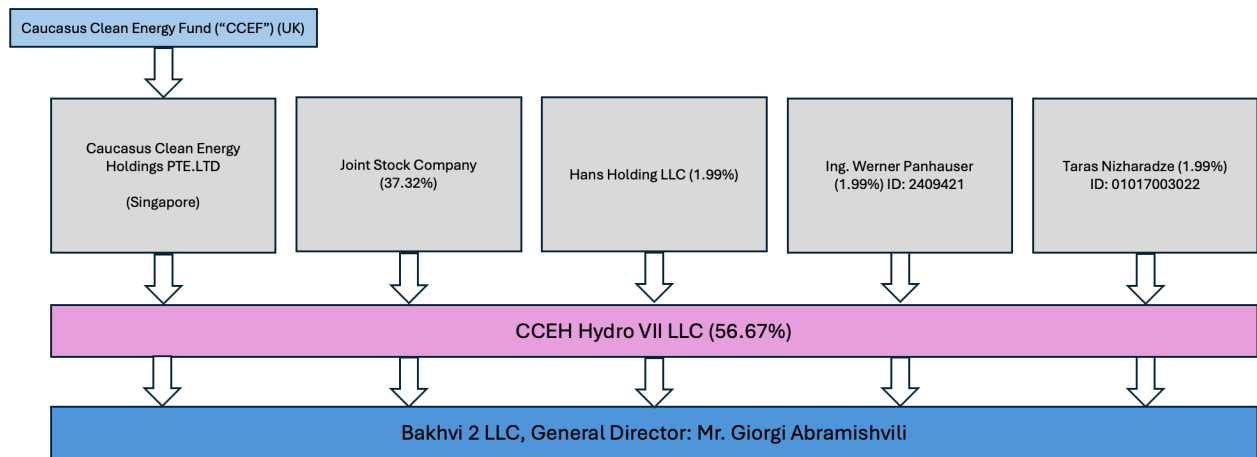
The annual revision process is led by the Company Director, who reviews any necessary modifications and ensures compliance with corporate policies. Any proposed changes undergo a validation process with

Caucasus Clean Energy Holding's ESG and Sustainability Lead, ensuring adherence to transparency, accountability, and best reporting practices.

Following final validation, the updated documentation is formally approved by the Company Director and communicated to the Supervisory Board members. This reinforces Bakhvi 2 LLC's commitment to maintaining high international ESG standards. The updated version is uploaded onto the company's webpage to ensure public accessibility, while the previous version remains archived for reference.

Annexes

Annex #1: Organizational Charts



Annex #2: List of Policies and Documents

1. ESIA
2. ESMS
3. ESAP
4. Governance Manual
5. Annual ESG Report
6. Human Right Policy
7. Human Rights Due Diligence
8. HR Policy
9. Code of Conduct
10. Suppliers' Code of Conduct
11. ESG Policy
12. ESG Policy
13. Materiality Analysis
14. Environmental Policy
15. Stakeholder Engagement Plan
16. Community Health and Safety plan
17. AI Policy
18. Board Diversity Policy
19. Compliance Policy
20. Information Security Policy
21. Reporting Ethical and Compliance Breaches
22. Sustainability and Emissions Reduction Plan
23. Sustainability Reporting Boundaries

- 24. Gender Equity Policy
- 25. Water Management Plan

Annex #3: List of Acronyms

ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management System
ESAP	Environmental and Social Action Plan
ESG	Environmental, Social, and Governance
EU	European Union
GR	Government Relations
HPP	Hydropower Plant
LLC	Limited Liability Company
MC	Management Committee
SB	Supervisory Board
US	Unites States