

**AUSTRIAN GEORGIAN DEVELOPMENT LLC
(AGD LLC)**

**EXTERNAL ENVIRONMENTAL, SOCIAL, AND GOVERNANCE AUDIT
REPORT**



The Lakhmi Hydropower Plant

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Prepared for: AGD LLC**

April 2026

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Acronyms and Abbreviations

Acronym/Abbreviation	Definition
CCEH	Caucasus Clean Energy Holding
DEI	Diversity, Equity, and Inclusion
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ERM	Enterprise Risk Management
ERP	Emergency Response Plan
ESG	Environmental, Social, and Governance
ESAP	Environmental and Social Action Plan
ESMS	Environmental and Social Management System
EU	European Union
GHG	Greenhouse Gas
GREDA	Georgian Renewable Energy Development Association
GRI	Global Reporting Initiative
HPP	Hydropower Plant
Holding	Caucasus Clean Energy Holding
H&S	Health and Safety
HSE	Health, Safety, and Environment
IFC	International Finance Corporation
ILO	International Labor Organization
ISO	International Organization for Standardization
JSC	Joint-stock Company
LLC	Limited Liability Company
MoEPA	Ministry of Environmental Protection and Agriculture of Georgia
MW	Megawatt
NDCs	Nationally Determined Contributions
NEA	National Environmental Agency
OHS	Occupational Health and Safety
PPE	Personal Protective Equipment
PS	Performance Standards
SDG	Sustainable Development Goals
Std.	Standard
STP	Sewage Treatment Plant
TCFD	Task Force on Climate-related Financial Disclosures
ToR	Terms of Reference
UN	United Nations
UNGC	United Nations Global Compact
WMP	Waste Management Plan

1 Executive Summary

This Executive Summary presents the key findings, conclusions, and strategic recommendations arising from the independent Environmental, Social, and Governance (ESG) audit of AGD LLC covering the 2025 operational period. The audit focused on the operational activities of the Lakhami Hydropower Plant cascade (Lakhami 1 and Lakhami 2) located in Mestia Municipality, Georgia.

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

The audit assessed AGD LLC's ESG performance across four core areas: (i) governance and risk management; (ii) environmental performance and climate management; (iii) social responsibility and labour practices; and (iv) ESG disclosure, transparency, and stakeholder engagement. The following sections summarize the key assessment outcomes, notable strengths and good practices, and advisory recommendations identified during the audit.

1.1 Overview of ESG Audit Objectives

The primary objective of the ESG audit was to provide an independent, evidence-based assessment of AGD LLC's ESG performance, management systems, and implementation practices during the 2025 operational period. The audit evaluated the Company's capacity to identify, manage, monitor, and disclose ESG-related risks and impacts associated with operation of the Lakhami Hydropower Plant cascade.

The assessment focused on the following key objectives:

- (i) **Governance and Risk Management** – Assess the effectiveness of governance structures, ESG oversight arrangements, ethical business conduct systems, risk management processes, compliance mechanisms, and supply chain ESG management practices.
- (ii) **Environmental Performance and Climate Management** – Evaluate environmental management systems, biodiversity protection measures, climate-related risk management, greenhouse gas emissions management, resource efficiency practices, pollution prevention controls, waste management systems, and compliance with environmental permit requirements.
- (iii) **Social Responsibility and Labour Practices** – Review labour and working conditions, occupational health and safety management systems, stakeholder engagement mechanisms, grievance management procedures, human rights-related commitments, employee welfare measures, diversity and inclusion practices, and community engagement activities.
- (iv) **ESG Disclosure and Transparency** – Assess the quality, completeness, consistency, and transparency of ESG-related reporting and public disclosures, including alignment with GRI, TCFD, SDG, and UNGC reporting approaches.
- (v) **Identification of Good Practices and Enhancement Opportunities** – Identify areas of strong ESG performance, sector-leading practices, and opportunities for further strengthening of ESG management systems and governance arrangements.

The audit findings are intended to support AGD LLC's ongoing ESG strategy, strengthen investor and stakeholder confidence, support regulatory assurance, and reinforce the Company's position as a responsible renewable energy operator aligned with international sustainability expectations.

1.2 Key Assessment Outcomes

The ESG audit confirmed that AGD LLC maintains a mature and operational ESG management framework broadly aligned with applicable international standards, Georgian regulatory requirements, and good international industry practice. ESG considerations are integrated into governance structures, operational management, environmental monitoring systems, stakeholder engagement processes, and ESG reporting practices.

The assessment identified a high level of ESG maturity and operational integration across governance, environmental, and social performance areas. While several opportunities for enhancement were identified, these recommendations are advisory in nature and intended to support continual improvement rather than corrective action.

1.2.1 Governance and Risk Management

AGD LLC operates under a structured governance framework with ESG oversight integrated at both Supervisory Board and operational management levels. ESG performance, compliance matters, and risk management issues are regularly reviewed through management reporting and governance oversight processes. The governance framework is further supported by shareholder oversight mechanisms, including the General Meeting of Partners and an Audit Committee contributing to transparency, accountability, and oversight of corporate governance processes.

The Company maintains a formal Enterprise Risk Management (ERM) framework integrated with its Environmental and Social Management System (ESMS), Environmental and Social Action Plan (ESAP), and materiality assessment processes. A double materiality assessment approach is applied to evaluate both the impacts of ESG factors on the Company's operations and the impacts of the Company's activities on the environment and society, supporting risk prioritization and ESG-related decision-making.

The audit confirmed implementation of governance instruments including a Code of Conduct, Compliance Policy, Human Rights Policy, Supplier Code of Conduct, grievance mechanisms, whistleblowing procedures, human rights due diligence processes, information security policy, and an AI Policy governing the responsible and ethical use of artificial intelligence within operational and administrative activities. The AI Policy supports management of emerging legal, ethical, data protection, and governance-related risks associated with evolving technologies.

ESG-related policies and governance arrangements are publicly disclosed and supported through regular ESG reporting aligned with GRI, TCFD, SDGs, and UNGC requirements. During 2025, AGD LLC also submitted its first UN Global Compact Communication on Progress (CoP).

Investor oversight, independent ESG reviews, and external ESG assurance processes further strengthen accountability, transparency, and continual improvement of governance and ESG performance.

1.2.2 Environmental Performance

AGD LLC demonstrated a strong level of environmental performance supported by implementation of its ESMS, operational environmental controls, biodiversity management measures, climate governance systems, and continuous environmental monitoring programmes. The Company maintained compliance with ecological flow requirements, environmental permit conditions, and applicable Georgian environmental legislation throughout the 2025 operational year. No environmental fines, penalties, or significant non-compliances were identified during the reporting period.

As a run-of-river hydropower facility, water used for electricity generation is returned to the river after turbine operation without consumptive use, supporting preservation of downstream hydrological conditions and aquatic ecosystem integrity. Environmental management measures implemented during 2025 included biodiversity monitoring, annual brown trout restocking, fish pass operation and monitoring, erosion prevention measures, erosion prevention measures, annual geological stability assessments, wastewater quality testing,

implementation of waste management practices under the Ministry of Environmental Protection and Agriculture of Georgia's-approved Waste Management Plan, and continuous ecological flow monitoring through automated systems (These systems, installed at the HPP intakes, use sensors to measure water velocity and level. A data logger calculates flow rates in real time, with information uploaded to an internal server for remote monitoring, ecological flow compliance, and operational optimization.).

Biodiversity monitoring results confirmed stable ecological conditions and indicated a more than 25% increase in brown trout populations within the monitored river section, further supported by positive feedback from local residents regarding the visible return of trout to the Lakhmi River. Additional avifauna protection measures included procurement of bird diverters for power infrastructure, planned for installation in 2026.

The Company also demonstrated advanced climate governance practices through implementation of a Climate Strategy, Sustainability and Emissions Reduction Plan and Net-Zero Transition Plan aligned with Georgia's climate objectives and Nationally Determined Contributions (NDCs). Scope 1, Scope 2, and Scope 3 greenhouse gas emissions are monitored, publicly disclosed, and voluntarily verified despite the absence of a legal verification requirement under Georgian legislation. During 2025, renewable electricity generation contributed to avoidance of approximately 10,925 tCO₂eq emissions. Additional resource management measures implemented during the reporting period included installation of a potable water metering system to strengthen water consumption monitoring and resource management practices.

1.2.3 Social Responsibility

AGD LLC demonstrated a structured approach to labour management, occupational health and safety, stakeholder engagement, and community relations. The Company maintains formal employment arrangements, competitive remuneration within Georgia's hydropower sector, employee health insurance, workforce training programmes, grievance mechanisms, and occupational health and safety procedures aligned with applicable international standards and Georgian labour legislation. Employee welfare measures include co-financing of approximately 70% of family health insurance coverage. No evidence of child labour, forced labour, discrimination, or labour-related violations was identified during the reporting period.

The Company continued to promote equality, non-discrimination, and gender inclusion within the traditionally male-dominated hydropower sector, with women representing 12% of the workforce and contributing to ESG-related leadership, advisory, and oversight functions. AGD LLC also prioritized local employment and local procurement where feasible, including engagement of a local supplier owned or managed by a woman. ESG considerations are integrated into supplier and contractor management processes, supporting broader ESG enhancement across the supply chain.

The audit confirmed implementation of preventive occupational and community health and safety measures, emergency preparedness procedures, and formal grievance management processes. During 2025, three community grievances/requests were recorded and managed through established review and response mechanisms.

AGD LLC also maintained active stakeholder engagement and community support initiatives, including assistance to the Lakhmi Kindergarten through provision of educational materials for its new building.

1.3 Key Strength and Good Practice Identified

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

#	Category	Description
1	Structured ESG Governance and Oversight	ESG oversight is integrated into Supervisory Board and operational management structures through defined responsibilities, regular reporting, and ESG monitoring processes.
2	Comprehensive ESG Management System	AGD LLC maintains an operational ESMS supported by management plans, operational procedures, policies, ESAP, and monitoring systems covering environmental, social, governance, climate, health and safety, and stakeholder-related matters.
3	Strong Regulatory Compliance and Environmental Performance	The audit confirmed full compliance with applicable environmental permit conditions and Georgian regulatory requirements during the 2025 reporting period, with no material violations, fines, penalties, or enforcement actions identified.
4	Structured Occupational Health and Safety Management	The Company maintains preventive occupational health and safety systems supported by risk assessments, inspections, training programmes, emergency preparedness arrangements, and workplace monitoring.
5	Structured Human Rights and Labour Management Framework	AGD LLC applies formal human rights due diligence procedures, labour management systems, grievance mechanisms, and supplier-related human rights controls aligned with international good practice.
6	Effective Stakeholder Engagement and Grievance Management	Structured stakeholder engagement and grievance management mechanisms support transparent communication and issue resolution. During 2025, three community grievances/requests were managed through established review and response procedures.
7	Integrated Risk and Materiality Management Processes	The Company applies a structured double materiality approach integrated into the Enterprise Risk Management framework supporting ESG risk prioritization and decision-making processes.
8	ESG Target-Setting and Performance Monitoring	AGD LLC maintains ESG target-setting and monitoring practices linked to SDGs and sustainability objectives, including monitoring of renewable electricity generation, GHG emissions, biodiversity indicators, and water consumption.
9	Energy, Water, and Resource Management	The Company maintains structured ecological flow monitoring, water stewardship, biodiversity monitoring, geological assessments, wastewater testing, and resource management systems supporting environmental compliance and operational resilience.
10	Structured Waste Management and Environmental Protection	AGD LLC maintains structured waste management practices supported by operational controls, certified waste management contractors, and participation in Georgia’s extended producer responsibility system (“Wasteless”).
11	Support for Local Economy and Regional Participation	The Company prioritises local employment and procurement where feasible, supporting regional economic participation and local community development.
12	Commitment to Continuous Improvement	AGD LLC systematically incorporates audit findings, monitoring results, regulatory feedback, and stakeholder input into ongoing operational management and ESG system improvements.

Additional voluntary and forward-looking practices further reinforce AGD LLC’s position as a responsible and sustainability-oriented hydropower operator within Georgia’s renewable energy sector, including:

#	Initiative	Description
1	Voluntary External ESG Audit and Disclosure	AGD LLC voluntarily commissioned and publicly disclosed an independent external ESG audit to enhance transparency and demonstrate alignment with international ESG standards and good international industry practice.
2	ESG Benchmarking through S&P Global CSA	AGD LLC benchmarked its ESG performance through the S&P Global Corporate Sustainability Assessment (CSA) to evaluate sustainability performance and identify opportunities for continuous improvement. Under the Electric Utilities sub-industry, Lakhani HPP achieved a score of 68, compared to an industry average of 47, placing it within the top 80th percentile globally.
3	Transparent ESG Reporting and Public Disclosure	The Company publicly discloses ESG reports, biodiversity monitoring results, climate-related plans, and also actively participates in the UNGC Communication on Progress (CoP).
4	Advanced Climate Governance and Emissions Transparency	AGD LLC maintains a Climate Strategy, Sustainability and Emissions Reduction Plan and Net-Zero Transition Plan and voluntarily verifies greenhouse gas emissions data despite the absence of a legal verification requirement under Georgian legislation.
5	Digitalized Environmental Monitoring and Continuous Ecological Flow Compliance	Automated ecological flow monitoring systems support continuous real-time environmental oversight, operational control, and transparent environmental compliance management.
6	Science-Based Biodiversity Management and Positive Ecosystem Outcomes	AGD LLC implements biodiversity management measures including annual Brown Trout restocking, fish pass monitoring, biodiversity surveys, and ecosystem restoration activities. Monitoring results confirmed a more than 25% increase in Brown Trout populations during 2025.
7	Integration of ESG Requirements into Supply Chain Management	ESG considerations are integrated into supplier and contractor management processes through ESG screening, Supplier Code of Conduct requirements, and contractor oversight procedures.
8	Promotion of Gender Inclusion and Women's Participation	The Company promotes gender inclusion within the traditionally male-dominated hydropower sector through the employment of female full-time employees and engagement of a local supplier owned or managed by a woman.
9	Employee Welfare and Family Support Measures	AGD LLC provides employee welfare measures exceeding minimum legal requirements, including co-financing of approximately 70% of family health insurance coverage.
10	Support for Early Childhood Education and Community Well-Being	During 2025, the Company supported the Lakhani Kindergarten through provision of educational materials supporting early childhood development and local community well-being.

1.4 Recommendations for Enhancement

While no material compliance issues were identified during the audit, several advisory recommendations were developed to further strengthen the maturity and effectiveness of AGD LLC's ESG management systems and practices. These include:

1. Further formalization of supplier ESG risk assessment and categorization processes;
2. Continued strengthening of emergency preparedness and practical emergency response drills;
3. Further enhancement of near-miss reporting practices within the OHS management system; and
4. Introduction of a structured employee performance evaluation process linked to competency development and workforce planning.
5. Further enhancement of Board-level diversity through inclusion of female representation within the Supervisory Board.

1.5 Final Conclusion

The ESG audit confirms that AGD LLC maintains a mature and well-structured ESG management framework aligned with applicable international standards, Georgian legal requirements, and good international industry practice. The Company demonstrates effective integration of ESG considerations into governance systems, operational management, environmental monitoring, climate governance, stakeholder engagement, and disclosure processes.

AGD LLC's proactive approach to ESG governance, climate-related disclosure, biodiversity protection, transparency, and stakeholder engagement positions the Company as a leading example of responsible and sustainability-oriented hydropower development within Georgia's renewable energy sector. Continuous investor oversight, external ESG reviews, and voluntary ESG initiatives further reinforce the Company's commitment to accountability, continual improvement, and long-term sustainable development.

2 Introduction

2.1 Brief Overview of AGD LLC and Lakhami Hydropower Plant

Austrian Georgian Development LLC (AGD LLC) is a Georgia-registered limited liability company established in June 2013 for the development, construction, and operation of renewable energy assets, with a primary focus on small and medium-sized hydropower projects. AGD LLC is the owner and operator of the Lakhami Hydropower Plant (HPP) cascade, contributing to Georgia's renewable energy generation capacity and supporting national energy security objectives. AGD LLC is jointly owned by three shareholders with established experience in hydropower development and investment:

- Caucasus Clean Energy Holding (CCEH) - Hydro III LLC (82%): Part of an international investment holding platform established in 2015, with investors from Western Europe and the United States, actively engaged in renewable energy investments in Georgia;
- Geo Hydro Capital Group LLC (13%): A Georgian company specializing in the development of small and medium hydropower projects; and
- Energy Solutions LLC (5%): A company focused on hydropower construction and engineering consultancy services.

This ownership structure combines international investment capacity with local technical expertise, supporting the long-term sustainability of the Project.

The Lakhami HPP cascade is located in the Chuberi community, Mestia Municipality, within the Samegrelo-Zemo Svaneti region of Georgia. The Project comprises two run-of-river hydropower schemes - Lakhami 1 and Lakhami 2 designed to utilize natural river flow without large-scale water storage, thereby reducing environmental and social impacts in line with GIIP.

Construction of the cascade commenced in 2018. The facilities were commissioned as follows:

- Lakhami 2 HPP – operational since August 2020;
- Lakhami 1 HPP – operational since October 2020.

The combined installed capacity of the cascade is 16 MW, with an estimated average annual generation of approximately 80 GWh.

The cascade operates as an integrated system comprising:

- Lakhami 1 HPP – 6.4 MW installed capacity;
- Lakhami 2 HPP – 9.5 MW installed capacity.

The Project demonstrates an average capacity factor of approximately 45%, indicating efficient utilization of available hydrological resources.

