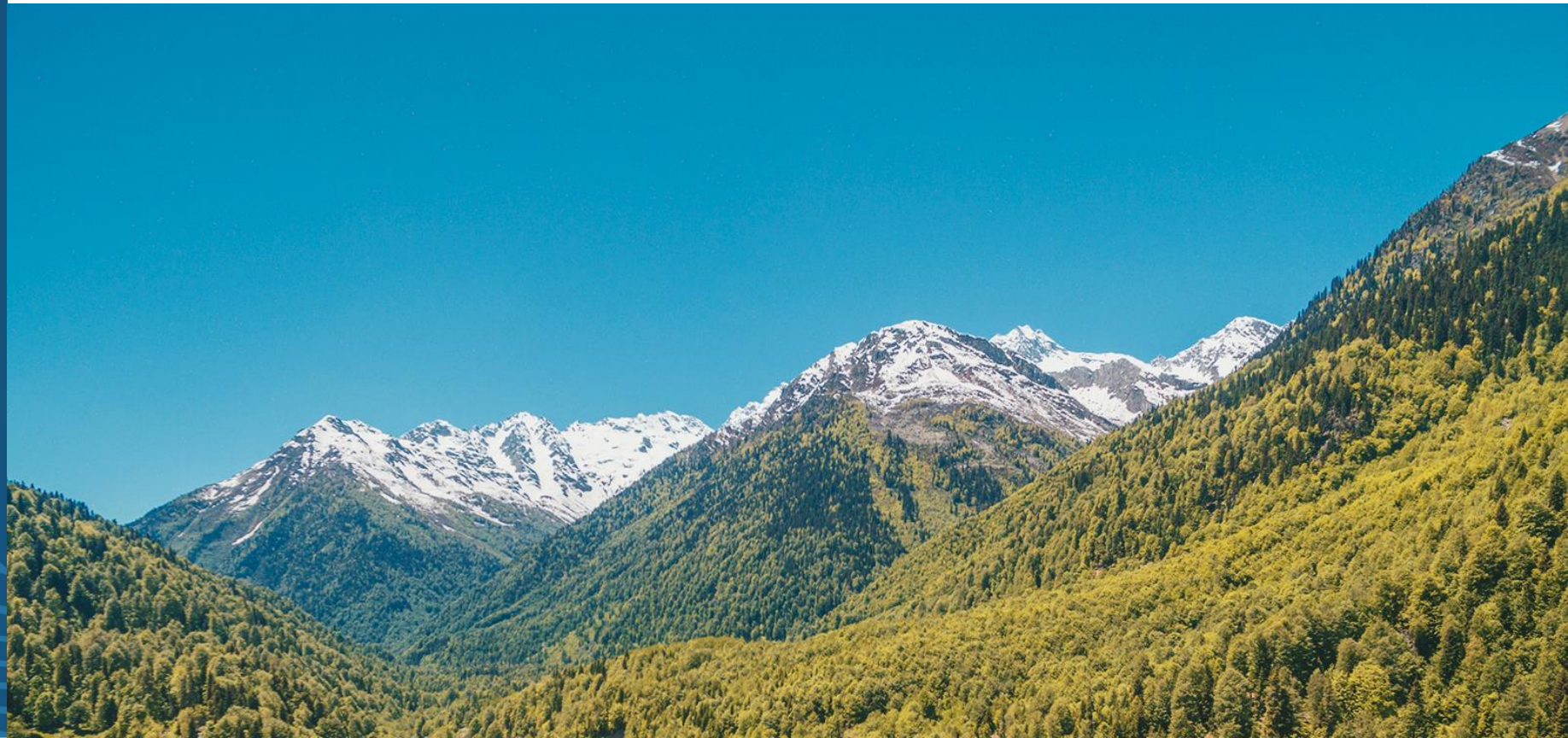




JSC Nenskra Hydro

Safety, Health, Environment and Community Semi-Annual Report January to June 2018

July 2018



Message from JSC Nenskra Hydro

“The JSCNH project has committed to providing semi-annual updates to our stakeholders. This current document is the second update shared with our stakeholders through our company website. Since March 2018, due to a security incident, there have been no activities on site and all project staff have been moved to Tbilisi. This is a regrettable situation, however during this time, we have continued working on the detailed project design, a new approach for moving the project forward for construction and as part of our continuous improvement, refocusing on the Community Investment Program.

We are looking forward to returning to site and continue executing this very exciting project with our community partners and stakeholders.”

AGENDA

#	Agenda Point
1	Sustainability Policy and SHEC Management System
2	Safety, Health, Environment and Community 2018 Metrics
3	Stakeholder Engagement
4	Community Investment Program
5	Environment and Biodiversity
6	LALRP
7	Health and Safety
8	Monitoring



JSC Nenskra Hydro

Section 1

Sustainability Policy, SHEC-MS and CC-ESMP

Sustainability Policy

Vision

JSC Nenskra Hydro established as a company that conducts business and operates in an environmentally responsible manner. The company's long-term success is dependent on our ability to deliver high quality products and services whilst protecting the environment.

Commitment

JSC Nenskra Hydro staff has ultimate responsibility for environmental performance and is committed to the achievement of environmental excellence. JSC Nenskra Hydro is therefore committed to:

- Complying with all applicable environmental laws and regulations and relevant standards;
- Minimizing our impact on the environment through pollution prevention, minimization of waste and emissions and the efficient use of energy and resource;
- Pursuing a goal of zero environmental incidents
- Transparency in the reporting of the Company's environmental performance;
- Setting objectives and targets for continual improvement with auditing and monitoring of performance to ensure compliance;
- Promoting a culture in which all employees share this commitment by clearly defining our expectations;
- We are fully committed to sustainability and strive to integrate sustainable development principles and a comprehensive stakeholder engagement process into its operating philosophy.

