



Austrian Georgian Development LLC
(Lakhami HPP)

Tbilisi

2023

ORDER

Regarding the Environmental policy of Lakhami HPP

I, Giorgi Abramishvili, approve the Lakhami Hydro Power Plant Environmental Policy attached hereto as a General Director of the Company "Austrian Georgian Development" LLC – Lakhami Hydro Power Plant (404997232).

General Director:

Giorgi Abramishvili

Lakhami HPP

Environmental Policy

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

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

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

Austrian Georgian Development LLC Board of Directors fully supports this policy, actively participating in its oversight.

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

We conduct regular environmental risk assessments and impact evaluations, formulating strategic plan to address and mitigate environmental risks. The environmental management system for the operation phase has been elaborated. Rerelevant data on environmental aspects, waste generation, energy consumption, water usage, noise and vibration is collected, in line with the local legislation and good international practices.

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

To enhance understanding and awareness, our environmental policy is comprehensively communicated to all employees through capacity building activities and is accessible to stakeholders through relevant communication channels – company wab-page, community meetings, group meenings, door to door meetings.

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

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

By adhering to this environmental policy, we pledge to strike the optimal balance between clean energy generation and environmental protection. This commitment translates into sustainable development for the benefit of Lakhami HPP affected area ecosystems, the Lakhami river, communities, and their future generations.

Commitment and oversight underscore the endorsement of the policy by the Board of Directors and Company executives, reinforcing our dedication to environmental stewardship.

Principles Guiding Our Environmental Policy

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

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

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

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

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

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

Our commitment to environmental sustainability is reflected in the seamless integration of our Environmental Management System (EMS) and Environmental & Social Action Plan (ESAP). The members of the Board of Directors unreservedly endorse and affirm their approval for both Environmental Management System (EMS) as well as the Environmental & Social Action Plan (ESAP) through regular and comprehensive reviews, we ensure the continual enhancement of our practices in managing environmental and social aspects. Our Environmental Management System (EMS) serves as a structured framework, systematically identifying and addressing environmental impacts across our operations. Concurrently, the Environmental & Social Action Plan (ESAP) outlines specific actions and commitments to proactively mitigate environmental challenges. This integrated approach not only ensures compliance with regulatory requirements but also enables us to adapt swiftly to emerging industry standards. By aligning our policies and action plans, we foster a culture of responsibility, transparency, and continuous improvement, thus reinforcing our dedication to effective environmental management practices.

Accountability and compliance regulatory requirements and law

Our environmental policy stands as a testament to our unwavering commitment to compliance with regulatory requirements. We recognize the critical importance of adhering to local, national, regulations, as well as good international practices. Our policy framework is meticulously designed to ensure that our operations align with the prescribed standards and legal mandates. Regular assessments and reviews are integral components of our approach, facilitating a proactive response to evolving regulatory landscapes. In addition, we emphasize regular reporting to the relevant regulatory authorities, ensuring transparency and accountability in our environmental initiatives. By prioritizing compliance, we not only mitigate legal risks but also contribute to sustainable practices and demonstrate our dedication to environmental stewardship. This steadfast commitment serves as the foundation of our environmental policy, reinforcing our role as responsible custodians of the environment.

Pathway to the alignment with the United Nations Global Compact Membership

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

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

Since the extensive preparation and steadfast commitment to sustainable initiatives, Austrian Georgian Development LLC made the decision to pursue United Nations Global Compact membership in 2024.

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

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

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

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

1. Human Rights:

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

2. Labor Rights Assurance:

- We strictly eliminate all forms of forced and compulsory labor.
- Child labor is abolished.
- Discrimination of any form in the context of employment is eliminated at Lakhani HPP.

3. Environmental Stewardship:

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

4. Anti-Corruption Measures:

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

5. Integration into Strategy and Operations:

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

6. Stakeholder Engagement:

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

7. Transparency and Reporting:

- We publicly disclose our goals, targets, and achievements through our website, providing transparency to all interested parties.

