

# Galata Wind Enerji A.S.

Corporates | Utilities - Non US | **Turkiye** | ESG Entity Rating

ESG Rating Type	ESG Rating <sup>a</sup>	Score	Analysis Type
Entity	2	76	Full Entity
Instrument	Not Applicable	Not Applicable	Not Applicable
Framework	Not Applicable	Not Applicable	Not Applicable

<sup>a</sup> ESG Rating of 1-5, where 1 is the strongest. Date ESG Rating and score assigned: 23 October 2024.

Note: For Framework, analysis types can be green, social, sustainability, sustainability-linked, conventional, or other.

## ESG Rating Drivers

- Sustainable Fitch has assigned Galata Wind Enerji A.S. (Galata) an ESG Entity Rating of '2', which indicates a good ESG profile. This reflects the contribution of the company's business activities to climate change mitigation, as a pure-player renewable energy generation company in Turkiye.
- Galata's environmental profile benefits from robust policies addressing key environmental material topics, comprehensive environmental disclosures, and a net-zero emissions strategy. However, the company's negative trends in carbon emissions and natural resource management over the past four years limit its potential for a higher rating.
- Galata's governance profile rating is negatively affected by the current structure where internal audit functions are managed at the parent level rather than within the company as well as by the lack of transparency regarding the CEO pay ratio and the detailed components of management remuneration.

Source: Sustainable Fitch



Sustainable Fitch assigns the pure player label to companies whose business is intrinsically or strategically focused on environmental or social advancements. We find Galata Wind Enerji A.S. meets the criteria to be an environmental pure player. For more information on our pure player label, see Appendix 5 of the ESG Ratings methodology.

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## The Entity – Highlights

Galata is a pure-player renewable electricity generation company based in Uskudar, Istanbul. It was established in 2006, and was acquired by Dogan Sirketler Grubu Holding A.S. (Dogan Holding) on 29 June 2012. Galata has been publicly traded on Borsa Istanbul since 22 April 2021. The company's primary shareholders are Aydin Dogan and the Dogan family, who own 70% of the shares through Dogan Holding, with the remaining 30% being publicly traded.

Galata operated with a team of 56 employees at end-2023, and managed a portfolio consisting of three wind and two solar power plants across Turkiye, with a total installed capacity of 290MW. The company has committed to expanding its installed capacity to 550MW by 2025 and to 1,000MW by 2030 through ongoing investments in renewable energy projects.

The company also sells carbon reduction certificates linked to its solar and wind power plants, certified under the Gold Standard and Verified Carbon Standard (VCS) by VERRA, which has resulted in the avoidance of 411,000tCO<sub>2</sub> emissions in 2023.

Galata also specialises in designing and installing rooftop solar power systems as well as researching energy storage and battery technologies and electric vehicle charging stations, through its wholly owned subsidiary, Sunflower Solar.

We grant Galata the pure player label as its business activities of power generation by wind and solar plants have a substantial positive environmental impact on the environment by directly contributing to climate change mitigation, and none of its activities have negative impacts on the environment or society.

Galata has crafted a robust sustainability strategy that addresses the most pressing ESG challenges and opportunities. This strategy, informed by a comprehensive materiality assessment, is already in the implementation phase. It focuses on scaling up renewable energy generation assets, with the overarching goal of achieving net-zero emissions across all operations, including Scopes 1, 2 and 3 emissions. To reach this goal, Galata has committed to active community engagement, employee involvement and effective supply chain management.

Galata published its inaugural sustainability report in 2022, in line with both the Global Reporting Initiative standards and the Sustainability Accounting Standards Board's sector-specific standards; this is a good market practice that has been positively reflected in our assessment.

The 2023 sustainability report has built upon by incorporating additional changes in anticipation of the Corporate Sustainability Reporting Directive requirements. Key environmental and social metrics received limited assurance from an external auditor. Despite its relatively recent entry

into non-financial reporting, we deem Galata's non-financial reporting efforts to be commendable.

Galata actively engages with the UN Sustainable Development Goals (SDGs) and has sustainable development anchored in its mission and vision, which has benefitted its ESG profile. The company clearly details its actions and initiatives contributing to specific SDGs and targets. We deem the company to directly contribute to SDGs 7 (affordable and clean energy) and 13 (climate action).

We view the environmental profile of Galata as good, with a rating of '2'. The company shows excellent performance in the environmental policies and the risks and incident sections, and good performance in environmental disclosure, and in targets and supply chain. However, the poor evolution of the vast majority of its environmental metrics in recent years, owing to its expansion in renewable energy power plants, has constrained achieving a higher rating.

We view the social profile of Galata as good, with a rating of '2'. Galata has robust human rights and labour rights practices, based on internationally recognised standards and showing effective enforcement of its occupational health and safety system with zero work-related accidents in the past three years. However, the major constraints on the social performance are the gender diversity, as it has a male-dominated workforce, which is common for the sector and does not stand out for the company, and a relatively high gender pay gap.

We view the governance profile of Galata as good, with a rating of '2'. The company demonstrates excellent performance in financial reporting and tax management, and maintains a relatively balanced board. However, the governance profile is hampered by the absence of an internal audit function within Galata, as these functions are managed by the parent company. Additional constraints include the lack of CEO pay ratio reporting and of detailed disclosure of the components of the management remuneration.

