

CAUCASUS CLEAN ENERGY HOLDING (CCEH) HYDRO VI LLC

MATERIALITY ANALYSIS

The Materiality Analyses is Approved by the Company Director: Giorgi Abramishvili

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Acronyms

CCEH	Caucasus Clean Energy Holding
EHS	Environmental, Health, and Safety
ESMS	Environmental and Social Management System
ERM	Enterprise Risk Management
ESAP	Environmental and Social Action Plan
ESG	Environmental, Social, and Governance
ESMS	Environmental and Social Management System
GWh	Gigawatt-hour
HPP	Hydropower Plant
HR	Human Resources
H&S	Health and Safety
IFC PS	International Finance Corporation Performance Standards
MW	Megawatt

CCEH HYDRO VI LLC MATERIALITY ANALYSIS

Introduction

CCEH Hydro VI LLC (the “Company”) is a company developing the Bakhvi 1 hydro power plant project in Guria, region of Georgia. The project 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 and Chokhatauri Municipalities. 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 planned 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 will consist 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.

Aim of the Document

Materiality Analysis is an essential process for the company that helps management to identify, assess and prioritize the most relevant sustainability issues that can impact its business and stakeholders. Thus, the primary goal of materiality analysis is to determine which Environmental, Social and Governance (“ESG”) factors are significant for a company’s long-term success and have the most substantial impact on its ability to create value.

Based on that, CCEH Hydro VI LLC identified 29 priorities and grouped them through the materiality matrix under the three ESG dimensions. These factors represent the keyways in which our Company significantly contributes to both society and the environment, in addition those factors are also considered to be crucial elements that can influence the Company’s value either positively or negatively.

Diagram 1: Materiality Issues Based on ESG Factors

Environmental Dimension

1. Direct emissions: Scope 1
2. Indirect emissions: Scope 2
3. Other indirect emissions: Scope 3
4. Continuous assessment and monitoring on biodiversity in the area of HPP impact
5. Implementation of conditions included to the Environmental Permit and ESAP
6. Construction waste management
7. Soil erosion and sediment control
8. Water use and discharge management
9. Deforestation
10. Climate risk and infrastructure resilience

Social Dimension

11. Employment of local labour and fair working conditions
12. Number of employees trained in ESG and H&S
13. Number of workplace-related injuries and accidents
14. Community safety awareness – number of meetings and capacity building events
15. Grievance mechanism and community engagement
16. Impact on local infrastructure and access
17. Number and scope of social projects developed
18. Gender inclusion in workforce
19. Stakeholder engagement
20. Human Rights

Governance/Economic Dimension

21. Environmental and Social Management System ("ESMS") in place at CCEH Hydro VI LLC
22. Environmental and Social Action Plan ("ESAP") in place in CCEH Hydro VI LLC
23. ESG and Environmental Policies are in place at CCEH Hydro VI LLC
24. Gender equality mainstreamed at all levels
25. ESG programming supported by the Board
26. Anti-corruption and ethics compliance
27. Procurement aligned with ESG standards
28. Data collection, monitoring, and reporting systems
29. Financial performance and budget control during construction

