



JSC Nenskra Hydro

SHEC Semi-Annual Report

July to December 2018



Statement from the CEO of JSC Nenskra Hydro

“It is my deepest honor to present to you the highlights of the JSC Nenskra Hydro’s Safety, Health, Environmental, and Community (SHEC) performance for the month of July to December 2018. As you are aware, we have gone through difficult times when the EPC Contractor Salini Impregilo was terminated in September 2018 following mutual agreement and amicable settlement. The company is in the process of selecting a new EPC Contractor.

The construction activities were put on hold in March 2018 due to a security incident at the project site construction camp. In July 2018, a devastating flood caused damaged in road and bridge assets in Chuberi Village in Nenskra Valley that resulted in isolation of residential houses. Upon request by the local community and the Government of Georgia, we have mobilized our resources to help regain access in Nenskra Valley starting November 2018.

This document is the third SHEC update disclosed through the Company website - <http://nenskra.ge/en/reports/>.”

JSC Nenskra Hydro is committed to perform our project commitments under international and national environmental and social standard requirements. We welcome any comments or suggestions in improving our project delivery commitments. Thank you for your support and understanding.”

- Mr. Sunyoung Kim, CEO of JSC Nenskra Hydro

TOPICS

| # | TOPIC |
|----|--|
| 1 | Sustainability Policy |
| 2 | SHEC Management Systems |
| 3 | Stakeholder Engagement |
| 4 | Public Relations |
| 5 | Community Investment Program |
| 6 | Land Acquisition and Livelihood Restoration Plan |
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Section 1

Sustainability Policy

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 product 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.

SHEC Management System





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Section 1

SHEC Management Systems

Environmental and Social Management System (ESMS)

- Updated SHEC Management System – consistent with ISO 14001
- Stakeholder Communication Log
- Minutes of Meeting
- Grievance Monitoring Log and Close-out Forms
- Incident Reporting and Close-out Forms
- Joint Weekly Site HSE Inspections
- Non-Conformance Records, Tracking Sheet and Close-out Forms
- HSE Tracking Sheet
- Weekly and Monthly Reporting with Performance Indicators
- ESAP, EECC, ESMP Commitments Register
- SHEC Annual Work Plan



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Section 2

Stakeholder Engagement

Stakeholder Engagement Activities in Nenskra and Nakra Valleys

- Consultations held together with Technical Partners for potential community cooperative formation in September 2018.
- Community consultations held in October 2018 to disclose resumption of construction activities, drilling activities planned, Bridges No. 2 and No. 4 construction and termination of EPC Contractor (Salini Impregilo).
- Key meetings with stakeholder groups to introduce the new members of the SHEC Team.
- Re-engagement with the CIP Advisory Committees in Nenskra and Nakra Valleys and signing of Memorandum of Understanding, after renewal of membership, in December 2018.

Key stakeholder meetings from July to December 2018

- Total number of meetings held = 59 (35% of which is women)

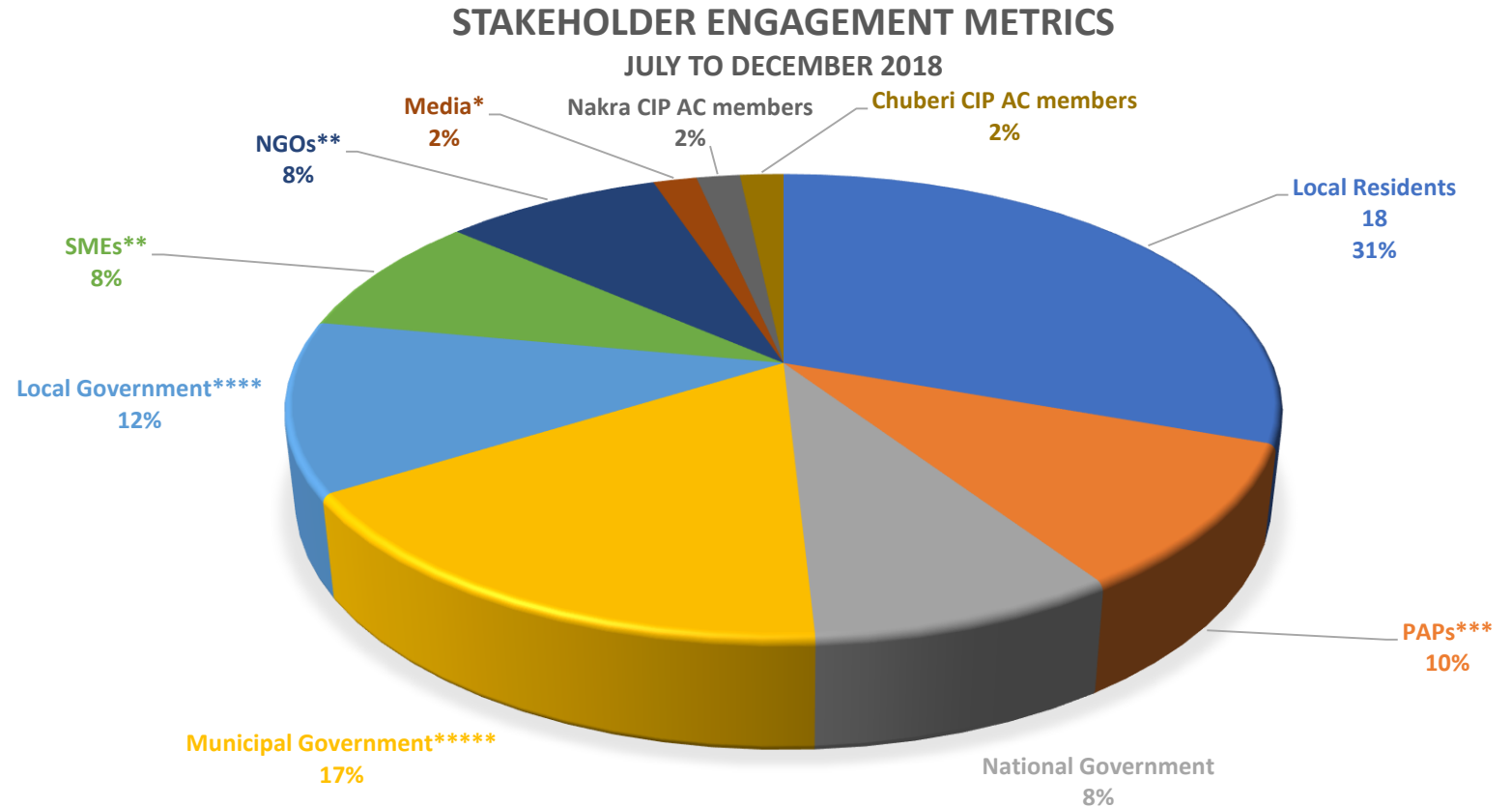
*Media engagements led by JSCNH Public Relations Team is not included here. This number only represents Social Manager engagement with the Media (Svaneti News).

