



Austrian Georgian Development LLC
(Lakhami HPP)

Tbilisi

2025

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

Tbilisi
2025

The Supervisory Board Approval

Austrian Georgian Development LLC Lakhmi HPP:

Gigla Sikharulidze - Chairman of the Supervisory Board

Irakli Abaishvili - Member of the Supervisory Board

Taras Nizharadze - Member of the Supervisory Board

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

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

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AUSTRIAN GEORGIAN DEVELOPMENT LLC ENVIRONMENTAL POLICY

Preamble

Austrian Georgian Development LLC (AGD) was established in June 2013 and owns and operates hydropower projects in Georgia. The company developed the Lakhmi HPP Cascade, consisting of Lakhmi 1 and Lakhmi 2 Hydropower Plants, located on the Lakhmi 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 Lakhmi 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.

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

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

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

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

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

We conduct regular environmental risk assessments and impact evaluations, formulating strategic plans to address and mitigate environmental risks. The environmental management system for the operation phase has been elaborated. Relevant 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 web-page, community meetings and group meetings.

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

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

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 Lakhmi HPP affected area ecosystems, the Lakhmi river, communities, and their future generations.

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

Principles Guiding Our Environmental Policy

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

We actively collaborate with relevant stakeholders, including government authorities and local communities, to ensure that our environmental initiatives address their concerns and contribute to the overall well-being of the local ecosystem. We maintain transparency in our environmental practices, regularly report on our performance, and communicate our progress towards achieving our environmental goals through meetings with local governmental organizations, and community members. We hold ourselves accountable for implementing and reviewing our environmental policy consistently. We strongly believe that well-informed and engaged employees play a crucial role in achieving our environmental objectives. We provide training opportunities, encourage employee participation in environmental initiatives, and promote a culture of environmental responsibility among our workforces.

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

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

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

Through regular and comprehensive reviews, we ensure the continual enhancement of our practices in managing environmental and social aspects. Our Environmental and Social Management System (ESMS) serves as a structured framework, systematically identifying and addressing environmental impacts across our operations. Concurrently, the Environmental & Social Action Plan (ESAP) outlines specific actions and commitments to proactively mitigate environmental challenges. This integrated approach not only ensures compliance with regulatory requirements but also enables us to adapt swiftly to emerging industry standards. By aligning our policies and action plans, we foster a culture of responsibility, transparency, and continuous improvement, thus reinforcing our dedication to effective environmental management practices.

Accountability and compliance with regulatory requirements and law

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

Regular assessments and reviews are integral components of our approach, facilitating a proactive response to evolving regulatory landscapes. In addition, we emphasize regular reporting to the relevant regulatory authorities, ensuring transparency and accountability in our environmental initiatives. By prioritizing

compliance, we not only mitigate legal risks but also contribute to sustainable practices and demonstrate our dedication to environmental stewardship. This 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 Lakhmi 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 5 - Gender equality, SDG 6 - Clean water and Sanitation, SDG 7 - Affordable and clean energy, SDG 8 - Decent work and economic growth, SDG 14 - Life below water, Our targets for 2025 and corresponding achievements are summarized in the table below:

| # | Lakhami HPP Targets 2025 | Link to SDG | Metric | Targets set for 2025 | Targets achieved in 2025 |
|-----|--|---|--------|----------------------|--------------------------|
| 1. | Full-time employees | SDG 8 - Decent Work and Economic Growth | # | 16 | 16 |
| 2. | Female full-time employees | SDG 5 - Gender Equality | # | 2 | 2 |
| 3. | Female representation in total workforce | SDG 5 - Gender Equality | % | 10% | 12% |
| 4. | Local employees | SDG 8 - Decent Work and Economic Growth | # | 3 | 3 |
| 5. | Local suppliers owned or managed by women | SDG 5 - Gender Equality | # | 1 | 1 |
| 6. | Annual brown trout restocking (eye-stage spawn) | SDG 14 - Life below water | # | 52,000 | 52,000 |
| 7. | Quarterly biodiversity monitoring surveys | SDG 14 - Life below water | # | 4 | 4 |
| 8. | Consolidated annual biodiversity monitoring report submitted | SDG 14 - Life below water | Yes/No | Yes | Yes |
| 9. | Renewable electricity generated by hydropower operations | SDG 7 -Affordable and Clean Energy | kWh | 54,323,349 | 59,900,298 |
| 10. | Equivalent number of people reached via power generation | SDG 7 -Affordable and Clean Energy | # | 17,771 | 20,044 |
| 11. | Potable water consumption monitoring | SDG 6 - Clean Water and Sanitation | Yes/No | Yes | Yes |

