Bakhvi HPP

EXTERNAL ENVIRONMENTAL, SOCIAL, AND GOVERNANCE AUDIT REPORT

Bakhvi 2 LLC

The Bakhvi 2 Hydropower Plant

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Prepared for: Bakhvi 2 LLC

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Acronyms and Abbreviations

Acronym/Abbreviation	Definition
CCEH	Caucasus Clean Energy Holding
DEI	Diversity, Equity, and Inclusion
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ERM	Enterprise Risk Management
EPR	Extended Producer Responsibility
ESG	Environmental, Social, and Governance
ESAP	Environmental and Social Action Plan
ESMS	Environmental and Social Management System
EU	European Union
GHG	Greenhouse Gas
GREDA	Georgian Renewable Energy Development Association
GRI	Global Reporting Initiative
HPP	Hydropower Plant
Holding	Caucasus Clean Energy Holding
H&S	Health and Safety
HSE	Health, Safety, and Environment
HRDD	Human Rights Due Diligence
IFC	International Finance Corporation
ILO	International Labor Organization
ISO	International Organization for Standardization
IUCN	International Union for Conservation of Nature
JSC	Joint-stock Company
LLC	Limited Liability Company
MoEPA	Ministry of Environmental Protection and Agriculture of Georgia
MW	Megawatt
NDCs	Nationally Determined Contributions
NEA	National Environmental Agency
OHS	Occupational Health and Safety
Project	Construction of Bakhvi 2 HPP (Bakhvi 2a and Bakhvi 2b)
SDG	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
ToR	Terms of Reference
UN	United Nations
UNGC	United Nations Global Compact

1 Executive Summary

This Executive Summary presents the key findings and conclusions of the external Environmental, Social, and Governance (ESG) audit of Bakhvi 2 LLC for 2025, representing the final stage of construction of the Bakhvi 2 Hydropower Plant (HPP) located in Ozurgeti Municipality, Guria Region, Georgia.

Commissioned voluntarily by Bakhvi 2 LLC, the audit reflects the Company's commitment to transparency, accountability, continuous improvement, and alignment with internationally recognized ESG standards and Good International Industry Practice (GIIP). The assessment was conducted by an independent ESG consultant and evaluated the Company's ESG performance against applicable Georgian legal and regulatory requirements and relevant international frameworks, including the IFC Performance Standards (2012), EIB Environmental and Social Standards (2022), the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD), and the principles of the United Nations Global Compact (UNGC).

The audit assessed the Company's ESG performance across four core areas: (i) governance and risk management; (ii) environmental performance and climate management; (iii) social responsibility, labour practices, and human rights; and (iv) ESG disclosure, transparency, and stakeholder engagement. The following sections summarize the key assessment findings, compliance verification results, and notable strengths and good practices identified during the audit.

1.1 Overview of ESG Audit Objectives

The primary objective of the ESG audit was to provide an independent, evidence-based assessment of Bakhvi 2 LLC's environmental, social, and governance performance, management arrangements, and implementation practices during 2025, representing the final stage of construction of Bakhvi 2 HPP. The audit evaluated the Company's capacity to identify, manage, monitor, and disclose ESG-related risks, impacts, and opportunities associated with the implementation of the Bakhvi 2 HPP Project, which comprises two medium-sized run-of-the-river hydropower plants, Bakhvi 2a and Bakhvi 2b HPPs, located on the Bakhvistskali River, while also assessing the Company's preparedness for the transition from construction to operations.

The assessment focused on the following key objectives:

Governance and Risk Management – Assess the effectiveness of governance structures, ESG oversight arrangements, ethical business conduct mechanisms, enterprise risk management processes, compliance management systems, and ESG integration within contractor and supply chain management.

Environmental Performance and Climate Management – Evaluate environmental management arrangements, biodiversity conservation measures, climate-related governance and risk management practices, greenhouse gas emissions management, resource efficiency initiatives, pollution prevention controls, waste and hazardous materials management, and compliance with environmental permit conditions and regulatory requirements.

Social Responsibility and Labour Practices – Review labour and working conditions, occupational health and safety performance, stakeholder engagement processes, grievance management mechanisms, human rights commitments, employee welfare arrangements, diversity and inclusion practices, and community engagement and social investment initiatives.

SDG Disclosure, Transparency and Accountability – Assess the quality, completeness, consistency, and transparency of ESG-related reporting and public disclosures, including alignment with relevant reporting frameworks and disclosure approaches such as GRI, TCFD, SDGs, and the UN Global Compact.

Identification of Strengths and Good Practices – Identify notable strengths, voluntary initiatives, and good practices demonstrating ESG performance extending beyond compliance requirements and contributing to long-term environmental, social, and governance value creation.

The audit findings provide an independent evaluation of the Company's ESG performance against applicable Georgian legal requirements and relevant international standards and expectations. The assessment is intended to support informed decision-making by management and stakeholders, reinforce confidence in the Company's ESG performance and disclosures, and provide assurance regarding the effectiveness of ESG arrangements established during the construction phase and their readiness to support future operations.

1.2 Key Assessment Outcomes

The ESG audit confirmed that Bakhvi 2 LLC has established a mature and effective ESG management framework, broadly aligned with the relevant requirements and expectations of the IFC Performance Standards, EIB Environmental and Social Standards, the principles of the UNGC, and Good International Industry Practice, while maintaining compliance with applicable Georgian legal and regulatory requirements. ESG considerations were effectively integrated into governance arrangements, management systems, Project implementation processes, stakeholder engagement mechanisms, environmental and social monitoring programmes, and ESG reporting and disclosure practices in 2025.

The assessment identified a high degree of ESG maturity across governance, environmental, and social performance areas. Overall, the Company demonstrated a structured and well-established ESG framework, supported by regular monitoring, internal oversight, stakeholder engagement, and alignment with applicable national legislation and international standards.

At the same time, the assessment acknowledges that one regulatory non-compliance matter was recorded in 2025 following an inspection by the State Sub-Agency Department of Environmental Supervision. The matter related to the commencement of operation of certain Project facilities, including the concrete batching plant and construction camp, before the required screening decisions had been obtained. As a result, fines totaling GEL 7,000 (USD 2,580) were imposed. The relevant screening documentation was subsequently submitted and approved by the competent authority, thereby resolving the regulatory issue. Following the fine, the Company implemented corrective actions by strengthening internal coordination between its technical and ESG teams, improving oversight of screening and permitting requirements, and reinforcing compliance checks to prevent recurrence.

Taking into account the implemented corrective measures and the overall maturity of the Company's ESG management system, the audit did not identify any material gaps, significant deficiencies, or findings requiring further management action. Accordingly, no further recommendations are proposed. Based on the assessment findings, Bakhvi 2 LLC is considered well positioned to maintain outstanding environmental, social, and governance performance during commissioning and future operations.

Beyond compliance, the assessment identified a number of notable strengths and good practices, including mature governance and oversight arrangements, proactive planning for the transition to operations, strong environmental stewardship, meaningful and award-recognized stakeholder engagement, climate-related governance, enhanced transparency and accountability, workforce well-being, and strategic social investment. Collectively, these practices demonstrate the Company's commitment to sustainability, continuous improvement, and responsible business conduct beyond compliance obligations, while contributing to long-term environmental and social value creation and strengthening the Company's social license to operate.

1.2.1 Governance and Risk Management

The assessment confirmed that Bakhvi 2 LLC maintained a mature and effective governance framework during the final stage of construction of Bakhvi 2 HPP, with ESG considerations integrated into governance, risk management, compliance oversight, strategic decision-making, and preparation for commissioning and future operation. The Supervisory Board exercised active oversight of ESG performance, Project implementation, stakeholder engagement, climate-related risks, occupational health and safety, and key environmental and social matters through regular reporting and review processes.

The Company maintained a formal Enterprise Risk Management framework integrated with its Environmental and Social Management System, Environmental and Social Action Plan, annual double materiality assessment, grievance and whistleblowing mechanisms, compliance tracking, and corrective action procedures. Governance was further supported by comprehensive policies and procedures covering environmental and social management, labour and working conditions, Health and Safety, biodiversity, ethical conduct, emergency preparedness, supply chain management, information security, and regulatory compliance.

A key strength was the Company's active ESG oversight and contractor management. Dedicated ESG, environmental, H&S, and community liaison resources, regular inspections, weekly coordination with Holding's ESG Manager and Sustainability Lead, compliance reviews, and corrective action tracking, supported effective implementation of Project commitments. Transparent ESG reporting, independent ESG audit carried out by CCEH's external international ESG consultant, participation in the United Nations Global Compact and Georgian Renewable Energy Development Association (GREDA), and evidence-based materiality assessment further strengthened accountability and alignment with good international industry practice.

The assessment also noted one regulatory enforcement case recorded in 2025 in relation to screening requirements for certain Project components. The matter was regulatory in nature and was not associated with environmental pollution or damage. It was resolved following the subsequent approval of the required screening documentation and was further addressed through internal review, strengthened coordination between the technical and ESG teams, improved permitting oversight, and reinforced compliance checks to prevent recurrence.

Overall, the governance and risk management framework demonstrated a high degree of maturity, accountability, transparency, operational readiness, and continual improvement. No material ethical breaches, corruption cases, labour rights violations, discrimination or harassment cases, child or forced labour incidents, whistleblower reports, or Code of Conduct violations were identified in 2025. The arrangements reviewed were broadly aligned with the relevant expectations of the IFC Performance Standards, EIB Environmental and Social Standards, UN Global Compact principles, and Good International Industry Practice.

1.2.2 Environmental Performance

The audit confirmed a high level of environmental management maturity and stewardship within Bakhvi 2 LLC during the final stage of construction of Bakhvi 2 HPP. Environmental performance was underpinned by a comprehensive Environmental and Social Management System, Environmental and Social Action Plan, Environmental Monitoring Plan and Waste Management Plan approved by the National Environmental Agency (NEA), qualified third-party monitoring and systematic implementation of environmental commitments.

The Company maintained strong environmental control across water extraction and discharge, pollution prevention, erosion management, waste and wastewater management, resource efficiency, and ecological restoration. In 2025, Bakhvi 2 LLC prepared 20 environmental and biodiversity monitoring reports covering aquatic ecology, terrestrial biodiversity, geology, vibration, air quality, noise, and water quality. Of these, 12 reports or consolidated reporting packages were submitted to the NEA in accordance with the applicable reporting schedule. The difference reflects the fact that certain monitoring reports are prepared quarterly but submitted to the NEA on an annual, consolidated basis. The findings indicated that construction-related impacts remained localized, within acceptable limits, and effectively managed through the Project's mitigation and monitoring measures.

Waste management arrangements were structured, traceable, and supported by segregation, labelling, designated storage, licensed waste transfer, routine inspections, and toolbox talks. Participation in Wasteless, Georgia's Extended Producer Responsibility Association, further strengthened recycling, resource recovery, and waste compliance practices.

Biodiversity management remained a standout area of environmental performance. Third-party biodiversity surveys, camera-trap monitoring, artificial shelter monitoring, and seasonal aquatic ecosystem surveys of the Bakhvistskali River confirmed that no significant adverse impacts on terrestrial or aquatic biodiversity were identified. Third-party monitoring also confirmed that Project activities remained within the approved footprint and that no Project-related impacts on the biodiversity values of adjacent Guria National Park were identified in 2025. Ongoing coordination with the Park Administration further supports continued alignment with the Park's conservation objectives.

The Company also demonstrated a forward-looking approach to climate stewardship and resource efficiency through reuse of treated wastewater, reuse of excavated materials for road upgrades and embankment stabilization, voluntary disclosure of Scope 1, Scope 2, and Scope 3 greenhouse gas emissions, and climate-related planning for future low-carbon operations. Tree planting and hydroseeding of approximately 7 hectares further supported soil stabilization, erosion control, habitat recovery, and climate resilience.

Overall, environmental performance was characterized by proactive stewardship, independent assurance, strong biodiversity governance, effective waste and pollution control, transparent reporting, resource efficiency, and ecological restoration. The arrangements reviewed were broadly aligned with the relevant expectations of the IFC Performance Standards, EIB Environmental and Social Standards, UN Global Compact principles, TCFD principles, and Good International Industry Practice.

1.2.3 Social Responsibility

The audit confirmed that Bakhvi 2 LLC maintained a mature and proactive social management framework during the final stage of construction of Bakhvi 2 HPP, covering labour and human rights, occupational and community health and safety, diversity and inclusion, stakeholder engagement, grievance management, workforce transition, contractor oversight, supply chain responsibility, workforce development, and community investment.

The Company demonstrated strong labour and human rights performance through written employment arrangements, age verification, fair working conditions, worker welfare measures, accessible grievance and whistleblowing channels. Workforce transition was managed through an Employee Retrenchment Plan in a transparent, non-discriminatory, and legally compliant manner. No child labour, forced labour, human trafficking, discrimination, harassment, human rights violations, or labour-related grievances were identified in 2025.

Occupational health, safety, worker well-being, and skills development remained strong. Dedicated H&S resources, an on-site doctor, trained first aiders, area-based supervision, bi-weekly risk assessments, emergency preparedness, and systematic incident reporting supported a strong safety culture. In 2025, 59 H&S trainings, 77 Toolbox Talks, and 83 inductions were conducted, covering 320 individuals. This figure includes all persons who entered the Project area, including regular workers, short-term workers engaged for a single day, visitors, and other temporary entrants. only minor incidents were recorded and no fatalities, permanent disabilities, or major safety incidents occurred. Staff development was further supported through competency-building activities, co-financing of external training, and AI awareness training.

The Company also demonstrated strong inclusive employment and responsible supply chain practices. Local residents represented approximately 45% of the workforce, supporting local economic participation, skills transfer, and longer-term employability. Women's participation was reflected through 22 full-time female employees, two women in management positions, and a female representation at Supervisory Board level. Supplier and contractor expectations were reinforced through the Supplier Code of Conduct, covering labour rights, ethical conduct, H&S, environmental responsibility, non-discrimination, and legal compliance.

Stakeholder engagement and social investment represented outstanding and exemplary areas of performance. Bakhvi 2 LLC maintained transparent and continuous communication with 171 households and approximately 500 residents across the project-affected communities through door-to-door meetings, monthly newsletters, media outreach, video stories, and Advisory Council meetings. The award-recognized Environmental and Social Advisory Council provided an independent and trusted platform for dialogue, transparency, and accountability. No formal grievances were recorded in 2025. Two concerns raised through protest actions - one relating to road maintenance and the other to retrenchment - were managed through the established stakeholder engagement system and resolved through appropriate response measures to the satisfaction of the concerned stakeholders.

It was subsequently clarified that responsibility for substantial road maintenance works falls within the mandate of the municipality, while the Company's involvement was limited to levelling and graveling the road, which it had already been carrying out prior to the protest. The Company also received 24 stakeholder requests, 62% of which were accommodated, while the remaining requests were not fulfilled on justified grounds, with the reasons communicated to the relevant stakeholders. Requests that were not approved mainly related to activities outside the scope of the Company's social program, such as financing excursions, the purchase of library curtains, and financing participation in a concerts.

In 2025, the Company continued implementing social initiatives identified through a community needs assessment conducted before the commencement of construction and reflected in the original memorandum agreed with the local community in 2021. The memorandum covered seven key commitments, including the promotion of local employment, support for Mtispiri Public School and kindergarten, tuition assistance for graduates of Mtispiri Public School enrolled in environmental or engineering programmes, development of the local water supply system, and support for persons with special needs. These initiatives directly benefited approximately 400 individuals, while monthly assistance was provided to 33 persons with special needs and local employment and skills transfer were actively promoted. Separately, the Company subsequently agreed to establish a GEL 135,000 (USD 50,000) Sustainable Community Investment Fund to support future community-driven initiatives. Positive feedback from project-affected community members further confirmed that the Company's engagement and social investment generated recognized and practical benefits.

Overall, social performance was characterized by strong labour and human rights safeguards, proactive H&S management, inclusive local employment, workforce development, responsible supply chain practices, transparent workforce transition, exemplary stakeholder engagement, responsive grievance and request management, and strategic social investment. The arrangements reviewed were broadly aligned with the relevant expectations of the IFC Performance Standards, EIB Environmental and Social Standards, UN Global Compact principles, relevant ILO principles, and Good International Industry Practice.

1.3 Key Strength and Good Practice Identified

The audit confirmed that Bakhvi 2 LLC has established mature and well-structured ESG systems aligned with international standards and good international industry practice. Notable strengths identified during the assessment include:

#	Key Strength	Basis for Recognition
1	**Mature ESG Governance with Board-Level Oversight**	The Company maintained a mature and well-integrated ESG governance framework that embedded environmental, social, health and safety, climate, stakeholder, contractor, and compliance considerations into strategic and operational decision-making. Active Supervisory Board oversight, clearly assigned responsibilities, dedicated ESG resources, and regular management reporting created a strong accountability chain from governance level to site implementation during the final stage of construction of Bakhvi 2 HPP.
2	**Transparent ESG Reporting and Public Disclosure**	The Company publicly disclosed its ESG Report, stakeholder engagement activities, and relevant environmental, climate, and governance policies and plans. In 2025, it also submitted its first UN Global Compact Communication on Progress, demonstrating transparency, accountability, and alignment with international sustainability commitments.
3	**Operational ESMS and Corrective Action Discipline**	The Company's Environmental and Social Management System was actively implemented in practice and not limited to documented procedures. ESG risks and commitments were planned, implemented, monitored, reviewed, and followed up through the Plan-Do-Check-Act model, supported by inspections, reporting, corrective action tracking, and management review. This demonstrates a functional

		ESG management culture and strong discipline in addressing identified issues.
4	**Sustained ESG Capacity and Contractor/Supply Chain Control**	The Company maintained adequate ESG, environmental, social, community liaison, and health and safety capacity during the final stage of construction, with dedicated personnel. Supplier performance was managed through clear ESG expectations, Supplier Code of Conduct requirements, contractual controls, inspections, compliance checks, reporting, and corrective action follow-up. These arrangements extended ESG, labour, H&S, environmental, human rights, and anti-corruption controls beyond the Company's direct workforce.
5	**Strong Readiness for Transition from Construction to Operation**	Recognizing the changing ESG risk profile as the Project moves from construction to commissioning and operation, the Company proactively adapted its management framework through updated operational ESMS arrangements, environmental and water management planning, biodiversity monitoring continuity, climate and net-zero planning, information security measures, workforce transition arrangements, and product stewardship. This demonstrates that ESG management is being carried forward into the future operating model of the Project.
6	**Technically Robust Biodiversity and Environmental Monitoring System**	The Company maintained a strong, evidence-based biodiversity and environmental monitoring system in 2025, supported by 20 environmental surveys conducted by qualified third-party specialists. Monitoring covered terrestrial and aquatic biodiversity, avifauna, geology, vibration, air quality, noise, and surface water quality, including two seasonal biodiversity surveys and three seasonal aquatic surveys of the Bakhvistskali River. The results confirmed stable ecological conditions, with no significant adverse impacts identified, while tree planting and hydroseeding of approximately 7 hectares of disturbed areas demonstrated proactive restoration and habitat recovery.
7	**Structured Waste Management and Pollution Prevention Controls**	Guided by the NEA-approved Waste Management Plan, the Company maintained a traceable and prevention-focused waste management system covering waste segregation, labelling, transfer to licensed service providers, hazardous waste controls, and contractor oversight. In 2025, the Company demonstrated robust pollution prevention and regulatory control by reducing domestic waste generation by 36,000 kg and hazardous waste generation by 430 kg compared with 2024, while achieving 100% recycling of specific waste streams covered by the Extended Producer Responsibility system.
8	**Robust H&S Surveillance and Incident Learning Culture**	The Company maintained strong H&S surveillance through dedicated H&S personnel, sectional site supervision, regular inspections, bi-weekly risk assessments, emergency preparedness, and documented incident management. In 2025, the system was reinforced by 59 trainings, 77 Toolbox Talks, and 83 inductions. All 12 recorded H&S incidents were registered, investigated, and followed by corrective and preventive actions, with no fatalities or permanent disabilities, demonstrating effective preventive controls and a mature incident-learning culture.
9	**Effective Labour, Human Rights, and DEI Preventive Controls**	The Company translated labour, human rights, and diversity commitments into practice through formal policies, Codes of Conduct, grievance and whistleblower mechanisms, age verification, written employment contracts, contractor oversight, workforce monitoring, and non-discrimination requirements. No cases of child labour, forced labour, human trafficking, discrimination, harassment,

		gender-based violence, or DEI-related grievances were identified in 2025, indicating effective implementation of preventive controls.
10	**Accessible Community Grievance and Request Mechanism**	The Company maintained an accessible and functional grievance and request mechanism throughout the construction period, enabling community members to raise concerns, submit requests, and receive formal responses through established channels. In 2025, the mechanism recorded 24 community requests, of which 15 (62%) were fulfilled, including road rehabilitation works, temporary provision of equipment, continued support for kindergarten internet services, and financial support for a local athlete. The mechanism also supported timely review and dialogue in response to protest cases, demonstrating effective social risk management and responsiveness to community concerns.

