



Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

## Corporate Governance Rating Report



20 April 2022

## CONTENTS

Rating and Executive Summary . . . . .	3
Rating Methodology . . . . .	6
Company Overview . . . . .	7
SECTION 1: SHAREHOLDERS . . . . .	10
Facilitating the Exercise of Shareholders' Statutory Rights . . . . .	10
Shareholders' Right to Obtain and Evaluate Information . . . . .	11
Minority Rights . . . . .	11
General Shareholders' Meeting . . . . .	11
Voting Rights . . . . .	12
Dividend Rights . . . . .	13
Transfer of Shares . . . . .	13
SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY . . . . .	14
Corporate Web Site . . . . .	14
Annual Report. . . . .	15
External Audit. . . . .	16
SECTION 3: STAKEHOLDERS. . . . .	17
Company Policy Regarding Stakeholders . . . . .	17
Stakeholders' Participation in the Company Management . . . . .	17
Company Policy on Human Resources . . . . .	18
Relations with Customers and Suppliers . . . . .	19
Ethical Rules & Social Responsibility . . . . .	19
Sustainability . . . . .	20
SECTION 4: BOARD OF DIRECTORS. . . . .	22
Functions of the Board of Directors . . . . .	22
Principles of Activity of the Board of Directors . . . . .	22
Structure of the Board of Directors . . . . .	23
Conduct of the Meetings of the Board of Directors . . . . .	23
Committees Established Within the Board of Directors . . . . .	24
Remuneration of the Board of Directors and Managers With Administrative Responsibility . . . . .	25
Rating Definitions . . . . .	27
Disclaimer . . . . .	28

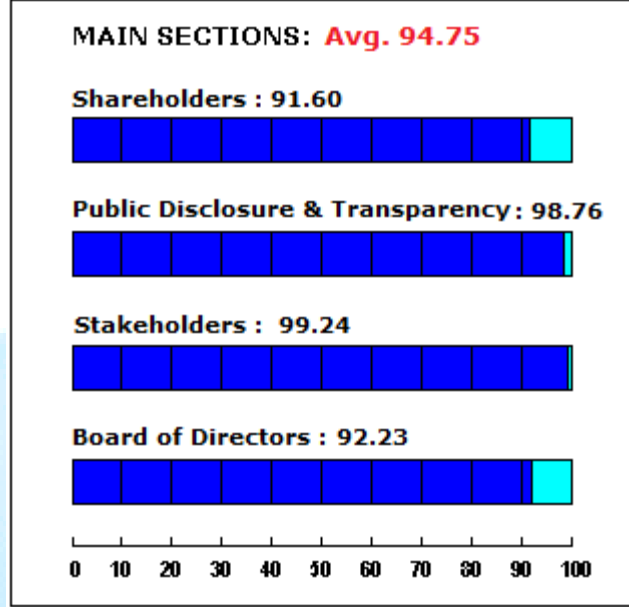
## Rating and Executive Summary

### AYDEM YENİLENEBİLİR ENERJİ A.Ş.

**SAHA**  
Corporate Governance Rating:

**9.48**

**WORLD  
CORPORATE  
GOVERNANCE  
INDEX** **Group  
1**



### EXECUTIVE SUMMARY

This report on rating of Aydem Yenilenebilir Enerji A.Ş.'s compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the Company. SAHA's rating methodology is based on the Capital Markets Board's ("CMB") "Corporate Governance Principles" released on January of 2014.

SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc.. Aydem Yenilenebilir Enerji A.Ş. is analyzed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on March 10, 2021 can be accessed at <http://www.saharating.com>.

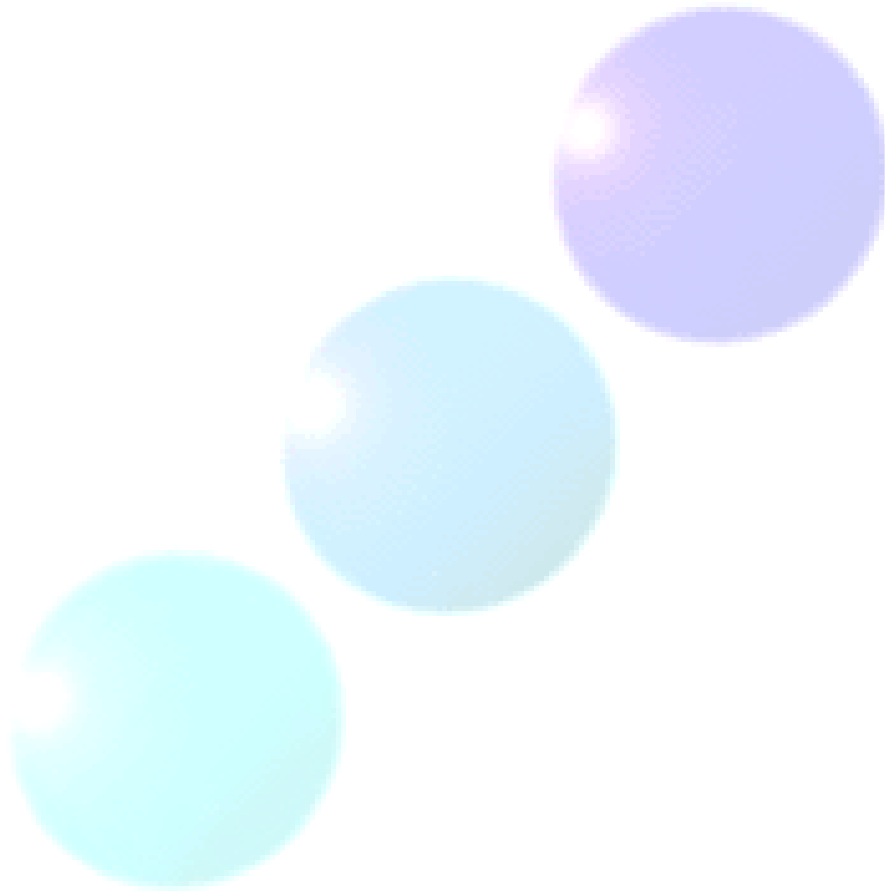
AYDEM is rated with **9.16** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, Articles of Association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. Company carries out the shareholder relations obligations via the "Investor Relations" unit. Although there is no privilege in the use of voting rights, Group A shares are privileged to nominate candidates in the election of the members of the Board of Directors. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. The Company has a consistent, publicly disclosed dividend policy. AYDEM has established a policy on donations and grants, and disclosed it to the public on its web site. There are no restrictions on transfer of shares. The previous and new versions of Articles of Association are included in the general shareholders' meeting information document. The rate of minority rights in the Company's Articles of Association is adopted as prescribed for public joint stock companies (%5).