Metrics for Sustainability Performance

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

- *Water Management and Efficiency*

At AGD LLC we are committed to responsible water management, ensuring that our operations align with sustainable practices and prioritize the conservation of water resources. Our approach includes tracking total water consumption, monitoring water efficiency, and ensuring the quality of water released back to the environment.

- **Water Used for the operations of the HPP:**

As a hydropower plant, Lakhami HPP relies on river water to generate renewable energy. This water is channeled through our system and released back into the river, as a result of the water release back to the river there are no changes in the amount or the quality of the water.

- **Ecological Flow Compliance**

To protect the ecological integrity of the Lakhami River and sustain water-dependent species, Lakhami HPP maintains downstream ecological flow in full compliance with the Environmental Permit. A minimum ecological flow of 0.18 m³/s is maintained at Lakhami 1 HPP and 0.27 m³/s at Lakhami 2 HPP. These thresholds are monitored through automated gauging systems installed at the intake structures, and the data is reported quarterly to the National Environmental Agency and the Department of Environmental Supervision. The 2025 monitoring records confirmed continuous compliance throughout the reporting year.

- **Potable Water Monitoring**

In 2025, Lakhami HPP strengthened its internal resource monitoring by installing a potable water meter in August 2025. This system enables precise monitoring of water used for drinking, cooking, and other domestic purposes at the facility. The potable water source is natural spring water. Following the installation of the meter,

the measured potable water use for the period August-December 2025 amounted to 134 m³, with an average monthly consumption of 26.8 m³.

| Metric | Target 2025 | Actual 2025 |
|---|---------------------------------|---|
| Ecological Flow - Lakhami 1 | 0.18 m ³ /sec | 0.18 m ³ /sec (maintained) |
| Ecological Flow - Lakhami 2 | 0.27 m ³ /sec | 0.27 m ³ /sec (maintained) |
| River water used for generation - Lakhami 1 | 31,860,000 m ³ /year | 31,860,000 m ³ /year diverted and fully returned to river system |
| River water used for generation - Lakhami 2 | 47,790,000 m ³ /year | 47,790,000 m ³ /year diverted and fully returned to river system |
| Potable water monitoring | Meter installation | Installed August 2025 |
| Measured potable water use (Aug–Dec) | Monitored | 134 m ³ |
| Average monthly potable water use | Monitored | 26.8 m ³ |

- **Waste Reduction**

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

- Domestic waste Reduction Rate:
 - We monitor the annual decrease in waste generation from operations. By setting reduction targets, we aim to minimize waste output and lessen our environmental footprint. Given the small number of staff at the HPP, domestic waste generation is minimal. Moreover, employees are well-trained and knowledgeable in waste reduction practices, further ensuring responsible waste management.
 - As a member of the Association of Extended Producer Responsibility of Georgia¹, Lakhami HPP actively participates in a national initiative to manage and recycle specific materials. This partnership ensures that our waste is integrated into the recycling process under the oversight of the Ministry of Environmental Protection and Agriculture of Georgia. In alignment with Georgia’s environmental regulations, the company pays recycling fees in advance, ensuring responsible waste management as outlined by the organic law. Through these initiatives, we work to divert waste from landfills, contributing to a circular economy and upholding our commitment to environmental sustainability.
 - Hazardous Waste Management Treatment Compliance: We strictly monitor the generation, handling, and storage of hazardous waste, adhering to safe practices to avoid any environmental contamination. In 2025, no hazardous waste was disposed of. A total of 19 kg of hazardous waste was generated and securely stored in a designated temporary storage facility in full compliance with regulatory requirements.

