

Corporate ESG Rating Certificate for Aydem Renewables

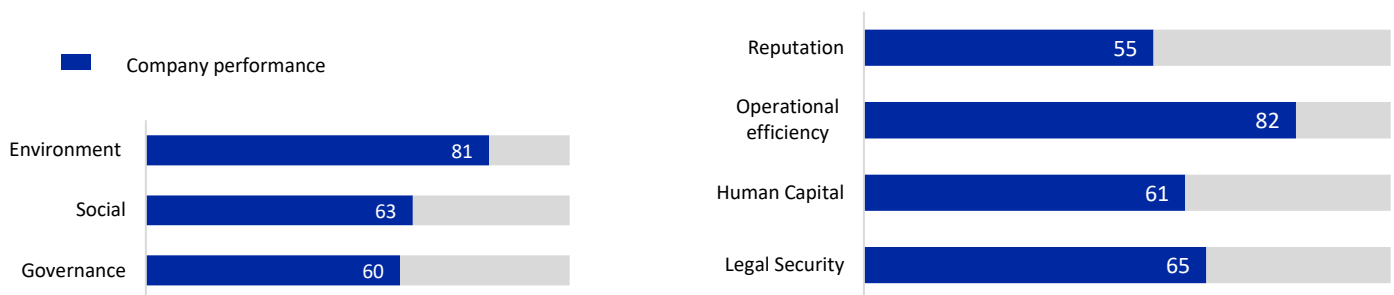
Aydem Renewables has solicited V.E to conduct an independent ESG and sustainability rating.

As of September 2021, Aydem Renewables receives an A1 rating, based on an overall score of 65/100. The company displays strong willingness and capacity to integrate ESG factors into its strategy, operations and risk management, with advanced performance on issues related to human capital, legal security and operational efficiency, and robust ones when it comes to reputation.



ESG Reporting Rate	94%
Sector average	65%

ESG AND RISKS MANAGEMENT PERFORMANCE (.../100)



KEY TAKEAWAYS

Impacts: Aydem Renewables’ energy mix (100% renewable) and the company’s commitment to remain a producer of renewable electricity account for an advanced energy transition score and a major contribution to the UN sustainable development goals N°7 (Affordable and clean Energy), 12 (Sustainable consumption and production) and 13 (Climate action). KPIs demonstrating the company’s social footprint (in terms of diversity, training and health and safety) reveal mixed trends.

Risks: Aydem Renewables’ risk management system appears comprehensive, covering its most material ESG risks. The company displays robust capacity to safeguard and enhance its reputation. Nevertheless, risk factors related to reorganisations and social dialogues are addressed in a limited manner.

Management: Aydem Renewables appears to pro-actively integrate ESG factors into its strategy and operations. Its approach is supported by wide-covering commitments. The absence of controversy strengthens our assurance on the company’s management of its main CSR issues.

This issuer-solicited sustainability rating was produced using research about Aydem Renewables from Vigeo Eiris’ database as well as interviews with eight Company’s managers and directors and one employee representative, conducted from 07/09/2021 to 08/09/2021.

V.E’s 15 pages report was delivered on 29/10/2021, covering 6 domains and 17 sustainability drivers. It is structured around 3 key pillars:

1. The social and environmental impacts of Aydem Renewables products and services, its strategy for the future, and its ability to invest in and create sustainable value;
2. Aydem Renewables’ capacity to identify and mitigate its ESG risks and to preserve and increase the value of its strategic assets (including reputation, human capital, operational & organisational efficiency and legal security);

3. The strategic and operational integration of social responsibility topics in Aydem Renewables' governance, operations and reporting, including the balance and dynamics of stakeholder relationships.

V.E's analysis aims to inform investors, asset managers and other relevant stakeholders of the nature, weighting and level of integration of ESG factors by Aydem Renewables, as well as its ability to identify and mitigate related risks.

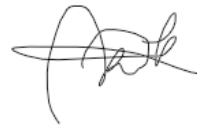
Aydem Renewables, a subsidiary of Aydem Energy, is a Turkish company involved in the generation of renewable energy. The company operates 21 hydroelectric plants (85% of installed capacity), 3 wind plants (14%), 1 geothermal plant, and 1 biogas plant, for a total installed capacity of 1,135 MW throughout Turkey. In 2021, the company conducted an initial public offering. Its mother company remains as the controlling shareholder.

Paris, 29 October 2021

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The Company gave us access to all documents and interviewees that we requested as part of our analysis process. We have a reasonable level of assurance about the reliability of information provided by the company. We have conducted this analysis in line with our standard methodological framework and Code of Conduct. We have not been subject to any pressure or proposal which could affect our independence or alter the integrity of our statements or opinions. We have no personal interest with the issuer, its executives or its activities. Vigeo Eiris provides its clients with information and/or analyses or opinion on factual, quantitative or statistical, managerial, economic, financial, governance, social, or technical data, in relation to companies, brands, products or services, assessed individually or with respect to sectors, regions, stakeholders or specific themes. Vigeo Eiris is committed to making its best efforts when collecting, organising, consolidating, formatting, making available and/or delivering the aforementioned information, analyses and/or opinion to its clients.

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Opinion on sustainability

Summary



ESG Reporting Rate	94%
Sector Average	65%

Preliminary note: We assessed Aydem Renewables at its request in line with our methodology of unsolicited rating. This assessment results in an absolute score of 65/100. Since Aydem Renewables is not part of our listed issuers universe, this assessment does not result in a ranking against other listed companies. The A1 Rating serves an indicative purpose only, meaning that the company's absolute score appears superior to the ones obtained by listed companies within the 95th percentile of our universe. This position against sector components should not be used for legal reporting or legal valuation purposes.