Source: Sustainable Fitch, Galata sustainability report 2023, Galata annual report 2023

## Entity Analysis

### Broader Perspective on Sector

Sector Trajectory	Fitch's view
Short Term	<ul style="list-style-type: none"> <li>The renewable energy generation subsector is poised for substantial growth in the short term, driven primarily by escalating global commitments to reduce carbon emissions and transition to a low-carbon economy. Governments worldwide are implementing policies and incentives to support renewable energy projects, such as tax credits, feed-in tariffs, and renewable energy certificates. These regulatory frameworks are creating a fertile environment for investment in wind, solar, and other renewable energy sources.</li> <li>Additionally, technological advancements are rapidly reducing the costs associated with renewable energy generation. Innovations in solar panel efficiency, battery storage and grid integration are making renewable energy more competitive with traditional fossil fuels. The growing consumer and corporate demand for sustainable energy solutions creates further market opportunities, as more entities commit to achieving net-zero emissions by 2030.</li> <li>The renewable energy generation subsector faces several significant challenges despite this promising outlook. One of the foremost issues is the intermittency of renewable energy sources such as wind and solar, which can lead to instability in energy supply. This necessitates substantial investments in energy storage solutions and grid infrastructure to ensure reliability and efficiency.</li> <li>Another challenge is the regulatory and permitting hurdles that can delay the deployment of renewable energy projects. Navigating the complex landscape of local, national and international regulations can be time-consuming and costly.</li> <li>The sector is also facing increased competition, both from within the renewable energy sector and from traditional energy companies diversifying their portfolios. This competitive pressure could squeeze profit margins and make it harder for smaller companies to thrive. Lastly, supply chain disruptions, as seen during global events such as the Covid-19 pandemic, can pose risks to the timely availability of critical components such as solar panels and wind turbines.</li> <li>From an ESG perspective, the renewable energy generation subsector presents both significant opportunities and challenges. On the environmental front, the shift towards renewable energy is crucial for mitigating climate change and reducing GHG emissions. However, social and governance considerations must also be addressed. The development of large-scale renewable energy projects can sometimes lead to social conflicts, particularly regarding land use and community displacement. Ensuring transparent, inclusive and fair practices in project development is essential for maintaining the social licence to operate.</li> <li>Governance challenges include ensuring ethical supply chains, particularly</li> </ul>

### Broader Perspective on Sector

Sector Trajectory	Fitch's view
	<p>concerning the sourcing of materials such as rare earth metals, which are critical for renewable technologies but often associated with human rights abuses and environmental degradation. Companies that proactively address these ESG concerns will build resilience and trust with stakeholders in the short term leading up to 2030.</p>
Long Term	<ul style="list-style-type: none"> <li>We expect the renewable energy generation subsector to continue its robust expansion past 2030, fuelled by the ongoing global imperative to combat climate change and achieve sustainable development goals. Long-term commitments from governments and international bodies to phase out fossil fuels and achieve net-zero emissions by mid-century will likely result in incremental policy support and financial incentives for renewable energy projects.</li> <li>Technological innovations will continue to play a pivotal role, with advancements in energy storage, smart grid technologies and next-generation renewable energy sources, such as advanced PV and offshore wind, enhancing efficiency and reducing costs. The increasing electrification of various sectors, including transportation and industry, will also drive up demand for renewable energy.</li> <li>We expect emerging markets to become significant participants in the renewable energy sector, offering new growth opportunities as they leapfrog traditional energy infrastructure in favour of cleaner alternatives.</li> <li>Despite the long-term growth prospects, the renewable energy generation subsector will face enduring challenges that need to be addressed to sustain its trajectory. One of the primary challenges will be the integration of high levels of renewable energy into the global energy grid, which requires sophisticated management and substantial investments in grid modernisation and energy storage solutions.</li> <li>The sector will also need to navigate potential resource constraints, particularly concerning the availability of materials essential for renewable energy technologies, such as lithium, cobalt and rare-earth elements. These constraints could lead to supply chain vulnerabilities and increased competition for resources.</li> <li>The environmental footprint of renewable energy infrastructure, including land use and habitat disruption, will need careful management to avoid negative biodiversity impacts. The evolving regulatory landscape, with increasingly stringent environmental and social governance requirements, will necessitate continuous adaptation and compliance efforts from renewable energy companies.</li> </ul>

Source: Sustainable Fitch

## Entity Analysis

### Broader Perspective on Company

Sector Trajectory	Fitch's view
Short Term	<ul style="list-style-type: none"> <li>Galata has a clear short-term strategy focused on expanding the installed capacity of renewable energy to 550MW by 2025 and 1,000MW by 2030 and is actively taking steps towards achieving this. The company is currently investing in new power plants as well as increasing the existing capacity of its current plants.</li> <li>Galata has been actively constructing two sites during 2023, Taşpınar Hybrid SPP and Taşpınar WPP, expecting to increase its installed capacity to 297MW initially, from 290MW, with further expansions planned. The capacity extension for Taşpınar WPP was completed by year-end, while Taşpınar Hybrid SPP, which is being developed within Taşpınar WPP, consists of two phases: the first phase was completed in March 2024, and the second phase is expected to be completed by the end of 2024. Galata also plans to increase the capacity by 39MW at the Mersin WPP.</li> <li>Additionally, Galata has established Galata Wind Energy Global BV in the Netherlands and signed agreements with two project development companies to develop a total of 300MW solar power plant projects in Europe, targeted for development in 2024 and completion in 2025 or 2026.</li> <li>These investments come with associated ESG challenges, particularly increased emissions and environmental footprint from expanding operations. Constructing new power plants is especially energy- and resource-intensive. The company has developed robust environmental policies to minimise waste, energy consumption, carbon emissions and other negative environmental impacts, but has yet to achieve the desired reductions. The coming years will be crucial for addressing these challenges and harnessing opportunities for improvement.</li> <li>Galata's short-term social strategy focuses on community engagement, promoting social awareness, and creating a positive impact on the communities where it operates. It aims to increase female representation in the workforce by 3 percentage points (pp), and is planning to develop and implement specific policies to address this.</li> </ul>
Long Term	<ul style="list-style-type: none"> <li>The company's overarching long-term goal is achieving net zero across all operations, covering Scopes 1, 2 and 3 emissions.</li> <li>Galata is promoting several levers of action to meet this ambitious goal. It aims to reduce Scope 1 emissions by replacing company vehicles that are powered by fossil fuels with electric vehicles and implementing renewable energy solutions for heating and cooling needs in its facilities.</li> <li>Galata plans to reduce Scope 2 emissions by using electricity certified as green energy sourced from renewable energy providers in its operations as well as by implementing energy-efficiency projects to optimise energy use and reduce overall consumption. This includes using smart-grid technologies to manage and monitor energy consumption effectively.</li> <li>The reduction of Scope 3 emissions will prove more challenging, as these</li> </ul>