**SME and NGO engagements include potential partners for social enterprise development in Nenskra and Nakra Valleys.

*** Additional meetings with PAPs were held during negotiation on compensation packages under LALRP, which are not included in the count of meetings held in the graph

****Local Government involves the Chuberi and Nakra Local Trustees

****Municipal Government involves the Mestia Municipality



Key stakeholder meetings – topics discussed in July to December 2018

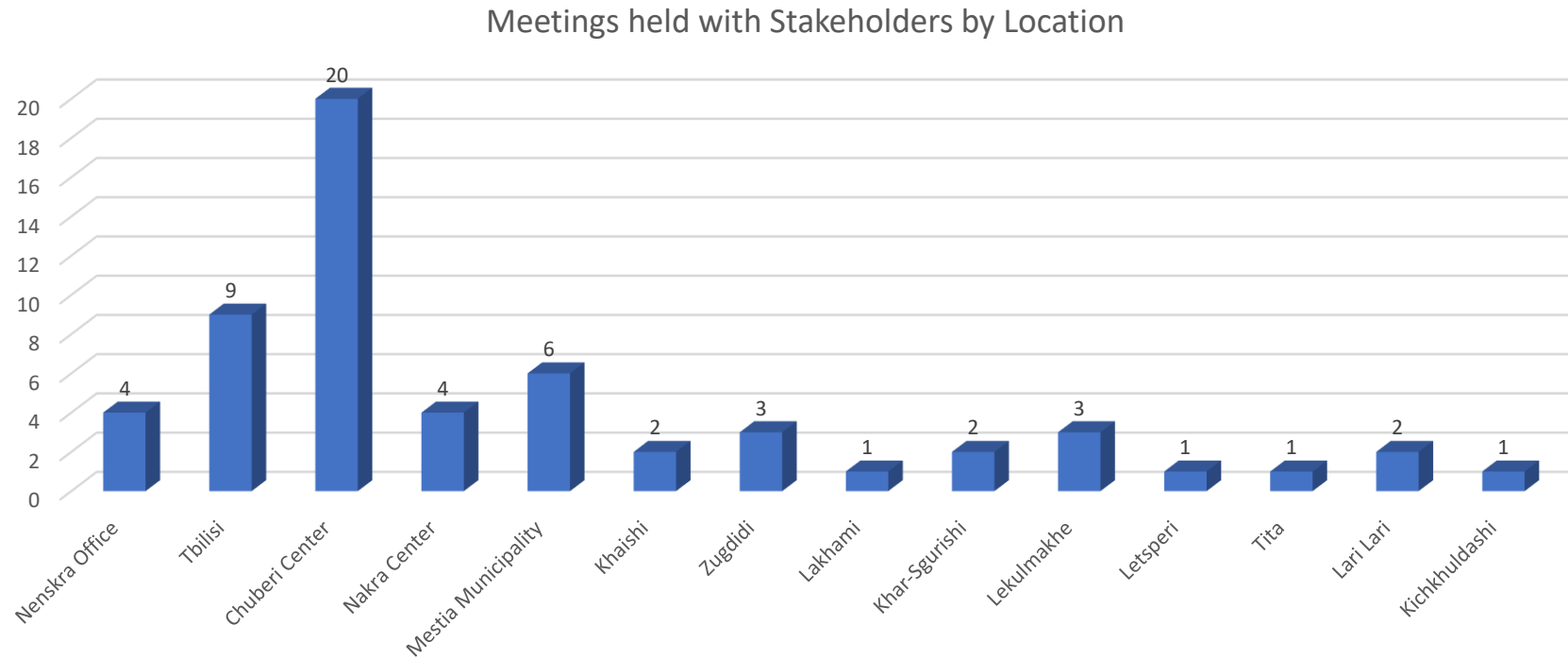
- Total number of meetings held = 59 (36% of which is women)



The second half of 2018 was devoted to introducing the new Social Manager (who started working with JSCNH in June 2018) to local stakeholders and engaging with the local communities to discuss CIP-related matters in preparation for the re-mobilization of construction works after the EPC contractor was terminated in September 2018. The construction work onsite was stopped in March 2018, a flood event occurred in Nenskra Valley downstream of Okrili River in July 2018, and the construction works resumed in November 2018 with GCC as the local contractor for the road recovery works.

