

**INTERNATIONAL FINANCE CORPORATION
AND
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**MANAGEMENT
PROGRESS REPORT
ON**

**IMPLEMENTATION OF THE
MANAGEMENT ACTION PLAN
FOR**

**ADJARISTSQALI GEORGIA LLC
GEORGIA-EUROPE
(IFC PROJECT NO. #33435 & #37781 AND
MIGA PROJECT NO. #12315)**

SEPTEMBER 30, 2026

I. MAP IMPLEMENTATION OVERVIEW

1. This Management Progress Report constitutes the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) update on implementation of the Management Action Plan (MAP) in response to the Compliance Advisor Ombudsman (CAO) Compliance Investigation Report on the complaint (the Complaint) concerning Adjaristsqali Georgia LLC (AGL or the Company). AGL, is a special purpose vehicle to develop, construct and operate a 187-megawatt (MW) hydropower scheme in the southwest part of Georgia (the Project).
2. The Project consists of two run-of-river hydroelectric power plants (HPPs) – the 178-megawatt (MW) Shuakhevi HPP and the 9 MW Skhalta HPP – as well as two dams, one weir, and 38 kilometers (kms) of tunnels. The Project was part of a larger hydropower cascade, which also included the downstream (Khertvisi) and midstream (Koromkhети) sections. However, the Khertvisi and Koromkhети schemes were both dropped during the development stage. IFC debt and equity financing (IFC #33435 & #37781) and a Multilateral Investment Guarantee Agency (MIGA) guarantee (MIGA #12315) were provided to the Project between 2014-2015 as approved by IFC’s Board (IFC/R2014-0097) and MIGA’s Board (MIGA/R2014-0101).
3. The total investment cost of the Project was US\$416 million. The shareholders, Clean Energy Invest AS (CEI) and Tata Power International Pte. Ltd. of Singapore (Tata), provided US\$135 million in equity. In 2014, IFC was the lead arranger of the financing package, providing an equity investment of US\$30.8 million, in addition to IFC InfraVentures investment of US\$2.6 million, and an A-loan of US\$70 million (IFC/R2014-0097). The Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD) joined IFC (collectively, the Senior Lenders) as co-lenders participating with senior loans of US\$90 million each (together with IFC’s A-loan, the Senior Loans). On April 9, 2015, MIGA issued a guarantee of US\$63 million covering an equity investment by Tata (the Guarantee Holder) in AGL. The coverage is for a period of up to 15 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.
4. All equity and debt were fully disbursed. In 2020, IFC sold its equity stake to CEI and Tata. In February 2019, IFC’s Board approved the restructuring of the existing IFC financing for the Project (IFC/R2019-0028), to enable the release of insurance proceeds and additional equity injection from the Sponsors, which was necessary to complete tunnel repairs. The Project operates in line with expectations following the completion of tunnel repairs. The IFC outstanding loan amount is US\$65.5 million as of September 2026, with final maturity in 2034.
5. In February 2018, CAO, the independent accountability mechanism for projects supported by IFC and MIGA, the Project Complaint Mechanism (PCM) of the European Bank for Reconstruction and Development (EBRD), and the Office of the Special Project Facilitator (OSPF) of the Asian Development Bank (ADB) received a complaint signed by 17 residents of the Rabati neighborhood of the Makhalakidzeebi village, Shuakhevi Municipality in the Autonomous Republic of Adjara, Georgia. The complaint raised concerns related to increased risks of rockfalls and landslides, decreased groundwater, and negative impacts on the biodiversity of the river, including the alleged disappearance of local fish species, which they attributed to the Project’s construction activities. CAO found the complaint eligible for further assessment in April 2018.
6. During the CAO assessment process, the complainants and AGL agreed to participate in a dispute resolution (DR) process jointly led by CAO and PCM and observed by OSPF, which took place between June 2018 and June 2020. The DR process concluded without reaching a final agreement, despite efforts by both parties to resolve the issues raised. PCM and OSPF closed the EBRD and ADB complaints, respectively, at the conclusion of the DR process. CAO transferred the Complaint to CAO’s Compliance

function in November 2020. CAO completed its Compliance Appraisal in December 2021. During compliance appraisal, CAO found that the issue of landslide damage did not require a compliance investigation, and that only investigation of groundwater and biodiversity issues was warranted. IFC and MIGA received CAO's Compliance Investigation Report in April 2025.

