AUSTRIAN GEORGIAN DEVELOPMENT LLC
(AGD LLC)

MATERIALITY ANALYSIS

The Materiality Analyses is Approved by the Company Director: Giorgi Abramishvili

2025

Contents

Acronyms

AGD LLC	Lakhami Hydropower Plant LLC
SCADA	Supervisory Control and Data Acquisition
CCEH	Caucasus Clean Energy Holding
CSRD	Corporate Sustainability Reporting Directive
EIB ESS	European Investment Bank Environmental and Social Standards
E&S	Environmental and Social
EHS	Environmental, Health, and Safety
EMS	Environmental Management System
ERM	Enterprise Risk Management
ESAP	Environmental and Social Action Plan
ESG	Environmental, Social, and Governance
ESMS	Environmental and Social Management System
GREDA	Georgian Renewable Energy Development Association
GWh	Gigawatt-hour
HPP	Hydropower Plant
HR	Human Resources
HRDD	Human Rights Due Diligence
H&S	Health and Safety
IFC PS	International Finance Corporation Performance Standards
LVP	Landsvirkjun Power
MW	Megawatt

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MATERIALITY ANALYSIS

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

Aim of the Report

Materiality Analysis is an essential process for the company that helps management to identify, assess and prioritize the most relevant sustainability issues that can impact its business and stakeholders. Thus, the primary goal of materiality analysis is to determine which Environmental, Social and Governance ("ESG") factors are significant for a company's long-term success and have the most substantial impact on its ability to create value.

Based on that, Austrian Georgian Development ("AGD") LLC identified 16 priorities and grouped them through the materiality matrix under the three ESG dimensions. These factors represent the keyways in which our Company significantly contributes to both society and the environment, in addition those factors are also considered to be crucial elements that can influence the Company's value either positively or negatively.

Diagram 1: *Materiality Issues Based on ESG Factors*

Environmental Dimension

1. Direct emissions: Scope 1
2. Indirect emissions: Scope 2
3. Other indirect emissions: Scope 3
4. Renewable energy generated by AGD LLC
5. Continuous assessment on biodiversity in the area of HPP impact
6. Implementation of conditions included to the Environmental Permit

Social Dimension

7. Equivalent number of people reached via power generation
8. Number of social projects developed and maintained
9. Number of employees trained in H&S and ESG
10. Number of workplace related injuries and accidents
11. Community safety awareness - number of meetings and capacity building events