Objective

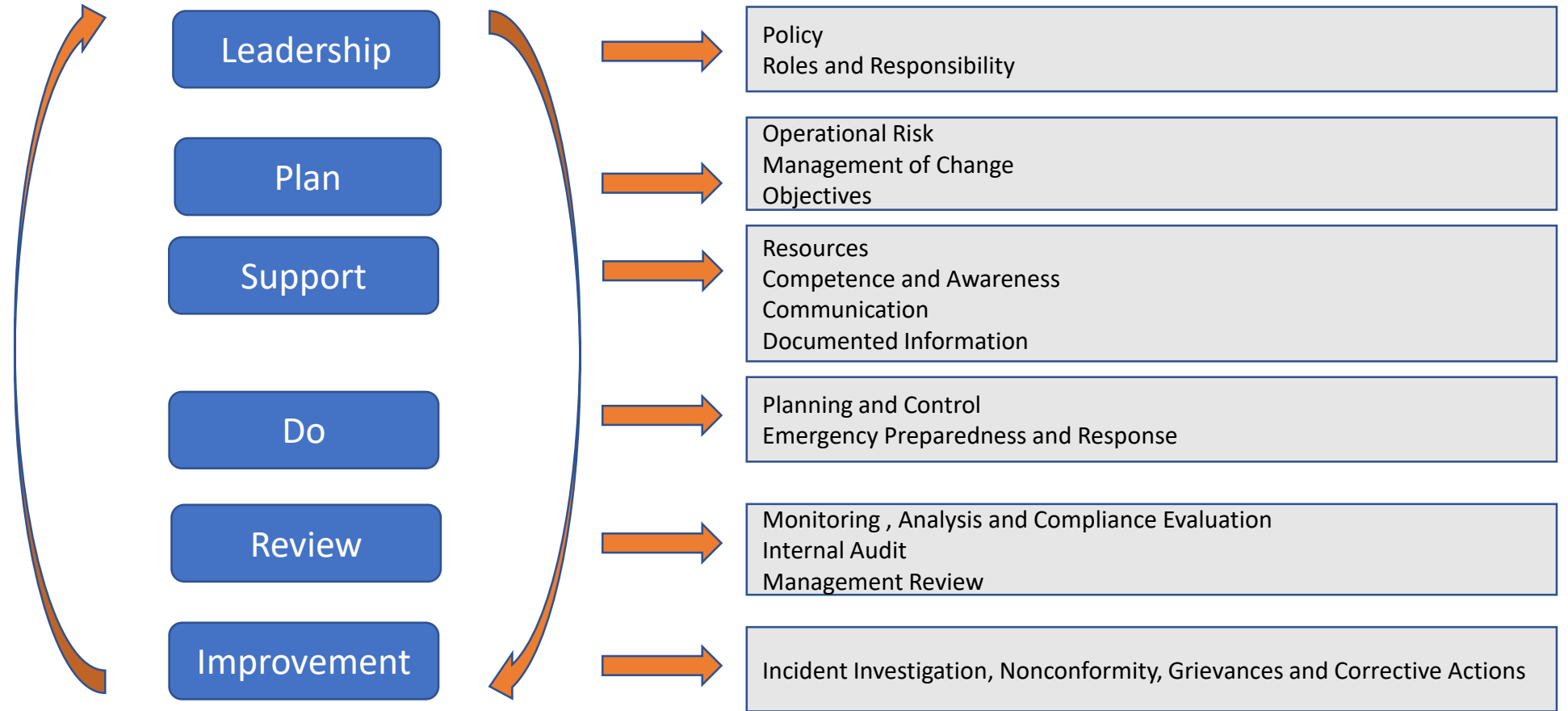
To meet this commitment at high level JSC Nenskra Hydro will:

- Develop and maintain minimum standards and expectations
- publish regular performance reports and openly discuss our environmental performance with stakeholders;
- periodically review the suitability and effectiveness of this policy, our management systems, targets and objectives
- develop and maintain certified environmental management systems, in accordance with ISO 14001 standards;
- provide appropriate training to all employees to enable them to carry out their work with due respect and care for the environment;
- engage with clients, contractors and suppliers to deliver a high standard of environmental performance;
- Deliver long term value to our employees, contribute to the development of local communities, investing in sustainability and environment protection.

Responsibility and implementation

Responsibility for compliance with this policy lies with the Chief Executives and their respective Managing Directors. It is also the responsibility of individuals to be aware of potential environmental risks and to help to reduce these risks at the locations where they work. JSC Nenskra Hydro will implement this policy and will conduct periodic audits/reviews to verify compliance and promote continual improvement.

JSNCH SHEC Management System



JSCNH SHEC Management System - Progress in 2018

Numerous documents have been prepared including:

- SHEC Management System. The project has committed to complying with the latest ISO 450001. 17 elements have been developed.
- SHEC Master Document
- Security Management Plan
- CIP Management Procedure
- Framework Social Strategy (2018-2019)
- 2018 Annual E&S Planning
- Others.

EPC ESMP progress in 2018

Numerous plans and procedures have been prepared and implemented by the EPC including:

- Effluent management plan
- Waste management plan
- Spill contingency plan
- Noise and vibration control plan
- Chance find procedure
- Emergency Preparedness Plan
- Others

ES Supplementary Studies

- ES Supplementary Studies were completed in Q4 2017.
- ES Supplementary Environmental and Social Studies in Georgian and English were published in the company website in January 2018, the Nakra and Nenskra Information Centers and Mestia Municipality.



