
ALLOCATION & IMPACT REPORT

2022

* As at the end of December 31, 2022

SUSTAINABLE FINANCE CONCEPTS

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INTRODUCTION

In 2021, Aydem Yenilenebilir Enerji A.Ş. (Aydem Renewables) issued green bond of 750 million USD, which is not only the largest bond issuance at the very first time in Türkiye, but also the largest transaction performed by a renewable energy company in the CEEMEA (Central & Eastern Europe, Middle East and Africa) Region.

The interest in the bond issuance has been greatly influenced by our success in obtaining the "Second Party Opinion" by the international independent assessment company Sustainalytics regarding that the company's projects financed by green bond revenues are in compliance with the UN Sustainable Development Goals.

EVALUATION CRITERIA

Aydem Renewables carries out the Green Financing Framework evaluation criteria and the studies necessary to achieve this in a planned manner, and works continuously for this purpose.



In the Second Party Opinion of Sustainalytics, it is considered that the projects funded by the green bond proceeds are expected to provide positive environmental impact. Aydem has developed the Aydem Renewables Green Financing Framework (the "Framework") under which it intends to issue bonds, loans and/or other green financing instruments and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects in renewable energy. In the following area, the Framework defines the renewable energy eligibility criterion and the assessment based on that criterion:

Renewable Energy

For each Green Financing Instrument issued, Aydem Renewables will adopt the following as set out in this Framework:

1. Use of Proceeds: The eligible category for the use of proceeds, Renewable Energy, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. The investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.
2. Process for Project Evaluation and Selection: Aydem's Finance Department will be responsible for managing the project selection process in collaboration with the various business departments and the Sustainability, Health, Safety and Environment teams.

The Company's Board of Directors will provide the final approval for the projects in line with the Framework's eligibility criteria, following an evaluation by the Investment Committee.

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

4. Reporting: Aydem intends to report on allocation of proceeds in its Sustainability Report on an annual basis until full allocation. Allocation reporting will include the total amount of net proceeds allocated to eligible projects, the

breakdown of proceeds allocated by eligible projects, the balance of unallocated proceeds and the share of financing vs refinancing. In addition, Aydem is committed to report on relevant impact metrics.

The assessments gathered from the Second-Party Opinion, are as follows:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA6;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and the associated KPIs.





Table 1: The Eligible Green Project Category, Eligibility Criteria, Alignment with the EU Environmental Objective and the Alignment with the UN SDG targets

Eligible Green Project Category	Eligibility Criteria	Alignment with the EU Environmental Objective	Alignment with the UN SDG targets	KPI for the Renewable Energy Generation
Renewable Energy	<p>Financing related to the acquisition, development, operation and maintenance of renewable energy activities, projects, assets and associated -research & development / construction / production / maintenance costs, including:</p> <ul style="list-style-type: none"> • Production of hydroelectric energy, where necessary environmental and social impact assessments are undertaken and no significant controversies are identified. • Production of wind, solar and geothermal energy • Land acquisition and leasing as part of project development • Purchase of renewable energy applications and technologies and associated equipment • Construction and maintenance work <p>Eligibility criteria: For solar, wind and hydro energy, facilities operating at life cycle emissions lower than 100gCO₂e/kWh, declining to 0gCO₂e/kWh by 2050, are eligible. For geothermal energy facilities operating with direct emissions lower than 100gCO₂e/kWh are eligible.</p> <ul style="list-style-type: none"> • This threshold will be reduced every 5 years in line with a net-zero CO₂e in 2050 trajectory • Assets and activities must meet the threshold at the point in time when taxonomy approval is sought • For activities which go beyond 2050, it must be technically feasible to reach net-zero emissions 	<p>Climate Change Mitigation</p> <p>3.1. Manufacture of renewable energy technologies</p> <p>4.3. Electricity generation from wind power</p> <p>4.5. Electricity generation from hydropower</p> <p>4.6. Electricity generation from geothermal energy</p>	<p>SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all.</p> <p>SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.</p> <p>SDG 7.3: By 2030, double the global rate of improvement in energy efficiency.</p> <p>SDG 7.a: By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.</p>	<p>The capacity of renewable energy plants built or rehabilitated (MW)</p>

ALLOCATION REPORTED BY ELIGIBILITY CRITERIA

	Amount Allocated (m USD)	Amount Allocated (m EUR)	Amount Allocated (m TRY)	USD Equivalent (m USD)	Number of Projects
Hybrid Energy Investments (Solar Energy)	57.4	0.1	68.3	61.9	6
Capacity Increase (Wind Energy)	28.9	0.6	86.4	34.2	3
Total Investments	86.2	0.8	154.7	96.2	

IMPACT

Aydem Renewables aims to provide the following impact criteria as part of its annual reporting, where applicable.