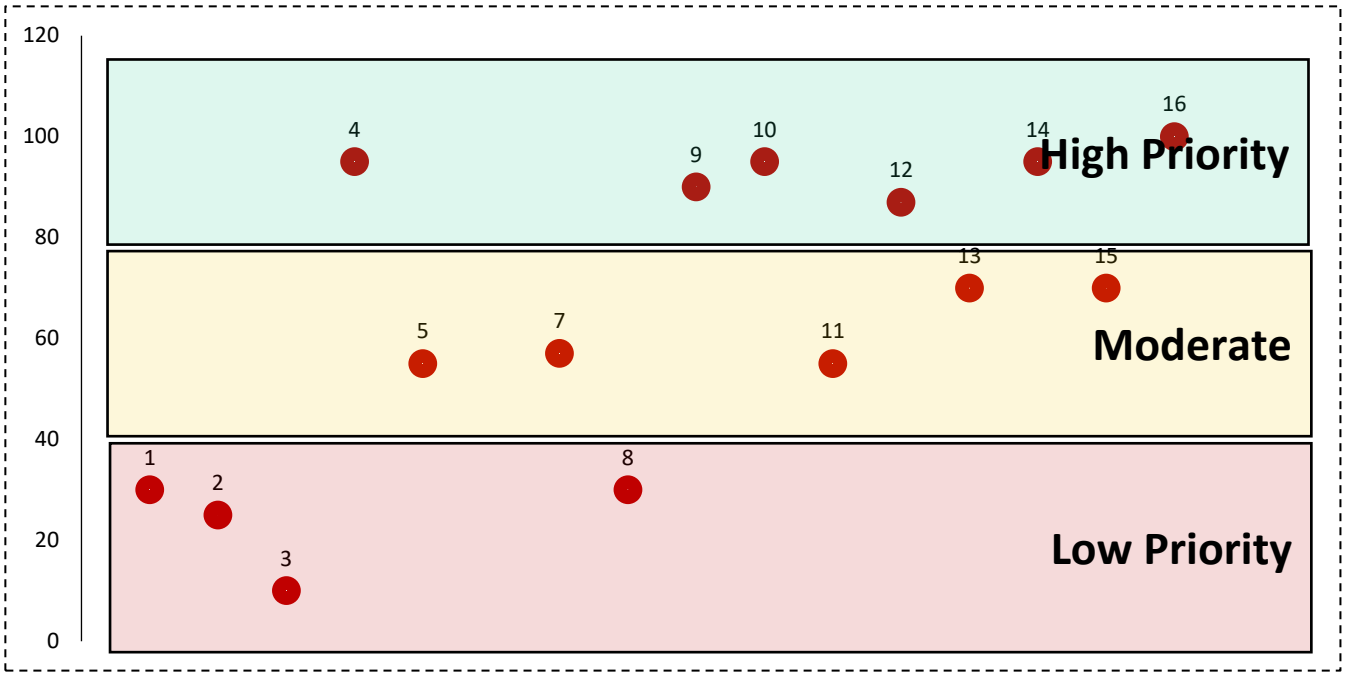
Governance/Economic Dimension

12. Environmental and Social Management System ("ESMS") in place at AGD LLC
13. Environmental and Social Action Plan ("ESAP") in place at AGD LLC
14. Environmental Policy in place at AGD LLC
15. Gender equality mainstreamed at all levels
16. ESG programming supported by the Board

The prioritization of material issues follows a structured scoring methodology, which is explained in detail in the Principle of Double Materiality section.

This process is aimed to assess and identifying the most and least critical areas for the company. Following the process, the scores are placed on Materiality Matrix to visualize and recognize the key elements affecting the company's overall performance. Please see the AGD LLC's Materiality Matrix below:

Graph 1: *Materiality Matrix*



Priority Table

High Priority	Moderate	Low Priority
4. Renewable Energy Provided by AGD LLC **(E'*)**	5. Continuous assessment on biodiversity in the area of HPP impact **(E'*)**	1. Direct emissions: Scope 1 (**(E'*)**
6. Implementation of conditions included to the Environmental Permit **(E'*)**	7. Equivalent number of people reached via power generation **(S'**)**	2. Indirect emissions: Scope 2 **(E'*)**
9. Number of Employees trained in H&S and ESG **(S'**)**	11. Community safety awareness**(S'**)**	3. Other indirect emissions: Scope 3 **('E'*)**
10. Number of workplace related injuries and accidents **(S'**)**	13. ESAP in Place at AGD LLC **(G'***)**	8. Number of social projects developed **(E'*)**
12. ESMS in place at AGD LLC **(G'***)**	15. Gender equality mainstreamed at all levels **(G'***)**	
14. Environmental Policy in place at AGD LLC **(G'***)**		
16. ESG programming supported by the Board **(G'***)**		

E*- Environmental; S**-Social; G***-Governance

Enterprise Risk Management ("ERM") & Material Issues

The Materiality Analysis is directly integrated into AGD LLC's Enterprise Risk Management framework. This includes:

- Identifying ESG-related risks and their business impact.
- Developing mitigation strategies for high-priority risks.
- Aligning ESG initiatives with corporate strategy and risk management policies.
- Enhancing sustainability disclosures for investors and stakeholders.
- Informing investment and operational planning.

