



# Second-Party Opinion

## Aydem Renewables Green Financing Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Aydem Renewables Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds, Renewable Energy, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.



**PROJECT EVALUATION / SELECTION** Aydem’s Finance Department will be responsible for managing the project selection process in collaboration with the various business departments and the Sustainability, Health, Safety and Environment teams. The Company’s Board of Directors will provide the final approval for projects in line with the Framework’s eligibility criteria, following an evaluation by the Investment Committee. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Aydem’s Treasury team will be responsible for the management of proceeds with oversight from its Board of Directors. The allocation of proceeds will be tracked using the Aydem’s internal financing accounts. Aydem intends to reach full allocation within 24 months of issuance of each financing instrument. Pending allocation, proceeds will temporarily be invested in cash and cash equivalents in line with Aydem’s liquidity policy. This is in line with market practice.



**REPORTING** Aydem intends to report on allocation of proceeds in its Sustainability Report on an annual basis until full allocation. Allocation reporting will include the total amount of net proceeds allocated to eligible projects, the breakdown of proceeds allocated by eligible projects, the balance of unallocated proceeds and the share of financing vs refinancing. In addition, Aydem is committed to reporting on relevant impact metrics. Sustainalytics views the Company’s allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	July 8, 2021
<b>Issuer Location</b>	Denizli, Turkey

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## Introduction

Aydem Renewable Energy AS (“Aydem” or the “Company”) is a wholly owned subsidiary of the Turkish energy provider, Aydem Energy. Established in 1995, Aydem is a renewable energy company headquartered in Denizli, Turkey. The Company specialises in the development, acquisition and operation of hydroelectric, wind, geothermal and landfill gas generation power plants. Aydem has 25 renewable energy generation power plants in Turkey generating 3.155 GWh of energy annually.<sup>1</sup>

Aydem has developed the Aydem Renewables Green Financing Framework (the “Framework”) under which it intends to issue bonds, loans and/or other green financing instruments and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects in renewable energy. The Framework defines eligibility criterion in the following area:

### 1. Renewable Energy

Aydem engaged Sustainalytics to review the Aydem Renewables Green Financing Framework, dated July 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>2</sup> and the Green Loan Principles 2021 (GLP).<sup>3</sup> This Framework has been published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA<sup>6</sup>;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Aydem’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Aydem representatives have confirmed (1) they understand it is the sole responsibility of Aydem to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Aydem.

<sup>1</sup> Aydem Renewable Energy, “About us”, at: <https://www.aydemyenilenebilir.com.tr/info/7/about-us>

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>3</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>4</sup> The Aydem Renewables Green Financing Framework is available on Aydem Renewables Energy’s website at: <https://www.aydemyenilenebilir.com.tr/sustainability>, <https://www.aydemyenilenebilir.com.tr/yatirimciiliskileri/raporlar-ve-sunumlar?hl=en> and <https://www.aydemyenilenebilir.com.tr/yatirimciiliskileri?hl=en>

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

<sup>6</sup> In addition to the Loan Markets Association, the GLP are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Aydem has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Aydem Renewables Green Financing Framework

Sustainalytics is of the opinion that the Aydem Renewables Green Financing Framework is credible and impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Aydem's Green Financing Framework:

