

Second-Party Opinion

Enerjisa Green Finance Framework



Evaluation Summary

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



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, and Research and Development – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will contribute to positive environmental impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 7, 9 and 11.



PROJECT EVALUATION / SELECTION Enerjisa Enerji’s Green Finance Committee, comprising of representatives from its Finance, Treasury, Sustainability, Investment Planning, and Investor Relations departments, is responsible for the evaluation and selection of projects. Enerjisa Enerji has in place environmental and social risk management processes that are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process to be aligned with market practice.



MANAGEMENT OF PROCEEDS Enerjisa Enerji’s Finance, Treasury, and Investment Planning departments will be responsible for the tracking and management of the net proceeds. Enerjisa Enerji intends to achieve full allocation of proceeds within 24 months of each issuance and will temporarily hold or invest unallocated proceeds in cash pools managed by its Treasury department in line with its internal liquidity policies. This is in line with market practice.



REPORTING Enerjisa Enerji intends to report on the allocation of proceeds to its investors on an annual basis until full allocation. The allocation reporting will include details on the allocation of proceeds per project and per category, and the proportion of financed and refinanced projects. In addition, Enerjisa Enerji intends to report on qualitative and quantitative impacts and has provided indicative metrics within the Framework. Sustainalytics views Enerjisa Enerji’s allocation and impact reporting as aligned with market practice.

Evaluation date	November 12, 2021
Issuer Location	Istanbul, Turkey

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices.....	9

For inquiries, contact the Sustainable Finance Solutions project team:

Hrithik Sharma (Toronto)
Project Manager
hrithik.sharma@sustainalytics.com
(+1) 647 951 3309

Given Mawodzeka (Amsterdam)
Project Support

Anchal Verma (Toronto)
Project Support

Kibii Sisulu (London)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

Enerjisa Enerji A.Ş. (“Enerjisa”, or the “Company”) is a power distribution and retail sales company that is headquartered in Istanbul, Turkey. As of 31st December 2020, the Company and its subsidiaries had over 10,000 employees and reported TRY 21.8 billion in revenues.¹

Enerjisa has developed the Enerjisa Green Finance Framework (the “Framework”) under which it intends to issue and originate green bonds and loans and use the proceeds to finance and refinance, in whole or in part, existing and future projects² that are expected to generate positive environmental impacts. The Framework defines eligibility criteria in four areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Research and Development

Enerjisa engaged Sustainalytics to review the Enerjisa Green Finance Framework, dated November 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)³ and the Green Loan Principles 2021 (GLP).⁴ The Framework has been published in a separate document.⁵

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

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

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

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

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

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

¹ Enerjisa, “Enerjisa Annual Report”, at: https://www.enerjisainvestorrelations.com/Media/Default/pdf/FR/Enerjisa_Annual_Report_2020.pdf

² Sustainalytics notes that the Company intends to (re)finance both the capital expenditures and the operational expenditures associated with the eligible projects. The Company has confirmed that the operational expenditures will comprise a minority percentage of allocation and will be limited to just those expenditures that are directly associated with the eligible projects.

³ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁴ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁵ The Enerjisa Green Finance Framework is available on Enerjisa Enerji’s website at: <https://www.enerjisainvestorrelations.com/Media/Default/pdf/Enerjisa-Green-Finance-Framework.pdf>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Enerjisa Green Finance Framework

