



WORLD RATING

Dünya Kredi Derecelendirme A.Ş.

ESG- ENVIRONMENTAL, SOCIAL and CORPORATE GOVERNANCE RATING METHODOLOGY

World Rating's "ESG-Environmental, Social, and Governance" rating is the determination, peer comparison, ranking, and symbolization of the levels of **contribution to sustainability** and **growth of all investments**, products, services, technologies, and financing methods that are claimed to have positive environmental, social, and governance contributions to companies or all economic units, based on the risks and opportunities they may be exposed to, within the framework of qualitative, quantitative, and international criteria accepted by regulatory authorities. In short, ESG Rating is the performance scoring of businesses based on environmental, social, and corporate governance criteria.

The sustainable growth criterion is not directly related to the companies involved in the project, nor to the companies that produce or implement the project themselves. It is concerned with the uninterrupted continuity in development, expansion, and growth that ensures meeting today's needs without compromising the ability to meet the needs of future generations or the protection or improvement of the environment and social balance. Indeed, the sustainability targeted within the ESG framework has nothing to do with the continuity of businesses.

Ultimately, World Rating's ESG rating is a score that assesses the extent to which businesses comply with sustainable development and the environmental friendliness of their projects.

Businesses whose ESG ratings demonstrate their environmental and social well-being will find it easier to secure the financing they need for their projects.

The ESG ratings assigned by World Rating do not reflect the financial performance, default probability, or bankruptcy risk of organizations or issued green debt instruments. This is because businesses' default or bankruptcy risks are included in their credit rating reports.

WR-World Credit Rating A.Ş.'s unique ESG Rating Methodology is based on three individual or integrated pillars: **ESG-SE RATING**, **ESG-GS RATING**, and **ESG-IS RATING**, which complement each other and/or can be used independently. These are:

- The ESG-SE rating is for business entities or independent structures of businesses (Structure of Entity). This type of rating from WR demonstrates an organization's performance, commitment, and integration of environmental and social considerations into its business, strategy, and management, as well as the effectiveness of its governance, and measures the impact of its business activities on the environment and society.
- The ESG-GS rating is for green securities issued by organizations, whether secured or unsecured, and sometimes blue, social, and sustainable debt instruments, and related to these sustainability issues. This rating from WR assesses the use of proceeds (UoP) from green/blue, social, or sustainable debt instruments, or key performance indicators and sustainability performance targets for sustainability-related instruments, and the extent to which these contribute to environmental and social goals.
- It is the ESG-IS RATING for the structure consisting of a mixture of ESG-SE RATING and ESG-GSI RATING (Integrated structure).

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WORLD RATING

Dünya Kredi Derecelendirme A.Ş.

All three rating types—ESG Ratings as a whole—are derived from an analysis of actions, outcomes, impacts, and activities, in addition to policies and broader commitments. When assessing environmental compliance and impact, CMB and European Union regulations, as well as the UN Sustainable Development Goals and their classifications, are generally considered. Our ESG Ratings are generated independently of any impact ESG factors may have on the organization's credit profile or the debt transaction itself.

The primary data sources used to assign ESG Ratings are publicly available information (from the organization or an authorized third-party source). This primarily includes the organization's annual reports, non-financial information, organization and instrument frameworks, and published allocation and impact reports. WR analysts review information published by trusted media sources, as well as non-public information. The latter is considered confidential.

Individual ratings for a company's assets provide a transparent and quantitative analysis of each ESG factor affecting the organization or its instruments. Sustainable reports provide commentary and analysis on the debt instruments' compliance with international and local principles, sustainable development/growth goals, and EU and CMB Green Bond Standards.

The ESG Rating Scale is applied identically to each of the ESG Ratings provided by Sustainable WR.

(ESG SE, ESG GS, and ESG IS) Each debt security is evaluated in conjunction with the relevant issuing institution. These reviews are monitored at least annually.

For each type of analysis, we assign the following ratings:

- A score is assigned from one (highest) to five (lowest). These scores are represented on 13 different levels with the symbols AAA, AA, A, BBB, BB, B, CCC, CC, C, DDD, DD, D, and D-(ic).
- A score (from zero to 100) is assigned for more detailed information underlying the rating.
- Commentary on the issuer information for the analysis and our opinions on each element.

The ESG Ratings to be assigned by World Rating are prepared in accordance with the International Capital Markets Association (ICMA)'s "Green Bond Principles, Sustainable Bond Principles, and Social Bond Principles," the Capital Markets Board's "Sustainability Principles Compliance Framework," as well as other potentially useful "Global Regulations," including the "Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, and Sustainable Lease Certificate Guidelines."

MAIN FACTORS DETERMINING ESG-SE RATING

The main factors and analysis headings determining the **ESG-SE RATING** results are listed below.

1. Corporate Information and Strategy
2. Business Activities
3. Environmental Profile

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WORLD RATING

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4. Social Profile
5. Management Profile

Under the Corporate Information and Strategy heading, the organization's overall business and ESG strategy is defined. Sustainability strategies, sustainability reporting, and their ability to contribute to sustainable development or growth goals, as well as their ESG risk management, are analysed.