Meetings with Stakeholders by Location

July to December 2018



Reporting on Social Monitoring

- Active communication log
- Active community requests log
- Active grievances log

The monitoring logs are in MS Excel® Spreadsheet format and are updated regularly. Copy of the logs may be requested from JSC Nenskra Hydro in writing.



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Section 5

Public Relations

Media and Communication Activities

In 2018 Nenskra HPP Project or JSC NH appeared in the media 797 times vs 328 times in 2017. Most of the appearances was initiated by JSC NH – therefore, the tone of voice was predominantly positive or neutral.

- The most media appearances per month – 275 – were registered in July, following the flood in Chuberi.
- The most media appearances per month, driven predominantly by JSC NH – 100 – were registered in December 2018.

JSC NH provides information about the Project to the public in 13 online media outlets, 2 newspapers, 1 radio station and 1 TV channel. Out of these, 2 online media outlets and 1 newspaper are English language media, which allows JSCNH to provide media activities in English speaking Stakeholders, such as K-water and the Lenders.

Media and Communication activities

TV appearances

e.g. November 2018 – road recovery works in Nenskra Valley following July 2018 flood event



Facebook regular project updates
e.g. 23 August 2018 signing of MoU
with Mestia Municipality



Monthly media
monitoring, e.g.
September 2018 report

Media Monitoring Report 1-30 September, 2018

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Section 6

Community Investment Program (CIP) and Corporate Social Responsibility (CSR)

Community Investment Program (CIP)

- CIP was formalized in November 2017.
- Two CIP Advisory Committees were formed – Nenskra and Nakra Valleys.
- In July to December 2018, the CIP/Social Team focused in re-establishing engagement with CIP representatives in Nenskra and Nakra following the flood event in July 2018. Key focus areas include:
 - Economic development and SME formation
 - Skills training
 - Small scale infrastructure projects
 - “Fast track” projects
- Continuing consultations with the CIP Advisory Committee members are planned in 2019 to define projects to be funded by the CIP budget.

Community Investment Program: July to December 2018 Highlights

- English classes were continued in August 2018 after the flood event in July 2018.
- Corporate Social Responsibility (CSR) Concept Plan and Framework was prepared in December 2018. Details of projects to be supported under CSR to be refined in 2019 after further consultation with the CIP Advisory Committee members.
- Technical partners were invited to talk to the local communities to discuss opportunities for cooperative formation in September 2018. Subsequent training on Cooperative formation, filling out forms and necessary requirements, was held in October 2018.
- Following the consultation initiative in September and training held in October, “Lushnu Qor” – a social enterprise comprising a group of women representatives in Nenskra Valley promoting production of Svanetian Salt – was formed in December 2018.

Community Investment Program: July to December 2018 Highlights

- On 23 August, the Memorandum of Understanding (MoU) between JSC Nenskra Hydro and Mestia Municipality was signed to support infrastructure development
- CIP Advisory Committee members were renewed and re-convened in December 2018. The Memorandum of Understanding (MoU) was (partially) signed on 24th and 25th of December by members of the CIP Committee in Nenskra and Nakra Valleys.



Engagements to re-launch the CIP



Rehabilitation of LILE Gym as requested by CIP Advisory Committee in Nenskra Valley

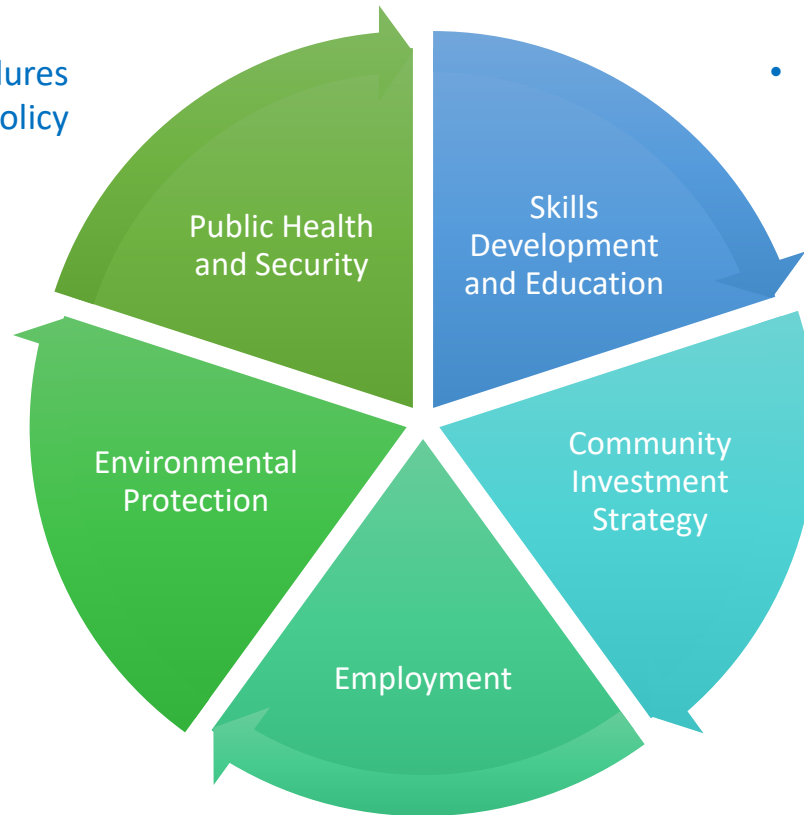


Participation of the Local Residents in Chuberi during the 10th September 2018 meeting with Technical Partners, NGOs, and Government of Georgia