Quantification of various materiality assessments and relevant impact metrics is presented in Annex 1, while material issues and corresponding ERM risks are outlined in the table below:

Material Issue	Relevant ERM Risk	Mitigation Strategy
Direct emissions: Scope 1	Regulatory compliance risk, Carbon pricing impact	Implement energy efficiency measures, invest in carbon offset programs
Indirect emissions: Scope 2	Regulatory compliance risk, Carbon pricing impact	Implement energy efficiency measures, invest in carbon offset programs
Other indirect emissions: Scope 3	Supply chain emission risks, ESG investor scrutiny	Engage suppliers on emissions reductions, purchase renewable energy certificates
Renewable Energy Generated by AGD LLC	Market competitiveness risk, Policy uncertainty	Optimize renewable generation efficiency, diversify energy portfolio
Continuous Assessment on Biodiversity Impact	Environmental litigation, Community opposition	Conduct biodiversity monitoring, develop conservation initiatives
Implementation of Environmental Permit Conditions	Legal non-compliance risk, Fines & penalties	Strict adherence to permit conditions, proactive regulatory engagement
Equivalent Number of People Reached via Power Generation	Energy accessibility risk, Grid dependency	Expand energy outreach programs, support grid infrastructure improvements
Number of Social Projects Developed and Maintained	Community relations risk, social license to operate	Invest in community projects, maintain open stakeholder communication
Employees Trained in H&S and ESG	Workplace safety risk, Operational disruptions	Regular training programs, implement best-practice safety protocols
Workplace-Related Injuries and Accidents	Operational downtime, Reputational risk	Implement stringent H&S policies, conduct regular safety audits
Community Safety Awareness Programs	Public safety risk, Negative community perception	Conduct safety awareness campaigns, emergency response training
Environmental and Social Management System (ESMS)	ESG non-compliance, Investor confidence risk	Maintain robust ESMS, undergo third-party audits
Environmental and Social Action Plan (ESAP)	Project delays due to ESG issues	Ensure ESAP implementation, monitor ESG performance regularly
Environmental Policy Implementation	Reputational damage, Regulatory fines	Align policy with international ESG standards, transparent reporting
Gender Equality Mainstreaming	Workplace discrimination risk, Legal liabilities	Implement equal opportunity programs, monitor diversity metrics
ESG Programming Supported by the Board	Weak governance, Stakeholder trust erosion	Formalize board-level ESG oversight, ensure accountability

Technology Risk

As one of the most established forms of renewable energy, hydropower has been relied upon for generations to deliver green and sustainable electricity. Lakhami HPP builds on this long-standing tradition by utilizing proven hydropower infrastructure to ensure efficient and low-impact energy production. To complement this foundation, AGD LLC integrates advanced digital systems that enhance operational performance, environmental compliance, and safety oversight. These include a Supervisory Control and Data Acquisition (SCADA) system for real-time monitoring and control, automated gauging stations for environmental flow tracking, and CCTV systems with alarms to secure critical assets. While these technologies significantly improve risk management and efficiency, they also introduce potential vulnerabilities, such as technical failures, data integrity issues, and cybersecurity threats. AGD LLC mitigates these risks through robust SCADA protocols, regular system maintenance, and staff training. By combining the resilience of hydropower with modern digital safeguards, the company strengthens its operational reliability and reinforces trust with stakeholders and regulators.

Principle of Double Materiality

The double materiality approach considers both:

- **Internal impact on the business:** How ESG risks affect financial performance, operations and legal standing.
- **External impact on society and the environment:** How AGD LLC's operations influence local communities, biodiversity and climate action.

To ensure transparency and consistency in prioritizing material issues, AGD LLC utilizes a structured scoring system to assess the significance of ESG factors.