Under the Business Activities heading, the rated organization determines whether its core business lines positively contribute to environmental and social objectives. Each business activity is compared against internationally recognized environmental classifications and internationally recognized documents that define social objectives.

Under the Environmental Profile heading, organization-wide environmental profile analyses are conducted, focusing on policies, disclosures, targets, evolution, the supply chain, and environmental events.

Under the Social Profile heading, the organization's social profile is analysed, focusing on human and labour rights, diversity, society and customers, profit and supply chain, and social events.

Under the Governance Profile, the organization's governance profile is analysed, focusing on financial reporting, management and control, remuneration, risk, and tax management.

This portion of Sustainable WR's ESG Ratings focuses on the organization's high-level strategic view, its approach to sustainability, and how it integrates sustainability into its business activities and strategy. We assess the environmental and social impacts of the organization's overall ESG policies, procedures, and outcomes, as well as the impacts at the level of individual business activities. We consider different levels of commitment, and when assessing a company's ESG strategy and policies, we look for concrete evidence that an ESG goal has been achieved (or is in the process of achieving it), and only then will we consider it highly credible.

MAIN FACTORS DETERMINING THE ESG-GS RATING

The main factors and analysis headings determining the ESG-GS RATING results are listed below.

1. Use of Revenues/Funds
2. Other Information on the Use of Revenues/Funds
3. Project Evaluation and Selection
4. Management of Revenues/Funds
5. Reporting and Transparency

The Use of Revenues section analyses how funds from the issuance of green debt instruments will be allocated, or the quality of sustainability-related instrument key performance indicators and the institution's established targets.

Under the Other Information on the Use of Revenues section, an assessment is made of whether the revenues or resources generated from debt issuances and loans contribute to the environmental and social objectives of the Use of Revenues targets (**UoP**).

The Project Evaluation and Selection section evaluates the organization's project selection process. This process encompasses observations and analyses, beginning with the determination

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of eligibility criteria and extending to the management of the selection process, including an analysis of the presence of audits and internal controls by the sustainable finance team (or similar group).

Under the heading of revenue management, the effectiveness of revenue distribution monitoring and tracking is analysed.

Under the heading of Reporting and Transparency, the availability, breadth, completeness, and timeliness of the key performance indicators and related information for the UoP or sustainability-related instrument (green debt instruments to be issued) are analysed.

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| ESG-IS RATING Environmental, Social and Governance Integrated Structure Rating | | | |
|----------------------------------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------|
| ESG-SE RATING Environmental, Social and Governance Structure of Entity Rating | | ESG-GS RATING Environmental, Social and Governance Green Securities Rating | |
| 1 | Corporate Information and Strategy Overview | 1 | Use of Proceeds |
| | Sustainable Strategy: | 2 | Other Information on Use of Proceeds |
| | ESG Risk Management: | | Financing and Refinancing |
| | Sustainability Reporting: | | Lookback Period |
| | Participation in Sustainable Development Goals | | Transition Path |
| | ESG Considerations Incorporated into Many Business Activities | | Definition of Use of Proceeds |
| 2 | Business Activities Analysis | | Controversial Projects: |
| 3 | Environmental Profile | 3 | Project Evaluation and Selection |
| | Policies: | | Predefined Selection Process: |
| | Disclosures | | Internal Checks and Balances Among Relevant Teams |
| | Evolution | | Internal Control Structure: |
| | Objectives and Supply Chain | | Sustainability Team Participation: |
| | Risks and Incident Management | 4 | Management of Proceeds |
| 4 | Social Profile | | Revenue Tracking Methodology |
| | Human Rights | | Unallocated Revenues: |
| | Labor Rights | | Allocation Tracking: |
| | Diversity | | External Verification of Tracking |
| | Community and Customers | 5 | Reporting and Transparency |
| | Objectives and Supply Chain | | Allocation Reporting: |
| | Risks and Incident Management | | Qualified Verification |
| 5 | Management Profile | | Impact Reporting |
| | Financial Status and Reporting | | Transition Reporting |
| | Senior Management and Control | | |
| | Remuneration | | |
| | Risk Management | | |
| | Tax Management | | |



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The classification of reference values, environmental and social factors, is important for analysing green and social debt instruments, respectively, and both factors drive our sustainability debt instrument assessments. Our environmental analysis of business activities and revenue use is inspired by science-based classifications of environmentally sustainable economic activities. We draw inspiration from social aspects of social cohesion, convergence with development goals, and social aspects. Analyses are conducted using science-based technical screening criteria and regulatory classifications for the criteria of not causing significant harm. We also reference other preferred science-based classification methods, even if they cover only a limited number of activities, such as the classification of the Climate Bond Initiative. We may incorporate other science-based taxonomies as they become widely recognized in the future. For activities not currently covered by any reference taxonomy, we focus on impact, drawing on our experience and knowledge to identify key themes and drivers relevant to the analysis.