| Metric | Target 2024 | Actual 2024 | Target 2025 | Actual 2025 |
|---|-------------|-------------|-------------|-------------|
| Domestic Waste Reduction Rate | 1200 kg | 1200 kg | 1000 kg | 1076 kg |
| Recycling Rate of specific waste managed by Association of Extended Producer Responsibility | 100% | 100% | 100% | 100% |
| Hazardous Waste Compliance | Yes | Yes | Yes | Yes |

- **Energy Efficiency and Emissions Reduction**

- Lakhami HPP is dedicated to maximizing renewable energy output and minimizing emissions. Our Energy Efficiency and Emissions Reduction strategy includes tracking direct emissions from operational vehicles and backup generators (Scope 1), which contribute minimally to our overall CO₂ impact due to

¹ Georgia’s Extended Producer Responsibility Association, “Wasteless” (<https://wasteless.ge/home/ka>), is a specialized waste management organization that assists companies in transforming their operations to become waste-free, clean, and sustainable, while also raising awareness of waste management practices across Georgia. This initiative is governed by the Waste Management Code, and companies that fail to comply or do not submit the required data to both the association and the official waste management portal (<https://waste.mepa.gov.ge/Login>) may face fines.

our reliance on hydropower. Below are the key metrics for tracking energy efficiency and emissions reduction.

- Since Lakhami HPP operates predominantly on renewable energy, this metric focuses on optimizing clean energy output, ensuring sustainable and efficient operations.
- AGD LLC comprehensively calculates emissions across Scope 1 (Direct Emissions), Scope 2 (Indirect Emissions), and Scope 3 (Other Indirect Emissions) to provide a clear and accurate picture of its environmental impact.
- AGD LLC is committed to aligning its emission reduction efforts with globally recognized standards to support climate action. As part of this commitment, the company has adopted science-based targets that align with the Paris Agreement's goal to limit global temperature rise to well below 2°C, with efforts to restrict it to 1.5°C. These targets provide a clear, measurable pathway for reducing greenhouse gas (GHG) emissions across Scope 1, Scope 2, and Scope 3 emissions, while highlighting progress in avoided emissions.
- The United Nations Global Compact sessions on Science-Based Targets Initiative (SBTi), enabled the company to proceed with more proficient and accurate calculations of emissions across all scopes, further improving the precision of its reporting and target-setting methodologies.
- The table below summarizes the 2024 emissions data and avoided emissions against the company's targets.
- Using 2024 as the baseline, AGD LLC has set the following science-based targets for emission reductions by 2030:

| 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 |

- Scope 1: Targeting a 30% reduction in direct emissions by 2030, based on the 2024 baseline of 55 tCO₂e, with 2025 emissions reduced to 41 tCO₂e, reflecting ongoing improvement.
 - Scope 2: Targeting a 30% reduction in indirect emissions by 2030, based on the 2024 baseline of 0.6 tCO₂e, with 2025 emissions reduced to 0.1 tCO₂e.
 - Scope 3: Committed to maintaining indirect emissions at the 2024 baseline of 9 tCO₂e by implementing reduction measures where feasible, with 2025 emissions reported at 13 tCO₂e.
 - Avoided Emissions: In 2025, the Company avoided approximately 10,925 tCO₂e through renewable electricity generation, contributing to the reduction of greenhouse gas emissions at the national level.
- This metric calculates the amount of CO₂ emissions per kilowatt-hour (kWh) of energy produced, incorporating indirect emissions from our operations, such as those from backup generators and company vehicles. For Lakhami HPP, the carbon intensity is approximately 0.00069 kg CO₂ per kWh, reflecting the plant's low environmental impact. This value is derived by estimating the CO₂ emissions from fuel usage across operational equipment and dividing it by the total annual energy produced, highlighting our commitment to maintaining a minimal carbon footprint.
 - It is well-established that hydroelectric facilities do not engage in combustion processes associated with fossil fuel usage, resulting in no sulfur oxide emissions during operation. Hydroelectric power plants, such as Lakhami HPP, produce electricity solely through the natural flow of water without using any combustion processes. This means there's no release of sulfur oxides (SO_x), which are pollutants commonly produced when fossil fuels are burned. Therefore, categorizing SO_x emissions as "0" does not accurately reflect the plant's environmental performance. To ensure transparency and accuracy in ESG reporting, we categorize SO_x emissions as "N/A" for Lakhami HPP, recognizing that they are inherently non-applicable in hydroelectric operations.