Corporate Social Responsibility – key focus areas

- Community Health and Safety Procedures
 - Safe Driving Policy

- Vocational Training for Chuberi and Nakra Villages



- Sustainability Policy
- Wildlife Protection Policy
 - Local Code of Conduct
- Chance Find Procedures and Protection of Cultural Heritage

- Community Investment Plan
 - Small infrastructure projects
 - Fast track projects
 - Social enterprise and economic development
 - Tourism

- Local Hiring Policy for JSCNH and EPC Contractor
- Creating alternative employment and opportunities for alternative livelihood

Corporate Social Responsibility – activities in July to December 2018



- Emergency aid was provided by JSC Nenskra Hydro immediately after the flood event on 5th of July 2018.
 - More than 7 tons of food, drinking water, medical supplies and technical support with heavy machineries and services for the rehabilitation of damaged road.
 - Meetings with local communities were held to provide comfort after the flood.
- Computer donation to Mestia Library on Svanetoba event





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Section 7

Environment and Biodiversity

Environmental monitoring activities second half of 2018

- Water Monitoring – Monthly from June to December 2018
- River Fish Monitoring – November 2018
- Brown Bear Monitoring – November 2018 (survey was not completed due to unfavorable weather conditions)

Water quality monitoring

- Locations:
 - Nenskra and Nakra Rivers
 - Springs and mineral water monthly monitoring.
- Parameters measured: pH, temperature, turbidity, dissolved oxygen and conductivity (baseline in-situ monitoring).



Water sampling locations: Nenskra River (photo above)
and Nakra River (photo below)

Fish, invertebrates and otter survey

- Survey covered Nenskra River from confluence with Enguri up to 6 km upstream to the future impoundments structure (dam) and Nakra River from confluence with Enguri up to 2 km upstream of the proposed impoundments structure location.
- Performed survey to establish fish diversity and abundance, otter presence and invertebrates' diversity in the Project Area, including river stream, bed and bank hydro-morphological survey.



Monitoring station in Nakra River - November 2018

Brown bear monitoring

- One survey was conducted in November 2018.
- 5 camera traps were installed.
- The results show that brown bear are present within the monitoring stations established at the upstream portions of the Nenskra Valley (Transect 7)
- The monitoring survey aims to establish movement of bear and mammals at different times of the year, and establish the baseline population.
- Continuation of the Brown Bear Monitoring survey is scheduled in Spring 2019, including DNA testing.



Female brown bear - in Nenskra Valley



Fox - recorded in Nenskra Valley

Legend

Transect Routes

Nenskra Dam and Reservoir

Transfer Tunnel

Headrace Tunnel

Nakra Intake

Powerhouse and Switchyard

T1, T2, T3, T4, T5, T6, T7

Scale: 1:125,000 @ A3 Date: March 2018

File n°01.1 Transect Locations V13/Mar2018

Source: L, 6768-B-GE-GE-GE-DW-003_003
L, 6768-B-GE-GE-GE-GE-DW-001_001
L, 6768-B-LAW-HR-GE-GE-DW-001_001
L, 6768-B-LW-TT-GE-GE-DW-001_001

SLR global environmental solutions JSC Nenskra Hydro

NENSKRA HYDROPOWER PROJECT
2017
Brown Bear Monitoring
Field Survey Report and Population Estimate

Drawing 1
Transect Locations



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Section 8

Land Acquisition and Livelihood Restoration Plan

Status of Land Acquisition as of December 2018

Permanent structures land areas:

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

See next slides for detailed information.

