

Bakhvi 2 LLC

(Bakhvi 2 HPP)

Bakhvi 2 LLC

Tbilisi

2024

O R D E R

Regarding the Environmental Policy of Bakhvi 2 HPP

I, Giorgi Abramishvili approve the Bakhvi 2 Hydro Power Plant Environmental Policy attached hereto as a Director of the Company "Bakhvi 2" LLC – Bakhvi 2 Hydro Power Plant (405121595).

Director: Giorgi Abramishvili

**Tbilisi
2024**

The Supervisory Board Approval

The Supervisory Board of Bakhvi 2 LLC Bakhvi 2 HPP:

Gigla Sikharulidze - Chairman of the Supervisory Board

Irakli Abaishvili - Member of the Supervisory Board

Nana Berdzenishvili - Member of the Supervisory Board

Taras Nizharadze - Member of the Supervisory Board

Ing. Werner Panhauser - Member of the Supervisory Board

has committed to overseeing the implementation of our environmental policy, with a focus on enhancing accountability and driving continuous improvement.

This commitment ensures that environmental standards are consistently upheld, and that progress is transparently evaluated.

Tbilisi
2024

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BAKHVI 2 LLC

ENVIRONMENTAL POLICY

Preamble

At Bakhvi 2 LLC – Bakhvi 2 Hydro Power Plant (“HPP”), we are committed to conducting our operations with the utmost consideration for environmental sustainability. Producing renewable energy, and doing so responsibly, is the core of what we accomplish.

Integral to our commitment is the preservation of biodiversity and the prevention of pollution. Recognizing our duty to safeguard the surrounding environment, we have crafted this Environmental Policy to guide our own actions and decisions.

We undertake responsible water resource management, aiming to minimize consumption and ensure sustainable usage. Additionally, our targets encompass the reduction of energy consumption, waste generation, dependence on fossil fuels, and the contribution to the reduction of the carbon footprint. Regular reviews of our environmental and social management system (ESMS) and environmental action plan are conducted, allowing us to identify opportunities for improvement and implement necessary changes.

Bakhvi 2 LLC Supervisory Board fully supports this policy, actively participating in its oversight.

Company executive management collaborates with the designated ESG Manager to implement and monitor environmental initiatives. This collaboration extends to members of the Supervisory Board, the Company Director, and the Operations Team during regular internal meetings and meetings with the Supervisory Board.

As Bakhvi 2 HPP approaches the end of its construction phase, we remain firmly focused on the environmental responsibilities that lie ahead. Regular environmental risk assessments and impact evaluations continue to guide our work – informing strategic plans designed to identify, address, and mitigate environmental risks before they emerge.

The Environmental and Social Management System (ESMS) for the upcoming operational phase has is currently under development, allowing for the integration of practical insights and lessons learned during the construction phase. In anticipation of operations, we have established protocols for monitoring key environmental aspects including waste generation, energy consumption, water usage, and noise and vibration. These preparations ensure that we are equipped to collect and interpret relevant data in line with both local regulations and international best practices.

Equally important is our commitment to proactive stakeholder engagement and meaningful community relations. Stakeholder engagement is a central pillar of our approach during the construction phase of the Bakhvi 2 HPP project. We recognize that this stage – when construction activities are most visible – is a critical period for building trust, managing expectations, and addressing community concerns in a timely and transparent manner. To support this, we maintain an open and ongoing dialogue with local communities, authorities, and other stakeholders. Regular engagement through meetings, site visits, and other communication channels ensures that stakeholder input is meaningfully incorporated into our planning and decision-making processes.

Environmental and social responsibility is not deferred until operations begin – it is fully embedded in our current activities. Every step we take is guided by a commitment to sustainability, accountability, and inclusion, laying the groundwork for a responsible and community-aligned transition into the operational phase.

All risks are prioritized based on their potential severity, likelihood of occurrence, and regulatory significance.

To enhance understanding and awareness, our environmental policy is comprehensively communicated to all employees through capacity building activities and is accessible to stakeholders through relevant

communication channels – company web-page, community meetings, group meetings, door to door meetings.

Our activities are conducted in accordance with the Georgian legislation and regulations and in compliance with the Environmental and Social Management Standards of International Financial Institutions such as International Financial Corporation (IFC) and The European Investment Bank (EIB).

We maintain transparent reporting on environmental performance and impact assessments. This is achieved through regular meetings with the Supervisory Board, mandatory reporting to relevant governmental bodies, engagement with regulatory authorities and meetings with local stakeholders.