7. The IFC and MIGA Board of Directors approved the Management Action Plan (MAP) in July 2025, which included actions on groundwater and biodiversity.

MAP Implementation Status

8. IFC and MIGA confirm completion of the actions set forth in the MAP by AGL. Regarding groundwater, IFC and MIGA confirmed with AGL their engagement with Shuakhevi Municipality to support the delivery of a new municipal water supply project aimed at providing a long-term, reliable drinking water supply to Makhalakidzebi village and the Rabati neighborhood. IFC reviewed two formal written requests submitted by AGL to the Mayor of Shuakhevi Municipality on April 23 and May 21, 2025. In the official response received on June 19, 2025, the Mayor confirmed that construction of the main pipeline "Gori-Paposhvili" was underway and that the municipal water supply project included supply of water to Makhalakidzebi village and the Rabati neighborhood.

9. A follow-up consultation was held on July 17, 2025, between AGL and the Deputy Mayor to review progress and any needs for additional support. According to the Minutes of Meeting shared with IFC and MIGA, the Deputy Mayor confirmed that the project was progressing according to the planned schedule and budget and that no additional support from AGL was required at that stage. As part of IFC's supervision visit in September 2025, IFC obtained evidence that the work was progressing.

10. The municipal water supply project was completed on December 15, 2025. As part of the project, drinking water was supplied to the Gori-Paposhvili and Makhalakidzebi (Rabati) areas through construction of the intake facility at the water source and installation of new main water pipelines: 7,270 meters designed for an operating pressure of 7.5 MPa, 3,500 meters designed for 4 MPa, and an additional 450 meters of polyethylene pipeline for Makhalakidzebi.

11. A specialized company contracted by Shuakhevi Municipality is responsible for system operation and maintenance. According to Shuakhevi Municipality's official letter dated August 18, 2026, no technical malfunctions, accidents, or complaints have been recorded since operations began.

12. There was no gap in water supply to the community during construction of the new pipeline, as the previous water supply system implemented by AGL and the Municipality in 2016 remained operational. This was confirmed during IFC site visits in May and September 2025. Furthermore, no grievances regarding lack of water supply were received through AGL's grievance mechanism.

13. Regarding biodiversity, environmental monitoring data from both pre and post commissioning phases (2013 to 2026) were analyzed by environmental consultants engaged by AGL and reviewed by IFC's biodiversity specialist. Completed on March 30, 2026, the statistical trend analysis applied standard statistical tests to assess population trends for aquatic birds, threatened and endemic flora, fish, herpetofauna, Eurasian otter, and aquatic macroinvertebrates. The results indicate that fish abundance temporarily declined during the construction phase, as was expected, but increased during operations. Over the long term, the analysis shows a positive upward trend on abundance for all species of concern under operational (e-flow) conditions.

14. Following completion of the statistical trend analysis, AGL engaged an international independent hydrology consultancy to undertake an e-flow suitability assessment, which was finalized on June 30,

2026. Since the river flows were altered by the operation, IFC recommended applying the adaptive management framework referenced in the WBG Good Practice Handbook *Environmental Flows for Hydropower Projects*, which utilize the projects monitoring results to determine suitability. Reviewing the monitoring results through this framework confirmed that e-flows have been released in accordance with permit requirements and that current ecological, hydrological, and social objectives have been met under the permitted flow regime. Based on this, IFC and MIGA concur with the conclusion of the consultancy that the current e-flow level is suitable for maintaining the species' habitat and populations based on the monitoring and evaluation of hydrological and biological targets.