Key infrastructure components include:

- Intake structures for regulated water abstraction;
- Buried penstocks, minimizing surface disturbance and visual impact while enhancing community safety;
- Fish passes, supporting aquatic biodiversity and maintaining river connectivity; and
- Powerhouse facilities equipped with high-efficiency turbine-generator units and control systems.

Electricity generated by the cascade is supplied to both the domestic market and export markets (Türkiye). The Project operates under a long-term Power Purchase Agreement (PPA) with JSC Electricity System Commercial Operator (ESCO), which secures fixed tariffs for eight months annually through 2030.

Grid connectivity is established as follows:

- Lakhami 2 HPP is connected to the national grid via a 35 kV overhead transmission line to the Sagergila substation;
- Lakhami 1 HPP is connected to Lakhami 2 via a double-circuit 10 kV underground cable.

As a run-of-river hydropower project, Lakhami HPP contributes to low-carbon electricity generation, supports renewable energy targets, and aligns with Georgia's commitments under international climate frameworks. The Project reflects the application of environmentally responsible design and operational practices, including measures to minimize ecological impacts and maintain river system integrity.

2.2 Purpose and Scope of the External ESG Audit

The purpose of the external ESG audit is to provide an independent assessment of AGD LLC's environmental, social, and governance (ESG) performance during the 2025 reporting period, with a focus on the adequacy of management systems, implementation practices, monitoring arrangements, and disclosure processes at the operational phase of the Lakhami Hydropower Plant cascade.

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

The audit scope covers AGD LLC's ESG-related policies, plans, procedures, management systems, monitoring data, implementation records, and public disclosures relevant to the operation of Lakhami 1 and Lakhami 2 HPPs in Mestia Municipality, Georgia, for the 2025 calendar year. The audit is limited to the operational phase and does not assess pre-operational project development or construction-phase activities, except where legacy issues, existing commitments, or ongoing obligations remain relevant to current ESG performance.

The assessment covers the following areas:

- **Environmental performance**, including GHG emissions management and emissions reduction measures, energy generation and energy efficiency performance, water abstraction and consumption management, ecological flow compliance, biodiversity protection and monitoring measures, fish protection systems, waste management, pollution prevention and spill control measures, wastewater management, environmental monitoring and reporting, climate risk and resilience measures, emergency preparedness related to environmental incidents, implementation of environmental commitments and

permit conditions, resource efficiency practices, and alignment with applicable environmental standards and ESG commitments;

- **Social performance**, including labour and working conditions, occupational health and safety management, employee training and competency development, emergency preparedness and response arrangements, stakeholder engagement and disclosure practices, grievance management mechanisms for workers and communities, community health and safety considerations, community relations and communication practices, diversity and inclusion measures, gender-related commitments, human rights-related commitments and due diligence processes, contractor and supplier management practices, worker welfare measures, compliance with labour legislation, and implementation of social commitments under the ESMS and related company policies;
- **Governance and management systems**, including the effectiveness of the ESMS, internal governance and external oversight arrangements, compliance management, roles and responsibilities, ethical conduct, risk management, supply chain-related controls, implementation of the Code of Conduct, whistleblowing and grievance mechanisms, management of ethical breaches, and the Company's governance and ESG-related policy framework, including the ESG Policy, Gender Equality Policy, Information Security Policy, AI Policy, Information Security Policy, Customer Satisfaction and Development Policy, and Materiality Analysis; and
- **ESG reporting and disclosure**, including the quality, completeness, consistency, accuracy, and transparency of ESG-related reporting and disclosures; alignment with relevant international reporting approaches and stakeholder expectations, including the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD), the Sustainable Development Goals (SDGs), and the United Nations Global Compact Communication on Progress (CoP) reporting requirements, as applicable; as well as review of publicly disclosed ESG information, ESG-related data management and verification practices, and the reliability of information communicated to investors, regulators, local communities, and other stakeholders.

2.3 Reference Standards and Frameworks

The ESG audit was undertaken with reference to a set of internationally recognized standards, and applicable national legal and regulatory frameworks. These reference points provided the basis for a structured and credible assessment of AGD LLC's environmental, social, and governance performance during the reporting period. The assessment considered both mandatory compliance obligations and voluntary commitments relevant to sustainability, transparency, and responsible business conduct.

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

- **IFC Performance Standards on Environmental and Social Sustainability (2012)**
The IFC Performance Standards served as a primary benchmark for the assessment of AGD LLC's environmental and social management approach. The audit considered all standards relevant to the Company's operational context, with particular focus on management of environmental and social risks and impacts, labour and working conditions, occupational health and safety, stakeholder engagement, resource efficiency and pollution prevention, community health and safety, and biodiversity conservation. Reference is made to Table 1 for a summary of the IFC Performance Standards and their relevance to the audit.
- **EIB Environmental and Social Standards (2022)**
The EIB Environmental and Social Standards were used as an additional reference point for assessing AGD LLC's management of environmental, climate, social, and human rights risks. The audit considered the standards most relevant to the Company's operations, including those related to environmental and social management systems, labour and working conditions, stakeholder engagement, biodiversity and ecosystems, occupational and community health and safety, and governance-related expectations. Reference is made to Table 2 for a summary of the EIB Environmental and Social Standards considered in the audit.

- **Good International Industry Practice**
 In addition to formal standards, the audit considered GIIP relevant to the operation of run-of-river hydropower facilities, including recognized approaches to environmental management, pollution prevention, occupational health and safety, biodiversity monitoring, grievance management, and ESG governance and disclosure.
- **Global Reporting Initiative (GRI)**
 The GRI framework was used as a reference point in assessing the quality, structure, and completeness of AGD LLC’s ESG disclosures, particularly with respect to materiality, transparency, and consistency of reported environmental, social, and governance information.
- **Task Force on Climate-related Financial Disclosures (TCFD)**
 TCFD recommendations were considered in evaluating the Company’s approach to climate governance, climate-related risk identification and management, emissions disclosure, strategy, and related metrics and targets.
- **United Nations Global Compact (UNGC) Principles**
 The Ten Principles of the UN Global Compact were considered as a reference framework for assessing AGD LLC’s commitments and disclosures relating to human rights, labour, environment, and anti-corruption.
- **Applicable Georgian legislation and regulatory requirements**
 The audit also considered compliance with applicable national environmental, labour, occupational health and safety, waste management, water, and permitting requirements, as relevant to the operation of the Lakhmi HPP cascade.
- **Relevant Energy Community obligations**
 Where relevant to the Company’s operational and reporting context, the assessment also took into account Georgia’s obligations under the Energy Community framework, particularly in areas related to environmental governance, climate action, and alignment with broader sustainability objectives.

Together, these standards and frameworks provided the basis for assessing the adequacy of AGD LLC’s management systems, implementation practices, compliance status, and ESG disclosures against both international lender expectations and applicable domestic requirements.

Tables 1 and 2 provide detailed summaries of the IFC Performance Standards and EIB Environmental and Social Standards, respectively.

Table 1. IFC Performance Standards

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

6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Promotes protection and conservation of biodiversity, especially in sensitive and critical habitats.
7	Indigenous Peoples*	Ensures that projects respect the rights and cultures of Indigenous Peoples, including Free, Prior and Informed Consent (FPIC) where applicable.
8	Cultural Heritage	Safeguards cultural heritage from adverse impacts of project activities, including both tangible and intangible heritage.

*The marked standards do not apply to the operational phase of Lakhani HPP, as they are specifically relevant to the planning, design, or construction phases of a project.

Table 2. EIB Environmental and Social Standards

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

*The marked standards do not apply to the operational phase of Lakhani HPP, as they are specifically relevant to the planning, design, or construction phases of a project.

Table 3. United Nations Global Compact Principles

No	Area	UNGC Principles	Relevance to Audit
1	Human Rights	Principles 1-2	Human rights due diligence, stakeholder engagement
2	Labour	Principles 3-6	Labour practices, OHS, non-discrimination
3	Environment	Principles 7-9	Environmental management, climate, biodiversity
4	Anti-Corruption	Principle 10	Code of conduct, whistleblowing, ethics

2.4 Audit Objectives and Methodology

The primary objective of the ESG audit is to provide an independent assessment of AGD LLC’s ESG performance against applicable international standards, ESG frameworks, and relevant national requirements. In particular, the audit seeks to:

- assess compliance and alignment with the IFC Performance Standards, the EIB Environmental and Social Standards, particularly those related to human rights, labour, environment, and anti-corruption, and applicable Georgian legal and regulatory requirements;

- assess the adequacy and effectiveness of ESG-related policies, management systems, procedures, and implementation arrangements;
- evaluate the quality, accuracy, consistency, and transparency of ESG monitoring, reporting, and disclosure practices;
- identify areas of good practice, potential gaps, risks, and opportunities for improvement; and
- support the Company's continued enhancement of ESG performance and alignment with recognized ESG frameworks and stakeholder expectations.

The external ESG audit was conducted between March and April 2026 and covered AGD LLC's ESG performance for the 2025 reporting period. The audit was carried out by an independent national expert with relevant experience in ESG compliance, international financial institution standards, and environmental and social management system assessments.

The audit applied a structured, evidence-based methodology comprising document review, interviews with relevant Company personnel, and verification of implementation evidence. The assessment involved a detailed review and cross-checking of key documentation to evaluate consistency, completeness, and alignment with applicable ESG requirements. While a site visit was not undertaken as part of this audit, photographic evidence from relevant operational areas of the hydropower plant was reviewed to support validation of implementation in practice. The methodology was designed to provide a robust and objective assessment of AGD LLC's ESG performance.

A comprehensive review of AGD LLC's publicly disclosed and internal documentation was undertaken as part of the audit process. The list of reviewed documents is provided in Annex 2. The review included publicly available materials, such as ESG-related disclosures, policies, monitoring reports, and other information disclosed through the Company's website, as well as internal documentation, including management plans, procedures, registers, monitoring records, risk assessments, and operational records relevant to ESG performance and compliance management.

The assessment also considered documentation related to compliance with applicable Georgian legislation and the international standards and frameworks referenced within the scope of the audit. Where applicable, the audit further reviewed independently verified or externally assured data supporting key ESG disclosures, including greenhouse gas emissions data and selected ESG reporting indicators, in order to assess the reliability, consistency, and credibility of reported information.

A customized ESG audit checklist was developed to structure the assessment across the three core pillars of Governance, Environmental, and Social performance. The checklist served as the main assessment tool and captured the criteria reviewed, key findings, and related recommendations. It was aligned with the IFC Performance Standards, EIB Environmental and Social Standards, and Good International Industry Practice.

Structured interviews were conducted with relevant Company representatives, including ESG-related personnel, to obtain clarification on management systems, implementation arrangements, data collection and reporting practices, and key operational issues. These interviews were used to validate documentary evidence and to better understand how ESG commitments are implemented in practice.

To strengthen the reliability of the findings, the audit applied a triangulation approach, whereby information was cross-checked across multiple sources. This included comparison of documented policies and procedures against implementation evidence, review of interview responses against monitoring data and internal records, and verification of reported performance against available disclosures and supporting documentation. This approach enhanced the credibility of the assessment and helped ensure that reported ESG commitments were supported by evidence of implementation.

3 Governance Assessment

This section assesses AGD LLC's governance structures, processes, and practices in relation to strategic oversight, ESG leadership, ethical conduct, transparency, and accountability. It examines how sustainability considerations, including materiality assessment and the integration of ESG risks and opportunities, are embedded within decision-making processes at both the Supervisory Board and executive management levels, to ensure that material environmental, social, and governance issues are appropriately identified, prioritized, and managed. The assessment also considers the extent to which the Company's governance arrangements are aligned with internationally recognized frameworks and good practice, including the relevant requirements and expectations of the IFC and EIB.

3.1 Governance Structure and Leadership

AGD LLC operates under a structured governance framework based on a two-tier model, ensuring a clear separation between supervisory oversight and executive management functions. Within this framework, the General Meeting serves as the supreme governing body, while the Supervisory Board and Management perform distinct governance and executive functions. Roles, authorities, and reporting lines across these levels are clearly defined in the Corporate Governance Manual, approved and applied in 2025.

The General Meeting of Partners is convened at least annually and is responsible for key corporate decisions, including approval of annual and corporate reports, appointment and dismissal of Supervisory Board members and auditors, approval of profit distribution, and other significant matters. This arrangement supports shareholder participation, transparency, and protection of minority interests.

As of 2025, the Supervisory Board comprised three members, including shareholder representatives and one independent member. Board members are elected annually by the General Meeting, with continuity maintained until successors are appointed. The Board meets quarterly and is supported by standardized management reporting. Its composition reflects relevant expertise across hydropower, finance, ESG, and risk management. Based on 2025 data, the average Board tenure is approximately four years, reflecting a balance between continuity and renewal. While professional diversity is evident, gender representation remains limited, which the Company has identified as an area for future improvement.

The governance framework also includes an Audit Committee, which forms part of the Board-level governance structure and supports the overall functioning of the Supervisory Board.

AGD LLC has established formal independence criteria for Supervisory Board members and demonstrates structural independence, with no overlap between Supervisory Board membership and executive management roles.

Executive management is led by the General Director and includes key functional leads responsible for ESG, technical, financial, administrative, and health and safety matters. Management is responsible for operational execution, implementation of Board-approved strategies, and compliance with applicable requirements, and remains accountable within the established governance structure.

The governance framework is further supported by key internal instruments, including the Corporate Governance Manual, Code of Conduct, Whistleblower Policy, and Board Diversity Policy, all of which are subject to annual review and approval. In addition, the Company's governance framework is reinforced through participation in the United Nations Global Compact, supporting alignment with internationally recognized principles related to human rights, labour, environment, and anti-corruption. The Company also ensures transparency of its governance arrangements through public disclosure of the composition, roles, and responsibilities of the Supervisory Board and Executive Management on its official website.

AGD LLC is wholly owned by private legal entities, with no government ownership or golden shares. Based on the documentation reviewed, no material conflicts of interest were identified within the governance structure.

Overall, AGD LLC demonstrates a clearly structured governance and leadership framework, with defined institutional roles, formalized procedures, structural independence, and broad alignment with IFC, EIB, and GIIP expectations.

3.2 ESG Oversight and Accountability

The Supervisory Board retains overall responsibility for oversight of ESG risks, opportunities, and performance, ensuring that ESG considerations are integrated into corporate governance and decision-making processes. ESG-related matters, including regulatory compliance, sustainability objectives, operational risks, stakeholder-related issues, and implementation of corrective actions, are regularly reviewed during quarterly Supervisory Board meetings. These meetings are supported by structured management reporting prepared by the Lakhmi HPP team, covering ESG, technical, financial, legal, administrative, health and safety, and human resources matters. Review of meeting records confirmed that ESG performance is treated as a standing governance matter, with documented discussions, decisions, and follow-up actions. In addition, monthly management reports are submitted to the Supervisory Board, providing ongoing visibility over ESG performance, operational developments, and emerging risks.

At the operational level, ESG accountability is integrated into the Company's management structure. The General Director is responsible for overall operational management and risk oversight, supported by the ESG Manager, who is responsible for coordination of ESG implementation, monitoring, inspections, stakeholder engagement, and compliance follow-up. ESG oversight is further strengthened through coordination with the Holding's ESG and Sustainability Lead and the involvement of an ESG Consultant, supporting consistency in the application and monitoring of ESG requirements across operations.

A central element of AGD LLC's ESG governance framework is the ESMS, which establishes the procedures, responsibilities, monitoring arrangements, and reporting mechanisms for identifying, assessing, managing, and monitoring environmental and social risks and impacts. The ESMS is aligned with applicable Georgian legislation and relevant international standards, including the IFC Performance Standards and the EIB Environmental and Social Standards, and serves as the primary mechanism for integrating ESG requirements into operational management.

Implementation of ESG commitments is further supported through a live Environmental and Social Action Plan (ESAP), which consolidates mitigation measures, monitoring obligations, permit requirements, audit findings, and corrective actions arising from ESG-related processes. The ESAP is updated periodically based on monitoring results, internal reviews, audit outcomes, and stakeholder feedback, supporting a dynamic and adaptive approach to ESG risk management and compliance.

The governance and accountability framework is further supported by a comprehensive set of publicly disclosed policies and management documents adopted in 2025, including the ESG Policy, Environmental Policy, Corporate Human Rights Policy, Stakeholder Engagement Plan, Human Rights Due Diligence, Gender Equality Policy, Compliance Policy, AI Policy, Information Security Policy, HR Policy, Customer Satisfaction and Development Policy, Product Stewardship Program, Supplier Code of Conduct, Code of Conduct, Sustainability Reporting Boundaries, Materiality Analysis, and the Annual ESG Report. These are complemented by internal procedures, monitoring systems, operational registers, and management plans reviewed during the audit, which support implementation of ESG requirements in practice.

Transparency and accountability are further reinforced through structured ESG disclosure processes, including publication of the Annual ESG Report and submission of the Company's Communication on Progress (CoP) under the United Nations Global Compact.

In addition to internal governance arrangements, ESG performance is subject to external oversight and review processes. During 2025, the Company underwent investor-level ESG oversight by FMO and an independent external ESG review conducted in August 2025. These reviews evaluated the effectiveness of management systems and identified recommendations for further improvement. Most recommendations have already been

implemented, while remaining actions are planned for completion in 2026, demonstrating responsiveness to external feedback and commitment to continuous improvement.

Accountability mechanisms are further supported through formal grievance and whistleblower procedures available to employees and external stakeholders. These mechanisms are designed to enable confidential reporting, transparent review, and timely resolution of concerns and complaints.