AYDEM attained **9.88** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site which includes all information listed in the Corporate Governance Principles pertinent to "Public Disclosure". Public announcements are made via all communications channels and are in accordance with the CMB and Borsa Istanbul (BIST) rules and regulations. The Annual Report is also comprehensive and informative. The names, amount and rate of the shares held by the Company's shareholders with more than 5% shares or voting rights are disclosed on the corporate web site. The web site is also prepared in English for the benefit of international investors. Benefits provided to Board members and senior executives is mentioned collectively in the Annual Report, but a list on individual basis is essential as per the Principles.

On the topic of **Stakeholders**, AYDEM scored **9.92**. AYDEM protects the interest of stakeholders under good faith principles and within the capabilities of the Company and effective and expeditious compensation is provided in case of violation of the rights. A written compensation policy for the employees is established and disclosed to public on the corporate web site. The Company has an efficient and comprehensive human resources policy. A model or a mechanism is developed to support the participation of stakeholders in management. Code of ethics is publicly available on the corporate web site. Various social responsibility projects have been implemented. There is no lawsuit filed against the Company due to any damage to the environment.

From the perspective of the principles regarding the **Board of Directors**, AYDEM's tally is **9.22**. There is a well communicated Company mission and vision, and the Board fulfills all duties regarding Company needs. There are two executive and four independent members in eight-member Board of Directors. CMB criteria are complied with for the appointment of independent members who have each signed a declaration of independence. There are 3 female members on the Board of Directors, and a Diversity Policy has been established to reach a minimum 25% female membership rate. Corporate Governance, Audit, and Early Risk Detection Committees are established within the Board of Directors. In addition, an Investment Committee and a Sustainability, Environment, Health and Safety Committee are also established. The members and working principles of the Committees have been disclosed to the public. Principles of remuneration of Board members and senior executives are available on the Company's web site. Defects and damages that may be caused by the Board members during the execution of their duties have been

insured, but not with a coverage exceeding 25% of the capital of the Company. AYDEM does not lend any funds or extend any credits to a member of the Board or to senior executives Remuneration of Board members and executives with administrative responsibility as well as all benefits provided are mentioned collectively in the Annual Report. Principles dictate reporting on an individual basis.



## Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Company's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the Company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.


SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.27).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**  
Public Disclosure and Transparency: **25%**  
Stakeholders: **15%**  
Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

## Company Overview

<b>Aydem Yenilenebilir Enerji A.Ş.</b>	
 <b>Aydem</b> yenilenebilir enerji	<b>Chairman of the Board of Directors</b> İdris KÜPELİ <b>General Manager</b> Ömer Fatih KEHA
Adalet Mahallesi Hasan Gönüllü Bulvarı No: 15/1, Merkezefendi, Denizli	<b>Investor Relations Manager</b> Mehmet Yusuf GÜNGÖR Tel: (0212) 812 12 52 <a href="mailto:yusuf.gungor@aydemenerji.com.tr">yusuf.gungor@aydemenerji.com.tr</a>

Having started to produce renewable energy under the umbrella of Aydem Energy in 1995 and implemented Turkey's first private hydroelectric power plant in Denizli in 1997, Aydem Yenilenebilir Enerji A.Ş. ("Aydem Renewables" or the "Company"), as of today, is Turkey's largest company in terms of installed power, generating energy only from renewable energy sources. The Company's portfolio consists of 20 hydroelectric (HPP), 3 wind (WPP), 1 geothermal (GPP) and 1 biogas (LFG) power plants.

Aydem Renewables' power plants operating in 4 regions of Turkey (Black Sea, Aegean, Mediterranean and Marmara) have an environmentally friendly production model with Zero Waste Certificate, Renewable Energy (IREC) and Emission Reduction Certificates (VCS & GS). As of end-2021, it has an annual energy production capacity of 3,930 GWh. Aydem Renewables signed the United Nations Global Compact (UNGC) in 2020. Integrated Management Systems (ISO 9001:2015, ISO 45001:2018, ISO 14001:2015, ISO 50001:2018) are implemented in all power plants. The Company also published its first sustainability report in March 2020 in line with the Global Reporting Initiative Standards, emphasizing its commitment to clearly defined principles and values defined by the United Nations Global Compact and the United Nations Sustainable Development Goals. The shares of the Company, which realized the largest public offering of the last 3 years on the basis of transaction size, are traded on Borsa Istanbul Stars Market with the code "AYDEM" since April 2021.

AYDEM is a constituent of BIST IPO / BIST 100-30 / BIST SERVICES / BIST 100 / BIST ELECTRICITY / BIST DENIZLI / BIST ALL SHARES and BIST STARS indices.