Dam and Reservoir Area

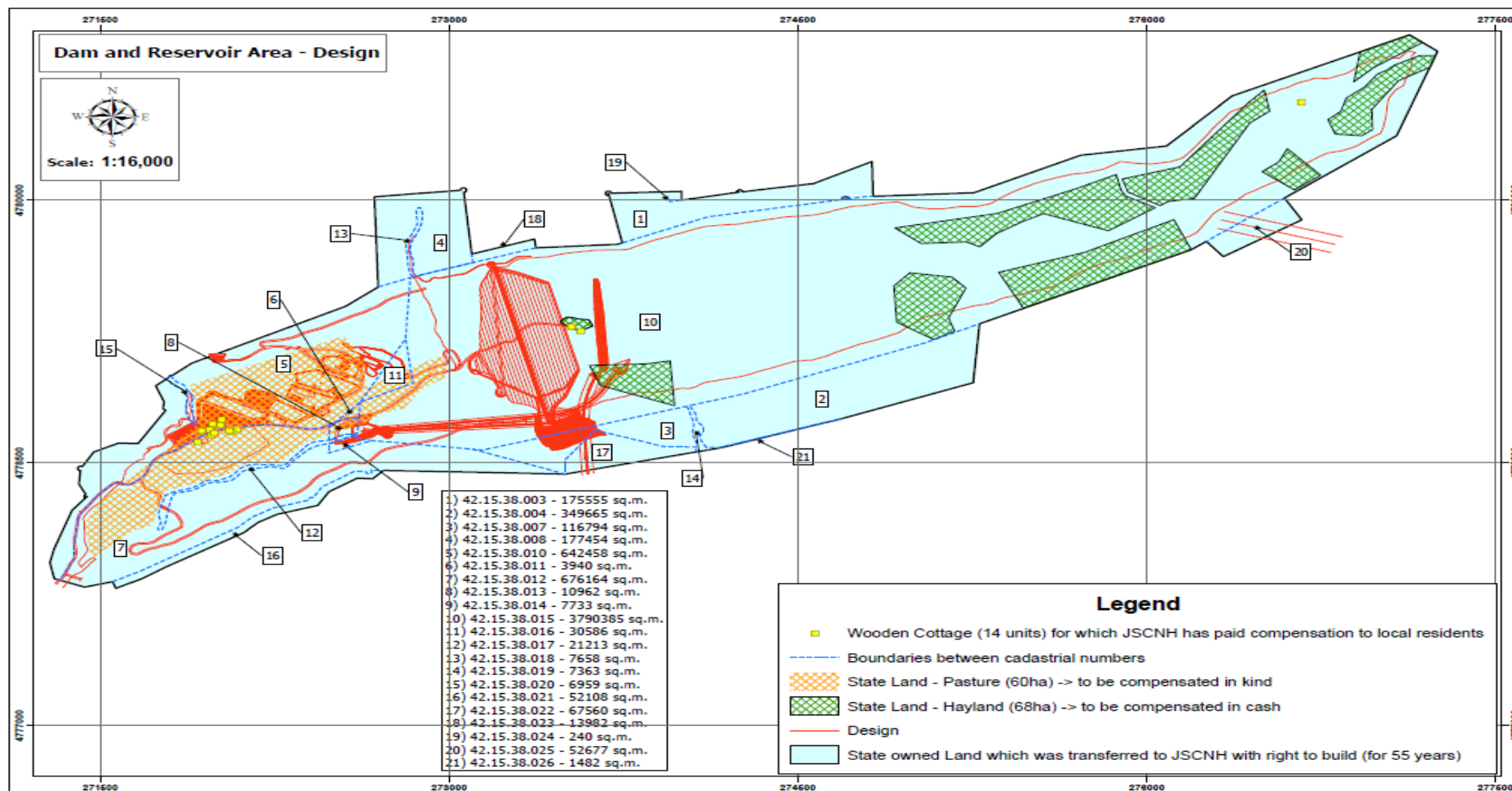
Total area required by the project for construction: 621 hectares

- As of October 2018, all 621 hectares of land (21 land plots) are already transferred to JSCNH, from which 15 land plots are transferred with the “right to build” and 6 land plots are transferred in ownership.

The reason why the mentioned state property was transferred with the “right to build”, is that according to the Georgian law the state properties like riverbed, tributaries and such kind of properties cannot be transferred under the ownership title. Therefore, the areas occupied by the Nenskra river itself and its tributaries were given the “right to build”.

- The compensation were paid for cottages (14 units) located within the area and 11 of them are removed at the moment.
- Negotiation connected with the Memuli and Mashrichala (Dam and Reservoir) pasture areas, were on-going as of end of December 2018