8. Continuous Improvement:

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

9. Capacity Building:

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

10. Advocacy and Leadership

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

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

We Are Committed to Protection of Environment

At Austrian Georgian Development LLC, we are committed to minimizing our environmental impacts and promoting sustainable practices in operating Lakhmi HPP. Our environmental policy outlines our objectives and principles guiding our efforts to reduce environmental harm and ensure responsible operation:

1. To comply with environmental regulations, with all applicable environmental laws, regulations, and standards at all times;
2. To integrate sustainable practices into all aspects of Lakhmi HPP operations and maintenance, to minimize environmental impacts;
3. Strive to achieve maximum energy efficiency by implementing energy-saving measures and utilizing renewable energy sources wherever feasible;
4. Implement measures to minimize water consumption, optimize water usage, and reduce water wastage, in order to conserve water resources;
5. To reduce waste generation, promote recycling and reuse, and ensure the safe disposal of hazardous waste;
6. Protect and enhance local biodiversity by preserving natural habitats, supporting native species, and implementing measures to prevent negative impacts on flora and fauna and aquatic biodiversity;
7. Engage with local communities, and employees to raise awareness about environmental issues, and ensure their active participation in environmental initiatives;
8. Regularly monitor and measure environmental performance and conduct environmental impact assessments;
9. Continuously evaluate and improve environmental management practices through periodic audits, grievance mechanisms, and employee training programs.

Our Targets

Lakhmi HPP operation is driven by a strong commitment to minimizing resource consumption. Among the things that must be accomplished are the efficient use of water, the optimization of energy usage, the use of sustainable materials, and sustainable relationships with local communities.

All our goals are aligned with the Sustainable Development Goals (SDGs), especially SDG 1 - No poverty, SDG 5 - Gender equality, SDG 7 - Affordable and clean energy, SDG 8 - Decent work and economic growth, SDG 9 - Industry, innovation, and infrastructure, SDG 14 - Life below water, SDG 17 - Partnership for the goals.

Our targets for 2023 and corresponding achievements are summarized in the table below:

#	Lakhami HPP - Targets 2023	Link to SDG ¹	Metric Value	Targets set for 2023	Targets achieved in 2023
1.	Total employees: full time & part time	SDG 8 Decent work and economic growth	#	15	18
2.	Total female employees: full time & part time	SGD 5 Gender equality	#	3	3
3.	Total employees: full time & part time local people	SGD 8 Decent work and economic growth	#	3	3
4.	Total employees: local people female	SGD 8 Decent work and economic growth	#	1	1
5.	Number of women in the company management	SGD 5 Gender equality	#	1	1
6.	# of Project Affected Communities	SGD 1 No poverty	#	3	3
7.	# of households in Project Affected Communities	SGD 1 No poverty	#	67	67
8.	Investment into community infrastructure	SGD 9 Industry, innovation, and infrastructure	USD	0	5000
9.	Fish monitoring	SGD 14 Life below water	#	4	4
10.	Spawning ground monitoring	SGD 14 Life below water	#	4	4
11.	Geological survey	SGD 9 Industry, innovation, and infrastructure	#	1	1
12.	Renewable energy generated by Company sources	SGD 7 Affordable and clean energy	kW	57,500,000	62,716,118
13.	Equivalent # of people reached via power generation	SGD 7 Affordable and clean energy	#	16,500	17,952
14.	ESAP Implementation Rate	SGD 17 Partnership for the goals	%	75%	82%

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

Roles and Responsibilities

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

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

Supervisory Board:

1. Affirms approval, oversight, and review of Environmental Management System (EMS)
2. Affirms approval, oversight, and review of Environmental and Social Action Plan (ESMS)
3. Affirms annual approval, oversight, and review of the Environmental Policy
4. Encourages Company executive management to sign the policy statement
5. Provided with the regular reporting on policy implementation during meetings with the Supervisory Board
6. Emphasizes that the environmental policy is approved and overseen by the Supervisory Board or executive management
7. Highlights commitment to periodic reviews and updates

General Director:

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

ESG Manager:

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

Operations and Maintenance Teams:

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

Coverage of this Environmental Policy

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

The Lakhmi Hydropower HPP is steadfast in its dedication to environmental stewardship, and our Environmental Policy comprehensively covers varieties of our operations, supply chain, corporate processes, facilities, and the entire lifecycle of our products and services.

In our day-to-day operations, we prioritize the implementation of environmentally conscious practices. This includes the efficient utilization of water resources, waste management, pollution prevention, and the integration of eco-friendly technologies to minimize our ecological footprint.

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

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

Regular reviews, audits, and assessments ensure that our environmental performance aligns with evolving best practices.

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

Our commitment to the environment is a fundamental aspect of our identity and an integral part of our responsibility.

The Lakhmi HPP is intent on its mission to synchronize energy production with environmental preservation. By integrating environmental considerations into both our operations and supply chain, the Lakhmi HPP is dedicated to being a responsible custodian of the environment while providing clean and sustainable energy for generations to come.

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

External Monitoring

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

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

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

As a result of investor interest, the Company also underwent an external audit conducted by Natural Resource Management Services AS. The primary goal of this audit was to examine Company’s performance of the Environmental and Social Management System (“ESMS”).

The main conclusion of ESMS audit confirmed strong alignment with the sustainable practices.