Materiality Analysis Scoring Methodology

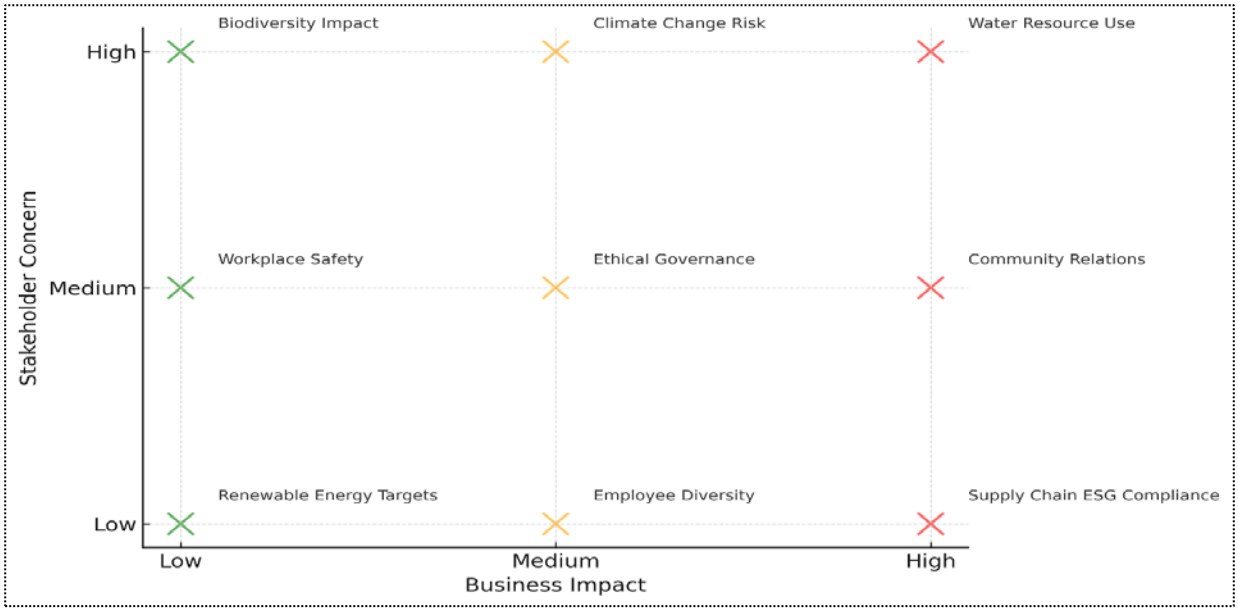
Material issues are prioritized using a scoring system based on internal discretion, industry best practices, and strategic business relevance. Each issue is evaluated based on its impact on operations, regulatory compliance, stakeholder expectations, and long-term sustainability.

The scoring system follows a **1-100 range**, categorized as follows:

- **Low Priority (1-50):** Issues with minimal impact, monitored for future relevance.
- **Moderate Priority (51-80):** Important issues requiring active management but with lower immediate risk.
- **High Priority (81-100):** Critical issues with a significant impact on operations, compliance, or stakeholder trust.

Scoring is conducted through an expert-driven process involving senior management, ESG specialists, and functional departments. This approach ensures informed decision-making, aligns with AGD LLC's strategic objectives, and allows flexibility in responding to evolving business and regulatory environments.

		Business Impact		
		LOW	**MEDIUM**	**HIGH**
Stakeholder Concern	**HIGH**	Biodiversity Impact	Climate Change Risk	Water Resource Use
	MEDIUM	Workplace Safety	Ethical Governance	Community Relations
	LOW	Renewable Energy Targets	Employee Diversity	Supply Chain ESG Compliance