As we move into the final phase of construction at Bakhvi 2 LLC, we reaffirm our commitment to striking a careful and lasting balance between clean energy generation and environmental protection. This environmental policy guides each step we take, ensuring that our actions today contribute to a more sustainable tomorrow. The project is being shaped with the long-term well-being of the Bakhvistkali river ecosystem in mind, as well as the needs and hopes of local communities. Our goal is to deliver enduring value – not only through renewable energy, but by preserving natural resources and supporting the resilience of both people and place for generations to come.

Commitment and oversight are reflected in the endorsement of the policy by the Supervisory Board and company executives, reinforcing our dedication to environmental stewardship.

Principles Guiding Our Environmental Policy

We commit to complying with all applicable environmental laws, regulations, and permits. Furthermore, we continuously strive to improve our environmental performance and seek innovative solutions that further minimize our impacts.

We actively collaborate with relevant stakeholders, including government authorities and local communities, to ensure that our environmental initiatives address their concerns and contribute to the overall well-being of the local ecosystem.

We maintain transparency in our environmental practices, regularly report on our performance, and communicate our progress towards achieving our environmental goals through meetings with local governmental organizations, and community members. We hold ourselves accountable for implementing and reviewing our environmental policy consistently.

We strongly believe that well-informed and engaged employees play a crucial role in achieving our environmental objectives. We provide training opportunities, encourage employee participation in environmental initiatives, and promote a culture of environmental responsibility among our workforces.

By adhering to this environmental policy, we aim to operate Bakhvi 2 HPP with the utmost diligence, ensuring the protection of the environment, and contributing to a sustainable future for all.

Environmental and Social Management System (ESMS) and Environmental & Social Action Plan (ESAP)

Our commitment to environmental sustainability is reflected in the seamless integration of our Environmental and Social Management System (ESMS) and Environmental & Social Action Plan (ESAP). The members of the Supervisory Boards unreservedly endorse and affirm their approval for both Environmental and Social Management System (ESMS) as well as the Environmental & Social Action Plan (ESAP).

Through regular and comprehensive reviews, we ensure the continual enhancement of our practices in managing environmental and social aspects. Our Environmental and Social Management System (ESMS) serves as a structured framework, systematically identifying and addressing environmental impacts across our operations.

Concurrently, the Environmental & Social Action Plan (ESAP) outlines specific actions and commitments to proactively mitigate environmental challenges. This integrated approach not only ensures compliance with regulatory requirements but also enables us to adapt swiftly to emerging industry standards. By aligning our policies and action plans, we foster a culture of responsibility, transparency, and continuous improvement, thus reinforcing our dedication to effective environmental management practices.

Accountability and Compliance with Regulatory Requirements and Law

Our environmental policy stands as a testament to our commitment to compliance with regulatory requirements. We recognize the critical importance of adhering to local, national, regulations, as well as good international practices. Our policy framework is meticulously designed to ensure that our operations align with the prescribed standards and legal mandates.

Regular assessments and reviews are integral components of our approach, facilitating a proactive response to evolving regulatory landscapes. In addition, we emphasize regular reporting to the relevant regulatory authorities, ensuring transparency and accountability in our environmental initiatives. By prioritizing compliance, we not only mitigate legal risks but also contribute to sustainable practices and demonstrate our dedication to environmental stewardship.

This persistent commitment serves as the foundation of our environmental policy, reinforcing our role as responsible custodians of the environment.

Pathway to the Alignment with the United Nations Global Compact Membership

Recognizing the critical importance of aligning with global sustainability standards, Bakhvi 2 LLC embarked on a strategic journey towards harmonizing its operations with the 10 principles of the United Nations Global Compact ([The Ten Principles | UN Global Compact](#)).

With a commitment to responsible business practices and environmental stewardship, the company initiated a comprehensive alignment process to ensure strict adherence to the United Nations Global Compact core tenets.

In May 2024, following thorough preparation and our dedication to sustainable initiatives, Bakhvi 2 LLC submitted its application for United Nations Global Compact membership, which was promptly accepted.

Despite not holding formal membership in the UN Global Compact before, Bakhvi 2 LLC has been actively embracing and aligning with the principles that define this esteemed organization. The company was acknowledging and recognizing the core tenets advocated by the UN Global Compact. This strategic approach underscores Bakhvi 2 LLC's commitment to ethical, sustainable, and socially responsible business practices, showcasing a profound dedication to principles that transcend organizational affiliations.

By voluntarily adhering to the UN Global Compact's principles, Bakhvi 2 LLC positions itself as a responsible corporate entity, aligning its operations with international standards for environmental stewardship, social responsibility, and ethical governance. This proactive stance reflects the company's commitment to contributing positively to the global business landscape, even in the absence of formal membership.

Bakhvi 2 LLC's recognition and integration of these principles demonstrate a clear and intentional effort to uphold values that resonate with the broader goals of sustainable and responsible business conduct.