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Section 2

SHEC 2018 Metrics

SHEC Metrics (recorded from January 2018)

SHEC Metrics	Jan-June 2018
Environment Incidents	1
Volume/weight of waste remove out of the camp (Kg)	11,927
Volume/weight of Hazardous waste onsite(Kg)	522
Volume of Hydrocarbons in Storage (liters)	17,687 to 22,000/mo
Volume of Hydrocarbons Used	63,343
Social Incidents	19
Grievances	8
HS Incidents	5
SHEC NCR (Non-conformity)	7

* Note: There have been no activities on site since 25 March, 2018. Above data is from Jan to March, except social data.



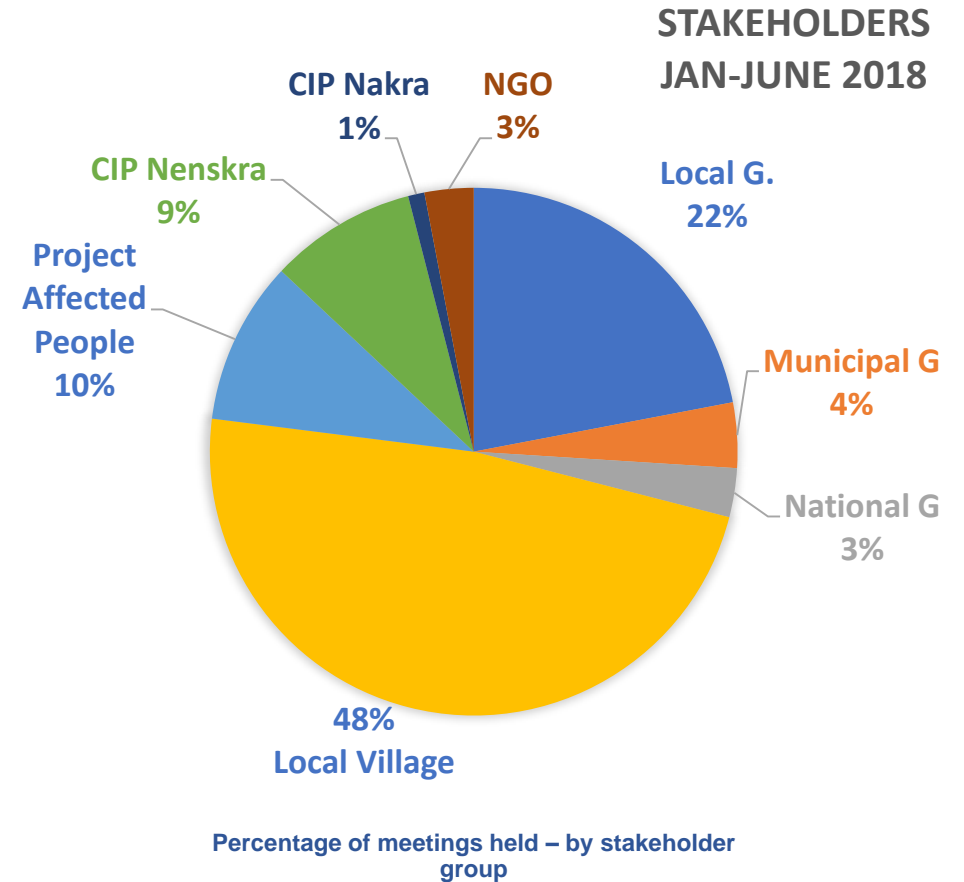
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Section 3