15. IFC's biodiversity specialist provided input to the Terms of Reference and developed the table of contents for the two contractors engaged by AGL to complete both reports in support of implementation of MAP biodiversity activities. In addition, a framework, consisting of the indicators necessary to show No Net Loss (NNL) compliance was developed from the conclusions and recommendations of the 2017 Low Flow Mitigation Strategy (LFMS). These criteria included the mitigation measures, and hydrological and monitoring outcomes necessary for compliance with the NNL performance requirement for freshwater aquatic fauna. Project achievements against these criteria are summarized in Annex II Summary of Progress on Actions Supporting the Achievement of NNL and Annex III Biological Monitoring Results Demonstrating Achievement of NNL. Together, IFC and MIGA consider that the evidence demonstrates that the LFMS requirements to achieve NNL within the freshwater aquatic habitats have been met or exceeded for all required criteria. Furthermore, the grievance register remains open for the registration of biodiversity-related grievances within local communities, and the monitoring contractor engages local fishers in informal consultation while performing monitoring activities. AGL responded to one community request for fish stocking to be performed downstream of Skhalta Dam in 2023, and restocking was performed as requested. No other biodiversity grievances have been received through AGL's grievance mechanism.

16. This submission completes the agreed management actions in the MAP in the agreed timeframe. The combined outcomes demonstrate no long-term adverse impact on the fish species diversity and suitability of ecological flow which together constitute the achievement of NNL. As a result, no changes to the mitigation measures detailed in the Operational Phase BAP (O-BAP) are considered necessary.

Conclusion

17. IFC and MIGA confirm completion of the implementation of the actions set forth in the MAP by AGL and will continue to collaborate with CAO on compliance monitoring.

18. Water supply monitoring and maintenance are the responsibility of the Municipality. However, AGL's grievance mechanism is open to community concerns, and should any water-related grievances arise, AGL will refer them to the Municipality.

19. IFC and MIGA will continue regular supervision of biodiversity aspects of the project, including the Project's ongoing monitoring related to fish species, environmental flows (e-flows), hydromorphology, and sediment transport throughout operations, with results informing adaptive management.