We reflect implementation of those principles in our work in the following manner:

1. Human Rights:

- Our policies and procedures diligently prevent human rights abuses.
- Regular discussions on human rights principles and responsibilities are held with our employees.

2. Labor Rights Assurance:

- We strictly eliminate all forms of forced and compulsory labor.

- Child labor is abolished.
- Discrimination of any form in the context of employment is eliminated at Bakhvi 2 HPP.

3. *Environmental Stewardship:*

- We've adopted a precautionary approach to environmental challenges.
- Bakhvi 2 LLC actively promotes environmental responsibility and encourages the development and diffusion of environmentally friendly technologies.

4. *Anti-Corruption Measures:*

- Our Company code of conduct and employment agreements include mandatory paragraphs highlighting the Company's anti-corruption policy.

5. *Integration into Strategy and Operations:*

- We are seamlessly embedding United Nations Global Compact principles into our organization's operations.

6. *Stakeholder Engagement:*

- Bakhvi 2 LLC actively engages with internal and external stakeholders to foster a collaborative approach to sustainability.
- We seek valuable input from stakeholders in the development and implementation of sustainability initiatives.

7. *Transparency and Reporting:*

- We publicly disclose our goals, targets, and achievements through our website, providing transparency to all interested parties. We are committed to transparency and accountability in all aspects of our environmental responsibility. We take full responsibility for disclosing any fines or penalties related to environmental or ecological violations in our annual report.

8. *Continuous Improvement:*

- We are continually striving for improvement in our social, environmental, and ethical performance.
- Regular reviews and updates of policies and practices are conducted to address emerging challenges.

9. *Capacity Building:*

- Bakhvi 2 LLC offers training and capacity-building programs for employees to enhance their understanding of sustainability issues.
- We actively support suppliers and partners in adopting responsible business practices.

10. *Advocacy and Leadership*

- Our Company actively participates in industry forums and initiatives that promote responsible business practices.

By undertaking these steps, Bakhvi 2 LLC demonstrates a steadfast commitment to responsible and sustainable business practices, contributing to the achievement of the Sustainable Development Goals (SDGs) set forth by the United Nations.

We Are Committed to Protection of Environment

At Bakhvi 2 LLC, we are committed to minimizing environmental impacts and embedding sustainable practices throughout the lifecycle of Bakhvi 2 HPP. As we approach the final phase of construction and prepare for the transition to operations, our environmental policy outlines the principles and objectives guiding our efforts toward responsible development and long-term stewardship:

1. **Compliance:** Ensure full adherence to all applicable environmental laws, regulations, and standards throughout construction into operation
2. **Sustainability Integration:** Embed sustainable practices into all aspects of the plant's design, construction, and forthcoming operations and maintenance, with a focus on minimizing environmental impacts from the outset
3. **Energy Efficiency:** Strive for high energy efficiency by integrating energy-saving technologies and practices, and by leveraging renewable energy sources wherever feasible
4. **Water Resource Management:** Implement measures to reduce water consumption, optimize water usage, and minimize water waste – protecting local water resources, including the Bakhvistskali river
5. **Waste Management:** Reduce waste generation through careful planning, promote reuse and recycling, and ensure the safe handling and disposal of all hazardous and non-hazardous waste streams
6. **Biodiversity Protection:** Safeguard and, where possible, enhance local biodiversity – preserving habitats, protecting aquatic and terrestrial species, and avoiding adverse impacts on flora, fauna, and ecosystems
7. **Stakeholder Engagement:** Foster open, ongoing engagement with local communities and employees to raise awareness of environmental issues and ensure active participation in environmental initiatives
8. **Monitoring and Evaluation:** Continuously monitor and evaluate environmental performance through data collection, impact assessments, and reporting mechanisms aligned with good international practice
9. **Continuous Improvement:** Strengthen environmental management through regular audits, feedback mechanisms, and ongoing training for staff – ensuring a culture of accountability and continuous improvement as we transition into operations

Our Targets

Bakhvi 2 HPP operations are driven by a strong commitment to minimizing resource consumption. Among the things that must be accomplished are the efficient use of water, the optimization of energy usage, the use of sustainable materials, and sustainable relationships with local communities. All our goals are aligned with the Sustainable Development Goals (SDGs), SDG 1 – No Poverty; SDG 3 – Good Health and Well-Being; SDG 4 – Quality Education; SDG 5 – Gender Equality, SDG 6 – Clean Water and Sanitation; SDG 8 – Decent Work and Economic Growth; SDG 9 – Industry, Innovation, and Infrastructure; SDG 10 – Reduced Inequalities; SDG 14 – Life Below Water; SDG 15 – Life on Land;

Our targets for 2024 and corresponding achievements are summarized in the table below:

#	Bakhvi 2 HPP Targets 2024	Link to SDG ¹	Metric Value	Targets set for 2024	Targets achieved in 2024
1.	Number of project affected communities	SDG 1 No Poverty	#	4	4
2.	Number of households in project affected communities	SDG 1 No Poverty	#	171	171
3.	Number of population in project affected communities	SDG 1 No Poverty	#	487	497
4.	Total funds allocated to social projects	SDG 1 No Poverty	\$	\$57000	\$57000
5.	Number of social projects implemented	SDG 1 No Poverty	#	6	6
5.1	Number of social projects focused on the promotion of sports	SDG 3 Good Health and Well-Being	#	1	1
5.2	Number of educational projects implemented	SDG 4 Quality Education	#	2	4
5.3	Number of student beneficiaries reached through educational project	SDG 4 Quality Education	#	35	42

¹ SDG - The Sustainable Development Goals are a set of 17 global agreements set by United Nations, adopted by 193 countries to address and transform the world by 2030.

5.4	Number of local schoolchildren participating in Environmental and Health & Safety Training	SGD 4 Quality Education	#	39	39
5.5	Number of infrastructure projects implemented	SDG 9 Industry, innovation, and infrastructure	#	2	2
5.6	Number of local people with improved access to economic infrastructure	SDG 9 Industry, Innovation, and Infrastructure	#	487	497
5.7	Number of households with access to clean drinking water	SDG 6 Clean Water and Sanitation	#	45	45
5.8	Number of social inclusion projects for persons with disabilities	SDG 10 Reduced Inequalities	#	1	1
5.9	Number of persons with disabilities outreached through support packages	SDG 10 Reduced Inequalities	#	26	28
5.10	Number of social projects aimed at supporting local entrepreneurs through association	SGD 17 Partnership for the goals	#	1	1
6.	Number of full-time employees	SDG 8 Decent work and economic growth	#	56	56
7.	Number of part-time employees	SDG 8 Decent work and economic growth	#	24	24
8.	Number of full-time female employees	SGD 5 Gender equality	#	18	14
9.	Number of part-time female employees	SGD 5 Gender equality	#	9	12
10.	Female Representation in Company Management	SGD 5 Gender equality	#	2	2
11.	Number of women on the Supervisory Board	SGD 5 Gender equality	#	1	1
12.	Geological survey	SGD 9 Industry, innovation, and infrastructure	#	2	2
13.	Number of the aquatic biodiversity ecosystem survey	SDG 14 Life Below Water		3 seasonal Biodiversity survey	3 seasonal Biodiversity survey
14.	Number of biodiversity surveys	SGD 15 Life on land	#	2 seasonal Biodiversity survey	2 seasonal Biodiversity surveys
15.	Funds donated towards reforestation activities	SDG 15 Life on Land	\$	\$1200	\$1200
16.	Number of trees planted	SDG 15 Life on Land	#	65	65

Metrics for Sustainability Performance

Bakhvi 2 LLC is dedicated to clear, transparent sustainability metrics that align with our ESG goals and support continuous improvement. To ensure accountability and meaningful progress, we have defined key performance indicators (KPIs) across our operations. These KPIs are tracked regularly, with annual reviews to assess our progress and adjust our strategy. Our metrics cover the following areas:

- **Water Management and Efficiency**

At Bakhvi 2 HPP, currently in its construction phase and progressing toward operational readiness, is fully committed to responsible water management. Our approach from the outset aligns with sustainable practices and prioritizes the conservation of water resources. During this phase, water is used primarily for domestic needs, as well as for project-related technical purposes such as concrete preparation, operation of the inert material crushing and sorting facility, fire prevention, and surface treatment of construction sites and dust suppression in accordance with the conditions set out in the Environmental permit. Water consumption during 2024 was estimated at approximately 2,520 m³, based on activity-specific projections and operational needs. This figure remained below the projected annual estimate of 2,880 m³/year, reflecting efficient planning, careful resource management, and the company's commitment to responsible water use throughout the construction phase. We continuously track total water consumption, monitor water efficiency, and ensure that any water released back into the environment meets quality standards.

As required by the Environmental Permit, Bakhvi 2 HPP has installed automated gauging stations to monitor the natural flow of the Bakhvistkali River. The station monitor the river's natural flow on a continuous basis, and the results are submitted quarterly to the National Environmental Agency of Georgia. In 2024, the average natural river flow recorded by the gauging stations was approximately 2,38 m³.

Once the HPP becomes operational, this monitoring process will continue to ensure compliance with minimum environmental flow requirements and to safeguard the ecological continuity of the downstream river ecosystem. Monitoring data from the operational phase will also be submitted to the Agency on a quarterly basis. Based on the results, the Agency will determine whether an adjustment or increase in the environmental flow is required.