- Use of Proceeds:
  - The eligible category, Renewable Energy, is aligned with those recognized by the GBP and GLP.
  - Within the Renewable Energy category, Aydem intends to finance and/or refinance the research and development, acquisition, construction, development, operation and maintenance of renewable energy projects, related to solar, wind, hydroelectric and geothermal power sources. The Company may also finance the purchase of renewable energy technologies and associated equipment. For power generation projects, the Framework specifies the following additional criteria:
    - Solar, wind and hydroelectric power projects with life-cycle emissions below 100gCO<sub>2</sub>e/kWh which the Company intends to reduce to 0gCO<sub>2</sub>e/kWh by 2050. Aydem intends to reduce the emissions threshold for projects financed under this Framework every five years in line with a net-zero carbon by 2050 trajectory. Sustainalytics considers the threshold as aligned with market practice and notes positively the commitment to an emissions intensity reduction trajectory.
    - Aydem has confirmed that new hydropower projects will be subject to an environmental and social impact assessment carried out by a credible third party where no significant risk or negative impact is identified. Sustainalytics considers this to be aligned with market practice.
    - Geothermal projects will be limited to those with direct emissions below 100gCO<sub>2</sub>e/kWh, which is in line with market practice.
  - Sustainalytics notes that Aydem excludes the financing of projects related to power plants that rely on fossil fuels for power generation. Sustainalytics views this exclusion as further strengthening the Framework.
- Project Evaluation and Selection:
  - Aydem has established a multistep project selection process. Firstly, various business departments will be responsible for identifying potential projects in accordance with the Framework. The Company's Sustainability, Health, Safety and Environment teams will subsequently review the projects for alignment with Aydem's sustainability policy and material ESG controversies. Eligible projects will then be shortlisted by Aydem's Finance Department.
  - Following approvals from multiple departments including Legal and Compliance and Risk Management, Aydem's Chief Financial Officer and General Manager will submit the projects to

- the Company's Investment Committee for evaluation. Final approval will be provided by the Company's Board of Directors.
- For refinancing activities, eligible projects are subject to a lookback period of 24 months prior to the issuance of financing instruments under the Framework.
  - Based on the clear delegation of responsibilities and the involvement of Aydem's senior management, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - Aydem's Treasury team will be responsible for the allocation and tracking of all proceeds to eligible projects under the Framework using internal accounts. The allocation process will be overseen by the Company's Board of Directors. The Company intends to fully allocate the proceeds of each financing instrument within 24 months of issuance. Pending allocation, Aydem may temporarily invest unallocated net proceeds in cash and cash equivalents in line with its liquidity policy.
    - Based on the use of internal financing accounts for tracking and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - Aydem will report on the allocation of proceeds in its annual Sustainability Report until full allocation of each green financing instrument. Allocation reporting will include the total amount of net proceeds allocated to eligible projects, the breakdown of proceeds allocated by eligible projects, the balance of unallocated proceeds and the share of financing vs refinancing.
    - In addition, Aydem is committed to reporting on relevant impact metrics on a best effort basis. Impact reporting will be done through the annual Sustainability Report and disclose key performance indicators such as annual renewable energy generation in (GWh), annual energy savings in (MWh or GWh), capacity of renewable energy plants constructed or rehabilitated (MW) and number of environmental risk assessments conducted for eligible projects.
    - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the Aydem Renewables Green Financing Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Aydem Renewable Energy

### Contribution of framework to Aydem Renewable Energy's sustainability strategy

Aydem is a pure-play renewable energy generation company committed to contributing towards a future that is powered solely from renewable sources. Aydem demonstrates its commitment to sustainability through its overarching strategy articulated as "Always going forward for the Environment, Employees, Company, and Society". The key principles underpinning this strategy are: (i) development of technology and solutions to support renewable energy production and consumption; (ii) achieving carbon neutrality in the Company's operations by 2050; and (iii) zero investment in fossil energy sources.<sup>7</sup>

Aydem currently has 25 renewable power plants, with an installed capacity of 1,020 MW which generates 3,155 GWh of energy annually. During the past two years, the Company has achieved a 27% increase in its net energy generation. Due to its contribution towards Turkey's renewable energy generation capacity, the Company has benefitted from Turkey's Renewable Energy Support Mechanism, a national incentive programme created to promote rapid growth in renewable energy generation. The incentive is applicable to licensed generation facilities powered by wind, biomass, solar, geothermal and hydropower based on canal, tidal power or run of river power, or with a reserve area less than 15 sq.km.<sup>8</sup> Recipients are subject to a due diligence procedure to ensure the credibility of underlying projects.

In its 2020 Sustainability Report, Aydem has made commitments to support its sustainability strategy.<sup>7</sup> The Company has set a target to increase its installed renewable energy capacity from 1,020 MW in 2021 to 2,000 MW in 2025. Aydem aims to achieve more than 50% of its target within the first two years. As part of its long-

<sup>7</sup> Aydem shared its Sustainability Report 2020 with Sustainalytics for assessment on a confidential basis.