Emerging Regulation

AGD LLC maintains a forward-looking approach to regulatory compliance by systematically embedding environmental and social considerations into its corporate governance and risk management practices. In anticipation of evolving domestic and international ESG regulations, the company ensures its operations remain aligned with frameworks such as UN Global Compact Ten Principles, the IFC E&S Performance Standards, EIB E&S Standards. Material topics, like greenhouse gas emissions, environmental flow, biodiversity, community health and safety, and human rights due diligence (HRDD), are regularly evaluated through AGD LLC's Materiality analyses process, which is formally reviewed and updated on an annual basis. This approach ensures alignment with evolving regulatory requirements, including emerging human rights obligations, and stakeholder expectations. The results are fully embedded into the Enterprise Risk Management (ERM) framework, enabling informed scenario planning, timely compliance responses, and strategic decision-making. Although the Corporate Sustainability Reporting Directive (CSRD) is not mandatory in Georgia, AGD LLC proactively aligns with its core themes and principles. The company recognizes the importance of transparency, accountability, and alignment with international sustainability standards. As such, AGD LLC integrates key CSRD focus areas - such as double materiality, climate-related risks, and stakeholder engagement - into its internal ESG processes and external reporting. This approach not only enhances the quality and credibility of disclosures but also prepares the company for future regulatory alignment and increases trust among investors and stakeholders.

Lobbying and Trade Associations

AGD LLC is a member of the Georgian Renewable Energy Development Association (GREDA), which serves as a lobbying partner to the Government of Georgia on energy and environmental legislation. While AGD does not engage in direct political lobbying, its affiliation with GREDA provides a formal channel for contributing to policy development that supports sustainable renewable energy practices. This relationship is considered an indirect impact pathway within AGD's sustainability reporting boundary, reflecting the company's commitment to transparent and responsible engagement beyond its operational footprint.

Business Case

Environmental Management System

Hydropower plant projects provide clean and renewable energy, contributing to the transition towards a more sustainable future. However, it is crucial to recognize and address the environmental management system risks associated with these projects to ensure their overall environmental sustainability and minimize negative impacts. Primary risks correlated to EMS is listed below:

Risk	Mitigation measures
Alteration of natural ecosystems and habitats	• Engage highly qualified biodiversity consultants to conduct comprehensive fish and aquatic biodiversity surveys. • Strictly implement the mitigation measures outlined in the biodiversity assessments to minimize ecological impact.
River flows and water availability	• Continuously monitor river flow data and implement adaptive water management strategies to maintain ecological balance and sustainability.
Sediment management	• Establish a systematic sediment monitoring and management program to prevent riverbed alterations and ensure the stability of aquatic ecosystems.
Greenhouse gas emissions and climate change	• Conduct regular tracking of Scope 1, 2, and 3 emissions and implement efficiency measures to minimize the plant's carbon footprint. • Continuously collect meteorological data to support long-term climate impact assessments and informed decision-making.
Employee health & safety risks	• Implement ongoing safety training, risk assessments, and emergency preparedness for operational staff.

Employee Wellbeing, Health & Safety

Hydro industry plays a significant role in renewable energy production, the sustainable development of society in Georgia and across the globe in general, it also contributes to the energy independence of Georgia. In general, the hydro industry is both labor and capital intensive business, especially during the construction phase, however this encompasses operation phase as well. Thus, all risks associated with H&S should be carefully assessed and mitigated. Various risks associated to H&S are categorized as follows:

Operation phase:

- Electrical safety
- Operations team health and safety
- Proper Personal Protective Equipment
- Proper Collective Protective Equipment
- Confined space
- Working at height
- Lifting safety
- Fire Safety
- Community Health and Safety
- Health and safety plans
- Health and safety Policy
- Covid 19 and different pandemics

Implication on AGD LLC:

Since the initial phase of the project, there has been an intersection between the project and the local communities. Following the operation, AGD LLC is responsible for ensuring the safety and security of the project infrastructure, the employees, and the project affected community. AGD LLC ensures that the facilities adhere to all relevant regulations and standards to safeguard both the environment and the local population, especially taking into the account that the population resides in the close proximity to HPP infrastructure. Hence there is stick control on following aspects:

1. **Speed Limit Regulations:** Maximum allowable driving speed for HPP vehicles between the intake structures and the powerhouse.
2. **Dust Suppression Measures:** Implementation of appropriate dust control measures as necessary to minimize environmental impact.
3. **Noise and Vibration Monitoring:** Regular assessment and control of noise and vibration levels to ensure compliance with local regulatory requirements and international standards.

