Austrian Georgian Development LLC
(AGD LLC)

Lakhami HPP Sustainability and Emissions Reduction Plan

This document is approved by the Company General Director: Giorgi Abramishvili

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Austrian Georgian Development LLC
Sustainability and Emissions Reduction Plan

Introduction

"Austrian Georgian Development" LLC (AGD) was established in June 2013 and owns and operates hydropower projects in Georgia. The company developed the Lakhami HPP Cascade, consisting of Lakhami 1 and Lakhami 2 Hydropower Plants, located on the Lakhami River in Mestia Municipality. These run-of-the-river plants have a combined installed capacity of 16 MW and generate an average of 80 million kWh annually. The Lakhami HPPs are connected to the national grid via a 35/6 kV power transmission line.

"Austrian Georgian Development" LLC is co-owned by CCEH Hydro III LLC – Part of Caucasus Clean Energy Holding (CCEH), an international investment holding company founded in 2015, with investors from Western Europe and the United States, actively engaged in the Georgian energy sector. Geo Hydro Capital Group LLC – Founded in 2013, specializing in the development of small and medium-sized hydropower plants in Georgia. Energy Solutions LLC – Established in 2014, focusing on the construction and development of small and medium-sized hydropower plants, as well as providing consultancy services in the hydro energy sector.

Definition

Emissions refer to the release of greenhouse gases (such as carbon dioxide and methane) into the atmosphere, which trap heat and accelerate global warming by increasing the Earth's average temperature. To emphasize Lakhami HPP's role as a renewable energy source that significantly contributes to emissions reduction in alignment with Georgia's Nationally Determined Contributions (NDCs), with defined operational and strategic emissions targets, it's important to note that Georgia's NDC is a commitment under the Paris Agreement. This document outlines the country's targets and actions to reduce greenhouse gas emissions and adapt to climate change, with updates and revised targets submitted every five years to ensure progress toward long-term environmental goals.

Alignment with Georgia's NDC and Climate Goals

Georgia has set an ambitious goal to reduce its GHG emissions by 47% below 1990 levels by 2030, with an extended target of 50-57% reduction achievable through international support. Renewable energy sector in general and Lakhami HPP are essential to meeting these goals by generating low-carbon energy, thereby decreasing Georgia's reliance on fossil fuels and advancing the country's shift toward a cleaner, more sustainable energy landscape. Lakhami HPP contributes to these goals by producing low-carbon energy, helping to reduce reliance on fossil fuels.

As a responsible business, AGD LLC is targeting Net Zero operational emissions by 2050. The Company is committed to aligning with European and international climate frameworks by embedding full-scope emissions tracking, quarterly reporting, and targeted reduction measures into operations at Lakhami HPP. This commitment supports Georgia's national climate objectives and contributes to the broader decarbonization agenda under the global Net Zero transition.

As a hydropower facility, Lakhami HPP plays a its role in Georgia's renewable energy mix. Run-of-river hydropower plants, like Lakhami HPP, harness the natural flow of the river to generate electricity without the need for large reservoirs or burning fossil fuels. This approach produces no direct greenhouse gas emissions, making it a clean, environmentally friendly energy source that supports sustainable power generation with minimal impact on local ecosystems. This aligns with the country's commitment to cleaner energy, helping to lower the national carbon footprint in the energy sector.

Lakhami HPP generates its own renewable energy; however, Scope 2 emissions are reported to ensure full transparency regarding any minimal electricity consumption from external sources, for maintenance or emergency backup system purposes.

The company remains committed to maintaining a near-zero Scope 2 emissions profile and continues to explore opportunities to enhance energy efficiency and further minimize indirect emissions. By prioritizing transparency and accuracy in emissions reporting, Lakhami HPP upholds its commitment to good global practices and sustainability standards.

Emission Management Methodology and Tracking Framework

The calculation of Scope 1 and Scope 2 emissions follows internationally recognized emission factors and operational data, ensuring compliance with industry best practices.

Scope 1 emissions represent direct emissions from fuel consumption in stationary combustion sources and fleet vehicles. These emissions are quantified using the formula:

Scope 1 Emissions (tCO_2eq/yr) = Total Fuel Consumed (tonnes) × Emission Factor ($tCO_2eq/tonne$), where an emission factor of 3.14 tCO_2eq per tonne of fuel is applied to reflect CO_2-equivalent emissions from different fuel types.

Scope 2 emissions, which arise from electricity consumption, are calculated using a grid-based approach:

Scope 2 Emissions (tCO_2eq/yr) = Total Electricity Consumed (kWh) × Grid Emission Factor ($kgCO_2eq/kWh$) × Loss Factor × Dual-Scoping Adjustment. The grid emission factor of 0.35 $kgCO_2eq/kWh$, combined with a loss factor of 0.2, accounts for transmission and distribution losses within the grid, ensuring a comprehensive assessment of indirect electricity-related emissions.