| Metric | Target '24 | Actual '24 | Target '25 | Actual '25 |
|---|------------|------------|------------|------------|
| Emissions Reduction (CO ₂ e/year): | 9577 | 10499 | 9577.0 | 10925 |
| Carbon Intensity (CO ₂ e/kWh) | 0.00232 | 0.00232 | 0.00232 | 0.00069 |
| SOx Emissions | N/A | N/A | N/A | N/A |

For more details on sustainability initiatives and emission reductions, please refer to the company's Sustainability and Emissions Reduction Plan, which is publicly available on the AGD LLC corporate website at [Austrian Georgian Development](#).

- Biodiversity and Ecosystem Health

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

- We conduct seasonal surveys, led by third-party professionals, to assess species diversity, tracking any developments in fish populations and macroinvertebrates. This independent monitoring allows us to evaluate the effectiveness of our mitigation measures and helps gauge the overall health of the local ecosystem, enabling us to identify any areas that may need further attention. Monitoring results confirmed stable ecological conditions and continued development of the brown trout population.
- We measure our progress in protecting and enhancing habitats, with a specific focus on areas potentially impacted by our operations. This involves supporting native species and implementing measures to mitigate any adverse effects from plant activities.
- We monitor the effectiveness of fish passes and other conservation efforts designed to protect and sustain aquatic biodiversity, ensuring positive impacts on fish and other riverine species.
- Aquatic biodiversity monitoring results for 2025 are reflected in the table below:

| Metric | Target '25 | Actual '25 |
|--|--------------------------|------------|
| Number of Salmo fario Linnaeuseyed eggs delivered at spawning ground | 52000 | 52000 |
| Number of fish species identified across monitoring periods in Lakhami river | 1 (exclusively trout) | 1 |
| Total number of fish captured across quarterly monitoring periods in Lakhami river | 40 | 43 |
| Lakhami river taxonomic diversity of macroinvertebrates: number of orders and families | 7/13 | 7/13 |

- Stakeholder Engagement and Community Impact

- Lakhami HPP is committed to meaningful engagement with employees, local communities, and partners to strengthen our environmental and sustainability initiatives. Our approach focuses on building a culture of environmental responsibility, supporting community inclusion, and aligning with our suppliers and partners on sustainability goals.
- We measure employee participation in activities such as energy-saving practices, emission reduction efforts, and biodiversity projects. Increasing this engagement helps build a strong culture where all employees contribute to environmental objectives.
- We are committed to engaging with the local community by offering ongoing expertise. Our ESG team is available to meet with and provide guidance to local residents and government representatives on environmental matters, HPP operations, and health and safety practices.
- A formal Grievance Management Procedure remained fully operational throughout the reporting period, with all grievances formally logged, assessed, and resolved in accordance with established procedures, reinforcing accountability and trust. For employees, an anonymous grievance box is available, providing a safe way to voice concerns confidentially.
- In 2025, stakeholder engagement was carried out through structured and established communication channels, including direct meetings, phone and email correspondence, and on-site engagement by the ESG Manager, ensuring accessibility and transparency in all interactions.

- During 2025, three formal grievances were received from local residents and were successfully resolved through technical assessment, mitigation measures, and direct engagement with stakeholders.
- The Company maintained ongoing engagement with local communities and municipal representatives, ensuring that all stakeholders retained open access to information and communication channels, while the frequency of ad hoc communication decreased due to stable operational conditions.
- Furthermore, a digital channel for submitting grievances is also in place, enhancing accessibility and allowing stakeholders and employees to report concerns conveniently and securely. This multifaceted approach ensures transparency, responsiveness, and mutual respect in all community and employee interactions.
- In addition to formal grievance handling, the Company responded to community needs through targeted support initiatives, including contributions to local educational activities, strengthening community relations and social well-being.
- We work closely with our suppliers and partners to ensure they align with Lakhmi HPP’s sustainability standards, creating a reliable approach to environmental responsibility throughout the supply chain.