As of September 2021, Aydem Renewables receives an A1 rating, based on an overall score of 65/100. Compared to the past rating, the company's performance increased by 8 points. This is mainly due to an improved reporting on pollution prevention and control, integration of social factors in supply chain, prevention of discrimination, social dialogue, career development and board of directors. The company displays strong willingness and capacity to integrate ESG factors into its strategy, operations, and risk management, with advanced performance on issues related to legal security, human capital, operational efficiency, and robust performance when it comes to reputation, respectively.

Aydem Renewables, a subsidiary of Aydem Energy, is a Turkish company involved in the generation of renewable energy. The company operates 21 hydroelectric plants (85% of installed capacity), 3 wind plants (14%), 1 geothermal plant, and 1 biogas plant, for a total installed capacity of 1,135 MW throughout Turkey. In 2021, the company conducted an initial public offering. Its mother company remains as the controlling shareholder.

ESG AND RISKS MANAGEMENT PERFORMANCE (./100)



STRENGTHS

- ▶ A 100% renewable energy mix
- ▶ Advanced internal controls, corruption, and anti-trust prevention systems
- ▶ Robust integration of social factors in the supply chain

WEAKNESSES

- ▶ Limited disclosure on executive remuneration

KEY TAKEAWAYS

Impacts: Aydem Renewables' energy mix (100% renewable) and the company's commitment to remain a producer of renewable electricity account for an advanced energy transition score and a major contribution to the UN sustainable development goals N°7 (Affordable and clean Energy), 12 (Sustainable consumption and production) and 13 (Climate action). KPIs demonstrating the company's' social footprint (in terms of diversity, training and health and safety) reveal mixed trends.

Risks: Aydem Renewables' risk management system appears comprehensive, covering its most material ESG risks. The company displays robust capacity to safeguard and enhance its reputation. Nevertheless, risk factors related to reorganisations and social dialogues are addressed in a limited manner.

Management: Aydem Renewables appears to pro-actively integrate ESG factors into its strategy and operations. Its approach is supported by wide-covering commitments. Robust means and processes address the most material challenges. The absence of controversy strengthens our assurance on the company's management of its main CSR issues.

Impacts

Of note, indicators reported by the company have not been certified by an external party. *This assessment was conducted before Aydem has won the privatization tender of Akköprü HPP. (The transfer process is still on-going)*

VALUE CREATION AND SHARING

<p>Share of investments in activities creating sustainable value [Major, Significant, Limited, None]</p>	<p>Major</p>	<p><u>Renewable electricity capacity</u></p> <p>100% of Aydem Renewables capital expenditures aim to develop or maintain its renewable energy production and are therefore considered as creating sustainable value. The company's current portfolio includes Hydroelectric, Wind, Geothermal, and Biomass power plants. The company states that it plans to invest in Solar power plants, and 16 projects are already in the pipeline.</p> <p>From 2016 to 2020, the company has steadily increased its renewable electricity production capacity:</p> <ul style="list-style-type: none"> - By 198 MW in 2015 (+45% compared to 2014) - By 176 MW in 2016 (+28% compared to 2015) - By 110 MW in 2017 (+14% compared to 2016) - By 99 MW in 2018 (+11% compared to 2017) - No further increase occurred in 2019 and 2020 (1020 MW) <p>For the next 5 years, Aydem Renewables states that it plans to develop its installed capacity by 2000 MW. The company also plans to increase the efficiency of energy utilization equipment, exp hybrid model power plants projects and acquisition.</p> <p><u>Hydro-power energy efficiency</u></p> <p>In 2020, USD 2.8 million was spent to improve the transmission channel and tail water channel, enhancing kinetic energy from flowing water, cleaning hydro hardware.</p> <p><u>Expansion of existing power plants via hybrid projects</u></p> <p>Aydem has 14 hybrid projects in progress to increase its additional installed capacity of 592 MW by 2022. These projects involve installations of solar power plants in the existing hydroelectric and wind power plants.</p> <p><u>Acquisition</u></p> <p>Aydem has reported to V.E that the company has recently won the privatization tender of Akköprü HPP, adding 115 MW installed capacity to the total installed capacity of 1,135 MW.</p> <p>The company does not disclose the exact number of investments made over the past 5 years.</p>
<p>R&D and innovation investments [Increase, Stable, Decrease, Unclear]</p>	<p>Unclear</p>	<p>Since previous investments in R&D are not disclosed, a trend cannot be defined.</p>
<p>Ratio of employee wages and benefits vs CEO remuneration [Increase, Stable or No Clear Trend, Decrease]</p>	<p>No Clear Trend</p>	<p>No information is made available on CEO remuneration.</p> <p>The company conducted a review of employees' salary levels, which was finalised in 2019. In this respect, over the last three years, employee wages and benefits increased by 62%, from USD 4.4 million in 2018 to USD 7.2 million in 2020.</p> <p>Of note, the company states that this sharp increase in salaries has been decided further to a benchmark conducted with European salaries of the same sector.</p>
<p>Transparency on tax payments [Major, Significant, Limited, None]</p>	<p>Significant</p>	<p>The company, which is only active in Turkey, reports its tax payments in 2018 (USD 0 million), in 2019, USD 1.74 million, and in 2020, USD 253,290.</p>

<p>Operations in offshore financial centers (OFC), including non-compliant OECD jurisdictions [No Operation in OFC, Justified Operations in OFC, Unjustified Operations in OFC]</p>	<p>Justified Operations in OFC</p>	<p>Aydem Renewables is based and operates only in Turkey, which is considered as partially compliant on tax transparency rules by the OECD.</p>
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SOCIAL & ENVIRONMENTAL IMPACTS

Environmental impacts:

The company's carbon footprint, as estimated by Vigeo-Eiris, is considered low and the company receives therefore a grade A (carbon footprint score, the best score on Vigeo Eiris rating scale) in this regard. In addition, the company's efforts to ensure energy transition are considered advanced, which results in an energy transition score of 77/100. This performance is far above the sector average of the Electric and Gas Utilities Emerging market score (30/100), composed of 53 companies.