Additional voluntary initiatives and forward-looking management practices further reinforce Bakhvi 2 LLC's position as a responsible and sustainability-oriented renewable energy developer:

#	Initiative	Description
1	**Voluntary External ESG Assurance**	The Company's decision to subject its ESG performance to independent external review, despite the absence of a legal requirement, demonstrates a strong commitment to transparency, accountability, and continuous improvement. By seeking independent verification against IFC and EIB requirements, Bakhvi 2 LLC strengthened stakeholder confidence in the credibility of its ESG disclosures, performance data, and management practices
2	**External ESG Leadership and Collaborative Learning**	The Company's participation in sustainability and sector platforms, including GREDA, Wasteless, the United Nations Global Compact and relevant accelerator programs, reflects a proactive approach to ESG maturity. By seeking external perspectives, benchmarking against emerging good practice, and translating international commitments into internal policies and practices, the Company strengthened its responsible business conduct and continual improvement culture.
3	**Advisory Council as an Exemplary Accountability Platform**	The Environmental and Social Advisory Council represents one of the strongest engagement practices identified by the audit. Recognized in 2025 through the UN Global Compact Georgia SDG Award under SDG 16 Peace, Justice, and Strong Institutions, the Council provided a trusted platform for stakeholder participation and dialogue. Its independent, diverse, and gender-balanced composition, together with regular meetings, site-level exposure, and direct communication of public concerns, created a credible bridge between the Company and wider stakeholders.
4	**Transparency Through Communication, Not Only Reporting**	The Company's transparency practice extended beyond annual ESG reporting. In 2025, it maintained regular communication with affected communities through direct engagement, monthly newsletters, public disclosures, printed materials, media engagement, press releases, and video stories. The distribution of 1,000 newspapers, publication of 44 press releases, production of seven video stories, and a media event with 13 journalists demonstrate a strong and practical approach to stakeholder communication.
5	**Needs-Based Social Investment with Demonstrated Delivery**	The Company's social programs were designed around identified community needs and delivered through measurable actions rather than general commitments. In 2025, the Company implemented five social projects and reached project-affected communities covering 171 households and approximately 500 residents. Importantly,

		commitments communicated to communities during the Project initiation and planning stages were translated into concrete actions, reported on, and communicated back to stakeholders, demonstrating a strong accountability culture.
6	**Sustainable Community Investment Fund for Continued Local Development**	The establishment of a Sustainable Community Investment Fund, with GEL 135,000 (USD 50,000) to be accumulated for future social programs, is a forward-looking good practice. It shows that the Company's community support is not limited to the construction period, but is intended to continue during the transition to operation and respond to local priorities over time.
7	**Local Employment as Income Support and Skills Development**	The Company used local employment as a practical community development tool. In 2025, approximately 45% of the workforce consisted of local residents. Beyond income generation, local employment supported practical skills development, safety awareness, environmental responsibility, and future employability in a rural project-affected area.
8	**Gender Representation in a Male-Dominated Sector**	The Company demonstrated positive progress on gender inclusion within the hydropower construction context. In 2025, it exceeded its target for full-time female employees, reaching 22 women against a target of 19. Women were also represented in decision-making roles, including two women in management positions and one woman on the Supervisory Board. This shows that gender inclusion was reflected not only in workforce participation, but also in governance and management.
9	**Youth and Education as Long-Term Community Value Creation**	The Company's investment in education and youth development is a strong good practice because it creates benefits beyond the Project lifecycle. Environmental education, renewable energy awareness, career orientation, student-led initiatives, and financial assistance for higher education helped strengthen local human capital and connect community development with sustainable energy and environmental stewardship.
10	**Voluntary GHG Accounting, Disclosure and Verification**	The Company's voluntary quantification, disclosure, and independent verification of greenhouse gas emissions represents a strong climate governance practice. Although GHG accounting is not required under Georgian legislation, the Company systematically tracked Scope 1, Scope 2, and Scope 3 emissions associated with construction-phase activities. The disclosed emissions data were independently assessed as part of the External ESG Audit, strengthening the credibility and reliability of the Company's climate-related disclosures.
11	**Climate Leadership through Decarbonization Planning**	The Company demonstrated a forward-looking approach to climate management through the Climate Strategy, Sustainability and Emissions Reduction Plan, and Net-Zero Transition Plan. These instruments provide a structured basis for managing climate-related risks, reducing emissions during future operations, establishing an operational emissions baseline, targeting a 30% reduction by 2030, and achieving net-zero emissions by 2050.

1.4 Final Conclusion

The ESG audit confirmed that Bakhvi 2 LLC has established a mature and effective ESG management framework broadly aligned with the IFC Performance Standards, the EIB Environmental and Social Standards, and the principles of the UN Global Compact. No material gaps, significant deficiencies, or findings requiring further management action were identified.

Overall, the assessment confirmed the Company's strong ESG performance and its commitment to sustainability, transparency, and responsible business conduct throughout the final stage of construction of Bakhvi 2 HPP.

2 Introduction

2.1 Brief Overview of Bakhvi 2 LLC and Bakhvi 2 Hydropower Plant

Bakhvi 2 LLC (the "Company") is a limited liability company established in Georgia to develop, construct, and operate the Bakhvi 2 (Bakhvi 2A and Bakhvi 2B) Hydropower Plants in Ozurgeti Municipality, Guria Region, Georgia.

The Company's development is supported by investments from Caucasus Clean Energy Holding (CCEH), the Austrian Investment Fund ILAG, and other sector-specific investors from Austria and Georgia. Through CCEH, the Project benefits from financing by leading international financial institutions, including the European Investment Bank (EIB), the Dutch Development Bank (FMO), and the Austrian Development Bank (OeEB). ILAG holds a diversified investment portfolio across several Western economies. The Company's shareholder structure in 2025 is presented below:

Company's Shareholder	Ownership Share
C-C-E-H Hydro VII LLC	56.67%
Joint Stock Company Industrieliegenschaftenverwaltung (ILAG)	37.32%
Hans Holding LLC	1.99%
Ing. Werner Panhauser	1.99%
Taras Nizharadze	1.99%

The Bakhvi 2 HPP Project is located on the Bakhvistskali River, near the village of Ukanava, and consists of two run-of-river hydropower plants: Bakhvi 2a and Bakhvi 2b. The scheme is being developed between elevations of approximately 1,378 m and 506 m above sea level. As a run-of-river hydropower plant, it is designed to generate renewable electricity using the natural river flow, without the creation of a large storage reservoir.

The Bakhvi 2 HPP Project includes the following main components:

Component	Description
Bakhvi 2a HPP	11.6 MW installed capacity; design flow rate of 4.6 m^3/s; total head of approximately 312 m; projected annual generation of 45.5 GWh.
Bakhvi 2b HPP	23.8 MW installed capacity; design flow rate of 5.3 m^3/s; total head of approximately 550 m; estimated annual generation of 92.8 GWh.
Main infrastructure	Headworks structures, pressure pipeline systems, and above-ground powerhouse buildings with mechanical, electrical, and control equipment.

Pre-construction activities for the Project commenced in 2021 and included baseline studies, technical and environmental surveys, permitting-related assessments, design development, stakeholder engagement, and other preparatory activities required to support project planning and regulatory compliance. Direct construction activities started in 2023 and continued throughout the period covered by this ESG audit, from 1 January to 31 December 2025.

During 2025, construction activities continued across the Project area. The first half of the year was characterized by active construction and major engineering works, while the second half increasingly focused on installation, assembly, system integration, and completion of remaining works prior to commissioning.

As a run-of-river hydropower development, Bakhvi 2 HPP forms part of Georgia's renewable energy infrastructure. The Project has been developed in accordance with national permitting requirements, including environmental and social obligations established through the Environmental and Social Impact Assessment process, as well as international investor standards and financing requirements.

2.2 Purpose and Scope of the External ESG Audit

The purpose of the External ESG Audit is to provide an independent assessment of Bakhvi 2 LLC's environmental, social, and governance performance during the final stage of the construction of the Bakhvi 2 HPP in 2025, with a focus on the adequacy of management systems, implementation practices, monitoring arrangements, compliance management processes, stakeholder engagement mechanisms, and disclosure practices applicable to the construction phase of the Project.

The audit was undertaken to evaluate Bakhvi 2 LLC's performance against the requirements and expectations of the IFC Performance Standards, the EIB Environmental and Social Standards, alignment with the UNGC Ten Principles, particularly in the areas of human rights, labour, environment, and anti-corruption, Good International Industry Practice, and relevant national legislation, as applicable to the Company's activities during the construction of Bakhvi 2 HPP. The applicable IFC Performance Standards, EIB Environmental and Social Standards, and UNGC Principles considered within the scope of the audit are presented in Tables 1, 2, and 3, respectively. The assessment is intended to support management review, identify areas of good practice and improvement, and inform stakeholders regarding the Company's ESG performance and level of alignment with applicable international standards.

The audit scope covers Bakhvi 2 LLC's ESG-related policies, plans, procedures, management systems, monitoring data, implementation records, and public disclosures relevant to the development and construction of Bakhvi 2 HPP in Ozurgeti Municipality, Georgia, during 2025. The audit is limited to the construction phase of the Project and does not assess pre-development activities, except where existing commitments, permit obligations, management systems, or legacy issues remain relevant to current ESG performance.

As the Turkish Company ESRU was also engaged as the contractor for the construction of Bakhvi 2 HPP, the audit also assessed the effectiveness of the Company's contractor management, supervision, monitoring, and compliance arrangements in relation to environmental, social, occupational health and safety, and governance requirements.

The assessment covers the following areas:

Environmental performance, including GHG emissions management and reporting, climate-related commitments, energy and resource efficiency measures, water quality monitoring, biodiversity protection and monitoring measures, aquatic ecosystem monitoring, geological monitoring, waste and hazardous waste management, pollution prevention and spill control measures, wastewater management, reforestation and habitat restoration initiatives, environmental monitoring and reporting, climate risk and resilience measures, emergency preparedness related to environmental incidents, implementation of environmental commitments and permit conditions, effectiveness of contractor environmental management arrangements, and alignment with applicable environmental standards and ESG commitments;

Social performance, including labour and working conditions, occupational health and safety management, employee training and competency development, emergency preparedness and response arrangements, stakeholder engagement and disclosure practices, grievance management mechanisms for workers and communities, community health and safety considerations, community relations and communication practices, diversity and inclusion measures, gender-related commitments, human rights-related commitments and due diligence processes, contractor workforce management practices, contractor compliance with labour and occupational health and safety requirements, supplier management practices, worker welfare measures, compliance with labour legislation, implementation of social investment programmes, and implementation of social commitments under the Company's environmental and social management framework;

Governance and management systems, including the effectiveness of ESG and H&S management systems, internal governance and oversight arrangements, compliance management, roles and responsibilities, ethical conduct, risk management, contractor management and oversight arrangements, supply chain governance and controls, implementation of the Code of Conduct and Supplier Code of Conduct, whistleblowing and grievance mechanisms, management of ethical breaches, and the Company's governance and ESG-related policy framework, including the ESG Policy, Human Rights Policy, Gender Equity Policy, Information Security Policy, Artificial Intelligence Policy, and other relevant corporate policies and procedures;

ESG reporting and disclosure, including the quality, completeness, consistency, accuracy, and transparency of ESG-related reporting and disclosures; alignment with relevant international reporting approaches and stakeholder expectations, including the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD), the Sustainable Development Goals (SDGs), and the United Nations Global Compact Communication on Progress (CoP) reporting requirements, as applicable; as well as review of publicly disclosed ESG information, ESG-related data management and verification practices, and the reliability of information communicated to investors, regulators, local communities, and other stakeholders.

2.3 Reference Standards and Frameworks

The ESG audit was undertaken with reference to a set of internationally recognized standards, investor requirements, good practice guidance, and applicable national legal and regulatory frameworks. These reference points provided the basis for a structured and independent assessment of Bakhvi 2 LLC's ESG performance during the construction of the Bakhvi 2 HPP in 2025. The assessment considered both mandatory compliance obligations and voluntary commitments relevant to sustainability, transparency, responsible business conduct, and investor expectations.

The audit methodology and evaluation criteria were informed by the following principal standards and frameworks:

IFC Performance Standards on Environmental and Social Sustainability (2012)

The IFC Performance Standards served as a primary benchmark for the assessment of Bakhvi 2 LLC's environmental and social management approach during the construction phase of Bakhvi 2 HPP. The audit considered all standards relevant to the Project's construction activities, with particular focus on environmental and social risk management, labour and working conditions, occupational health and safety, stakeholder engagement, resource efficiency and pollution prevention, community health and safety, biodiversity conservation, and contractor management. Reference is made to Table 1 for a summary of the IFC Performance Standards and their relevance to the audit.

EIB Environmental and Social Standards (2022)

The EIB Environmental and Social Standards were used as an additional reference framework for assessing the Company's management of environmental, climate, social, human rights, and governance-related risks associated with the Project. The audit considered the standards most relevant to the construction phase, including those related to environmental and social management systems, labour and working conditions, stakeholder engagement, biodiversity and ecosystems, climate action, occupational and community health and safety, and governance-related requirements. Reference is made to Table 2 for a summary of the EIB Environmental and Social Standards considered in the audit.

Good International Industry Practice (GIIP)

In addition to formal standards, the audit considered Good International Industry Practice applicable to the development and construction of hydropower projects, including recognized approaches to environmental and social management, pollution prevention, biodiversity protection, occupational health and safety, contractor management, grievance handling, stakeholder engagement, and ESG governance and reporting.

Global Reporting Initiative (GRI)

The GRI framework was used as a reference point in assessing the quality, structure, completeness, and transparency of the Company's ESG disclosures, particularly with respect to materiality assessment, performance reporting, stakeholder communication, and consistency of environmental, social, and governance information.

Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD recommendations were considered in evaluating the Company’s approach to climate governance, climate-related risk and opportunity management, greenhouse gas emissions reporting, climate strategy, and climate-related metrics and targets.

United Nations Global Compact (UNGC) Principles

The Ten Principles of the United Nations Global Compact were considered as a reference framework for assessing the Company's commitments, management systems, and disclosures related to human rights, labour standards, environmental responsibility, and anti-corruption practices. Reference is made to Table 3 for a summary of the UNGC Principles considered in the audit.

Applicable Georgian Legislation and Regulatory Requirements

The audit also considered compliance with applicable national environmental, labour, occupational health and safety, waste management, water management, permitting, and other regulatory requirements relevant to the construction of Bakhvi 2 HPP.

Relevant Energy Community Obligations

Where relevant to the Project’s development and sustainability context, the assessment also considered Georgia’s obligations under the Energy Community framework, particularly in areas related to climate action, environmental governance, renewable energy development, and alignment with broader European sustainability objectives.

Together, these standards and frameworks provided the basis for assessing the adequacy and effectiveness of Bakhvi 2 LLC’s management systems, implementation practices, contractor oversight arrangements, compliance status, and ESG disclosures against international investor expectations, recognized good practice, and applicable domestic requirements.

Table 1. IFC Performance Standards

No	IFC Performance Standards (2012)	Description
1	Assessment and Management of Environmental and Social Risks and Impacts	Establishes the process for identifying, evaluating, and managing environmental and social risks throughout the project lifecycle. It underpins the other standards.
2	Labor and Working Conditions	Protects workers’ rights, ensures safe and healthy working conditions, and promotes fair treatment, non-discrimination, and equal opportunity.
3	Resource Efficiency and Pollution Prevention	Aims to reduce project-related GHG emissions and improve resource efficiency, including energy and water use, and to control pollution.
4	Community Health, Safety, and Security	Addresses potential impacts on communities related to project activities, such as exposure to hazardous materials or infrastructure failure.
5	Land Acquisition and Involuntary Resettlement	Covers compensation, resettlement planning, and livelihood restoration when people are physically or economically displaced by a project.
6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Promotes protection and conservation of biodiversity, especially in sensitive and critical habitats.

7	Indigenous Peoples*	Ensures that projects respect the rights and cultures of Indigenous Peoples, including Free, Prior and Informed Consent (FPIC) where applicable.
8	Cultural Heritage	Safeguards cultural heritage from adverse impacts of project activities, including both tangible and intangible heritage.

***The marked standard does not apply to the Bakhvi 2 HPP, as no indigenous people are recognized or present in Georgia.*

Table 2. EIB Environmental and Social Standards

No	EIB Environmental and Social Standards (2022)	Description
1	Environmental and Social Impacts and Risks	Establishes requirements for assessing and managing environmental and social risks throughout the project lifecycle.
2	Stakeholder Engagement	Emphasizes transparent and continuous engagement with stakeholders, ensuring their concerns are considered in project planning and implementation.
3	Resource Efficiency and Pollution Prevention	Focuses on efficient use of resources and measures to prevent pollution, aligning with sustainable development goals.
4	Biodiversity and Ecosystems	Aims to protect biodiversity and promote the sustainable management of ecosystems affected by EIB-financed projects.
5	Climate Change	Integrates climate change mitigation and adaptation measures into projects to support climate resilience and low-carbon development.
6	Involuntary Resettlement	Ensures fair treatment and compensation for communities displaced by projects, minimizing adverse impacts.
7	Rights and Interests of Vulnerable Groups	Protects the rights and interests of vulnerable groups, including indigenous peoples, and promotes gender equality in project outcomes.
8	Labor Rights and Working Conditions	Upholds fair labor practices, safe working conditions, and non-discrimination in all EIB-financed projects.
9	Health, Safety, and Security	Ensures that projects incorporate measures to protect the health, safety, and security of both workers and the public.
10	Cultural Heritage	Safeguards cultural heritage by assessing and mitigating potential impacts of projects on cultural sites and practices.
11	Intermediated Finance*	Sets requirements for financial intermediaries to manage environmental and social risks in sub-projects they finance.