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

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, and Research and Development – are aligned with those recognized by the GBP and GLP.
 - The Framework specifies a look-back period of 12 months for refinancing activities, which is in line with market practice.
 - Enerjisa and its designated subsidiaries or joint ventures⁷ may issue bonds or originate loans in accordance with the criteria outlined in the Framework.
 - Under the Renewable Energy category, Enerjisa intends to finance (i) projects that integrate 100% renewable energy to power grid, and (ii) small-scale solar PV energy generation projects for customers such as installation of solar rooftop panels and solar power solutions.
 - Sustainalytics notes that the Framework allows for investments in grid integration projects where the power grid's energy mix has less than 90% renewable energy. However, Sustainalytics recognizes that the Framework uses a pro-rated approach to finance just those expenditures that are proportional to the existing share of renewable energy in the mix of the grid and additionally limits investments in projects where the share of renewable energy in the grid is expected to increase over time. Sustainalytics considers the financing of distribution projects that integrate renewable energy generation to the grid and investments in solar generation projects to be in line with market practice.
 - Integrated renewable energy may be wind, solar photovoltaic, biomass, or run of river hydropower. Sustainalytics views it to be an expectation in the green bond market that for financing of biomass power generation that assurances regarding the lifecycle emissions as well as feedstock sustainability be provided, and notes that Enerjisa will not directly finance generation facilities.
 - Within the Energy Efficiency category, Enerjisa may invest in (i) smart grid components such as SCADA, automatic meter reading systems etc., and other components or upgrades that improve the energy efficiency of power grids such as upgrades related to distribution lines, connected equipment, and transformers with lower technical losses and, (ii) energy efficiency projects that

⁷ Enerjisa has confirmed that it has operational control over all the subsidiaries and joint ventures and will ensure that the issuances by these entities align with all four components defined in the Framework along with a similar level of environmental and risk assessment that addresses all the risks identified in Section 2 of this document.

include LED lighting and HVAC equipment. Sustainalytics notes that the Framework excludes investments in fossil-fuel-powered equipment and considers the criteria for financing energy efficiency upgrades to be aligned with market practice.

- In relation to investment in smart grid components, Sustainalytics notes the wide variety of definitions and applications of “smart grid” technology on the market. Nonetheless Sustainalytics views positively investments that are designed to improve grid efficiency and encourages Enerjisa to select projects that are clearly anticipated to deliver tangible efficiency improvements.
- Under the Clean Transportation category, Enerjisa intends to invest in electric vehicles and associated infrastructure such as charging stations and distributed grid assets dedicated to the integration of e-charging stations into electric grids. Sustainalytics notes that the Framework excludes investments in parking facilities and considers the criteria for financing low-carbon transportation projects to be aligned with market practice.
- Within the Research and Development (R&D) category, the Company intends to invest in R&D projects based on smart grids, microgrids, energy storage, and any system optimization projects targeting increased energy efficiency not limited to grid efficiency.
 - The Company has confirmed that R&D expenditure will target projects that enhance energy efficiency of the grid and any other projects which are expected to bring a future environmental benefit, including renewable energy projects. Sustainalytics considers R&D in these areas to be aligned with market practice, noting that it is more difficult to quantify the benefits of R&D expenditures.
 - Sustainalytics notes that the Framework limits investments in this category to less than 1% of the total allocated proceeds and encourages the selection of projects in which the greatest share of expenditures can be attributed to improved environmental outcomes.
- Project Evaluation and Selection:
 - Enerjisa’s Green Finance Committee comprising of representatives from its Finance, Treasury, Sustainability, Investment Planning, and Investor Relations departments, is responsible for the evaluation and selection of projects per the criteria defined in the Framework.
 - Enerjisa has adopted internal environmental and social risk processes that are informed by the Company’s Environmental Impact Assessment Procedure and Social Risk Assessment Guide.
 - Based on the clear delineation of responsibility and the application of environmental and social risk management processes, Sustainalytics considers the Framework’s project evaluation and selection procedures to be in line with market practice.
- Management of Proceeds:
 - The net proceeds from the instruments structured under the Framework will be tracked and managed by the Finance, Treasury, and Investment Planning departments.
 - Enerjisa intends to allocate all proceeds within 24 months of each issuance. Unallocated proceeds will be temporarily held or invested in cash pools managed by the Company’s Treasury department in line with its internal liquidity policies.
 - Based on the disclosures related to management approach and the temporary use of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Enerjisa intends to report on the allocation and impact of proceeds to its investors within one year from the date of the bond issuance and annually until full allocation through standalone reports.
 - Allocation reporting will include both project-level and category-level details on the allocation of proceeds and the proportion of financed and refinanced projects.
 - Impact reporting is expected to provide both qualitative impact including the expected benefits of the financed projects and (category-level) quantitative impacts of the financed projects against respective key performance indicators including (i) number of transformers installed; (ii) smart grid components installed; (iii) estimated emissions avoided by energy savings projects (tCO₂e/year); and (iv) existing and additional renewable energy capacity directly connected to the distribution grid (MW).
 - Based on Enerjisa’s commitments to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

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

Section 2: Sustainability Strategy of Enerjisa

Contribution of framework to Enerjisa Enerji's sustainability strategy

Sustainalytics is of the opinion that Enerjisa demonstrates a commitment to sustainability with a focus on three key material issues: i) environmental protection, ii) health and safety, and iii) corporate governance.