Water used for technical needs

- Water used for technical needs refer to consumption for construction-related or industrial activities, including the preparation of concrete mortar, operation of machinery such as crashing and sorting equipment, fire prevention measures, and surface treatment of construction sites and access roads during dry weather

Water used for domestic needs

Domestic need refers to the use of water for basic human and household purposes, such as cooking, personal hygiene, laundry, cleaning, and sanitation (including toilets and showers)

Metric	Target 2024	Actual 2024
Water used for domestic needs	2 880 m ³ /year ²	2 520 m ³ /year
Wastewater Quality Compliance	Yes	Yes

- Waste Reduction

We are dedicated to reducing waste generation and managing waste responsibly to minimize our environmental impact. Our waste reduction and treatment initiatives are guided by clear metrics, with targets set to track our progress and ensure continuous improvement.

- Domestic waste Reduction Rate: We monitor the annual decrease in waste generation from operations. By setting reduction targets, we aim to minimize waste output and lessen our environmental footprint.
- As a member of the Association of Extended Producer Responsibility of Georgia³, Bakhvi 2 HPP actively participates in a national initiative to manage and recycle specific materials. This partnership ensures

²the water usage target reflects the indicator agreed upon with the National Environmental Agency in the screening decision (N 184/b) while the actual data represents the actual water consumption

³ Georgia's Extended Producer Responsibility Association, "Wasteless" (<https://wasteless.ge/home/ka>), is a specialized waste management organization that assists companies in transforming their operations to become waste-free, clean, and sustainable, while also raising awareness of waste management practices across

that our waste is integrated into the recycling process under the oversight of the Ministry of Environmental Protection and Agriculture of Georgia. In alignment with Georgia's environmental regulations, the company pays recycling fees in advance, ensuring responsible waste management as outlined by the organic law. Through these initiatives, we work to divert waste from landfills, contributing to a circular economy and upholding our commitment to environmental sustainability.

- **Hazardous Waste Management Treatment Compliance:** We strictly monitor the handling and disposal of hazardous waste, adhering to safe practices to avoid any environmental contamination. We aim for zero incidents of non-compliance with hazardous waste regulations.

Metric	Target 2024	Actual 2024
Domestic Waste Reduction Rate for Bakhvi 2 HPP	131 000 kg/year ⁴	72 000 kg/year
Recycling Rate of specific waste managed by Association of Extended Producer Responsibility	100%	100%
Hazardous Waste Compliance	Yes	Yes

- **Energy Efficiency and Emissions Reduction**

- Bakhvi 2 HPP, currently in the construction phase and transitioning toward full operations, is committed to maximizing future renewable energy output and minimizing greenhouse gas emissions. Our Sustainability and Emissions Reduction Plan already includes tracking direct and indirect emissions from construction-phase activities. Preliminary metrics and practices have already been identified to guide energy efficiency efforts and support emissions reduction objectives during both the construction and future operational phases.
- While Bakhvi 2 HPP is still in the construction phase, current efforts are strategically focused on enabling optimized clean energy generation and building the foundation for sustainable, efficient operations once the plant becomes operational. Bakhvi 2 LLC comprehensively calculates emissions across Scope 1 (Direct Emissions), Scope 2 (Indirect Emissions), and onward from 2024, Scope 3 (Other Indirect Emissions) to provide a clear and accurate picture of its environmental impact.
- Bakhvi 2 LLC is committed to aligning its emission reduction efforts with globally recognized standards to support climate action. As part of this commitment, the company has adopted science-based targets that align with the Paris Agreement's goal to limit global temperature rise to well below 2°C, with efforts to restrict it to 1.5°C. These targets provide a clear, measurable pathway for reducing greenhouse gas (GHG) emissions across Scope 1, Scope 2, and Scope 3 emissions, while highlighting progress in avoided emissions.
- The United Nations Global Compact sessions on Science-Based Targets Initiative (SBTi), enabled the company to proceed with more proficient and accurate calculations of emissions across all scopes, further improving the precision of its reporting and target-setting methodologies.
- Since construction of Bakhvi 2 HPP commenced at the end of 2023, Scope 1, Scope 2, emissions are being tracked and reported. As of 2024, Scope 3 emissions have also been incorporated into the monitoring process to ensure comprehensive coverage of all relevant emission sources throughout the construction phase.
- As Bakhvi 2 HPP transitions to the operational phase, the company has designated the first full year of operation as the baseline year to capture early operational data and has set a target to reduce total GHG emissions by 30% relative to this baseline

Georgia. This initiative is governed by the Waste Management Code, and companies that fail to comply or do not submit the required data to both the association and the official waste management portal (<https://waste.mepa.gov.ge/Login>) may face fines.