** The marked standard does not apply to the Bakhvi 2 HPP, as project did not involve financial intermediation arrangements.*

Table 3. United Nations Global Compact Principles

No	Area	UNGC Principles	Relevance to Audit
1	Human Rights	Principles 1-2	Human rights policy commitments, human rights due diligence processes, stakeholder engagement, community relations, grievance mechanisms, and management of human rights risks associated with Project activities and business relationships.
2	Labour	Principles 3-6	Labour and working conditions, freedom of association, non-discrimination and equal opportunity, diversity and inclusion, occupational health and safety, worker welfare, contractor workforce management, and compliance with labour legislation.
3	Environment	Principles 7-9	Environmental management systems, resource efficiency, pollution prevention, GHG emissions management, climate-related risks and opportunities, biodiversity conservation, waste management, water

			resource management, and implementation of environmental commitments.
4	Anti-Corruption	Principle 10	Ethical business conduct, anti-corruption measures, Code of Conduct and Supplier Code of Conduct implementation, whistleblowing and grievance mechanisms, compliance management, and governance controls.

2.4 Audit Objectives and Methodology

The primary objective of the ESG audit is to provide an independent assessment of Bakhvi 2 LLC's ESG performance during the construction of the Bakhvi 2 HPP against applicable international standards, ESG frameworks, investor requirements, and relevant national legal and regulatory requirements. In particular, the audit seeks to:

- assess compliance and alignment with the IFC Performance Standards, the EIB Environmental and Social Standards, the UNGC Ten Principles, GIIP, and applicable Georgian legal and regulatory requirements;
- assess the adequacy and effectiveness of ESG-related policies, management systems, procedures, implementation arrangements, and contractor management and oversight mechanisms;
- evaluate the quality, accuracy, consistency, and transparency of ESG monitoring, reporting, and disclosure practices;
- assess the effectiveness of environmental, social, occupational health and safety, stakeholder engagement, and governance measures implemented during the construction phase of the Project;
- identify areas of good practice, potential gaps, risks, and opportunities for improvement; and
- support the Company's continued enhancement of ESG performance and alignment with recognized ESG frameworks, investor expectations, and stakeholder requirements.

The external ESG audit was conducted between May and June 2026 and covered Bakhvi 2 LLC's ESG performance during the construction of Bakhvi 2 HPP in 2025. The audit was carried out by an independent national expert with relevant experience in ESG compliance, international financial institution requirements, environmental and social management systems, and ESG auditing.

The audit applied a structured, evidence-based methodology comprising review of publicly disclosed and internal documentation, interviews with relevant Company personnel, and verification of implementation evidence. As the audit was conducted as a document-based assessment, no site visit was undertaken. The assessment relied on documentary evidence, monitoring records, registers, reports, photographic documentation, and other supporting information provided by the Company to evaluate consistency, completeness, implementation status, and alignment with applicable ESG requirements.

A customized ESG audit checklist was developed to structure the assessment across the Environmental, Social, and Governance pillars. The checklist served as the primary assessment tool and was aligned with the IFC Performance Standards, EIB Environmental and Social Standards, UNGC Principles, Good International Industry Practice, and relevant national requirements. The checklist defined the assessment criteria, evidence requirements, key lines of inquiry, and reporting structure applied throughout the audit process.

A comprehensive review of documentation was undertaken as part of the audit process. The list of reviewed documents is provided in Annex 2. The review included ESG-related policies, management plans, procedures, monitoring reports, risk assessments, registers, training records, grievance records, contractor management documentation, compliance records, corporate governance documentation, annual ESG reports, and other publicly disclosed and internal information relevant to ESG performance and compliance management. The assessment also considered documentation related to compliance with applicable Georgian legislation and the international standards and frameworks referenced within the scope of the audit. Where applicable, environmental, social, health and safety, and governance performance data supporting key ESG disclosures were reviewed to assess the reliability, consistency, and credibility of reported information.

A structured interview was conducted with the ESG Manager to obtain clarification on the Company's management systems, implementation arrangements, contractor oversight mechanisms, monitoring and reporting processes, compliance management practices, and other key Project-related matters. The information obtained through the interview was used to supplement, corroborate, and validate the documentary evidence reviewed during the assessment.

To strengthen the reliability of the findings, the audit applied a triangulation approach whereby information was cross-checked across multiple sources, including policies and procedures, monitoring records, implementation evidence, interview responses, ESG disclosures, and photographic documentation. This approach enhanced the credibility of the assessment and helped ensure that reported ESG commitments were supported by evidence of implementation.

3 Governance Assessment

This section presents an assessment of the Company’s governance arrangements for overseeing and managing ESG performance during the final stage of the construction of Bakhvi 2 HPP. It reviews the effectiveness of governance structures, decision-making processes, accountability mechanisms, and the integration of material ESG risks and opportunities at Supervisory Board and executive management levels. The assessment is conducted against applicable IFC and EIB requirements and considers alignment with good international industry practice and, where relevant, the principles of the UN Global Compact.

3.1 Governance Structure and Leadership

The assessment confirmed that Bakhvi 2 LLC has established a formal and documented governance framework that provides clear lines of authority, accountability, leadership, and decision-making for the management of the Company and implementation of the Bakhvi 2 HPP Project. The framework is defined through the Corporate Governance Manual and supported by governance policies, organizational arrangements, reporting structures, and delegated authorities.

Bakhvi 2 LLC is a privately owned limited liability company operating within the Caucasus Clean Energy Holding (CCEH) investment platform and is owned by institutional, corporate, and individual investors. Based on the documentation reviewed, no evidence was identified of government ownership, state participation, golden-share arrangements, enhanced voting rights, or veto mechanisms that could compromise objective decision-making or shareholder rights.

The Company operates through a governance structure comprising the General Meeting of Partners, the Supervisory Board, and Management. The General Meeting serves as the highest governing body, while the Supervisory Board provides strategic oversight of corporate governance, financial performance, operations, risk management, ESG performance, and key project risks. The Supervisory Board consists of five members with relevant experience in renewable energy, finance, hydropower development, ESG, legal, and operational matters. ESG expertise is represented at Board level through the participation of the Holding’s ESG Manager and Sustainability Lead.

Day-to-day management is delegated to the Company Director and Management Team, comprising the Director, Technical Director, ESG Manager, and Financial Director. The Corporate Governance Manual clearly defines the responsibilities, reporting lines, and decision-making authority of each governance body. The assessment also confirmed a clear separation between governance oversight and executive management, with no Management Team members serving on the Supervisory Board.

Evidence reviewed, including the Corporate Governance Manual, organizational records, and monthly management reports, confirmed that the governance framework was actively implemented during 2025. The Supervisory Board convened regularly and received updates on project implementation, financial performance, permitting compliance, construction progress, stakeholder engagement, health and safety, ESG performance, and key project risks.

Based on the documentation reviewed, Bakhvi 2 LLC has established and implemented an effective governance framework with clearly defined responsibilities, reporting structures, and decision-making processes. No material conflicts of interest, governance deficiencies, or concerns were identified that could impair the functioning of the Company's governance bodies. Overall, the governance arrangements reviewed were found to be broadly aligned with IFC Performance Standard 1 and EIB Environmental and Social Standard 1 requirements on governance, accountability, oversight, and management of environmental and social risks.

3.2 ESG Oversight and Accountability

The assessment found that Bakhvi 2 LLC has established a structured ESG oversight and accountability framework that embeds environmental, social, health and safety, climate, and stakeholder-related considerations into governance, project management, and decision-making. ESG roles and responsibilities are clearly distributed among the Supervisory Board, Management Team, ESG function, technical personnel, H&S function, Community Liaison Officer, and are supported by formal reporting lines, management systems, performance monitoring, and corrective action processes.

The Corporate Governance Manual formally assigns ESG oversight to the Supervisory Board. Evidence reviewed during the assessment confirmed that ESG matters were regularly reported to and reviewed at Board level throughout 2025. The matters reviewed included environmental and social performance, biodiversity management, occupational and community health and safety, stakeholder engagement, permitting compliance, climate-related issues, construction progress, workforce transition, and key ESG risks linked to the construction and future operation of Bakhvi 2 HPP.

The Company's Environmental and Social Management System serves as the primary framework for managing environmental and social risks and impacts. Implementation of ESG commitments is further supported through the Environmental and Social Action Plan, Environmental Monitoring Plan, Materiality Analysis, grievance and whistleblowing mechanisms, contractor controls, compliance tracking, and corrective action processes. The ESMS is implemented through a Plan-Do-Check-Act continual improvement model, ensuring that ESG risks and commitments are systematically identified and planned, mitigation measures are implemented, performance is monitored and reviewed, and corrective actions are tracked through to completion.

At the management level, ESG responsibilities were embedded within the organizational structure through the Director, ESG Manager, technical personnel, and health and safety function. The assessment further confirmed that the ESG Manager was supported by an ESG Officer, Environmental Engineer, Environmental Officer, and Community Liaison Officer. This allocation of responsibilities provided the Company with dedicated capacity to coordinate third-party monitoring, oversee contractors performance, manage stakeholder engagement, undertake site inspections, and follow up on corrective actions, demonstrating that the ESG framework was supported by appropriate implementation resources.

The assessment also identified strong ESG record keeping as an important element supporting oversight, accountability, and institutional memory. Monthly reports submitted to the Supervisory Board included dedicated sections on ESG performance, compliance status, mitigation measures, stakeholder concerns, occupational and community health and safety performance, and emerging environmental and social risks. ESG and H&S records, environmental monitoring reports, stakeholder engagement records, grievance and request logs, contractor reports, and corrective action records were maintained and used to support monitoring, reporting, and decision-making.

Transparency and accountability are further reinforced through publication of the Annual ESG Report, disclosure of ESG information through the Company's communication channels, implementation of grievance and whistleblowing mechanisms, and independent ESG audits. An independent ESG audit carried out by CCEH's external international ESG consultant in August 2025 provided recommendations that were incorporated into management processes and action plans, demonstrating the Company's commitment to continual improvement. Corrective actions arising from the Environmental Supervision Department's inspection findings were also incorporated into the relevant action plans and followed up through the Company's corrective action tracking process.

The assessment further confirmed regular coordination between the Company's ESG Manager and the Holding's ESG Manager and Sustainability Lead through weekly meetings and ad hoc consultations. ESG expertise at governance level is strengthened through the participation of the Holding's ESG Manager and Sustainability Lead as a member of the Supervisory Board, supporting timely escalation of ESG risks, stakeholder concerns, corrective actions, and sustainability priorities.

In preparation for commissioning and operations, management also oversaw the development and adoption of the ESMS and associated policies and procedures for the next phase of the Project. The Company further strengthened its governance framework through the development of an Artificial Intelligence Policy, supported by personnel training and an Approved AI Tool Register, demonstrating a proactive approach to managing emerging technology-related risks and opportunities.

Based on the documentation reviewed and evidence obtained, Bakhvi 2 LLC has established and implemented an effective, structured, and robust ESG oversight and accountability framework. The assessment confirmed that the Company's ESG arrangements are not limited to documented policies and procedures, but are actively applied in practice through regular reporting, site inspections, contractor oversight, stakeholder engagement, monitoring activities, and corrective action follow-up. Overall, the evidence reviewed demonstrates that ESG commitments are translated into practical management actions and are broadly aligned with IFC Performance Standard 1 and EIB Environmental and Social Standard 1 expectations on governance, accountability, oversight, risk management, monitoring, reporting, and continual improvement.

3.3 Ethical Business Conduct

The assessment confirmed that Bakhvi 2 LLC has established a structured ethical business conduct framework supported by the Code of Conduct, Supplier Code of Conduct, Corporate Human Rights Policy, Compliance Policy, Human Resources Policy, Gender Equity Policy, and procedures for reporting ethical and compliance breaches. These documents set clear requirements on professional conduct, anti-corruption, conflicts of interest, non-discrimination, human rights, labour standards, occupational health and safety, environmental responsibility, and prohibition of child and forced labour.

The framework applies to the Company's workforce, contractors, subcontractors, and suppliers. Ethical, environmental, social, health and safety, and compliance requirements are integrated into contractor and supplier management through contractual obligations, site supervision, and ongoing compliance monitoring. The Supplier Code of Conduct further defines expectations on fair labour practices, business integrity, legal compliance, anti-corruption, environmental responsibility, and responsible business conduct.

The Company also maintains accessible reporting and grievance mechanisms for employees, contractors, communities, and external stakeholders, including confidential and anonymous reporting channels. These mechanisms are designed to support timely reporting, appropriate review of concerns, protection against retaliation, and follow-up of corrective actions where required.

During the final stage of construction in 2025, implementation of ethical business conduct requirements continued through contractor oversight, worker grievance arrangements, site inspections, H&S and environmental monitoring, stakeholder engagement, and supervision of labour and community-related requirements. The ESG Manager, ESG Officer, and Community Liaison Officer, supported day-to-day implementation, communication, and follow-up of concerns.

Based on the documentation reviewed, grievance/request records, and compliance information, no material ethical breaches, corruption cases, labour rights violations, discrimination or harassment cases, child or forced labour incidents, whistleblower reports, or Code of Conduct violations were identified in 2025.

Overall, the assessment confirmed that Bakhvi 2 LLC has established and implemented an effective ethical business conduct framework supported by clear policies, accessible reporting mechanisms, management oversight, contractor accountability measures, and employee awareness arrangements. The framework demonstrates a structured approach to promoting integrity, accountability, transparency, and responsible business conduct across the Company's operations and business relationships, broadly aligned with IFC Performance Standard 1 and EIB Environmental and Social Standard 1 expectations.

3.4 Diversity, Equity, and Inclusion

The assessment confirmed that Bakhvi 2 LLC has established a formal framework for promoting diversity, equity, and inclusion (DEI) and preventing discrimination across governance, workforce management, and business relationships. This framework is supported by the Board Diversity Policy, Human Resources Policy, Corporate Human Rights Policy, Gender Equity Policy, Code of Conduct, and Supplier Code of Conduct. These documents establish clear commitments to non-discrimination, equal opportunity, fair treatment, dignity, respect, prevention of harassment and gender-based violence, and inclusive employment practices.

A key strength identified during the assessment is that DEI considerations are embedded not only at workforce level, but also within the Company's governance arrangements. The Board Diversity Policy requires diversity factors to be considered in Supervisory Board nomination and appointment processes, including professional background, expertise, gender, ethnicity, cultural background, and geographic representation. This demonstrates that the Company's DEI approach extends to the composition and functioning of its highest governance body.

Evidence reviewed during the assessment confirmed that these commitments are reflected in practice. The Supervisory Board consists of five members, including four national members and one international member, with one woman represented on the Board. Board members bring diverse professional backgrounds and expertise, supporting both national and international perspectives at governance level. At management level, two women hold managerial positions, further demonstrating the Company's efforts to support women's participation in decision-making roles. In addition, women accounted for 22 full-time employees at the Project.

The assessment also noted that the involvement of an international subcontractor brings additional international technical expertise to Project implementation, supporting knowledge transfer and alignment with good international industry practice. At workforce and supply chain levels, the Company's policies prohibit discrimination, harassment, unequal treatment, child labour, forced labour, and other practices inconsistent with fair and ethical employment. These expectations are extended to contractors and suppliers through the Supplier Code of Conduct and contractual requirements.

Evidence reviewed, including workforce records, governance documentation, training information, grievance records, and stakeholder engagement records, did not identify any reported cases of discrimination, harassment, gender-based violence, or breaches of the Company's DEI commitments during 2025.

Overall, the assessment confirmed that Bakhvi 2 LLC has established and implemented a strong DEI framework that integrates diversity, equal opportunity, non-discrimination, and inclusive governance across policies, governance arrangements, workforce practices, and supply chain expectations. The arrangements reviewed are broadly aligned with IFC Performance Standard 2, EIB Environmental and Social Standard 8, and the United Nations Global Compact principles relating to equality of opportunity, non-discrimination, human rights, labour standards, and inclusive governance.

3.5 Transparency and Reporting Practices

The assessment confirmed that transparency and reporting represent one of the strongest aspects of Bakhvi 2 LLC's ESG performance. The Company demonstrates a structured and mature approach to transparency, disclosure, and stakeholder communication through annual ESG reporting, public disclosure of ESG-related information, regulatory reporting, and continuous engagement with stakeholders.

The audit confirmed that the ESG performance disclosed in the Annual ESG Report is consistent with the documentation reviewed and supported by evidence obtained during the assessment. The Annual ESG Report serves as the Company's main public disclosure document and is supported by a dedicated Sustainability Reporting Boundaries document. The reporting boundaries define the organizational, operational, geographical, and governance scope of disclosures. Sustainability reporting applies to Bakhvi 2 LLC as the entity responsible for the development of Bakhvi 2 HPP and covers activities under the Company's direct management and control. As the Project remained in the final stage of the construction during 2025, disclosures relate to construction-phase activities and impacts, while also addressing relevant commissioning and future operational considerations. Reporting boundaries are reviewed annually by Management and are subject to Supervisory Board oversight through the Company's governance framework.

The assessment confirmed that the Bakhvi 2 HPP Annual ESG Report 2025 is prepared with reference to recognized international frameworks and standards, including:

(i) **Global Reporting Initiative (GRI)** – covering governance, environmental performance, occupational health and safety, stakeholder engagement, and social responsibility, including disclosures on greenhouse gas emissions, water resource management, waste management, biodiversity, and workforce-related indicators;
(ii) **Task Force on Climate-related Financial Disclosures (TCFD)** – integrating climate-related disclosures across governance, strategy, risk management, and metrics and targets;
(iii) **United Nations Sustainable Development Goals (SDGs)** – aligning ESG objectives, performance indicators, and sustainability initiatives with relevant global development priorities;
(iv) **United Nations Global Compact (UNGC)** – aligning operations with the Ten Principles relating to human rights, labour standards, environmental protection, and anti-corruption;
(v) **Paris Agreement and Georgia's Nationally Determined Contributions (NDCs)** – supporting national climate objectives through climate-related management measures and preparation for future renewable energy generation; and
(vi) **Applicable Georgian legislation and regulatory requirements**, including environmental, labour, occupational health and safety, and waste management obligations.

A notable example of transparency identified during the assessment was the Company's disclosure of regulatory non-compliance and enforcement actions. The 2025 Annual ESG Report publicly disclosed an environmental permitting-related fine, together with the corrective actions undertaken by the Company. This demonstrates a balanced reporting approach that communicates both achievements and compliance challenges.

Transparency is further supported through publication of ESG-related policies, reports, project updates, and monthly community newsletters in both Georgian and English, as well as through stakeholder engagement activities that enable stakeholders to receive information and provide feedback. During 2025, the Company maintained regular contact with project-affected communities, distributed monthly newsletters, published project information through local media, and disclosed updates through the Company's website and other communication channels. Evidence reviewed confirmed that 1,000 newspapers were printed and distributed across the settlements of the project-affected Mtispiri community, reaching 171 households and approximately 500 individuals; 44 press releases were published in regional media; and seven video stories were produced and shared. The Company also organized a dedicated media presentation in Batumi with 13 journalists, where construction progress, environmental and social performance, and community and sustainability programs, and broader renewable energy matters were presented and discussed.

The Company's reporting practices are further strengthened by its participation in the United Nations Global Compact. In May 2024, Bakhvi 2 LLC became a participant of the initiative, committing to integrate the Ten Principles into its business practices across human rights, labour standards, environmental protection, and anti-corruption. In line with the initiative's requirements, the Company prepared and submitted its first Communication on Progress following completion of the initial participation period. This provides an additional layer of public accountability and demonstrates the Company's commitment to transparent reporting against internationally recognized sustainability principles.