Environmental Protection – Enerjisa also identified environmental protection as one of the key pillars of its sustainability strategy. The Company has developed various environmental action plans including conservation of biodiversity in operating locations, tackling climate change, and transitioning to a circular economy in waste management. For its own operations, Enerjisa has set a target of increasing its share of renewable electricity consumption to 100% (achieved in 2020) and aims to achieve a 62% increase in its hybrid or electric vehicle fleet between 2020 and 2021. The Company is also targeting a 100% increase in the solar power installed capacity between 2020 and 2021.⁸

Health and Safety – Enerjisa has also identified occupational health and safety (OHS) as key sustainability issue since electricity distribution poses high OHS risks to both employees and contractors. The Company has taken credible measures to identify and eliminate factors that may lead to accidents and health issues. Enerjisa has demonstrated progress in its OHS strategy through a reduction in the number of critical accidents by 32% between 2018 and 2020, and a 21% reduction in the total recordable incident frequency over the same period.⁹ The Company is targeting a total elimination of these incidents as a goal for 2021.

Corporate governance – Enerjisa has embedded its sustainability strategy in its corporate governance structures. In 2020, the sustainability committee was restructured as the ESG Committee and now co-chaired by the CEO and CFO. The committee oversees sustainability practices across the Company and reports about critical initiatives, developments and performance related to key performance indicators and commitments to the Board of Directors. The Company has established credible governance targets by the end of 2021 which include a 100% completion rate of training on human rights policies by white-collar employees, updating the donation and grants policy, and the anti-bribery policy.¹⁰ Enerjisa has also set a target to complete the ISO 37301:2021 - "Compliance Management Systems".¹¹

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

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

While Sustainalytics recognizes that the net proceeds from the bond(s) and loan(s) issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include worker health and safety, community relations, land and biodiversity concerns associated with construction/infrastructure projects, and improper disposal of site waste.

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

- Enerjisa has integrated environmental and social risks into its enterprise risk management structure and has adopted internal processes to address such risks, including health and safety issues associated with the financed projects. These processes are informed by the Company's Environmental Impact Assessment Procedure and Social Risk Assessment Guide.¹²
- Regarding community relations risks, the Company promotes engagement through community initiatives and advocacy. Enerjisa has established a "Local Governments Communication Plan", a series of face-to-face meetings with district governors, majors and local community leaders (Muhtar)

⁸ Enerjisa, "Sustainability Report, (2020)", at: https://www.enerjisainvestorrelations.com/Media/Default/pdf/FR/Enerjisa_Sustainability_Report_2020.pdf

⁹ Enerjisa, "Sustainability Report, (2020)", at: https://www.enerjisainvestorrelations.com/Media/Default/pdf/FR/Enerjisa_Sustainability_Report_2020.pdf

¹⁰ Enerjisa, "Sustainability Report, (2020)", at: https://www.enerjisainvestorrelations.com/Media/Default/pdf/FR/Enerjisa_Sustainability_Report_2020.pdf

¹¹ ISO, "compliance management systems, (2021)", at: <https://www.iso.org/standard/75080.html>

¹² Enerjisa Green Finance Framework.

in operational regions, to help Enerjisa understand the expectations of local governments and communities it serves, affording the Company a chance to improve business processes from received feedback and suggestions.¹³