### Broader Perspective on Company

Sector Trajectory	Fitch's view
	<p>emissions lie outside the operational control of Galata. However, Galata has started implementing some measures to reduce these indirect emissions, such as by collaborating with suppliers to reduce emissions across the supply chain, conducting awareness and audit programmes to promote sustainable practices among suppliers, and tracking the carbon footprint of procured materials and services to ensure alignment with the company's sustainability goals.</p> <ul style="list-style-type: none"> <li>Galata's long-term social strategy focuses on building trust through transparent communication, contributing to local economic and social development by creating employment opportunities, supporting local authorities and NGOs, and investing in community infrastructure and educational programmes.</li> <li>The company emphasises inclusivity, ensuring all community initiatives consider diverse needs without discrimination. Additionally, the company aims for long-term partnerships with NGOs and local governments to address community needs effectively and support sustainable development, while also encouraging employee participation in social responsibility efforts and volunteering.</li> <li>We positively view engaging in partnerships with key community stakeholders to balance and mitigate the challenges that the expansion in Galata's operations will bring.</li> </ul>

Source: Sustainable Fitch

## Entity Analysis

### Business Activities

#### Company Material

#### Core Contributions

#### Electricity generation from wind and solar power

ESG Rating **2**

- This business activity includes the revenue from the core economic activity of electricity generation from the wind and solar power plants of Galata across Turkiye. It generates revenue from the sale of electricity to clients as well as from the sale of verified carbon credits in voluntary markets.
- It also includes revenue from design of solar power systems and their installation on the roofs of residences, schools, workplaces, gas stations and factories, which is conducted through its subsidiary Sunflower Solar.

Share percent  
Represents 100% of revenue

#### Environmental

- We regard Galata as a pure player in the energy sector since its core economic activities are strategically focused on environmental advancements towards the energy transition of the Turkish market.
- Electricity generation from wind and solar sources are widely regarded as reliable renewable sources that directly contribute to the energy transition to a low-carbon and a more sustainable energy systems through climate change mitigation.
- Both onshore wind and solar PV are proven, widely deployed technologies that have extensive supply chains.
- Galata had 247MW of wind power installed capacity at end-2023, across three onshore wind farms: Şah (105MW of installed capacity), Mersin (62.7MW) and Taşpınar (79MW). It also had 43.5 MW of solar power installed capacity across three solar PV farms: Erzurum (24.7MW), Çorum (9.4MW) and Taşpınar Hybrid (9.4MW).
- Revenue from wind plants represents around 87% of revenue from this business activity, with revenue from solar PV plants representing around 11%.
- The EU taxonomy of sustainable activities recognises the substantial contribution of electricity generation from wind and solar PV technologies towards the climate change mitigation environmental objective.
- This recognition is reflected in the fact that these types of assets are not required to meet specific substantial contribution criteria, such as a carbon intensity threshold or other exclusionary criteria.
- These are outlined under the EU taxonomy categories for electricity generation from wind power (4.3) and electricity generation from solar photovoltaic technology (4.1).
- Consequently, we can confirm that all of Galata's power plants substantially contribute to the climate change mitigation environmental objective.
- We have assessed the environmental impact of the sale of carbon credits, which account for around 2% of the revenue from this business activity, to be fully dependent on the assets that generate the credits, namely, the wind and solar power plants, as the

#### Sustainable Fitch's View

#### Social

- The generation of electricity has positive social impact, particularly in terms of providing access to energy.
- Renewable energy sources such as wind and solar do face the challenge of intermittency, which can affect the stability and reliability of the energy supply, but they also offer benefits in other critical areas. Notably, wind and solar electricity generation greatly reduce air pollution compared to fossil fuel-based energy sources. This reduction in air pollution leads to improved public health outcomes, addressing a major social drawback of traditional fossil fuels.
- This business activity positively contributes to SDG 7.

## Entity Analysis

### Business Activities

#### Company Material

#### Core Contributions

#### Environmental

#### Sustainable Fitch's View

#### Social

#### Electricity generation from wind and solar power

ESG Rating **2**

- certificates are credible and there is thus no risk of double counting, which would lead to overemphasised positive impact.
- Gold Standard and VCS by Verra are two of the most recognised certification standards in the voluntary carbon market. Gold Standard focuses on high environmental integrity and robust verification processes, including comprehensive stakeholder consultations and transparent reporting. VCS by Verra maintains a transparent registry system to track the issuance, transfer, and retirement of carbon credits, ensuring that credits are not double counted and providing a clear audit trail.
  - The sale of carbon credits by Galata in 2023 achieved a reduction of around 411,000tCO<sub>2</sub> emissions through its renewable energy projects, out of which 43.23% comes from the Şah WPP, 26.17% from the Mersin WPP, 23.96% from Taşpınar WPP, 2.87% from Erzurum Aziziye SPP, 1.89% from Erzurum Hınıs SPP, and 1.88% from Çorum SPP.