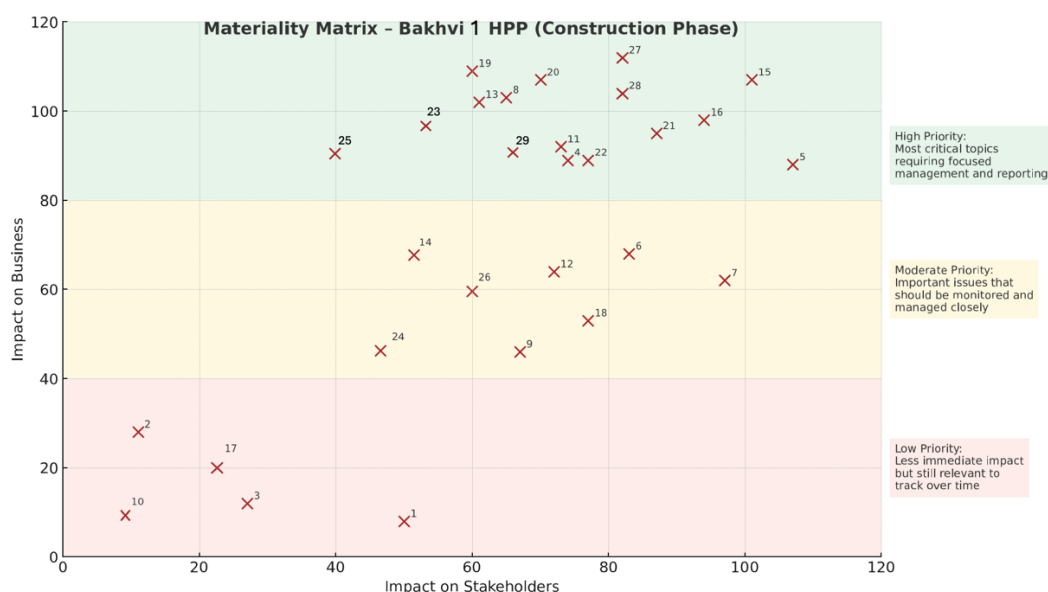
It is noteworthy that, during the active construction phase of Bakhvi 1 HPP, CCEH Hydro VI LLC remains focused on the environmental compliance, emissions tracking, safety, and stakeholder engagement. The systems and practices being implemented at this stage are design to serve as a strong foundation for effective ESG performance throughout future operations.

These include well-defined energy monitoring systems, a robust ESG governance structure, and mechanism for tracking avoided emissions and social impact once electricity generation begins. This

The prioritization of material issues follows a structured scoring methodology, which is explained in detail in the Materiality Analysis Scoring Methodology.

This process is aimed to assess and identifying the most and least critical areas for the company. Following the process, the scores are placed on Materiality Matrix to visualize and recognize the key elements affecting the company's overall performance. Please see the CCEH Hydro VI LLC's Materiality Matrix below:

Graph 1: Materiality Matrix



Priority Table

High Priority	Moderate	Low Priority
4. Continuous assessment and monitoring on biodiversity in the area of HPP impact (E*)	6. construction waste management (E*)	1. Direct emissions: Scope 1 (E*)
5. Implementation of conditions included to the Environmental Permit and ESAP (E*)	7. Soil erosion and sediment control (E*)	2. Indirect emissions: Scope 2 (E*)
8. Water use and discharge management (E*)	9. Deforestation (E*)	3. Other indirect emissions: Scope 3 (E*)
11. Employment of local labour and fair working conditions (S**)	12. Number of employees trained in ESG and H&S (S**)	10. Climate risk and infrastructure resilience (E*)
13. Number of workplace-related injuries and accidents (S**)	14. Community safety awareness – number of meetings and capacity building events (S**)	17. Number and scope of social projects developed (S**)
15. Grievance mechanism and community engagement (S**)	18. Gender inclusion in workforce (S**)	
16. Impact on local infrastructure and access (S**)	24. Gender equality mainstreamed at all levels (G****)	
19. Stakeholder engagement (S**)	26. Anti-corruption and ethics compliance (G****)	
20. Human Rights (S**)		
21. Environmental and Social Management System ("ESMS") in place at CCEH Hydro VI LLC (G****)		
22. Environmental and Social Action Plan ("ESAP") in place at CCEH Hydro VI LLC (G****)		
23. ESG and Environmental Policies in place at CCEH Hydro VI LLC (G****)		
25. ESG programming supported by the board (G****)		
27. Procurement aligned with ESG standards (G****)		
28. Data collection, monitoring, and reporting systems (G****)		
29. Financial performance and budget control during construction (G****)		

E*- Environmental; S**-Social; G****-Governance

Enterprise Risk Management ("ERM") & Material Issues

The Materiality Analysis is directly integrated into CCEH Hydro VI LLC's Enterprise Risk Management framework. This includes:

- Identifying ESG-related risks and their business impact.
- Developing mitigation strategies for high-priority risks.
- Aligning ESG initiatives with corporate strategy and risk management policies.
- Enhancing sustainability disclosures for investors and stakeholders.
- Informing investment and operational planning.