<p>Carbon Factor [Increase, Decrease, Undisclosed]</p>	<p>Decrease</p>	<p>Aydem Renewables' carbon factor decreased by 42% between 2018 and 2020, when it stood at 23 kg CO₂/MWh.</p> <p>This figure is significantly below the Electric and Gas Utilities Emerging Market sector average of 318.2 kg CO₂/MWh in 2020 (18 companies reported on this indicator).</p> <p>Of note, the company has set the specific target to further reduce its greenhouse gas emission intensity of 30% in 2025 and 65% in 2035 and to reach carbon neutrality by 2050.</p>
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Social impacts:

<p>Employment growth [Positive, Stable, Undisclosed]</p>	<p>Negative</p>	<p>The total number of employees was 567 as of 2020. It decreased by 16% since 2018, when it reached 675 employees.</p> <p>Of note, the company states that this decrease is mainly related to the departure of employees working on a power plant construction (Akinci HPP), after its completion in 2018.</p> <p>Also, the company reported that in 2020 it recruited 39 new employees without terminating any of its employees.</p>
<p>Percentage and trends of women in management [Increase, Stable or Unclear, Decrease or Undisclosed]</p>	<p>Decrease</p>	<p>The share of women in management positions has declined by 25 percentage points, between 2018 and 2020, down to 15%.</p> <p>This ratio is below the average of companies reporting this indicator in the Electric and Gas Utilities sector Emerging Market, which stood at 19.9% in 2020 (22 companies reported on this indicator).</p>
<p>Injury frequency rate [Decrease, Stable or Unclear, Increase or Undisclosed]</p>	<p>Decrease</p>	<p>Aydem' s Renewables' lost time injury frequencies rate has decreased by 81% since 2018, from 4.2 per million hours worked to 0.8 per million hours worked in 2020.</p> <p>This rate is below the Electric and Gas Utilities Emerging Market sector average of 0.2 per 200,000 hours worked in 2020 (10 companies in the sector report on this indicator).</p>
<p>Number of training hours per employee [Increase, Stable, Decrease or Undisclosed]</p>	<p>Increase</p>	<p>The number of annual training hours per employee increased by 565% between 2018 and 2020, when it reached 17.9 hours per employee. The increase of training hours per employee is mainly facilitated by the digitalisation of training programmes, which has increased the accessibility and employee participation to obtain more modules this year.</p> <p>In 2020, the number of training hours per employee was below the sector average, which stood at 35.57 hours (12 companies of the Electric & Gas Utilities Emerging Market sector disclosed this information for 2020).</p>

IMPACTS OF PRODUCTS & SERVICES

100% of Aydem Renewables' turnover comes directly from the sale of electricity from renewable resources. As a result, the level of contribution of Aydem Renewables' products to the **Sustainable Development Goals** is considered major (the highest position on Vigeo Eiris rating scale). This materializes the company's contribution to the UN Sustainable development Goals N°7 (Affordable and clean Energy), 12 (Sustainable consumption and production) and 13 (Climate action).

<p>Share of electricity generation from renewable sources [Major, Significant, Minor, Inexistent or Undisclosed]</p>	<p>Major</p>	<p>100% of Aydem Renewables' electricity generation comes from renewable sources. In 2020, the company produced 2,638 GWh of electricity, with the following breakdown:</p> <ul style="list-style-type: none"> - Hydroelectric: 83.3% - Wind: 16.6% - Landfill Gas: 0.1% <p>This share stands far above the sector average of 69% in 2020 (13 companies in the sector report on this indicator). Two other companies of the Electric & Gas Utilities Emerging Market sector are also producing 100% of renewable energy.</p>
<p>Performance trend in terms of access to energy [Increasing, Stable or Unclear, Decreasing, Undisclosed]</p>	<p>Undisclosed</p>	<p>The company states to have contributed to install capacity generation in a school in cooperation with Denizli Directorate of National Education. However, a trend cannot be assessed due to a lack of quantitative data.</p> <p>Of note, only 5 companies in the sector report on quantitative results regarding their efforts to promote access to energy.</p>

Risks

This assessment was conducted before Aydem has won the privatization tender of Akköprü HPP. (The transfer process is still on-going)

RISK FACTORS

Aydem Renewables' most material risk and opportunity factors relate to:

- Board of Directors
- Business Ethics (Corruption and anti-competitive practices)
- Impacts on local communities (Respect for human rights standards and promotion of social and economic development)
- Impacts on ecosystems (Environmental management and biodiversity)
- Climate Change
- Health and safety and working conditions of direct and indirect workforce

Our analysis reveals that Aydem Renewables has adequately addressed most of these challenges.

Board of Directors

The composition of the Board of Directors (including the diversity, independence, and competency level of its members), as well as its functioning rules (including board members' training and performance evaluation, the frequency of their elections, etc.) could impact its ability to exercise control over the management and foster the company's long terms competitiveness and profitability.