Source: Galata sustainability report 2023, Galata annual report 2023

Source: Sustainable Fitch, based on Galata sustainability report 2023, Galata annual report 2023

## Entity Analysis

### Environmental View

#### ESG Rating: 2

Profile	Fitch's View	ESG Rating
Policies	<ul style="list-style-type: none"> <li>We deem Galata's environmental policies and management system to mitigate the most relevant environmental issues arising from the operations of the company, which has been positively reflected in the rating for this section.</li> <li>The company has an environmental management system certified under ISO 14001 as well as an energy management system certified under ISO 50001 for all its plants, which is a good market practice.</li> <li>Galata actively monitors water consumption and has committed to sustainable water management practices. However, the company currently lacks a comprehensive water management system that would enable it to address the issue more effectively.</li> <li>The company approach to biodiversity and land use is excellent, in our view. Its biodiversity policy is guided by the Kunming-Montreal Global Biodiversity Framework and the 2030 European Biodiversity Strategy, and supported by a biodiversity management approach. Galata has committed to not operating in protected natural areas or habitats with high ecological value.</li> <li>Galata monitors waste generation and disposal at all project sites and has a waste management system integrating circular economy principles. It makes explicit consideration of the recycling of key materials such as turbine components and polymers from solar panels, which are sent to specialised recycling facilities.</li> </ul>	1
Disclosure	<ul style="list-style-type: none"> <li>We deem Galata's environmental disclosure to be comprehensive. The company regularly monitors its most relevant environmental metrics showcasing its evolution for the past three years.</li> <li>The company reports its 2023 absolute Scope 1 emissions as 265tCO<sub>2</sub>e, location-based Scope 2 emissions as 861tCO<sub>2</sub>e, and Scope 3 emissions as 459tCO<sub>2</sub>e.</li> <li>The Scope 3 emissions accounting encompasses the most relevant categories for the sector, specifically categories 1 through 7, encompassing purchased goods and services, capital goods, fuel and energy related activities, upstream transportation and distribution, waste generated in operations, business travel and employee commuting.</li> <li>The company has the sole business activity of power generation, which does not allow for breaking down emissions by business activity. However, it could provide more granularity by breaking down its Scopes 1, 2 and 3 emissions by source and category, such as Scope 1 emissions broken down by source and Scope 3 emissions broken down by category.</li> <li>Galata does present the constituents of its emissions as well as the associated emission factors, but it does not provide absolute emissions data</li> </ul>	2

### Environmental View

#### ESG Rating: 2

Profile	Fitch's View	ESG Rating
	<p>at that level.</p> <ul style="list-style-type: none"> <li>Its absolute emissions metrics are complemented by intensity measures, such as the carbon intensity from its direct operations, which is beneficial as presenting absolute and intensity metrics enables a more nuanced understanding of the carbon footprint over time.</li> <li>Galata's natural resource disclosure is comprehensive. The company provides absolute metrics for water consumption, energy consumption (from both renewable and non-renewable sources), and waste generation (both hazardous and non-hazardous). These absolute metrics are complemented by intensity metrics, including the water density ratio, energy intensity, and the amount of recycled and reused waste.</li> </ul>	
Evolution	<ul style="list-style-type: none"> <li>Galata shows absolute increases in the vast majority of its environmental metrics and the company does not provide like-for-like data enabling us to make a precise assessment covering the evolution from 2020 to 2023, which is negatively reflected in the assessment for this section.</li> <li>Scopes 1 and 3 emissions data for 2020 and 2021 are limited. The like-for-like data from 2022 to 2023 show an absolute increase of 30.7% for Scope 1 emissions and 12.8% for Scope 3 emissions. For Scope 2 emissions, like-for-like data are available from 2020 to 2023, showing a 40.4% increase over these years. Overall, its total carbon emissions have risen by 29.6% from 2022 to 2023, increasing to 1,580tCO<sub>2</sub>e in 2023 from 1,220tCO<sub>2</sub>e in 2022.</li> <li>Despite this negative trend in carbon emissions, Galata's absolute carbon footprint remains relatively low, owing to its status as a renewable energy pure player.</li> <li>It discloses like-for-like data showing the evolution of natural resources metrics from 2021 to 2023. In this time period, water consumption has risen 2.4% to 792m<sup>3</sup> in 2023 from 773m<sup>3</sup> in 2021. Waste generation has risen 68.9%, to 30,000kg in 2023 from 9,420kg in 2021, which was driven by a 17,900kg increase in non-hazardous waste generation in 2023, which was 0kg in 2022.</li> <li>Its total energy consumption rose by 24.4% to 2.31 million MW in 2023 from 1.74 million MW in 2021. The share of renewable sources in the total energy consumption decreased by 0.3% in the same period.</li> <li>The primary driver behind the increase in these metrics has been the expansion of Galata's operations, mainly through investments in renewable energy plants. This is beneficial for the transition of the Turkish energy market and contributes to climate change mitigation, but it also has an associated environmental footprint, especially during the construction phase of these renewable energy projects.</li> </ul>	5
Targets and	<ul style="list-style-type: none"> <li>Galata has an overarching net-zero goal across Scopes 1, 2 and 3 emissions</li> </ul>	2