KPIs for Renewable Energy Generation

- The capacity of renewable energy plants built or rehabilitated (MW)

Hybrid Project:

Installation works of the 82.15 MW Uşak WPP Hybrid SPP project were completed in 2022. The plan is to deploy it in the first quarter of 2023.

Activities related to other projects are ongoing. Plans are underway for 2023, 2024 and 2025. For the following years;

- Söke WPP Hybrid SPP: 16.9 MWp
- Yalova WPP Hybrid SPP: 18.9 MWp
- Akıncı HPP Hybrid SPP: 12.1 MWp
- Koyulhisar HPP Hybrid SPP: 7.7 MWp
- Uşak WPP Hybrid SPP-2: 17.9 MWp
- Uşak WPP Hybrid SPP-3: 68.3 MWp
- Uşak WPP Hybrid SPP-4: 34 MWp
- Feslek HPP Hybrid Canal SPP: 0.3 MWp
- Dalaman HPP Hybrid Floating SPP: 1.4 MWp
- Adıgüzel HPP Hybrid Floating SPP: 24.1 MWp
- Göktaş HPP Hybrid Floating SPP: 5.6 MWp

This is the list of installed capacities anticipated. With the completion of hybrid projects, a total installed power increase of 289.4 MWp will be achieved.



Capacity Increase Project:

Construction and installation work for Uşak WPP Capacity Increase (102 MWe and 17 turbines) started in 2022, and the plan is to complete the project in the first quarter of 2023 incrementally.

- For Uşak WPP, the current capacity is 61.5 MW and it is planned to be 197.5 MWe as a result of the capacity increase of 136 MWe.
- For Yalova WPP, the current capacity is 54 MW and it is planned to be 66 MWe as a result of the 12 MWe capacity increase.
- For Söke WPP, the current capacity is 45 MW and it is planned to be 57 MWe as a result of the 12 MWe capacity increase.

With the completion of capacity increase projects, an additional capacity increase of 160 MWe will be realized.

Energy Efficiency KPIs

- Energy saving, energy management, and efficiency projects we rolled out during the year helped us save 19,577 MWh/year of energy.
- Investments for energy optimization

Hybrid Project:

Installation works of the 82.15 MWp Uşak WPP Hybrid WPP project were completed in 2022. The budget of the project is USD 54.4 million.

For the following years,;

- Söke WPP Hybrid SPP: USD 16 million
- Yalova WPP Hybrid SPP: USD 17.2 million
- Akıncı HPP Hybrid SPP: USD 8.6 million
- Koyulhisar HPP Hybrid SPP: USD 5.8 million
- Uşak WPP Hybrid SPP-2: USD 13.1 million
- Uşak WPP Hybrid SPP-3: USD 55.2 million
- Uşak WPP Hybrid SPP-4: USD 28.8 million
- Feslek HPP Hybrid Canal SPP: USD 0.5 million
- Dalaman HPP Hybrid Floating SPP: USD 1.5 million
- Adıgüzel HPP Hybrid Floating SPP: USD 19.1 million
- Göktaş HPP Hybrid Floating SPP: USD 4.9 million cost of investments anticipated.



Capacity Increase Project:

The company has approximately 1,019.48 MW of installed power, of which 84% comprise hydroelectric power plants and 16% wind power plants. During the dry periods, the energy generation obtained at hydroelectric power plants decreases, and the annual energy generation targets are not reached during these periods. When these capacity increase projects are implemented, the ratio of wind power plants to the total capacity will increase to 24%. During periods when the rainfall is low, due to increased energy generation diversity, the increased energy generation of WPPs will positively contribute to the achievement of the Company's goals.

Project Management KPIs

- Percentage of Completion of Eligible Projects

Hybrid Project:

There are no hybrid projects commissioned in 2022.

Projects are still pending permission; Uşak WPP-1 Hybrid SPP: 90%, Yalova WPP Hybrid

SPP: 50%, Söke WPP Hybrid SPP: 50%, and Feslek HPP Hybrid SPP: 70%. Following the completion of the permit process, the construction process is planned to be completed and commissioned.

Capacity Increase Project:

- Uşak WPP: EIA, TEA, and EMRA processes completed. An application was submitted before EMRA for Uşak WPP 54 MW and 34 MW capacity increases, with the EIA process ongoing. 54 MW is present for the approval of the TEA application. The plan is to obtain approval in January 2023 for 34 MW, for which an application was submitted. Turbine deals were struck and turbine supply processes started.
- Yalova WPP: EIA and TEA processes completed. For the completion of the EMRA process, fulfillment of obligations is communicated. License expansion is pending.
- Söke WPP: EIA and TEA processes completed. TEİAŞ contribution will be revised after EMRA's decision for eligibility, which will be followed by license expansion.