Vigeo Eiris positively notes the separation of roles between the Board chairman and the CEO and the formalization of a comprehensive framework, and the existence of specialized committees may support the Board's ability to exercise effective control over the top-management. In the frame of the IPO process conducted this year, Aydem has appointed two additional women board members, who are considered independent and have relevant CSR expertise and industry experience. However, Aydem Renewables' Board entails 50% independent members (which is below standards advocated by Vigeo Eiris) and its Chairman (an executive from the mother Company) is not considered independent. In addition, the term of office of the board of directors is a maximum of three years, and Board Members whose term of office has expired can be re-elected. Information on evaluation of Board performance is not disclosed.

Business Ethics

Aydem Renewables' projects involve negotiations with public entities to buy or rent land and must respect planning schemes controlled by national and local legislations. These are conducted in a country where corruption risk is perceived as medium to high by international stakeholders (Turkey's corruption perception index by Transparency International is of 40/100). In addition, the company operates in a highly regulated market and faces regulatory risks linked to compliance with anti-trust regulations. As the company intends to develop new projects by responding to public bid tenders in the future, its ability to showcase a solid business ethic culture may be a strong asset.

Aydem Renewables continues to show an advanced management of corruption and anti-competitive practices issues. Exhaustive commitments address the prevention of corruption and anti-competitive practices in Aydem Renewables' Code of Conducts. The commitment applies throughout the company, supported by senior management with oversight of the Legal and Compliance Department. Means in place to prevent corruption and anti-trust practices include an internal control system with confidential reporting, and a proper procedure for budget or investment approval, which is overseen by the Investment Committee. Furthermore, in regard to prevention of corruption and anti-competitive practices, Aydem Renewables reports on a solid risk control procedure, supervised by the Audit committee. One area for improvement is on reporting system and internal controls that foster external audits conducted by specialised organisations. The company has also stated that it has recently engaged a new director of government relations to lead company's strategy with respect to responsible lobbying practices and has recently disclosed a public relations policy.

Impacts on local communities (Respect for human rights standards and promotion of social and economic development)

Aydem Renewables is building large scale power plants with long term impacts on local communities. As such, the respect for human rights of communities surrounding projects and contribution to local social and economic development may impact its licence to operate.

Our assurance on Aydem Renewables' ability to ensure the acceptability of its operations within local communities is good. The company's commitments towards socio economic development are comprehensive. Aydem Renewables communicates on advanced measures to promote the socio-economic development of local communities, including capacity building and infrastructure development programmes. In comparison to the previous year, the company has communicated on the status of grievance mechanism which has been established in affected local communities. In 2020, The company has provided USD 347,100 of aid in the campaign launched by the Turkish government to help those financially struggling, especially daily wage workers, due to the COVID-19 pandemic. In addition, the company offered USD 419,490 to AFAD, in order to support the victims of the wildfires in Turkey this year. On a positive note, the absence of allegation strengthens our assurance on the company's ability to preserve its reputational asset.

Impacts on Ecosystems (Environmental management and biodiversity)

Hydroelectric power plants and wind farms generate significant and long-term impacts on local ecosystems and, as well as solar farms, are subject to stringent environmental regulation. The implementation of efficient environmental management systems and systematic measures to mitigate operations' impacts on biodiversity are therefore key to preserve the company's license to operate.

In line with our past assessment, Aydem Renewables has identified most of its responsibilities in terms of environmental, although its commitment towards biodiversity is considered general. The company has also implemented a comprehensive and wide-covering environmental management system, and all its plants received ISO14001 certifications. State-of-the art measures (including environmental impact assessments, trainings of relevant managers and implementation of management guidelines) ensure the integration of ecosystem protection at management level, as well as reduction of impacts at sites level. One area for improvement relates to the monitoring and disclosure of related KPIs: although some indicators appear to be monitored via specific studies conducted on some sites, these do not appear to be complete and covers all impacts of its activities.

Climate Change

As an Electric Utility company, Aydem Renewables has a major role to play in combating climate change. The company is also exposed to physical risks of climate change, since climate evolutions may impact water and wind availability in the future, which could affect the company's electricity generation capacity. In this respect, in 2020 Aydem Renewables' electricity generation from hydroelectric power plants decreased by about 8% with respect to the previous year due to drought (from 2391 GWh in 2019 to 2197 GWh in 2020), while wind energy generation increased by about 7% (from 408 GWh in 2019 to 438 GWh in 2020).

The company's contribution in fighting climate change is remarkable, as 100% of the generated electricity is renewable. Aydem Renewables aims to increasing the efficiency of energy utilization equipment. In this regard, last year new led lighting systems were installed . Aydem has informed Vigeo Eiris that the new led lighting systems installation is part of execution project laid out in Aydem' s carbon reduction strategy.

With respect to climate change physical risks, the company's effort appears noteworthy. Aydem Renewables is investing in different projects to improve hydroelectric power plants' efficiency, one of these projects aims at increasing the height of a waterfall. Also, the company aims to diversify its electricity generation portfolio to guarantee the availability of primary energy sources for the concerned power plants. For this reason, it commissioned the installation of combined wind and solar (hybrid) power plants. Of note, the company has responded to the Carbon Disclosure Project on both Climate Change and Water Security and informed Vigeo Eiris that it developed a scenario analysis aligned with a 1.5-degree scenario, by considering 2025, 2030 and 2050 as short, medium, and long-term time horizon.