## Entity Analysis

### Environmental View

#### ESG Rating: 2

Profile	Fitch's View	ESG Rating
Supply Chain	<p>for all its operations, which is positively reflected in our assessment. We consider verifying decarbonisation targets under the Science Based Targets initiative, which Galata has not done, as best practice.</p> <ul style="list-style-type: none"> <li>Galata has other relevant environmental targets supporting its sustainability strategy, such as increasing the renewable energy installed capacity to 550MW by 2025 and to 1,000MW by 2030; improving energy efficiency by 10% by 2025; fully abating its Scope 1 emissions by 2025; and transitioning to using 100% renewable energy in all its processes by 2025.</li> <li>The company also upholds general commitments to reduce its environmental impact by protecting biodiversity, reducing waste and water consumption, mitigating pollution and supporting sustainable development, but these are not backed by specific, time-bound targets.</li> <li>The company is positively progressing towards meeting the installed capacity targets, as it has increased its renewable energy installed capacity to 290MW in 2023 from 269MW in 2022. However, the negative evolution in carbon emissions, reflected in the Evolution section, implies that the prospects of meeting the emissions targets has been worsened.</li> <li>There is no indication that the management remuneration is linked to the achievement of environmental targets, a practice that could further enhance the company's environmental profile.</li> <li>Galata promotes environmental due diligence throughout the supplier chain through its procurement policy and supply chain management procedure. The company evaluates and selects suppliers based on ESG standards through a self-assessment questionnaire. It subjects high-risk suppliers to audits to ensure compliance.</li> <li>If any issues are identified, suppliers are required to implement corrective action plans. This indicates that there are mechanisms in place for addressing non-compliance and potentially terminating relationships if necessary.</li> </ul>	
Risks and Incident Treatment	<ul style="list-style-type: none"> <li>We found no evidence suggesting Galata has caused or been involved in any major environmental incident in the past three years, which is positively reflected in the environmental profile.</li> </ul>	1

Source: Sustainable Fitch, based on Galata sustainability report 2023, Galata annual report 2023



## Entity Analysis

### Social View

#### ESG Rating: 2

Profile	Fitch's View	ESG Rating
Human Rights	<ul style="list-style-type: none"> <li>Galata incorporates human rights principles across its business processes, in line with major treaties and conventions such as the UN Declaration of Human Rights. Galata has a dedicated human rights policy endorsed by its board of directors.</li> <li>Galata has been a signatory to the UN Global Compact since 2022, which shows its commitment to human rights and responsible business practices. The company conducts monitoring and reporting on human rights issues, thereby enhancing its social profile.</li> </ul>	1
Labour Rights	<ul style="list-style-type: none"> <li>Galata's approach to labour rights is comprehensive, focusing on fair treatment, non-discrimination, employee engagement, supportive work conditions, and effective mechanisms for addressing and resolving complaints, such as whistleblowing mechanisms.</li> <li>Galata's labour policies cover the Universal Declaration of Human Rights, the International Labour Organization conventions ratified by Türkiye, and other relevant legislation.</li> <li>Despite a solid foundation on labour issues, the employee turnover rate of Galata stands at 16% in 2023. The primary driver behind the employee turnover at Galata is the "intermediate staff issue", identified as one of the most relevant material topics of the company's materiality matrix. This issue involves challenges related to retaining intermediate-level staff, which may include factors such as career development opportunities, work environment and competitive compensation.</li> <li>Galata implements an ISO 45001-certified occupational health and safety management system across all its operations. Over the past three years, the company has not experienced any accidents or work-related injuries involving its employees or contractors. This safety record highlights the effective enforcement of its occupational health and safety policies, and positively influences the rating for this section.</li> </ul>	1
Diversity	<ul style="list-style-type: none"> <li>The rating for this section has been primarily driven by the low performance in gender diversity. However, this is a characteristic of the sector the company operates in rather than a divergence for the company.</li> <li>Galata has a male-dominated workforce, with women only accounting for 26.8% of the workforce, which is slightly inferior than the average 32% women representation in the renewable energy sector according to the International Renewable Energy Agency (IRENA). The company has set a goal to increase females representation by 3%, and is taking steps to meet this target, which would benefit its social profile.</li> <li>Galata's management, on the other hand, showcases a more balanced profile, with women accounting for 45% of managers; this positively deviates from the 28% female management representation in the sector, according to</li> </ul>	4

### Social View

#### ESG Rating: 2

Profile	Fitch's View	ESG Rating
	<p>IRENA.</p> <ul style="list-style-type: none"> <li>The gender pay gap across all levels is 40.4%, meaning that women on average earn 59.6% of what men do. The gender pay gap at the management level is lower, at 28.2%, meaning that female managers on average earn 71.8% of what male managers do.</li> <li>The company reports on other employee diversity metrics, including age and disability, which has benefitted its social profile.</li> </ul>	
Community and Customers	<ul style="list-style-type: none"> <li>The company has anchored customer satisfaction in its vision, and has a customer satisfaction policy and a customer satisfaction management system certified under ISO 10002, which is positive from an ESG perspective. However, Galata does not disclose its customer satisfaction levels, which has negatively affected the rating in this area.</li> <li>Galata has a community engagement strategy focusing on sustainable practices and social development. The company regularly collaborates with NGOs, local authorities and other stakeholders to support community programmes, including donations, volunteering and educational initiatives.</li> <li>Galata donated a total of TRY14.5 million in 2023, representing around 0.8% of the company's revenue. The donations supported various projects such as the restoration of the Çorum Tatar Primary School; environmental sustainability projects such as the Taşpınar WPP/SPP Natural Habitat Support, Biodiversity Conservation, Environmental Sustainability Project; and the sponsorship of the Nilüfer Belediyespor women's volleyball team.</li> </ul>	2
Targets and Supply Chain	<ul style="list-style-type: none"> <li>Galata's social strategy aims to increase female workforce representation by 3%, support local employment, and engage in community volunteering programmes. Currently, most of Galata's social goals are framed as general commitments.</li> <li>The company could solidify these goals with time-bound targets and specific deadlines, to further strengthen its social profile. Additionally, linking the management remuneration to the achievement of these targets would enhance accountability and drive progress.</li> </ul>	3
Risks and Incident Treatment	<ul style="list-style-type: none"> <li>We found no evidence suggesting Galata has been involved in any socially related external indecent in the past three years.</li> </ul>	1

