

PROJECT RISK ASSESSMENT POLICY

The main lever of risk management in the process of managing projects of the Energy Development Fund of Georgia (hereinafter referred to as the "Fund") is the study of the investment environment where the investment project (hereinafter referred to as the "project") is planned to be implemented.

Generally, high levels of risk and uncertainty have a negative impact on investment decisions. Therefore, it is necessary to analyze all issues for the future project. Attention should be paid to the methodology for evaluating the effectiveness of investment projects, which JSC "Georgian Energy Development Fund" will use to minimize risks when making investment decisions.

Article 1. Significant risks

1. The fund monitors significant risks and implements damage reduction procedures.

- Financial risk - project default, budget failure
- Risk of non-financing - failure to achieve Financial Closure for the project;
- Environmental risk - non-compliance of the project in terms of the environmental standards;
- Technical risk - failure to achieve project feasibility as a result of a detailed assessment of resources
- Construction risk - failure of complete an asset on time due to budget or specification.
- Social risk - resistance of the local population to the construction of the generation facility;

Article 2. Risk insurance mechanisms

2.1 If the project was initiated by the fund, under the partnership agreement, the presentation of a bank guarantee is provided for the investor, which in turn is one of the important risk insurance mechanisms for the fund.

2.2 In order to ensure the performance of the works provided for in the partnership agreement, the investor is obliged to provide an unconditional and unclaimed bank guarantee and to ensure that the share transferred to him is pledged in favor of the fund or any other type of security is provided in agreement with the fund.

2.3 In case of occurrence of an irreparable risk, the fund has the right to invoke the unconditional and unclaimed bank guarantee presented by the investor and thus make complete or partial compensation of the loss caused by the occurrence of the risk.

2.4 Depending on the specifics of the project, the amount of the bank guarantee is determined by the fund, according to the contribution made to the capital of the subsidiary company.

2.5 In case of non-fulfilment of the steps stipulated by the project implementation plan drawn up within the framework of the project, according to the conditions stipulated in the partnership agreement, the fund is entitled to terminate the contract with the existing investor and to take back the project in full.

Article 3. Risk assessment document

3.1 The risk assessment document is established by the project leader and/or the subsidiary company of the project implementing fund based on the assignment of the fund director.

3.2 The preparation of the risk assessment document begins at the pre-selection stage, during the project development, and extends to the quantitative risk analysis, in the final selection/assessment part of the project.

3.3 Quantitative risk analysis, including sensitivity analysis and/or calculation of critical values. In the case of high complexity and innovative projects, it is necessary to use a relatively higher level of quantitative analysis, which involves the assessment of uncertainty related to critical parameters (such as cost, time and demand estimates) and the likely combination of individual uncertainties to produce the expected project outcome.

Article 4 Sharing and Submission of Risk Assessment Document

4.1 The risk assessment document is shared electronically with all persons involved in project management.

4.2 Once a quarter, all persons involved in project management are obliged to send a risk assessment sheet to the name of the project manager and/or the director of the project implementing company.

4.3 It is the responsibility of the project leader and/or the director of the project implementing company to combine the received risk assessment sheets and prepare the analysis.

4.4 The risk analysis prepared by the head of the project and/or the director of the project implementing company shall be submitted to the governing board of the fund and/or the highest governing body of the subsidiary company.

4.5 From the list of main risks, in case of occurrence of any of them, the project head and/or the director of the project implementing company prepares a plan-schedule for the correction, which includes the financial and time indicators required for the correction. The said plan-schedule is approved by the board of directors.