II. UPDATE ON MAP IMPLEMENTATION ACTIONS

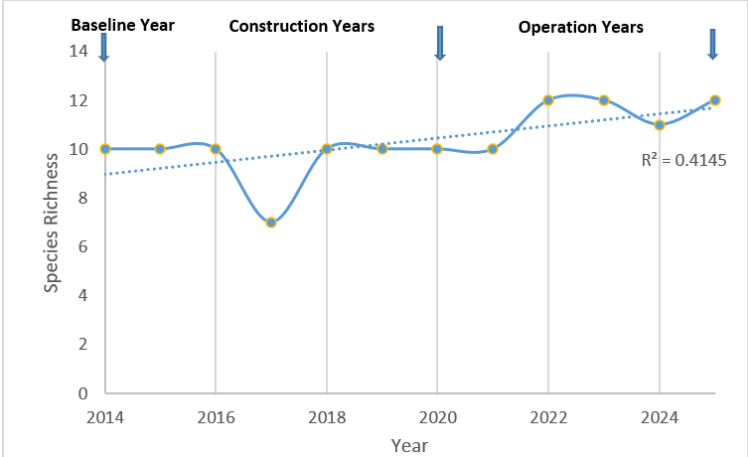
ANNEX I. AGL MANAGEMENT ACTION PLAN

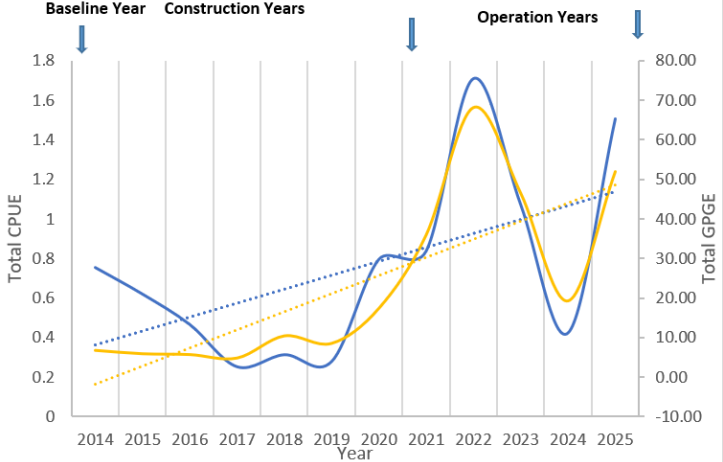
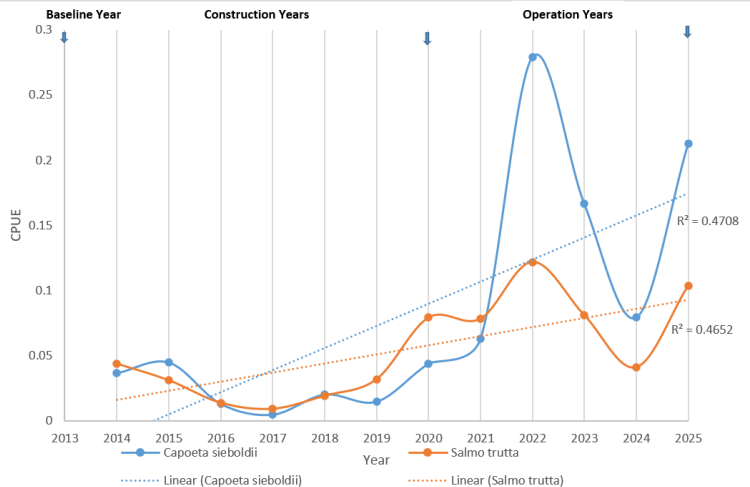
Action	Deliverable	Timeframe	Status	Summary of Implementation
As a voluntary action, AGL will continue to promote a long-term solution by the Shuakhevi Municipality, specifically to:				
Consult with the Municipality to understand if support is needed from AGL to implement the municipal water supply project in Rabati.	Minutes of meetings reflecting the conclusion on the need for support and proposed scope, if applicable.	July 31, 2025	Completed on July 17, 2025.	Consultation was held on July 17, 2025, between AGL and Deputy Mayor. The Deputy Mayor confirmed that the project was progressing according to the planned schedule and budget, and that no additional support from AGL was required.
Formally request the Municipality to ensure the Rabati neighborhood is included as a priority in the Makhalakidzebi long-term supply system.	Official letter from AGL to the Municipality with the request.	June 30, 2025	Completed on May 21, 2025.	Request was made through official letter sent by AGL to the Mayor of Shuakhevi Municipality on May 21, 2025. Confirmation from Municipality received on June 19, 2025.
Formally request the Municipality to do maintenance on the current water supply system as a short-term improvement action.	Official letter from AGL to the Municipality with the request.	June 30, 2025	Completed on May 21, 2025.	Request was made through official letter sent by AGL to the Mayor of Shuakhevi Municipality on May 21, 2025.
AGL to develop a statistical trend analysis and e-flow suitability analysis with international experts or consultants, with the intention of achieving no net loss of biodiversity where feasible. Based on the results, determine mitigations and update the O-BAP if needed.	Statistical trend analysis of operational phase. E-flow suitability analysis report.	Statistical trend analysis Feb. 28, 2026 E-flow suitability analysis report June 30, 2026	Completed on March 30, 2026, with IFC's comments addressed. Completed on June 30, 2026, with IFC's comments addressed.	Fish abundance results show a positive upward trend for all species of concern under operational (e-flow) conditions. E-flow suitability analysis demonstrates that e-flows have been released according to permit requirements and all ecological, hydrological and social objectives have been achieved, concluding that e-flow is suitable at the current level. Detailed information is provided in the Statistical Trend Analysis and Environmental Flows Suitability Analysis Reports.
	Updated sections on O-BAP to include mitigation actions if needed.	June 30, 2026	Completed.	