<sup>8</sup> Erdem & Erdem, "Key Points Regarding the Regulation On Certification And Support of Renewable Energy Resources", (2016), at: <http://www.erdem-erdem.av.tr/publications/law-post/key-points-regarding-the-regulation-on-certification-and-support-of-renewable-energy-resources/>

term climate objectives relating to its environmental footprint, Aydem is targeting carbon-neutrality by 2050 with shorter-term targets of achieving a 30% and 65% reduction in its emission intensity by 2025 and 2035 respectively compared to its 2020 baseline.<sup>7</sup> In line with this goal, the Company achieved a reduction of 25% in its greenhouse gas emissions (GHG) in 2020 as compared to 2019.<sup>7</sup>

Sustainalytics is of the opinion that the Aydem Renewables Green Financing Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Aydem's action on its key environmental priorities.

### **Well-positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that the net proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key risks associated with the eligible projects, could include occupational health and safety, community relations/stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents, and waste generated in construction.

Sustainalytics is of the opinion that Aydem is able to manage and/or mitigate potential risks through implementation of the following:

- Aydem has an Occupational Health and Safety (OHS) Policy in place to ensure the presence of a safe working environment aiming to achieve 'zero work accident' and 'zero occupational diseases'. The policy also articulates the necessary measures to reduce the risk and potential consequences of accidents at its project sites. Aydem also aims to increase awareness amongst its employees, suppliers and local communities through relevant trainings. The Company has implemented an OHS system, certified with the ISO 45001<sup>9</sup> and OHSAS 18001<sup>10</sup> management systems. In addition to its own activities, Aydem monitors compliance of its suppliers and contractors with the Company's health and safety policies.<sup>11</sup>
- The Company conducts Environmental Impact Assessment (EIA) as well as ecosystem analysis for its energy generation assets to identify and address any potential environmental issues. Aydem also periodically monitors and assesses the environmental issues to manage the risks effectively. The Company has also committed to creating biodiversity management plans for sensitive areas impacted by new development projects. As part of its principle to support the local community where it operates, Aydem assesses the social impact of its activities on the communities and seeks to address them.<sup>7</sup>
- Aydem has an Environment Policy in place to ensure that negative impacts on the environment are sufficiently identified and mitigated. The policy is focused on climate change, prevention of pollution and the Company's target of zero waste. As part of its efforts, Aydem has developed an Environment Management System certified with ISO 14001 standards<sup>12</sup> to review, manage, and address the mitigation of the environmental risks of the Company.
- As a signatory to the United Nations Global Compact, Aydem conforms to its 10 principles, including on human rights, labor, environment, anticorruption, and transparently discloses its performance regarding these principles to the UN Global Compact.<sup>13,14</sup> In line with the principles, the Company commits to avoiding any violation of human rights, forced or child labor, environmental degradation, and corruption.<sup>13</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Aydem has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

## **Section 3: Impact of Use of Proceeds**

The use of proceeds category is aligned with those recognized by the GBP and GLP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

<sup>9</sup> ISO, "ISO 45000 Family Occupational health and Safety", at: <https://www.iso.org/iso-45001-occupational-health-and-safety.html>

<sup>10</sup> NQA, "OHSAS 18001 Health and Safety Management", at: <https://www.nqa.com/en-us/certification/standards/ohsas-18001>

<sup>11</sup> Aydem Renewable Energy, "Occupational health and Safety Policy", at: <https://aydemyenilenebilir.com.tr/info/45/occupational-health-and-safety-policy>

<sup>12</sup> ISO, ISO 14000 Family Environmental Management, at: <https://www.iso.org/iso-14001-environmental-management.html>

<sup>13</sup> United Nations Global Compact, "The Ten Principles of the UN Global Compact", at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

<sup>14</sup> Aydem Renewables signed UN Global Compact, at: <https://www.aydemyenilenebilir.com.tr/info/33/un-global-compact>