A particularly strong example of transparency is the Advisory Council, a unique and independent consultative body established at the Company's initiative in August 2021 and maintained throughout the construction period, including in 2025. The Council is composed of ten representatives from local government, the private sector, and the media, bringing together diverse backgrounds, expertise, age groups, and gender perspectives. In 2025, the

Council maintained a gender-balanced composition of five women and five men. This model reflects the Company's commitment to inclusive dialogue, external participation, and transparent communication with wider stakeholders. Through its quarterly meetings in 2021-2024, Council members acted as ambassadors between the Company and the broader public by communicating Project developments, conveying public perspectives and concerns, and fostering trust and inclusive dialogue. In 2025, two Advisory Council meetings were held. The first meeting took place at the construction camp, enabling Council members to observe construction activities firsthand, assess the Project's environmental and social performance, and verify the implementation of related commitments directly on site, thereby demonstrating a high level of transparency. The second meeting was held in Kutaisi as a summary session, focusing on annual progress, environmental and social performance, workforce developments, and the transition toward completion. The Council's contribution to transparency and stakeholder participation was recognized through a UN Global Compact Georgia Sustainable Development Goal Award under SDG 16: Peace, Justice and Strong Institutions.

Based on the documentation reviewed and evidence obtained during the assessment, Bakhvi 2 LLC demonstrates a mature and well-documented approach to ESG reporting and stakeholder disclosure. Clearly defined reporting boundaries, evidence-based and balanced disclosure practices, comprehensive stakeholder communication, regulatory reporting, and the operation of the Advisory Council reflect a strong commitment to transparency and accountability throughout the Project lifecycle. The arrangements reviewed are broadly aligned with IFC Performance Standard 1 and EIB Environmental and Social Standard 10 and are consistent with the transparency and accountability principles promoted by the UN Global Compact and Global Reporting Initiatives.

3.6 Risk and Crisis Management

The assessment confirmed that Bakhvi 2 LLC has established a formal Enterprise Risk Management framework integrating environmental, social, governance, operational, health and safety, stakeholder, contractor, climate, and emerging operational risks into its management processes. The framework is supported by the ESMS, ESAP, Corporate Governance Manual, Environmental Monitoring Plan, emergency preparedness arrangements, corrective action tracking, and Information Security Policy, and is broadly aligned with IFC Performance Standard 1 and EIB Environmental and Social Standard 1.

During 2025, as the Project moved through the final stage of construction, risk management focused on construction-related risks while progressively incorporating commissioning and future operational considerations. Key risk areas included environmental compliance, biodiversity and aquatic ecosystem protection, slope stability and erosion control, occupational health and safety, subcontractor performance, workforce transition, road and traffic-related community concerns, stakeholder expectations, emergency preparedness, information security, and climate-related risks associated with the mountainous Project setting.

Evidence reviewed confirmed that risks were actively identified, monitored, and managed through Supervisory Board reporting, monthly management reports, ESG and H&S inspections, environmental monitoring, stakeholder feedback analysis, grievance/request records, emergency preparedness activities, and corrective action processes. Stakeholder engagement records and feedback analysis served as a practical risk assessment tool, enabling the Company to identify emerging concerns and respond in a timely manner.

Environmental risk management was underpinned by a comprehensive Environmental Monitoring Plan, supported by approximately 50 procedures, and mitigation measures, as well as a monitoring calendar covering routine, monthly, quarterly, and seasonal activities. A strong example of proactive risk identification was the independent ESG audit carried out by CCEH's external ESG consultant, an internationally recognized expert in biodiversity and environmental management. The audit included site inspections, field observations, and review of environmental management practices, with particular focus on biodiversity monitoring, mitigation measures, restoration activities, and integration of environmental considerations into construction works. The audit recommendations were incorporated into the Company's action plans, supporting timely risk identification, corrective action, and continual improvement.

The Company also implemented preventive environmental measures to reduce site-related risks. Early reinstatement and greening activities, including hydroseeding of approximately 7 hectares within the Bakhvi 2

HPP area and planting activities, were carried out in parallel with construction to stabilize exposed soil, reduce slope erosion, limit sediment runoff, and support gradual rehabilitation of disturbed areas. Biodiversity and protected-area-related risks were further managed through active communication with Guria National Park Management, formally established in 2024, providing an additional mechanism for early risk identification, information exchange, and timely response. In preparation for future operation, the Company also adopted an Information Security Policy addressing information security, personal data protection, and cybersecurity considerations relevant to its evolving operational profile.

The assessment confirmed that crisis management arrangements were tested effectively in practice. Although two stakeholder concerns were raised through protest actions in 2025, both were addressed in a structured and well-coordinated manner. In one case, a local resident’s concern regarding retrenchment was resolved through constructive communication to the satisfaction of the person concerned. In the second case, which related to the condition of a road also used by three other companies operating in the area, the Company responded through community engagement, coordination with Ozurgeti Municipality and the Governor’s Office, interim mitigation measures, and subsequent road improvement works, including the upgrading of approximately 8 km of the central road serving the project-affected community.

Emergency response arrangements, governed by the Emergency Preparedness and Response Plan, incident reporting and investigation procedures, grievance and request handling mechanisms, emergency response drills, and corrective action tracking remained in place. Overall, the evidence reviewed demonstrates a proactive and adaptive approach to risk prevention, crisis response, regulatory compliance, and preparation for commissioning and operation.

3.7 Materiality Assessment

The assessment confirmed that Bakhvi 2 LLC has established a formal and structured Materiality Assessment process to identify, assess, and prioritize ESG topics that may significantly influence the Company’s activities, stakeholder relationships, risk profile, reporting priorities, and long-term value creation. The latest Materiality Analysis was conducted in 2025, publicly disclosed on the Company’s website, and reviewed as part of this audit. The process is subject to annual review and approval by the Supervisory Board to ensure continued alignment with the Company’s strategic priorities, stakeholder expectations, evolving regulatory requirements, and the Project’s transition from construction toward commissioning and future operation.

The Company applies a double materiality approach, evaluating both the impacts of ESG factors on business performance and the Company’s impacts on society and the environment. Material topics are prioritized using a structured methodology that considers business impact, regulatory relevance, stakeholder expectations, sustainability significance, and operational relevance. The assessment also confirmed that stakeholder engagement records, grievance and request data, community feedback, Advisory Council discussions, environmental monitoring results, and independent ESG audit findings are used as practical inputs for identifying and validating material ESG topics.

The 2025 Materiality Analysis identified and prioritized 29 material ESG topics grouped under three dimensions:

- Environmental: Scope 1, Scope 2 and Scope 3 GHG emissions; continuous assessment and monitoring of biodiversity in the HPP impact area; implementation of conditions included in the Environmental Permit and ESAP; construction waste management; soil erosion and sediment control; water use and discharge management; deforestation; and climate risk and infrastructure resilience.
- Social: employment of local labour and fair working conditions; number of employees trained in ESG and H&S; number of workplace-related injuries and accidents; community safety awareness through meetings and capacity-building events; grievance mechanism and community engagement; impacts on local infrastructure and access; number and scope of social projects developed; gender inclusion in the workforce; stakeholder engagement; human rights; workforce transition and retrenchment-related communication; and community expectations during the phase-out of construction activities.
- Governance/Economic: ESMS; ESAP; ESG and Environmental Policies; gender equality mainstreamed at all levels; ESG programming supported by the Supervisory Board; anti-corruption and ethics compliance;

procurement aligned with ESG standards; Supplier Code of Conduct implementation; data collection, monitoring and reporting systems; financial performance and budget control during construction; and preparation of governance systems for commissioning and future operation, including information security and emerging technology-related considerations.

Evidence reviewed during the assessment confirmed that these material topics informed management priorities during 2025. In practice, this was reflected through biodiversity and aquatic ecosystem monitoring, strengthened environmental permit compliance tracking, ESMS and ESAP implementation, construction waste and erosion control measures, GHG emissions monitoring, regular H&S inspections and workforce training, incident reporting and corrective actions, contractor oversight, stakeholder engagement and grievance/request management, Advisory Council activities, social program implementation, phase-out communication, local infrastructure maintenance, and ongoing public disclosure through ESG reporting, newsletters, media communication, and community engagement channels.

The materiality process was also responsive to the specific context of 2025, when Bakhvi 2 HPP moved from intensive construction toward installation, assembly, completion of remaining works, and preparation for commissioning. Accordingly, the assessment confirmed that materiality was not limited to construction-phase impacts, but also considered future operational risks and opportunities, including climate resilience, long-term biodiversity management, aquatic ecosystem protection, water resource management, operational H&S, workforce transition, local community expectations, information security, and continuity of ESG governance arrangements.

The relevance of the identified material priorities was also supported by the independent ESG audit carried out by CCEH’s external ESG consultant, which provided an additional external check on key ESG focus areas and informed the Company’s action planning process. This demonstrates that material ESG topics were not treated as static reporting items, but were subject to review, follow-up, and integration into corrective action and continual improvement processes.

Based on the documentation reviewed and evidence obtained, Bakhvi 2 LLC has established and implemented a mature, evidence-based materiality assessment process. The annual reassessment of material topics, public disclosure, Supervisory Board oversight, stakeholder-informed prioritization, and translation of material priorities into management actions demonstrate alignment with IFC Performance Standard 1, EIB Environmental and Social Standard 1, and the transparency and accountability principles of the UN Global Compact.

3.8 Supply Chain Management

The assessment confirmed that Bakhvi 2 LLC has established a structured approach to identifying, assessing, and managing environmental and social risks associated with its suppliers, contractors, and subcontractors. Supply chain due diligence is embedded within the Company’s ESG Policy, Human Rights Due Diligence process, ESMS, and broader ESG governance arrangements. The importance of responsible procurement is further evidenced by the inclusion of procurement aligned with ESG standards among the material topics identified under the Governance/Economic pillar of the Company’s 2025 Materiality Analysis, indicating that supply chain management is recognized as a priority ESG issue requiring ongoing oversight and management attention.

The Company requires suppliers and contractors to comply with its Supplier Code of Conduct, which establishes expectations relating to environmental protection, labour rights, occupational health and safety, non-discrimination, ethical business conduct, anti-corruption, and compliance with applicable legal and ESG requirements. By embedding the Supplier Code of Conduct within procurement and contracting processes, the Company establishes clear contractual obligations and promotes awareness of ESG expectations across its supply chain.

During 2025, as Bakhvi 2 HPP moved through the final stage of construction, the Company relied on both national and international suppliers. Local suppliers provided commonly used construction materials and services, while specialized hydropower equipment, including pressure pipelines and key mechanical and electrical components, was sourced from international manufacturers. Procurement activities were therefore managed with consideration of operational efficiency, technical requirements, responsible sourcing, and ESG compliance.

Evidence reviewed confirmed that supply chain management was implemented in practice through supplier screening, review of permits and licences, verification of legal compliance, assessment of technical qualifications, contractor supervision, site inspections, incident reporting, and corrective action follow-up. Subcontractor environmental, social, health and safety performance was monitored throughout construction, and corrective measures were implemented where incidents or non-conformities were identified, including additional toolbox talks, strengthened supervision, revised procedures, and enhanced control measures.

The assessment also identified a positive contribution to local economic participation. Wherever technically and economically feasible, the Company procured food products, household supplies, transportation services, equipment repair, logistics, camp-related support, and other services from local residents and small businesses in surrounding communities. This supported local economic development while also helping to reduce unnecessary transport distances, an issue of increased relevance following the Company's ongoing monitoring of Scope 3 GHG emissions in 2025.

Based on the documentation reviewed and evidence obtained, Bakhvi 2 LLC has established and implemented effective processes to identify, assess, and manage environmental and social risks within its project supply chain. The combination of supplier due diligence, Supplier Code of Conduct requirements, contractual controls, contractor oversight, compliance verification, corrective action follow-up, and support for local procurement demonstrates a structured and responsible approach to supply chain management. The arrangements reviewed are broadly aligned with IFC Performance Standards 1 and 2, EIB Environmental and Social Standards 1 and 8, and the human rights, labour, environmental, and anti-corruption principles of the UN Global Compact.

3.9 Membership in Associations and ESG Commitments

The assessment confirmed that Bakhvi 2 LLC maintains active participation in relevant industry associations, sustainability initiatives, and responsible business platforms that support the Company's ESG objectives, strengthen governance arrangements, and promote alignment with international good practice.

Evidence reviewed confirmed that the Company is a member of the Georgian Renewable Energy Development Association (GREDA), which provides a platform for sector-level dialogue on renewable energy development, regulatory improvements, environmental and energy policy, and sustainable energy transition. The Company's engagement with GREDA supports awareness of emerging sector trends, regulatory developments, and good industry practice. GREDA's participation in the 2025 stakeholder and media engagement event in Batumi further demonstrated the relevance of this engagement to broader sectoral dialogue and stakeholder communication.

The assessment further confirmed that Bakhvi 2 LLC has been a participant of the United Nations Global Compact since May 2024. Through this commitment, the Company aligns its business practices with the Ten Principles covering human rights, labour standards, environmental protection, and anti-corruption. The Company also prepared and submitted its first Communication on Progress following the initial participation period, strengthening public accountability and transparent sustainability reporting.

Evidence of active engagement beyond formal participation was also identified. During 2025, the Company's ESG Officer, subsequently promoted to ESG Manager in 2026, participated in several UNGC capacity-building and accelerator programmes, including the Target Gender Equality Accelerator, the Women's Empowerment Principles, and the Business and Human Rights Accelerator Programme. These initiatives supported the further development of the Company's approach to human rights due diligence, gender equality, stakeholder engagement, ESG governance, and responsible business conduct.

The Company also maintains membership in Georgia's Extended Producer Responsibility Association, Wasteless. Through this arrangement, Bakhvi 2 LLC supports the collection, recycling, and environmentally sound management of relevant waste streams, including electrical and electronic equipment, oils and lubricants, tires, batteries, and accumulators. This demonstrates compliance with national Extended Producer Responsibility obligations and supports responsible waste management and circular economy principles.

Evidence reviewed confirmed that these memberships are not limited to formal participation, but are reflected in internal ESG practices, including policy development, human rights due diligence, ESG reporting, responsible procurement, waste management controls, and participation in sustainability-related capacity-building activities. Overall, Bakhvi 2 LLC demonstrates a proactive approach to external ESG commitments, contributing to continuous improvement, regulatory awareness, transparent reporting, and alignment with IFC, EIB, and UN Global Compact expectations.

3.10 Sustainability and Alignment with SDGs

Based on the documentation reviewed, evidence obtained during the audit, and performance demonstrated throughout 2025, Bakhvi 2 LLC exhibits a strong and mature level of sustainability performance for a hydropower project at the final stage of construction. The assessment confirmed that sustainability is not treated as a parallel reporting function, but is embedded as a core part of the Company’s governance, risk management, environmental stewardship, stakeholder engagement, workforce management, supply chain oversight, and preparation for future operation.

Particularly noteworthy is the Company’s ability to maintain strong environmental and social performance during the final stage of construction. During this period, Bakhvi 2 LLC strengthened its management systems, proactively prepared for the operational phase, implemented structured workforce retrenchment arrangements, maintained active stakeholder engagement, and continued investing in local communities and biodiversity enhancement. As part of its preparations for operation, the Company developed a Product Stewardship Program establishing a framework for managing and communicating the environmental, social, and governance attributes of the renewable electricity to be generated by Bakhvi 2 HPP. The Program reflects a forward-looking approach to responsible renewable energy generation and supports the integration of sustainability considerations throughout the operational lifecycle.

Of particular note is the Company’s investment in education and human capital development, including environmental education, renewable energy awareness, career orientation programmes for local schoolchildren, support for student-led environmental initiatives, and financial assistance for higher education in fields relevant to sustainable development. These initiatives demonstrate a commitment to creating long-term social value that extends beyond the Project lifecycle.

The Company also demonstrated strong social sustainability through structured support to vulnerable groups, promotion of local and female employment within a traditionally male-dominated sector, and broad achievement of the ESG targets established for 2025. The Company further promoted sustainable local workforce development by providing on-the-job training, practical experience, and opportunities for employees from local communities to strengthen their technical and professional skills, thereby supporting longer-term employability and local capacity.

Importantly, Bakhvi 2 LLC initiated the establishment of a Sustainable Community Investment Fund, with GEL 135,000 (USD 50,000) to be accumulated for future social programmes prioritizing the needs of local communities within the project-affected area. This fund provides a forward-looking mechanism for supporting community-driven initiatives beyond construction-period commitments and reinforces the Company’s long-term partnership approach as the HPP transitions toward operation.

Environmental sustainability was particularly evident in the Company’s biodiversity management approach. Comprehensive biodiversity actions extended beyond mitigation toward ecological restoration, including hydroseeding of approximately 7 hectares of disturbed areas, monitoring of artificial shelters installed for use by local fauna, camera-trap monitoring, aquatic ecosystem surveys, and continued monitoring of species of conservation interest. Active communication with Guria National Park Management further demonstrated the Company’s commitment to ensuring that Project implementation remains compatible with the Park’s conservation objectives and the broader ecological integrity of the area.

Sustainability considerations were embedded in supply chain and procurement practices by raising supplier awareness of the Company's ESG requirements through the Supplier Code of Conduct, which sets expectations regarding fair labour practices, anti-corruption, non-discrimination, environmental responsibility, and legal compliance.

The Company's approach reflects a practical and forward-looking model of responsible hydropower development, translating sustainability principles into measurable actions and long-term value for local communities, ecosystems, suppliers, workers, and future renewable energy users.

For 2025, Bakhvi 2 LLC demonstrated direct SDG alignment through the following target-based results:

- **SDG 1 – No Poverty:** The Project maintained engagement with four project-affected communities, covering 171 households and approximately 500 residents. Five social projects were implemented, and social investment reached USD 68,500, exceeding the annual target.
- **SDG 3 – Good Health and Well-being:** One sports-related social project was implemented;
- **SDG 4 – Quality Education:** Two educational projects were implemented as planned. Educational activities supported environmental awareness, renewable energy knowledge, career orientation, and student-led environmental initiatives. Although the number of student beneficiaries reached 32 against a target of 35, the programme was implemented and formally concluded through a structured phase-out process.
- **SDG 5 – Gender Equality:** The Company exceeded its target for full-time female employees, achieving 22 against a target of 19. It also maintained two women in management positions and one female Supervisory Board member.
- **SDG 8 – Decent Work and Economic Growth:** Employment targets were achieved, with 226 employees at peak construction and 159 employees at year-end.
- **SDG 9 – Industry, Innovation and Infrastructure:** The Company implemented one infrastructure project as planned and reached 497 local people with improved access to economic infrastructure, exceeding the target of 487. Geological monitoring was also implemented as planned, supporting infrastructure resilience and risk-informed management.
- **SDG 10 – Reduced Inequalities:** The Company implemented one social inclusion project for persons with special needs and reached 33 persons with special needs through support packages, exceeding the target of 28.
- **SDG 14 – Life Below Water:** Three seasonal aquatic biodiversity surveys were conducted, supporting continued monitoring of the Bakhvistskali River, aquatic habitats, fish populations, and macroinvertebrate communities.
- **SDG 15 – Life on Land:** Two seasonal biodiversity surveys were conducted as planned, supported by camera-trap monitoring, artificial habitat monitoring, species observations, and restoration activities, including hydroseeding of disturbed areas.