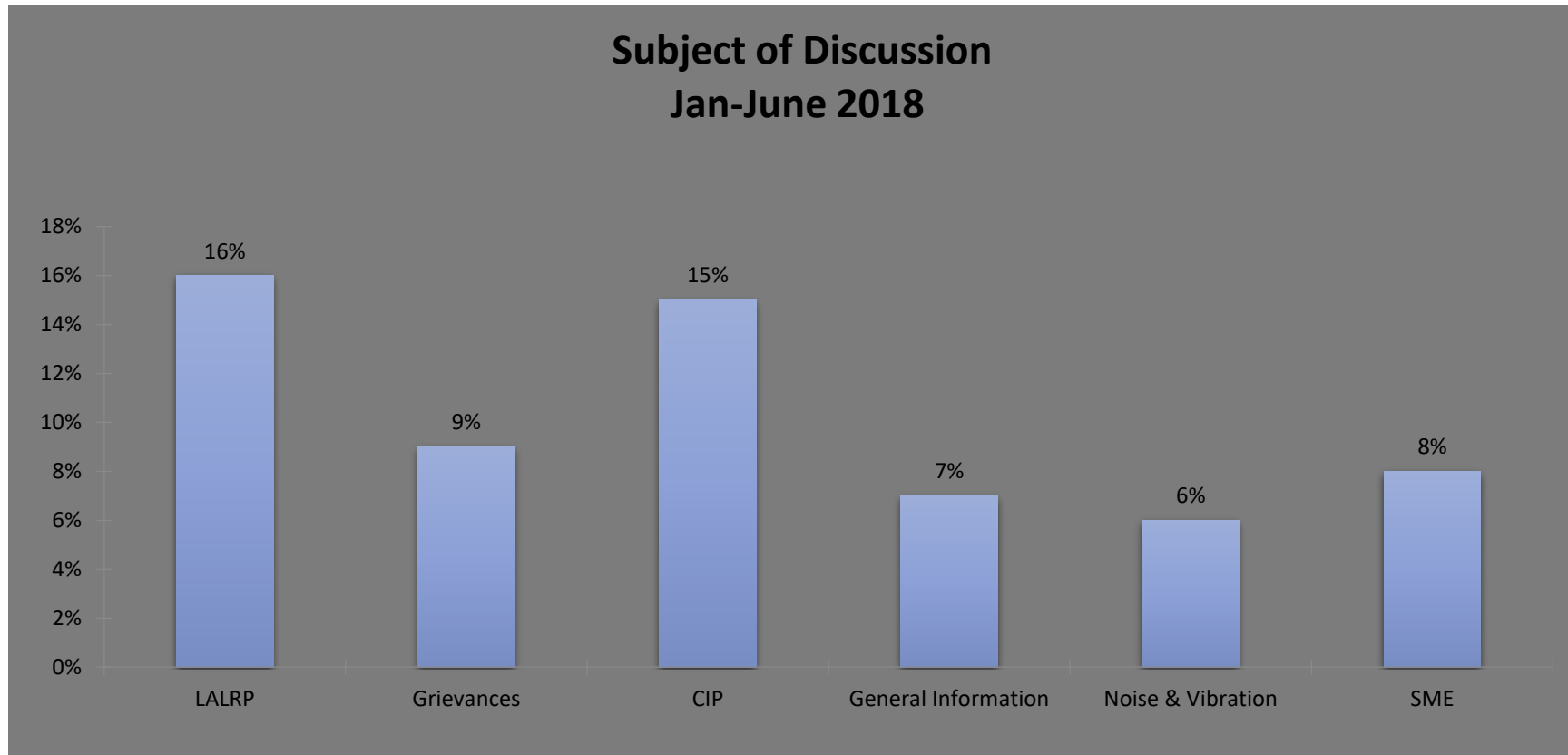
Stakeholder Engagement

Meetings and Informal Sessions

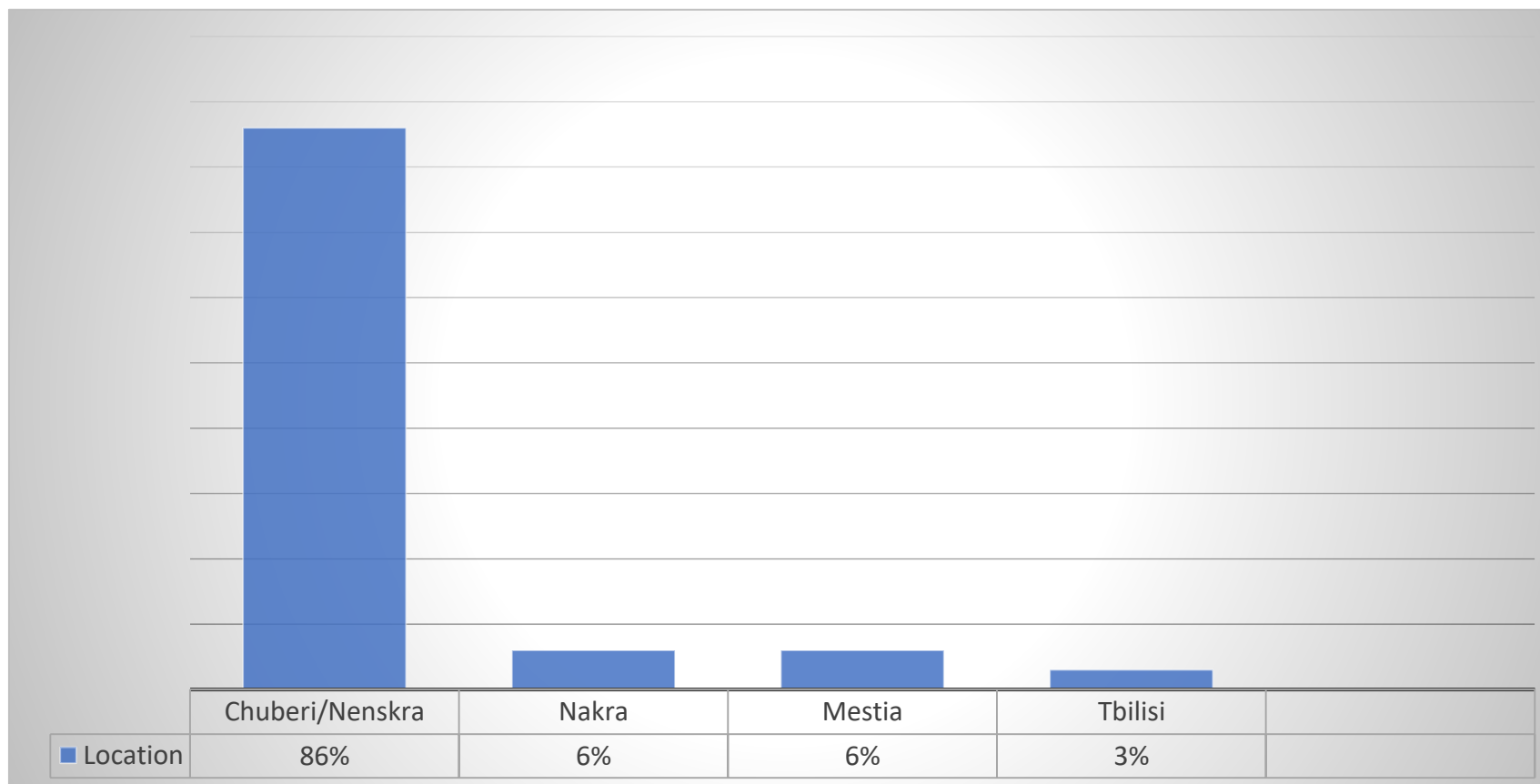
- In total, 69 meetings were held between Jan-June 2018
- 583 participants (26% women)
- Discussions with communities varied from compensation issues, grievances to providing project information