The capital structure of Aydem Renewables is as follows:

<b>Aydem Renewables Capital Structure</b>		
<b>Shareholders</b>	<b>Share Value (TL)</b>	<b>Share (%)</b>
AYDEM ENERGY, INC.	574,975,680	81.5568
OTHER	24,320	0.0034
FREE FLOAT	130,000,000	18.4397
<b>TOTAL</b>	<b>705,000,000</b>	<b>100.00</b>

<b>Natural and Legal Persons with Indirect Ownership of Capital</b>		
<b>Shareholders</b>	<b>Share Value (TL)</b>	<b>Share (%)</b>
CEYHAN SALDANLI	418,012,554.69	59.2926
ALİ YAĞLI	136,852,282.46	19.4117

<b>Aydem Renewables Board of Directors</b>			
<b>Members</b>	<b>Title</b>	<b>Executive</b>	<b>Independent</b>
İDRİS KÜPELİ	Chairman	√	
ÖMER FATİH KEHA	Vice-chairman	√	
MEHMET HAYATİ ÖZTÜRK	Member		√
ERSİN AKYÜZ	Member		√
SERPİL DEMİREL	Member		√
FATMA DİLEK BİL	Member		√
MEHMET GÖKAY ÜSTÜN	Member		
ASYA VUSLAT SALDANLI	Member		

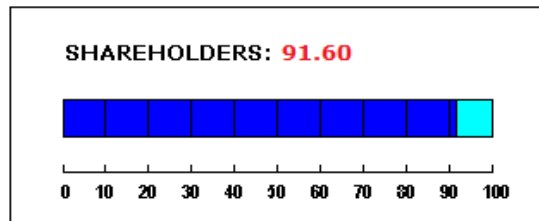
<b>Corporate Governance Committee</b>	
<b>Members</b>	<b>Title</b>
SERPİL DEMİREL	Chairwoman
MEHMET HAYATİ ÖZTÜRK	Member
ERSİN AKYÜZ	Member
FATMA DİLEK BİL	Member
MEHMET YUSUF GÜNGÖR	Member

<b>Audit Committee</b>	
<b>Members</b>	<b>Title</b>
ERSİN AKYÜZ	Chairman
MEHMET HAYATİ ÖZTÜRK	Member
SERPİL DEMİREL	Member
FATMA DİLEK BİL	Member



<b>Early Risk Detection Committee</b>	
<b>Members</b>	<b>Title</b>
MEHMET HAYATİ ÖZTÜRK	Chairman
ERSİN AKYÜZ	Member
SERPİL DEMİREL	Member
FATMA DİLEK BİL	Member

## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	Voting rights are facilitated
+	No voting privileges
+	General shareholders' meetings are conducted in compliance with the legislation
+	No restrictions on transfer of shares
+	Policy on donations and grants approved at the general shareholders' meeting and disclosed to the public
+	Investor Relations Unit presented its report on the ongoing activities to the Board of Directors
+	Specific and consistent dividend distribution policy
=	Minority rights not recognized for shareholders who possess an amount less than one-twentieth of the share capital
=	No voting privileges, but group A shareholders have the privilege to nominate candidates for the Board of Directors

### 1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

At AYDEM, the Investor Relations Unit reports to the Corporate Governance Committee and the Board of Directors on its activities. Investor Relations Manager, Mr. Mehmet Yusuf Güngör is the holder of Capital Market Activities Level 3, Corporate Governance Rating, Credit Rating and Derivative Instruments Licenses.

The Investor Relations Unit reports to the General Manager within the Company and to the Investor Relations Group Directorate within the Holding.

The Investor Relations Unit plays an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review information. The Unit fulfills the following duties:

- Ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- Respond to the queries of the shareholders requesting written information on the Company.
- Ensure that the general shareholders' meeting is held in compliance with the applicable legislation, Articles of Association and other Company by-laws.
- Prepare the documents that might be used by shareholders in the general shareholders' meeting.
- Supervise the fulfillment of the obligations arising from capital markets legislation including all

corporate governance and public disclosure matters.

The Investor Relations Unit submitted its report on the activities carried out to the Board of Directors. In addition, 87 investor meetings were held due to the Company's public offering in April and the bond issuance in early August. Information and explanations that may affect use of shareholders' rights are available and up to date on the corporate investor relations web site. Investor conferences and meetings are held to inform investors.

### **1.2. Shareholders' Right to Obtain and Evaluate Information:**

There is no evidence of any hindering process or application regarding the appointment of a special auditor at the request of shareholders and no such demand was received within the reporting period.

All kinds of information about the Company required by the legislation are provided in a complete, timely, honest, and diligent manner and there is no fine or warning received in this regard.

The Company has constituted a disclosure policy, submitted it to the general shareholders' meeting and disclosed to public on the corporate web site.

### **1.3. Minority Rights:**

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the Company has adopted exactly the rate foreseen in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the Company.

### **1.4. General Shareholders' Meeting:**

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the ordinary general shareholders' meeting held on March 30, 2022 is performed through all means of communication available to the Company on March 7, 2022 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where the Annual Report, financial statements and other meeting documents can be examined. A descriptive disclosure document on agenda items has been prepared.

Commencing from the date of announcement of invitation for the general shareholders' meeting; the Annual Report, financial statements and reports, and all other related documents pertaining to the agenda items along with the dividend distribution proposition are made available to all shareholders for examination purposes in convenient locations including the headquarters of the Company, and the electronic media.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the corporate web site:

- a. The total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure, that

there are no privileged share groups within the Company capital.