- Regarding land use and biodiversity risks, Enerjisa operates the electrical grid around Turkey and its operations inevitably overlaps with ecosystems that are important designated areas such as national parks and various nature conservation areas. To mitigate these inherent risks, in 2020, Enerjisa prepared the Biodiversity Conservation Action Plan for three distribution regions as part of the loan agreement carried out with the European Bank for Construction and Development (EBRD).¹⁴ The action plan includes an Ecosystem Risk Assessment prepared in accordance with the Biodiversity Conservation and Sustainable Management of Living Natural Resources Guide of EBRD,¹⁵ and the "Avian Protection Plan".¹⁶ The Biodiversity Conservation Action Plan aims to ensure compliance with legal requirements arising from national legislation as well as international obligations including the Convention for the Conservation of European Wildlife and Natural Habitats,¹⁷ the Rio Convention on Biological Diversity,¹⁸ the RAMSAR (Convention on Protection of Wetlands) Convention¹⁹ ratified by Turkey in 1994 and the EU Habitat and Bird Directives.²⁰
- Regarding risks related to emissions, effluents, and waste, Enerjisa has designed its waste management system in compliance with ISO 14001 Family – "Environmental Management"²¹ and improved the system pursuant to applicable legislation and its own sustainable development goals. The Company has established hazardous waste management systems which include temporary storage facilities that are approved by the Provincial Directorates of Environment and Urbanization of their respective cities. Waste is also separated at storage areas and disposed of with the support of licensed recycling companies. For non-hazardous waste, which include grid waste, domestic waste and biodegradable waste, Enerjisa has commenced compliance actions to set up the "Zero Waste System" in compliance with applicable regulation in all locations and facilities.

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

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics focuses below on those whose impact is specifically relevant in the local context.

Importance of financing renewable energy projects in Turkey

Turkey, which has recently ratified the Paris Climate Agreement,²² is the the 20th largest emitter of greenhouse gases (GHG) globally in 2018 and has the potential to triple its emissions over the next decade.²³ Between 2005 and 2019, Turkey's total energy consumption increased by 74%, due to strong population growth and a rapidly growing economy.²⁴ To address its energy intensity, the Turkish government set a target to increase the share of renewable energy sources to 38.8%²⁵ of its energy mix and reduce primary energy consumption by 14%²⁶ by 2023, compared to a 2017 baseline. In addition, the country's government also set a reduction target of up to 21% in GHG emissions by 2030 compared to the 2012 levels.²⁷

¹³ Enerjisa, "Sustainability Report, (2020)", at: https://www.enerjisainvestorrelations.com/Media/Default/pdf/FR/Enerjisa_Sustainability_Report_2020.pdf

¹⁴ Enerjisa, "Sustainability Report, (2020)", at: https://www.enerjisainvestorrelations.com/Media/Default/pdf/FR/Enerjisa_Sustainability_Report_2020.pdf

¹⁵ EBRD, "environmental and social policy", at: https://www.ebrd.com/downloads/about/sustainability/ESP_PR06_Eng.pdf

¹⁶ An Avian Protection Plan is a utility-specific program designed to reduce the operational and avian risks that result from avian interactions with electric utility facilities.

¹⁷ Council of Europe, "Convention on the Conservation of European Wildlife and Natural Habitats", at: <https://www.coe.int/en/web/bern-convention>

¹⁸ Convention on biological diversity, "The Rio Conventions", at: <https://www.cbd.int/rio/>

¹⁹ Ramsar, "convention on wetlands", at: <https://www.ramsar.org/about-the-convention-on-wetlands-0>

²⁰ European Commission, "The habitats directive", at: https://ec.europa.eu/environment/nature/legislation/habitatsdirective/index_en.htm

²¹ ISO, "environmental management", at: <https://www.iso.org/iso-14001-environmental-management.html>

²² Bloomberg, "Turkey Ratified Paris Agreement Ahead of Key Climate Summit", (2021), at: <https://www.bloomberg.com/news/articles/2021-10-06/turkey-ratifies-paris-agreement-ahead-of-key-climate-summit>

²³ Carbon Brief, "The Carbon Brief Profile: Turkey", (2018), at: <https://www.carbonbrief.org/carbon-brief-profile-turkey>

²⁴ IEA, "Key Energy Statistics", (2019), at: <https://www.iea.org/countries/turkey>