In addition to KPI-based targets, the audit identified broader alignment with other SDGs through operational practices and management systems:

- **SDG 6 – Clean Water and Sanitation:** Through water discharge monitoring, wastewater treatment, quarterly wastewater quality testing by an authorized laboratory, responsible water use, and the Water Management Plan developed for the operational phase.
- **SDG 7 – Affordable and Clean Energy:** Through the development of two run-of-river hydropower plants with a combined installed capacity of 35.4 MW and projected average annual electricity generation of 138.3 GWh, contributing to Georgia's renewable energy generation and energy security objectives.
- **SDG 12 – Responsible Consumption and Production:** Through NEA-approved waste management arrangements, waste segregation and traceability, use of licensed waste management providers, participation in Wasteless under the Extended Producer Responsibility system, reuse of excavated spoil for engineering purposes, reuse of treated batching plant water, and monitoring of resource consumption.
- **SDG 13 – Climate Action:** Through climate risk assessment, integration of climate-related risks into governance and risk management, monitoring and disclosure of Scope 1, Scope 2, and Scope 3 emissions,

development of the Climate Strategy, Sustainability and Emissions Reduction Plan, and Net-Zero Transition Plan, and commitment to establish an operational emissions baseline after commissioning.
- **SDG 16 – Peace, Justice and Strong Institutions:** Through transparent governance arrangements, Supervisory Board oversight, public ESG reporting, grievance and whistleblower mechanisms, stakeholder engagement, and the functioning of the Environmental and Social Advisory Council as an independent platform for dialogue and accountability.
- **SDG 17 – Partnerships for the Goals:** Through cooperation with local authorities, educational institutions, community representatives, qualified third-party specialists, environmental consultants, waste management providers, industry associations, Guria National Park Management, and participation in the United Nations Global Compact.

Overall, the assessment confirmed that Bakhvi 2 LLC demonstrates a structured, evidence-based, and credible approach to sustainability and SDG integration. The Company translated global sustainability principles into measurable targets, practical management actions, transparent reporting, and tangible environmental and social outcomes. The results achieved in 2025 show that sustainability is a core operating principle of Bakhvi 2 LLC and a defining feature of the Project’s transition from construction toward operation. In professional judgement, the Company’s approach reflects responsible hydropower development and contributes to sustainable development at the local, regional, and national levels.

4 Environmental Assessment

This section assesses the effectiveness of the environmental management arrangements established for the Bakhvi 2 HPP Project during the final stage of the construction. It examines whether the Company’s environmental management systems, procedures, and oversight mechanisms provided a robust basis for identifying and managing material environmental risks and impacts, implementing environmental commitments, and ensuring compliance with applicable legal, permit, and investor requirements. The assessment is undertaken against the relevant requirements and expectations of the IFC Performance Standards and EIB Environmental and Social Standards and, where relevant, considers consistency with the environmental principles of the United Nations Global Compact.

4.1 Environmental Management Framework and Regulatory Compliance

Bakhvi 2 LLC operates under a structured Environmental Management Framework designed to ensure compliance with national environmental legislation, Environmental Decision requirements, and the relevant expectations of the IFC Performance Standards and EIB Environmental and Social Standards. The framework provided a systematic basis for identifying, assessing, monitoring, and managing the environmental risks and impacts associated with the construction of Bakhvi 2 HPP.

Environmental management was implemented through the Company’s Environmental and Social Management System and supported by a suite of plans, procedures, and monitoring arrangements, including the Environmental and Social Action Plan, NEA-approved Environmental Monitoring Plan, Biodiversity Action Plan, Pollution Prevention Implementation Plan, NEA-approved Waste Management Plan, Water Management Plan, Climate Strategy, Sustainability and Emissions Reduction Plan, Net-Zero Transition Plan, and associated registers and logs reviewed during the audit.

The ESAP functioned as a live management tool consolidating environmental commitments arising from the ESIA, Environmental Decision requirements, monitoring obligations, mitigation measures, audit findings, and corrective actions. Compliance was verified through multiple layers of oversight, including routine inspections undertaken by Company environmental staff, periodic monitoring by independent experts, regulatory reporting, and an independent ESG audit conducted by CCEH’s external ESG consultant in 2025. Findings and recommendations were tracked through the action tracker to ensure timely implementation and closure of corrective actions.

Evidence reviewed during the assessment confirmed that the Company substantially implemented its environmental monitoring and reporting obligations during 2025, including those related to environmental quality, biodiversity, geological stability, water extraction and discharge, pollution prevention, and waste management. Importantly, specialist monitoring activities required under the Environmental Decision, including surface water quality, ambient air quality, noise and vibration monitoring, ichthyological surveys, geological assessments, and terrestrial and aquatic biodiversity surveys, were commissioned directly by the Company and undertaken by independent experts and specialized firms. This arrangement provided an additional degree of independence and assurance over the quality and objectivity of environmental performance data and demonstrates a particularly strong level of owner oversight over environmental compliance. Monitoring results were documented through specialist reports and submitted to the relevant authorities, supporting regulatory transparency and independent verification of compliance.

One regulatory enforcement case was recorded in 2025, resulting in a GEL 7,000 (USD 2,580) fine related to screening requirements for certain Project components, including the construction camp, concrete batching plant. The matter was regulatory in nature and was not associated with significant environmental pollution or damage. The required screening documentation was subsequently approved by the competent authority, thereby resolving the issue within the same year. The Company also implemented corrective measures, including strengthened coordination between the technical and ESG teams, improved oversight of screening and permitting requirements, and reinforced compliance checks to prevent recurrence.

Recognizing that 2025 represented the final stage of construction, Bakhvi 2 LLC also developed the ESMS and associated environmental management procedures intended to govern the commissioning and operational phases of Bakhvi 2 HPP, including climate-related planning instruments such as the Net-Zero Transition Plan.

Overall, the audit confirms that Bakhvi 2 LLC has established a mature and effective environmental management framework characterized by clearly defined responsibilities, active contractor oversight, structured monitoring systems, independent specialist review, and systematic compliance management. In professional judgement, the framework provided a robust basis for managing construction-phase environmental risks and impacts and demonstrates broad alignment with IFC Performance Standards 1, 3 and 6, and EIB Environmental and Social Standard 1, while also being consistent with the environmental stewardship principles of the UN Global Compact.

4.2 Energy Consumption, Efficiency and Resource Optimization

The assessment confirmed that Bakhvi 2 LLC established appropriate arrangements for monitoring and managing energy consumption and promoting resource efficiency during the construction phase of Bakhvi 2 HPP. Energy consumption data, including electricity and fuel use by the Company were systematically collected, consolidated, and documented through the Company's greenhouse gas accounting processes. This information formed part of the environmental performance monitoring framework and was used to quantify and disclose Scope 1, Scope 2, and Scope 3 emissions.

Evidence reviewed during the assessment confirmed that practical and proportionate measures were implemented to optimize energy use and minimize unnecessary consumption. The construction campsite and associated facilities were connected to the electricity grid, reducing reliance on diesel-powered generation. Diesel generators were maintained primarily for contingency purposes and used only during electricity outages. Electricity and diesel consumption were monitored and recorded. The Company implemented energy-efficiency measures, including LED lighting and awareness initiatives encouraging personnel to switch off lighting, heating, and electrical equipment when not in use.

Resource efficiency principles were also integrated into construction practices. Treated wastewater from the batching plant operations was reused within the production process, reducing freshwater demand and promoting closed-loop water management. In addition, excavated spoil material was reused for engineering purposes, including backfilling and slope stabilization, thereby reducing the need for raw materials and minimizing waste generation. These measures demonstrate the application of practical resource optimization and circular economy principles during Project implementation.

Recognizing that 2025 represented the final stage of construction of Bakhvi 2 HPP, the Company integrated energy efficiency, resource optimization, and climate considerations into longer-term planning through the

Sustainability and Emissions Reduction Plan, Climate Strategy, Net-Zero Transition Plan, and Water Management Plan developed for the operational phase. These instruments establish the strategic framework for future emissions reduction, sustainable water resource management, resource optimization, and continual improvement of environmental performance throughout the operational lifecycle of the Project.

Overall, the audit confirmed that Bakhvi 2 LLC adopted a systematic and forward-looking approach to energy and resource management during the construction phase. While opportunities for energy optimization are inherently more limited during construction than during operation, the arrangements reviewed demonstrate that energy consumption was effectively monitored, practical efficiency measures were implemented, and resource optimization principles were actively applied. This establishes a sound foundation for future operational performance. The approach was found to be broadly aligned with IFC Performance Standard 3, EIB Environmental and Social Standard 3, and the environmental stewardship principles of the United Nations Global Compact.

4.3 Climate Risk Management and GHG Emissions Reduction

The assessment confirmed that Bakhvi 2 LLC has established a structured approach to climate risk management and greenhouse gas emissions reduction, proportionate to the Project's final stage of construction and aligned with evolving international good practice. Climate considerations were integrated into the Company's broader ESG framework through the Climate Strategy, Sustainability and Emissions Reduction Plan, and Net-Zero Transition Plan, which together provide the basis for managing climate-related risks, emissions, and future operational resilience.

The Company identified and assessed climate-related physical risks relevant to the Bakhvi 2 HPP Project, particularly in view of its mountainous setting and dependence on hydrological conditions. Key risks considered include changes in precipitation patterns, increased flood intensity and frequency, hydrological variability, erosion, landslides, slope instability, sedimentation, and potential impacts on infrastructure resilience and ecological flow management. The Climate Strategy also considered longer-term climate projections for Guria and assessed potential implications for the Bakhvistskali River hydrological regime and future electricity generation from Bakhvi 2a and Bakhvi 2b HPPs.

Evidence reviewed confirmed that climate-related risks are integrated into the Company's governance and risk management arrangements. Oversight is provided by the Supervisory Board, while implementation responsibilities are assigned to Executive Management, the ESG Manager, and technical teams. Climate-related risks and opportunities are addressed through environmental monitoring, hydrological flow monitoring, slope stabilization and erosion control measures, sediment management, biodiversity monitoring, infrastructure resilience planning, and adaptive operational planning for the commissioning and operational phases.

The assessment further confirmed that Bakhvi 2 LLC systematically quantified and disclosed greenhouse gas emissions associated with construction-phase activities. Scope 1, Scope 2, and Scope 3 emissions were tracked through structured data collection, including fuel consumption records, electricity use, logistics, business travel, supply chain activities, and operational support vehicles. Emissions data were monitored during the year and consolidated for ESG reporting. Importantly, GHG accounting was undertaken on a voluntary basis, exceeding applicable national regulatory requirements. The methodology, supporting calculations, and reported emissions data were independently assessed as part of this External ESG Audit, providing additional assurance regarding the completeness and reliability of the Company's climate-related disclosures.

For 2025, the Company disclosed the following greenhouse gas emissions:

- Scope 1 emissions: 2,138 tCO_2eq/year;
- Scope 2 emissions: 55 tCO_2eq/year;
- Scope 3 emissions: 314 tCO_2eq/year;
- Avoided emissions: not applicable during the construction phase, as the hydropower facility had not yet commenced electricity generation.

Bakhvi 2 LLC also established forward-looking emissions reduction commitments for the operational phase. The Company plans to establish the first full operational year as the baseline for future emissions reduction targets. Following establishment of this baseline, the Company intends to update its emissions trajectory, define annual reduction targets, reduce emissions by 30% by 2030 relative to the operational baseline, and achieve net-zero greenhouse gas emissions by 2050. These commitments are formalized through the Sustainability and Emissions Reduction Plan and Net-Zero Transition Plan and are aligned with Georgia's Nationally Determined Contribution, the objectives of the Paris Agreement, and international climate reporting practices.

The Net-Zero Transition Plan also defines implementation measures for maintaining a low-emissions operational profile, including optimization of hydropower generation efficiency, reduction of auxiliary energy use, minimization of residual fuel use, integration of emissions considerations into procurement and contractor management, continued Scope 1, Scope 2, and Scope 3 emissions tracking, and future disclosure of avoided emissions once the HPP becomes operational.

Overall, the audit confirmed that Bakhvi 2 LLC has adopted a proactive and forward-looking approach to climate risk management and GHG emissions reduction. The integration of climate risks into governance and environmental management, voluntary GHG accounting, independently reviewed emissions disclosure, and clear operational-phase decarbonization commitments provide a strong foundation for climate resilience and low-emissions performance throughout the future operational lifecycle of Bakhvi 2 HPP. The approach is broadly aligned with IFC Performance Standards 1 and 3, EIB Environmental and Social Standards 1 and 3, TCFD principles, and the environmental stewardship principles of the United Nations Global Compact.

4.4 Climate-Related Financial Disclosures (TCFD Alignment Assessment)

The assessment confirmed that Bakhvi 2 LLC has integrated climate-related considerations into its governance, risk management, and strategic planning processes in a manner substantially aligned with the core recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Although TCFD-aligned reporting is not required under Georgian legislation, the Company has voluntarily developed and publicly disclosed climate-related documents and management tools that support transparency and informed decision-making.

Governance: Climate-related risks and opportunities are overseen through the Company's ESG governance arrangements and broader risk management framework. The Supervisory Board receives updates on material ESG matters, while the ESG Manager coordinates the implementation of climate-related initiatives and works across relevant functions to address issues related to water resources, emissions management, environmental compliance, climate resilience, and adaptation planning.

Strategy: The Company demonstrates a forward-looking approach to climate resilience through the publicly disclosed Climate Change Risk Management (CCRM) Study, Climate Strategy, Sustainability and Emissions Reduction Plan, and Net-Zero Transition Plan. The CCRM assessment applies a scenario-based approach using the RCP 6.0 scenario for the period 2040-2059 to evaluate potential impacts of climate change on hydrology, infrastructure resilience, biodiversity, water resources, and future operational performance. The assessment identifies projected changes in temperature, precipitation patterns, river flows, and flood frequency and informs adaptation measures integrated into Project planning.

Risk Management: Climate-related risks are incorporated into the Company's broader risk management processes through climate risk assessments, materiality assessments, environmental monitoring, and periodic risk reviews. The assessment confirmed that physical climate risks relevant to the mountainous setting of Bakhvi 2 HPP are linked to specific mitigation and adaptation measures, including enhanced hydrological monitoring, environmental flow management, flood preparedness, slope stabilization, erosion control, biodiversity monitoring, and adaptive management practices aimed at strengthening long-term infrastructure resilience.

Metrics and Targets: The Company voluntarily monitors and discloses climate-related performance indicators, including Scope 1, Scope 2, and, Scope 3 greenhouse gas emissions. The Sustainability and Emissions Reduction Plan establishes emissions monitoring and reduction commitments aligned with Georgia's broader decarbonization objectives, while the Net-Zero Transition Plan sets a long-term ambition of achieving net-zero emissions by 2050. The methodology, supporting calculations, and reported emissions data were reviewed and verified as part of this External ESG Audit, providing additional assurance regarding the reliability of climate-related disclosures.

Disclosure: Climate-related risks, targets, mitigation measures, and performance indicators are publicly disclosed through the Annual ESG Report and supporting climate documents available on the Company's website, including the Climate Change Risk Management Study, Climate Strategy, Sustainability and Emissions Reduction Plan, and Net-Zero Transition Plan. This level of transparency exceeds applicable national regulatory requirements and demonstrates a commitment to voluntary disclosure in line with international good practice.

Overall, the audit confirmed that Bakhvi 2 LLC has progressed beyond a compliance-driven approach to climate reporting by embedding climate considerations into governance, strategy, risk management, performance monitoring, and public disclosure processes. The arrangements reviewed demonstrate substantial alignment with the core recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and reflect a mature and transparent approach to climate-related disclosure and decision-making.

4.5 Biodiversity Management

The assessment confirmed that biodiversity management represents one of the strongest aspects of Bakhvi 2 LLC’s environmental performance during the construction phase of Bakhvi 2 HPP. Biodiversity protection was not limited to formal commitments, but was actively implemented through systematic monitoring, independent third-party specialists’ involvement, daily environmental oversight, targeted mitigation measures, restoration activities, and adaptive management. The arrangements reviewed demonstrate a mature and evidence-based approach to safeguarding terrestrial and aquatic ecosystems, including flora, fauna and avifauna, in a sensitive mountainous environment.

Biodiversity management was supported by the comprehensive Environmental Monitoring Plan agreed with the National Environment Agency under Letter No. 21/8176 of 2023, the requirements of Environmental Decision No. 241/ს issued on 9 May 2023, Environmental and Social Management System, Environmental and Social Action Plan, Biodiversity Action Plan, and dedicated biodiversity, hydrobiological, ichthyological, and geological monitoring reports. Together, these instruments provided a structured basis for identifying, monitoring, and managing risks to habitats, vegetation, mammals, birds, reptiles, amphibians, bats, aquatic ecosystems, and species of conservation interest, including species listed under the Georgian Red List and the IUCN Red List.

Evidence reviewed confirmed that biodiversity monitoring was carried out throughout 2025 by qualified third-party specialists. Monitoring covered terrestrial biodiversity, aviafauna, and the aquatic environment of the Bakhvistskali River, including fish populations, macroinvertebrate communities, habitats, and species of conservation interest. The Company’s environmental team also conducted regular site inspections and verified implementation of mitigation measures on a day-to-day basis, ensuring that biodiversity considerations remained integrated into construction activities and contractor performance.

In 2025, Bakhvi 2 LLC prepared 20 environmental and biodiversity-related monitoring reports, covering biodiversity, aquatic life, geology, vibration, air quality, noise, and related environmental parameters. The monitoring was implemented in accordance with the Environmental Monitoring Plan and provided an evidence base for evaluating environmental conditions, identifying risks, and confirming the effectiveness of mitigation measures. The findings were submitted to the National Environmental Agency, which raised no comments or objections following review, supporting regulatory transparency and demonstrating satisfactory compliance with environmental requirements.

The monitoring results indicate that construction-related impacts on biodiversity remained limited and effectively managed. The monitoring also indicated increased mammal activity within the study area during the final phase of construction, particularly as construction intensity decreased. This suggests that reduced disturbance, continued environmental oversight, and effective mitigation measures supported the resilience and gradual recovery of local ecosystems.

Enhanced biodiversity monitoring measures further strengthened the Company's approach. Additional camera traps were installed along the Bakhvi 2 HPP perimeter to observe wildlife movement patterns and assess how fauna interact with surrounding habitats during and after construction activities. Artificial shelters installed in previous years as biodiversity support measures continued to be monitored to assess their effectiveness and use by local fauna. Species of conservation interest identified and monitored included the Caucasian salamander, Eurasian otter, brown bear, and other wildlife species recorded within the Project area.

Aquatic biodiversity management was also implemented in a structured and specialist-led manner. Three seasonal aquatic ecosystem surveys were conducted by third-party expert in June, September, and October 2025. These surveys assessed fish populations, macroinvertebrate diversity, and the ecological condition of the Bakhvistskali River. The monitoring recorded eight Salmo trutta individuals with a total biomass of 187 g, while macroinvertebrate diversity included nine orders and 33 families. The monitoring concluded that the ecological condition of the Bakhvistskali River remained stable during construction and that no significant adverse impacts on the aquatic biological environment were identified.

The assessment also considered the broader ecological context of Guria National Park, which was formally established in 2024 in the vicinity of the Bakhvi 2 HPP Project. Reviewed biodiversity monitoring reports confirmed that Bakhvi 2 HPP construction activities remained within the approved Project footprint and identified no evidence of Project-related impacts on the biodiversity values of Guria National Park.

Restoration and habitat rehabilitation measures were another strong element of the Company's biodiversity performance. In 2025, Bakhvi 2 LLC implemented tree planting, and hydroseeding on approximately 7 hectares within the Project area. This measure supported the stabilization of exposed soil, reduction of erosion, limitation of sediment runoff, and gradual restoration of natural ground cover in areas affected by construction. The implementation of greening and restoration measures in parallel with ongoing construction demonstrates a proactive approach, as rehabilitation was initiated before full completion of works rather than postponed until the end of the construction phase.