- b. Information on changes in management and activities of the Company and its subsidiaries in the previous fiscal year, or planned for the upcoming fiscal period which can significantly affect the Company operations.
- c. Grounds for dismissal and replacement of Board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the Company and its related parties, whether they are independent or not, and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used.

Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items. An informative document on agenda items has been prepared.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions. The questions brought in during the general shareholders' meeting and the answers to these questions were disclosed to the public on the corporate web site by the Investor Relations Unit within 30 days of the meeting.

Due to the amendment of the Articles of Association, the old and new versions are included in the general shareholders' meeting minutes and the information document.

The Company has established a policy on donations and grants and submitted it to the general shareholders' meeting for approval. Shareholders are informed, with a separate agenda item, of amount and beneficiaries on all donations and grants effectuated during the reporting period.

At least 1 member of the Board of Directors related with those issues of a special nature on the agenda, other related persons, authorized persons who are responsible for preparing the financial statements and representatives of the external audit firm were present to give necessary information and to answer questions at the general shareholders' meeting. In addition, the majority of the Board of Directors attended the general shareholders' meeting.

On the other hand, a clause on participation of stakeholders and media to the general shareholders' meetings with no voting rights, subject to the permission of the chairman of the meeting, is not stated in the internal directive of the general shareholders' meeting and is not included in the Articles of Association.

### **1.5. Voting Rights:**

As stated in the Articles of Association, one-share, one-vote principle is adopted. There are no voting privileges at AYDEM and all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

On the other hand, Group A shareholders have the privilege to nominate candidates for the Board of Directors. This privilege is regulated in the Articles of Association as follows: "The half of the members of the Board of Directors of the Company shall be selected among the candidates to be

nominated by the shareholders holding the majority of the Class A shares, provided that the capital represented by Class A shares continues to represent at least 30% of the issued capital of the Company.”

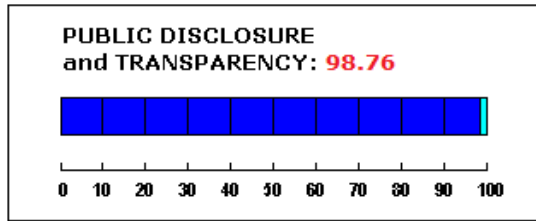
#### **1.6. Dividend Rights:**

The dividend policy of the Company is clearly defined and disclosed to public on the corporate web site. It is submitted to the shareholders at the general shareholders’ meeting and is incorporated in the Annual Report. The dividend distribution policy of AYDEM contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and those of the Company. The dividend distribution proposal contained all necessary information. However, a provision on advance dividend payments is not included in the Articles of Association.

#### **1.7. Transfer of Shares:**

Neither the Articles of Association nor any decisions adopted at the general shareholders’ meeting contain any provisions that impede the transfer of shares.

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



### SYNOPSIS

+	Comprehensive Public Disclosure Policy, disclosed to public on the corporate web site
+	Comprehensive web site, actively used for public disclosure
+	Annual Report complies with the legislation, comprehensive and informative
+	Important events and developments disclosed in accordance with the legislation
+	Ultimate controlling shareholders with a share higher than 5% are publicly disclosed
+	English version of the web site for international investors
+	Remuneration policy established and disclosed to public on the corporate web site
+	Dividend distribution policy disclosed to public via corporate web site

#### 2.1. Corporate Web Site:

Company's web site is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the corporate web site includes; trade register information, information about latest shareholder and management structure, the date

and the number of the trade registry gazette on which the changes are published along with the final version of the Company's Articles of Association, publicly disclosed material information, periodical financial statements, annual reports, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the Company, frequently asked questions, and responses thereof.

The names, amount and rate of the shares held by the Company's shareholders with more than 5% shares or voting rights are disclosed on the corporate web site.

The information on the web site has also been prepared in English, close to Turkish content, for the benefit of international investors. Investor presentations are prepared quarterly in Turkish and English and published on the web site, however, certain documents were not prepared in English before the public offering.

The Company's web site also includes; investor presentations, the donation policy, Committees and their working principles, important Board decisions under the heading of material disclosures, the vision/mission of the Company established by the Board of Directors, information on capital increases for the last 5 years, news, general shareholders' meeting internal guidelines, social responsibility activities, the sustainability report, Realization and Evaluation Report on

the Assumptions Based on the Determination of the Public Offering Price prepared within the scope of CMB, information on senior management, Board of Directors' working principles, investor relations contact information, financial data, main ratio analyses, corporate web site disclaimer, protection of personal data, terms of use and privacy policy, timetable on events and developments which may interest investors, and the human resources policy.

As per the CMB decision dated January 10, 2019 and numbered 2/49 published on the Bulletin no: 2019/2, The Corporate Governance Compliance Report prepared in accordance with the Corporate Governance Communiqué number II-17.1 must be disclosed through the PDP with The Corporate Governance Compliance Report ("CGCR") and the Corporate Governance Information Form ("CGIF") templates. Aydem Renewables disclosed its CGIF and CGCR notifications over the PDP within the specified notification period and included the reports on its web site.