Dam and Reservoir Area – delineation of areas to be compensated

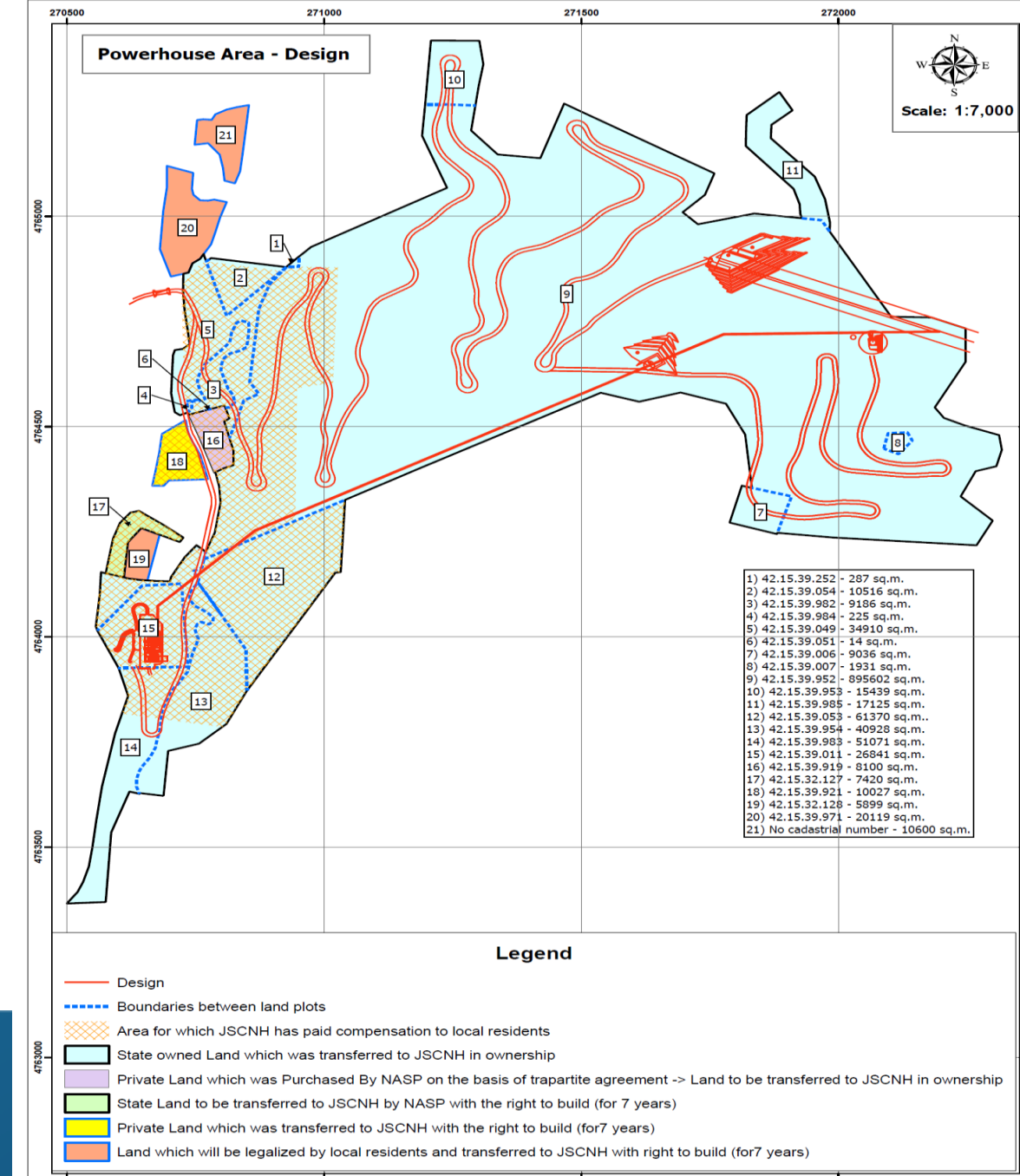


Powerhouse Area

Total area required by the project for permanent use:
118 hectares

- These are land plots with numbering: 1-15,16 (in the Figure).
- As of October 2018, 117 hectares of land was already transferred to JSCNH in ownership.
- All four households affected by the project are presented as traditional owners of land mentioned above and compensation agreements were signed with them and they has been compensated.
- The remaining land plot no. 16 is a private land, which has been purchased by NASP and the owner has been compensated.

As of December 2018, the land plot no. 16 is a state land and the land is under the process of category changing, further to be transferred to JSCNH.



Nakra Weir and Water Intake Area

Total area required by the project for permanent use: 25 hectares

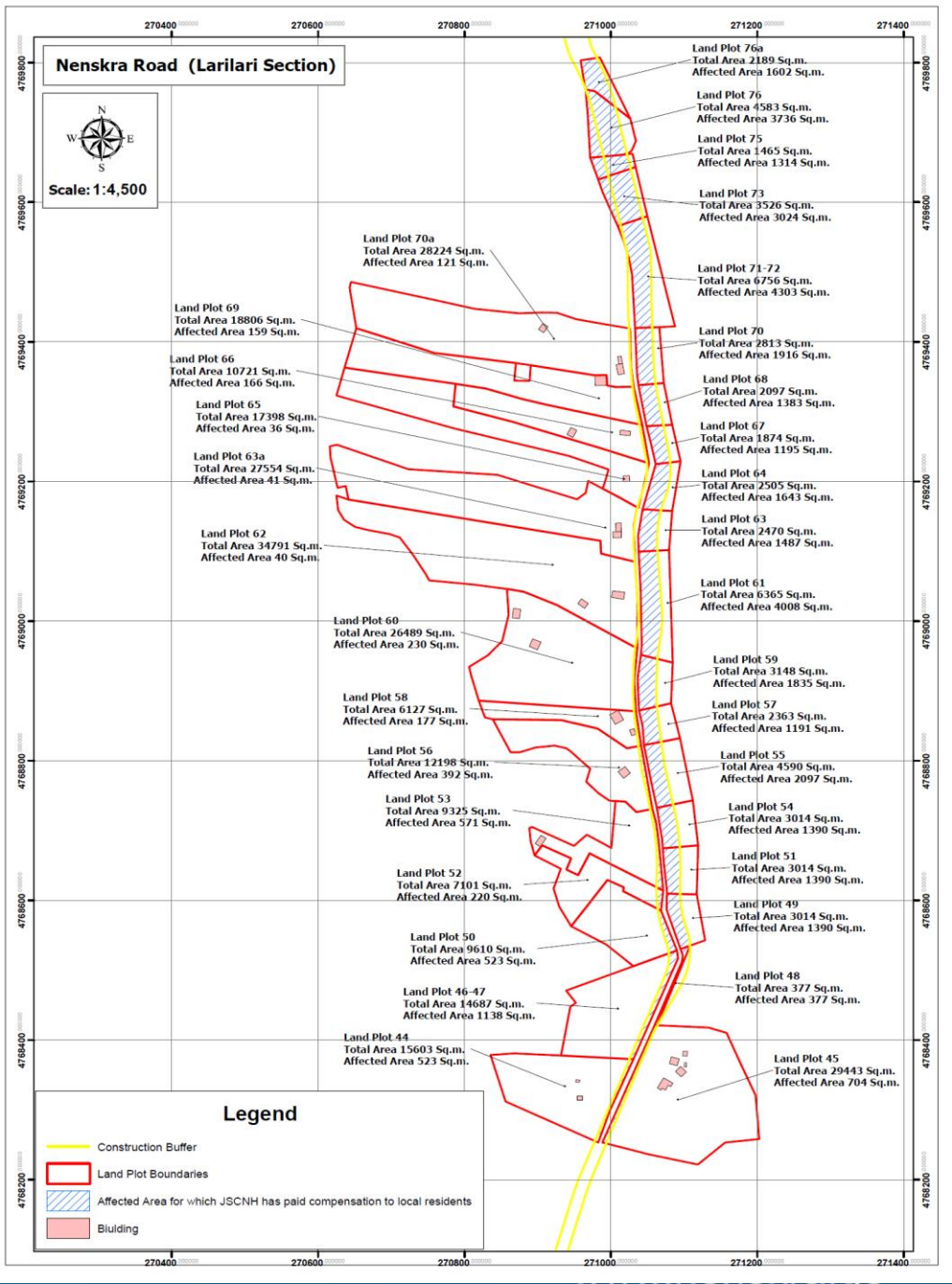
- The statement was submitted on 8th January 2018 to NASP, requiring to extract land plots from the forestry fund and register as a state land, further to transfer to JSCNH in ownership.
- For land plots which is already registered as a state land, request was submitted to NASP on 8th January 2018 to transfer the land to JSCNH.