Source: Sustainable Fitch, based on Galata sustainability report 2023, Galata annual report 2023

## Entity Analysis

### Governance View

ESG Rating: 2

Profile	Fitch's View	ESG Rating
Financials and Reporting	<ul style="list-style-type: none"> <li>The company prepares its consolidated financial statements by applying the Turkish Accounting Standards and the Turkish Financial Reporting Standards published by the Public Oversight, Accounting, and Standards Authority.</li> <li>There is no information in the remarks of the external auditors that suggests any wrongdoing surrounding Galata's financials, which has been positively reflected in our assessment.</li> </ul>	1
Top Management and Control	<ul style="list-style-type: none"> <li>The corporate governance structure of Galata follows the traditional two-tier board with the board of directors setting the strategic goals, managing risks, overseeing performance and ensuring compliance with the governance principles, and an executive board tasked with managing the daily operations and implementing the strategic goals.</li> <li>We deem the uppermost layers of Galata's corporate governance structure to showcase a balanced board, but with room for improvement, particularly in gender diversity. Currently, only three of the 10 directors are women. It also lacks national diversity, as all directors are Turkish.</li> <li>On a positive note, the company excels in diversity of background and experience, with representation in business and management, ESG and sustainability, and technical and operational fields.</li> <li>Two members of the board are independent. A higher share of independent directors has the potential to improve oversight and foster appropriate checks and balances.</li> <li>The chairman of the board and the CEO position are separate, which enhances its governance profile. The board does not directly include any employee representatives but the company has named an employee representative to periodically collect information and present it to the CEO and/or chief financial officer.</li> <li>The board of directors is supported by an internal audit committee, consisting of only independent directors, which is a sound basis. However, Galata has not yet established its own internal audit unit, which has been negatively reflected in our assessment. Instead, risk-based assessments, as well as reviews of systems and processes, are conducted by an employee from Dogan Holding's internal audit department, who reports directly to the audit committee.</li> </ul>	3
Remuneration	<ul style="list-style-type: none"> <li>Management remuneration at Galata is determined by the corporate governance committee, which also fulfils the duties of the nomination and remuneration committee. The committee is composed of three members, which includes the chairman, who is an independent board member and to non-executive board members.</li> <li>The remuneration for the board members, including executive members, is decided annually at the general assembly and includes benefits such as</li> </ul>	5

### Governance View

ESG Rating: 2

Profile	Fitch's View	ESG Rating
	<ul style="list-style-type: none"> <li>salaries, bonuses and performance-based rewards. The company has a remuneration policy but there is no clarity on the specific composition and weights of the management remuneration.</li> <li>The company discloses the total amount of benefits provided to the board members and senior management in the annual report but it does not report the CEO pay ratio, which would be positively reflected in the governance profile.</li> </ul>	1
Risk Management	<ul style="list-style-type: none"> <li>We deem Galata's risk management system to be comprehensive. Galata's risk management system includes risk identification, assessment and mitigation. The system monitors various types of risks, including financial, operational, strategic, information technology, climate, occupational health and safety, and regulatory compliance risks.</li> <li>As part of the ISO integrated management system, risks related to the overall business structure and processes are identified, assessed and prioritised, with the probabilities and effectiveness of controls determined. Various methods are employed for the management and processing of these risks.</li> <li>Galata has policies covering anti-competitive practices, corruption and bribery; it monitors their implementation and takes enforcement measures when misconduct is identified. It has integrated these policies into the code of ethics and business conduct, and they apply to all employees and third parties.</li> <li>Galata self-reported two corporate governance incidents, one in 2023 and one in 2022, involving monetary sanctions for non-compliance with laws and regulations. These incidents are primarily related to regulatory breaches concerning their WPPs. In January 2022, the Energy Market Regulatory Authority (EMRA) accused the Mersin WPP and Şah WPP of exceeding their allocated electrical output, leading to a decision by Enerji Piyasaları İşletme A.Ş. (EPIAŞ) to recover the total cost of the WPPs.</li> <li>The company filed lawsuits resulting in the Ankara Administrative Court nullifying the EMRA's decisions. However, in November 2023, EMRA issued the same rulings, prompting the company to file additional lawsuits, in which administrative court annulled the decisions in favour of the company.</li> <li>Financially, lawsuits filed against the company amounted to TRY282,000 in 2020 and increased significantly in the following years, reaching TRY1.2 million by the end of 2022, before decreasing to TRY950,000 by the end of 2023. Despite these challenges, no direct administrative or judicial sanctions were imposed on the company or its management body for unlawful practices during the reporting periods of 2021, 2022, and 2023, aside from the regulatory decisions which were contested and partially nullified.</li> </ul>	1