The Company's biodiversity management approach was further strengthened through independent external review. In 2025, CCEH's external ESG consultant, Pierre Biedermann, founder of Alpage and an internationally recognized expert in biodiversity and environmental management, conducted an independent ESG audit covering site inspections, field observations, biodiversity monitoring, mitigation measures, restoration activities, and the integration of environmental considerations into ongoing works. The resulting recommendations were incorporated into the Company's action plan, with assigned responsible personnel and implementation timelines, demonstrating adaptive management and continual improvement.

Overall, the assessment confirmed that Bakhvi 2 LLC implemented biodiversity management in a systematic, transparent, and technically robust manner. The combination of qualified third-party monitoring, daily site-level environmental oversight, documented reporting to the regulator, camera-trap monitoring, artificial habitat measures, aquatic ecosystem surveys, early restoration through hydroseeding, and independent ESG audit review demonstrates a high standard of biodiversity stewardship. In professional judgement, biodiversity management represents one of the strongest and most mature elements of Bakhvi 2 LLC's ESG performance and provides a strong basis for continued protection of terrestrial and aquatic ecosystems during commissioning and future operation. The arrangements reviewed are broadly aligned with IFC Performance Standard 6, IFC Performance Standard 1, EIB Environmental and Social Standards 1 and 4, and the environmental stewardship principles of the United Nations Global Compact.

4.6 Waste Management Practices

The assessment confirmed that Bakhvi 2 LLC established and implemented a structured waste management framework during the final stage of construction of Bakhvi 2 HPP, supported by documented procedures, regulatory approvals, defined responsibilities, and multiple layers of oversight. Waste management arrangements were aligned with the Waste Management Code of Georgia, and the Company's ESMS.

Waste management activities during construction were governed by the Company's Waste Management Plan which was updated in January 2026 and approved by the NEA through Letter No. N21/475 dated 19 January 2026. The plan establishes requirements for the segregation, storage, transfer, reuse, recycling, and disposal of hazardous and non-hazardous waste streams, while promoting waste minimization and resource recovery.

Waste generation and disposal activities were systematically documented and supported by waste transfer notes, ensuring traceability from generation to final disposal. Hazardous and non-hazardous waste requiring specialized treatment were transferred through licensed service providers, including Sanitari LLC, while domestic waste generated at the construction campsite was collected weekly by the Ozurgeti Municipal Service. The Company further participated in Wasteless, Georgia's Extended Producer Responsibility Association, supporting national recycling systems and compliance with EPR obligations.

Wastewater management was also properly controlled at the construction campsite. Water used for domestic needs, including cooking, personal hygiene, laundry, cleaning, and sanitation facilities such as toilets and showers, generated wastewater that was treated before discharge. Quarterly wastewater quality testing was conducted by an authorized third-party laboratory, and the results confirmed that discharge water remained fully compliant with applicable regulatory limits. These arrangements demonstrate that campsite wastewater discharge was monitored, verified, and managed in accordance with applicable environmental requirements and Water Discharge Permit No. 21/8126, issued on 20 August 2025.

The assessment further confirmed that hazardous materials and hazardous waste were appropriately segregated, labelled, and stored in designated restricted-access areas. Evidence reviewed during the audit demonstrated the implementation of pollution prevention controls, including appropriate storage arrangements, spill response measures, and site-level controls. Compliance was reinforced through workforce training, Environmental Toolbox Talks, routine inspections, and oversight by both Contractor and Company environmental personnel. Minor spills were recorded during 2025 and were contained, cleaned up, and addressed in accordance with established response procedures. No significant oil spills were reported in 2025.

Overall, the evidence reviewed indicates that Bakhvi 2 LLC implemented a mature and well-controlled waste management system characterized by regulatory compliance, effective segregation and traceability mechanisms, active monitoring and oversight, workforce awareness, and a clear commitment to waste minimization, recycling, and pollution prevention. In professional judgement, the arrangements established during the construction phase provide a strong basis for maintaining effective waste governance and supporting the transition to sustainable operational waste management practices. The approach is broadly aligned with IFC Performance Standards 1 and 3 and EIB Environmental and Social Standards 1 and 3.

4.7 Environmental Reporting, Disclosure and Transparency

The assessment confirmed that Bakhvi 2 LLC has established comprehensive environmental reporting and disclosure arrangements that support transparency, accountability, and stakeholder access to environmental information during the final stage of construction of Bakhvi 2 HPP. Environmental performance information generated through monitoring activities, specialist assessments, inspections, regulatory reporting, internal reviews, and an independent audit was systematically documented, reviewed, and communicated through multiple channels.

Environmental reporting and disclosure practices implemented during 2025 included:

- **Annual ESG Reporting and Performance Disclosure** – The Company publicly disclosed its 2025 Annual ESG Report, presenting information on environmental performance, greenhouse gas emissions, climate commitments, biodiversity monitoring, aquatic ecosystem monitoring, planting and hydroseeding activities, water and wastewater management, geological monitoring, waste management, stakeholder engagement, and implementation of environmental and social initiatives. The Report also disclosed annual sustainability and SDG-linked targets together with corresponding achievements, enabling stakeholders to assess progress against established commitments. In several instances, reported results achieved or exceeded the targets established for 2025 reporting period.

- **Regulatory Reporting and Compliance Disclosure** – The Company submitted environmental monitoring reports and compliance-related information to the National Environmental Agency and other relevant authorities in accordance with Environmental Decision requirements, permit obligations, and Georgian legislation. These submissions included river water discharge monitoring data, biodiversity and aquatic ecosystem monitoring reports, geological assessments, surface water quality monitoring results, wastewater discharge testing results, waste management records, and other permit-related information. Monitoring reports submitted to the National Environmental Agency were reviewed without comments or objections, supporting regulatory transparency and demonstrating satisfactory compliance with reporting requirements. During 2025, the Company also disclosed in its ESG reporting a regulatory enforcement case involving a GEL 7,000 (USD 2,580) fine related to screening requirements for certain Project components. The issue was regulatory in nature, was not associated with significant environmental pollution or damage, and was followed by corrective actions to strengthen screening, permitting, and internal compliance controls. The transparent disclosure of this matter demonstrates the Company's accountable approach to environmental compliance.
- **Public Disclosure and Stakeholder Communication** – Environmental and ESG-related information was disclosed through the Company's website, Annual ESG Report, climate-related documents, environmental policies, monthly newsletters, community meetings, stakeholder consultations, and the Environmental and Social Advisory Council. In 2025, the Company further strengthened public communication through the distribution of 1,000 newspapers across project-affected communities and seasonal visitor areas, publication of 44 press releases in regional media, production of seven video stories, and a dedicated media engagement event involving 13 regional and national journalists. These channels supported broader public understanding of Project progress, environmental and social performance, and sustainability commitments.
- **External Review and Verification** – Environmental disclosures were supported by independent biodiversity and geological assessments, accredited laboratory analyses, and the independent External ESG Audit conducted in August 2025, providing additional assurance regarding the credibility and reliability of the environmental information disclosed by the Company.

Overall, the assessment confirmed that Bakhvi 2 LLC's environmental reporting and disclosure practices demonstrate a high degree of transparency and accountability. The Company's approach is characterized by structured regulatory reporting, public ESG disclosure, target-based performance reporting, transparent disclosure of regulatory findings, proactive stakeholder communication, and independent verification of environmental information. In professional judgement, these arrangements reflect a mature and credible approach to environmental transparency and are broadly aligned with good international industry practice, IFC Performance Standards 1 and 3, and EIB Environmental and Social Standards 1 and 3.

5 Social Assessment

This section assesses Bakhvi 2 LLC's social performance during the final stage of construction of Bakhvi 2 HPP, focusing on labour and working conditions, human rights, occupational and community health and safety, stakeholder engagement, grievance management, community investment, workforce transition, and diversity and inclusion. It examines compliance with applicable national legislation and evaluates whether social risks and impacts were effectively identified, managed, monitored, and integrated into Project implementation and governance arrangements, in line with IFC Performance Standards, EIB Environmental and Social Standards, United Nations Global Compact principles, and good international industry practice.

5.1 Labor and Human Rights Compliance

The assessment confirmed that Bakhvi 2 LLC maintained a structured and proactive approach to labor and human rights management during the final stage of construction of Bakhvi 2 HPP. The framework was supported by the Corporate Human Rights Policy, Human Rights Due Diligence process, Code of Conduct, Supplier Code of Conduct, grievance and whistleblower mechanisms, contractor oversight arrangements, and broader ESG management systems. These documents establish clear commitments to fair employment, equal treatment, freedom of association, fair remuneration, safe and healthy working conditions, and the prohibition of child labor, forced labor, human trafficking, discrimination, harassment, and other human rights abuses.

Evidence reviewed confirmed that these commitments were translated into practice through age verification during recruitment, written employment contracts aligned with the applicable leabour regulations, workforce inductions, awareness training, and integration of labor and human rights requirements into supplier arrangements. Fair working conditions were further supported through the provision of safe accommodation at the construction camp, transportation, meals, insurance coverage, and appropriate workplace facilities. These arrangements demonstrate that labor and human rights commitments were implemented through practical site-level measures rather than remaining limited to policy requirements.

The Company maintained accessible grievance and whistleblower mechanisms for employees, contractor personnel, suppliers, and external stakeholders. Reporting channels included direct communication with management, the ESG Manager, ESG Officer, the Community Liaison Officer, dedicated communication channels, the Company website, and anonymous grievance box. These arrangements enabled concerns to be raised confidentially and without fear of retaliation, while regular reporting to Management and the Supervisory Board supported accountability and oversight.

Recognizing that 2025 represented the final stage of construction, the Company implemented an Employee Retrenchment Plan to support an orderly, transparent, and legally compliant workforce transition. Workforce adjustments were communicated two months in advance and managed without evidence of discrimination, unequal treatment, or broader labour-related conflict. All affected employees received full settlement of outstanding obligations, including final salary payments and applicable compensation in accordance with Georgian labour legislation and their employment agreements. One local employee, who wished to continue working, raised a concern through a protest action despite having received advance notice and the applicable compensation; the matter was subsequently resolved through constructive dialogue.

Evidence reviewed did not identify any cases of child labor, forced labor, human trafficking, discrimination, harassment, or other human rights violations in 2025, and no labor or human rights-related grievances were recorded through the established mechanisms.

Overall, the assessment confirmed that Bakhvi 2 LLC maintained an effective labor and human rights management system characterized by risk-based due diligence, written employment arrangements, fair working conditions, active contractor oversight, accessible grievance mechanisms, and transparent workforce transition planning. In professional judgement, the arrangements provided an effective basis for identifying, preventing, and managing labor and human rights risks during the construction phase and demonstrate broad alignment with Georgian legislation, IFC Performance Standard 2, EIB Environmental and Social Standard 8, the UN Guiding Principles on Business and Human Rights, relevant ILO principles, the United Nations Global Compact, and good international industry practice.

5.2 Diversity, Equity, and Inclusion Initiatives

The assessment confirmed that Bakhvi 2 LLC has established and implemented a structured framework to promote diversity, equity, and inclusion and prevent discrimination during the final stage of construction of Bakhvi 2 HPP. The framework is supported by the Human Resources Policy, Corporate Human Rights Policy, Code of Conduct, Gender Equity Policy, Supplier Code of Conduct, grievance mechanisms, and contractor oversight arrangements. These documents establish clear commitments to non-discrimination, equal opportunity, fair treatment, prevention of harassment and gender-based violence, and inclusive employment practices.

Evidence reviewed confirmed that DEI commitments were translated into practice through workforce monitoring, awareness-raising, grievance management, local recruitment, women’s participation, and oversight workforce practices. In 2025, the Bakhvi 2 HPP workforce reached 226 workers during peak construction and stood at 159 workers at year-end. The transition from intensive construction toward completion was managed in a transparent and non-discriminatory manner, with workforce adjustments communicated in advance and implemented in accordance with the Retrenchment Plan and applicable legal requirements. No discrimination, unequal treatment, harassment, gender-based violence, or diversity-related grievances were recorded in 2025.

Approximately 45% of the workforce consisted of local residents, reflecting the Company's efforts to distribute employment benefits within project-affected communities. Women's participation was also evident, with 22 full-time female employees, two women in management positions, and female representation maintained at Supervisory Board level.

The assessment further confirmed that inclusive workforce management was reflected in day-to-day site arrangements. National and international personnel were accommodated at the construction camp under common site rules and standards, and no concerns or grievances were recorded regarding discrimination, unequal treatment, or conflicts between national and international staff. Where required, training content and relevant information were translated into languages understandable to workers, supporting equal access to information and effective understanding of safety, ESG, and workplace requirements.

Fair employment practices were further supported through consistent performance-based arrangements. Company employees received performance bonuses linked to successful completion of works in accordance with the construction schedule and achievement of safety objectives. The application of consistent performance criteria across the workforce provides additional evidence of fair and equitable employment practices.

The assessment also identified inclusive stakeholder participation as a strong element of the Company's DEI performance. The Environmental and Social Advisory Council maintained a gender-balanced composition in 2025, with five women and five men representing local government, the private sector, and the media. This supported inclusive dialogue, external participation, and more balanced representation of stakeholder perspectives in Project-related communication and feedback processes.

Overall, the assessment confirmed that Bakhvi 2 LLC demonstrated practical implementation of DEI principles during the final stage of the construction. The combination of local employment, women's participation in the workforce and management, inclusive camp and communication arrangements, consistent performance-based incentives, gender-balanced stakeholder representation, transparent workforce transition, and absence of DEI-related grievances indicates that diversity, equity, and inclusion were effectively integrated into Project workforce and stakeholder management. The arrangements reviewed are broadly aligned with Georgian legislation, IFC Performance Standard 2, EIB Environmental and Social Standard 8, and good international industry practice.

5.3 Health, Safety, and the Well-being of Workers

The assessment confirmed that Bakhvi 2 LLC maintained a robust occupational health and safety management system during the final stage of construction of Bakhvi 2 HPP. The system was supported by documented OHS arrangements, certified safety personnel in accordance with national requirements, dedicated site resources, and practical implementation at worksite level. Occupational health and safety was identified as a material topic through the Company's 2025 Materiality Assessment and integrated into the broader ESG and risk management framework.

Evidence reviewed confirmed that OHS responsibilities were clearly allocated and adequately resourced. The Company maintained dedicated H&S personnel, an on-site doctor, and trained first aiders, while safety officers were assigned to specific work areas during peak construction activities. This area-based safety supervision represents good practice for high-risk construction works, as it strengthened daily monitoring, hazard identification, and worker compliance with safety requirements.

Evidence reviewed confirmed that OHS risks were systematically identified, assessed, and communicated through bi-weekly risk assessments, pre-job safety briefings, Toolbox Talks, inductions, and targeted trainings. In 2025, the Company conducted 59 health and safety trainings, 77 Toolbox Talks, and 83 inductions. A total of 320 individuals received OHS training in 2025. This figure includes all persons who entered the Project area, including regular workers, short-term workers engaged for a single day, visitors, and other temporary entrants. Visitor inductions were also provided before site access, including to Advisory Council members, and trainings and relevant OHS documentation were translated where needed. Regular communication of H&S requirements supported not only compliance with workplace safety rules, but also broader safety culture by encouraging workers to recognize risks, adopt safer behaviour, and apply safety-conscious practices beyond the worksite.

The assessment further confirmed that worker well-being was supported through measures extending beyond basic statutory requirements. Workers were provided with appropriate PPE, insurance coverage, transportation, meals, and safe accommodation at the construction campsite. Site safety arrangements were supported by inspected firefighting equipment, first aid resources, and maintained emergency response equipment.

Incident reporting and organizational learning were identified as strong elements of the OHS system. Evidence reviewed confirmed that incidents were recorded, investigated, and followed by corrective and preventive actions. Although construction activities involved high-risk works, only minor incidents were recorded in 2025, with no fatalities, permanent disabilities, or major safety incidents. Corrective actions were defined, tracked, and followed up through to implementation. This demonstrates a strong incident reporting culture where lessons learned are used to improve controls and prevent recurrence rather than treated only as compliance events.

Emergency preparedness was also effectively maintained. Emergency response arrangements were governed by the Emergency Preparedness and Response Plan and covered relevant construction-phase scenarios, including injuries, fires, traffic accidents, spills, floods, landslides, and rockfalls. Evidence reviewed confirmed that emergency preparedness was communicated through inductions, trainings, Toolbox Talks, and visitor briefings, and was tested in practice through an emergency fire drill.

Overall, the assessment confirmed that Bakhvi 2 LLC implemented a mature, evidence-based, and proactive approach to occupational health, safety, and worker well-being. Certified safety personnel, area-based supervision, regular risk assessments, strong training coverage, functioning emergency preparedness, safe campsite arrangements, and effective incident investigation and lessons-learned processes demonstrate a high safety culture. The arrangements reviewed provided an effective basis for protecting Company, contractor, subcontractor, visitor, and other stakeholder safety and were broadly aligned with IFC Performance Standard 2, EIB Environmental and Social Standard 8, applicable Georgian legislation, and good international industry practice.

5.4 Training and Development Programs

The assessment confirmed that Bakhvi 2 LLC maintained an active approach to workforce development and capacity building during the final stage of construction of Bakhvi 2 HPP. Training and awareness initiatives were designed to strengthen competencies in environmental and social responsibility, occupational health and safety, human rights, ethical conduct, emergency preparedness, responsible workplace practices, and other job-specific skills.

Evidence reviewed confirmed that Company employees and contractor personnel participated in regular awareness-raising and competency-building activities necessary for the effective implementation of Project commitments. These activities contributed not only to compliance with Project requirements, but also to strengthening a culture of responsibility, accountability, and safe behaviour across the workforce.

Particular value was generated through the engagement of locally recruited workers. Local employment practices were informed by the approach established during the early development phase, including a door-to-door survey of project-affected communities to identify local residents’ skills, qualifications, and employment interests. In 2025, approximately 45% of the workforce consisted of local residents employed in skilled, semi-skilled, and unskilled positions. Through participation in construction activities, including installation, assembly, and completion works, local workers gained practical professional experience and increased awareness of occupational health and safety, environmental stewardship, human rights principles, and workplace conduct. This knowledge transfer contributed to strengthening individual capabilities and enhancing the longer-term employability and awareness of local workers beyond the life of the Project.

The Company also supported the professional development of its direct employees through a co-financing mechanism. In addition, 12 employees participated in AI awareness training, reflecting the Company's proactive approach to emerging technologies and evolving business practices.

Overall, the evidence reviewed indicates that Bakhvi 2 LLC approached workforce development not only as a compliance requirement, but as an investment in workforce competence, organizational resilience, and local capacity building. These arrangements supported effective Project implementation and created benefits beyond the construction phase through the transfer of knowledge, skills, and safety awareness to both Company employees and locally recruited workers. The approach is broadly aligned with IFC Performance Standard 2, EIB Environmental and Social Standard 8, and good international industry practice.

5.5 Stakeholder Engagement and Social Impact

The assessment confirmed that stakeholder engagement and social impact management represent one of the strongest and most exemplary aspects of Bakhvi 2 LLC's ESG performance. During 2025, the Company maintained a structured, continuous, and evidence-based engagement process supported by the Stakeholder Engagement Plan, ESG Manager, ESG Officer, Community Liaison Officer, Public Relations Manager, Events and Information Technology Manager, grievance and request management system, Advisory Council, public communication channels, media engagement, and documented stakeholder records. Evidence reviewed confirmed that engagement was embedded in Project implementation and decision-making, rather than treated as a formal disclosure or compliance exercise.