In 2018, following design review and recommendation by the IPOE, the location of the Nakra Weir was moved. The ownership of the new location of the Nakra Weir is still being established as of December 2018.

Nenskra Road

- The access road to the dam area will pass through the areas of several communities of village Chuberi. It is planned to conduct several road expansion works which naturally implies using both the privately owned and state-owned land parcels. According to the current road design, 35 households will be affected by the Nenskra Project road works.
- As of December 2018, 19 (family) compensation agreements were signed with the families along the Nenskra project road and compensation amounts were paid. The lands effected were identified as a traditionally owned, agricultural lands, without any legal title of ownership and in accordance with the policy of international standards provided by the Lenders, families were compensated with the full replacement cost. The lands affected are located in front of their residential houses, on opposite side of the project road and represented as agricultural lands.
- The remaining part of road (formerly called) RE-1, or so called Chuberi bypass, 11 household will be affected by the construction activities of the road. The identification of owners and inventory survey was done. Next step is to prepare the LALRP addendum, consult and negotiate with the affected families and sign memorandum of understanding.

Roads will be the part of municipality infrastructure and there is no need to transfer the lands to the Company.

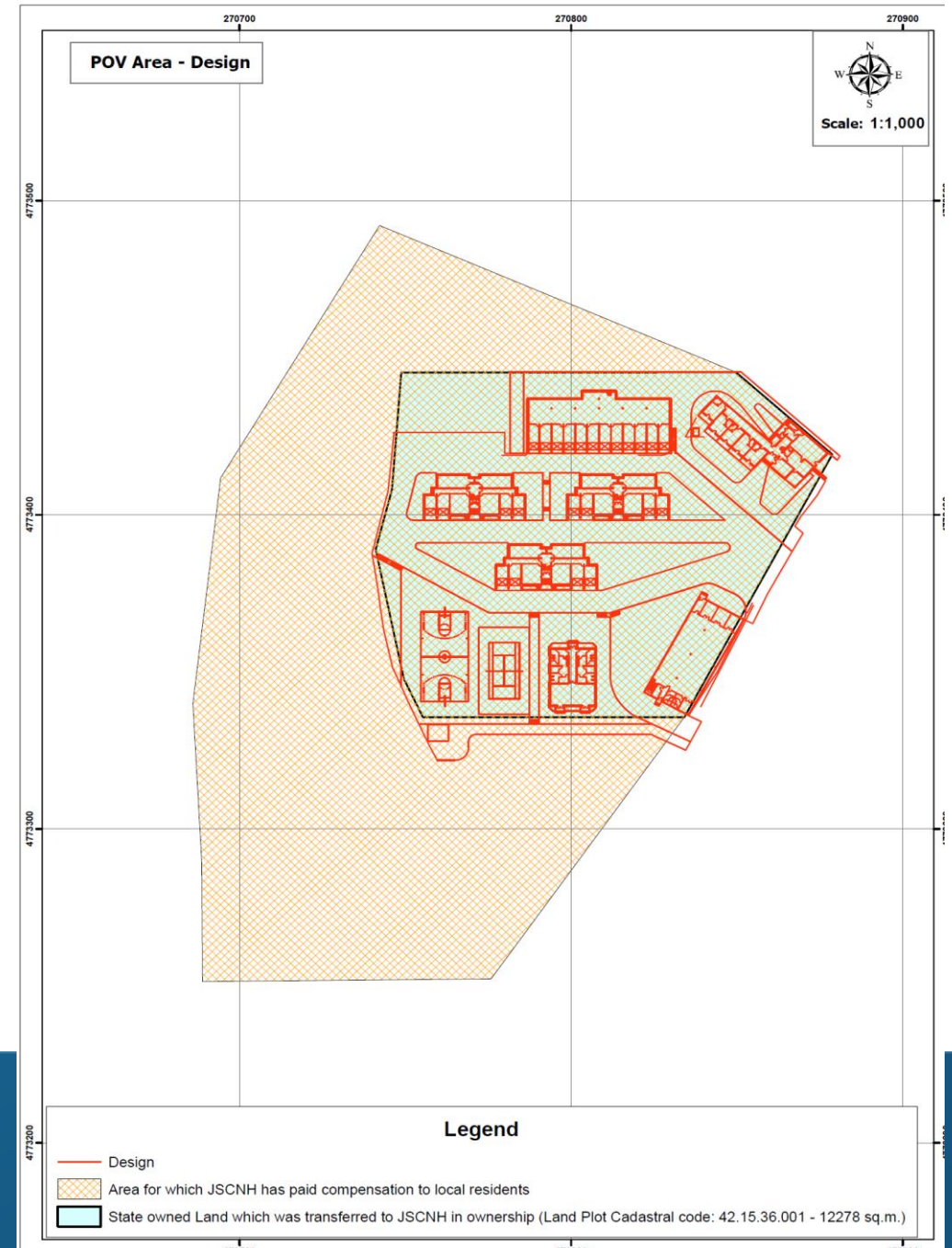


Permanent Operators' Village (POV)

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

- As of October 2018, the land (1.2 ha) is already transferred to JSCNH in ownership.

The household affected by the POV is a traditional owner of land and the compensation agreements with the owner was already signed and compensation was paid, as of December 2018.





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Section 9

Health and Safety Monitoring

Non-Compliance Records – after resumption of site works in November 2018

| Incident report # (if applicable) | Date of Non-Conformance Incident | Title | Short Description | Location | Type | Further Investigation Required? Yes/No | Corrective Action Required | Responsible | Target Date | Action Completed Date | Status |
|--------------------------------------|----------------------------------|-----------------------|---|----------|------|--|---|-------------|-------------|-----------------------|--------|
| 5414-3038-001 | 12/10/2018 | Absence of Banksman | During heavy machinery movement no banksman was seen on site. | LE-9 | NC1 | No | Banksman/Flagsman shall be appointed to arrange and direct machinery movement on site. | GCC | 1/10/2019 | 12/13/2018 | Closed |