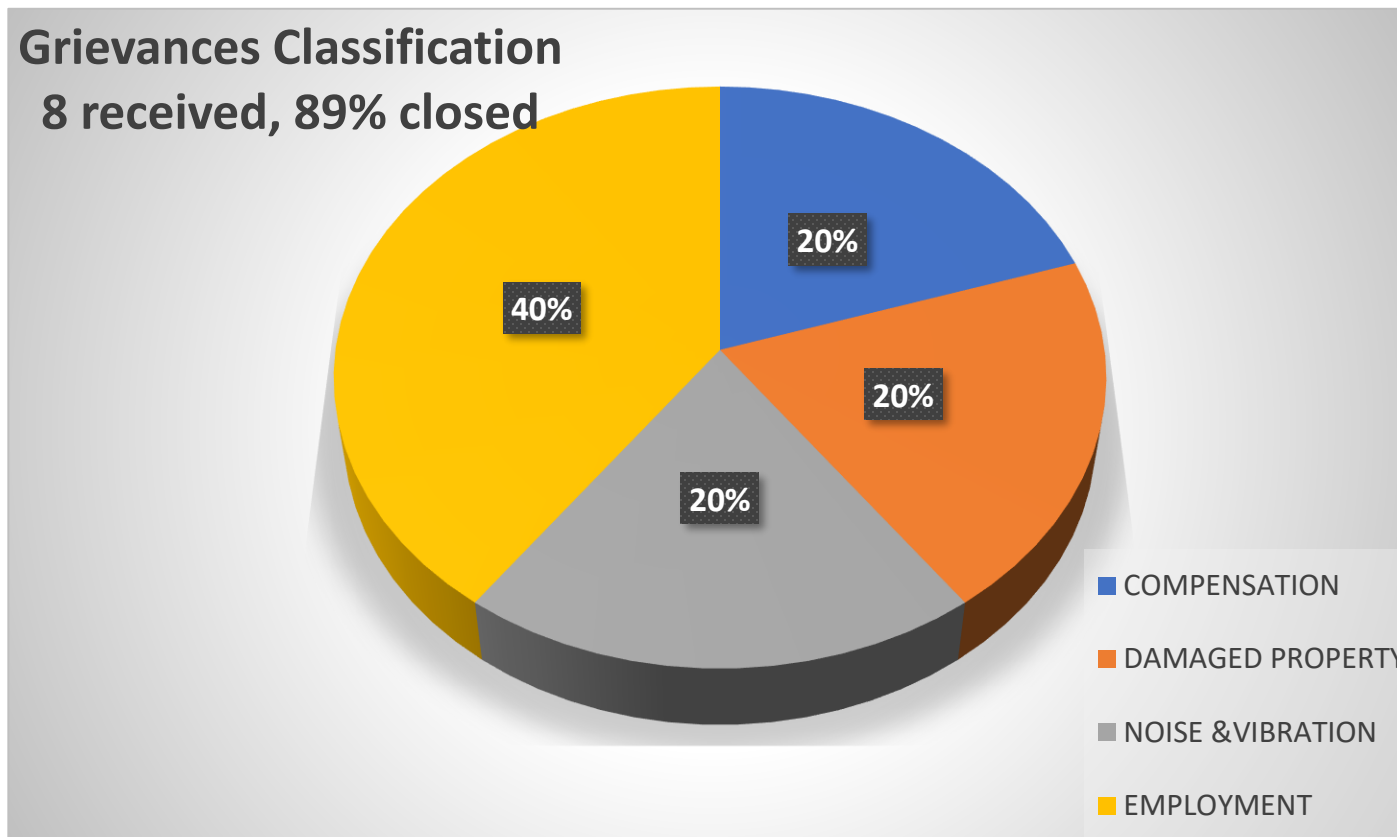
Subject of Discussion with Stakeholders



Meeting Location



Grievances - January – June 2018



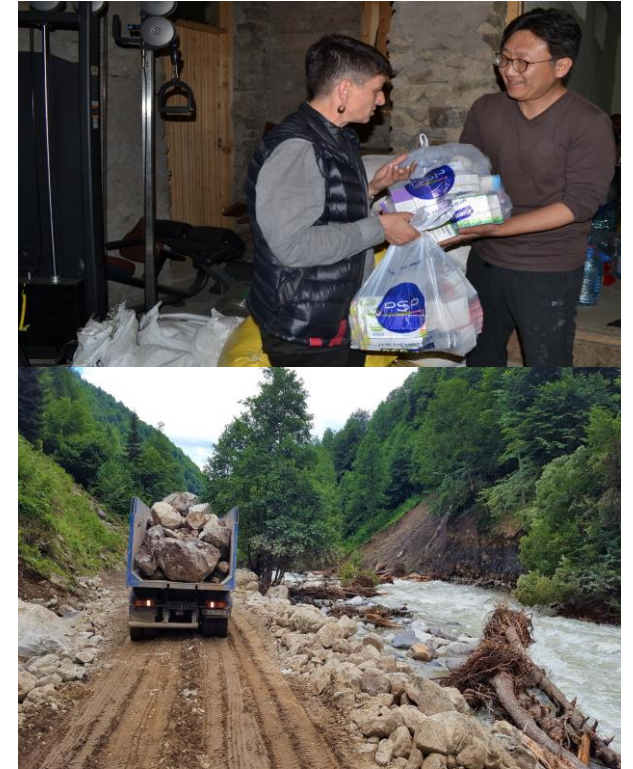
Communication Activities

- Continuous improvement by reviewing lessons learnt regarding best channels of communication with stakeholders.
- Preparation of the Stakeholder Mapping.
- Update of the 2017 SWOT analysis.
- Completion of the Communication Policy and Strategy and review of the Action Plan.
- Identification of technical partners, government nongovernmental and private organizations to contribute to the Community Investment Program.