Health and Safety and working conditions of direct and indirect workforce

Power plants' construction and operations involve significant operational and legal risks related to working conditions of direct and subcontracted workforce. Hazards associated to the construction and maintenance of hydroelectric and wind generation units include working from height, manipulating heavy loads, etc. Any accident on a worksite could lead to project delay or fines. Aydem Renewables also bears the responsibility for social standards applied on construction sites (including direct and subcontracted employees' working conditions, as well as respect for basic labour and human rights). Criticism in this respect could severely harm the company's brand image and license to operate.

Operational and legal risks related to health and safety of Aydem Renewables' direct and sub-contracted workforce are well addressed.

- Aydem Renewables reports on relevant targets to reduce the number of accidents, as well as on a comprehensive health and safety system, certified to ISO 45001. In addition, Health and safety KPIs (related to a reduction of LTIFR) are said to be integrated in the senior management's remuneration. Result is positive since both the company's LTIFR and TRIFR show significant decrease (between 2018 and 2020 the TRIFR decreased from 11.5 to 5.75, per million hours worked while the LTIFR decreased from 4.2 to 0.8 per million hours worked).
- Aydem Renewables states that sub-contracted employees are covered by health and safety rules, since these are added as annex to sub-contractors' contracts, any infringements being likely to lead to contract cancellation. The company states that it provides training to sub-contractors on workplace risks on daily base. This represents a progress compared to our past assessment, from limited to robust in managing environmental and social factors in the supply chain.

RISK MANAGEMENT

In line with our past assessment, Aydem Renewables' risk management system appears comprehensive and covers the group's most material CSR risks. However, some topics considered material by Vigeo Eiris are considered as low priorities by Aydem Renewables. With respect to the two bodies in charge of overseeing this system, Vigeo Eiris positively notes the high level of independence of the Audit Committee (100%). However, the Early Risk Detection Committee entails four independent members and two executives from the mother company (the CFO and CCO).

- ▶ Group-wide risk mapping is conducted once a year by the senior management team, under guidance of the Risk Group Director, who reports to the CEO and Early Risk Detection Committee of the Board of Directors. Risk mapping and related actions are updated quarterly. Risks are assessed on their impacts on EBITDA, as well as on four types of non-financial impacts (on reputation, legal security, customers, and employees).
 - CSR risks are mentioned in this mapping include information security, employment practices (including respect for labour law, employee representation, health and safety and discriminations), environmental damages and compliance risks. Although risks arising from physical impacts climate change are mentioned, but the actualisation of damage or opportunities over the real assets are not measured. Risks related to supplier's exposure to environmental and social issues are included in this mapping on a declaration basis from the supplier and subcontractors with no external audit in separate. Means in place to mitigate such risks include non-compliance procedures, integration of environmental and social issues into contractual clauses, supplier questionnaires, and risk assessments.
- ▶ In 2019, a materiality matrix has been built by the management team, based on an online survey conducted among 118 employees and 29 external stakeholders. This matrix identifies 20 risks, with three levels of priority (top, high, and "other" priority). It mentions most of the company's relevant CSR risks, although some of them (such as biodiversity and sustainability standards in the supply chain) are considered as moderate while Vigeo-Eiris considers these as material for Aydem' s activity. With respect to biodiversity, the company states to consider this issue a limited risk because sufficient means are in place to comply with legal requirements.
- ▶ Relevant risk management processes are in place.
 - For each identified risk, a risk owner is responsible for implementing adequate controls. Business departments are responsible for comprehensive structuring and proper execution of risk management processes.
 - The Risk Group Director monitors each department 'compliance with the Company's risk policies and regulations
 - The Internal Audit Department assesses the effectiveness of the risk control structure
 - A global confidential reporting system is available to all employees and stakeholders to report on any human resources, human rights, and business ethics issue.
 - Supervision of the risk management system is ensured by the company's Audit Committee.
 - Aydem Renewables has obtained ISO 14001, 5001, 9001 and 45001 certifications in February 2020. Yearly renewal of such certification will imply external control on the company's environmental, energy, quality, and health and safety management systems.
- ▶ Reporting on risk management is conducted by the Risk Group Director to the management team and to the Board's Early Risk Detection Committee, which meets quarterly. The internal audit department also reports on the effectiveness of controls implemented by the 1st and 2nd lines of defence to the Board's internal audit committee.

- Reporting on CSR risks is conducted by the Sustainability management team to the Health Safety and Environment Committee, which meets four times a year and reports to the Board of Directors. The Sustainability Management team also reports to the Management team, which reviews CSR targets and objectives during Management Review Meetings.
- The company reports on its main CSR risks through its Sustainability Report, which entails relevant CSR indicators although it has not been reviewed by a third party.

REPUTATION

REPUTATION (/100)	
Social and economic development	71
Fundamental human rights	63
Social standards in the supply chain	57
Access to energy	55
Biodiversity	55
Responsible lobbying	42
Executive remuneration	18

OPERATIONAL EFFICIENCY

OPERATIONS (/100)	
Renewable energy	98
Environmental strategy	97
Audit & internal controls	71
Board of Directors	63

HUMAN CAPITAL

HUMAN CAPITAL (/100)	
Non-discrimination	76
Health and safety	77
Career management	61
Fundamental labour rights	57
Reorganisation	47
Social Dialogue	46

LEGAL SECURITY

LEGAL SECURITY (/100)	
Corruption	65
Anti-competitive practices	65
Industrial accidents and pollution	65

Weak: from 0 to 29

Limited: from 30 to 49

Robust: from 50 to 59

Advanced: from 60 to 100

Management

This assessment was conducted before Aydem has won the privatization tender of Akköprü HPP. (The transfer process is still on-going)

INTEGRATION OF ESG FACTORS INTO CORPORATE GOVERNANCE

In line with our past assessment, a majority of factors under review demonstrate Aydem Renewables' willingness and capacity to integrate ESG factors into its governance structure and decision-making processes.