| 5414-3038-002 | 12/18/2018 | Missing Tailgates | The tailgates of the most of the dump trucks have been removed and not in use during the transportation of materials. This creates transported materials to fall down during the transportation, endangering human life and property. | LE-9/10 | NC1 | No | The tailgates of the dumpers shall be installed. The dump trucks with the missing tailgates shall be removed from site until the issue has been addressed properly. | GCC | 1/18/2019 | | Closed |
| 5414-3038-003 | 12/18/2018 | Personnel without PPE | Personnel were observed without their necessary PPE on site. | LE-9/10 | NC1 | No | All working personnel shall be provided with the required PPE, for their use on site. Upon provision of the PPE, personnel shall be trained about the usage of PPE. Sufficient level of supervision shall be provided for the personnel in order to track the action and correct unsafe acts. | GCC | 1/18/2019 | 2/25/2019 | Closed |

The non-conformance key corrective actions issued to GCC in December 2018 were closed in January 2019.



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Section 10

Monitoring

External Monitoring in 2018

- LESMC (Artelia) Monitoring Mission conducted in December 2018.
- Release of TOR for the Independent Advisory Panel in November 2018 – two specialist panel members were invited – one for Social and one for Environment



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Section 11

Budget

ESMP Budget Spending as of 2018

| COST ITEM (Amount in USD) | ESMP Budget Construction Phase | Amount Spent* | Difference | Budget Planned | Remaining Budget |
|--|--------------------------------|---|-------------------|---|-------------------|
| | As disclosed in 2017 | As at 2018 (cumulative) | Budget - 2018 | For 2019 | After 2019 |
| E&S Budget | | *actual cost allocation is under review by Finance Team | | **negative means budget will be reallocated | |
| • Environmental & Social Management System | 1,686,000 | 273,704 | 1,412,296 | 331,439 | 1,080,857 |
| • Environmental Surveillance of Construction works | 350,000 | - | 350,000 | 25,000 | 325,000 |
| • Land Acquisition and Livelihood Restoration | 3,080,000 | 1,940,211 | 1,139,789 | 827,646 | 312,143 |
| • Restoration of Access to Pastures | 1,100,000 | - | 1,100,000 | 171,429 | 928,571 |
| • Community Investment Plan | 4,250,000 | 496,991 | 3,753,009 | 549,437 | 3,203,572 |
| • Downstream Flood and Erosion Protection Plan | 1,825,000 | - | 1,825,000 | 362,500 | 1,462,500 |
| • Emergency Preparedness Plan | 770,000 | 2,282 | 767,718 | 52,718 | 715,000 |
| • Vegetation Management | 1,725,000 | - | 1,725,000 | 239,286 | 1,485,714 |
| • Wildlife Conservation | 600,000 | 668 | 599,332 | 367,189 | 232,143 |
| • Water Quality Management | 200,000 | - | 200,000 | 14,286 | 185,714 |
| • Public Consultation and Participation Process | 340,000 | 328,526 | 11,474 | -157,098** | 168,572 |
| • Environmental and Social Monitoring Plan | 690,00 | - | 690,000 | 114,286 | 575,714 |
| TOTAL | 16,616,000 | 3,042,382 | 13,573,618 | 2,898,118 | 10,675,500 |

*The ESMP budget does not include budget to be allocated by the EPC Contractor for Construction mitigation requirements. This budget only includes implementation of mitigation measures under the responsibility of JSC Nenskra Hydro.

END