Flood Event in Chuberi – July 5th, 2018

- July 5th a serious flood event occurred in Chuberi.
- According to an internal evaluation and Government analysis of the event, the flood was caused by glacial melting due to extreme weather conditions in July, overflowing of a glacial lake and excessive rain.
- Community infrastructure was damaged including the main road and bridges.
- JSCNH collaborated with the Government and provided emergency support.

Humanitarian Aid and Technical Support following Flood Event



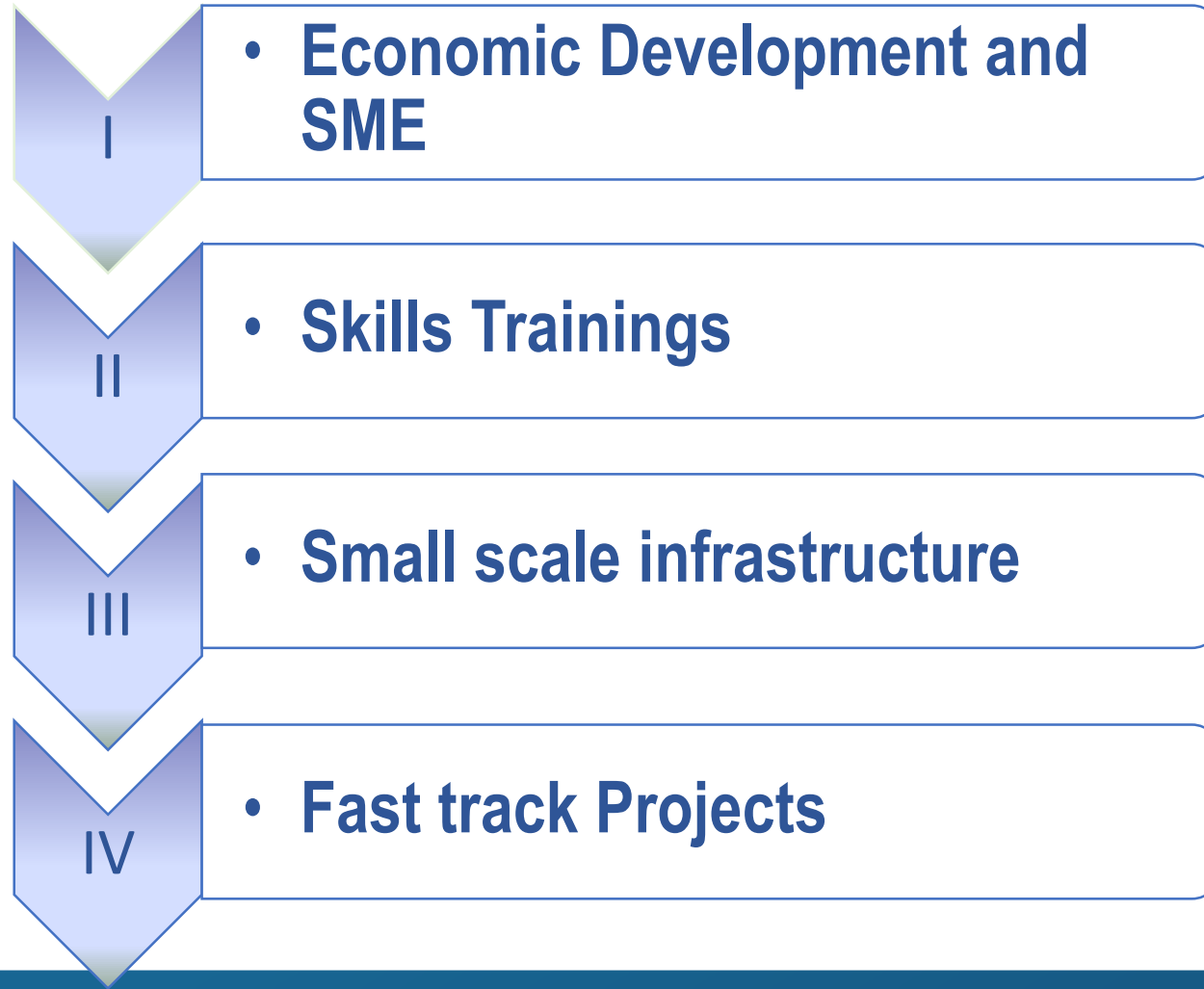


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Section 4

Community Investment Program (CIP)

Community Investment Program Key Directions



Community Investment program

- CIP was formalized in September 2017
- Budget for each valley has been divided based on number of inhabitants in each valley, as follows:
 - ✓ 2,587,000 USD (Nenskra)
 - ✓ 1,417,000 USD (Nakra)



English classes in Nenskra



Participants leaving for the guest house training

Community Investment program

- CIP Advisory Committee established in Nenskra and Nakra valleys
- 42 members, 25% are woman
- English classes, computer classes and technical skills training program concept were initiated and some were launched (guest house capacity building to improve tourism opportunities and English classes)
- 2nd phase of river bed cleaning in Nakra was completed
- The fast track projects implemented have mixed results. In Nakra they are very well received by the local population, but in Nenskra the communities are not satisfied. This pillar of the CIP will be evaluated to determine if further investment will be made moving forward.