²⁵ IEA, "Turkey 2021 Energy Policy Review", at: <https://www.iea.org/reports/turkey-2021>

²⁶ IEA, "National Energy Efficiency Action Plan", (2020), at: <https://www.iea.org/policies/7964-national-energy-efficiency-action-plan-2017-2023>

²⁷ Republic of Turkey Ministry of Environment and Urbanization, "Seventh National Communication of Turkey Under the UNFCCC", (2018), at: https://unfccc.int/sites/default/files/resource/496715_Turkey-NC7-1-7th%20National%20Communication%20of%20Turkey.pdf

Renewable energy generation has grown significantly in Turkey since 2000, increasing from 0.3 TWh in 2000 to a peak of 45.3 TWh in 2019.²⁸ According to the International Energy Agency (IEA), Turkey had the fifth-highest rank in renewable power capacity growth in Europe in 2019.²⁹ As of May 2021, renewable energy accounts for around 52% of Turkey's total electricity generation, well exceeding its 2023 targets.³⁰ During the first quarter of 2021 alone, over 1200 MW of renewables were added to Turkey's installed capacity, accounting for close to 98% of the new installed capacity added during that period.³¹ Turkey aims to continue promoting the expansion of renewable energy resources and is expected to commission 10 GW each of solar and wind capacity by 2027.³²

Based on the above context, Sustainalytics is of the opinion that Enerjisa's investments in renewable energy distribution and generation projects under the Framework are expected to contribute positively to Turkey's renewable energy and emission reduction targets.

Importance of financing energy efficiency in Turkey

The energy sector accounted for nearly 72% of Turkey's GHG emissions in 2019.³³ Furthermore, the IEA notes that electricity and heat generation are the largest contributors of energy-related emissions in the country.³⁴ In order to reduce the emissions-intensive demands of the electricity sector, the government of Turkey has adopted National Energy Efficiency Action Plan (NEEAP) 2017-2023.³⁵ Under NEEAP, the government has committed to investing nearly USD 11 billion to foster a 14% reduction in the primary energy consumption by 2023 (compared to the 2017 figures) and reduce over 66.6 MtCO₂e.³⁶ Between 2017 and 2020, the government has invested around USD 4.8 billion in energy efficiency advancements, resulting in the avoidance of 3.19 million tonnes of oil equivalent and saving of USD 1.2 billion cumulatively.³⁷ Additionally, a recent study by SHURA Energy Transition Centre found that the deployment of energy efficient technologies in buildings could save up to 16 TWh electricity per year.³⁸

Sustainalytics is of the opinion that Enerjisa's investments in energy efficiency projects under the Framework are expected to contribute towards Turkey's efforts to transition to a low-carbon economy.

²⁸ Statista, "Renewable energy generation in Turkey from 2000 to 2019", at: <https://www.statista.com/statistics/893494/renewable-energy-generation-turkey/>

²⁹ IEA, "Turkey's success in renewables helping diversify its energy mix and increase its energy security", (2021), at: <https://www.iea.org/news/turkey-s-success-in-renewables-is-helping-diversify-its-energy-mix-and-increase-its-energy-security>

³⁰ Daily Sabah, "Renewables account for over 50% of Turkey's installed capacity", (2021) at: <https://www.dailysabah.com/business/energy/renewables-account-for-over-50-of-turkeys-installed-capacity>

³¹ *Ibid.*

³² IEA, "Turkey 2021 Energy Policy Review", at: <https://www.iea.org/reports/turkey-2021>

³³ Frontiers in Sustainable Cities, "Energy Transition and Sustainable Road Transportation in Turkey: Multiple Policy Challenges for Inclusive Change". (2021), at: <https://www.frontiersin.org/articles/10.3389/frsc.2021.631337/full>

³⁴ IEA, "Turkey 2021- Energy Policy Review", (2021), at: <https://www.iea.org/reports/turkey-2021>

³⁵ *Ibid.*

³⁶ Daily Sabah, "Energy Efficiency helps Turkey save \$158 million in 2020", (2021), at: <https://www.dailysabah.com/business/energy/energy-efficiency-helps-turkey-save-158-million-in-2020>