Overall, AGD LLC demonstrates a structured and multi-level approach to ESG oversight and accountability, supported by defined governance responsibilities, formalized management systems, operational planning tools, disclosure mechanisms, and internal and external accountability processes. Collectively, these arrangements provide a solid foundation for ongoing ESG performance management and continuous improvement across the Company's operations.

3.3 Ethical Business Conduct

AGD LLC has established a structured framework for ethical business conduct, supported by key internal instruments, including the Code of Conduct, Suppliers' Code of Conduct, Human Rights Policy, Compliance Policy, and the Reporting Ethical and Compliance Breaches Procedure. These documents, updated in 2025, define standards on professional conduct, anti-corruption, conflicts of interest, non-discrimination, and the prohibition of child and forced labour, and extend these requirements to third-party partners through contractual arrangements. This framework is further supported by a comprehensive set of ESG-related policies and publicly disclosed commitments, ensuring consistency between governance, strategy, and operational implementation.

AGD LLC maintains formal and accessible reporting mechanisms for employees, contractors, and external stakeholders. These include direct reporting to management (General Director, ESG Manager, or supervisors), anonymous grievance boxes at HPP facilities, and digital channels such as email and an online reporting platform. The system allows both anonymous and identified reporting and is designed to ensure confidentiality and protection against retaliation.

The framework is supported by regular training and awareness measures, including mandatory onboarding and periodic refresher training on ethics, compliance, anti-corruption, and reporting procedures.

Based on the documentation reviewed, no material ethical breaches or Code of Conduct violations were reported in 2025, indicating effective implementation of the framework.

Overall, AGD LLC demonstrates a formalized and operational ethical conduct system, supported by clear policies, accessible reporting channels, defined investigation procedures, and regular training, consistent with IFC, EIB, and GIIP expectations.

3.4 Diversity, Equity, and Inclusion

AGD LLC has established a formal framework for diversity, equity, and inclusion (DEI) through its ESG Policy, Code of Conduct, Human Rights Policy, and Supplier Code of Conduct. These instruments set out the Company's commitment to non-discrimination and equal opportunity, including on the grounds of gender, age, ethnicity, religion, disability, and other status, and support inclusive employment practices, local hiring, and workforce development. DEI-related considerations are also reflected in the Company's Materiality Assessment and ESG disclosures.

The Company's Board Diversity Policy further reinforces this framework by requiring inclusive, transparent, and merit-based nominations to the Supervisory Board, with due consideration given to diversity of gender, ethnicity, nationality, cultural background, and professional experience. The policy is subject to annual review. While the policy is aligned with good international practice, its implementation remains partial, as the Supervisory Board currently does not include female members. The Company has acknowledged this as an area for future improvement.

While the current Supervisory Board does not include female members, AGD LLC has advanced gender representation in shareholder oversight and management roles. The ESG and Sustainability Lead of AGD LLC's majority shareholder (CCEH Hydro III LLC) is a woman. Her leadership includes conducting ESG monitoring, participating in strategic oversight, and regularly coordinating with AGD's ESG Manager, demonstrating significant female representation in ESG leadership. The Holding ESG and Sustainability Lead significantly contributes to ESG strategy and oversight through inter-organizational coordination, audits, and alignment activities.

At the operational and management level, AGD LLC has made progress in gender representation. The Company's 2025 reporting indicates 2 female full-time employees, representing 12% of the workforce, and identifies one woman in management, demonstrating progress against internal gender-related objectives. In addition, the Company reported one local supplier owned or managed by a woman, indicating that inclusion considerations also extend to local supply chain participation and economic engagement.

AGD LLC's DEI framework is broadly aligned with relevant international standards, including IFC Performance Standard 2, the relevant EIB Environmental and Social Standards, the ILO Core Conventions, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact Principles. DEI-related indicators are monitored and disclosed through the Company's Annual ESG Report, while implementation is supported through the ESMS and broader management systems.

Overall, AGD LLC demonstrates a formal and evolving approach to DEI, supported by internal policies, workforce and management indicators, and disclosure practices. Continued efforts to improve Board-level gender diversity would further strengthen the Company's governance and inclusiveness performance.

3.5 Transparency and Reporting Practices

AGD LLC demonstrates a structured approach to ESG transparency and disclosure, providing stakeholders with access to information on sustainability performance, regulatory compliance, and governance practices. The audit confirmed that ESG reporting is aligned with recognized international frameworks and supported by defined reporting boundaries, internal validation processes, and external benchmarking.

The Lakhmi HPP Annual ESG Report 2025 is prepared with reference to the following key frameworks and standards:

- Global Reporting Initiative (GRI) – covering core ESG topics, including governance, environmental performance, occupational health and safety, stakeholder engagement, and social responsibility, with disclosures on GHG emissions (Scopes 1–3), water resource management, waste management, biodiversity, and workforce-related indicators;
- Task Force on Climate-related Financial Disclosures (TCFD) – integrating climate-related disclosures across governance, strategy, risk management, and metrics and targets;
- United Nations Sustainable Development Goals (SDGs) – aligning ESG targets and annual performance tracking with relevant SDGs;
- United Nations Global Compact (UNGC) – aligning operations with the Ten Principles on human rights, labour, environment, and anti-corruption; in this context, AGD LLC submitted its first Communication on Progress (CoP) in 2025, demonstrating formal accountability under the UNGC framework;
- Paris Agreement / Georgia's NDCs – supporting national climate commitments through emissions management and climate-related actions; and
- Georgian regulatory framework – ensuring compliance with applicable environmental, labour, occupational health and safety, and waste management requirements.

AGD LLC has also defined and publicly disclosed its sustainability reporting boundaries, covering all operational activities under the Company's direct control, including Lakhmi 1 and Lakhmi 2 HPPs. The reporting boundaries are aligned with financial reporting practices, limited geographically to the Project area in Mestia Municipality, and reviewed annually through a structured internal approval process involving management, the Holding ESG and Sustainability Lead, and the Supervisory Board.

In 2025, the Company's ESG performance was additionally benchmarked through S&P Global's Corporate Sustainability Assessment (CSA). Under the Electric Utilities sub-industry, Lakhmi HPP achieved a score of 68, compared to an industry average of 47, placing it within the top 80th percentile globally. This provides an additional external reference point for the maturity of the Company's ESG management and disclosure practices.

Transparency is further supported through multiple disclosure channels. In addition to the Annual ESG Report and other ESG-related policies, plans, and monitoring results, the Company also publishes external ESG audit reports on its website, enabling stakeholders to review independent assessments of ESG performance and management systems. This enhances the credibility and accessibility of disclosed ESG information.

Overall, the audit found that AGD LLC has established a transparent and structured ESG reporting framework aligned with international good practice. The framework is further strengthened by public disclosure of reporting boundaries, annual ESG reporting, submission of the UNGC CoP 2025, external benchmarking through S&P CSA, and website disclosure of external ESG audit reports.

3.6 Risk and Crisis Management

AGD LLC has established a formal Enterprise Risk Management (ERM) framework, which integrates environmental, social, and governance (ESG) risks into its overall corporate risk management system, in alignment with IFC Performance Standard 1 and EIB Environmental and Social Standard 1. ESG risks are identified, assessed, and periodically reviewed at the enterprise level, including through quarterly Supervisory Board discussions and regular management-level updates informed by ongoing monitoring and periodic reviews. The ERM framework is further informed by the Company's Materiality Analysis, which identifies and prioritizes material ESG issues using a double materiality approach, considering both the impact of ESG risks on the Company and the Company's impacts on society and the environment. (For details on risk identification and prioritization, see **Section 3.7: Materiality Assessment.**)

Risk management is operationalized through a structured Environmental and Social Management System (ESMS), supported by:

- A standardized ESMS framework developed at Holding level to ensure consistency across assets;
- A standalone ESMS Manual, defining procedures for identification, assessment, mitigation, and monitoring of environmental and social risks; and
- A live Environmental and Social Action Plan (ESAP), which tracks mitigation measures, compliance obligations, audit findings, and corrective actions.

In 2025, AGD LLC further strengthened its risk governance framework through the adoption of an AI Policy, establishing principles for the responsible use, integration, and oversight of artificial intelligence across limited operational, administrative, and ESG-related functions. The Policy addresses associated legal, ethical, environmental, social, and data-related risks and requires human review and approval, supporting the Company's approach to emerging risk management and responsible technology governance.

The audit confirmed that the Company applies a combination of monitoring, control, and verification mechanisms to manage ESG risks in practice, including:

- Internal and external ESG reviews, comprising ongoing monitoring by the ESG Manager, periodic reviews by the Holding's ESG and Sustainability function, investor oversight (including FMO), and an independent external ESG assessment conducted in 2025, supporting continuous performance evaluation and improvement;
- Environmental and technical monitoring, including GHG emissions monitoring, hydrological monitoring, ecological flow control, biodiversity monitoring, and annual geological assessments to manage natural hazard risks. Where necessary, independent biodiversity and geological experts are engaged to conduct detailed technical assessments related to ecosystem conditions, biodiversity protection, geological stability, and natural hazard risks, and to provide recommendations for mitigation and risk management measures;

- Health, safety, and compliance controls, including routine inspections, risk assessments, incident prevention measures, and compliance monitoring against permit conditions and applicable regulatory requirements;
- Pollution prevention and operational controls, including spill prevention measures, wastewater management, waste and hazardous waste handling procedures, and operational monitoring aimed at minimizing environmental impacts; and
- Stakeholder engagement and grievance mechanisms, supporting transparent communication with stakeholders and early identification and management of social, operational, and reputational risks.

The Company's risk management approach is further informed by monitoring results, audit findings, and stakeholder inputs, including feedback from employees and local communities, which are considered in the identification of risks and definition of mitigation measures. Material ESG topics, including renewable energy generation, environmental permit compliance, biodiversity monitoring, emissions management, occupational health and safety, community safety awareness, ESMS implementation, ESAP implementation, gender equality, and Board-level ESG oversight, are reflected in the Company's risk and management review processes.

AGD LLC also applies a risk-based approach to contractor and supplier management under its ESMS. This includes pre-engagement screening of contractors against environmental, social, labour, and health and safety requirements, and, where relevant, the review of method statements and risk assessments prior to implementation of works. Contractor performance is monitored through supervision, inspections, and corrective action processes.

Crisis preparedness is supported by a documented Emergency Response Plan, which defines roles, communication protocols, and response procedures for emergency situations. The plan is supported by training and periodic drills, contributing to operational readiness and business continuity.

Responsibility for day-to-day ESG risk management is assigned to the ESG Manager, who reports to the General Director and operates with functional independence. Coordination with the Holding's ESG and Sustainability function supports consistency and escalation of key risks.

Overall, AGD LLC demonstrates a comprehensive and operational approach to ESG risk and crisis management, supported by formal systems, monitoring practices, and external review mechanisms. These arrangements are broadly aligned with IFC, EIB, and GIIP expectations and provide a sound basis for resilience and regulatory compliance. Further formalization of change management procedures and continued strengthening of climate-related risk integration would enhance the robustness of the framework.

3.7 Materiality Assessment

AGD LLC applies a formal Materiality Assessment process to identify, assess, and prioritize ESG issues most relevant to its operations, stakeholders, and long-term value creation. The assessment is conducted annually, with semi-annual reviews to reflect regulatory developments, business changes, and evolving stakeholder expectations. The most recent Materiality Analysis, approved in 2025 and publicly disclosed, was reviewed as part of this audit.

The Company applies a double materiality approach, considering both: (i) the impact of ESG factors on its financial performance, operations, and compliance obligations; and (ii) the impact of its activities on the environment and society. The 2025 assessment identifies 16 material ESG topics across three pillars:

- Environmental: Scope 1, 2, and 3 emissions; renewable energy generation; biodiversity monitoring; and implementation of environmental permit conditions;
- Social: workforce H&S and ESG training, workplace safety (including incidents and injuries), community safety awareness, social projects, and outreach through power generation;
- Governance: implementation of the ESMS and ESAP, Environmental Policy implementation, gender equality mainstreaming, and Board-level ESG programming.

The Materiality Assessment is integrated into the Company's Enterprise Risk Management (ERM) framework and serves as a key input to ESG risk identification, prioritization, and mitigation. Material issues are assessed in terms of their potential impact on operations, regulatory compliance, financial performance, and stakeholder confidence, and are reflected in ESG planning, reporting, and operational decision-making.

The audit confirmed that materiality findings are operationalized through the Company's ESMS and ESAP, with corresponding mitigation measures, monitoring activities, and performance tracking mechanisms.

The process is supported by a defined governance structure, with the Supervisory Board providing strategic direction and approval, management coordinating the process and disclosure, and relevant functional units contributing data and validating inputs. External review inputs are also considered as part of the process.

In addition, during 2025 an independent international ESG consultant engaged by CCEH conducted an on-site ESG review of the Lakhmi HPP facilities and associated ESG documentation. The review confirmed that the facilities were maintained at an appropriate operational standard, while also identifying opportunities for further refinement and contextual enhancement of selected management plans. Recommendations arising from the review are planned for implementation during 2026 and contribute to the Company's continuous improvement approach.

Overall, AGD LLC demonstrates a structured and transparent materiality assessment process, integrated into risk management and management systems, and broadly aligned with IFC, EIB, and GIIP. Continued strengthening of stakeholder input and periodic recalibration of priorities would further enhance the effectiveness of the process.

3.8 Supply Chain Management

AGD LLC applies a structured and risk-based approach to supply chain management, supported by its ESG Policy, Supplier Code of Conduct, and Human Rights Due Diligence procedures. Together, these instruments establish the Company's expectations for suppliers and contractors with respect to ethical conduct, environmental responsibility, labour standards, occupational health and safety, and legal compliance.

The Supplier Code of Conduct forms the core of the supplier management framework and is applicable to all third-party suppliers and contractors engaged by the Company. It requires compliance with: (i) applicable laws and regulations; (ii) environmental protection and resource efficiency principles; (iii) labour and working condition requirements, including non-discrimination and safe working conditions; (iv) prohibition of child labour and forced labour; (v) anti-corruption and conflict of interest controls; and (vi) respect for worker rights, including access to grievance mechanisms and freedom of association.

The audit confirmed that ESG considerations are incorporated at the pre-engagement stage. Prior to contract award, suppliers are subject to screening and due diligence processes, including review of relevant environmental, social, labour, and health and safety risks. The Company's human rights due diligence approach further supports supplier assessment by considering risk severity, likelihood, and potential stakeholder impact. The results of this process inform supplier selection, contractual conditions, and, where relevant, mitigation requirements.

Supplier-related risks are also linked to the Company's Enterprise Risk Management (ERM) framework, which supports consistency between procurement decisions and the broader ESG risk management system. This helps ensure that supply chain risks are not treated in isolation, but are considered as part of overall operational and compliance risk management.

Following engagement, supplier and contractor performance is monitored through ongoing management and supervision mechanisms. These include review of compliance with contractual obligations, oversight of contractor activities, and follow-up where corrective action is required. Based on the documentation reviewed, the audit confirmed that supplier evaluation and follow-up arrangements are implemented in practice and are broadly consistent with the Company's established procedures.

In addition to risk management, AGD LLC's procurement approach also supports local economic participation. The Annual ESG Report notes that, where feasible, goods and services are sourced locally within Mestia Municipality and the broader Samegrelo-Zemo Svaneti region. In 2025, the local supply chain included one supplier owned or managed by a woman, indicating that local procurement practices also contributed to inclusive economic participation.

Overall, AGD LLC demonstrates a formalized and operational supply chain management framework, under which supplier expectations are clearly defined, pre-engagement screening is undertaken, and supplier-related ESG risks are integrated into the Company's broader management systems. This approach is broadly aligned with IFC, EIB, and Good International Industry Practice and provides a reasonable basis for responsible procurement and supply chain oversight. However, to further strengthen alignment with international good practice, the development of a more formalized supplier ESG risk assessment framework, including risk scoring, categorization, and standardized due diligence tools, is recommended.

3.9 Membership in Associations and ESG Commitments

AGD LLC is an active member of several relevant organizations and initiatives, including the United Nations Global Compact (UNGC), the Georgian Renewable Energy Development Association (GREDA), and the Georgian Producers' Extended Liability Association ("Wasteless"). These memberships demonstrate the Company's engagement with international good practice, sector-level coordination, and national frameworks supporting responsible business conduct and sustainable development.

As a UN Global Compact participant since February 2024, AGD LLC has committed to align its operations with the Ten Principles covering human rights, labour, environment, and anti-corruption. In this context, the Company submitted its first Communication on Progress (CoP) in 2025, providing formal disclosure of actions and progress under the UNGC framework. The Company's broader ESG commitments include implementation of human rights due diligence, promotion of gender equality, support for climate-related action, and maintenance of governance mechanisms such as grievance and whistleblower procedures.

Membership in GREDA places AGD LLC within the national renewable energy sector's main industry platform and provides a channel for engagement on energy and environmental policy matters, knowledge exchange, and sector development.

Membership in Wasteless supports compliance with Georgia's Extended Producer Responsibility framework and contributes to the responsible management of regulated waste streams.

The audit confirmed that these memberships are not merely formal affiliations, but are reflected in the Company's policies, management systems, and public disclosures. Commitments arising from these frameworks are incorporated into ESG reporting and operational practice.

Overall, AGD LLC's participation in relevant associations and initiatives supports alignment with recognized sustainability frameworks and contributes to the continued strengthening of its governance, environmental, and social performance.