| Metric | Target '25 | Actual '25 | Target '26 |
|---|------------|------------|------------|
| Employee Engagement Rate | 100% | 100% | 100% |
| Community Engagement Rate | 100% | 100% | 100% |
| Suppliers and Partners Participation rate | 100% | 100% | 100% |

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

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

Governance

- The Supervisory Boards actively oversees climate-related risks and opportunities, receiving updates from the ESG manager on Board meetings. This regular oversight ensures that Lakhmi HPP’s climate initiatives align with national energy goals, sustainability standards, and the company’s long-term vision.
- The ESG team collaborates with the Director, Operations, Finance, and Health & Safety team to manage climate risks. This team is responsible for overseeing initiatives in water management, energy efficiency, emissions reduction, and waste management, setting performance targets that ensure compliance with Georgian environmental standards and support the company’s sustainability and resilience goals.

Strategy

- Climate-Related Risks and Opportunities:
 - Short-Term (1-3 years): Address emerging regulations for stricter emission controls and improve energy efficiency in operations through technology and process enhancements.
 - Medium-Term (3-10 years): Adapt to changing rainfall patterns that could impact water flow and generation capacity.
 - Long-Term (10+ years): Prepare for hydrological changes and potential extreme weather events by investing in resilient infrastructure and advanced technology to ensure operational stability.
- Climate risks, such as variations in water availability, influence Lakhmi HPP’s operational efficiency and financial planning. Investments in energy-efficient technology and renewable capacity help mitigate costs and emissions, aligning both financial objectives and sustainability goals.
- Lakhmi HPP incorporates resilience planning into its strategy by stress-testing operations against climate scenarios, including a 2°C or lower pathway.

Risk Management

- The company's climate risk assessment includes environmental impact assessments, hydrological analyses, and scenario modeling. This approach also considers risks across the supply chain, enhancing resilience and ensuring comprehensive climate risk management.
- Processes for Managing Climate Risks:
 - Advanced water monitoring systems are used to optimize production during variable water conditions, ensuring operational efficiency and sustainable water use.
 - Facilities and slopes are fortified to withstand extreme weather events, ensuring operational continuity and minimizing climate-related disruptions.

Climate-related risks are managed based on the Climate Change Impact Assessment, Environmental Policy, and Environmental Impact Assessment (EIA), ensuring the implementation of relevant mitigation measures. Advanced water monitoring systems, including gauging stations, are deployed to optimize production during variable water conditions while ensuring compliance with environmental flow requirements. The turbines do not affect water quality, and the turbined water is released back into the river.

Metrics & Targets

Monitoring Metrics: Lakhmi HPP's key sustainability metrics include:

- Water Usage and Flow Rates: Tracks water consumption trends and ecological flow, aligning with operational efficiency and conservation goals.
- Energy Efficiency: Measures of improvements in energy usage, supporting cost-effective and sustainable operations.
- Scope 1, 2, and 3 Emissions: Tracks direct, indirect (purchased electricity), and other indirect emissions (supply chain and vehicle operations).

Climate-Related Targets:

- Carbon Emissions: Reduce Scope 1 and Scope 2 emissions by 30% by 2030.
- Energy Efficiency: Target reducing overall electricity usage for internal consumption.
- Water Conservation: Water Conservation: The minimum environmental flow release will be ensured in compliance with environmental permits and the Environmental Impact Assessment (EIA), allowing natural river flow downstream to support biodiversity. For hygiene and potable water use, compliance with health and safety standards will be maintained, alongside initiatives to promote water conservation. Staff will be trained to minimize unnecessary water use, such as turning off taps when not actively in use.

Progress against these targets is reviewed regularly, with transparent reporting in Lakhmi HPP's annual sustainability disclosures. This process supports the plant's commitment to responsible, transparent, and resilient operations in the renewable energy sector.