Neither hydroelectric power plant features open headrace canals or associated spillways. Instead, both HPPs utilize buried penstocks, significantly reducing risks linked to open trenches and enhancing overall operational safety. Lakhami HPP is equipped with comprehensive security measures to prevent unauthorized access, including perimeter fencing, gated entry points, prominently displayed safety warning signs, and a CCTV monitoring system. These safeguards effectively minimize potential health, safety, and security risks. Additionally, clear signage is strategically placed throughout the premises, strictly prohibiting entry, fishing, and swimming while also ensuring awareness of high-voltage areas to further enhance safety.

Resource Efficiency & Circularity

The resource efficiency and circularity risks associated with HPP construction and operation is essential to ensure long-term sustainability and minimize environmental impacts. The main risks associated to resource efficiency are:

- Need for unplanned repairs and upgrades that may lead to use of additional materials, energy and water
- Use of significant amount of natural and industrial resources such as concrete, steel and other materials
- Not compliant to regulations

Circularity bears the following risks:

- Increase of reusage of resources
- Ineffective policy regarding recycling materials
- Increase of waste
- Minimization of resource utilization
- Not compliant to regulations

Implication on AGD LLC:

All permits and licenses as per national regulations have been obtained by the projects, and these have been renewed as and when they expire in the instances where permit validity is time limited. Key requirements in international standards (e.g., IFC PS, EIB ESS) regarding pollution and waste management are strictly reflected in the ESMS ("Environmental and Social Management System").

The waste management plan agreed with the Ministry of Environment and Agriculture of Georgia according to the law, and in this respect, of the waste hierarchy: prevent – minimize – reuse – recycle – dispose.

Municipal and domestic waste is managed by the local municipal service center, while hazardous waste is collected and treated by the Company, certified by the Ministry of Environment and Agriculture of Georgia, based on the agreement. Before the hazardous waste is treated further, it is stored at the temporary storage area, settled based on the requirement by law. To minimize oil spills, the plant is well-equipped with spill kits/absorbents. Operations teams in well aware of how to handle spills if applicable, according to the environmental training plan and Spill Response Plan. Transformers and hydraulic pressure unites are equipped with drip trays. No signs of substantial oil spills were observed during the fiscal year.

AGD LLC conducts a formal Materiality Analysis on an annual basis, with semi-annual reviews to ensure relevance and alignment with evolving business, regulatory, and stakeholder expectations. The most recent full assessment was conducted in 2024.

Roles and Responsibilities in Materiality Assessment

- **Supervisory Board:**
  - Defines strategic direction, approves materiality issues, and makes final decisions.
  - Conducts an annual review to ensure alignment with corporate values, priorities, and regulatory requirements.
  - Reviews and approves the final version of the materiality assessment.
- **Management of the Company:**
  - Coordinates ESG materiality analysis and engagement with relevant departments.
  - Oversees the approval process and manages strategic decisions related to ESG.
  - Ensures the publication of the board-approved report for stakeholder access.
- **Functional Departments (ESG, H&S, Technical, Operation, Finance and administration teams):**
  - Collect, analyze, and report ESG data.
  - Identify ESG risks and integrate sustainability measures into operations.
  - Provide ongoing monitoring and internal reporting on ESG performance.
- **External Auditors & Consultants: Evaluation and Analysis:**
  - Conduct independent assessments of materiality analysis.
  - Provide recommendations to enhance sustainability disclosures and risk mitigation.
  - Verify adherence to regulatory and industry standards.

Materiality Assessment Process:

The materiality assessment process follows a structured approach to ensure accuracy, transparency, and alignment with AGD LLC's governance framework. The key steps are outlined below:

- Evaluation and Analysis: Functional departments and the sustainability committee compile and assess ESG materiality data.
- Internal Review: The Management team reviews and refines the materiality assessment.