ANNEX II. SUMMARY OF PROGRESS ON ACTIONS SUPPORTING THE ACHIEVEMENT OF NNL (EVALUATION CRITERIA SOURCE: LOW FLOW MITIGATION STRATEGY 2017)

NNL evaluation Criteria (LFMS)	Status for each river			Supporting evidence
	Adjaristskqali	Skhalta	Chirukistqali	
Gradual reduction during commissioning (checks from 30%)	completed	completed	completed	Annual hydromorphology and flushing monitoring report (BREC)
Monitoring changes in hydro geomorphology during commissioning and operation	completed	completed	completed	
Check for hydraulic connectivity at 30%	completed	completed	completed	Post-commissioning monitoring report
Check for hydraulic connectivity at 20%	completed	completed	completed	
Implementation of channel modification where necessary	Yes (not yet required)			
Fish monitoring	Yes	Yes	Yes	Biological reports (see section 6.1)
Successful operation of the fish pass (sustained by regular maintenance and demonstrated by monitoring)	Not applicable	Not applicable	yes	Fish Pass monitoring reports
Stocking of fish upstream	Yes	Yes	Yes	Annual hydromorphology reports (BREC)
Maintaining flows from Diakonidze river	confirmed	Not applicable	Not applicable	
Ensuring the beneficial flows from downstream tributaries are maintained	Yes	Yes	Yes	
Minimum flow depth > 0.1 m (necessary for Brown Trout, other fish)	Yes	Yes	Yes	
Maintenance of species richness and abundance (fish, aquatic dependent birds, macro-invertebrates)	See summary result in Annex 2 (see below)			Statistical trend analysis

ANNEX III. BIOLOGICAL MONITORING RESULTS DEMONSTRATING ACHIEVEMENT OF NNL

Fish Monitoring Criteria (maintenance of species abundance and richness)	Results from statistical analysis																										
Whole of catchment, all species richness (trend line) Whole of Catchment= sites 1-15	Species richness shows a significant increase over time, exceeding No Net Loss requirements ($R^2 = 0.415$, $p = 0.024$)  <table border="1"> <caption>Approximate Species Richness Data from Graph</caption> <thead> <tr> <th>Year</th> <th>Species Richness (approx.)</th> </tr> </thead> <tbody> <tr><td>2014</td><td>10.0</td></tr> <tr><td>2015</td><td>10.0</td></tr> <tr><td>2016</td><td>10.0</td></tr> <tr><td>2017</td><td>7.0</td></tr> <tr><td>2018</td><td>10.0</td></tr> <tr><td>2019</td><td>10.0</td></tr> <tr><td>2020</td><td>10.0</td></tr> <tr><td>2021</td><td>10.0</td></tr> <tr><td>2022</td><td>12.0</td></tr> <tr><td>2023</td><td>12.0</td></tr> <tr><td>2024</td><td>11.0</td></tr> <tr><td>2025</td><td>12.0</td></tr> </tbody> </table>	Year	Species Richness (approx.)	2014	10.0	2015	10.0	2016	10.0	2017	7.0	2018	10.0	2019	10.0	2020	10.0	2021	10.0	2022	12.0	2023	12.0	2024	11.0	2025	12.0
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Whole of catchment, all species abundance (trend line)	A positive upward trend for all species abundance has been observed, falling marginally short of statistical significance when measured in term of catch per unit effort (CPUE) ($R^2=0.29$, $p =0.072$). Operational years show higher values than the pre-construction baseline and construction years. Although declines may have been observed in 2018 when the CAO complaint was first made, strong signs of population recovery have been recorded during the operational phase. This increase is reflected in all species observed except <i>Oncorhynchus mykiss</i> (rainbow trout) - a species that is non-native (introduced) to Georgian rivers and is considered invasive. Note also that the same analysis using Catch per Gear Effort (CPGE) suggests that the upward trend is statistically significant ($R^2=0.57$, $p =0.0043$). Both units are complementary; CPUE is measured in individual units (fish), while CPGE is measured in grams per catch. No statistical evidence of a long-term decline in fish abundance.																										