#	Material Issue	Relevant ERM Risk	Mitigation Strategy
1	Direct emissions: Scope 1 Indirect emissions: Scope 2	Regulatory compliance risk, Carbon pricing impact	Implement energy efficiency measures, invest in carbon offset programs
2	Direct emissions: Scope 1 Indirect emissions: Scope 2	Supply chain emission risks, ESG investor scrutiny	Engage suppliers on emissions reductions, purchase renewable energy certificates
3	Other indirect emissions: Scope 3	Supply chain emission risks, ESG investor scrutiny	Engage suppliers on emissions reductions, purchase renewable energy certificates

4	Continuous assessment and monitoring on biodiversity in the area of HPP impact	Ecosystem impact, environmental compliance, and reputational risk	Conduct regular biodiversity monitoring, ensure ecological flow, adapt construction practices to minimize habitat disruption
5	Implementation of conditions included in the Environmental Permit	Regulatory compliance and legal risk	Maintain a compliance tracking system, assign accountability, perform regular internal audits
6	Construction waste management	Environmental pollution and legal non-compliance risk	Implement a waste management plan, train workers, ensure licensed disposal contractors
7	Soil erosion and sediment control	Infrastructure damage and water pollution risk	Use erosion control measures (e.g., silt fences), monitor runoff, phase construction activities accordingly
8	Water use and discharge management	Water resource mismanagement and regulatory risk	Monitor withdrawals and discharge quality, use sediment basins, treat wastewater before release
9	Deforestation	Natural resource impact and stakeholder concerns risk	Minimize clearing, apply reforestation plans, engage environmental experts for impact assessment
10	Climate risk and infrastructure resilience	Physical climate risk and long-term asset vulnerability	Integrate climate risk assessments into design, apply resilient construction standards
11	Employment of local labour and fair working conditions	Labor relations and social stability risk	Prioritize local hiring, enforce fair labor practices, ensure grievance redress mechanisms
12	Number of employees trained in ESG and H&S	Workforce preparedness and compliance risk	Deliver regular ESG and safety training, keep training records, assess knowledge retention
13	Number of workplace-related injuries and accidents	Occupational health and safety risks; suspension of construction activities and associated reputational risks	Implement H&S plans, PPE enforcement, incident tracking and investigation procedures
14	Community safety awareness – number of meetings and capacity building events	Community health and safety risk; reputational risk	Conduct safety awareness programs, distribute materials, coordinate with local authorities
15	Grievance mechanism and community engagement	Community conflict and reputational risk	Maintain an accessible grievance mechanism, track and resolve issues promptly, ensure transparency
16	Impact on local infrastructure and access	Disruption to local services and mobility risk	Plan construction to minimize disruption, notify communities in advance, offer alternatives where possible
17	Number and scope of social projects developed	Community dissatisfaction and social license risk	Identify needs through consultation, monitor project effectiveness, ensure follow-through
18	Gender inclusion in workforce	Workforce inequality and discrimination risk	Promote inclusive hiring practices, provide gender sensitivity training, monitor gender metrics
19	Stakeholder engagement	Stakeholder disengagement and escalation risk	Implement a stakeholder engagement plan, maintain open communication, document feedback
20	Environmental and Social Management System (ESMS)	ESG non-compliance, Investor confidence risk	Maintain robust ESMS, undergo third-party audits
21	Environmental and Social Action Plan (ESAP)	Project delays due to ESG issues	Ensure ESAP implementation, monitor ESG performance regularly
22	Environmental Policy Implementation	Reputational damage, Regulatory fines	Align policy with international ESG standards, transparent reporting
23	Gender Equality Mainstreaming	Workplace discrimination risk, Legal liabilities	Implement equal opportunity programs, monitor diversity metrics

24	ESG Programming Supported by the Board	Weak governance, Stakeholder trust erosion	Formalize board-level ESG oversight, ensure accountability
25	Anti-corruption and ethics compliance	Fraud, misconduct, and regulatory breach risk	Enforce code of conduct, provide anti-corruption training, audit procurement and contracting
26	Procurement aligned with ESG standards	Supply chain and third-party non-compliance risk	Set ESG criteria for suppliers, conduct due diligence, include ESG clauses in contracts
27	Data collection, monitoring, and reporting systems	Data integrity and ESG reporting risk	Automate data systems, ensure internal verification, prepare for third-party audits
28	Financial performance and budget control during construction	Cost overrun and financial governance risk	Apply budget monitoring tools, review spending regularly, enforce procurement controls

Principle of Double Materiality

The double materiality approach considers both:

- **Internal impact on the business:** How ESG risks affect financial performance, operations and legal standing.
- **External impact on society and the environment:** How CCEH Hydro VI LLC's operations influence local communities, biodiversity and climate action.