- External Audit: Independent auditors assess documentation and verify accuracy.
- SB Review: The board reviews the final version of the assessment.
- Approval and Publication: The board-approved report is made publicly available.

Conclusion

The materiality analysis of AGD LLC's hydropower project highlights the company's commitment to integrating ESG considerations into its strategic decision-making and risk management framework. By identifying and prioritizing 16 sustainability factors, AGD LLC ensures that its operations align with regulatory requirements, industry best practices, and stakeholder expectations. The company has effectively assessed and visualized key ESG priorities through the Materiality Matrix, helping to identify high-impact areas such as renewable energy generation, biodiversity conservation, workplace safety, and emissions reduction. Furthermore, the integration of materiality analysis into Enterprise Risk Management (ERM) enables AGD LLC to proactively address potential risks, strengthen governance mechanisms, and enhance long-term business resilience. AGD LLC's approach demonstrates a structured and responsible commitment to sustainability, minimizing environmental impacts while ensuring the well-being of employees and local communities. The company has implemented robust mitigation strategies, such as biodiversity monitoring, climate risk assessments, safety training, and circular economy principles, to enhance operational efficiency and regulatory compliance. By continuously improving its Environmental and Social Management System (ESMS) and aligning with international sustainability standards, AGD LLC reinforces its role as a responsible energy provider. This comprehensive materiality assessment not only strengthens stakeholder trust but also positions AGD LLC as a leader in sustainable hydropower development, ensuring long-term value creation for both the business and society.

Materiality Analysis Annual Revision Process

Aligned with internationally recognized corporate governance practices, the Supervisory Board defines the strategic direction of the Materiality Assessment, approves material issues, and makes final decisions. The Board conducts an annual revision to ensure alignment with the Company's values, strategic priorities, and regulatory requirements. The Management of the Company coordinates the ESG materiality analysis, ensuring relevant stakeholder input. Functional Departments collect data, assess ESG risks, and integrate sustainability measures into operations.

To ensure objectivity and compliance, External Auditors and Consultants provide independent assessments and recommendations, verifying adherence to regulatory and industry standards.

During the revision, the Board reviews material topics, ESG risk mitigation, and governance frameworks. If modifications are proposed, they are evaluated, discussed, and formally approved by a majority vote. Once finalized, the updated Materiality Assessment is published on the Company's website, with previous versions archived for reference.

Annex 1: Quantified Materiality Assessment & Relevant Impact Metrics

Quantified Materiality Assessment & Relevant Impact Metrics						Austrian Georgian Development LLC				
#	Impact Metric	Impact Metric Value	Impact Metric Definition	SDG	SDG Definition	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
1	Paid health insurance	USD	N/A	8	Decent work and economic growth	$2,820	$2,786	$2,713	$2,754	**$11,073**
2	Number of workplace related injuries and accidents	#	N/A	8	Decent work and economic growth	0	0	0	0	**0**
3	# of Project Affected Communities	#	N/A	1	No poverty	3	3	3	3	**3**
4	# of households in Project Affected Communities	#	N/A	1	No poverty	67	67	67	67	**67**
5	# of population in Project Affected Communities	#	N/A	1	No poverty	302	302	301	301	**301**
6	Number of social projects	#	N/A	1	No poverty	0	2	1	0	**2**
7	Annual spending on community development	USD	Spending on social projects	1	No poverty	$0	$3,000	$22,000	$330	**$25,330**
8	Households with access to clean drinking water	#	Number of households who have access to clean drinking water	6	Clean water and sanitation	0	0	47	47	**47**
9	Avoided emissions	(tCO2eq)	The difference between the project GHG emissions	13	Climate action	1,462 tCO2eq	6,200 tCO2eq	1,731 tCO2eq	1,199 tCO2eq	**10,592 tCO2eq**