New Area Consumption KPIs

- Use of new area for eligible projects

Hybrid Project:

Installation works of the 82.15 MWp Uşak WPP Hybrid SPP project were completed in 2022. The plan is to deploy it in the first quarter of 2023. Other planned projects included onshore, floating, and water transmission canal SPP projects. Within this context, a maximum of 15,000 m² area is used for 1 MWp in accordance with the regulation published by EMRA. Efforts are underway to stay below the legal area limit in question. Furthermore, there are some legal requirements regarding the installation of onshore SPP. Installation is not permitted on forested areas and agricultural land etc. For this reason, only non-arable areas designated as "Non-Agricultural Land" by state resolution will be eligible for Hybrid SPPs.

The eligibility decision of the State Water Works (DSİ) is sought for floating (offshore) SPP projects. Most eligible spots are designated by keeping a distance from structures including fish farms and making sure water incurs no harm.

Capacity Increase Project:

For capacity increase projects, land will be needed to meet the access road and pad area needs. To minimize land use, it is planned to use turbines with maximum capacity (For example: For a 6 MW capacity increase, 1.5 MW x 4 turbines can also be used, so for every 6 MW increase, there will arise the need for 4 turbines of area access roads and pad area. But the turbine model planned for an increase of 6 MW will be one 6 MW turbine.).

Forest land will be used for the Yalova RES project, and it has been decided to use the areas closest to the existing ENH and roads where there are no trees. Energy generation reports have been prepared for these areas. The results were found to be appropriate.

For the Söke WPP project, a non-tree area was chosen along the existing plant road route and on the site, which is entirely forest land. A "Wind Energy Report" is prepared for this area. All of the areas with an altitude of 1,300 meters and usually dry in the Uşak WPP area are privately owned land. There is no tree cutting in this region. Minimal expropriation is planned.



Biodiversity Protection KPIs

- Number of Environmental Risk Assessments in the context of Eligible Green Projects

The company has 25 plants. In 2022, "Environmental Size Impact Analyses" were conducted for each plant. For hybrids, EIA processes have been initiated for the capacity increase of Uşak WPP, Söke WPP, and Yalova WPP and auxiliary SPP installations. There are "EIA Approved" and "EIA Not Required" documents for all businesses.

In terms of biodiversity, necessary resources are allocated for the activities detailed below. Contracts have been signed with a technical consulting firm in related matters. The following projects was implemented in 2022:

1) Projects to be undertaken to take certain supportive steps in biodiversity and planning studies, which will serve as the foundation for conservation studies of all areas within the legal boundaries and immediate surroundings of the following power plants:

- For Kemer HPP Dam Operation: 50 Bat Houses Installation and Agricultural Pest Control Monitoring

Project Due to Population Increase:

In collaboration with Denizli Atatürk Technical and Vocational Anatolian High School, bat houses prepared by students were initially placed within the vicinity of Kemer HPP in Aydın and Dalaman HPP in Muğla. The impact of this project will be felt in long term. Currently, bats are being monitored by expert teams in the region.

Necessary actions to improve the project will be taken to see the impact of bats on agriculture and the ecosystem in the region.

- For the Göktaş HEPP Dam operation: Field Monitoring with Five Camera Traps and Video Presentation Project: The installation of the camera traps shall be used to make a fauna inventory of the dam area.
- In Söke WPP operation; Monitoring of the Beekeeping Activities, Determining the Effects of the WPP on Bees and Supporting the Local People in the Field of Beekeeping:

A training course was organized for the local community residing in the vicinity of Söke WPP in collaboration with Düzce University's Beekeeping Research, Development, and Implementation Center. Lecturer Dr. Münir Uçak and Teaching Assistant Tuğçe Çaprazlı ran the course during which the role bees play in biodiversity and sustainable foodstuff production, bee biology, bee products production techniques, bee diseases, and pests were addressed. The plan is to place beehives in 2023 spring following another training course to be delivered in this field.

2) Biological Diversity Assessment Reports were prepared and reported for all businesses based on the Ecosystem Assessment.

3) Aydem Renewables WPP businesses' "Biological Diversity Monitoring Activities" that meet the Sustainability Management requirements of Live Natural Resources were performed and reported.