In 2025, the engagement approach was responsive to the Project's transition through the final stage of construction. Communication focused on construction progress, environmental and social performance, workforce transition, road-related community concerns, implementation of social commitments, regulatory compliance, and preparation for commissioning and future operation. Coordinated engagement by the ESG, public relations, and events and IT teams ensured consistent communication, effective management of public information channels, systematic documentation of stakeholder feedback, and timely follow-up on agreed actions.

Stakeholder communication was proactive, accessible, and multi-channel. Bakhvi 2 LLC maintained regular contact with 171 households and approximately 500 residents in project-affected communities. Information was shared through direct communication, monthly newsletters, website publications, local media, printed newspapers, and video materials. In 2025, 1,000 newspapers were distributed across the Mtispiri community and Bakhmaro during the summer season, 44 press releases were published in regional media, seven video stories were produced, and a dedicated media engagement event was held in Batumi with 13 regional and national journalists. These activities strengthened public understanding of Project progress, ESG performance, community programs, and the broader renewable energy context.

Engagement extended beyond local communities and covered relevant institutional, regulatory, and sector stakeholders. The Company maintained coordination with Ozurgeti Municipality, the Governor's Office of Guria, the National Environmental Agency, the Environmental Supervision Department, and other authorities on environmental compliance, monitoring obligations, road-related concerns, and regulatory follow-up. Given that Guria National Park, formally established in 2024, is located in the vicinity of the Project footprint, communication with Guria National Park Management provided an important channel for information exchange and demonstrated constructive cooperation on biodiversity and protected-area-related matters. GREDA's involvement in the 2025 media engagement event further contributed to sector-level dialogue on renewable energy development and stakeholder awareness.

A particularly strong element of the engagement framework is the Environmental and Social Advisory Council. In 2025, two meetings were held with the Council. The first meeting was held at the construction camp, enabling Council members to directly observe the implementation of the Project's environmental and social commitments and assess performance on site. This demonstrated a high level of transparency by allowing members to verify that the commitments communicated by the Company were being implemented in practice. The second meeting was held in Kutaisi as a summary session to review annual progress, environmental and social performance, workforce developments, and transition-related issues. Together, these meetings strengthened independent oversight, informed dialogue, and accountability throughout the final stage of construction.

Stakeholder feedback was systematically documented and translated into action. In 2025, no formal grievances were recorded, and 15 of the 24 stakeholder requests received were fulfilled. These included road rehabilitation, temporary provision of equipment, continued internet support for the local kindergarten, and financial assistance for a local athlete. Two stakeholder concerns raised through protest actions were addressed through the established engagement and grievance mechanisms, including constructive dialogue, coordination with relevant authorities, and practical response measures. These cases demonstrate that stakeholder feedback was not only recorded but also used to inform tangible actions.

The social impact of the Company's engagement approach extended beyond information disclosure. Continuous communication helped manage expectations during a sensitive transition period marked by reduced construction intensity, workforce adjustments, completion of works, and phase-out of selected social programs, further discussed under Section 5.6 Community Development Initiatives and Social Investment.

Overall, the evidence reviewed confirms that Bakhvi 2 LLC implemented stakeholder engagement in a manner characterized by continuity, transparency, responsiveness, accountability, and practical follow-through. The Company engaged all relevant stakeholder groups and generated positive social outcomes by strengthening stakeholder confidence, supporting informed participation, addressing concerns through practical actions, and reinforcing the Project's social license to operate. In professional judgement, the arrangements reviewed provide an exemplary model of meaningful stakeholder engagement aligned with IFC Performance Standard 1, EIB Environmental and Social Standard 10, and good international industry practice.

5.6 Community Development Initiatives and/or Social Investment

The assessment confirmed that Bakhvi 2 LLC implemented a structured, needs-based, and high-impact approach to community development and social investment during the construction phase of Bakhvi 2 HPP. The Company's approach was grounded in the community needs assessment undertaken during the initial development phase and remained linked to priorities identified by local stakeholders. Evidence reviewed confirmed that community initiatives were implemented as part of a planned ESG approach aimed at creating measurable and lasting social value, rather than as ad hoc philanthropy.

In 2025, the Bakhvi 2 HPP Social Program focused on three priority areas: education and youth development, infrastructure improvement, and support for persons with special needs. A total of five social initiatives remained active throughout the reporting year, directly benefiting approximately 400 individuals. The Company also achieved its annual social investment targets, including implementation of planned social projects and allocation of funds above the annual target, demonstrating that commitments were translated into measurable outcomes.

Education and youth development represented a particularly strong component of the Company's approach. Through its partnership with Mtispiri Public School, 30 students participated in training sessions on sustainable natural resource use, waste management, climate change, disaster preparedness, career planning, renewable energy, and environmental project development. Students were also supported in designing small-scale environmental initiatives funded by the Company. In addition, financial assistance was provided to graduates pursuing higher education in Ecology and Electrical Engineering, contributing to longer-term human capital development relevant to environmental management and clean energy.

The Project also generated social value through local employment and skills transfer. In 2025, approximately 45% of the workforce consisted of local residents employed in skilled, semi-skilled, and unskilled positions. Through daily work with experienced national and international specialists, job-specific activities, and E&S safeguards, and H&S awareness trainings, local workers gained practical professional skills and increased awareness of safe work practices, environmental protection, human rights, and responsible workplace conduct. This strengthened local capacity and supported longer-term employability beyond the construction phase.

Support for persons with special needs and infrastructure-related initiatives also delivered tangible community benefits. Monthly financial support was provided to 33 individuals with special needs. In addition, the Company fulfilled all seven commitments under the memorandum agreed with local communities and the municipality prior to the construction phase. These commitments included local employment support, education, assistance for persons with disabilities, road rehabilitation, and installation of a water supply system in Vaniskedi. The full implementation of the memorandum demonstrates that the Company converted its commitments into action, reinforcing accountability, trust, and respect in its relationship with project-affected communities. Road maintenance and improvement activities further supported access, road safety, dust reduction, and local connectivity during the final stage of construction. Evidence reviewed further indicated positive feedback from project-affected community members, who emphasized the benefits generated by the Project for local communities and expressed satisfaction with the Company's support and engagement.

The assessment also confirmed that Bakhvi 2 LLC managed the phase-out of construction-related social programs responsibly. Beneficiaries were informed of programme closure, and meetings were held with school and kindergarten representatives to formally conclude the three-year environmental and renewable energy education program.

The establishment of a Sustainable Community Investment Fund of GEL 135,000 (USD 50,000) provides a forward-looking mechanism to support future community-driven initiatives beyond construction-phase commitments. The Fund is intended to provide continued financial support for locally identified priorities and contribute to the long-term social and economic development of the project-affected community. By enabling community representatives to participate in identifying and prioritising future initiatives, the Fund also supports local ownership, transparent decision-making, and the sustainability of the Company's social investment after the completion of construction activities.

Overall, the evidence reviewed indicates that Bakhvi 2 LLC implemented community development and social investment initiatives in a strategic, transparent, and socially meaningful manner. The Company linked investments to stakeholder-identified needs, achieved measurable targets, fulfilled community commitments, supported vulnerable groups, invested in youth development, promoted local employment and skills transfer, and created a mechanism for future support. Positive feedback from community members further confirms that these initiatives generated recognized and practical benefits within project-affected communities. In professional judgement, these arrangements represent good international industry practice and are broadly aligned with IFC Performance Standard 1 and EIB Environmental and Social Standard 10.

6 Findings and Recommendations

The external ESG audit confirmed that Bakhvi 2 LLC has established and operationalized a mature, effective, and well-governed ESG management system. The assessment, undertaken against the IFC Performance Standards, EIB Environmental and Social Standards, United Nations Global Compact principles, applicable Georgian legislation, and Good International Industry Practice, did not identify any material gaps, significant deficiencies, or material instances of non-alignment requiring corrective action.

Accordingly, the findings presented in this section focus on the Company's key strengths and notable good practices, which distinguish its approach to sustainability management, ESG oversight, and responsible business conduct.

Considering the overall maturity of the ESG management framework and the adequacy of the corrective actions already implemented in response to the regulatory matter recorded in 2025, the audit does not identify a need for additional recommendations. Bakhvi 2 LLC is considered to be well positioned to maintain outstanding environmental and social governance during commissioning and future operation.

6.1 Key Strength and Good Practices

This section presents the key ESG strengths and notable practices identified during the external ESG audit of Bakhvi 2 LLC. The evidence reviewed indicates that the Company has established an exemplary ESG framework and demonstrated leading ESG performance within Georgia's renewable energy sector during the final stage of construction.

The Company's approach is characterized by proactive leadership, continual improvement, and commitments that extend beyond minimum regulatory requirements. It reflects Good International Industry Practice and demonstrates how sustainability considerations can be effectively integrated into governance, operations, stakeholder relationships, and long-term planning to generate lasting environmental and social value throughout the Project lifecycle.

Key Strengths

1. **Mature ESG Governance with Board-Level Oversight**
   The Company maintained a mature and well-integrated ESG governance framework that embedded environmental, social, health and safety, climate, stakeholder, contractor, and compliance considerations into strategic and operational decision-making. Active Supervisory Board oversight, clearly assigned responsibilities, dedicated ESG resources, and regular management reporting created a strong accountability chain from governance level to site implementation during the final stage of construction of Bakhvi 2 HPP.

2. **Transparent ESG Reporting and Public Disclosure**
   The Company publicly disclosed its ESG Report, stakeholder engagement activities, and relevant environmental, climate, and governance policies and plans. In 2025, it also submitted its first UN Global Compact Communication on Progress, demonstrating transparency, accountability, and alignment with international sustainability commitments.

3. **Operational ESMS and Corrective Action Discipline**
   The Company's Environmental and Social Management System was actively implemented in practice and not limited to documented procedures. ESG risks and commitments were planned, implemented, monitored, reviewed, and followed up through the Plan-Do-Check-Act model, supported by inspections, reporting, corrective action tracking, and management review. This demonstrates a functional ESG management culture and strong discipline in addressing identified issues.

4. **Sustained ESG Capacity and Contractor/Supply Chain Control**
   The Company maintained adequate ESG, environmental, social, community liaison, and health and safety capacity during the final stage of construction, with dedicated personnel. Supplier performance was managed through clear ESG expectations, Supplier Code of Conduct requirements, contractual controls, inspections, compliance checks, reporting, and corrective action follow-up. These arrangements extended ESG, labour, H&S, environmental, human rights, and anti-corruption controls beyond the Company's direct workforce.

5. **Strong Readiness for Transition from Construction to Operation**
   Recognizing the changing ESG risk profile as the Project moves from construction to commissioning and operation, the Company proactively adapted its management framework through updated operational ESMS arrangements, environmental and water management planning, biodiversity monitoring continuity, climate and net-zero planning, information security measures, workforce transition arrangements, and product stewardship. This demonstrates that ESG management is being carried forward into the future operating model of the Project.

6. **Technically Robust Biodiversity and Environmental Monitoring System**
   The Company maintained a strong, evidence-based biodiversity and environmental monitoring system in 2025, supported by 20 environmental surveys conducted by qualified third-party specialists. Monitoring covered terrestrial and aquatic biodiversity, avifauna, geology, vibration, air quality, noise, and surface water quality, including two seasonal biodiversity surveys and three seasonal aquatic surveys of the Bakhvistskali River. The results confirmed stable ecological conditions, with no significant adverse

impacts identified, while tree planting and hydroseeding of approximately 7 hectares of disturbed areas demonstrated proactive restoration and habitat recovery.

7. **Structured Waste Management and Pollution Prevention Controls**
Guided by the NEA-approved Waste Management Plan, the Company maintained a traceable and prevention-focused waste management system covering segregation, labelling, transfer to licensed service providers, hazardous waste controls, and contractor oversight. In 2025, the Company reduced domestic waste generation by 36,000 kg annually and hazardous waste generation by 430 kg compared with 2024, while achieving 100% recycling of specific waste streams covered by the Extended Producer Responsibility system. These results demonstrate robust pollution prevention and regulatory control.

8. **Robust H&S Surveillance and Incident Learning Culture**
The Company maintained strong H&S surveillance through dedicated H&S personnel, sectional site supervision, regular inspections, bi-weekly risk assessments, emergency preparedness, and documented incident management. In 2025, the system was reinforced by 59 trainings, 77 Toolbox Talks, and 83 inductions. All 13 recorded H&S incidents were registered, investigated, and followed by corrective and preventive actions, with no fatalities or permanent disabilities, demonstrating effective preventive controls and a mature incident-learning culture.

9. **Effective Labour, Human Rights, and DEI Preventive Controls**
The Company translated labour, human rights, and diversity commitments into practice through formal policies, Codes of Conduct, grievance and whistleblower mechanisms, age verification, written employment contracts, contractor oversight, workforce monitoring, and non-discrimination requirements. No cases of child labour, forced labour, human trafficking, discrimination, harassment, gender-based violence, or DEI-related grievances were identified in 2025, indicating effective implementation of preventive controls.

10. **Accessible Community Grievance and Request Mechanism**
The Company maintained an accessible and functional grievance and request mechanism throughout the construction period, enabling community members to raise concerns, submit requests, and receive formal responses through established channels. In 2025, the mechanism recorded 24 community requests, of which 15 (62%) were fulfilled, including road rehabilitation works, temporary provision of equipment, continued support for kindergarten internet services, and financial support for a local athlete. The mechanism also supported timely review and dialogue in response to protest cases, demonstrating effective social risk management and responsiveness to community concerns.

Good Practices

1. **Voluntary External ESG Assurance**
The Company's decision to subject its ESG performance to independent external review, despite the absence of a legal requirement, demonstrates a strong commitment to transparency, accountability, and continuous improvement. By seeking independent verification against IFC and EIB requirements, Bakhvi 2 LLC strengthened stakeholder confidence in the credibility of its ESG disclosures, performance data, and management practices.

2. **External ESG Leadership and Collaborative Learning**
The Company's participation in sustainability and sector platforms, including GREDA, Wasteless, the United Nations Global Compact and relevant accelerator programs, reflects a proactive approach to ESG maturity. By seeking external perspectives, benchmarking against emerging good practice, and translating international commitments into internal policies and practices, the Company strengthened its responsible business conduct and continual improvement culture.

3. **Advisory Council as an Exemplary Accountability Platform**
The Environmental and Social Advisory Council represents one of the strongest engagement practices identified by the audit. Recognized in 2025 through the UN Global Compact Georgia SDG Award under

SDG 16 Peace, Justice, and Strong Institutions, the Council provided a trusted platform for stakeholder participation and dialogue. Its independent, diverse, and gender-balanced composition, together with regular meetings, site-level exposure, and direct communication of public concerns, created a credible bridge between the Company and wider stakeholders.

4. **Transparency Through Communication, Not Only Reporting**
   The Company's transparency practice extended beyond annual ESG reporting. In 2025, it maintained regular communication with affected communities through direct engagement, monthly newsletters, public disclosures, printed materials, media engagement, press releases, and video stories. The distribution of 1,000 newspapers, publication of 44 press releases, production of seven video stories, and a media event with 13 journalists demonstrate a strong and practical approach to accessible stakeholder communication.

5. **Needs-Based Social Investment with Demonstrated Delivery**
   The Company's social programs were designed around identified community needs and delivered through measurable actions rather than general commitments. In 2025, five social projects remained active and reached project-affected communities covering 171 households and approximately 500 residents. Importantly, commitments communicated to communities during the Project initiation and planning stages were translated into concrete actions, reported on, and communicated back to stakeholders, demonstrating a strong accountability culture.

6. **Sustainable Community Investment Fund for Continued Local Development**
   The establishment of a Sustainable Community Investment Fund, with GEL 135,000 (USD 50,000) to be accumulated for future social programs, is a forward-looking good practice. It shows that the Company's community support is not limited to the construction period, but is intended to continue during the transition to operation and respond to local priorities over time.

7. **Local Employment as Income Support and Skills Development**
   The Company used local employment as a practical community development tool. In 2025, approximately 45% of the workforce consisted of local residents. Beyond income generation, local employment supported practical skills development, safety awareness, environmental responsibility, and future employability in a rural project-affected area.

8. **Gender Representation in a Male-Dominated Sector**
   The Company demonstrated positive progress on gender inclusion within the hydropower construction context. In 2025, it exceeded its target for full-time female employees, reaching 22 women against a target of 19. Women were also represented in decision-making roles, including two women in management positions and one woman on the Supervisory Board. This shows that gender inclusion was reflected not only in workforce participation, but also in governance and management.

9. **Youth and Education as Long-Term Community Value Creation**
   The Company's investment in education and youth development is a strong good practice because it creates benefits beyond the Project lifecycle. Environmental education, renewable energy awareness, career orientation, student-led initiatives, and financial assistance for higher education helped strengthen local human capital and connect community development with sustainable energy and environmental stewardship.

10. **Voluntary GHG Accounting, Disclosure and Verification**
    The Company's voluntary quantification, disclosure, and independent verification of greenhouse gas emissions represents a strong climate governance practice. Although GHG accounting is not required under Georgian legislation, the Company systematically tracked Scope 1, Scope 2, and Scope 3 emissions associated with construction-phase activities. The disclosed emissions data were independently assessed as part of the External ESG Audit, strengthening the credibility and reliability of the Company's climate-related disclosures.

11. **Climate Leadership through Decarbonization Planning**

The Company demonstrated a forward-looking approach to climate management through the Climate Strategy, Sustainability and Emissions Reduction Plan, and Net-Zero Transition Plan. These instruments provide a structured basis for managing climate-related risks, reducing emissions during future operations, establishing an operational emissions baseline, targeting a 30% reduction by 2030, and achieving net-zero emissions by 2050.

6.2 Recommendations

The assessment did not identify any material gaps, significant deficiencies, or instances of non-alignment requiring additional corrective action or further enhancement. While one regulatory non-compliance matter was recorded in 2025, the issue was duly resolved, and regulatory compliance was reinforced through strengthened internal controls and enhanced oversight to prevent recurrence.

Accordingly, no further recommendations are proposed. Based on the assessment findings, Bakhvi 2 LLC is considered well positioned to maintain outstanding environmental and social governance performance during commissioning and future operation.

7 Conclusion

The ESG audit of Bakhvi 2 LLC provides a comprehensive and evidence-based assessment of the Company's environmental, social, and governance systems, policies, management practices, and performance during the final stage of construction of Bakhvi 2 HPP. The assessment confirms that Bakhvi 2 LLC has established a mature, effective, and forward-looking ESG management framework, broadly aligned with the relevant requirements and expectations of the IFC Performance Standards, EIB Environmental and Social Standards, the principles of the United Nations Global Compact, and Good International Industry Practice, while maintaining compliance with applicable national legal and regulatory requirements.

Beyond compliance, the Company demonstrated a proactive and sustainability-oriented approach through voluntary initiatives and practices related to climate governance, biodiversity stewardship, meaningful stakeholder engagement, transparency, workforce well-being, and strategic social investment. Collectively, these initiatives generated positive environmental and social value, strengthened stakeholder confidence, and helped establish and sustain the Company's social license to operate.

The audit further confirmed that ESG considerations were effectively integrated into governance arrangements, management systems, implementation processes, and decision-making. This enabled the Company to manage evolving risks and opportunities while supporting operational readiness and long-term sustainability objectives.

Overall, the audit did not identify any material gaps, significant deficiencies, or findings requiring management action. Accordingly, no recommendations for improvement are proposed as part of this ESG audit. The following sections provide the detailed compliance verification findings, key strengths, notable good practices identified during the audit, and final remarks.