	
Whole of catchment - Shannon Biodiversity Index	Overall diversity shows a positive but not statistically significant improvement. This indicator suggests that fish diversity has not declined as a result of the project.
Whole of catchment abundance – priority species – <i>salmo trutta</i> and <i>Capoeta sieboldii</i>	Linear regression for the priority species, <i>C.sieboldii</i> and <i>S. trutta</i>, indicated significant increases in abundance across the construction and operation phases. <i>C.sieboldii</i>; $R^2=0.47$, $p=0.014$; <i>S. trutta</i>; $R^2=0.47$, $p=0.015$). <i>S. trutta</i> numbers may have been influenced by license conditions requiring the introduction of <i>s.trutta</i> fingerlings into upstream reaches of each river. 

Whole of catchment abundance (trend – European eel / black sea trout)	Neither species have been observed in monitoring activities at any point during the baseline, construction, or operational phase, hence no statistical analysis is possible.
Riverine Habitat maintenance - quality indicators	
Riverine dependent water birds (trend)	No statistically significant changes were observed for total abundance of all aquatic dependent birds across 2014-2025 ($R^2=0.002$, $p>0.05$). This suggests that there has been no overall change, either negatively or positively in the extent or quality of habitat available for aquatic dependent bird species viewed by a group. Specifically, the aquatic dependent, <i>Cinclus cinclus</i> (white-throated dipper), showed a significant long-term increase in encounter rate, while other species remained stable.
Macro-invertebrates (%ETP)	The percentage of macroinvertebrates belonging to the orders Ephemeroptera, Plecoptera, and Trichoptera (%EPT), a standard water quality indicator, has remained consistently above 60%, indicating healthy water quality across construction and operation phases.
Project Impact tests:	
1. Operational impacts (pre-containment vs post-containment (e-flow Suitability) – species abundance and richness	
Whole of catchment fish species	Fish monitoring results over a 14-year period show a significant increase in total species abundance ($p=0.028$) between the construction and operational phase. This increase was reflected in priority species, including both brown trout (<i>S. trutta</i>) ($p=.002$) and Colchic khramulya (<i>C.sieboldii</i>) ($p0.027$). This result alone suggests that the engagement of e-flow has not been detrimental to these protected and endemic fish species: both populations have increased significantly under the modified flow regime. For <i>S. trutta</i> , this increase may have been supported by the release of a combined total of 50,000 <i>S. trutta</i> fingerlings into the upstream reaches of all 3 rivers.
Species richness	The difference in mean species richness between the construction phase (mean = 9.5) and the operational phase (mean = 11.17) was statistically significant at the 5% level ($p = 0.03$). This indicates that species richness has increased from construction to operational phase.
Other aquatic species:	
Otter - observation trend	The number of indirect signs (tracks, spraint) observed across the construction and operation phases were not significantly different ($p=0.81$). While direct sightings are preferable, the frequency of indirect indicators of species presence suggests that no impacts to the otter populations have occurred as a result of the operational changes.
Caucasian salamander - observation trend	The Caucasian Salamander continues to be present at all sites initially recorded during the baseline over an extended duration and therefore given no apparent impacts of the operation phase (no statistical analysis possible)
2. Affected Project area vs control sites indicators:	
Comparative analysis - fish species richness affected vs	Species richness is significantly higher within the project influenced monitoring stations than those within a tributary unaffected by e-flow condition ($p<.04$). Although the number of control sites is limited and located

non-affected sites	within a single tributary, this suggests that species' richness is unaffected by e-flow conditions.
Comparative analysis - All fish species abundance affected vs non-affected sites	The results indicate that there is no statistically significant difference in the fish catch rate (CPUE) and hence abundance, across the impacted and control sites for all species (P=0.52)
Comparative analysis - affected vs non- affected sites (<i>S. Trutta</i> and <i>C. sieboldii</i>)	The long-term monitoring data shows that the average survey catch within the three impacted rivers contains twice the number of brown trout and almost twice the number of Colchic khramulya as those taken from the control locations, when assessed in terms of simple CPUE (more priority species in impacted rivers). However, due to low number of sample sites, differences were not statistically significant (<i>s. trutta</i> p=0.09, <i>c. sieboldii</i> 0=0.26)