To ensure transparency and consistency in prioritizing material issues, CCEH Hydro VI LLC utilizes a structured scoring system to assess the significance of ESG factors.

Materiality Analysis Scoring Methodology

Material issues are prioritized using a scoring system based on internal discretion, industry best practices, and strategic business relevance. Each issue is evaluated based on its impact on operations, regulatory compliance, stakeholder expectations, and long-term sustainability.

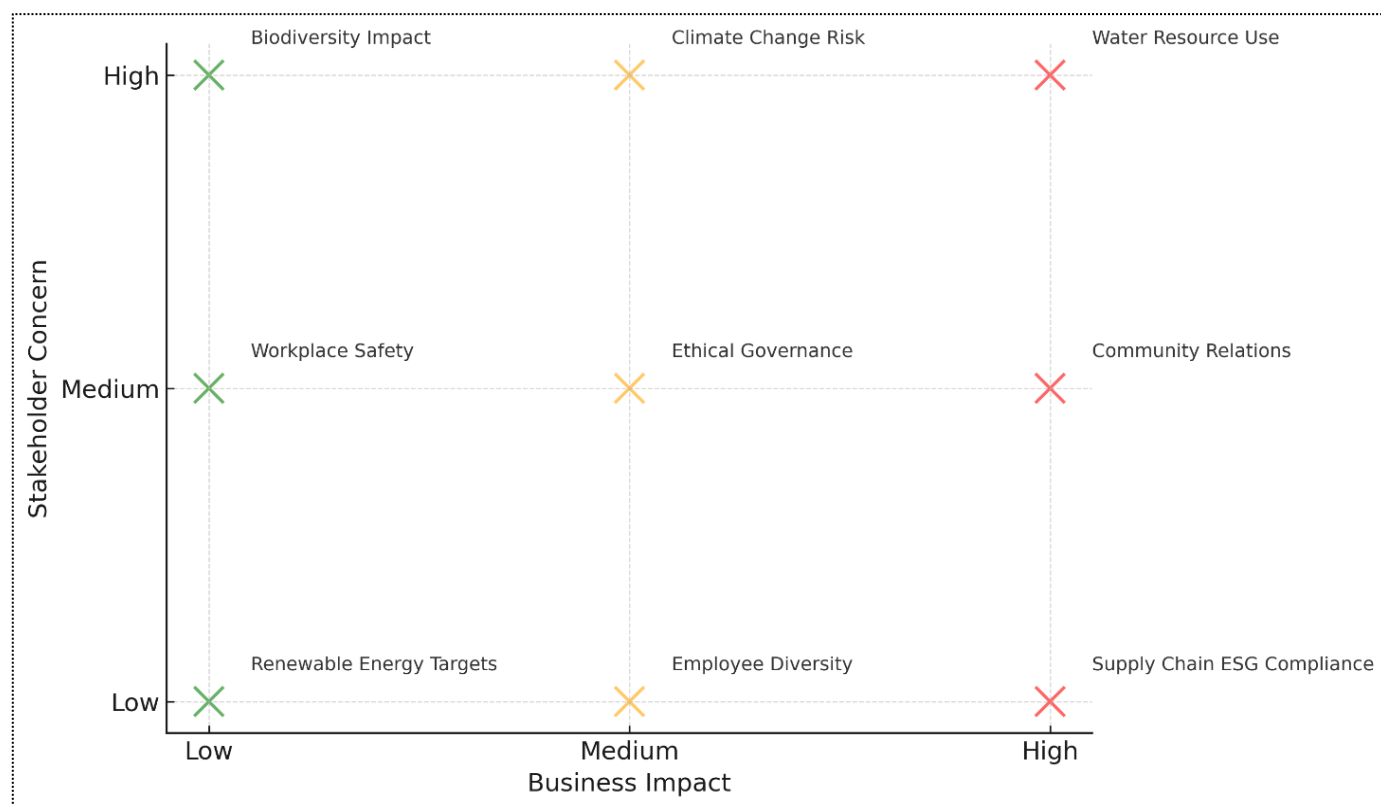
The scoring system follows a **1-100 range**, categorized as follows:

- **Low Priority (1-50):** Issues with minimal impact, monitored for future relevance.
- **Moderate Priority (51-80):** Important issues requiring active management but with lower immediate risk.
- **High Priority (81-100):** Critical issues with a significant impact on operations, compliance, or stakeholder trust.