⁴ as per the waste management plan agreed (N/6990/01) upon with the Ministry of Environmental Protection and Agriculture

Type Of Data	Q1	Q2	Q3	Q4	Actual '24
Scope 1 (tCo2eq/yr)	273	545	606	625	2049
Scope 2 (tCo2eq/yr)	11	7	6	20	44
Scope 3 (tCo2eq/yr)	60	136	152	124	472
AVOIDED EMISSION (tCo2eq/yr)	N/A	N/A	N/A	N/A	N/A

- Scope 1: Targeting a 30% reduction in direct emissions by 2030, based on the first full year of operations as the baseline
- Scope 2: Targeting a 30% reduction in indirect emissions by 2030, based on the first full year of operations as baseline
- Scope 3: Committed to maintaining indirect emissions at the first full year of operations baseline of by implementing reduction measures where feasible.

For more details on sustainability initiatives and emission reductions, please refer to the company's Sustainability and Emissions Reduction Plan, which is publicly disclosed on the Bakhvi 2 LLC corporate website at bakhvihpp.com

- **Biodiversity and Ecosystem Health**

Bakhvi 2 HPP is dedicated to preserving biodiversity and maintaining ecosystem health. Through regular monitoring and targeted conservation initiatives, we aim to support the local environment and protect the species that rely on it.

- We conduct seasonal surveys, led by third-party professionals, to assess species diversity and track changes in fish populations and macroinvertebrate habitats. This independent monitoring allows us to evaluate the effectiveness of our mitigation measures and helps gauge the overall health of the local ecosystem, enabling us to identify any areas that may need further attention.
- We measure our progress in protecting and enhancing habitats, with a specific focus on areas potentially impacted by our operations. This involves supporting native species and implementing measures to mitigate any adverse effects from plant activities.
- We monitor the effectiveness conservation efforts designed to protect and sustain aquatic biodiversity, ensuring positive impacts on fish and other riverine species.
- Aquatic and riparian biodiversity monitoring results for 2024 are reflected in the table below:

Metric	Target 2024	Actual 2024
Number of fish species identified during monitoring periods in the Bakhvistskali River	1 (exclusively Salmon Trutta)	1
Total number of fish captured during monitoring periods in the Bakhvistskali River	3	3
Total biomass of fish recorded during monitoring periods in the Bakhvistskali River	100 g	157 g
Bakhvistskali river taxonomic diversity of macroinvertebrates: number of orders and families	9/33	9/33

Bakhvi 2 HPP conducts seasonal biodiversity studies, let by qualified third-party specialists, to assess and monitor key biodiversity components. These studies focus on identifying and evaluating local habitats, as well as documenting resident and migratory species of animals, birds, reptiles, and amphibians. The surveys aim to track changes over time and ensure that the project remains aligned with environmental protection and conservation standards.

The table below presents the overall results of the studies conducted in 2024:

Metric	Actual 2024
Number of mammal species identified through the study ⁵	9
Number of mammal species identified, listed in the Georgian Red List	2
Number of bird species identified through the study	19
Number of bird species identified through listed in the Red List	0
Number of reptiles and amphibian species identified through the study ⁶	7
Number of reptile and amphibian species listed in the IUCN and Georgian Red List	2

- **Stakeholder Engagement and Community Impact**

- Bakhvi 2 HPP is committed to meaningful engagement with employees, local communities, and partners to strengthen our environmental and sustainability initiatives. Our approach focuses on building a culture of environmental responsibility, supporting community inclusion, and aligning with our suppliers and partners on sustainability goals.
- We measure employee participation in activities like energy-saving practices, emission reduction efforts, and biodiversity projects. Increasing this engagement helps build a strong culture where all employees contribute to environmental objectives.
- We are committed to engaging with the local community by offering ongoing expertise. Our ESG team is always available to meet with and provide guidance to local residents and government representatives on environmental matters, HPP operations, and health and safety practices. To promote capacity development in these areas, the ESG team also organizes interactive training sessions and educational workshops specifically designed for local youth and school children, fostering environmental awareness and supporting community inclusion.
- In addition, a comprehensive grievance procedure is introduced to the local community and is regularly communicated to ensure awareness. This procedure includes a dynamic grievance mechanism that offers a structured, amicable resolution framework for any issues raised by stakeholders concerning plant operations. For employees, an anonymous grievance box is available, providing a safe way to voice concerns confidentially. Furthermore, a digital channel for submitting grievances is also in place, enhancing accessibility and allowing stakeholders and employees to report concerns conveniently and securely. A request log is also maintained as a separate channel to register all requests, ensuring that no concern goes unrecorded. This multifaceted approach ensures transparency, responsiveness, and mutual respect in all community and employee interactions.
- We work closely with our suppliers and partners to ensure they align with Bakhvi 2 HPP's sustainability standards, creating a reliable approach to environmental responsibility throughout the supply chain.