3.10 Sustainability and Alignment with SDGs

AGD LLC demonstrates alignment with the United Nations Sustainable Development Goals (SDGs) through a combination of measurable performance indicators and operational practices embedded in its hydropower operations. The audit confirmed that SDG alignment is driven primarily through target-based performance monitoring, supported by the consistent implementation of environmental, social, and governance measures.

For 2025, AGD LLC established and achieved quantifiable SDG-linked targets focused on the goals most directly relevant to its operational profile:

- **SDG 5 (Gender Equality)** – Targets were achieved, including 2 female full-time employees and 12% female workforce representation, exceeding the 10% target. The Company also achieved its target for local suppliers owned or managed by women (1 supplier).
- **SDG 6 (Clean Water and Sanitation)** – The target for potable water consumption monitoring was achieved, confirming implementation of water resource management practices.
- **SDG 7 (Affordable and Clean Energy)** – Renewable electricity generation reached 59,900,298 kWh, exceeding the annual target, while the estimated number of people supplied with electricity reached 20,044, also above target.
- **SDG 8 (Decent Work and Economic Growth)** – Employment-related targets were achieved, including 16 full-time employees and 3 local employees, supporting stable employment and local economic participation.
- **SDG 14 (Life Below Water)** – Biodiversity-related targets were achieved, including 52,000 trout restocked, four biodiversity monitoring surveys conducted, and submission of a consolidated annual monitoring report, supporting aquatic ecosystem protection.

In addition to these KPI-based targets, AGD LLC contributes to a broader range of SDGs through established operational practices:

- **SDG 4 (Quality Education)** – In 2025, the Company supported Lakhmi Kindergarten by providing educational materials, contributing to early childhood development.
- **SDG 9 (Industry, Innovation and Infrastructure)** – Through the operation and maintenance of renewable energy infrastructure and ongoing improvements in monitoring and control systems.
- **SDG 11 (Sustainable Cities and Communities)** – Through local employment, regional procurement, and stakeholder engagement, supporting community resilience in Mestia Municipality.
- **SDG 12 (Responsible Consumption and Production)** – Through implementation of waste management practices, including segregation, safe handling and disposal of hazardous and non-hazardous waste, participation in the Extended Producer Responsibility system, and ESG-integrated procurement and supplier screening.
- **SDG 13 (Climate Action)** – Through renewable energy generation, GHG emissions monitoring, implementation of Company’s Climate Strategy, and alignment with national climate objectives.
- **SDG 15 (Life on Land)** – Through terrestrial biodiversity protection measures, including reforestation monitoring and habitat management.
- **SDG 16 (Peace, Justice and Strong Institutions)** – Through implementation of governance mechanisms, including the Code of Conduct, grievance and whistleblower mechanisms, and transparent ESG reporting.
- **SDG 17 (Partnerships for the Goals)** – Through participation in the UN Global Compact, industry associations such as GREDA, and engagement with regulators, investors, and local stakeholders.

Overall, AGD LLC demonstrates a structured and evidence-based approach to SDG alignment, combining KPI-driven performance monitoring with broader operational contributions across environmental, social, and governance dimensions. The Company’s activities are most directly aligned with a defined subset of SDGs relevant to hydropower operations, while broader alignment is achieved through integrated management practices. This approach is consistent with IFC, EIB, and supports AGD LLC’s contribution to sustainable development at both the local and national levels.

4 Environmental Assessment

This section assesses AGD LLC’s environmental management systems, operational environmental performance, and alignment with applicable national legislation, GIIP, and relevant international standards, including the IFC Performance Standards and the EIB Environmental and Social Standards. The assessment covers key environmental aspects of the Company’s operations, including renewable electricity generation, resource efficiency, greenhouse gas emissions management, water and biodiversity management, pollution prevention, climate resilience, waste management, environmental monitoring, implementation of environmental commitments and permit requirements, and the effectiveness of the ESMS, as well as the Company’s approach to environmental disclosure and continuous improvement.

4.1 Environmental Management Framework and Regulatory Compliance

AGD LLC operates under a structured Environmental Management Framework designed to ensure compliance with Georgian environmental legislation, environmental permit conditions, and relevant international standards, including the IFC Performance Standard 1 (Assessment and Management of Environmental and Social Risks and Impacts), Performance Standard 3 (Resource Efficiency and Pollution Prevention), and Performance Standard 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources), as well as the EIB Environmental and Social Standards 1 (Environmental and Social Impacts and Risks), 3 (Resource Efficiency and Pollution Prevention), 4 (Biodiversity and Ecosystems), and 5 (Climate Change). Environmental management at Lakhami HPP is implemented through the ESMS, which establishes operational procedures, monitoring arrangements, responsibilities, reporting mechanisms, and mitigation measures for the identification, assessment, and management of environmental and social risks and impacts.

The framework is supported by a comprehensive set of publicly disclosed and internal management documents, including the Environmental Policy, ESAP, Ecological management Plan, Waste Management Plan, Water Management Plan, Erosion Control and Stabilization Plan, Pollution Prevention Implementation Plan, Sustainability and Emissions Reduction Plan, Net Zero Transition Plan, and other operational procedures, including Fish Pass Operation and Maintenance Procedure, and registers and logs reviewed during the audit. These documents collectively establish commitments related to pollution prevention, biodiversity conservation, climate resilience, resource efficiency, greenhouse gas emissions management, waste management, and continuous environmental monitoring and improvement.

The ESAP functions as a live operational tool consolidating mitigation measures, monitoring obligations, audit findings, environmental permit conditions, and corrective actions. Monitoring and compliance activities are supported through routine inspections, automated gauging systems installed at the HPP intakes, independent expert assessments, third-party laboratory analyses, and internal and external ESG review processes. The automated gauging systems measure water level and flow velocity, calculate flow rates in real time through data loggers, and transmit information to internal monitoring systems for remote oversight, ecological flow compliance, reporting, and operational optimization.

Environmental management responsibilities are distributed across several functions within the Company and the Holding structure. Day-to-day environmental monitoring, inspections, compliance tracking, and implementation of mitigation measures are coordinated by the Company ESG Manager and Environmental Officer. These activities are further supported by the ESG Consultant and overseen by the Holding ESG Manager and Sustainability Lead, who provide periodic reviews, technical guidance, and oversight of environmental compliance and ESG performance.

The audit confirmed that AGD LLC maintained compliance with key environmental permit conditions and applicable environmental requirements during the 2025 reporting period. Monitoring data demonstrates uninterrupted compliance with ecological flow requirements and continued support for aquatic ecosystem protection. In accordance with permit obligations, Lakhami HPP maintained minimum ecological flows of 0.18 m³/sec at Lakhami 1 and 0.27 m³/sec at Lakhami 2 throughout the reporting year. Compliance is supported through automated gauging system described above. In line with ESIA permit requirements, ecological flow monitoring data is shared with the National Environment Agency (NEA) and is also disclosed on the Company's website, supporting regulatory oversight, public transparency, and verification of compliance.

The audit further confirmed that river water used for electricity generation is not consumed during operations. Water diverted through the turbines is returned to the river system without alteration of quality, supporting preservation of downstream hydrological conditions and aquatic ecosystem integrity. Environmental monitoring and quarterly reporting to regulatory authorities support transparency and verification of compliance with water management obligations.

Geological stability management remains an important component of operational risk management at Lakhami HPP. Regular visual inspections are conducted by operational personnel to identify any early signs of erosion, slope instability, terrain movement, or geological hazards that could affect infrastructure or surrounding areas.

Where potential concerns are identified, independent geological experts are engaged to undertake detailed technical assessments and provide recommendations where necessary.

In accordance with regulatory requirements, an independent annual geological assessment was conducted during 2025. The assessment did not identify any critical geological conditions or material risks requiring corrective action. The geological monitoring report was submitted to the National Environmental Agency, and no additional regulatory comments or instructions were issued. This combined approach of continuous operational monitoring and periodic expert verification supports proactive risk management, regulatory compliance, and long-term operational stability.

Environmental monitoring activities conducted during 2025 included quarterly aquatic biodiversity assessments, together with quarterly and annual aquatic biodiversity reporting by independent experts. Monitoring of fish passage effectiveness was carried out both by independent experts and internally by the ESG Manager in coordination with the operations teams. Pollution prevention, waste and hazardous waste management, and regular environmental inspections were managed internally by the ESG Manager, with oversight from the CCEH ESG and Sustainability Lead. Monitoring results and environmental performance indicators are incorporated into the Company's Annual ESG Report and relevant submissions to national authorities, supporting environmental transparency and accountability.

AGD LLC further benchmarks its environmental management practices against IFC Performance Standards 1 and 6, EIB Environmental and Social Standards, and the United Nations Sustainable Development Goals (SDGs). Environmental performance is additionally subject to internal ESG audits, investor oversight, and independent external ESG reviews.

In 2025, AGD LLC maintained full compliance with all environmental regulations, confirmed through internal inspections, third-party audits, and official reporting. No regulatory fines, penalties, or required corrective actions were recorded during the reporting period. The Environmental Policy commits AGD LLC to pollution prevention, resource efficiency, and full compliance with both legal and voluntary ESG commitments. It also emphasizes leadership responsibility and the allocation of resources to maintain environmental integrity.

Overall, the audit confirms that AGD LLC maintains a mature and operational environmental management framework supported by structured monitoring systems, operational controls, independent verification mechanisms, and ongoing regulatory oversight. The framework demonstrates broad alignment with applicable national legislation, international ESG standards, and GIIP, while supporting continuous improvement of environmental performance across the Company's operations.

4.2 Product Stewardship (Electricity Generation Mix)

AGD LLC operates the Lakhmi HPP cascade, consisting of two run-of-river hydropower plants: Lakhmi 1 (6.5 MW) and Lakhmi 2 (9.5 MW), with a combined installed capacity of 16 MW. The Company's electricity generation mix remains 100% renewable, with all electricity generated from hydropower and no reliance on fossil fuel-based or other non-renewable energy sources.

During 2025, Lakhmi HPP generated approximately 59,900,298 kWh of renewable electricity, contributing to Georgia's renewable energy supply, energy security, and transition toward a lower-carbon energy system. Through renewable electricity generation, AGD LLC contributes to the reduction of greenhouse gas emissions associated with conventional fossil fuel-based electricity production and supports Georgia's broader climate and renewable energy objectives. According to the Annual ESG Report of 2025, the Company's operations enabled the avoidance of approximately 10,925 tCO₂e of greenhouse gas emissions during the reporting period.

The audit confirmed that AGD LLC applies a structured and responsible approach to management of renewable electricity generation and associated environmental and social impacts throughout operational activities. Responsible hydropower operation is supported through continuous ecological flow monitoring, biodiversity protection measures, fish passage monitoring, implementation of environmental permit requirements, and regular environmental monitoring programs.

Monitoring data for 2025 confirmed uninterrupted compliance with ecological flow requirements while maintaining stable hydrological and biological conditions. Water abstracted for electricity generation is returned to the river system without alteration of quality, thereby supporting preservation of downstream aquatic ecosystem integrity and sustainable management of water resources.

In accordance with the Product Stewardship Program, AGD LLC also manages the traceability and reliability of renewable electricity generation through automated meters, and real-time monitoring systems, and systematic recording and review of operational and environmental performance data. These arrangements support the accuracy, traceability, and auditability of reported renewable electricity generation and associated environmental attributes.

The Company's renewable energy activities directly support the United Nations Sustainable Development Goals, particularly SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action), as well as Georgia's Nationally Determined Contributions (NDCs) under the Paris Agreement.

AGD LLC's approach to product stewardship and renewable electricity generation is broadly aligned with relevant international frameworks and reporting standards, including IFC Performance Standard 3 (Resource Efficiency and Pollution Prevention), the EIB Environmental and Social Standards, and the Global Reporting Initiative (GRI), including GRI 302 (Energy) and GRI 305 (Emissions).

Overall, AGD LLC demonstrates a responsible and well-structured approach to renewable electricity generation, supported by continuous environmental monitoring, operational controls, and transparent ESG reporting. This approach positions the Company as a responsible renewable energy operator and contributor to Georgia's sustainable energy transition.

4.3 Energy Consumption, Efficiency and Resource Optimization

As a run-of-river hydropower operator, AGD LLC's primary resource use is associated with renewable electricity generation, auxiliary electricity consumption for operational purposes, and domestic water use at the facility.

AGD LLC's operations rely primarily on electricity, supplemented by a backup diesel generator intended exclusively for emergency situations. The audit confirmed that the backup generator was not utilized during the reporting period. The Company systematically monitors and records monthly energy consumption through its publicly disclosed Energy Consumption Data report, supporting transparency and ongoing oversight of operational energy use.

During 2025, Lakhmi HPP generated approximately 59,900,298 kWh of renewable electricity while maintaining controlled operational resource consumption levels and implementation of operational efficiency measures across the facility. Energy consumption and resource use are monitored through operational controls, internal reporting procedures, and regular supervision by operational personnel.

The audit verified implementation of several operational energy efficiency measures aimed at minimizing unnecessary electricity consumption and optimizing plant performance. These measures include employee awareness training on energy conservation practices, use of energy-efficient LED lighting across operational facilities, utilization of natural daylight where feasible, operational control of lighting and equipment by shift personnel, and regular maintenance and operational optimization measures supporting efficient electricity generation and minimization of operational losses.

Sustainable water management forms an integral part of AGD LLC's operational approach. As a run-of-river hydropower facility, Lakhmi HPP utilizes river flow for electricity generation without altering the natural course of the river. Water diverted through the turbine system is returned to the river without changes to its quantity or quality, thereby preserving downstream hydrological conditions and supporting the ecological balance of the aquatic ecosystem. Continuous automated ecological flow monitoring systems operated at both HPP facilities support compliance with environmental permit requirements and sustainable water management obligations.

In 2025, AGD LLC further strengthened its internal resource monitoring arrangements through installation of a potable water metering system in August 2025. The system enables monitoring of water used for drinking, cooking, and other domestic purposes at the facility. Potable water is sourced from a natural spring water supply. According to monitoring records reviewed during the audit, total measured potable water consumption during the August–December 2025 monitoring period amounted to approximately 580.8 m³, with average monthly consumption of approximately 96.8 m³. Introduction of the metering system supports improved transparency, resource tracking, and responsible water management practices.

The audit further confirmed that AGD LLC maintains operational monitoring, preventive maintenance, and environmental control measures supporting efficient resource use and minimization of operational environmental impacts.

AGD LLC's approach to energy efficiency and resource optimization is broadly aligned with IFC Performance Standard 3 (Resource Efficiency and Pollution Prevention), EIB Environmental and Social Standard 3 (Resource Efficiency and Pollution Prevention) and Standard 5 (Climate Change), as well as relevant GRI disclosures, including GRI 302 (Energy) and GRI 303 (Water and Effluents).

Overall, the audit confirms that AGD LLC maintains a structured and operational approach to energy consumption, water stewardship, and resource optimization, supported by monitoring systems, operational controls, and continuous improvement measures aimed at supporting environmentally responsible renewable electricity generation.

4.4 Climate Risk Management and GHG Emissions Reduction

AGD LLC applies a structured approach to climate risk management and GHG emissions reduction through integration of climate considerations into its ESMS, Sustainability and Emissions Reduction Plan, Net-Zero Transition Plan, Climate Strategy of Lakhmi HPP, and broader ESG governance framework. The Company's approach is aligned with Georgia's Nationally Determined Contributions (NDCs), and international climate objectives.

Climate-related risks are identified and managed through a combination of climate scenario analysis, hydrological monitoring, operational controls, and long-term resilience planning. A climate scenario analysis for the Lakhmi HPP cascade was previously conducted in accordance with International Hydropower Association (IHA) guidance using the RCP 6.0 climate pathway for the 2040–2059 period. The assessment identified projected increases in precipitation and river discharge, elevated flood-related risks during summer periods, and a potential increase in electricity generation capacity under projected hydrological conditions. The Company recognizes the importance of further strengthening long-term climate resilience assessment through consideration of lower-emission climate scenarios, including pathways aligned with a 2°C climate trajectory.

Physical climate risks, including flooding, hydrological variability, erosion, and geological instability, are continuously monitored through operational inspections, automated hydrological monitoring systems, biodiversity monitoring, and annual geological assessments. These monitoring measures support ongoing operational resilience and integration of climate-related considerations into infrastructure management and environmental risk mitigation.

AGD LLC has formally committed to achieving net-zero operational emissions by 2050 in alignment with the Paris Agreement and Georgia's climate commitments. The Company maintains a structured greenhouse gas accounting framework covering Scope 1, Scope 2, Scope 3, and avoided emissions, with emissions tracked and disclosed on a quarterly basis.

The audit confirmed that AGD LLC reported the following emissions profile for 2025:

- Scope 1 emissions: 41 tCO₂eq, associated primarily with fuel use in operational vehicles and equipment;
- Scope 2 emissions: 0.1 tCO₂eq, associated with purchased electricity consumption;

- Scope 3 emissions: 13 tCO₂eq, calculated based on relevant upstream transport- and service-related activities; and
- Avoided emissions: 10,925 tCO₂eq, reflecting the emissions displaced through renewable electricity generation.

The audit confirmed that the Company maintained a very low direct operational emissions profile during the reporting period, consistent with the nature of run-of-river hydropower generation, which does not involve combustion-based electricity production or large reservoir formation associated with methane generation. The Company's renewable electricity generation therefore contributes to displacement of more carbon-intensive electricity sources and supports reduction of overall system-level emissions.