- ▶ **The Board of Directors** is responsible for overseeing the company's sustainability performance. The Company states that Board's performance is evaluated in relation to Aydem Renewables' ESG performance, but criteria considered in the frame of this assessment are not disclosed.
 - A **Sustainability, Environment and OHS Committee** reporting to the Board of Directors oversees developing action plans to achieve the CSR strategy. It is composed of the CEO, Operations Director, Project, and maintenance Director and OHS, Environment, IMS manager. Its objectives include continuous improvement of the OHS culture, as well as compliance with environmental regulations and review of KPIs on CSR performance. In parallel, a dotted line reporting of management of CSR strategy involves **Early Risk Detection Committee**, whose responsibility is to identify the risks that might jeopardise the improvement and continuation of the company.

- ▶ At **Operational Level**, management and monitoring of CSR issues is under the responsibility of the OHS, environmental and integrated system Department, which head reports to the CEO. It is composed of eight employees and has local contact points in each of the company's 25 plants. These are in charge of reporting on health, safety, and environment KPIs, as well as of ensuring correct implementation of OHS processes. In addition,
 - Corporate Communications Manager is responsible for Community related issues and continuously in touch with the local contact points in each of the company's 25 plant locations.
 - A Life Safety and Environment Committee operates as the Sustainability Management team, which meets monthly to determine time and measures required to achieve targets set. This committee reports every quarter on means implemented and results achieved to the **Sustainability, Environment and OHS Committee**.

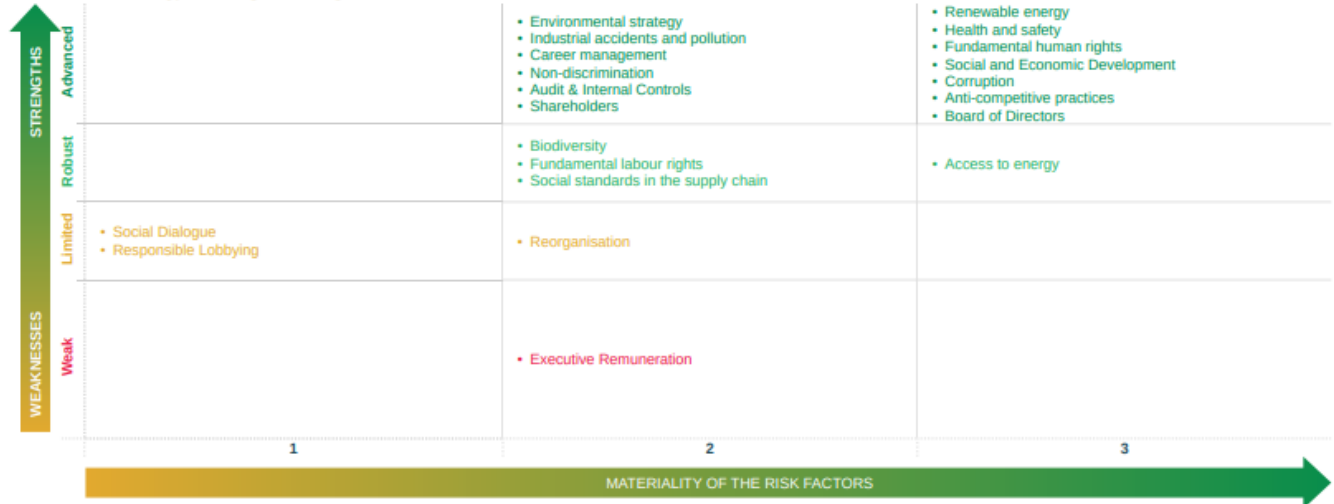
- ▶ CSR issues are integrated in the company's **internal controls system**, as mentioned on page 7 of this document.

- ▶ **Executive Remuneration** appears to integrate some CSR components although these are not publicly disclosed and do not appear to be formalized in the company's remuneration policy.
 - In 2021, Aydem Renewables informed Vigeo Eiris that specific operational and CSR targets set for the CEO include, for 2020 and 2021: obtention of the Great Place to work certificate, achievement of a LTIFR of 2.3 accident per million hours worked and installation of predictive and preventive maintenance on power plants.
 - The company also states that all executives and managers have operational objectives set at group and company level and that the reduction of LTIFR is one of the targets assigned to all managers.

ESG MATERIALITY AND PERFORMANCE MATRIX

Management of risks and opportunities

MATERIALITY & PERFORMANCE MATRIX



ENVIRONMENT

Strengths	Weaknesses
<p>100% of electricity produced by the company is from renewable source. This constitutes a reputational asset and an opportunity in the worldwide energy transition perspective.</p> <p>100% of Aydem Renewables power plants are certified to ISO14001 and ISO 50001 since February 2020. This strengthens our assurance on the company's ability to mitigate operational and reputational risks related to environmental incidents as well as to generate operational gains, thanks to, among others, increased energy efficiency.</p> <p>The company has set emission reduction goals of 30% for 2025 and 65% for 2035 and committed to achieve carbon neutral goal by 2050. It has also disclosed energy efficiency and consumption plans defined to achieve these targets.</p>	<p>The company has identified its impacts on biodiversity and reports on relevant measures to mitigate these. However, it does not publicly report on related indicators nor targets set to reduce these. Improved disclosure on such objectives and KPIs could strengthen stakeholders 'confidence on the relevance of the company 'strategy.</p>