Metric	Target '24	Actual '24	Target '25
Employee Engagement Rate	100%	100%	100%

⁵ Out of the nine identified species, two — the brown bear (*Ursus arctos*) and the Eurasian otter (*Lutra lutra*) — are listed in the Red List of threatened species.

⁶ Out of the seven species identified, two are included in both the IUCN and Georgian Red Lists: the Caucasian salamander (*Mertensiella caucasica*) and the Caucasian toad (*Bufo verrucosissimus*)

Community Engagement Rate	100%	100%	100%
Suppliers and Partners Participation rate	100%	100%	100%

Reporting and Disclosure

- Data Disclosure on an annual basis: Ensures consistent, comprehensive reporting on all key metrics to the public and stakeholders.
- Annual ESG audits: Tracks successful completion of third-party audits to verify the accuracy and reliability of sustainability data.
- Compliance with SDGs: Evaluates our alignment with the United Nations Sustainable Development Goals, working toward full integration into our operations and strategies.

Metric	Target '24	Actual '24	
Annual Disclosure	Yes	Yes	
Independent Audit Compliance	Yes	Yes	
Progress Towards SDGs	Yes	Yes	

Through these metrics, Bakhvi 2 LLC aims to drive continuous improvement and set a high standard for ESG and in particular environmental performance in the renewable energy sector. Regular assessments and updates help us stay at the forefront of best practices, reinforcing our commitment to responsible and transparent operations.

Task Force on Climate-Related Financial Disclosures (TCFD) Summary for Bakhvi 2 HPP

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 project 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.

Distribution and Logistics at Bakhvi 2HPP

In our efforts to reduce environmental impacts, Bakhvi 2 LLC at Bakhvi HPP has tailored its distribution and logistics practices to fit the unique context of our operations and surrounding communities. Our approach to sustainable logistics includes the following key actions:

- We carefully plan transport routes to and from Bakhvi 2 HPP, prioritizing local suppliers and vendors wherever possible. By minimizing transport distances, we reduce fuel use and emissions, supporting both environmental goals and the local economy.
- For any materials that require packaging or transportation, we prioritize sustainable options, such as recyclable or reusable materials. This reduces waste generation, particularly in local landfills, which can help alleviate regional waste management challenges.
- We work closely with partners who share our commitment to sustainable practices. Where feasible, we choose providers with eco-friendly fleets or fuel-efficient options, helping lower the carbon footprint associated with our logistical needs.
- To ensure accountability, we regularly track emissions from logistics operations. This helps us identify specific areas for improvement, such as reducing the frequency of trips or choosing lower-emission transport options, with the long-term goal of minimizing greenhouse gas emissions.

Through these efforts, Bakhvi 2 LLC is committed to reducing environmental impact throughout our logistical operations, supporting sustainable practices that are well-suited to our local context and environmental goals.

Due Diligence and Acquisitions at Bakhvi 2 HPP

At Bakhvi 2 LLC (Bakhvi 2 HPP), we integrate environmental due diligence, acquisitions, or partnerships to ensure alignment with our environmental commitments.

Our approach includes:

- We require that any new entity fully integrates with Bakhvi 2 LLC's Environmental and Social Management System (ESMS) and adheres to our sustainability standards. This ensures that our environmental practices and policies are consistently applied across all operations.
- During due diligence, we assess environmental liabilities, such as historical pollution or waste management issues, that could impact our sustainability objectives. This review allows us to proactively address any legacy issues.
- We ensure that all mergers and acquisitions comply with Georgian environmental regulations as well as relevant international standards, preserving Bakhvi 2 LLC's commitment to regulatory adherence and sustainability.
- We work closely with new entities to embed our sustainability values in their operations. This collaborative approach ensures a unified commitment to environmental responsibility across all aspects of our business.

Through these steps, Bakhvi 2 LLC ensures that every professional engagement contributes positively to our sustainability goals, reinforcing our role as a responsible energy producer.

Roles and Responsibilities

Each employee on every hierarchical level within the Bakhvi 2 HPP plays a vital role in implementing and enhancing the policy.

Team collaboration, clear communication, and a commitment to the policy's goals are essential for the overall success of the environmental goals set by hydropower plant.