## Entity Analysis

### Governance View

#### ESG Rating: 2

Profile	Fitch's View	ESG Rating
	Overall, while facing regulatory scrutiny and potential financial liabilities, the company has actively engaged in legal actions to challenge the regulatory decisions, showing a proactive stance in addressing these issues. We will monitor this issue.	
Tax Management	<ul style="list-style-type: none"> <li>Galata's tax management strategy involves leveraging legal tax benefits and adhering to regulatory requirements to optimise its tax liabilities, which is not inherently negative.</li> <li>The company has recently established a subsidiary, Galata Wind Energy Global BV, in the Netherlands. The Netherlands is sometimes viewed as a tax haven, which may raise concerns regarding potential tax evasion, though this subsidiary was created as part of Galata's international growth objectives. The subsidiary has capital of EUR1 million, and aims to manage European investments.</li> <li>The subsidiary has already entered into agreements with two companies to develop solar power plant projects in Europe with a total capacity of 300MW. These projects are planned for development in 2024 and completion between 2025 and 2026.</li> <li>The subsidiary's active role in overseeing and directing these investments and entering into project agreements indicates that it is an operating subsidiary, mitigating tax evasion risks and enhancing the governance profile.</li> </ul>	1

Source: Sustainable Fitch, based on Galata sustainability report 2023, Galata annual report 2023

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**Relevant UN Sustainable Development Goals - Entity**

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7.2 By 2030, increase substantially the share of renewable energy in the global energy mix



13.2 Integrate climate change measures into national policies, strategies and planning



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Source: Sustainable Fitch, UN

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Note: Sustainable Fitch evaluates the relevant UN Sustainable Development Goals at the entity level by considering direct contributions, not generic support.

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## Appendix A: Key Terms

Term	Definition
<b>Debt Types</b>	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.

Term	Definition
<b>Standards</b>	
Transition	A term applied to green, social, sustainable or sustainability-linked instruments, only when the purpose of the debt instrument is to enable the issuer to achieve a climate change-related strategy according to Fitch criteria or methodology.
ICMA	International Capital Market Association. The "ICMA" credential on page 1 refers to alignment with ICMA's Principles and Guidelines: a series of principles and guidelines for green, social, sustainability and sustainability-linked (or KPI-linked) instruments.
EU Green Bond Standard	A set of voluntary standards <a href="#">created by the EU</a> to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".
<b>Other Terms</b>	
ESG debt	Green, social, sustainability and sustainability-linked types of debt.
Short term	Within five years.
Long term	At least six years away.
Entity's business activity overlap with use of proceeds	The share of the entity's total business activities that can use proceeds from the debt instrument in question.
NACE	An industry standard classification system for economic activities in the EU, based on the United Nations' International Standard Industrial Classification of All Economic Activities (ISIC).
Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group	

## Appendix B: Methodology and ESG Rating Definitions

Fitch's ESG Ratings are designed to indicate an entity's Environmental, Social and Governance (ESG) performance and commitment, as well as its integration of ESG considerations into its business, strategy and management, with a focus on actions and outcomes rather than purely on policies and broader commitments.

There are three ratings: the ESG Entity Rating (ESG ER), ESG Instrument Rating (ESG IR) and, for debt instruments linked to ESG key performance indicators (KPIs) and/or use of proceeds, the ESG Framework Rating (ESG FR). ESG Ratings are on a scale from one to five, where one represents full alignment with ESG best practice. Behind each rating sit scores of zero to 100, as well as sub-scores for even greater granularity.

Sustainable Fitch's analysts assess all the business activities of an entity and more than 40 additional headline factors, covering all three ESG pillars. For debt instruments, they assess use of proceeds and more than 20 additional headline factors.

Fitch provides individual datasets with grades and commentary through a feed. The score and sub-score database allows direct comparison of entities and instruments, on a full ESG basis or on selected fields.

ESG ERs consider the issuer's strategy, how it relates to sustainability, and how sustainability is embedded in the issuer's business, including ESG policies, procedures, and outcomes. The entity is broken down into constituent business units, with NACE codes, for a granular assessment of E and S factors. Fitch assesses G aspects at the company level.

ESG FRs consider any type of bond, with varying analysis if there is a defined use of proceeds, KPI-linked coupon, or conventional bond. The rating aims to identify the strength of the bond framework on a standalone basis, separate to the entity, regardless of any self-assigned descriptions. Fitch analysts categorise bonds as Green, Social or Sustainability (GSS) types independently, based on their view of the main area covered by the use of proceeds, rather than automatically using the entity's categorisation. They will also determine if the bond should be classed as a transition bond and if it aligns with the EU Green Bond Standard and ICMA principles. Analysis considerations include the use of proceeds and sustainability-linked targets that form the primary purpose of the instrument, and the structure and effectiveness of the framework being used to further that purpose.