Although current Georgian regulatory requirements do not mandate third-party verification of greenhouse gas emissions, AGD LLC elected to go beyond minimum compliance requirements. As part of the current external ESG audit, the Company ensured verification of its GHG emissions data. This represents good practice and is consistent with the broader direction of EU-style emissions governance, including Monitoring, Reporting and Verification (MRV) and Emissions Trading System (ETS) frameworks, where robust emissions accounting and verification are essential elements.

The Company has established emissions reduction targets and transition measures aimed at maintaining a low operational emissions profile and strengthening management of indirect emissions. By 2030, AGD LLC aims to maintain low Scope 1 and Scope 2 emissions, strengthen Scope 3 emissions management, improve operational efficiency, and align operational performance with Georgia's NDC commitments and broader decarbonization objectives.

The audit further confirmed implementation of operational measures supporting emissions reduction and climate management, including:

- Continuous optimization of hydropower generation efficiency;
- Monitoring and management of operational energy consumption;
- Integration of emissions considerations into supplier and contractor management processes;
- Annual disclosure of emissions and avoided emissions data through publicly available ESG reporting; and
- Continued operation of the electric vehicle (EV) charging station installed at the Lakhami HPP facility to support low-emission mobility.

Climate-related governance responsibilities are integrated into the Company's governance structure. The Supervisory Board provides strategic oversight of climate-related risks and emissions performance, while the ESG Manager coordinates emissions tracking, monitoring, reporting, and implementation of climate-related measures in coordination with the Technical and Operations Team and the Holding's ESG and Sustainability Lead.

Overall, the audit confirms that AGD LLC demonstrates a mature and integrated approach to climate risk management and GHG emissions reduction, supported by formal climate planning documents, structured monitoring systems, operational controls, emissions disclosure practices, and defined governance responsibilities. The framework demonstrates broad alignment with IFC Performance Standard 3 (Resource Efficiency and Pollution Prevention), and EUB Environmental and Social Standard 5 (Climate Change).

4.5 Climate-Related Financial Disclosures (TCFD Compliance)

The audit confirmed that AGD LLC has incorporated climate-related disclosures into its ESG reporting framework in a manner broadly aligned with the four core pillars of the Task Force on Climate-related Financial Disclosures (TCFD): governance, strategy, risk management, and metrics and targets.

Governance: Climate-related oversight is integrated into the Company's governance structure, with the Supervisory Board overseeing climate-related risks, emissions performance, and transition objectives, supported by the ESG management function.

Strategy: AGD LLC has established a Net-Zero Transition Plan and Sustainability and Emissions Reduction Plan supporting long-term alignment with Georgia’s NDCs, the Paris Agreement, and the Company’s commitment to achieving net-zero operational emissions by 2050. The Climate Strategy also reflects the project-specific climate risk assessment conducted for the Lakhmi HPP cascade under the RCP 6.0 scenario for the 2040-2059 period, including projected changes in precipitation, temperature, water availability, seasonal hydrological distribution, flood intensity, and electricity generation outlook.

Risk Management: Climate-related physical and operational risks, including hydrological variability, flooding, and geological risks, are integrated into the Company’s ESMS, operational monitoring processes, and broader Enterprise Risk Management framework.

Metrics and Targets: The Company publicly discloses Scope 1, Scope 2, Scope 3, and avoided emissions data, together with emissions reduction targets and climate-related performance indicators through the Annual ESG Report and related climate documentation. The audit confirmed that 2025 emissions data was supported by structured monitoring and internal verification procedures.

Climate-related policies, emissions-related documents, energy consumption information, the Net Zero Transition Plan, Sustainability and Emissions Reduction Plan, and the Annual ESG Report are publicly disclosed on the Company’s website, supporting transparency and alignment with good international disclosure practice.

Overall, the audit confirmed that AGD LLC maintains a structured and transparent approach to climate-related governance, risk management, and emissions disclosure broadly aligned with TCFD recommendations and GIIP.

4.6 Biodiversity Management

Biodiversity protection and ecosystem stewardship remain core environmental priorities for AGD LLC and are integrated into the Company’s ESMS, Environmental Monitoring Plan, ESAP, and broader environmental management framework. Biodiversity management at Lakhmi HPP is implemented in accordance with Georgian environmental legislation, environmental permit requirements, and relevant international standards, including IFC Performance Standard 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources) and the EIB Environmental and Social Standard 4 (Biodiversity and Ecosystems).

The audit confirmed that AGD LLC continued implementation of a structured biodiversity monitoring program throughout 2025, including quarterly monitoring conducted by independent ichthyologist. Monitoring activities included assessments of aquatic biodiversity, ecological flow conditions, fish migration, habitat quality, macroinvertebrate composition, and water quality indicators such as dissolved oxygen, pH, electrical conductivity, total dissolved solids, and water temperature. Monitoring results confirmed stable ecological conditions and maintenance of suitable habitat conditions for aquatic species within the Lakhmi River ecosystem.

In addition to independent expert monitoring, biodiversity-related monitoring and inspections are continuously carried out internally by the Company ESG Manager, the Environmental Officer, and the Holding ESG Manager and Sustainability Lead. These routine inspections support ongoing oversight of environmental conditions, implementation of mitigation measures, compliance with permit requirements, and early identification of any emerging environmental concerns.

Protection and restoration of the Brown Trout (*Salmo trutta*) population remains a key biodiversity management objective. In accordance with regulatory obligations, AGD LLC completed the annual restocking program during 2025 through release of 52,000 Brown Trout spawns at the so-called eye-stage development phase into designated spawning areas. Quarterly monitoring surveys and the annual aquatic biodiversity assessment confirmed continued development of the trout population and stable ecosystem conditions supporting aquatic biodiversity. Monitoring results documented a more than 25% increase in trout population compared to the previous reporting year, indicating positive biological development and effectiveness of implemented mitigation and conservation measures.

The audit further confirmed that fish pass systems at both Lakhmi 1 and Lakhmi 2 HPP remained fully operational throughout the reporting period. Quarterly independent monitoring and regular operational inspections confirmed that the structures effectively supported fish migration and maintained river connectivity. Sediment and debris management practices were implemented to maintain proper functioning of the fish passes.

Importantly, aquatic biodiversity monitoring conducted during the fourth quarter of 2025 also documented positive feedback from local residents regarding the return of Brown Trout to the Lakhmi River. According to local community observations, prior to construction of the Lakhmi HPP cascade, a major flood event had significantly affected the river ecosystem, after which fish had reportedly not been observed in the river for many years. Community members noted that the reappearance of Brown Trout in the river is viewed very positively by local residents, who frequently observe fish directly within river pools and stream sections. This feedback provides additional qualitative evidence supporting the effectiveness of implemented biodiversity conservation and ecosystem restoration measures.

Aquatic biodiversity management also forms part of AGD LLC's ecosystem-based climate resilience approach. The Company's Climate Strategy recognizes that hydrological variability, increased flood pulses, sediment movement, erosion, water temperature changes, and seasonal low-flow conditions may affect aquatic ecosystems. AGD LLC addresses these potential pressures through ecological flow maintenance, fish pass operation, biodiversity monitoring, sediment and debris management, water quality protection, and adaptive environmental management.

The Company also continued monitoring of planted trees and reinstated vegetation established following construction activities. Monitoring reports reviewed during the audit confirmed that planted trees remain in positive condition, with no significant mortality or degradation identified during the reporting period. These activities support restoration of disturbed areas and contribute to long-term ecosystem stabilization and landscape rehabilitation.

The audit further confirmed that AGD LLC continues implementation of measures aimed at reducing potential impacts on avifauna. The bird diverters for the transmission line infrastructure were procured by the Company, with installation planned during the summer period of 2026, subject to favorable circumstances to ensure safe and effective installation and implementation. This measure is intended to further reduce bird collision risks and strengthen protection of avifauna within the project area.

Continuous ecological flow maintenance, stable water quality indicators, functioning fish passage systems, annual restocking activities, aquatic biodiversity monitoring, habitat assessments, and ecosystem restoration measures collectively demonstrate a proactive and science-based approach to biodiversity management. Monitoring reports submitted to the National Environmental Agency further confirmed compliance with permit requirements and absence of material adverse impacts on aquatic ecosystems during the reporting period.

Overall, the audit confirmed that AGD LLC maintains a mature and proactive aquatic biodiversity management approach supported by structured monitoring, independent expert involvement, ecosystem restoration activities, and continuous implementation of mitigation measures. Biodiversity management practices at Lakhmi HPP demonstrate strong alignment with national regulatory requirements, and international ESG standards, while also generating visible positive ecological outcomes recognized by local communities.

4.7 Waste Management Practices

The audit confirmed that AGD LLC maintains a structured and well-documented waste management system implemented through the Waste Management Plan, ESMS, and related operational procedures. The Waste Management Plan is approved in accordance with the Waste Code of Georgia and establishes procedures for waste segregation, collection, temporary storage, transportation, tracking, and disposal for both hazardous and non-hazardous waste streams generated during operation of the Lakhmi HPP.

Waste management practices are integrated into the Company's broader environmental management framework and supported through operational controls, monitoring procedures, employee training, contractor

oversight, and internal inspections. The audit confirmed that waste handling areas remain organized and that waste segregation practices are implemented across operational facilities.

Non-hazardous domestic waste generated at the facility is managed under a formal agreement with the Mestia Municipal Service Company and transported to an authorized disposal site in accordance with applicable legal requirements. In 2025, AGD LLC generated approximately 1,076 kg of domestic waste, representing a decrease of approximately 10% compared to 2024, when total domestic waste generation amounted to 1,200 kg. The reduction demonstrates continued implementation of waste minimization measures and operational control practices.

Hazardous waste management is implemented through dedicated handling, storage, and documentation procedures. During 2025, the Company generated approximately 19 kg of hazardous waste, including used absorbent materials, residual oils and lubricants, and waste printer toner containing hazardous substances. The audit confirmed through interviews and review of photographic evidence that hazardous waste was securely stored within a designated temporary hazardous waste storage area in compliance with applicable regulatory requirements. No hazardous waste disposal activities were conducted during the reporting period. Hazardous waste generated at the facility is managed under an agreement with Sanitary LLC, a certified hazardous waste management contractor responsible for collection, transportation, recycling, and disposal activities in accordance with Georgian legislation.

The audit further confirmed that all hazardous materials and waste streams are systematically tracked and documented through internal logbooks and waste transfer records. Waste transfer notes, contractor documentation, and inspection records are maintained as part of the Company's environmental compliance system.

Wastewater management arrangements remain operational and aligned with environmental permit requirements. Lakhami HPP 1 utilizes a sealed underground septic tank system serviced by specialized wastewater removal vehicles, while Lakhami HPP 2 operates a biological wastewater treatment plant, supporting treatment of domestic wastewater prior to discharge. Wastewater discharge testing results reviewed during the audit confirmed compliance with applicable discharge parameters and regulatory requirements.

AGD LLC also participates in the Producer Responsibility Organization of Georgia ("Wasteless"), supporting implementation of extended producer responsibility obligations related to electrical equipment, batteries, oils, lubricants, and related waste streams. Through this arrangement, the Company contributes to national recycling and waste recovery systems in accordance with Georgian regulatory requirements.

The audit verified that employees receive regular training related to waste management, hazardous material handling, spill prevention, and emergency response procedures through induction programs, Toolbox Talks, and refresher training sessions. Spill response kits and emergency response procedures remain available on site to support rapid response to accidental releases or contamination events.

Waste management performance is subject to ongoing oversight through internal inspections, monitoring by the ESG Manager and environmental officer, and broader ESG audit and compliance processes. Monitoring results and waste-related performance indicators are publicly disclosed through the Annual ESG Report.

Overall, the audit confirmed that AGD LLC maintains a comprehensive and operational waste management system broadly aligned with Georgian legislation, IFC Performance Standard 3 (Resource Efficiency and Pollution Prevention), and EIB Environmental and Social Standard 3 (Resource Efficiency and Pollution Prevention). The Company demonstrates a proactive approach to waste minimization, hazardous waste management, environmental compliance, and operational environmental protection.

4.8 Environmental Reporting and Disclosure

The audit confirmed that AGD LLC discloses environmental information through formal reporting mechanisms, regulatory submissions, and publicly available ESG documentation, supporting consistency, traceability, transparency, and accessibility of key environmental data. Environmental performance information is generated through regular monitoring activities, operational controls, automated monitoring systems, and internal review processes, supporting accurate, reliable, and consistent reporting across key environmental aspects.

Environmental reporting and disclosure practices in 2025 include:

- **Annual ESG Reporting** – AGD LLC prepares and publicly discloses an Annual ESG Report presenting environmental performance information, including greenhouse gas emissions, avoided emissions, renewable electricity generation, ecological flow compliance, biodiversity monitoring outcomes, water management indicators, geological monitoring results, and waste management performance.
- **Regulatory Reporting and Compliance Disclosure** – The Company submits environmental monitoring reports and compliance-related information to the National Environmental Agency and other relevant regulatory authorities in accordance with environmental permit conditions and Georgian legislation. These submissions include ecological flow monitoring data, biodiversity monitoring reports, geological assessments, wastewater discharge testing results, waste management records, and other permit-related monitoring information. The audit confirmed that no material environmental violations, penalties, or regulatory enforcement actions were recorded during 2025.
- **Public Disclosure and Accessibility** – Key environmental and ESG-related documentation is publicly disclosed through the Company’s website in Georgian and English. Publicly available information includes the Annual ESG Report, Climate Strategy, Sustainability and Emissions Reduction Plan, Net-Zero Transition Plan, environmental policies, biodiversity monitoring reports, and other environmental and ESG-related documentation supporting transparency and stakeholder access to environmental information. The Company’s Public Information page provides a structured disclosure platform covering environmental, social, governance, and other ESG documentation.
- **External Review and Verification** – Environmental disclosures are supported through independent aquatic biodiversity monitoring, geological assessments, accredited laboratory testing, investor oversight, regulatory inspections, and the external ESG audit process. The audit further confirmed that the 2024 Independent External ESG Audit Report was publicly disclosed, supporting transparency and stakeholder access to independently reviewed ESG information. Although Georgian legislation does not currently require third-party verification of greenhouse gas emissions data, AGD LLC voluntarily ensured verification of emissions data within the scope of the external ESG audit, further strengthening the reliability, credibility, and transparency of disclosed environmental information.

Overall, the audit confirmed that AGD LLC’s environmental reporting and disclosure practices in 2025 demonstrate a high level of transparency and are broadly aligned with international good practice, with clear and accessible disclosure of environmental performance, monitoring outcomes, and supporting environmental management approaches.

5 Social Assessment

This section assesses AGD LLC’s social performance, focusing on the effectiveness of its policies, management systems, and operational practices related to labour and working conditions, human rights, occupational and community health and safety, stakeholder engagement, community development, and diversity and inclusion. The assessment reviews compliance with applicable national legislation, alignment with relevant international standards, and the extent to which social responsibility considerations are integrated into the Company’s operations, governance framework, and stakeholder relationships.

5.1 Labor and Human Rights Compliance

The audit confirmed that AGD LLC maintains a structured approach to labour and human rights management through implementation of its Human Rights Policy, Human Rights Due Diligence (HRDD) framework, Human Resource Policy, Code of Conduct, Supplier Code of Conduct, grievance mechanisms, and broader ESMS. These arrangements are broadly aligned with applicable Georgian labour legislation, IFC Performance Standard 2 (Labour and Working Conditions), EIB Environmental and Social Standard 8 (Labour Rights and Working Conditions), the United Nations Guiding Principles on Business and Human Rights, and relevant International Labour Organization principles, and the United Nations Global Compact principles related to human rights and labour standards.

The Company's publicly disclosed Human Rights Due Diligence framework establishes procedures for identification, assessment, mitigation, and monitoring of human rights risks across operations, contractors, suppliers, and stakeholder relationships. The HRDD process covers key risk areas including labour rights, occupational health and safety, local community impacts, supply chain-related risks, discrimination, forced labour, child labour, and freedom of association. Risks are assessed based on severity, likelihood, affected stakeholders, mitigation measures, and residual risk levels.

Key mitigation measures include age verification during recruitment, mandatory written employment contracts, supplier screening and contractual requirements related to labour and human rights standards, regular occupational health and safety training, and implementation of grievance and whistleblower mechanisms accessible to employees, contractors, and external stakeholders. The audit further confirmed AGD LLC's participation in the United Nations Global Compact Business and Human Rights Accelerator Program, supporting implementation of its HRDD framework and alignment with emerging international due diligence expectations.

Human rights oversight is supported through internal monitoring, ESG reviews, annual review procedures coordinated by the ESG Manager, and oversight by the Company Director and the Holding ESG and Sustainability Lead. The audit confirmed that no labour-related or human rights-related grievances, complaints, or reported violations were identified during the 2025 reporting period.

Overall, the audit confirmed that AGD LLC maintains a proactive and transparent approach to labour and human rights management supported by formal due diligence processes, operational controls, training programs, grievance mechanisms, and ongoing monitoring arrangements broadly aligned with applicable international standards.

5.2 Diversity, Equity, and Inclusion Initiatives

The audit confirmed that AGD LLC maintains a structured approach to diversity, equity, and inclusion (DEI) supported through its Gender Equality Policy, Human Resource Policy, Board Diversity Policy, Code of Conduct, grievance mechanisms, and broader ESG management framework. The Company promotes equal opportunity, non-discrimination, inclusive employment practices, and gender diversity across its operations and stakeholder relationships, in alignment with applicable Georgian legislation, relevant international standards, SDG 5 on Gender Equality, and the United Nations Global Compact (UNGC) principles related to human rights, labour standards, diversity, and equal opportunity.