Supervisory Board:

1. Affirms approval, oversight, and review of Environmental and Social Management System (ESMS)
2. Affirms approval, oversight, and review of Environmental and Social Action Plan (ESAP)
3. Affirms annual approval, oversight, and review of the Environmental Policy
4. Encourages Company executive management to sign the policy statement
5. Provided with the regular reporting on policy implementation during meetings with the Supervisory Board

6. Emphasizes that the environmental policy is approved and overseen by the Supervisory Board or executive management
7. Highlights commitment to periodic reviews and updates

Company Director:

1. Approves the revised Environmental and Social Management System (ESMS) since revision
2. Approves the revised Environmental and Social Action Plan (ESAP)
3. Approves the revised Environmental policy since revision
4. Appoints an ESG Manager to oversee environmental initiatives
5. Support the ESG manager in terms of the implementation of an Environmental and Social Management System (ESMS) and Environmental and Social Action Plan (ESAP)
6. Allocates necessary resources for policy implementation and environmental targets
7. Ensures visible commitment from executive leadership

ESG Manager:

1. Develop and implement Environmental and Social Management System (ESMS) and Environmental and Social Action Plan (ESAP)
2. Develop and implement Environmental policy
3. Collaborate with technical team to align with environmental objectives
4. Monitors and reports on environmental performance
5. Liaises with regulatory bodies and stakeholders
6. Sets clear, measurable environmental objectives and reviews them regularly
7. Conducts regular training sessions and implements programs to enhance environmental stewardship understanding

Technical and Maintenance Teams:

1. Follows environmental procedures and guidelines daily
2. Reports on environmental incidents or concerns promptly
3. Participates in environmental training programs and ensures compliance

Public Relations Manager:

1. Prepare ESG-focused press-releases
2. Coordinate media relations around ESG topics
3. Monitor ESG trends and media coverage
4. Collaborate with ESG team
5. Prepare spokespeople for ESG communications
6. Support ESG reporting and disclosure
7. Ensure message consistency across channels

Coverage of this Environmental Policy

At the core of our policy to sustainability and responsible energy production, the Bakhvi HPP upholds a comprehensive Environmental Policy that encompasses various facets of our operations and supply chain. We recognize that the impact of our activities extends beyond the confines of our plant, influencing the environment and communities around us.

The Bakhvi 2 HPP is steadfast in its dedication to environmental stewardship, and our Environmental Policy comprehensively covers varieties of our operations, supply chain, corporate processes, facilities, and the entire lifecycle of our products and services. In our day-to-day operations, we prioritize the implementation of environmentally conscious practices. This includes the efficient utilization of water resources, waste

management, pollution prevention, and the integration of eco-friendly technologies to minimize our ecological footprint.

Our commitment extends beyond the physical boundaries of the plant, influencing every party involved in our supply chain. Collaborating with suppliers who share our environmental ethos, we ensure that the materials used for maintenance and operation align with sustainable standards, promoting a holistic approach to environmental responsibility.

Corporate processes are integral to our commitment, with our policy actively guiding decision-making at every level. We incorporate environmental considerations into strategic planning, resource allocation, and risk management, fostering a corporate culture that values sustainability. Our business facilities are designed and managed to meet high environmental standards, incorporating energy-efficient systems, waste reduction measures, and eco-friendly infrastructure. In offering products and services, we emphasize clean and sustainable energy solutions, contributing to a global transition to a low-carbon future. We continually strive for innovation in our operations, seeking ways to improve energy efficiency, reduce emissions, and enhance the overall sustainability of our energy production. Regular reviews, audits, and assessments ensure that our environmental performance aligns with evolving best practices.

We engage with our local communities, seeking feedback, addressing concerns, and actively participating in environmental conservation initiatives.

Our commitment to the environment is a fundamental aspect of our identity and an integral part of our responsibility. The Bakhvi 2 HPP is intent on its mission to synchronize energy production with environmental preservation.

By integrating environmental considerations into both our operations and supply chain, the Bakhvi 2 HPP is dedicated to being a responsible custodian of the environment while providing clean and sustainable energy for generations to come.

This policy reflects our commitment to balancing the demands of energy production with the preservation and enhancement of our natural surroundings.

External Monitoring

Bakhvi 2 LLC undergoes regular ESG monitoring by the Caucasus Clean Energy Holding (the “Holding”). This process ensures timely identification of any deviations and effective follow-up on corrective actions. Through this process planned and undertaken by the Holding, the company ensures that its commitment to sustainability and responsible business practices remains transparent and aligned with investors’ standards and expectations.

Acknowledging the growing significance of sustainable business practices, investors have taken a proactive step and allocated an ESG external consultant for the additional monitoring of the HPP.

The primary objective of the ESG external consultant is to monitor the Company’s ESG performance and its alignment with Financial Corporation (IFC) and The European Investment Bank (EIB) environmental and social standards.

Environmental Policy Annual Revision Process

Aligned with internationally recognized ESG practices and standards, our Company undertakes a comprehensive review of Environmental Policy 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 Environmental Policy uploaded onto the company's webpage, while the previous version remains accessible on the website in the archive folder.