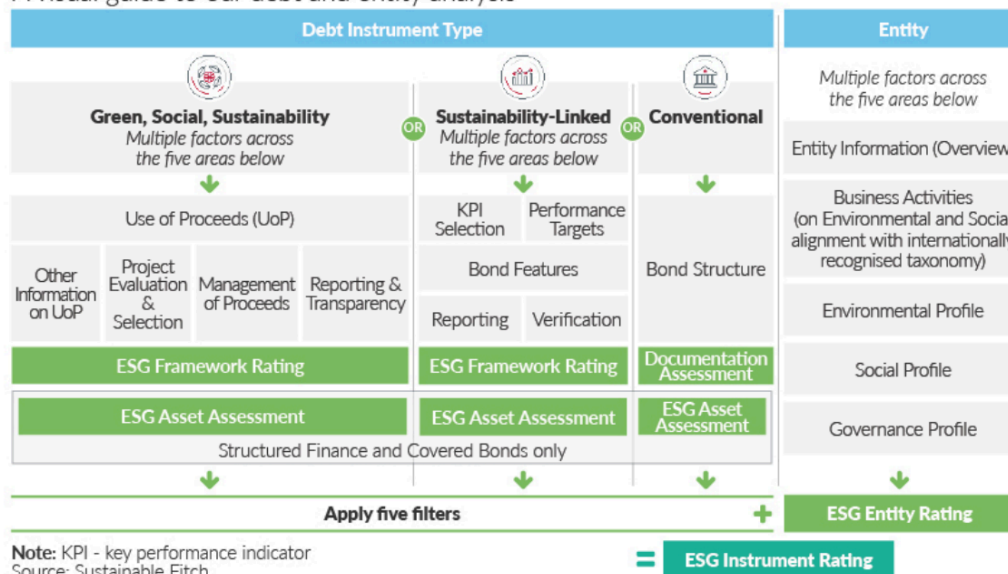
ESG IRs consider different types of debt instruments in the context of the issuing entity, enabling absolute ESG credentials comparisons for similar types of instruments issued by different types of entities, different types of instruments issued by different issuers, as well as different types of instruments issued by a single entity.

### Analytical Process

Analysis considers all available relevant information (ESG and financial), including the entity's ESG report. Fitch's ESG Rating Reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed.

## Fitch's ESG Rating Process

A visual guide to our debt and entity analysis



An important part of the analysis is the assessment of the E and S aspects of the use of proceeds and business activities. In considering those aspects, the rating framework is inspired by major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects). Once the analyst has completed the model, with commentary for the related ESG Ratings, it is submitted to the approval committee, which reviews the model for accuracy and consistency. ESG Ratings are monitored annually or more frequently if new information becomes available.

### Use Cases

Sustainable Fitch's ESG Ratings can help inform decisions related to:

- Investment strategy
- Asset allocation and portfolio construction
- Benchmarking and index construction
- Risk management and stress testing
- Identification of transition bonds
- Disclosure and reporting.

## Rating Scale and Definitions

	ESG Entity	ESG Instrument	ESG Framework
1	<p>ESG ER of '1' indicates that the entity analysed evidences an excellent ESG profile.</p> <p>Entity is excellent both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.</p>	<p>ESG IR of '1' indicates that the debt instrument in the context of the ultimate issuing entity evidences an excellent ESG profile.</p> <p>Entity is excellent both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is excellent in terms of framework structure and proceeds destination.</p>	<p>ESG FR of '1' indicates that the framework for the instrument evidences an excellent ESG profile.</p> <p>Framework structure is excellent in terms of alignment with ambitious best practises and proceeds are dedicated to excellent environmental and/or social activities/projects according to taxonomies of reference.</p>
2	<p>ESG ER of '2' indicates that the entity analysed evidences a good ESG profile.</p> <p>Entity is good both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.</p>	<p>ESG IR of '2' indicates that the debt instrument in the context of the ultimate issuing entity evidences a good ESG profile.</p> <p>Entity is good both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is good in terms of framework structure and proceeds destination.</p>	<p>ESG FR of '2' indicates that the framework for the instrument evidences a good ESG profile.</p> <p>Framework structure is good in terms of alignment with ambitious best practises and proceeds are dedicated to good environmental and/or social activities/projects according to taxonomies of reference.</p>
3	<p>ESG ER of '3' indicates that the entity analysed evidences an average ESG profile.</p> <p>Entity is average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.</p>	<p>ESG IR of '3' indicates that the debt instrument in the context of the ultimate issuing entity evidences an average ESG profile.</p> <p>Entity is average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is average in terms of framework structure and proceeds destination.</p>	<p>ESG FR of '3' indicates that the framework for the instrument evidences an average ESG profile.</p> <p>Framework structure is average in terms of alignment with ambitious best practises and proceeds are dedicated to average environmental and/or social activities/projects according to taxonomies of reference.</p>
4	<p>ESG ER of '4' indicates that the entity analysed evidences a subaverage ESG profile.</p> <p>Entity is sub-average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.</p>	<p>ESG IR of '4' indicates that the debt instrument in the context of the ultimate issuing entity evidences a sub-average ESG profile.</p> <p>Entity is sub-average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is sub-average in terms of framework structure and proceeds destination.</p>	<p>ESG FR of '4' indicates that the framework for the instrument evidences a sub-average ESG profile.</p> <p>Framework structure is sub-average in terms of alignment with ambitious best practises and proceeds are dedicated to subaverage environmental and/or social activities/projects according to taxonomies of reference.</p>
5	<p>ESG ER of '5' indicates that the entity analysed evidences a poor ESG profile.</p> <p>Entity is poor both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.</p>	<p>ESG IR of '5' indicates that the debt instrument in the context of the ultimate issuing entity evidences a poor ESG profile.</p> <p>Entity is poor both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is poor in terms of framework structure and proceeds destination.</p>	<p>ESG FR of '5' indicates that the framework for the instrument evidences a poor ESG profile.</p> <p>Framework structure is poor in terms of alignment with ambitious best practises and proceeds are dedicated to poor environmental and/or social activities/projects according to taxonomies of reference.</p>

Source: Sustainable Fitch

## Solicitation

Status	Solicited
The Ratings were solicited and assigned or maintained by Sustainable Fitch at the request of the rated entity.	

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