### Importance of financing renewable energy in Turkey

As of 2018, Turkey was ranked as the 20th largest emitter of GHG emissions globally and this has the potential to triple over the next decade.<sup>15</sup> Additionally, the country's 2019 GHG emissions were recorded at 383.3 Mt of CO<sub>2</sub>e, which was 86% higher than its 2000 levels.<sup>16</sup> This can be attributed to significant increase in the demand for electricity driven by rapid economic and social development over the last decade. In response, the Turkish government has set a reduction target of up to 21% in GHG emissions by 2030 compared to 2012 levels.<sup>17,18</sup> Turkey's energy sector is highly carbon intensive and accounts for 72.8% of the country's GHG emissions with fossil-fuel based sources representing nearly 83% of the total energy supply in 2019.<sup>19,20</sup>

To address the environmental impact of its energy sector, the Government of Turkey developed the "2019-2023 Strategic Plan for Energy" which aims to increase the share of renewables in its energy mix to 65% by 2023.<sup>21</sup> The government has also set a target of achieving a 14% reduction in energy consumption compared to a 2017 baseline.<sup>22</sup> In order to achieve this energy efficiency goal, the government plans to invest USD 11 billion in measures such as increasing its share of renewable energy and creating national energy efficiency financing mechanism.<sup>23</sup> As of May 2021, 98% of the capacity installed during 2021 came from renewable sources, which now account for 52.3% of Turkey's total capacity.<sup>24</sup> Achieving climate targets under the Paris Agreement would require that Turkey phase out coal by 2030, significantly increase the use of renewables, and fully decarbonize its electricity generation by 2050.<sup>25</sup>

Based on the above, Sustainalytics is of the opinion that Aydem's investments in renewable energy projects offer the potential to provide positive environmental impact through a reduction in carbon emissions and an improvement in energy efficiency, while contributing to Turkey's climate-related goals.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) and loan(s) issued under the Aydem Renewables Green Financing Framework advances the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

<sup>15</sup> Carbon Brief, "The Carbon Brief Profile: Turkey", (2018), at: <https://www.carbonbrief.org/carbon-brief-profile-turkey>

<sup>16</sup> Statista, "Carbon dioxide emissions in Turkey from 2000 to 2019" (2019), at: [https://www.statista.com/statistics/449827/co2-emissions\[1\]turkey/#:~:text=Carbon%20dioxide%20emissions%20in%20Turkey%202000%2D2019&text=Emission%20levels%20increased%20during%20the,carbon%20dioxide%20emitted%20in%202019](https://www.statista.com/statistics/449827/co2-emissions[1]turkey/#:~:text=Carbon%20dioxide%20emissions%20in%20Turkey%202000%2D2019&text=Emission%20levels%20increased%20during%20the,carbon%20dioxide%20emitted%20in%202019).

<sup>17</sup> Republic of Turkey Ministry of Environment and Urbanization, "Seventh National Communication of Turkey Under the UNFCCC", (2018), at: [https://unfccc.int/sites/default/files/resource/496715\\_Turkey-NC7-1-7th%20National%20Communication%20of%20Turkey.pdf](https://unfccc.int/sites/default/files/resource/496715_Turkey-NC7-1-7th%20National%20Communication%20of%20Turkey.pdf)

<sup>18</sup> Anadolu Agency, "Turkey expects up to 21% drop in emissions until 2030", (2021) at: <https://www.aa.com.tr/en/energy/regulation-renewable/turkey-expects-up-to-21-drop-in-emissions-until-2030/32513>

<sup>19</sup> Andalou Agency, "Turkey's greenhouse gas emissions up 4.4% in 2016", at: [https://www.aa.com.tr/en/energy/turkey/turkeys-greenhouse-gas\[1\]emissions-up-44-in-2016/19640#:~:text=The%20energy%20sector%20accounted%20for,represented%20a%203.3%20percent%20share](https://www.aa.com.tr/en/energy/turkey/turkeys-greenhouse-gas[1]emissions-up-44-in-2016/19640#:~:text=The%20energy%20sector%20accounted%20for,represented%20a%203.3%20percent%20share).