DEI-related performance indicators are monitored through the Company's ESG reporting framework and annual target-setting processes. The Gender Equality Policy further supports monitoring of workforce composition, gender representation, gender-related grievances, and periodic review of gender equality performance. In 2025, AGD LLC achieved its established gender-related targets, including employment of two female full-time employees under formal labour contracts, representing approximately 12% of the workforce. Considering the traditionally male-dominated nature of the hydropower sector, the audit considers this a positive indicator of the Company's efforts to support gender inclusion within operational activities. In addition, the Company's ESG Consultant engaged under a service contract and the Holding ESG and Sustainability Lead are both female, further contributing to female representation within ESG-related management and oversight functions.

The audit further confirmed that AGD LLC continues to prioritize local employment and inclusive employment practices. During the reporting period, three employees originated from the region where the HPP operates, supporting local economic participation, regional employment opportunities, and community integration. The Company also reported one local supplier owned or managed by a woman, contributing to inclusive local procurement and economic participation. No new staff recruitment was conducted during 2025. All employees remain engaged under formal labour contracts and are provided with equal employment conditions, fair compensation, health insurance coverage, workplace protections, and access to grievance mechanisms.

The Company further supports diversity and inclusion through implementation of non-discrimination principles within recruitment, employment, and workplace management processes, supported by employee awareness measures and internal communication practices. Employees are also supported through a structured benefits framework, including health insurance, transportation arrangements, meals during shifts, personal protective equipment, PPE, and access to maternity and parental leave in line with national labour legislation. DEI-related commitments and performance indicators are publicly disclosed through the Annual ESG Report and related ESG documentation.

Overall, the audit confirmed that AGD LLC maintains a transparent and progressively developing approach to diversity, equity, and inclusion, supported by formal policies, annual target-setting, monitoring mechanisms, and ongoing integration of DEI considerations into the Company's ESG and human resource management practices.

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

The audit confirmed that AGD LLC maintains a structured occupational health and safety (OHS) management framework supported through its Occupational Health and Safety Management Plan and Policy, ESMS, Emergency Response Plan, and related operational procedures. The Company's OHS framework is broadly aligned with applicable Georgian legislation, IFC Performance Standard 2 (Labour and Working Conditions), and EIB Environmental and Social Standard 8 (Labour Rights and Working Conditions).

Occupational health and safety oversight is integrated into the Company's governance and operational management structure. Health and safety performance, risks, and compliance-related matters are monitored through routine inspections, internal reporting processes, and oversight by the H&S Manager, ESG Manager, and the Holding ESG and Sustainability Lead. The audit reviewed and confirmed that the H&S Manager holds the certification required under applicable Georgian occupational safety legislation.

The audit further confirmed that semi-annual inspections of physical workplace factors, including noise, vibration, lighting, temperature, and workplace density, are conducted by a certified third-party company during both hot and cold seasons in accordance with applicable national regulatory requirements. While the inspection results generally confirmed compliance with occupational exposure requirements, the reports also included recommendations aimed at further improving workplace conditions and strengthening preventive OHS measures. The audit confirmed that the recommended measures are being implemented by the Company.

The Company applies systematic risk management measures, including routine workplace inspections, operational risk assessments, monitoring of safety conditions, and implementation of corrective and preventive actions where necessary. Health and safety procedures, operational controls, and emergency response requirements are integrated into day-to-day operational management.

The audit confirmed that employee well-being is supported through competitive remuneration within the energy sector and a benefits package aimed at promoting employee welfare and long-term stability. Benefits provided by the Company include health insurance, transportation arrangements, meals during shifts, personal protective equipment (PPE), and professional uniforms. All employees are engaged under formal labour contracts in accordance with applicable Georgian legal requirements and receive occupational health and safety induction training prior to commencing work activities. In addition, the Company covers 70% of family health insurance costs, further supporting employee well-being and quality of life.

The audit further confirmed that AGD LLC applies contractor induction and ESG compliance procedures as part of its ESMS framework. Contractors engaged for temporary operational activities are required to complete mandatory site induction prior to commencing work, covering environmental protection, waste management, pollution prevention, spill response, emergency procedures, and occupational health and safety requirements. Contractor activities are further subject to supervision, inspections, and compliance monitoring.

According to records reviewed during the audit:

- 4 occupational health and safety trainings were conducted;
- 5 H&S induction sessions were completed; and
- 8 Toolbox Talks (TBTs) were conducted during the reporting period.

Training topics included operational safety, electrical safety, emergency communication procedures, use of PPE, fire prevention, and safe equipment handling. Training attendance and implementation are documented through internal records and monitoring procedures.

The audit confirmed that no occupational incidents, injuries, fatalities, or formally recorded near-miss events were reported during the 2025 reporting period. While the absence of incidents reflects generally effective operational controls and safety management practices, the audit identified that near-miss reporting practices should be further strengthened. In high-risk operational environments such as hydropower facilities, near-miss reporting is an important preventive management tool supporting proactive hazard identification, employee engagement in safety culture, and continuous improvement of risk management measures.

Emergency preparedness arrangements are supported through the Emergency Response Plan, emergency communication procedures, emergency equipment, fire extinguishing systems, first aid kits, and designated emergency response responsibilities. The audit confirmed that firefighting and first aid trainings were conducted during 2025 and that emergency equipment inspections and maintenance activities were regularly performed. However, practical emergency drills were not conducted during the reporting period. While emergency procedures and training arrangements are in place, periodic practical drills would further strengthen operational readiness and emergency response effectiveness.

Occupational health and safety performance, monitoring activities, and corrective actions are documented through the ESMS and related monitoring systems, with relevant performance indicators publicly disclosed through the Annual ESG Report.

Overall, the audit confirmed that AGD LLC maintains a structured and operational OHS management framework supported by defined procedures, regular monitoring, training programs, and operational controls. Continued strengthening of near-miss reporting culture and implementation of practical emergency drills would further enhance the Company's proactive safety management and emergency preparedness framework.

5.4 Training and Development Programs

The audit confirmed that AGD LLC implements regular training and competency development programs aimed at strengthening employee skills, operational awareness, and compliance with ESG, occupational health and safety, and technical requirements. Training activities include formal classroom sessions, induction trainings, Toolbox Talks, and operational on-the-job instruction tailored to the needs of hydropower operations.

Employees receive training on:

- ESG policies and compliance requirements, including environmental protection requirements, social responsibility principles, and occupational health and safety practices;
- Human rights and labour standards, including non-discrimination, grievance mechanisms, equal opportunity principles, and workplace ethics;

- Occupational health and safety topics, including operational safety, electrical safety, emergency communication procedures, use of personal protective equipment (PPE), fire prevention, and safe operational practices; and
- Technical and operational competencies, including recurring certification and requalification programs for electricians and other technical personnel in accordance with applicable regulatory requirements, supported through formal induction trainings and regular Toolbox Talks.

The audit confirmed that practical competency verification is applied for technical personnel, including post-training assessments conducted by accredited third-party training providers for electricians and other specialized roles. Training records, certifications, induction records, and participation logs are maintained as part of the Company's operational and ESG management systems.

The audit further confirmed that the Company maintains a proactive approach to workforce awareness and operational competency development. However, opportunities remain to further strengthen the formal evaluation of employee performance, competency progression, and individual development needs across all functional levels. Establishing a more structured employee performance evaluation and development planning system would support identification of training needs, more effective tracking of competency development, and continuous improvement of workforce capability and long-term professional growth.

Overall, the audit confirmed that AGD LLC maintains an operational and structured approach to employee training and competency development broadly aligned with applicable occupational safety and labour management requirements and GIIP. Further formalization of employee performance evaluation and individual development planning processes would further strengthen long-term workforce development and competency management.

5.5 Stakeholder Engagement and Social Impact

The audit confirmed that AGD LLC maintains a structured and transparent approach to stakeholder engagement and social impact management through implementation of a publicly disclosed Stakeholder Engagement Plan (SEP), grievance management procedures, and broader ESG management framework. The SEP establishes formal procedures for identification of stakeholders, ongoing communication, grievance management, disclosure of project-related information, and engagement with local communities, municipal representatives, employees, contractors, and other relevant stakeholders.

Stakeholder engagement activities are coordinated by the ESG Manager and Company Director, and implemented under the oversight of the Supervisory Board and Company management. Stakeholder-related risks, including community relations, grievances, reputational risks, and social impacts associated with hydropower operations, are integrated into the Company's broader ESG and risk management processes.

The audit confirmed that AGD LLC maintains ongoing engagement with local communities and municipal representatives through both formal and informal communication channels, including direct meetings, consultations, phone and email communication, and on-site engagement by the ESG Manager. As operational activities remained stable during 2025, engagement activities were proportionate to operational needs while ensuring continued accessibility of communication channels for stakeholders.

A formal grievance mechanism remains operational and accessible to stakeholders, allowing submission of grievances, requests, and concerns related to Company operations. The audit confirmed that grievances are documented, assessed, tracked, and addressed in accordance with established procedures.

According to records reviewed during the audit, the following grievances were registered during 2025:

- (i) A complaint related to fading walnut trees near the penstock area, which resulted in compensation being provided for one affected tree and closure of the grievance;

- (ii) Concerns regarding cracks in a residential building allegedly associated with HPP operations. A geological assessment confirmed that the issue was related to water accumulation beneath the foundation and not to HPP activities, after which the grievance was closed; and
- (iii) A grievance related to noise generated by turbine hall cooling fans, which resulted in installation of soundproof chambers around the rooftop fans. Follow-up noise monitoring confirmed reduction of noise levels and compliance with applicable national requirements and IFC noise standards, after which the grievance was resolved and closed.

The audit confirmed that follow-up actions were implemented by the Company and that the registered grievances were formally resolved and closed through the established grievance management process.

Community health and safety considerations are integrated into operational management through implementation of the Community Health and Safety Plan, emergency preparedness arrangements, operational monitoring, physical safety measures, and communication procedures. The framework addresses operational risks related to hydropower infrastructure, water management, access roads, natural hazards, and emergency response coordination.

The audit further confirmed that stakeholder engagement performance, grievances, and social impact-related information are publicly disclosed through the Annual ESG Report and related ESG documentation, supporting transparency and stakeholder access to information.

Overall, the audit confirmed that AGD LLC maintains a structured and operational stakeholder engagement and social impact management framework supported by formal procedures, accessible grievance mechanisms, ongoing community engagement, and documented follow-up actions. These arrangements contribute to positive community relations, proactive social risk management, and alignment with applicable Georgian legislation, IFC Performance Standard 1 (Assessment and Management of Environmental and Social Risks and Impacts), Performance Standard 4 (Community Health, Safety, and Security), and EIB Environmental and Social Standard 2 (Stakeholder Engagement).

5.6 Community Development Initiatives and/or Social Investment

The audit confirmed that AGD LLC maintains a structured and proactive approach to stakeholder engagement and community development through implementation of its SEP, Community Liaison Implementation Plan, Community Health and Safety Plan, grievance management procedures, and broader ESG framework. These mechanisms support ongoing communication with local residents, municipal representatives, and other stakeholders, while integrating social and community-related risks into operational management.

The Company maintains regular engagement with local communities through consultations, meetings, and direct communication coordinated by the ESG team. Community requests, grievances, and stakeholder concerns are formally documented, reviewed, and addressed through established grievance management procedures.

Community development initiatives implemented during 2025 included support to the Lakhmi Kindergarten through provision of approximately USD 500 worth of educational toys following a formal community request, contributing to local educational and social well-being.

The audit further confirmed that AGD LLC prioritizes local employment and local procurement practices, contributing to sustainable socio-economic benefits within the project area. The Company employs several personnel originating from the region where the HPP operates and, where feasible, sources goods and services locally within Mestia Municipality and the broader Samegrelo-Zemo Svaneti region. Together with targeted community support initiatives and regular tax contributions, these practices support regional economic participation, strengthen local economic resilience, and demonstrate the Company's commitment to responsible and sustainable corporate practices.

AGD LLC promotes sustainability and responsible business practices through implementation of its Supplier Code of Conduct and incorporation of ESG-related requirements into supplier and contractor agreements. These

measures extend environmental, social, labour, health and safety, and ethical business expectations beyond the Company's direct operations and support more sustainable practices across the operational supply chain.

The Company's Community Health and Safety Plan supports management of operational risks related to hydropower infrastructure, water management, access roads, natural hazards, and emergency preparedness, helping minimize potential impacts on local communities.

Community engagement activities, grievance management outcomes, and social performance indicators are publicly disclosed through the Annual ESG Report and related ESG documentation, supporting transparency and stakeholder accountability.

Overall, the audit confirmed that AGD LLC maintains a transparent and responsive approach to stakeholder engagement and social impact management, supporting positive and sustainable community impacts and alignment with applicable Georgian legislation, IFC Performance Standard 1 and Performance Standard 4, EIB Environmental and Social Standard 2, and the United Nations Global Compact principles related to stakeholder accountability and community well-being.

6 Findings and Recommendations

This section presents the key findings of the ESG assessment, highlighting AGD LLC's principal strengths and notable practices across environmental, social, and governance dimensions. The audit confirmed that the Company has established a structured and transparent ESG framework broadly aligned with relevant international standards and good practices, including those of the IFC, EIB, and the UNGC. Particular emphasis is placed on initiatives and management practices that demonstrate AGD LLC's commitment to responsible hydropower operations and continuous improvement of ESG performance. In line with the scope of this assessment, the recommendations provided focus on opportunities to further strengthen existing systems, enhance operational resilience, and support the Company's long-term sustainability objectives.

6.1 Key Strength and Good Practices

This sub-section outlines AGD LLC's key ESG strengths and identifies notable practices that demonstrate proactive management beyond minimum compliance obligations. Collectively, these practices reflect the Company's commitment to responsible hydropower operations, sustainable business practices, and continuous improvement, while positioning AGD LLC as an exemplary and progressively leading ESG performer within Georgia's renewable energy sector.

Key Strengths

The ESG audit confirmed that AGD LLC has established a mature and resilient sustainability framework characterized by structured governance, regulatory compliance, and integration of ESG considerations across its operations, management systems, and stakeholder engagement practices. The following strengths reflect embedded systems, operational practices, and governance approaches broadly aligned with international good practice and provide a strong foundation for continuous improvement and long-term sustainability performance.

1. Structured ESG Governance and Oversight

AGD LLC maintains a clearly defined governance framework integrating ESG oversight into both Supervisory Board and operational management structures through regular reporting, defined responsibilities, and ongoing ESG monitoring processes, supporting accountability and integration of ESG considerations into operational and strategic decision-making.

2. Comprehensive ESG Management System

The Company has established a structured ESMS supported by operational procedures, management plans, policies, and monitoring mechanisms covering environmental, social, governance, climate, health and safety, and stakeholder-related matters, providing a strong operational framework for ESG implementation and compliance management.

3. Strong Regulatory Compliance and Environmental Performance

Since commencement of operations in 2020, AGD LLC has maintained compliance with applicable environmental, labour, and operational regulatory requirements. The audit confirmed full compliance with environmental permit conditions and Georgian environmental legislation during the 2025 reporting period, with no material environmental or labour-related violations, fines, penalties, or major corrective enforcement actions identified, demonstrating effective operational controls and regulatory oversight.

4. Structured Occupational Health and Safety Management

The Company maintains an operational occupational health and safety framework supported by oversight from a certified H&S Manager, regular H&S risk assessments, workplace inspections, training programs, emergency preparedness arrangements, and monitoring of workplace physical factors in accordance with applicable national requirements. This proactive approach to workplace risk management and employee safety contributed to the absence of occupational incidents, injuries, or fatalities during the 2025 reporting period.

5. Structured Human Rights and Labour Management Framework

AGD LLC applies formal human rights due diligence procedures, labour management systems, grievance mechanisms, and supplier-related human rights controls supporting alignment with international labour and human rights standards and strengthening responsible labour and supply chain management practices.

6. Effective Stakeholder Engagement and Grievance Management

The Company maintains structured stakeholder engagement mechanisms and accessible grievance management procedures supporting ongoing communication with local communities, transparent issue resolution, and integration of stakeholder feedback into operational management. During the reporting period, three grievances were formally recorded. One grievance was addressed through implementation of corrective measures, while two grievances were assessed and formally closed based on technical and assessment-based justifications provided by the Company and independent experts, demonstrating a transparent and responsive grievance management process.

7. Integrated Risk and Materiality Management Processes

The Company applies a structured double materiality approach integrated into its Enterprise Risk Management (ERM) framework, supporting systematic identification, prioritization, and management of ESG-related risks and opportunities across operational and strategic decision-making processes.

8. ESG Target-Setting and Performance Monitoring

AGD LLC maintains a structured ESG target-setting and performance monitoring framework linked to the United Nations Sustainable Development Goals (SDGs). The audit confirmed achievement of multiple 2025 ESG targets, including generation of approximately 59,900,298 kWh of renewable electricity, avoidance of approximately 10,925 tCO₂e emissions, completion of four biodiversity monitoring surveys, and implementation of potable water consumption monitoring systems, demonstrating measurable sustainability performance and operational accountability.

9. Energy, Water, and Resource Management

AGD LLC applies structured operational controls supporting energy efficiency, ecological flow compliance, water stewardship, and responsible resource use. In 2025, the Company strengthened monitoring practices through installation of a calibrated potable water meter supporting more accurate monitoring, transparency, and responsible water management. As a run-of-river hydropower facility, water used for electricity generation is returned to the river system without alteration of quantity or quality, supporting preservation of downstream hydrological conditions and aquatic ecosystem integrity.