Scope 3 emissions, which encompass indirect emissions occurring across the value chain, are tracked and calculated to provide a holistic view of the organization's environmental impact. These emissions originate from activities such as business travel (air and land transport), site visits, guest and visitor trips, supply chain logistics, and operational support vehicles. The calculation applies the formula:

Scope 3 Emissions (tCO_2eq/yr) = Total Fuel Consumption (L) / 1000 × Emission Factor ($tCO_2eq/tonne$), with emission factors varying by fuel type. AGD LLC maintains a structured tracking methodology to quantify and monitor Scope 3 emissions, ensuring accuracy and alignment with corporate sustainability goals.

Tracking all three scopes of emissions is essential for comprehensive carbon accounting and the development of effective emission reduction strategies. While Scope 1 and 2 provide insight into direct and indirect energy-related emissions, Scope 3 offers a broader perspective on the company's total environmental footprint. By continuously improving measurement accuracy and implementing reduction initiatives, AGD LLC strengthens its commitment to sustainability, regulatory compliance, and long-term carbon neutrality goals.

Avoided emissions

AGD LLC also tracks avoided emissions, representing the estimated reduction in greenhouse gas (GHG) emissions from Lakhami HPP's renewable electricity generation. By producing clean energy, the plant displaces the need for fossil fuel-based power generation, preventing the emissions that would have been released if the same electricity had been generated from carbon-intensive sources.

Avoided emissions are calculated using the following formula:

Avoided Emissions (tCO_2eq) = Total Renewable Electricity Generated (MWh) × Grid Emission Factor (tCO_2eq/MWh). The grid emission factor reflects the average CO_2 emissions intensity of the regional electricity supply.

By generating clean hydropower, Lakhami HPP significantly reduces reliance on fossil fuels, contributing to a meaningful reduction in emissions. In 2025, avoided emissions amounted to 10,925 tCO_2eq, reflecting the plant's contribution to reducing reliance on carbon-intensive electricity generation.

This commitment to sustainability and transparency in emissions reporting highlights the environmental benefits of renewable energy and reinforces Lakhami HPP's role in supporting a low-carbon energy transition.

Emission Reduction Targets

- Annual and Quarterly Targets:
    - Emissions and avoided emissions are tracked quarterly, ensuring transparent progress toward yearly and milestone targets.
    - Reduction targets are established for Scope 1 and Scope 2 emissions to support an overall downward trend, while Scope 3 emissions are tracked and managed where feasible to improve data accuracy and identify reduction opportunities. 2030 Milestone:
    - We have set an intermediate emissions reduction target by 2030, aligned with Georgia's NDC, to achieve carbon neutrality in operations as feasible.

In 2021, 2022 and 2023, Scope 3 emissions were not included, but from 2024 onward, Scope 3 is being tracked and reported to ensure comprehensive coverage of all relevant emissions sources.

Emissions Metrics and Target Types

Lakhami HPP uses the following metrics and targets to track and disclose emissions:

- Absolute Emissions Target: Target an overall reduction across all scopes, with quarterly tracking of Scope 1 and Scope 2 emissions and annual tracking for Scope 3 from 2024 onward.
- Measures emissions per unit of power output (e.g., CO_2e per MWh), driving operational efficiency and reducing emissions relative to output.
- Increase renewable sources within operations, monitored quarterly, to lower emissions and align with Georgia's renewable energy goals.
- Disclose annual emissions data, including Scope 1, Scope 2, and, starting in 2024, Scope 3 emissions, reflecting the company's commitment to broad emissions.

Data Emissions and Avoided Emissions For 2023

Type of Data	Q1	Q2	Q3	Q4	Actual '23	Target '23
Scope 1 (tCo2eq/yr)	16	12	14	13	56	56
Scope 2 (tCo2eq/yr)	5	0	0	0	5	6
AVOIDED EMISSION (tCo2eq/yr)	**1,790**	**6,165**	**1,986**	**2,345**	**12,286**	**11,220**

Emissions Data and Avoided Emissions For 2024

Type Of Data	Q1	Q2	Q3	Q4	Actual '24	Target '24
Scope 1 (tCo2eq/yr)	12	14	16	13	55	56
Scope 2 (tCo2eq/yr)	0	0	0.1	0.5	0.6	5
Scope 3 (tCo2eq/yr)	1	1	2	5	9	15
AVOIDED EMISSION (tCo2eq/yr)	**1,462**	**6,200**	**1,731**	**1,199**	**10,592**	**9,673**

Emissions Data and Avoided Emissions For 2025

Type Of Data	Q1	Q2	Q3	Q4	Actual '25	Target '25
Scope 1 (tCo2eq/yr)	**10,15**	**10**	**10**	**11**	**41**	55
Scope 2 (tCo2eq/yr)	**0,01**	**0,03**	**0,02**	**0,04**	**0,1**	0.6
Scope 3 (tCo2eq/yr)	**2**	**1,85**	**7**	**2,4**	**13**	9
AVOIDED EMISSION (tCo2eq/yr)	**1,620**	**5,863**	**1,549**	**1,893**	**10,925**	**10,592**