Scoring is conducted through an expert-driven process involving senior management, ESG specialists, and functional departments. This approach ensures informed decision-making, aligns with CCEH Hydro VI LLC's strategic objectives, and allows flexibility in responding to evolving business and regulatory environments.

Business Impact

		LOW	MEDIUM	HIGH
Stakeholder Concern	HIGH	Biodiversity Impact	Climate Change Risk	Water Resource Use
	MEDIUM	Workplace Safety	Ethical Governance	Community Relations
	LOW	Renewable Energy Targets	Employee Diversity	Supply Chain ESG Compliance



Business Case

Environmental Management System

Hydropower plant projects provide clean and renewable energy, contributing to the transition towards a more sustainable future. However, it is crucial to recognize and address the environmental management system risks associated with these projects to ensure their overall environmental sustainability and minimize negative impacts. As Bakhvi 1 HPP progresses through its construction phase, the project actively supports Georgia's clean energy goals by laying the groundwork for low-carbon hydropower. While the future contribution to climate mitigation is significant, continuous attention to environmental compliance, operational preparedness, and risk management during construction is essential to ensure long-term sustainability and regulatory alignment.

The table below outlines key ESMS risks relevant to the construction phase, along with the mitigation measures implemented to address them in line with national regulations, and good international industry practices.

Risk	Mitigation measures
Loss of biodiversity and habitat disturbance	- Avoid sensitive areas during site clearing - Conduct pre-construction ecological surveys and establish buffer zones - Conduct regular monitoring
Soil erosion and sedimentation into rivers	- Use of erosion control barriers, sediment traps, and phased excavation - Regular site inspections and runoff water quality monitoring
Water pollution from construction runoff or fuel spills	- Establish bunded storage for fuels and chemicals - Use sediment ponds and enforce spill response procedures
Noise, dust, and vibration affecting nearby communities	- Restrict heavy work to daylight hours - Use dust suppression techniques and maintain machinery
Improper construction waste disposal	- Segregate hazardous and non-hazardous waste - Engage licensed waste contractors and maintain disposal records

Non-compliance with Environmental Permit conditions	• Maintain a permit compliance register • Assign clear roles and responsibilities for each environmental requirement
Worker health and safety incidents	• Ensure Site-specific H&S plans with toolbox talks and supervision • Enforce usage of personal protective equipment (PPE) and safety audits
Labor and working conditions violations	• Implement contractor management procedures and grievance redress system • Enforce fair wages, contracts, and working hours
Community grievances or dissatisfaction	• Maintain functional grievance mechanism with transparent logging and response • Hold regular community meetings and construction updates
Damage to local infrastructure (e.g., roads, access)	• Coordinate with local authorities on road use and repairs • Provide detours or compensation where applicable
Lack of gender inclusion or discrimination in workforce	• Ensure inclusive hiring and gender-sensitive site facilities • Provide training on workplace equality and harassment prevention
Inadequate stakeholder engagement	• Implement Stakeholder Engagement Plan (SEP) with ongoing consultations • Document feedback and integrate concerns into site planning
Procurement and contractor ESG non-compliance	• Include ESG clauses in contracts • Monitor contractor performance through site visits and audits
Potential environmental and reputational considerations due to the project's proximity to the Bakhmaro resort	• Conduct comprehensive baseline biodiversity surveys demonstrating that the project does not affect the unique ecosystems or species of the Bakhmaro area. • Conduct visual and noise assessments specific to the resort area • Maintain regular communication with resort stakeholders and local authorities • Schedule high-impact construction activities outside peak tourist seasons • Develop a communication plan to manage expectations, respond to concerns, and maintain a positive reputation in relation to the project's impact on Bakhmaro.