## **2.2. Annual Report:**

Annual Report is prepared in detail by the Board of Directors to provide public access to complete and accurate information on the Company and covers information such as;

- a. Period covered by the Report, the title of the Company, trade register number, contact information,
- b. The names of the chairman and members served on the Board and the Committees during the covered period,
- c. The sectors in which the Company operates and information on its position in these sectors,
- d. Qualifications of the departments of the Company, general explanations related to their activities and

- performances, and yearly developments,
- e. Progress on investments, the eligibility status on incentives,
  - f. Changes and justifications on the Articles of Association within the reporting period,
  - g. Corporate Governance Principles Compliance Report,
  - h. Information on related party transactions,
  - i. Other issues not included in the financial statements, but are beneficial for users,
  - j. Company's capital and ownership structure,
  - k. Benefits provided to staff and workers, information on number of personnel,
  - l. Explanations on the absence of privileged shares,
  - m. The dividend distribution policy,
  - n. Basic ratios on the financial position, profitability and solvency,
  - o. Company's financing resources and risk management policies,
  - p. Information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the content specified in the legislation, the following also took place in the Annual Report:

- a. External duties of Board members and executives,
- b. Declaration of independence of the related Board members,
- c. Members of the Committees within the Board, meeting frequency and working principles of the Committees,
- d. The number of Board meetings held during the year and participation status of the members,
- e. Information on legislative changes that may significantly affect the Company's activities,

- f. Major law suits filed against the Company and possible consequences,
- g. Information on the fact that there is no cross shareholding in excess of 5% of the capital,
- h. Benefits and vocational training of employees, and other Company activities that give rise to social and environmental results,
- i. Rating results.

On the other hand, benefits provided to Board members and senior executives are mentioned collectively, but best application of Corporate Governance Principles dictate that this information is given on an individual basis.

### **2.3. External Audit:**

Annual report audit of Aydem Renewables and its subsidiaries for the accounting period of January 1, 2021 - December 31, 2021 was carried out by Güney Bağımsız Denetim ve S.M.M.M. A.Ş.

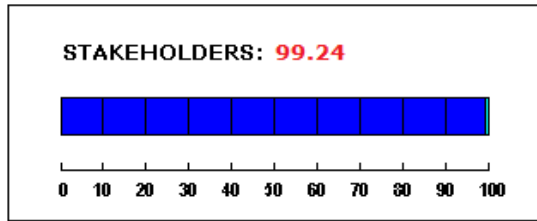
There has not been a situation during the reporting period where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared that there has been no legal conflict between the Company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period.

No consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.



## SECTION 3: STAKEHOLDERS



### SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient Human Resources Policy
+	Stakeholders' views are taken on important decisions
+	Code of ethics disclosed to the public
+	Company is socially and environmentally sensitive and respectful
+	A written employee compensation policy is established and disclosed to the public on the web site
+	Social responsibility projects implemented
+	There are written regulations regarding the participation of stakeholders in management

### 3.1. Company Policy Regarding Stakeholders:

AYDEM recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the Company protects the interest of stakeholders under good faith principles and within the capabilities of the Company. Effective and expeditious compensation is provided in case of violation of the rights.

The corporate web site of the Company is also actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

The corporate governance implementation of the Company ensures that its stakeholders, including its employees and representatives, report their concerns regarding any illegal or unethical transactions to the management.

Necessary mechanisms have been established for stakeholders to report illegal and unethical transactions.

In addition, employees can report transactions that are contrary to the legislation and unethical to the Internal Control Group Director through the notification system.

In addition, a written compensation policy for employees has been established and disclosed to the public on the Company's web site.

### 3.2. Stakeholders' Participation in the Company Management:

Models have been developed to support the participation of stakeholders in the Company's management without impeding operations of the Company.

In addition, these models are included in the Company's internal regulations. Opinions of stakeholders are taken in important decisions that have consequences for stakeholders.

### **3.3. Company Policy on Human Resources:**

The Company has a written human resources policy which is available on the corporate web site.

AYDEM offers equal opportunity to persons with the same qualifications in recruitment and career planning.

The development of a succession plan for key managerial positions is subject to the approval of the Board of Directors in cases where it is anticipated that changes in managerial duties may cause disruption in the Company management. In line with the healthy functioning of the organization and the Company strategy, positions that have a high share in value production are determined, and then critical roles are defined with the aim of appointing employees with the right competencies in these roles. Accordingly, the definitions of critical roles and the compliance of the employees working within are monitored. Actions are planned as a role backup in the short, medium and long term. Upon completion, these plans are presented to the Board of Directors after the General Manager's opinion and approval.

The criteria for hiring are documented in writing and the Company complies with these criteria. All employees are treated with fairness and equality in terms of the benefits provided to them, training programs are provided to enhance employee knowledge, skills and conduct, and training policies are formulated. Informative meetings are held for employees on issues such as the Company's financial situation, wages, career, education and health, and views are exchanged. Periodic meetings held within the Company, year-end evaluation and information panels, annual goal-setting workshops and performance evaluation meetings

are held with their inclusion in decision-making mechanisms, Committees and projects within the framework of their authority and responsibilities. In 2021, a total of 17,968 person\*hours of Occupational Health and Safety (OHS) training, as well as 15,718 hours of technical and vocational training were carried out within the scope of Aydem Holding's in-house training platform, Aydem Academy. Requests, notifications and suggestions from employee representatives and employees at locations can be conveyed through Occupational Health and Safety Board Meetings and Management Review Meetings, and consultation and participation with senior management can be ensured.

In workplaces where there is a union, there is a union representative selected from among the workers by the Union Branch Board of Directors, and there is a workplace representative in all other workplaces.

Recruitment and career planning are conducted on the basis of equality and transparency is ensured.

Job descriptions and distribution of tasks as well as performance and rewarding criteria are announced to the employees. Productivity is a major criterion in determining the salary and other benefits provided.

Measures are adopted to prevent discrimination on the basis of race, religion, language and sex among the employees, to ensure human rights are respected and to protect the employees against internal physical, mental and emotional abuse.

Employees are provided with healthy, ergonomic, hygienic and safe working conditions, and necessary precautions are taken within the framework of Occupational Health and Safety principles.

The Company received the Great Place to Work® Certificate in the program carried out by the Great Place to Work® Institute, which provides services on a global scale in the field of workplace culture and employee satisfaction, and was certified as a "Great Place to Work" according to the criteria of transparency, team spirit and culture of trust.