³⁷ *Ibid.*

³⁸ Daily Sabah, "The most economical solution for Turkey's power system: Energy Efficiency, Business models," (2020), at: <https://www.dailysabah.com/opinion/op-ed/the-most-economical-solution-for-turkeys-power-system-energy-efficiency-business-models>

Alignment with/contribution to SDGs

The SDGs were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The instruments structured under the Enerjisa Green Finance Framework are expected to contribute to advance the following SDGs and targets :

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.1 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency		7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older person
Research and Development	9. Industry, Innovation, and Infrastructure	9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending

Conclusion

Enerjisa has developed the Green Finance Framework under which it intends to issue green bonds and loans and use the proceeds to finance and/or refinance renewable energy, energy efficiency, clean transportations and research and development projects. Sustainalytics considers that the projects funded by the proceeds are expected to support Turkey's transition to a low-carbon economy.

The Framework outlines a process by which the 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 Enerjisa Green Financing Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9, and 11. Additionally, Sustainalytics is of the opinion that Enerjisa has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds. Based on the above, Sustainalytics is confident that Enerjisa is well-positioned to issue green bonds and loans, and that the Enerjisa Green Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021.

Appendix

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

Section 1. Basic Information

Issuer name:	Enerjisa Enerji
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Enerjisa Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 12, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds- Renewable Energy, Energy Efficiency, Clean Transportation, and Research and Development- are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will contribute to positive environmental impacts and advance the UN SDGs, specifically SDGs 7, 9, and 11.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

Enerjisa Enerji's Green Finance Committee, comprising of representatives from its Finance, Treasury, Sustainability, Investment Planning, and Investor Relations departments, is responsible for the evaluation and selection of projects. Enerjisa Enerji has in place environmental and social risk management processes that are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process to be aligned with market practice.

Evaluation and selection

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

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Enerjisa Enerji's Finance, Treasury, and Investment Planning departments will be responsible for the tracking and management of the net proceeds. Enerjisa Enerji intends to achieve full allocation of proceeds within 24 months of each issuance and will temporarily hold or invest unallocated proceeds in cash pools managed by its Treasury department in line with its internal liquidity policies. This is in line with market practice.

Tracking of proceeds:

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

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section *(if applicable)*:

Enerjisa Enerji intends to report on the allocation of proceeds to its investors on an annual basis until full allocation. The allocation reporting will include details on the allocation of proceeds per project and per category, and the proportion of financed and refinanced projects. In addition, Enerjisa Enerji intends to report on qualitative and quantitative impacts and has provided indicative metrics within the Framework. Sustainalytics views Enerjisa Enerji's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- ☐ Project-by-project
 ☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):
Information reported:
☒ Allocated amounts

☐ Green Bond financed share of total investment

☐ Other (*please specify*):
Frequency:
☒ Annual

☐ Semi-annual

☐ Other (*please specify*):
Impact reporting:
☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):
Information reported (expected or ex-post):
☒ GHG Emissions / Savings

☒ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (*please specify*): (i) Existing and additional renewable energy capacity directly connected to the distribution grid (MW) and its ratio to the total power consumption in the distribution regions; (ii) Installed Capacity (MW); (iii) Estimated emissions avoided for projects provided by EMC solutions per year (tCO₂e/year); (iv) # of transformers installed; (v) investments for smart grid components; (vi) investments for standardizing voltage across the distribution network; (vii) installed capacity for e-charge stations (MW); (viii) number of new e-charge station/charging points; (ix) number of electric vehicles acquired; (x) number of eligible R&D projects; (xi) investments for eligible R&D projects; and (xii) future qualitative environmental benefits

Frequency

- ☒ Annual ☐ Semi-annual
☐ Other (please specify):

Means of Disclosure

- ☐ Information published in financial report ☐ Information published in sustainability report
☒ Information published in ad hoc documents ☐ Other (please specify):
☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- ☐ Consultancy (incl. 2nd opinion) ☐ Certification
☐ Verification / Audit ☐ Rating
☐ Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognized external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

-
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

Copyright ©2021 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