Distribution and Logistics at Lakhmi HPP

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

- We carefully plan transport routes to and from Lakhmi HPP, prioritizing local suppliers and vendors wherever possible. By minimizing transport distances, we reduce fuel use and emissions, supporting both environmental goals and the local economy.
- For any materials that require packaging or transportation, we prioritize sustainable options, such as recyclable or reusable materials. This reduces waste generation, particularly in local landfills, which can help alleviate regional waste management challenges.

- We work closely with partners who share our commitment to sustainable practices. Where feasible, we choose providers with eco-friendly fleets or fuel-efficient options, helping lower the carbon footprint associated with our logistical needs.
- We provide partners with electric vehicle charging stations at our facility, where applicable.
- To ensure accountability, we regularly track emissions from logistics operations. This helps us identify specific areas for improvement, such as reducing the frequency of trips or choosing lower-emission transport options, with the long-term goal of minimizing greenhouse gas emissions.

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

Due Diligence and Acquisitions at Lakhani HPP

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

Our approach includes:

- For every potential partnership or acquisition, we conduct thorough environmental impact assessments to evaluate risks and opportunities. This helps ensure that any new venture aligns with our environmental goals and does not introduce unforeseen liabilities.
- We require that any new entity fully integrates with AGD LLC's Environmental and Social Management System (ESMS) and adheres to our sustainability standards. This ensures that our environmental practices and policies are consistently applied across all operations.
- During due diligence, we assess environmental liabilities, such as historical pollution or waste management issues, that could impact our sustainability objectives. This review allows us to proactively address any legacy issues.
- We ensure that all mergers and acquisitions comply with Georgian environmental regulations as well as relevant international standards, preserving AGD LLC's commitment to regulatory adherence and sustainability.
- We work closely with new entities to embed our sustainability values in their operations. This collaborative approach ensures a unified commitment to environmental responsibility across all aspects of our business.

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

Biodiversity Management

AGD LLC recognizes the conservation of biodiversity as a key component of its environmental responsibility. As outlined in the company's Environmental Policy and aligned with its Environmental and Social Management System (ESMS), biodiversity management is integrated into planning and operational activities.

- Biodiversity Risk Assessment

AGD LLC undertakes biodiversity risk assessments in accordance with Environmental Impact Assessment (EIA) findings and ESMS protocols. These assessments identify species and habitats that may be affected by the company's activities, particularly in the vicinity of the Lakhani HPP and its associated infrastructure. Assessment outcomes guide the design and implementation of biodiversity mitigation measures.

- No Deforestation Commitment

AGD LLC is committed to the principle of no deforestation and to the sustainable management of natural resources. During the operation of Lakhani HPP, the company does not cut down trees and ensures that its activities do not contribute to deforestation. In line with the standards of the European Investment Bank (EIB) and the International Finance Corporation (IFC), AGD LLC avoids adverse impacts on forests and biodiversity and upholds good international industry practices to safeguard ecological integrity.

- **Biodiversity Exposure and Assessment**

Biodiversity exposure is assessed through regular ichthyological and riparian monitoring, particularly along the Lakhmi River, as required by the Environmental Impact Assessment (EIA). These surveys are performed by qualified specialists and provide data on fish populations, macroinvertebrate communities, and riparian vegetation health. Monitoring results inform adaptive environmental management.

- **Biodiversity Mitigating Actions**

AGD LLC implements targeted actions to minimize and mitigate biodiversity impacts. These include:

- Continuous ecological flow compliance monitoring.
- Use of fish deterrent structures and fish passes.
- Seasonal biodiversity assessments.
- Habitat protection and erosion control measures.

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

ESG Manager:

1. Develop and implement Environmental and Social Management System (ESMS) and Environmental and Social Action Plan (ESAP)
2. Develop and implement Environmental policy
3. Collaborate with 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 on 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 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 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 Holding (the “Holding”). This process ensures timely identification of any deviations and effective follow-up on corrective actions. Through this process planned and undertaken by the Holding, the company ensures that its commitment to sustainability and responsible business practices remains transparent and aligned with investors’ standards and expectations.

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

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

Environmental Policy Annual Revision Process

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

The updated version is uploaded onto the company's webpage, while the previous version remains accessible on the website in the archive folder.