### **3.4. Relations with Customers and Suppliers:**

AYDEM has taken all necessary precautions to attain customer satisfaction in the sales and market of its products and services.

Correct and complete information is provided to customers in marketing and sale of the Company services.

There is no evidence of non-market pricing of goods and services.

The Company complies with quality standards of products and services and strives to maintain these standards. AYDEM is the holder of ISO 9001, ISO 14001, ISO 45001 and ISO 50001 management system standards certificates.

Care is taken on the confidentiality of information about customers and suppliers within the framework of protection of trade secrets.

### **3.5. Ethical Rules & Social Responsibility:**

The ethical rules of AYDEM is publicly disclosed on the corporate web site.

The Company expends maximum effort to be sensitive to its social responsibilities in its operations. It complies with all regulations regarding the environment, consumers and public health, as well as ethical rules.

AYDEM participated in the 'Fire and Flood Disaster Relief Campaign' initiated by AFAD with a donation of TL 4,000,000 to meet the needs of the victims of the fire which started on July 28, 2021 in many provinces of Turkey, especially in the Mediterranean and Aegean coasts, in addition to the floods which effected many regions of the country. Together with other donations and aids, the total donation amount in 2021 was TL 4.5 million.

Aydem Renewables defines all individuals and institutions that are directly or indirectly affected by its activities as its stakeholders and aims to create value for this broad stakeholder group with a sense of social responsibility. It carries out studies and social responsibility projects in this direction, to contribute to the economic, social and cultural development of the local residents in its area of activity.

In order to reflect the Company's value attached to its female employees, the wind farms in Söke region were named after them.

Within the scope of Hand in Hand for Our Future Project, awareness-raising trainings on forest fires and floods are carried out for the locals in the villages located around the power plant in cooperation with AKUT (Search and Rescue Association).

During the 16-day activism period initiated by UN Women as part of the 25 November Day for the Elimination of Violence Against Women, Company Headquarters was illuminated in orange and the hashtag #don't be indifferent awareness was projected on building.

A total of 1,000 books were donated to the rural schools around the power plant through the We Enlighten the Future with Our Energy campaign.

With the awareness that one of the pillars of an inclusive and sustainable social development is gender equality, 30 volunteer employees received training to train "Gender Equality Trainers". In 2022, it is aimed that all Company employees receive training on this issue. In the next stage, it is planned to carry such training outside the the Company and to organize trainings for teachers and students in the operating regions in cooperation with KODA (Rural Schools Exchange Network).

In the studies conducted by C.V. Long & J.A. Flint & P.A. Lepper, investigating the cause of bird deaths in wind farms, it has been determined that the color that attracts insects the most is white, and the color that attracts the least is gray. Based on the fact that the gray color may cause difficulties in the vision of aircraft such as airplanes and helicopters in cloudy weather, in line with the same research, WPP turbines at Uşak and Yalova regions were painted purple, which is the second color that attracts the attention of insects the least.

Fishways applications in all hydroelectric power plants of the Company contribute to the continuity and sustainability of aquatic life. In the high-elevation Göktaş HPP, on the other hand, the life continuity of the fish in the stream is supported by the fish lift.

The Company supports and respects internationally recognized human rights. It also combats all kinds of corruption, including extortion and bribery, and has an Anti-Bribery and Anti-Corruption Policy.

### **3.6. Sustainability:**

Being a signatory of the United Nations Global Compact in 2020, Aydem Renewables is committed to complying

with the 10 Principles of the Global Compact.

In addition to the Environmental Management System (EMS) established to provide an effective and viable environmental management system, and to support it, ISO 14001 Environmental Management, ISO 9001 Quality Management, ISO 50001 Energy Management, ISO / IEC 27001: 2013 Information Security Management and OHSAS 45001 Occupational Health and Safety Management Systems standards are complied with.

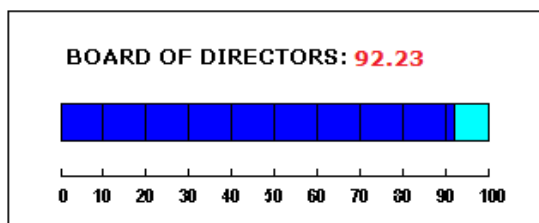
The Company classifies the risks it has deployed under 6 headings under integrated risk management, taking into account their causes, events and consequences. It manages climate change, the decrease in natural resources, related legal changes that are or will be experienced, natural disasters, changing economic balances, new markets, technological innovations, digitalization and all other risks related to sustainability by classifying them into 6 main risk categories.

In 2021, AYDEM increased its score to "B Management Level", which is the highest score in the energy sector in Turkey, thanks to its response to the Climate Change and Water Security surveys within the scope of the Carbon Disclosure Project (CDP). It ranked first in the "Emerging Markets" global ranking with its "A1 Advanced Level" rating with 65 points in the Moody's/Vigeo Eiris index. The project to change the color of turbine blades in WPPs, the LFG power plant that generates energy from methane gas, and Akıncı HPP, which prevents more than 230 thousand tons of carbon dioxide emissions, were deemed worthy of the Low Carbon Hero award three times by the Sustainable Production and Consumption Association. Zero Waste certifications

of all power plants of the Company are realized. Also, studies such as Bat Nests Establishment and Monitoring of Agricultural Pests Caused by Population Increase, Wildlife Development Area Camera Trap Monitoring, Apiculture Activities Monitoring and Support Project, and various trainings to increase the awareness of employees on biodiversity are carried out within the scope of biodiversity. In addition, since 2011, all of the Company's power plants have received Renewable Energy (IREC) and Emission Reduction (VCS&GS) certificates.