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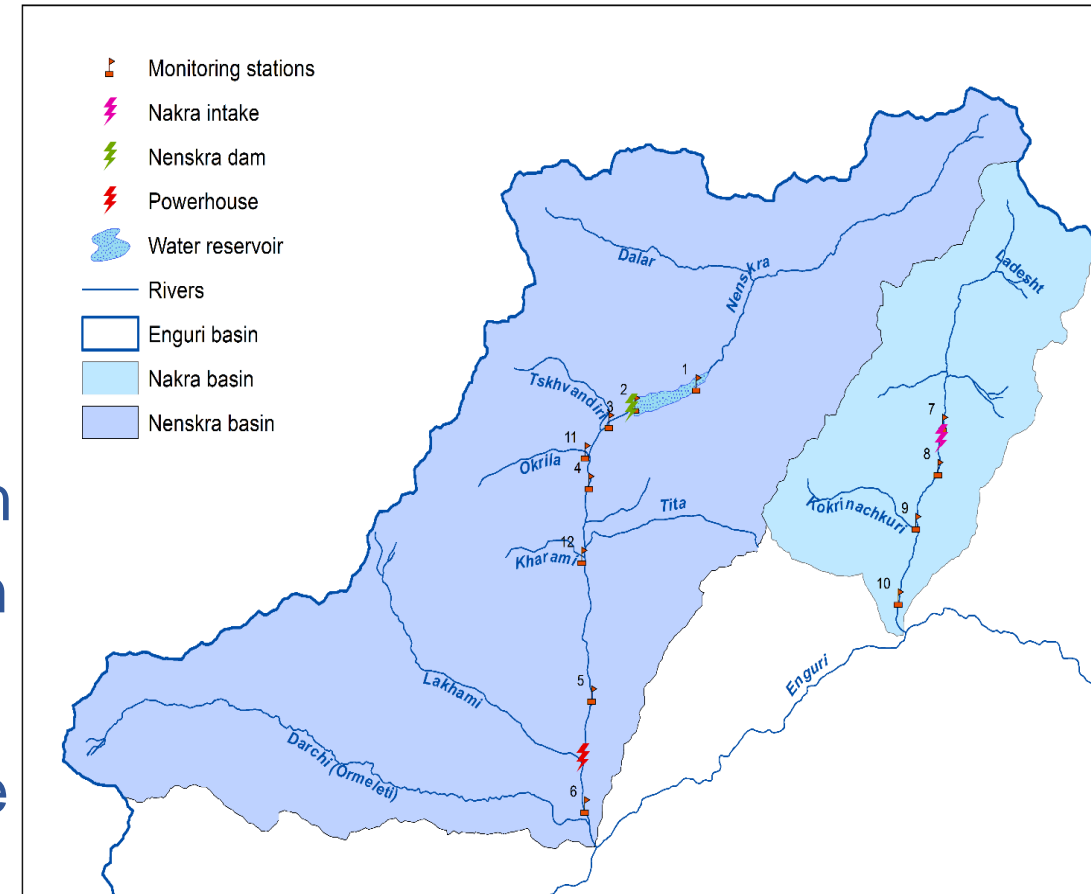
Section 5

Environment and Biodiversity

Fish, Invertebrates and Otter Survey

A spring survey was conducted in April 2018. The key conclusions:

- Study confirmed the presence of the brown trout (*Salmo trutta*), a migratory species. Species is listed as vulnerable on the Georgia Red List, but as least concern on the IUCN red list.
- The presence of one invasive species, the rainbow trout (*Oncorhynchus mykiss*) was reconfirmed in the Nenskra River.



Monitoring station – Downstream of Reservoir

Fish, Invertebrates and Otter Survey

- 6 additional spawning grounds for the brown trout were identified.
- 18 taxonomic groups of macroinvertebrates were identified. No large invertebrates with conservation status were identified.
- No signs of otter (*Lutra Lutra*) were found in the spring survey.



Spawning habitat in Nakra



Monitoring Station in Nenskra

Environmental Monitoring

- Water: Nenskra and Nakra rivers and spring mineral water (Monthly monitoring).
Parameters measured:
Temperature, pH, Turbidity,
Dissolved oxygen and
Conductivity (baseline purposes).



Water sampling location in Nenskra river



JSC Nenskra Hydro

Section 6

Land Access and Livelihood Restoration Plan (LALRP)

Construction Sites

- Power House Area;
- Dam and Reservoir Area;
- Permanent Operator's Village;
- Nenskra Road;
- Nakra Weir and Water Intake.

Powerhouse Area

Total area required by the project for permanent use: 118.2 (ha);

- As of today, the area required for the powerhouse and its construction has already been transferred to JSC "Nenskra Hydro" by the state with the right of ownership and JSC "Nenskra Hydro", on its part, has ensured payment of compensation amounts to the traditional owners of land parcels both for the land as well as various assets. The land and assets affected by the project were compensated at full replacement cost.

Total area required by the project for temporary use: 4.3 (ha);

- As of today **40%** of project required land for temporary structures has been transferred to JSCNH with the right to built for 7 years. The land and assets affected by the project were compensated at full replacement cost.

Dam and Reservoir Area

Total area required by the project for construction for permanent use as well as for temporary use: 621 (ha);

- The areas of the water reservoir, and dam and areas required for their construction, have already been transferred to JSC "Nenskra Hydro" with the respective right. According to the Land Acquisition and Livelihood Restoration Plan, the above area is identified as pasture (so-called "Memuli" and "Mashrichala" pasture) which is used by some members of the local population. The compensation is for transitional allowance for the loss of access during the construction period (in-kind compensation in hay for feeding the cattle during 7 years). Also, the project provides for rehabilitation and arrangement of access roads to alternative pastures. Discussions are underway regarding the Memuli and Mashichala pasture areas.
- Temporary, wooden buildings (14 units) and structures were located on pastures which were compensated to the population by JSC "Nenskra Hydro" at full replacement cost, in cash.