10. Structured Waste Management and Environmental Protection

The Company maintains a structured waste management framework supported by operational controls, staff awareness measures, and engagement of certified waste management contractors. AGD LLC demonstrated effective waste minimization practices, compliant hazardous waste management, and

participation in Georgia’s extended producer responsibility system (“Wasteless”), supporting responsible environmental management and pollution prevention.

11. Support for Local Economy and Regional Participation

AGD LLC contributes to the local economy through local employment, regional procurement practices, tax contributions, and community support initiatives. The Company prioritizes engagement of personnel and suppliers from Mestia Municipality and the broader Samegrelo-Zemo Svaneti region, supporting regional economic participation, local employment opportunities, and sustainable community development.

12. Commitment to Continuous Improvement

The audit confirmed that AGD LLC systematically incorporates audit findings, monitoring results, regulatory feedback, and stakeholder input into ongoing operational management and ESG system improvements, supporting adaptive management and long-term sustainability performance.

Good Practices

1. Voluntary External ESG Assurance, and Disclosure

AGD LLC voluntarily commissioned and publicly disclosed an independent external ESG audit, complemented by internal ESG reviews, investor oversight, and external expert assessments, demonstrating a strong commitment to transparency, accountability, and continuous improvement beyond compliance expectations.

2. ESG Benchmarking through S&P Global CSA

The Company benchmarked its ESG performance through S&P Global’s Corporate Sustainability Assessment (CSA). Under the Electric Utilities sub-industry, Lakhmi HPP achieved a score of 68 against an industry average of 47, demonstrating strong ESG performance relative to international peers and placing the Company within the top 80th percentile globally.

3. Transparent ESG Reporting and Public Disclosure

AGD LLC maintains a proactive approach to ESG transparency through public disclosure of ESG reports, climate-related plans, biodiversity monitoring reports, and the Independent External ESG Audit Report, supporting stakeholder access to environmental and social information. In 2025, the Company also submitted its first Communication on Progress (CoP) under the United Nations Global Compact framework, further strengthening ESG transparency, accountability, and alignment with internationally recognized sustainability principles.

4. Advanced Climate Governance and Emissions Transparency

The Company maintains structured climate planning instruments, including the Climate Strategy, Sustainability and Emissions Reduction Plan and Net-Zero Transition Plan, together with voluntary verification of GHG emissions data despite the absence of a legal requirement under Georgian legislation, demonstrating a proactive approach to climate governance and alignment with evolving international reporting practices.

5. Digitalized Environmental Monitoring and Continuous Ecological Flow Compliance

AGD LLC uses automated gauging stations for ecological flow monitoring. Data from these stations is uploaded to the Company’s protected cloud system and incorporated into operational oversight and environmental compliance processes. This enables continuous real-time monitoring of ecological flow requirements, timely response to deviations, and long-term protection of aquatic ecosystems.

6. Science-Based Biodiversity Management and Positive Ecosystem Outcomes

AGD LLC implements a proactive and science-based biodiversity management approach extending beyond basic compliance requirements, including annual Brown Trout restocking, fish pass monitoring, aquatic biodiversity surveys, and ecosystem restoration measures. Monitoring results confirmed stable ecological conditions and a more than 25% increase in the Brown Trout population during 2025, demonstrating positive biological development and effectiveness of implemented mitigation measures.

Effective biodiversity management was further reflected in positive feedback from local residents regarding the return of Brown Trout to the Lakhmi River, providing visible evidence of ecosystem recovery and effectiveness of implemented biodiversity protection measures.

7. Integration of ESG Requirements into Supply Chain Management

Implementation of ESG-related supplier screening, contractual ESG obligations, contractor induction procedures, and prioritization of local suppliers demonstrates integration of sustainability considerations throughout the operational supply chain while promoting responsible ESG practices beyond the Company's direct operations.

8. Promotion of Gender Inclusion and Women's Participation

AGD LLC demonstrates a proactive approach to gender inclusion within the traditionally male-dominated hydropower sector through female representation in ESG leadership and oversight functions, including the Holding ESG and Sustainability Lead and the ESG Consultant engaged by the Company. The Company also supported inclusive local economic participation through engagement of a local supplier owned or managed by a woman, reflecting its commitment to promoting gender equality and women's participation within the renewable energy sector and local supply chain.

9. Employee Welfare and Family Support Measures

AGD LLC provides competitive remuneration and a comprehensive employee benefits package, including health insurance, transportation, meals during shifts, PPE, and professional uniforms. In addition, the Company covers 70% of family health insurance costs, supporting employee well-being, workforce stability, and quality of life beyond standard employment practices.

10. Support for Early Childhood Education and Community Well-Being

AGD LLC demonstrated a proactive approach to community support through targeted assistance to the Lakhmi Kindergarten following a community request related to its new building. In 2025, the Company provided approximately USD 500 worth of educational toys aimed at improving the learning environment for local children and supporting early childhood development, reflecting the Company's commitment to sustainable community development and long-term local well-being beyond its core operational activities.

6.2 Recommendations

The audit confirmed that AGD LLC has established a mature and operational ESG management framework demonstrating strong regulatory compliance, structured governance arrangements, and broad alignment with relevant international standards, including the IFC Performance Standards, the EIB Environmental and Social Standards, and the UNGC principles related to human rights, labour, environment, and anti-corruption. The Company further demonstrates a clear and proactive commitment to sustainability, transparency, and continuous improvement across its operations.

While the audit did not identify any material non-compliances or corrective actions requiring immediate remediation, several opportunities for further enhancement were identified. These recommendations are advisory in nature and are intended to support continued strengthening of the Company's ESG systems, operational resilience, stakeholder engagement practices, and long-term sustainability performance in line with evolving international good practice.

6.2.1 Recommendations for Enhancement

To further strengthen ESG performance and support continuous improvement, the following advisory recommendations are provided as opportunities for enhancement rather than corrective actions:

Table 4. Recommended Actions for Enhancement

#	Recommended Action	Relevant Standards / Frameworks	Expected Outcome / Impact
1	Further enhance and formalize the <u>Supplier ESG Risk Assessment Framework</u> through development of a documented supplier risk scoring methodology, supplier categorization system (e.g., high/medium/low risk), and standardized ESG due diligence tools applied consistently across suppliers and contractors.	IFC PS1 (Assessment and Management of Environmental and Social Risks and Impacts) requires: “The client will identify and evaluate environmental and social risks and impacts of the project, including those associated with supply chains, where relevant” (paragraph 27).	<ol style="list-style-type: none"> 1. Strengthened identification and management of ESG risks within the supply chain. 2. Improved consistency and transparency in supplier evaluation and due diligence processes. 3. Enhanced alignment with international standards and good practice in supply chain ESG management.
2	Further strengthen H&S emergency preparedness through implementation of periodic <u>practical emergency response drills</u> covering fire, evacuation, injury response, spill response, and other operational emergency scenarios.	ISO 45001:2018 - Occupational Health and Safety Management Systems, Clause 8.2 (Emergency Preparedness and Response) requires organizations to “test and exercise the planned response capability periodically,” including review and revision of emergency response processes following testing and actual emergency situations.	Improved operational readiness, emergency response effectiveness, personnel preparedness, and verification of emergency response procedures under simulated emergency conditions.
3	<u>Enhance occupational health and safety management through strengthened near-miss reporting practices.</u>	<p>ISO 45001:2018 – Occupational Health and Safety Management Systems:</p> <ul style="list-style-type: none"> • Clause 10.2 (Incident, Nonconformity and Corrective Action) requires organizations to react to incidents and nonconformities, determine causes, and implement corrective actions to prevent recurrence. • Clause 10.3 (Continual Improvement) requires continual improvement of the OH&S management system and OH&S performance. • Clause 5.4 (Consultation and Participation of Workers) emphasizes worker participation in reporting hazards and contributing to occupational health and safety improvements. 	<ol style="list-style-type: none"> 1. Improved identification and prevention of workplace hazards before incidents occur. 2. Strengthened safety culture and worker participation in OH&S processes. 3. Enhanced continual improvement and monitoring of OH&S performance.
4	Strengthen employee performance management practices through implementation of a structured annual employee performance evaluation process, including assessment of professional competencies, training outcomes, skill gaps, and development needs, as well as tracking of key training indicators and provision of formal employee feedback to support	<ul style="list-style-type: none"> • IFC PS 2 (Labour and Working Conditions) – requires employers to provide appropriate training, maintain workforce competency, and support workers’ professional development relevant to their assigned responsibilities. • EIB Environmental and Social Standard 8 (Employment and Working Conditions) – 	<ol style="list-style-type: none"> 1. Improved employee competency, accountability, and professional development. 2. Enhanced monitoring of training effectiveness and workforce performance. 3. Better identification of capacity-building needs and succession planning priorities.

	continual improvement, workforce development, and succession planning.	<p>promotes workforce competency, employee development, and fair employment management practices.</p> <ul style="list-style-type: none"> • ISO 45001:2018 - Clause 7.2 (Competence) – requires organisations to determine and ensure employee competence; • ISO 14001:2015 – Clause 7.2 (Competence) – requires organisations to ensure that personnel are competent on the basis of education, training, and experience. 	4. Strengthened alignment with international ESG and labour management standards.
5	Further enhance Board-level diversity through inclusion of female representation within the Supervisory Board, in line with the Company’s Board Diversity Policy and inclusive governance objectives.	<ul style="list-style-type: none"> • IFC PS2 (Labor and Working Conditions) requires equal opportunity and fair treatment in employment and occupation, including non-discrimination principles (paragraph 15). 	<ol style="list-style-type: none"> 1. Enhanced alignment with international good practice on diversity and equal opportunity. 2. Broader representation of perspectives within governance and oversight processes.

7 Conclusion

The ESG audit of AGD LLC provides a comprehensive and evidence-based assessment of the company’s environmental, social, and governance systems, policies, management practices, and operational performance. The assessment confirms that AGD LLC has established a mature and well-structured ESG management framework aligned with internationally recognized standards, including the IFC Performance Standards (2012), the EIB Environmental and Social Standards (2022), and the UN Global Compact Principles.

In addition to compliance with applicable national legal and regulatory requirements, the company has demonstrated a proactive approach to sustainability through implementation of voluntary initiatives and good international industry practices related to environmental management, occupational health and safety, climate risk management, stakeholder engagement, transparency, and corporate governance.

This section presents a summary of the overall ESG audit assessment, key compliance verification findings, notable good practices, recommendations for further enhancement, and final remarks.

findings, notable good practices, recommendations for enhancement, and the overall ESG audit assessment.

7.1 Overall ESG Audit Assessment

The audit concludes that AGD LLC has effectively integrated ESG principles into its governance structures, management systems, operational procedures, and decision-making processes. The company demonstrates a clear commitment to environmental stewardship, social responsibility, ethical business conduct, stakeholder engagement, occupational health and safety, and enterprise risk management.

The assessment confirmed a high level of alignment with the applicable provisions of the IFC Performance Standards, EIB Environmental and Social Standards, relevant UN Global Compact Principles, and applicable Georgian legislation. This alignment is reflected across key ESG areas, including environmental management, labour and working conditions, occupational and community health and safety, biodiversity conservation, climate-related risk management, and public transparency.

Furthermore, AGD LLC demonstrates a structured and forward-looking approach to sustainability management through integration of ESG considerations into enterprise risk management, operational planning, and performance monitoring systems. The Company’s participation in voluntary sustainability initiatives and implementation of practices exceeding regulatory requirements further reflects its commitment to continual improvement and responsible corporate conduct.

Overall, the audit findings indicate that AGD LLC maintains a robust ESG governance and management framework that supports operational resilience, regulatory compliance, stakeholder confidence, and long-term sustainable value creation within Georgia’s renewable energy sector.

7.2 Key Verification Points

In addition to the qualitative findings, the audit evaluated AGD LLC’s ESG performance against internationally recognized standards, frameworks, and applicable national requirements. The assessment confirmed a high level of compliance across all relevant standards. Each subsection outlines the company’s implementation approach, supporting evidence, and corresponding compliance status. The audit also identified several institutional practices that exceed minimum regulatory requirements through implementation of voluntary initiatives, advanced management systems, enhanced transparency measures, and proactive stakeholder engagement practices.

7.2.1 Compliance with IFC Performance Standards (2012)

IFC Performance Standard	AGD LLC Compliance Summary	Compliance Status
Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts	AGD LLC maintains an established ESMS supported by operational procedures, an ESAP, internal and external ESG audits, stakeholder engagement mechanisms, grievance procedures, and regular environmental and social monitoring. ESG risks and performance indicators are integrated into management oversight and decision-making processes through periodic reporting and Supervisory Board involvement.	Full Compliance
Performance Standard 2: Labor and Working Conditions	The Company has implemented formal labour management procedures, written employment contracts, occupational health and safety systems, employee grievance mechanisms, and workforce training programmes. Supporting measures include a Human Rights Policy, non-discrimination commitments, health insurance coverage, local employment practices, and implementation of a Supplier Code of Conduct. No cases of child labour, forced labour, or labour-related grievances were recorded in 2025.	Full Compliance
Performance Standard 3: Resource Efficiency and Pollution Prevention	Resource Efficiency and Pollution Prevention AGD LLC operates a run-of-river renewable hydropower facility supported by systems for water management, waste management, hazardous materials handling, wastewater management, pollution prevention, and spill response. Water used for electricity generation is diverted through the turbines and returned to the river without consumption, supporting sustainable water resource management and downstream ecosystem integrity. Greenhouse gas accounting includes Scope 1, Scope 2, and Scope 3 emissions, while environmental monitoring and resource efficiency measures support continual environmental performance improvement.	Full Compliance
Performance Standard 4:	The Company maintains occupational and community health and safety procedures, emergency preparedness	Full Compliance

Community Health, Safety, and Security	and response plans, infrastructure safety measures, and stakeholder communication mechanisms. Physical safety controls, incident reporting procedures, and operational risk management practices are implemented to minimize risks to workers and surrounding communities. No community health and safety incidents were recorded in 2025.	
Performance Standard 5: Land Acquisition and Involuntary Resettlement	No new land acquisition occurred. Historical land access was secured in accordance with Georgian law and international standards.	Not Applicable
Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	AGD LLC implements aquatic biodiversity monitoring programmes, ecological flow management, erosion prevention measures, fish pass operation, and habitat restoration and maintenance activities, including maintenance of planted vegetation within rehabilitated areas, to support biodiversity values. The Company implements annual brown trout restocking activities, including release of 52,000 spawns at the so-called eye-stage development phase in 2025. Monitoring results indicate a 25% increase in brown trout populations within the monitored river section. Additional avifauna protection measures include procurement of bird diverters for power infrastructure, planned for installation in 2026, subject to favorable circumstances to ensure safe and effective installation and implementation. Biodiversity and environmental monitoring results are publicly disclosed through company reporting mechanisms.	Full Compliance
Performance Standard 7: Indigenous Peoples	No Indigenous Peoples are present in the Lakhami area.	Not Applicable
Performance Standard 8: Cultural Heritage	Cultural Heritage No cultural heritage sites or resources are located within the Project vicinity, and no impacts on cultural heritage have been identified during the operational phase. Relevant operational procedures include consideration of cultural heritage protection requirements where applicable, including implementation of a Chance Find Procedure for management of any potential archaeological or cultural heritage discoveries.	Not Applicable

7.2.2 Compliance with EIB Environmental and Social Standards (2022)

EIB Environmental and Social Standard	AGD LLC Compliance Summary	Compliance Status
Standard 1: Environmental and Social Impacts and Risks	AGD LLC maintains an ESMS supported by an ESAP, ESG risk assessment, materiality assessment, internal and external audit processes, and regular management reporting. Environmental and social risks are identified, monitored, and integrated into operational decision-making and Supervisory Board oversight.	Full Compliance
Standard 2: Stakeholder Engagement	The Company implements stakeholder engagement through a formal Stakeholder Engagement Plan, grievance mechanism, community communication channels, and disclosure of ESG and environmental monitoring information. During 2025, AGD LLC maintained regular communication with local	Full Compliance