7.1 Key Verification Points

In addition to the qualitative findings presented in this report, the audit assessed Bakhvi 2 LLC's ESG performance against the relevant requirements and expectations of internationally recognized standards, principles, and applicable national legal requirements. The assessment confirmed a high degree of alignment across the frameworks reviewed. The following subsections summarize the Company's implementation approach, supporting evidence, and corresponding alignment status. The assessment also identified a number of practices that extend beyond minimum requirements through voluntary initiatives, enhanced transparency, proactive and meaningful stakeholder engagement, and forward-looking management approaches, reflecting the Company's commitment to continuous improvement and responsible business conduct.

7.1.1 Alignment with IFC Performance Standards (2012)

IFC Performance Standard	Bakhvi 2 LLC Alignment Summary	Alignment Status
Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts	Bakhvi 2 LLC has established and implemented a mature ESMS supported by the ESAP, Environmental Monitoring Plan, Materiality Assessment, risk management processes, stakeholder engagement arrangements, grievance and whistleblower mechanisms, contractor oversight, monitoring, reporting, and corrective action tracking. ESG risks and impacts were systematically identified, managed, monitored, and reported, with active Management and Supervisory Board oversight.	**Aligned**
Performance Standard 2: Labor and Working Conditions	The Company maintained a structured labour and human rights framework supported by written employment contracts, age verification, fair working conditions, safe accommodation, transportation, meals, insurance coverage, grievance mechanisms, contractor labour oversight, and a transparent workforce transition process. No child labour, forced labour, discrimination, harassment, or labour-related grievances were recorded in 2025.	**Aligned**
Performance Standard 3: Resource Efficiency and Pollution Prevention	Bakhvi 2 LLC implemented effective measures for energy and fuel monitoring, GHG accounting, waste management, wastewater treatment, spill prevention, hazardous waste control, reuse of treated batching plant water, reuse of spoil material, and resource optimization. Waste and wastewater management were supported by approved plans, licensed service providers, traceability records, and laboratory testing confirming compliance with discharge limits.	**Aligned**
Performance Standard 4: Community Health, Safety, and Security	Community health and safety risks were managed through stakeholder engagement, road safety and access management, grievance/request handling, emergency preparedness, traffic-related mitigation measures, contractor oversight, and communication with project-affected communities. Community concerns, including road-related issues, were addressed through coordinated engagement and practical corrective measures.	**Aligned**
Performance Standard 5: Land Acquisition and Involuntary Resettlement	No material land acquisition, physical displacement, or involuntary resettlement impacts were identified in 2025. Access, infrastructure, and community-related issues were managed through stakeholder engagement, request handling, road maintenance measures, and coordination with relevant local authorities.	**Aligned**
Performance Standard 6:	Biodiversity management represents one of the strongest aspects of the Company's ESG performance. Bakhvi 2 LLC implemented	**Aligned**

Biodiversity Conservation and Sustainable Management of Living Natural Resources	systematic terrestrial and aquatic biodiversity and avifauna monitoring through qualified third-party specialists, daily environmental oversight, camera-trap monitoring, artificial habitat monitoring, aquatic ecosystem surveys, planting and hydroseeding of disturbed areas, and communication with Guria National Park Management. Monitoring confirmed that biodiversity impacts remained limited and effectively managed.	
Performance Standard 7: Indigenous Peoples	No Indigenous Peoples, as defined under IFC Performance Standard 7, are recognized or present in Georgia. Accordingly, the requirements of Performance Standard 7 are not applicable to the Project.	**Not Applicable**
Performance Standard 8: Cultural Heritage	The cultural heritage sites and resources were not recorded at the preconstruction survey. The Company maintained a Chance Find Procedure and communicated relevant requirements to the Construction Contractor to manage any potential archaeological or cultural heritage discoveries during construction activities. No chance finds were recorded during 2025.	**Aligned**

7.1.2 Alignment with EIB Environmental and Social Standards (2022)

EIB Environmental and Social Standard	Bakhvi 2 LLC Alignment Summary	Alignment Status
Standard 1: Environmental and Social Impacts and Risks	Bakhvi 2 LLC has established and implemented a mature ESMS supported by the ESAP, Environmental Monitoring Plan, Materiality Assessment, risk management processes, contractor oversight, grievance mechanisms, monitoring, reporting, and corrective action tracking. Environmental and social risks were systematically identified, managed, monitored, and reported, with active Management and Supervisory Board oversight.	**Aligned**
Standard 2: Stakeholder Engagement	The Company maintained a structured, continuous, and evidence-based stakeholder engagement process supported by the Stakeholder Engagement Plan, ESG Team, public communication channels, Advisory Council, grievance/request mechanism, newsletters, media engagement, and documented stakeholder records. Stakeholder feedback was systematically reviewed and translated into practical response measures.	**Aligned**
Standard 3: Resource Efficiency and Pollution Prevention	Bakhvi 2 LLC implemented effective arrangements for energy and fuel monitoring, GHG accounting, waste management, wastewater treatment, spill prevention, hazardous waste control and reduction, reuse of treated batching plant water, reuse of spoil material, and resource optimization. Wastewater discharge from the campsite was	**Aligned**

	subject to quarterly third-party laboratory testing, confirming compliance with applicable discharge limits.	
Standard 4: Biodiversity and Ecosystems	Biodiversity management represents one of the strongest aspects of the Company's ESG performance. Bakhvi 2 LLC implemented terrestrial and aquatic biodiversity and avifauna monitoring through qualified third-party specialists, daily environmental oversight, camera-trap monitoring, artificial habitat monitoring, aquatic ecosystem surveys, hydroseeding of disturbed areas, and communication with Guria National Park Management. Monitoring confirmed that biodiversity impacts remained limited and effectively managed.	**Aligned**
Standard 5: Climate Change	The Company adopted a proactive approach to climate risk management through the Climate Strategy, Sustainability and Emissions Reduction Plan, Net-Zero Transition Plan, climate risk assessment, TCFD-aligned disclosures, and voluntary Scope 1, Scope 2, and Scope 3 GHG accounting. The Company also established forward-looking commitments to define an operational emissions baseline, reduce emissions by 30% by 2030, and achieve net-zero emissions by 2050.	**Aligned**
Standard 6: Involuntary Resettlement	No material land acquisition, physical displacement, or involuntary resettlement impacts were identified during 2025.	**Aligned**
Standard 7: Rights and Interests of Vulnerable Groups	The Company implemented measures supporting vulnerable and disadvantaged groups, including monthly support packages for persons with special needs, inclusive stakeholder engagement, accessible grievance mechanisms, local employment opportunities, and non-discrimination commitments. No evidence of exclusion, discrimination, or adverse impacts on vulnerable groups was identified during the audit period.	**Aligned**
Standard 8: Labor Rights and Working Conditions	Bakhvi 2 LLC maintained a structured labour and human rights framework supported by written employment contracts, age verification, fair working conditions, safe accommodation, transportation, meals, insurance coverage, grievance mechanisms, contractor labour oversight, and transparent workforce transition arrangements. No child labour, forced labour, discrimination, harassment, or labour-related grievances were identified.	**Aligned**
Standard 9: Health, Safety and Security	The Company maintained a proactive health and safety management system supported by dedicated H&S personnel, risk assessments, inductions, trainings, Toolbox Talks, emergency preparedness, PPE, first aid resources, medical	**Aligned**

	support, a robust incident reporting and investigation system, and corrective action follow-up. Community health and safety risks were managed through road safety measures, stakeholder engagement, request handling, and contractor oversight. No community health and safety incidents or material non-compliances relating to community health, safety, and security were identified during the assessment period.	
Standard 10: Cultural Heritage	No cultural heritage sites or resources were recorded during pre-construction surveys within the construction area. The Company maintained a Chance Find Procedure and communicated relevant requirements to the Construction Contractor to manage any potential archaeological discoveries. No chance finds were recorded during 2025.	**Aligned**
Standard 11: Intermediated Finance	The Project did not involve financial intermediation arrangements; therefore, the requirements of this Standard were not applicable.	**Not Applicable**

7.1.3 Alignment with Global Reporting Initiative

GRI Standard / Principle	Bakhvi 2 LLC Reporting Summary	Alignment Status
GRI 2: General Disclosures (2021)	The Company disclosed information on its organizational profile, governance structure, ESG oversight, reporting boundaries, stakeholder engagement, policies, ethics, compliance arrangements, and sustainability commitments through the Annual ESG Report and supporting disclosures.	**Aligned**
GRI 3: Material Topics (2021)	Bakhvi 2 LLC conducted a structured Materiality Assessment in 2025, identifying and prioritizing environmental, social, governance, and economic topics relevant to the Project, stakeholders, and future operational phase. Material topics informed ESG management, monitoring, reporting, and decision-making.	**Aligned**
GRI 305: Emissions	The Company monitored and disclosed Scope 1, Scope 2, and Scope 3 GHG emissions for 2025. Emissions accounting was undertaken voluntarily and supported by the Sustainability and Emissions Reduction Plan, Climate Strategy, and Net-Zero Transition Plan.	**Aligned**
GRI 306: Waste	Waste management practices were governed by NEA-approved waste management arrangements and supported by segregation, traceability, transfer notes, licensed waste management providers, hazardous waste controls, wastewater management, and participation in the Extended Producer Responsibility system through Wasteless.	**Aligned**

GRI 403: Occupational Health and Safety	The Company maintained a proactive OHS management system supported by dedicated H&S personnel, bi-weekly risk assessments, inductions, trainings, Toolbox Talks, emergency preparedness, PPE, medical support, incident reporting and investigation, and corrective action follow-up.	**Aligned**
GRI 404: Training and Education	Training and capacity-building activities were implemented for employees, contractor personnel, and local community beneficiaries, including H&S and E&S trainings, Toolbox Talks, workforce inductions, AI awareness training, environmental education, renewable energy awareness, and career-orientation activities.	**Aligned**
GRI 405: Diversity and Equal Opportunity	The Company disclosed workforce and governance diversity indicators, including local employment, female employment, women in management, female Supervisory Board representation, gender-balanced Advisory Council participation, and non-discrimination commitments supported by HR, Human Rights, Gender Equity, and Code of Conduct arrangements.	**Aligned**
GRI 413: Local Communities	Bakhvi 2 LLC maintained structured stakeholder engagement with project-affected communities, implemented social investment initiatives, supported education, infrastructure, persons with special needs, local employment, grievance/request handling, and initiated the Sustainable Community Investment Fund for future community-driven programmes.	**Aligned**
GRI 304: Biodiversity	The Company implemented systematic terrestrial and aquatic biodiversity, and avifauna monitoring, including third-party specialist surveys, camera-trap monitoring, artificial habitat monitoring, aquatic ecosystem surveys, species monitoring, hydroseeding of disturbed areas, reporting to the NEA, and communication with Guria National Park Management.	**Aligned**

7.1.4 Alignment with Task Force on Climate-Related Financial Disclosures

TCFD Pillar	Bakhvi 2 LLC Disclosure Summary	Alignment Status
Governance	Climate-related responsibilities were integrated into the Company's governance arrangements, with oversight exercised by senior management and the Supervisory Board. Climate considerations were incorporated into strategic planning, risk oversight, and periodic performance reporting.	**Aligned**
Strategy	The Company adopted a Climate Strategy, Sustainability and Emissions Reduction Plan covering construction and future operations, and a Net-Zero Transition Plan supporting long-term decarbonization objectives. Climate-related	**Aligned**

	considerations informed transition planning for the operational phase of Bakhvi 2 HPP.	
Risk Management	Climate-related risks and opportunities were identified, assessed, and integrated into the Enterprise Risk Management framework. The assessment considered both transition and physical climate risks relevant to the Project context, with mitigation and adaptation measures incorporated into management processes and operational planning.	**Aligned**
Metrics and Targets	The Company voluntarily quantified, disclosed, and independently verified Scope 1, Scope 2 and Scope 3 greenhouse gas emission. Climate-related performance indicators and emissions data were monitored and publicly disclosed through the Annual ESG Report.	**Aligned**

7.1.5 Alignment with UN Global Compact Principles

UN Global Compact Principles	Bakhvi 2 LLC Reporting Summary	Alignment Status
Human Rights (Principles 1–2)	Bakhvi 2 LLC reported commitments and practices supporting respect for human rights, including the Corporate Human Rights Policy, Human Rights Due Diligence process, Code of Conduct, Supplier Code of Conduct, grievance and whistleblower mechanisms, contractor oversight, and stakeholder engagement arrangements. No human rights violations, discrimination, harassment, forced labour, child labour, or human trafficking cases were recorded in 2025.	**Aligned**
Labor (Principles 3–6)	The Company disclosed labour and working condition arrangements covering written employment contracts, fair remuneration, safe accommodation, transportation, meals, insurance coverage, worker grievance mechanisms, workforce inductions, training, non-discrimination, gender inclusion, local employment, contractor labour oversight, and transparent retrenchment planning. No labour-related grievances or violations were recorded in 2025.	**Aligned**
Environment (Principles 7–9)	Bakhvi 2 LLC reported a proactive environmental management approach through the ESMS, ESAP, Environmental Monitoring Plan, Biodiversity Action Plan, Waste Management Plan, Water Management Plan, Climate Strategy, Sustainability and Emissions Reduction Plan, and Net-Zero Transition Plan. The Company disclosed environmental monitoring results, biodiversity and aquatic ecosystem surveys, GHG emissions, waste and wastewater management, resource efficiency measures, hydroseeding, and climate-related commitments.	**Aligned**

Anti-Corruption (Principle 10)	The Company disclosed ethical business conduct arrangements supported by the Code of Conduct, Supplier Code of Conduct, Compliance Policy, procedures for reporting ethical and compliance breaches, grievance and whistleblower mechanisms, contractor and supplier expectations, and management oversight. No corruption cases, material ethical breaches, whistleblower reports, or Code of Conduct violations were identified in 2025.	**Aligned**

7.1.6 Compliance with Georgian National Legislation

Area of Compliance	Bakhvi 2 LLC Compliance Summary	Compliance Status
Environmental Decision and Permit Requirements	Environmental Decision No. 241/ს, issued on 9 May 2023, and applicable permit obligations were implemented through the ESMS, ESAP, monitoring programmes, regulatory reporting, and corrective-action tracking. In 2025, a regulatory fine of GEL 7,000 (USD 2,580) was imposed in connection with screening requirements for certain Project components. The matter was subsequently resolved, and permitting procedures and internal compliance controls were strengthened to prevent recurrence.	**Compliance Confirmed / Minor finding addressed**
Biodiversity and Ecological Flow Requirements	Biodiversity and ecological flow requirements under Environmental Decision No. 241/ს and the Environmental Monitoring Plan agreed with the National Environment Agency under Letter No. 21/8176 of 2023 were implemented through terrestrial and aquatic biodiversity monitoring, automated water discharge monitoring, specialist surveys, and reporting to the NEA. The monitoring confirmed no significant adverse biodiversity impacts, and no comments or objections received from the NEA.	**Compliance Confirmed**
Tree-Cutting and Compensatory Reforestation Obligations	Tree-cutting and vegetation clearance were managed within the approved Project footprint and in accordance with Environmental Decision No. 241/ს and related permit requirements. Timber handover and supporting documentation were reviewed, with no pending non-compliance identified.	**Compliance Confirmed**
Waste Management Requirements	Waste management was implemented under Waste Management Plan approved by the NEA in January 2026 under Agreement No. N21/475. Controls included segregation, labelled storage, waste transfer notes, licensed service providers, and EPR participation through Wasteless.	**Compliance Confirmed**
Wastewater Discharge Requirements	Campsite wastewater was treated before discharge in accordance with Water Discharge Permit No. 21/8126, issued on 20 August 2025. Quarterly third-party laboratory testing confirmed compliance with applicable discharge limits.	**Compliance Confirmed**
Air Quality, Noise and Vibration Requirements	Air quality, noise, and vibration monitoring was conducted by third-party specialists in accordance with Environmental Decision No. 241/ს and the	**Compliance Confirmed**

	Environmental Monitoring Plan. Results remained within applicable limits, with no material non-compliances identified.	
Labor and Occupational Health and Safety Requirements	Labour and OHS arrangements complied with the Labour Code of Georgia and the Organic Law of Georgia on Occupational Safety. Controls included written employment contracts, certified H&S staff in accordance with national requirements, bi-weekly risk assessments, inductions, trainings, Toolbox Talks, PPE, emergency preparedness, and a robust incident reporting and investigation system.	**Compliance Confirmed**

Beyond demonstrating a high level of compliance with applicable legal requirements and alignment with relevant international standards and principles, the assessment identified several strengths and good practices that distinguish Bakhvi 2 LLC's approach to ESG management. These include mature governance and oversight arrangements, proactive planning for the transition to operation, strong environmental stewardship supported by independent monitoring and biodiversity enhancement measures, a robust approach to workforce well-being and human rights, enhanced transparency and climate-related governance, meaningful stakeholder engagement, and strategic social investment generating lasting community value.

Collectively, these practices demonstrate a commitment to sustainability, continuous improvement, and responsible business conduct that extends beyond compliance obligations.

7.2 Final Remarks

The external ESG audit confirmed that Bakhvi 2 LLC has established a mature and effective ESG management framework, broadly aligned with the IFC Performance Standards, EIB Environmental and Social Standards, the principles of the United Nations Global Compact, and Good International Industry Practice, while maintaining compliance with applicable national legal requirements. ESG considerations were effectively integrated into governance, decision-making, and Project implementation throughout the final stage of construction of Bakhvi 2 HPP.

Beyond compliance, the Company demonstrated a proactive approach to sustainability through voluntary initiatives and practices that strengthened transparency, accountability, stakeholder trust, and long-term sustainability outcomes. Supported by robust governance, meaningful stakeholder engagement, and strategic social investment, the assessment indicates that Bakhvi 2 LLC has established and maintained a strong social license to operate within neighboring communities.

Overall, Bakhvi 2 LLC is well positioned to sustain strong ESG performance during operations and further reinforce its role as a leading ESG performer within Georgia's renewable energy sector.

8 Annex

1. *External ESG Audit Terms of Reference*

ToR - External Audit.docx

2. *List of Reviewed Documents*

Category	Documents
Management Plans and Procedures	Environmental and Social Action Plan; Environmental Monitoring Plan; Biodiversity Action Plan; Reforestation Plan; Water Management Plan; Waste Management Plan; Pollution Prevention Implementation Plan; Sustainability and Emissions Reduction Plan; Net Zero Transition Plan; Occupational Health & Safety Management Plan; Community Health and Safety Plan; Traffic Management Plan; Retrenchment Plan; Emergency Preparedness and Response Plan; Community Liaison Implementation Plan; Stakeholder Engagement Plan; Grievance Management Plan; Spill Response Procedure; Chance Find Procedure.
Policies and Codes	Environmental Policy; Corporate Human Right Policy; ESG Policy; Board Diversity Policy; Compliance Policy; Information Security Policy; AI Policy; Gender Equity Policy; HR Policy; Code of Conduct; Suppliers Code of Conduct.
Governance and Due Diligence Documents	Corporate Governance Manual; Environmental and Social Management System Manual; Materiality Analysis; Board Average Tenure; Human Right Due Diligence; Sustainability Reporting Boundaries; Public Registry.
Monitoring, Audit and performance Reports	Annual ESG Report; Biodiversity Monitoring Report; Ichthyological Monitoring Report; Geological Monitoring Report; Noise, Vibration, Air Quality and Water Quality Monitoring Report; Site Inspection Report.
Internal Documentation and Records	Grievance Log; Request Log; GHG Emissions Register; Personnel and Visitor's Training Attendance Sheets; Spill Log; Incident & Near Miss Log; Induction Training and Awareness Material.

3. *Bakhvi 2 LLC External ESG Audit Checklist*

External ESG Audit Checklist.xlsx