Permanent Operators' Village

Total area required by the project for permanent use: 1.2 (ha)

- As of today – the land (1.2 ha) is already transferred to JSCNH in ownership; The household affected by the project is presented as a traditional owner of land and the compensation agreement was signed and compensation has been paid.

Nenskra Road

- The access road to the dam area will pass through several communities of Chuberi village. According to the current road design, 35 households will be affected by the above works. As of today, 19 (households) compensation agreements have been signed with the families along the Nenskra project road and compensation amounts were paid. The land affected was identified as traditionally owned agricultural lands, without any legal title of ownership and according to the policy of international standards provided by international financial institutions, families were compensated at full replacement cost for land and assets.
- The consultation process with local population for remaining part of road RE-1 will be resumed in September.

Nakra Weir and Water Intake Area

Total area required by the project for construction for permanent use as well as for temporary use: 44 (ha)

- The consultation process with the population of Nakra village will start once the footprint has been confirmed.



JSC Nenskra Hydro

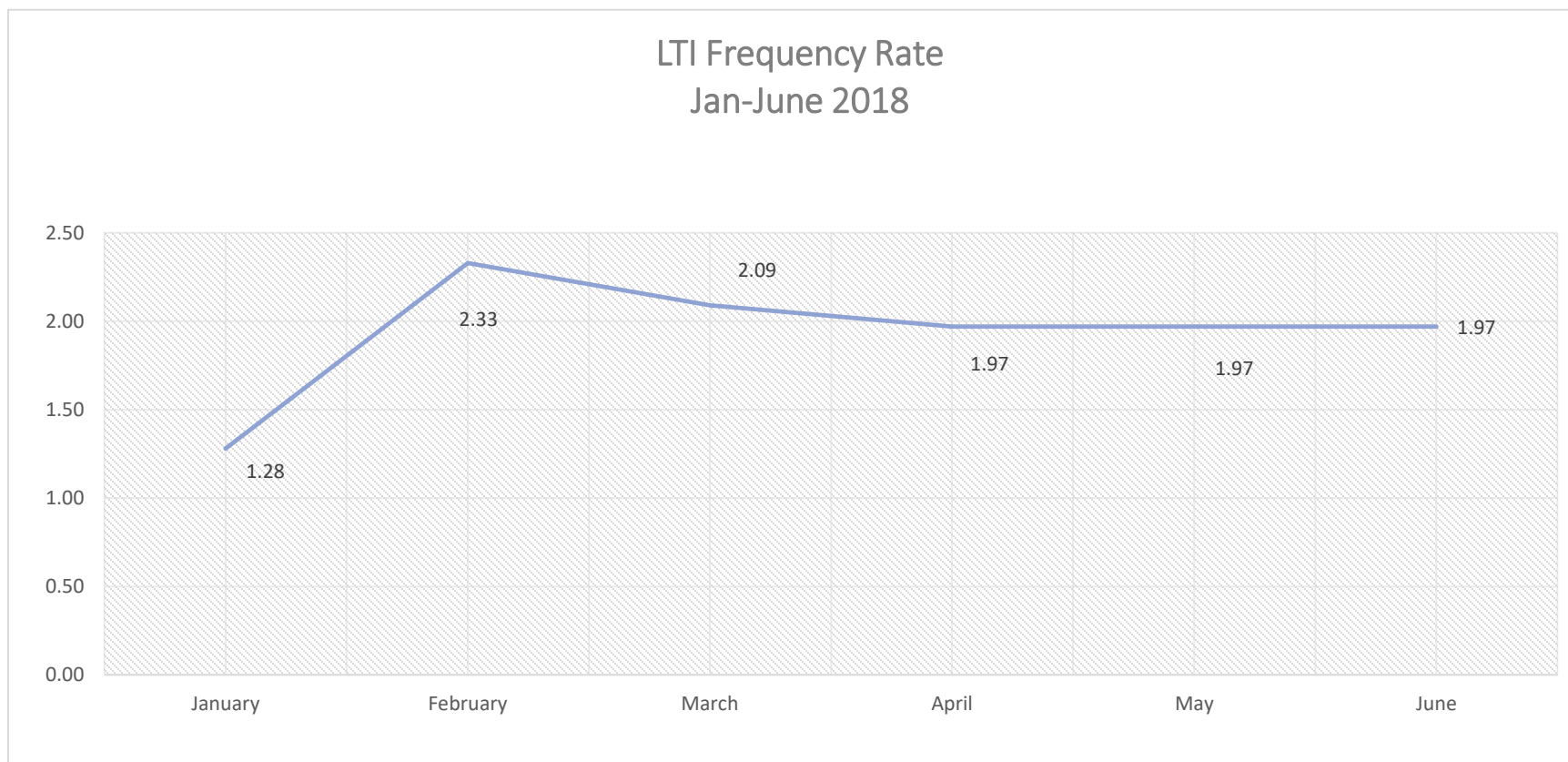
Section 7

Health & Safety

H&S KPIs

KPI	JAN	Feb	March	April	May	June	Total since start of project
Lost Time Injury (LTI)	0	0	0	0	0	0	1
Medical Treatment	0	0	0	0	0	0	0
First Aid Injury	0	0	1	0	0	0	4
Near Misses	0	0	0	0	0	0	2
Motor vehicle accidents	0	1	0	0	0	0	10

H&S LTI Frequency Rate



* Note: Data from April to June has been fixed since there are no site activities



JSC Nenskra Hydro

Section 8

Monitoring

Key Monitoring conducted between Jan-June 2018

- Internal: Regular site inspections to improve performance and provide control measures.
- Artelia's second monitoring mission conducted in March 2018.
- Ministry of Environment and Agriculture conducted an audit in May 2018.

THANK YOU!