<sup>20</sup> The International Energy Agency (IEA), "Key Energy Statistics", (2018), at: <https://www.iea.org/countries/turkey>

<sup>21</sup> The International Energy Agency (IEA), "MENR's Strategy Plan 2019 -2023", (2020), at: <https://www.iea.org/policies/12278-menrs-strategy-plan-2019-2023>

<sup>22</sup> The International Energy Agency (IEA), "National Energy Efficiency Action Plan", (2020), at: <https://www.iea.org/policies/7964-national-energy-efficiency-action-plan-2017-2023>

<sup>23</sup> European Bank for Reconstruction and Development (EBRD), "EBRD welcomes Turkey's National Energy Efficiency Action Plan", (2018), at: <https://www.ebrd.com/news/2018/ebrd-welcomes-turkeys-national-energy-efficiency-action-plan.html>

<sup>24</sup> Daily Sabah, "Renewables account for over 50% of Turkey's installed capacity", (2021) at: <https://www.dailysabah.com/business/energy/renewables-account-for-over-50-of-turkeys-installed-capacity>

<sup>25</sup> Climate Action Tracker, "CAT Scaling Up Climate Action series", (2019), at: [https://climateactiontracker.org/documents/670/CAT\\_2019-11-29\\_ScalingUp\\_TURKEY\\_ExecSumm\\_ENG.pdf](https://climateactiontracker.org/documents/670/CAT_2019-11-29_ScalingUp_TURKEY_ExecSumm_ENG.pdf)



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## Conclusion

Aydem has developed the Aydem Renewables Green Financing Framework under which it may issue green bonds, loans and/or other green financing instruments and use the proceeds to finance and/or refinance renewable energy projects. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The Aydem Renewables Green Financing Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 7. Additionally, Sustainalytics is of the opinion that Aydem has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Aydem Renewable Energy is well-positioned to issue green bonds and that the Aydem Renewables Green Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021.

## Appendix

### Appendix 1: Green Bond / Green Bond Programme - External Review Form

#### Section 1. Basic Information

Issuer name:	Aydem Renewable Energy
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Aydem Renewables Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 8, 2021
Publication date of review publication:	

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

#### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.



## 1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible category for the use of proceeds, Renewable Energy, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.

### Use of proceeds categories as per GBP:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> :   |

If applicable please specify the environmental taxonomy, if other than GBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Aydem's Finance Department will be responsible for managing the project selection process in collaboration with the various business departments and the Sustainability, Health, Safety and Environment teams. The Company's Board of Directors will provide the final approval for projects in line with the Framework's eligibility criteria, following an evaluation by the Investment Committee. Sustainalytics considers the project selection process in line with market practice.

### Evaluation and selection

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other <i>(please specify)</i> :   |

### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
  In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Aydem's Treasury team will be responsible for the management of proceeds with oversight from its Board of Directors. The allocation of proceeds will be tracked using the Aydem's internal financing accounts. Aydem intends to reach full allocation within 24 months of issuance of each financing instrument. Pending allocation, proceeds will temporarily be invested in cash and cash equivalents in line with Aydem's liquidity policy. This is in line with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only
  Allocations to both existing and future investments
- Allocation to individual disbursements
  Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
  Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

Aydem intends to report on allocation of proceeds in its Sustainability Report on an annual basis until full allocation. Allocation reporting will include the total amount of net proceeds allocated to eligible projects, the breakdown of proceeds allocated by eligible projects, the balance of unallocated proceeds and the share of financing vs refinancing. In addition, Aydem is committed to reporting on relevant impact metrics. Sustainalytics views the Company's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- Project-by-project
  On a project portfolio basis
- Linkage to individual bond(s)
  Other (please specify):

**Information reported:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts   | <input type="checkbox"/> Green Bond financed share of total investment |
| <br>  |  |
| <input checked="" type="checkbox"/> Other (please specify): share of financing vs. refinancing, balance of unallocated proceeds |  |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported (expected or ex-post):**

- |  |  |
|--|--|
| <input type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings   |
| <input type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Expected renewable energy generation (GWh per year), capacity of renewable energy plants constructed or rehabilitated in MW |

**Frequency**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents  | <input type="checkbox"/> Other (please specify):                                   |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |  |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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