AYDEM has the relevant reporting in its Annual Report in accordance with the "Sustainability Compliance Principles Framework" published by the CMB. The Company's efforts on sustainability are covered extensively both on the web site and in the Annual Report. As of our report date, there is no fine or lawsuit filed against the Company due to any environmental damage.

## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	Vision, mission and strategic goals are defined
+	The Board works efficiently and staffed with qualified members
+	Four independent Board members
+	Corporate Governance, Audit, and Early Risk Detection Committees are established and functional
+	Principles of remuneration of Board members and senior executives are established and disclosed to the public
+	The conduct of the Board of Directors meetings is defined in internal regulations and meeting and decision quorums have been included in the Articles of Association
+	There are three female members on the Board, and there is a Diversity Policy
=	Remuneration and benefits provided to Board members and to managers with administrative responsibility is not disclosed on individual basis
=	There is manager liability insurance, but with a coverage below the limit determined in the Communiqué

#### 4.1. Functions of the Board of Directors:

Strategic decisions of the Board of Directors aim to manage the Company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of AYDEM. The Board administers and represents the Company within these parameters.

The Board of Directors has defined the Company's strategic goals and identified the needs in human and financial resources, and controls management's performance. The Board also oversees that Company activities are managed in compliance with the legislation, Articles of Association, internal procedures and established policies.

#### 4.2. Principles of Activity of the Board of Directors:

Board of Directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the Board of Directors is explained in the Annual Report. The Board of Directors established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees. In this context, the Board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the

Annual Report. Although the Chairman of the Board of Directors and the General Manager is not the same person, the separation of powers is not included in the Articles of Association. There is no individual in the Company who has unlimited authority to take decisions on his/her own.

The Board of Directors plays a leading role in maintaining effective communication between the Company and the shareholders and settling any disputes which may arise and works in close coordination with the Corporate Governance Committee and the "Investor Relations Unit".

Defects and damages that may be caused by the Board members during the execution of their duties have been insured, but due to the hefty capital amount, the coverage does not exceed 25% of the Company's capital.

#### **4.3. Structure of the Board of Directors:**

Board of Directors of AYDEM is composed of eight members of which two hold executive duties. There are four independent members who have the ability to execute their duties without being influenced under any circumstances.

No upper limit for the number of independent Board members is mentioned in the Articles of Association. Tenure of office for independent members is designated as three years.

CMB criteria are complied with in determining independent candidates. Independent candidates for the Board of Directors have each signed a declaration of independence within the framework of the legislation, Articles of Association, and the CMB criteria.

The Company has 3 female members in the Board of Directors and has set a

timetable to reach the Corporate Governance Principles Communiqué's advisory target of minimum 25% female Board membership rate. The Board has established a Diversity Policy and evaluates annually the progress achieved in reaching these targets.

#### **4.4. Conduct of the Meetings of the Board of Directors:**

Board meetings take place with sufficient frequency. Seventeen meetings were held within the last year. All members allocate sufficient time for all of the Company's business and show care to participate in each meeting.

Chairman of the Board of Directors sets the agenda for Board meetings in consultation with other members and the general manager. Information on the agenda items of the meeting is made available to the members in sufficient time prior to the meeting date.

Each Board member is entitled to a single vote.

The conduct of the Board of Directors meetings is documented in internal regulations and meeting and decision quorums have been included in the Articles of Association of the Company.

There are no certain rules or limitations for Board members taking on additional duties as executives and/or Board members, advisors outside the Company, and the Company has declared that this situation does not cause any conflict of interest.

Shareholders are informed of external duties of the Board members through the Annual Report and the Corporate Governance Compliance Report

#### **4.5. Committees Established Within the Board of Directors:**

Corporate Governance, Audit and Early Risk Detection Committees are established from within the Board of Directors in order to fulfill its duties and responsibilities duly.

In addition, an Investment Committee and a Sustainability, Environment, Health and Safety Committee are also established.

Functions of the Committees, their working principles, and members are designated by the Board of Directors and disclosed to public on the corporate web site.

All members of the Audit Committee are elected among the independent Board members. Also, the chairmen of the Corporate Governance and Early Risk Detection Committees are elected among the independent Board members. The Corporate Governance Committee is composed of five, Early Risk Detection and the Audit Committees are composed of four members each. The General Manager (CEO) is not on the Committees. There is no executive Board member in the Corporate Governance, Audit and Early Risk Detection Committees.

All necessary resources and support needed to fulfill the tasks of the Committees are provided by the Board. Committees can invite any manager as they deem necessary to their meetings and obtain their views.

The frequency of Committee meetings is sufficient, all activities are documented and records are kept. Reports containing information about the activities and the resolutions of the meetings are submitted to the Board of Directors.

Audit Committee supervises the operation and efficiency of the

Company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the Company regarding Company accounting, internal and external independent audit systems and finalizes them.

The Committee also determines the methods and criteria to be applied for the evaluation of the Company's employees' notifications on accounting and independent auditing in the framework of confidentiality principle. In addition, notifies the Board of Directors in writing about their findings, assessments and recommendations related to their area of responsibility.

Following taking the opinion of responsible managers of the Company and the external auditor, the Audit Committee notifies the Board in writing on whether the annual and interim statements to be disclosed to the public is in accordance with the Company's accounting principles, true and accurate.

The Committee has convened six times during the course of reporting period. Audit Committee members possess the qualifications listed in the Corporate Governance Principles Communiqué.

The Annual Report contains information on activities and meeting resolutions of the Audit Committee, and, that three written notifications were presented to the Board of Directors within the reporting period.