Employee Wellbeing, Health & Safety

Hydro industry plays a significant role in renewable energy production and the sustainable development of society in Georgia and across the globe in general, which is both labour and capital intensive business, especially during the construction phase, however this encompasses operation phase as well. Thus, all risks associated with H&S should be carefully assessed and mitigated. Various risks associated to H&S are categorized as follows:

Construction phase:

- Accidents involving heavy machinery and equipment
- Landslides, rockfalls, and unstable slopes
- Avalanches
- Falls from height, edges, cliff areas, or open excavation
- Poor visibility and vehicle collisions on narrow mountain roads
- Electrical hazards during temporary installations
- Exposure to extreme weather conditions (cold, fog, rain, heat)
- Material transport accidents and loading/unloading injuries
- Inadequate use of Personal Protective Equipment (PPE)
- Exposure to dust, noise, or vibration
- Manual handling and ergonomic injuries
- Chemical exposure (fuels, lubricants, concrete additives)

- Fire or explosion risk
- Lack of emergency preparedness (landslide, fire, flood)
- Contractor non-compliance with H&S standards
- Different pandemics

Operations phase:

- Electrical safety
- Operations team health and safety
- Proper Personal Protective Equipment
- Proper Collective Protective Equipment
- Confined space
- Working at height
- Lifting safety
- Fire Safety
- Community Health and Safety
- Health and safety plans
- Health and safety Policy
- Covid 19 and different pandemics

Implication on CCEH Hydro VI LLC

Since the early stages of development, CCEH Hydro VI LLC has maintained a clear intersection with local communities living in the Guria region, particularly in the village of Chkhakaura – located within the Chokhatauri Municipality – which is the primary project-affected area as well as with communities across the broader Ozurgeti and Chokhatauri Municipalities. Throughout the construction phase, CCEH Hydro VI LLC has remained responsible for ensuring the safety of both the project workforce and the neighboring population, while minimizing risks to public health, safety, and community infrastructure.

The project infrastructure is located in a mountainous and forested area, with the nearest population centers situated at a safe distance from active construction zones. No permanent residential settlements or vital public infrastructure are located within the immediate impact area of the project.

Clear safety signage is installed throughout the construction premises, including warnings against entry, swimming, fishing. To support safe working conditions, all relevant health and safety equipment is stationed within the residential camp, where a number of local residents are actively employed. The camp is organized to ensure proper accommodation, welfare facilities, and immediate access to protective gear and emergency supplies for all workers.

To promote safety awareness, CCEH Hydro VI LLC's H&S and ESG team organized regular information sessions with nearby communities, including targeted safety education for school children. These engagements focus on awareness of construction-related risks, emergency procedures, and long-term environmental and safety commitments.

The strategic siting of project infrastructure, combined with strict access control and proactive community engagement, ensures that potential health and safety, and security risks are effectively minimized throughout the construction phase – and will continue to be managed responsibly as the project transitions into operation.

Resource Efficiency & Circularity

The resource efficiency and circularity risks associated with HPP construction and operation are essential to ensure long-term sustainability and minimize environmental impacts. The main risks associated to resource efficiency are:

- Need for unplanned repairs and upgrades that may lead to the use of additional materials, energy and water

- Use of significant amount of natural and industrial resources such as concrete, steel and other materials
- Not compliant to regulations

Circularity bears the following risks:

- Increase of reusage of resources
- Ineffective policy regarding recycling materials
- Increase of waste
- Minimization of resource utilization
- Not compliant to regulations

Implication on CCEH Hydro VI LLC

All permits and licenses as per national regulations have been obtained by projects, and these have been renewed as and when they expire in instances where permit validity is time limited. Key requirements in international standards (e.g., World Bank Group EHS Guidelines, IFC PS, EIB ESS) regarding pollution and waste management are strictly reflected in the ESMS (“Environmental and Social Management System”).

The waste management plan agreed with the Ministry of Environment and Agriculture of Georgia according to the law, and in this respect, of the waste hierarchy: prevent – minimize – reuse – recycle – dispose.

Municipal and domestic waste is managed by the local municipal service center, while hazardous waste is collected and treated by the Company, certified by the Ministry of Environment and Agriculture of Georgia, based on the agreement. Before the hazardous waste is treated further, it is stored at the temporary storage area, settled based on the requirement by law.