SOCIAL

Strengths	Weaknesses
<p>Comprehensive means in place to address social and economic development and promote local renewable electricity production may foster the company's license to operate.</p> <p>The company discloses relevant targets to reduce accidents and reports on a robust health and safety system, certified to ISO 45001. It also reports positive trends in terms of accident frequency and severity rates. This may positively affect human capital cohesion and, in turn, operational efficiency.</p>	<p>Means to ensure social dialogue are in place, with one employee representative representing each site's workforce, while trade union involvement represents 5.5% of the workforce. However, measures to monitor the respect of freedom of association such as external audit within the company's operations do not appear to be in place.</p>

<p>A relevant commitment and comprehensive measures appear to address non-discrimination and diversity. One area for improvements relates however to the share of women on management positions, which has decreased by 5 points from 2018 to 2020, down to 15%.</p> <p>Comprehensive measures appear to ensure the integration of social standards in the supply chain management. This may strengthen the company's ability to promote mutually beneficial relationships with suppliers hence limit disruptions.</p>	
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GOVERNANCE

Of note, our assessment on Aydem Renewables 'governance system is based on the company's status as a listed company.

Strengths	Weaknesses
<p>Highly relevant commitment and adequate internal controls measures to prevent corruption and anti-competitive practices are in place. One area for improvement relates to involvement of employees on a business ethics culture, which does not appear to go beyond awareness raising measures.</p> <p>The company's internal control system appears robust and includes most of the company's material CSR risks.</p>	<p>The company informed Vigeo Eiris that executive's variable remuneration is linked to operational and CSR performance objectives. Nevertheless, neither these objectives nor executive remuneration are made public. Increased transparency on these aspects could foster investor's trust on the alignment of management and stakeholders' interests.</p>

DETAILED EXPOSURE TO CONTROVERSIES

ESG Issues	Number of companies facing associated cases within the sector	Company exposure	Company reactivity
Social standards in the supply chain	0	No	N/A
Prevention of corruption	0	No	N/A
Anti-competitive practices	0	No	N/A
Responsible lobbying	0	No	N/A
Respect for human rights standards	0	No	N/A
Fundamental labour rights	0	No	N/A
Non-discrimination and diversity	0	No	N/A
Environmental strategy	0	No	N/A
Industrial accidents and pollution	7	No	N/A
Development of renewable energy	0	No	N/A
Biodiversity	3	No	N/A
Social and economic development	0	No	N/A
Access to energy	0	No	N/A
Board of Directors	0	No	N/A
Audit & internal controls	0	No	N/A
Executive remuneration	0	No	N/A
Social dialogue	0	No	N/A
Reorganisation	0	No	N/A
Career management	0	No	N/A
Health and safety	0	No	N/A

CONTROVERSY MANAGEMENT

No controversy has been identified for Aydem Renewables over the past four years. This strengthens Vigeo Eiris' assurance on the company ability to manage its relations with stakeholders, on all CSR issues concerned by its activity.

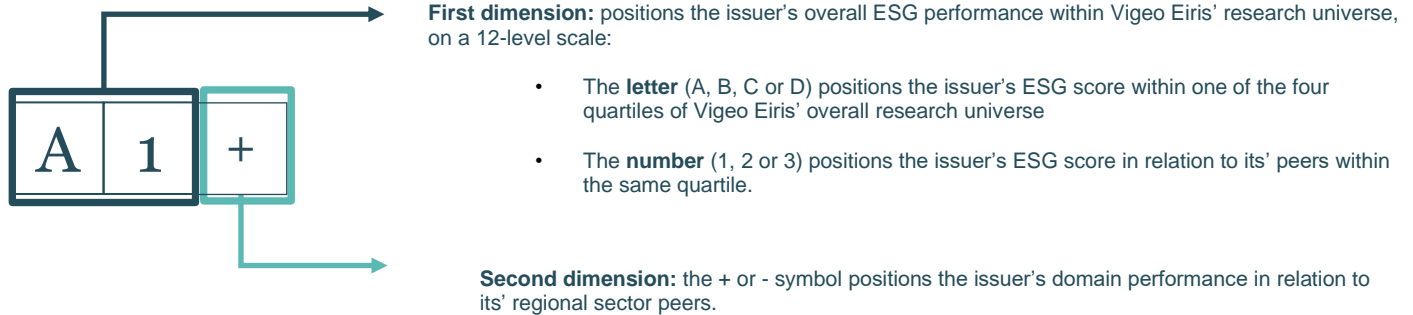
Methodology

Corporate Rating Scale

Vigeo Eiris' consolidated rating scale ranges from A1+ to D3-.

The consolidated rating translates the overall and relative ESG performance of an issuer according to 2 elements:

- Quartile performance and position within this quartile.
- Position in relation to its' peers.



Definition of Strategic Assets

Each sustainability criterion of our rating framework affects issuers' non-material strategic assets with a different intensity. Vigeo Eiris has categorised these non-material assets into 4 classes: reputation, human capital cohesion, operational efficiency, and legal security. The intensity of each sustainability driver on each asset class translates into a weight from 0 to 3.

Vigeo Eiris postulates that a correlation exists between an issuer's level of commitment towards each of the sustainability criteria analysed and its ability to protect and develop these 4 classes of strategic assets.