The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the Audit Committee to the Board and ends with the Board's choice being presented and approved at the general shareholders' meeting.



The Corporate Governance Committee fulfills the duties and responsibilities specified in its working principles and undertakes the duties assigned to it by the Articles of Association and the Corporate Governance Communiqué. The main purpose of the Corporate Governance Committee is to assist the Board of Directors in complying with corporate governance principles, including the regulation of the investigations in case of non-compliance with corporate governance principles and identifying conflicts of interest, to oversee the investor relations unit and to fulfill the duties of the Nomination Committee and the Remuneration Committee.

One of the main duties of the Nomination Committee is to prepare a report on the candidates proposed by the Board of Directors and shareholders, taking into account whether the candidate meets the independence criteria and submit this evaluation as a report to the Board for approval. This duty is included in the charter of the Corporate Governance Committee. In the upcoming rating periods, it will be monitored whether this process is followed in the case of new candidates.

Since the Remuneration Committee is not established, its duties are carried out by the Corporate Governance Committee. The Company's remuneration policy, in which the principles of remuneration of the members of the Board of Directors and executives with administrative responsibility, are determined and disclosed to the public on the corporate web site.

The activities of the Corporate Governance Committee on discussing and taking a recommendation on the determination of the remuneration of the members of the Board of Directors, Revising, changing and re-evaluation of principles, as well as criteria and

applications on remuneration, and submission of the views to the Board in the upcoming reporting periods and when necessary, will be closely monitored by us.

The Early Detection of Risk Committee carries out its tasks towards early detection of risks which may jeopardize the Company's assets, its development and progression, and measures taken to mitigate and manage those risks. It reviews risk management systems four times a year and finalizes relevant reports.

#### **4.6. Remuneration of the Board of Directors and Managers with Administrative Responsibility:**

The Board of Directors presented their assessments in the Annual Report whether the operational and financial targets disclosed to the public are met or not, along with reasons behind possible shortcomings. The principles of remuneration of Board members and senior executives have been documented in writing and submitted to the shareholders as a separate item at the general shareholders' meeting. A remuneration policy prepared for this purpose can be found on the Company's web site.

Stock options or performance-based payments are not included in the remuneration package of the independent Board members. Their remuneration is designated at a level to maintain their independence

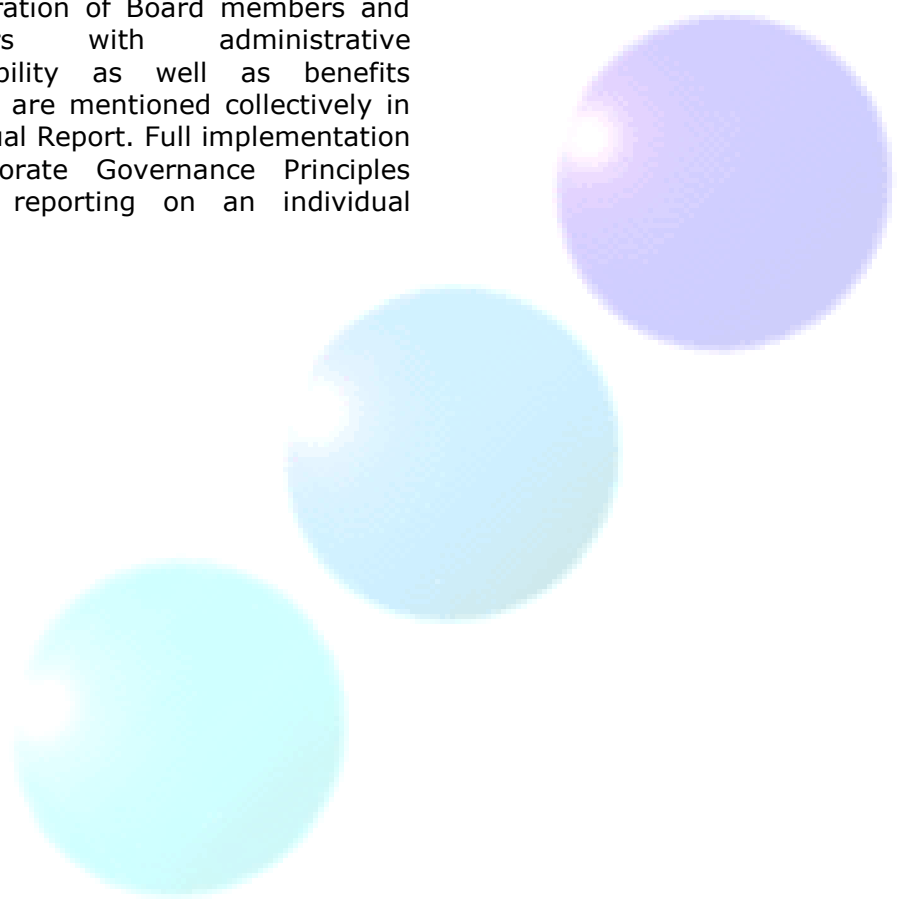
AYDEM does not lend any funds or extend any credits to a member of the Board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

The executives have the required professional qualifications in order to perform the assigned duties. The executives comply with the legislation, Articles of Association, and in-house

regulations and policies in fulfilling their duties.

There have been no cases where the executives used confidential and non-public Company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the Company's affairs, and provided unfair advantage.

Remuneration of Board members and managers with administrative responsibility as well as benefits provided are mentioned collectively in the Annual Report. Full implementation of Corporate Governance Principles dictates reporting on an individual basis.



## Rating Definitions

Rating	Definition
<b>9 - 10</b>	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
<b>7 - 8</b>	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
<b>6</b>	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
<b>4 - 5</b>	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<b>&lt;4</b>	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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