	<p>communities and addressed community requests through established engagement mechanisms. This included support to the Lakhmi Kindergarten through provision of educational toys for its new building, contributing to improvement of the learning environment and demonstrating the Company's commitment to local community well-being and sustainable social development.</p>	
<p>Standard 3: Resource Efficiency and Pollution Prevention</p>	<p>AGD LLC operates renewable hydropower facilities and implements controls for resource efficiency, waste management, hazardous waste handling, wastewater management, spill prevention, and GHG emissions tracking. In 2025, potable water metering and continued environmental monitoring strengthened resource management and pollution prevention practices.</p>	<p>Full Compliance</p>
<p>Standard 4: Biodiversity and Ecosystems</p>	<p>The Company implements aquatic biodiversity monitoring, ecological flow management, erosion prevention, fish pass operation, annual brown trout restocking, and maintenance of planted vegetation in rehabilitated areas. Monitoring results indicated a 25% increase in brown trout populations within the monitored river section. Bird diverters for power infrastructure have been procured and are planned for installation in 2026, subject to favorable circumstances to ensure safe and effective installation and implementation.</p>	<p>Full Compliance</p>
<p>Standard 5: Climate Change</p>	<p>AGD LLC integrates climate risk management and GHG emissions reduction into its ESMS, Climate Strategy, Sustainability and Emissions Reduction Plan, Net-Zero Transition Plan, and broader ESG governance framework. The Company monitors climate-related risks, including hydrological variability, flooding, erosion, and geological instability, through operational and environmental monitoring systems. AGD LLC maintains GHG accounting and public disclosure of Scope 1, Scope 2, Scope 3, and avoided emissions, supported by external verification under the ESG audit process. The Company has committed to achieving net-zero operational emissions by 2050 and continues implementation of measures supporting climate resilience, operational efficiency, and renewable energy generation. Climate-related oversight is integrated into Supervisory Board and ESG management responsibilities.</p>	<p>Full Compliance</p>
<p>Standard 6: Involuntary Resettlement</p>	<p>Not applicable during the operational phase.</p>	<p>Not Applicable</p>
<p>Standard 7: Rights and Interests of Vulnerable Groups</p>	<p>AGD LLC applies non-discrimination and equal opportunity principles through its labour, human rights, and community engagement practices. The Company tracks gender and inclusion-related indicators and implements community practices without adverse impacts on vulnerable groups. No Indigenous Peoples are present in the HPP area.</p>	<p>Full Compliance</p>
<p>Standard 8: Labour Rights and Working Conditions</p>	<p>The Company maintains written employment arrangements, labour management procedures, internal grievance channels, workforce training</p>	<p>Full Compliance</p>

	programmes, occupational health and safety controls, and salary levels competitive within Georgia’s hydropower sector. AGD LLC also co-finances approximately 70% of family health insurance coverage for employees. No evidence of child labour, forced labour, discrimination, or labour-related grievances were recorded in 2025.	
Standard 9: Health, Safety and Security	AGD LLC implements an OHS management system including risk assessment, worker training, emergency preparedness, PPE requirements, infrastructure safety controls, and community safety measures. These practices support prevention of occupational and public health and safety risks during operation.	Full Compliance
Standard 10: Cultural Heritage	No cultural heritage sites are located within the project vicinity. A Chance Find Procedure is in place to manage any potential archaeological or cultural heritage discoveries, if encountered.	Not Applicable
Standard 11: Intermediated Finance	The Company operates run-of-river hydropower facilities and therefore does not fall within the scope of EIB Environmental and Social Standard 11 on Financial Intermediaries.	Not Applicable

7.2.3 Compliance with Global Reporting Initiative

GRI Standard / Principle	AGD LLC Compliance Summary	Compliance Status
GRI 2: General Disclosures	AGD LLC’s ESG reporting includes disclosures related to organizational structure, governance framework, ESG oversight responsibilities, policies, stakeholder engagement practices, operational boundaries, and reporting scope. The Company publicly discloses ESG-related information through its annual ESG reporting and corporate communication channels.	Full Compliance
GRI 3: Material Topics	The Company conducts periodic materiality assessments and integrates material ESG risks and priorities into its ESG management framework, risk assessment processes, and sustainability reporting practices.	Full Compliance
GRI 302 / 305: Energy and Emissions	AGD LLC monitors and discloses Scope 1, Scope 2, and Scope 3 greenhouse gas emissions, avoided emissions, and operational energy-related indicators. Emission reduction objectives and climate-related initiatives are integrated into the Company’s sustainability and climate management approach.	Full Compliance
GRI 303: Water and Effluents	Water use, wastewater management, and ecological flow requirements are monitored in accordance with operational and permit conditions. As a run-of-river hydropower facility, water used for electricity generation is returned to the river after turbine operation without consumptive use. Potable water consumption is metered and monitored, while treated wastewater discharged from the sewage treatment plant is subject to regular effluent quality testing to verify compliance with applicable regulatory requirements.	Full Compliance

GRI 304: Biodiversity	The Company implements aquatic biodiversity monitoring programmes, ecological flow management, brown trout restocking activities, fish pass operation, erosion prevention measures, and avifauna protection initiatives. Biodiversity monitoring results are publicly disclosed through ESG reporting mechanisms.	Full Compliance
GRI 306: Waste	Waste generation, segregation, storage, transfer, and disposal practices are implemented in accordance with applicable legal requirements and Waste Management Plans. Hazardous waste management is supported through contracts with licensed third-party service providers.	Full Compliance
GRI 401 / 403: Employment and Occupational Health & Safety	ESG disclosures include workforce composition, labour management practices, employee training, occupational health and safety measures, grievance mechanisms, and employee welfare initiatives, including co-financing of family health insurance coverage.	Full Compliance
GRI 413: Local Communities	The Company discloses stakeholder engagement activities, grievance management processes, and community investment initiatives, including support for local infrastructure and educational initiatives within Lakhmi village. AGD LLC also prioritises local employment and procurement of local goods and services where feasible, supporting local economic development and community relations	Full Compliance

7.2.4 Compliance with Task Force on Climate-Related Financial Disclosures

TCFD Pillar	AGD LLC Compliance Summary	Compliance Status
Governance	Climate-related risks, opportunities, and ESG performance matters are overseen by the Supervisory Board and integrated into corporate governance and strategic decision-making processes. ESG-related reporting is conducted regularly through management and governance structures, supporting oversight of climate-related performance, risk management, and sustainability objectives.	Full Compliance
Strategy	AGD LLC identifies and assesses climate-related risks and opportunities relevant to hydropower operations, infrastructure resilience, and long-term sustainability performance. Climate-related considerations are integrated into operational planning, environmental management, and strategic decision-making processes. These efforts are further supported by dedicated strategic documents, including the Climate Strategy, Net Zero Transition Plan and Sustainability and Emissions Reduction Plan, which establish the Company’s long-term climate objectives, emissions reduction priorities, and sustainability commitments. In addition, the Company has conducted climate scenario analysis using recognized climate projections, including RCP 6.0 scenarios, to assess long-term operational resilience and climate-related impacts.	Full Compliance

<p>Risk Management</p>	<p>Climate-related risks are integrated into the Company’s ESG Risk Assessment and Enterprise Risk Management frameworks. Physical and transition climate risks are periodically reviewed through environmental monitoring, materiality assessments, and operational risk management processes. Climate adaptation and resilience considerations are incorporated into environmental management and infrastructure planning measures.</p>	<p>Full Compliance</p>
<p>Metrics and Targets</p>	<p>AGD LLC monitors and discloses Scope 1, Scope 2, and Scope 3 greenhouse gas emissions, avoided emissions, and climate-related ESG indicators through annual ESG reporting processes. The Company has established emission reduction objectives and developed a Net-Zero Transition Plan supporting long-term decarbonization and climate-related performance improvement. Climate-related monitoring, resource efficiency, and environmental performance measures are regularly reviewed as part of the Company’s sustainability commitments.</p>	<p>Full Compliance</p>

7.2.5 Compliance with UN Global Compact Principles

<p>UNGC Principal Area</p>	<p>AGD LLC Compliance Summary</p>	<p>Compliance Status</p>
<p>Human Rights</p>	<p>AGD LLC implements a Human Rights Policy, Human Rights Due Diligence Procedure, internal grievance mechanisms, and supply chain safeguards supporting protection of human rights within its operations and contractor management processes. Human rights considerations are integrated into labour management and supplier oversight practices. No human rights-related grievances or violations were recorded in 2025.</p>	<p>Full Compliance</p>
<p>Labour Standards</p>	<p>The Company maintains written employment arrangements, non-discrimination commitments, occupational health and safety measures, workforce training programmes, and competitive salary levels within Georgia’s hydropower sector. AGD LLC co-finances approximately 70% of family health insurance coverage for employees and prioritises local employment where feasible. No evidence of child labour, forced labour, discrimination, or labour-related grievances were recorded in 2025.</p>	<p>Full Compliance</p>
<p>Environment</p>	<p>AGD LLC implements environmental and aquatic biodiversity management measures, including ecological flow maintenance, fish pass operation, annual brown trout restocking, wastewater quality monitoring, waste management controls, and climate-related risk management practices. The Company monitors and discloses Scope 1, Scope 2, and Scope 3 GHG emissions and participates in UN Global Compact Climate Ambition Accelerator initiatives. Environmental monitoring and ESG performance data are publicly disclosed through annual ESG reporting.</p>	<p>Full Compliance</p>
<p>Anti-Corruption</p>	<p>The Company maintains a Code of Conduct, Compliance Policy, whistleblowing mechanism, and</p>	<p>Full Compliance</p>

	<p>internal governance procedures aimed at prevention of bribery, corruption, and unethical business practices. ESG and compliance expectations are also communicated through supplier and contractor management processes.</p>	
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7.2.6 Compliance with Georgian National Legislation & Energy Community Obligations

Legal/Policy Area	AGD LLC Compliance Summary	Compliance Status
<p>Environmental Protection and Permitting</p>	<p>AGD LLC implements environmental management measures in accordance with applicable Georgian environmental legislation, environmental permit conditions, and operational monitoring requirements. Compliance is supported through the ESMS, ESAP implementation, environmental monitoring programmes, regulatory reporting, and operational controls related to biodiversity, ecological flow management, wastewater, air quality, and environmental protection measures. No environmental non-compliances, penalties, or fines were recorded in 2025.</p>	<p>Full Compliance</p>
<p>Waste and Hazardous Waste Management</p>	<p>Waste management activities are implemented in accordance with the Waste Management Code of Georgia and related regulatory requirements. The Company maintains waste segregation, temporary storage, transfer, and disposal procedures, including management of hazardous waste through licensed third-party contractors. A Waste Management Plan for 2025–2027 has been developed, approved by the National Environmental Agency, and is under implementation.</p>	<p>Full Compliance</p>
<p>Water Management and Wastewater Compliance</p>	<p>Water use and wastewater management practices are implemented in accordance with permit conditions and applicable legal requirements. Ecological flow requirements are continuously monitored, while treated wastewater discharged from the sewage treatment plant is subject to regular effluent quality testing to verify compliance with regulatory standards.</p>	<p>Full Compliance</p>
<p>Labour and Occupational Health and Safety</p>	<p>AGD LLC implements labour and occupational health and safety practices in accordance with the Labour Code of Georgia and applicable occupational safety legislation. The Company maintains employment contracts, OHS procedures, workforce training programmes, incident reporting mechanisms, and workplace safety controls. No significant regulatory violations or enforcement actions were identified during the reporting period.</p>	<p>Full Compliance</p>
<p>Public Participation and Access to Information</p>	<p>Stakeholder engagement and grievance management practices are implemented in alignment with Georgian legal requirements related to public participation and access to environmental information, including principles reflected under the Aarhus Convention and Energy Community obligations. ESG and environmental monitoring</p>	<p>Full Compliance</p>

	information is publicly disclosed through company reporting and communication mechanisms.	
Climate Commitments and Energy Community Obligations	Through renewable hydropower generation, greenhouse gas monitoring, and climate-related ESG reporting, AGD LLC contributes to Georgia’s climate commitments under the Paris Agreement and relevant Energy Community obligations. The Company monitors Scope 1, Scope 2, and Scope 3 emissions and has developed a Net-Zero Transition Plan supporting long-term decarbonization objectives.	Full Compliance
Biodiversity and Natural Resource Protection	Biodiversity management activities, including ecological flow maintenance, fish pass operation, brown trout restocking, erosion prevention measures, avifauna protection initiatives, and biodiversity monitoring programmes, support compliance with applicable Georgian environmental and biodiversity protection requirements.	Full Compliance

7.3 Good Practices and Sectoral Leadership

In addition to compliance with applicable legal and international requirements, AGD LLC has implemented several voluntary ESG initiatives demonstrating proactive sustainability management, transparency, and sectoral leadership within Georgia’s renewable energy sector.

1. **Voluntary External ESG Assurance** - AGD LLC voluntarily commissioned and publicly disclosed an independent external ESG audit, demonstrating a commitment to transparency, accountability, and continuous improvement beyond compliance expectations.
2. **ESG Benchmarking through S&P Global CSA** - AGD LLC participated in the S&P Global Corporate Sustainability Assessment (CSA), achieving a score above the industry average within the Electric Utilities sub-industry, demonstrating strong ESG performance relative to industry peers.
3. **Transparent ESG Reporting and Public Disclosure** - The Company publicly discloses ESG reports, biodiversity monitoring results, climate-related plans, and the Independent External ESG Audit Report. In 2025, AGD LLC also submitted its first UN Global Compact Communication on Progress (CoP).
4. **Advanced Climate Governance and Emissions Transparency** - AGD LLC maintains a Climate Strategy, Sustainability and Emissions Reduction Plan and Net-Zero Transition Plan and conducts voluntary verification of greenhouse gas emissions data.
5. **Digitalized Environmental Monitoring** - The Company utilizes automated ecological flow monitoring systems enabling continuous real-time monitoring and transparent environmental compliance management.
6. **Science-Based Biodiversity Management** - AGD LLC implements biodiversity monitoring, annual brown trout restocking, fish pass operation, and habitat restoration measures. Monitoring results confirmed a more than 25% increase in brown trout populations during 2025.
7. **Integration of ESG Requirements into Supply Chain Management** - ESG considerations are integrated into supplier and contractor management processes through ESG screening, contractual obligations, and implementation of a Supplier Code of Conduct.
8. **Promotion of Gender Inclusion** - The Company promotes gender inclusion through female participation in ESG leadership functions and participation in the UN Global Compact Target Gender Equality Accelerator programme.
9. **Employee Welfare and Family Support Measures** - AGD LLC provides competitive remuneration, employee welfare measures, and co-financing of approximately 70% of family health insurance coverage for employees.
10. **Support for Community Well-Being** - During 2025, the Company supported local community initiatives, including assistance to the Lakhmi Kindergarten through provision of educational materials for its new building.

These initiatives demonstrate AGD LLC's proactive commitment to generating positive environmental, social, and governance impacts beyond mandatory compliance requirements.

7.4 Recommendations for Enhancement

While no material compliance issues were identified during the audit, the following recommendations - advisory in nature and not corrective - are intended to further strengthen the maturity, consistency, and long-term effectiveness of AGD LLC's ESG management systems and practices.

To further reinforce AGD LLC's ESG framework and maintain its leadership position, the following enhancement measures are recommended:

1. **Further formalize Supplier ESG Risk Assessment Processes** – Develop a more structured supplier ESG risk scoring and categorization methodology to support consistent ESG due diligence and contractor oversight.
2. **Strengthen Emergency Preparedness Practices** – Conduct periodic practical emergency response drills covering operational emergency scenarios, including fire, evacuation, injury response, and spill response.
3. **Strengthen Near-Miss Reporting Practices** – Further promote systematic near-miss reporting within the existing occupational health and safety management system to support early hazard identification and preventive risk management.
4. **Implement a Structured Employee Performance Evaluation System** – Introduce a formal annual employee performance evaluation process linked to competency development, training effectiveness, and workforce development planning.
5. **Further Enhance Board-Level Diversity** – Further enhance Board-level diversity through inclusion of female representation within the Supervisory Board, in line with the Company's Board Diversity Policy and inclusive governance objectives.

7.5 Final Remarks

The ESG audit confirmed that AGD LLC maintains a mature and well-structured ESG management framework aligned with applicable international standards and Georgian regulatory requirements. The Company demonstrates effective integration of environmental, social, governance, occupational health and safety, climate, and biodiversity considerations into its operational and management systems.

AGD LLC's ESG performance is further strengthened through implementation of voluntary initiatives and good international industry practices, including external ESG assurance, climate governance measures, biodiversity management programmes, transparent ESG reporting, and proactive stakeholder engagement. Ongoing investor oversight, internal monitoring, and external assessments further support continual improvement and accountability.

Overall, the assessment indicates that AGD LLC is well-positioned to maintain and further strengthen its role as a responsible and sustainability-oriented operator within Georgia's renewable energy sector.

8 Annex

1. External ESG Audit Terms of Reference



ToR - ESG External Audit.docx

2. List of Reviewed AGD LLC Documents

Category	Documents
Management Plans	Environmental and Social Action Plan; Waste Management Plan; Pollution Prevention Implementation Plan; Ecological Management Plan; Occupational Health & Safety Management Plan; Community Health and Safety Plan; Erosion Control and Stabilization Plan; Emergency Preparedness and Response Plan; Community Liaison Implementation Plan; Stakeholder Engagement Plan; Grievance Management Plan; Sustainability and Emissions Reduction Plan; Net Zero Transition Plan; Management of Changes Plan.
Procedures and Codes	Code of Conduct; Suppliers Code of Conduct; Reporting Ethical and Compliance Breaches; Spill Response Procedure; Fish Pass Operation and Maintenance Procedure; Release on Minimal Environmental Flow Procedure; H&S Incident and Near-Miss Reporting Procedure; H&S Emergency Communication and Notification Procedure; Contractor Induction and ESG Compliance Procedure; Waste Handling and Disposal Procedure; Chance Find Procedure; Visitors' Induction Procedure.
Monitoring, Surveys, and Technical Assessments	Physical Parameters Survey (Winter and Summer Season); Biodiversity Survey; Water Quality Monitoring Survey; Aquatic Biodiversity Survey; Geological Survey; Noise Monitoring.
Registers, Logs, and Databases	Permits Database; Social Projects Database; Environmental Mitigation Measures Database; Stakeholder Interaction Log; Grievance Log; Request Log; Incident Log ESG (Environmental); Training Log; Corrective and Preventive Action (CAPA) Register; Legal & Permit Compliance Register; Audit Findings Register; GHG Emissions Register.
Reports and Disclosures	Monthly Report; Annual ESG Report; Sustainability Reporting Boundaries; Materiality Analysis; Prospectus; Energy Consumption; Board Average Tenure.
Policies	Environmental Policy; Corporate Human Right Policy; ESG Policy; Board Diversity Policy; Compliance Policy; Information Security Policy; AI Policy; Gender Equity Policy; HR Policy; Customer Satisfaction and Development Policy.
Governance and Due Diligence Documents	Human Right Due Diligence; Corporate Governance Manual; Public Registry.

3. *AGD LLC External ESG Audit Checklist*



AGD LLC External
ESG Audit Checklist.