To minimize oil spills, the construction site and residential camp is well-equipped with spill kits/absorbents. Workers are well aware of how to handle spills if applicable, according to the environmental training plan and Spill Response Plan.

Transformers and generators are equipped with drip trays. For river pollution prevention, oil separator structures were designed and arranged.

No signs of substantial oil spills were observed during the fiscal year (e.g., at oil storage facilities, or construction sites).

CCEH Hydro VI LLC conducts a formal Materiality Analysis on an annual basis, with semi-annual reviews to ensure relevance and alignment with evolving business, regulatory, and stakeholder expectations. The most recent full assessment was conducted in 2024.

Roles and Responsibilities in Materiality Assessment

- **Supervisory Board:**
 - Defines strategic direction, approves materiality issues, and makes final decisions.
 - Conducts an annual review to ensure alignment with corporate values, priorities, and regulatory requirements.
 - Reviews and approves the final version of the materiality assessment.
- **Management of the Company:**
 - Coordinates ESG materiality analysis and engagement with relevant departments.
 - Oversees the approval process and manages strategic decisions related to ESG.
 - Ensures the publication of the board-approved report for stakeholder access.
- **Functional Departments (ESG, H&S, Technical, Finance and Legal teams):**
 - Collect, analyze, and report ESG data.
 - Identify ESG risks and integrate sustainability measures into operations.
 - Provide ongoing monitoring and internal reporting on ESG performance.
- **External Auditors & Consultants: Evaluation and Analysis:**

- Conduct independent assessments of materiality analysis.
- Provide recommendations to enhance sustainability disclosures and risk mitigation.
- Verify adherence to regulatory and industry standards.

Materiality Assessment Process:

The materiality assessment process follows a structured approach to ensure accuracy, transparency, and alignment with CCEH Hydro VI LLC's governance framework. The key steps are outlined below:

- Evaluation and Analysis: Functional departments and the sustainability committee compile and assess ESG materiality data.
- Internal Review: The Management team reviews and refines the materiality assessment.
- External Audit: Independent auditors assess documentation and verify accuracy.
- SB Review: The board reviews the final version of the assessment.
- Approval and Publication: The board-approved report is made publicly available.

Conclusion

The materiality analysis of CCEH Hydro VI LLC reflects the company's strong commitment to integrating ESG factors into its strategic planning and ERM processes. Through the identification and prioritization of 29 key sustainability issues, CCEH Hydro VI LLC ensures that its current construction-phase activities, as well as its future operations, are aligned with national regulations, good international practices, and the expectations of local stakeholders.

The company has effectively assessed and visualized these ESG priorities through a detailed Materiality Matrix, which highlights critical areas such as community health and safety, biodiversity protection, emissions management, workforce welfare, and compliance with the Environmental Permit. Integrating this materiality analysis into its ERM framework enables CCEH Hydro VI LLC to proactively manage ESG-related risks, strengthen internal governance, and build long-term project resilience.

CCEH Hydro VI LLC's approach demonstrates a structured and forward-looking commitment to sustainability – minimizing environmental and social impacts during construction, while laying the foundation for responsible operations post-commissioning. Furthermore, by continuously enhancing its ESMS and aligning with international sustainability frameworks CCEH Hydro VI LLC reinforces its position as a responsible and transparent developer, committed to creating long-term value for both the business and surrounding communities.

Materiality Analysis Annual Revision Process

Aligned with internationally recognized corporate governance practices, the Supervisory Board defines the strategic direction of the Materiality Assessment, approves material issues, and makes final decisions. The Board conducts an annual revision to ensure alignment with the Company's values, strategic priorities, and regulatory requirements.

The Management of the Company coordinates the ESG materiality analysis, ensuring relevant stakeholder input. Functional Departments collect data, assess ESG risks, and integrate sustainability measures into operations.

To ensure objectivity and compliance, External Auditors and Consultants provide independent assessments and recommendations, verifying adherence to regulatory and industry standards.

During the revision, the Board reviews material topics, ESG risk mitigation, and governance frameworks. If modifications are proposed, they are evaluated, discussed, and formally approved by a majority vote. Once finalized, the updated Materiality Assessment is published on the Company's website, with previous versions archived for reference.