Statistical Data Historical Summary of Avoided Emissions (tCO2eq/yr) Data for 2021-2025

Type Of Data	Actual '21	Actual '22	Actual '23	Actual '24	Actual '25
Scope 1 (tCo2eq/yr)	188	102	56	55	**41**
Scope 2 (tCo2eq/yr)	78	24	5	0.6	**0,1**
Scope 3 (tCo2eq/yr)	N/A	N/A	N/A	9	**13**
AVOIDED EMISSION (tCo2eq/yr)	**8,385**	**12,128**	**12,286**	**10,592**	**10,925**

Projections

While Scope 3 emissions were not counted in 2022 and 2023, the decision has been made to proceed with Scope 3 reporting in 2024, ensuring comprehensive coverage of all relevant emissions sources in line with international best practices.

Type of Data	2026	2027	2028	2029	2030
Scope 1 (tCo2eq/yr)	53	50	48	45	39
Scope 2 (tCo2eq/yr)	0.5	0.5	0.4	0.4	0.4
Scope 3 (tCo2eq/yr)	8.5	8	7.5	7	6.3

Implementation and Monitoring

- We commit to track emissions quarterly to ensure alignment with targets and transparency in reporting.
- We commit for regular internal and external audits to validate data accuracy and ensure compliance with emissions targets.
- We commit to disclose annual progress on the company's website within ESG annual reports detailing emissions metrics and achievements.

Roles and Responsibilities for Implementation

- Company Director: Provides strategic oversight and supports the ESG and Technical teams to ensure the effective implementation of the Sustainability and Emissions Reduction Plan. Validates emissions data and ensures alignment with corporate sustainability commitments.
- ESG Manager: Oversees emissions tracking, data verification, and reporting to ensure compliance with sustainability targets and regulatory requirements. Works with the Technical Team to integrate emissions reduction initiatives into company operations.
- Technical and Operations Team: Leads the implementation of emissions reduction initiatives, including energy efficiency improvements, equipment upgrades, and operational adjustments. Obligated to coordinate all activities with the ESG Manager to ensure alignment with AGD LLC's Environmental Requirements and sustainability commitments. Responsible for ensuring compliance with supply chain sustainability requirements and tracking emissions associated with procurement activities.
- The Caucasus Clean Energy Holding: Conducts independent review to validate emissions data, assess sustainability performance, and ensure continuous improvement in emissions reduction strategies.

Data Collection:

Collect baseline and operational data on a quarterly basis for Scope 1 and Scope 2 emissions. Starting in 2024, Scope 3 emissions is integrated into the tracking and reporting process.

- Tracking Methodology: Emissions data is collected using automated energy monitoring systems, fuel consumption logs, and suppliers fuel consumption records.
- Verification Process: The verification process is conducted by the Holding's ESG and Sustainability Lead, and in some cases, third-party validation is carried out at the request of investors to ensure accuracy.

- Technology Used:
  - Electricity Consumption: Tracked using an automated meter, ensuring precise and real-time measurement.
  - Fuel Usage: Data is collected from fuel provider records and verified by the accounting department, ensuring accuracy in reported fuel consumption.
  - Emission Factors: Applied based on sector-specific international practices, ensuring alignment with recognized global standards for emissions calculations.

Benchmarking:

AGD LLC benchmarks its emissions data against:

- National Climate Goals (Georgia's NDC) to align with GHG reduction commitments.
- Industry Standards, including emissions intensity benchmarks for hydropower facilities.
- Best Practices in ESG Reporting, such as Task Force on Climate-Related Financial Disclosures (TCFD) and GHG Protocol methodologies.

Sustaining Low-Emission Operations:

- Suppliers undergo a pre-contract evaluation to ensure their environmental management practices align with AGD LLC's sustainability standards and support the low-carbon footprint of hydropower operations.
- AGD LLC optimizes energy use by implementing efficient measures such as regular turbine performance assessments, operational adjustments to maximize energy output, and scheduled maintenance to minimize downtime and unnecessary energy consumption. Additionally, reliance on grid electricity is reduced by prioritizing on-site renewable generation and optimizing backup power usage only when essential

Sustainability and Emissions Reduction Plan Annual Revision Process

Aligned with internationally recognized ESG practices and standards, our Company undertakes a comprehensive review of the Sustainability and Emissions Reduction Plan at the end of each year. This systematic review, led by the Company ESG Manager, ensures that our disclosures accurately reflect current assessments, performance metrics, and operational practices. If any modifications are made during the revision process, the updated documentation is subjected to a thorough approval procedure. Initially, the proposed changes are carefully reviewed and endorsed by the Company Director. Following this, the revised document is shared with the Caucasus Clean Energy Holding ESG and Sustainability Lead for final validation, ensuring that each modification adheres to our commitment to quality, transparency, and regulatory compliance. The Supervisory Board members are informed regarding changes, reinforcing our commitment to maintaining high international ESG standards.

The updated version of Sustainability and Emissions Reduction Plan is uploaded onto the company's webpage, while the previous version remains accessible on the website in the archive folder.