ESG RATING NOTATION

In the WR methodology, the rating scale for ESG Ratings is expressed from 1 (highest) to 5 (lowest), and these scores are derived from a more detailed score between zero and 100. 100 represents full compliance with ESG best practices and positive environmental, social, and governance impact.

The ESG Rating Scale is applied identically to each pillar of Sustainable WR's ESG Ratings. The notation is shown in the diagram below.

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ESG RATING NOTATION

| Level/Grade | Level | Definition | ESG SE RATING | ESG GS RATING | ESG IS RATING |
|-----------------------------------|-------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AAA | 1 | Fully ESG compliant, Excellent | It indicates that the analysed asset has an excellent ESG profile and impact. The asset excels in terms of activities aligning with reference classifications and integrating ESG considerations into business, strategy, and management. | It demonstrates that the debt instrument and its framework demonstrate an excellent ESG profile. The framework structure is excellent in terms of compliance with ambitious best practices, and revenues are allocated to excellent environmental and/or social activities or projects according to the reference classifications. | It demonstrates that the debt instrument has an overall excellent ESG profile and impact in the context of the ultimate issuer. The instrument excels in both its compliance with the reference classifications of its activities and the integration of ESG considerations into its business, strategy, and management. The instrument excels in terms of its framework structure and the destination of proceeds. |
| AA | | | | | |
| A- | | | | | |
| BBB | 2 | Highly ESG compliant | It indicates that the asset under analysis demonstrates a good ESG profile and impact. The asset is good in that its activities align with its reference classifications and ESG considerations are integrated into the business, strategy, and management. | It indicates that the debt instrument and its framework indicate a good ESG profile. The framework structure is good in terms of compliance with ambitious best practices, and revenues are allocated to good environmental and/or social activities or projects according to the reference classifications. | It demonstrates that the debt instrument has an overall good ESG profile and impact in the context of the ultimate issuer. The instrument is well aligned with its reference classifications of activities and integrates ESG considerations into its business, strategy, and management. The instrument is well aligned with its framework and revenue target. |
| BB | | | | | |
| B | | | | | |
| CCC | 3 | Natural Average, Satisfactory | It indicates that the analysed asset exhibits an average ESG profile and impact. The asset is average in terms of its activities being aligned with reference classifications and its integration of ESG considerations into the business, strategy, and management. | Indicates that the debt instrument and its framework have an average ESG profile. The framework structure is average in terms of compliance with ambitious best practices, and revenues are allocated to average environmental and/or social activities or projects based on reference classifications | It indicates that the debt instrument has an overall average ESG profile in the context of the ultimate issuer, with reference classifications of activities and the integration of ESG considerations into business, strategy, and management. The instrument is average in terms of its framework structure and revenue target. |
| CC | | | | | |
| C | | | | | |
| DDD | 4 | Highly ESG non-compliant, Inadequate | Indicates that the analysed entity exhibits a below-average ESG profile and impact. The entity is below average in terms of compliance with reference classifications of activities and integration of ESG considerations into the business, strategy, and governance. | Indicates that the debt instrument and its framework have a below-average ESG profile. The framework structure is below average in terms of compliance with ambitious best practices, and revenues are allocated to below-average environmental and/or social activities or projects relative to the reference classifications. | It indicates that the debt instrument has an overall below-average ESG profile and impact in the context of the ultimate issuer. The instrument is below average in both its compliance with reference classifications of activities and its integration of ESG considerations into its business, strategy, and management. The instrument is below average in its framework structure and revenue target. |
| DD | | | | | |
| D | | | | | |
| D- (d) Completely Incompatible | 5 | Highly ESG non-compliant, very poor | It indicates that the analysed asset has a weak ESG profile and impact. The asset demonstrates poor compliance with reference classifications of activities and poor integration of ESG considerations into the business, strategy and management. | Indicates that the debt instrument and its framework indicate a weak ESG profile. The framework structure is weak in terms of compliance with ambitious best practices, and revenues are allocated to weak environmental and/or social activities or projects based on reference classifications. | This indicates that the debt instrument has an overall weak ESG profile and impact in the context of the ultimate issuer. The instrument demonstrates a weak alignment with the reference classifications of its activities and the integration of ESG considerations into its business, strategy, and management. The instrument demonstrates a weak framework and revenue target. |

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EXPLANATIONS ABOUT THE ESG RATING QUESTIONNAIRE

WR's ESG rating questionnaire is designed to support businesses and investors in classifying, analysing, and scoring their Environmental, Social, and Governance (ESG) factors throughout the investment process, particularly during the due diligence phase. Furthermore, this guideline, or questionnaire, is designed to be used post-transaction, to help transaction and management teams focus on developing and improving their existing ESG processes. ESG refers to the environmental, social, and governance factors that can impact the performance of a business and/or investment, including the business itself. It's often used in conjunction with responsible investing and refers to an investment approach that integrates ESG factors into corporate behaviour, investment decisions, and ownership activities. Other terms that should be considered alongside ESG include sustainability, corporate social responsibility, ethical responsibility, and environmental, health, and safety.

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