From the ESG scores obtained by an issuer on different sustainability criteria, we infer a level of risk mitigation of these strategic assets. This level is given a score which is calculated using the following formula:

- "R": Level of risk mitigation
- "Y": Asset under review (reputation, human capital cohesion, legal security, operational efficiency)
- "S": Sustainability criteria score for which the weight of the asset X is weighted at 2 or 3
- "W": Weight allocated to the asset under review within each sustainability driver

$$R_y = \frac{\sum(S_y \times W_y)}{\sum W_y}$$

Risk Typology – The 4 main categories

Reputation	<ol style="list-style-type: none"> 1. Brand recognition, level and variation of brand image and organisation, its leaders and consulting shareholders 2. Outbreak, persistence, reduction or elimination of rumours, allegations, and controversies 3. Licence to operate, degree of social acceptability (approval of the implementation and/ or extension of the company, receipt and maintenance of operational permits and licences from public authorities or ordering parties) 4. Talent attraction 5. Variation of levels of shareholder support and satisfaction
Human Capital Cohesion	<ol style="list-style-type: none"> 1. Stability of labour relations and social conflict mitigation 2. Retention of skills and know how; skills development 3. Attraction and mobilisation of core skills 4. Company culture and values
Operational Efficiency	<ol style="list-style-type: none"> 1. Production cost management (work accidents, competencies, reducing energy consumption etc) 2. Competitiveness of products and services (training, waste reduction, employee training and participation) 3. Organisational and process effectiveness (audits and control mechanisms, environmental strategies etc)

	<p>4. Innovation and preventing production and organisational process techniques from becoming obsolete; prevention of technological obsolescence</p> <p>5. Security and quality of supplies and revenues</p>
Legal Security	<p>1. Recourse and complaints, litigation, legal proceedings, trials, and fines</p>

Controversies

We continuously monitor controversies involving the social responsibility of the issuers we assess. We promptly disseminate our detailed opinion on the severity and possible consequences of the controversies in question. This service is designed to inform investors and asset managers about unexpected changes in issuers' risk profiles and enable them to make informed decisions.

We assess issuers' capacity to mitigate risks arising from allegations, media campaigns, lawsuits, or social movements related to environmental, social, ethical, supply chain, human rights, and governance issues, which involve their products, services, or behaviours. We provide an opinion on issuers' controversy risk mitigation based on the analysis of three systematic factors: the **severity** of the controversy regarding the social responsibility norms and standards applicable to the issuer and the rights and expectations of its stakeholders; the **frequency** of similar allegations involving the issuer; the issuer's **responsiveness** and its ability to take appropriate, corrective and preventive measures. Depending on their topic, controversies are categorised into 106 different themes.

This service provides access to our Controversy Journal, which is permanently available and categorises entries by social responsibility theme and factor, company, sector, and country. It also offers a "Warning List", identifying companies involved in the most critical controversies which, due to the frequency of allegations to which they are subject and/ or their weak level of responsiveness, require issuers to be more vigilant. The reference universe for Vigeo Eiris' controversy analysis is based on our exclusive Equitics© research. The Controversy Database is updated daily and involves correspondence with issuers.

Contribution to the UN Sustainable Development Goals

Vigeo Eiris measures issuers' level of contribution towards the Sustainable Development Goals (SDGs), set by the United Nations in 2015. As these 17 goals are interdependent, complementary and indivisible, Vigeo Eiris has developed an analytical framework, based on its generic reference framework, that companies can use to assess their level of commitment regarding their SDG responsibilities.

The sustainability criteria rated are categorised into 8 themes: Business Ethics, Governance, Wellbeing, Decent Work, Basic Needs, Clean Technology, Natural Resources and Development Tools. The analysis reviews and balances issuers' degree of contribution to the SDGs against their governance, operations, and the specific nature and footprint of their products and services. The assessment is based on the premise that contributing to the SDGs forms an integral part of issuers' social responsibility and must therefore be integrated into their frameworks of commitments, risk management, stakeholder dialogue and reporting.

Vigeo Eiris provides a final opinion on companies' overall level of contribution to the SDGs on a 5-level scale: very positive, positive, marginal, negative or very negative. The reference universe is based on Vigeo Eiris' Equitics© research and is updated at the same time as Equitics©.

Energy Transition Strategy score

By taking into account the size, sector of activity and nature of its products and services, we assess a company's willingness and capacity to adopt a clear, documented and measurable transformation strategy regarding its behaviour, products and services; with the objective of reducing its carbon footprint and creating sustainable value based on low-carbon activities that are in line with international climate objectives such as the 2 degrees policy.

Each issuer receives an Energy Transition Strategy score resulting from the analysis of criteria defining its responsibilities regarding the fight against climate change. These criteria stem from an authoritative framework of international norms and standards and consider the best practices that make up our Equitics© framework: green products, energy, atmospheric emissions, transportation, use and disposal of products, and societal impacts of products & services. The reference universe is based on Vigeo Eiris' Equitics© research and is updated at the same time as Equitics©.

Carbon Footprint

A company's carbon footprint is the total volume of Greenhouse Gas (GHG) emissions in tonnes of CO2 equivalent (Scope 1 + Scope 2) emitted by the issuer.

Emissions

- Scope 1 covers direct GHG emissions originating from sources that are owned or controlled by the issuer.
- Scope 2 covers indirect GHG emissions caused by the organisation's consumption of electricity, heat, cooling or steam purchased or brought into its reporting perimeter.
- Scope 3 covers other indirect emissions (not included in Scope 2) from the entire value chain, both upstream and downstream.

Data

The main source of GHG emissions data is the Carbon Disclosure Project (CDP) and Vigeo Eiris' own company research. When data is not available via these two processes, Vigeo Eiris estimates the Carbon Footprint of the company based on the size and the nature of the issuer's activities, using three main modeling processes: regression analysis, sector-specific factors and average sector emission ratios. The research on non-sovereign issuers is updated twice a year.

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