4) The following biodiversity training will be given to all plant employees by consultants or academicians:

- Turkey's Biodiversity and Bio-Smuggling
- General Information on Birds from the Perspective of a Bird Detective

In terms of biodiversity, necessary resources are allocated for the activities detailed below. Contracts have been signed with a technical consulting firm in related matters. The following projects will be implemented in 2023:

KPIs on Complaints from the Community Related to Eligible Green Projects

- Number of justified complaints received

There are no justified complaints about the projects.

State/Local Government Approval KPIs

- Number of completed local/government authority approvals

Hybrid Project:

As part of hybrid projects, the number of approvals issued by the EMRA's main source field inclusion is 11. The number of approvals for license expansion is two. The number of approvals obtained from DSI is 8. There are three projects with finalized EIA processes. Property acquisition has been completed for five projects.

Capacity Increase Project:

TÜBİTAK TEA processes and EIA processes for Söke and Yalova as part of capacity increase

projects have been completed. An expropriation decision was passed under Uşak WPP's capacity increase involving 11 turbines.

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

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

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

INDEPENDENT ASSURANCE REPORT



Independent Assurance Report

To the Management of Aydem Yenilenebilir Enerji Anonim Şirketi
Istanbul, Türkiye

This report is intended solely for the management of Aydem Yenilenebilir Enerji Anonim Şirketi ('Aydem Yenilenebilir Enerji') for the purpose of reporting "Selected Information" listed below in its 2022 Allocation and Impact Report's ('2022 Allocation and Impact Report') that has been prepared by the Aydem Yenilenebilir Enerji for the period running from January 1, 2022 to December 31, 2022.

Subject Matter Information and Applicable Criteria

In line with the request of the Aydem Yenilenebilir Enerji, our responsibility is to provide limited assurance for Selected Information listed below and included in pages 9-13 of Aydem Yenilenebilir Enerji 2021 Green Financing Framework.

The Scope of Our Assurance

The scope of our assurance is limited to the examination the Selected Information shown below, which are reported in page 4 of the 2022 Allocation and Impact Report.

Selected Information;

Hybrid Energy Investments (Solar Energy)

- Number of Projects
- Allocated Amount

Capacity Increase (Wind Energy)

- Number of Projects
- Allocated Amount

Aydem Yenilenebilir Enerji's Responsibilities

Aydem Yenilenebilir Enerji's management is responsible for the preparation, collection, and presentation of the Selected Information. In addition, Aydem Yenilenebilir Enerji's management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. This also includes establishing and maintaining internal control system guaranteeing that the records are free from material misstatement, whether due to fraud or error.

Our Responsibilities

We conducted our assurance engagement in accordance with the Assurance Engagement Standard (AES) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information which is a part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). These regulations require that we comply with the ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Selected Information.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Our firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain

a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

The procedures selected depend on the practitioner's judgment. The procedures include inquiry of the personnel responsible for collecting and reporting on the Selected Information and additional procedures aimed at obtaining evidence about the Selected Information.

The assurance provider is only performing assurance of the accuracy of the disclosed content. This means that the assurance provider should evaluate if Aydem Yenilenebilir Enerji's description of processes, activities, and their outcomes sufficiently reflect actions taken by Aydem Yenilenebilir Enerji, rather than evaluating the applied approach itself.

Procedures Applied

In respect of the Selected Information mentioned above the procedures performed include the following procedures:

1. Interviewed select key senior personnel of the Aydem Yenilenebilir Enerji to understand the current processes in place for capturing the Selected Information pertaining to the reporting period;
2. Reviewed Selected Information with online communications covering Aydem Yenilenebilir Enerji locations; as well as reviewed pertaining to the Aydem Yenilenebilir Enerji's other locations in Turkey, against evidence, on a sample basis;
3. Undertook substantive testing, on a sample basis, of the Selected Information;
4. Used the Aydem Yenilenebilir Enerji's internal documentation to evaluate and measure the Selected Information;
5. Evaluated the design and implementation of key processes and controls over the Selected Information;
6. Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period.

Our Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that Aydem Yenilenebilir Enerji's has not prepared, in all material respects with Selected Information for the year ended in December 31, 2022, the relevant requirements of the criteria as defined in Allocation and Impact Report.

Limitations

We permit this report to be disclosed in addition to Aydem Yenilenebilir Enerji's 2022 Allocation and Impact Annual Report for the year ended on December 31, 2022, to enable the management of Aydem Yenilenebilir Enerji to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Aydem Yenilenebilir Enerji for our work, for this independent limited assurance report, or for the conclusions we have reached.

Güney Bagimsiz Denetim ve Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi
A member firm of Ernst & Young Global Limited

Zeynep Okuyan Özdemir, SMMM
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19 April 2023
Istanbul, Türkiye



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