S&P Global
Ratings

Environmental, Social, And Governance Evaluation

Galata Wind Enerji A.Ş

Summary

Galata Wind Enerji A.Ş is a Turkiye-based renewable energy company. It operates three wind farms and two solar photovoltaic plants with a total capacity of 269 megawatts (MW) in 2023. The company also designs solar energy systems for roofs of houses, schools, workplaces, gas stations, and factories to generate their own energy. In 2022 it employed 51 people and generated approximately €55 million, mostly from electricity sales from wind energy (87%) and solar energy (10%) to the Turkish grid operator. Galata Wind was founded in 2006 and since 2012 has been a subsidiary of Doğan Şirketler Grubu Holding A.Ş. Following a successful IPO in 2021, the company is 30% publicly traded.

The ESG Evaluation of 67 reflects our view that Galata Wind is adequately prepared to benefit from and overcome short- and medium-term disruptions facing the power generation industry. As a pure renewable energy generator, we believe it has a role in displacing fossil fuels in Turkiye's current energy mix, particularly considering its target to nearly double its generation capacity to 550 MW by 2025, which we view as ambitious but achievable. In terms of its environmental profile, the company has very low direct emissions and intends to reduce scope 1 emissions to zero by 2025, which we view positively. However, we note it has yet to develop a strategy to reduce indirect emissions, particularly those related to scope 3, which are the most significant in the sector. We believe Galata Wind is less directly exposed to social risks than other power generators, particularly as the construction and maintenance of wind and solar plants is outsourced, meaning health and safety risks to employees are less material. Finally, despite the limited track-record of its board of directors, we believe it exhibits good governance practices in line with Turkish standards for listed companies. We also understand that Galata Wind's financial and nonfinancial disclosures, which lag some industry and regional peers, will become more granular and robust, particularly as it published its first sustainability report in June 2023 and intends to externally assure nonfinancial information from 2024 onward.

PRIMARY ANALYST

Maria Ortiz de Mendivil
Madrid
+34-687-007-348
Maria.omendivil
@spglobal.com

SECONDARY ANALYST

Julien Bernu
London
+44-207-176-7137
Julien.Bernu
@spglobal.com

Luisina Berberian
Madrid
+34-91-788-7200
Luisina.Berberian
@spglobal.com

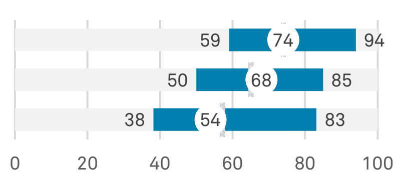
RESEARCH CONTRIBUTOR

Francesca Pisaroni
Milan
+39-347-242-7606
Francesca.Pisaroni
@spglobal.com

Prashant Singh
GAC Mumbai

ESG Profile Components (figures subject to rounding)

Entity-specific assessment			Sector/region analysis			Achieved and attainable scores
E (30%)	30	+	E (30%)	44	=	E
S (30%)	33	+	S (30%)	35	=	S
G (40%)	36	+	G (40%)	18	=	G



Entity within its primary sector/region

Entity's sectors/ regions versus all sectors/ regions

Min and max scores possible given sectors/regions. The gray line represents performance in line with industry standards.

ESG Profile 64

Preparedness +3

Low	Emerging	Adequate	Strong	Best in class

ESG Evaluation

67

A higher score indicates better sustainability. Figures subject to rounding.

Component Scores

Environmental Profile		Social Profile		Governance Profile	
Sector/Region Score	**44/50**	**Sector/Region Score**	**35/50**	**Sector/Region Score**	**18/35**
Greenhouse gas emissions	**Good**	Workforce and diversity	**Good**	Structure and oversight	**Good**
Waste and pollution	**Good**	Safety management	**Strong**	Code and values	**Good**
Water use	**Good**	Customer engagement	**Good**	Transparency and reporting	**Developing**
Land use and biodiversity	**Good**	Communities	**Good**	Financial and operational risks	**Neutral**
General factors (optional)	**None**	General factors (optional)	**None**	General factors (optional)	**0**
Entity-Specific Score	**30/50**	**Entity-Specific Score**	**33/50**	**Entity-Specific Score**	**36/65**
E-Profile (30%)	**74/100**	**S-Profile (30%)**	**68/100**	**G-Profile (40%)**	**54/100**

ESG Profile (including any adjustments) **64/100**

Preparedness Summary

As a pure renewable energy generator, Galata Wind is adequately prepared to benefit from and overcome short- and medium-term disruptions facing its business, in our view. It aims to nearly double its generation capacity to 550 MW by 2025, going some way to help Turkiye displace fossil fuels in its energy mix. The board appears aware of the financial, regulatory, and operational risks that Galata Wind faces, and has shown it can overcome disruptions and maintain a stable financial position. In this regard, we view the company as significantly exposed to political instability given its limited geographical and technological diversification. Its reactive stance regarding the development of technologies to overcome sector-specific concerns, such as renewable energy availability and security of supply, reflects its status as a relatively small player in the market, in our view.

Capabilities	
Awareness	**Good**
Assessment	**Good**
Action plan	**Good**
Embeddedness	
Culture	**Good**
Decision-making	**Good**

Preparedness Opinion (Scoring Impact) **Adequate (+3)**

ESG Evaluation **67**

Note: Figures are subject to rounding.

Environmental Profile

74/100

Sector/Region Score (44/50)

Galata Wind operates exclusively in the renewable energy generation sector. This sector is significantly less exposed to greenhouse gas emission risks than nonrenewable power generation peers. However, renewable assets, especially wind farms, occupy a lot of land and turbines can create substantial nonrecyclable waste at end-of-life. Galata Wind operates in Turkiye, which is increasingly exposed to climate risks such as water stress and biodiversity loss.

Entity-Specific Score (30/50)

Note: Figures are subject to rounding.

Greenhouse gas emissions	Waste and pollution	Water use	Land use and biodiversity	General factors
Good	**Good**	**Good**	**Good**	**None**

Galata Wind has lower scopes 1 and 2 emissions than pure renewables peers, but only started tracking its scope 3 emissions this year. Scope 3 emissions are the largest contributors to the renewable energy generation sector's overall carbon footprint. Galata Wind's focus is on growing its wind and solar installed capacity to 550 MW by 2025. It is on track, in our view, having received approval for the construction of six wind plants and one solar plant to add 350 MW more in installed capacity to its portfolio (269 MW in 2023). We expect its low scopes 1 and 2 greenhouse gas emissions intensity will continue to outperform industry peers, mostly because it consumes 100% renewable energy from its own production to reduce scope 2 emissions, and aims to reduce scope 1 emissions to zero by 2025. That said, unlike some peers, Galata Wind has only just started tracking scope 3 emissions, with a view to mitigating them, particularly those related to purchased goods and services and capital goods, which tend to be the most material in the sector.

We expect Galata Wind to define its waste management strategy in 2023. It has committed to implement zero-waste policies and recycling to reduce its environmental impact and support the circular economy. Like for its other ESG metrics, its tracking of waste management is nascent. Only waste resulting from power plant maintenance is measured (mostly lubricant oil, batteries, and replaced parts), which it disposes of via certified companies. We understand its exposure to waste generation is lower than other market participants, particularly given how recent its renewable projects are (2012) and therefore how far these are from reaching their end-of-life. However, it lags more consolidated peers that have a solid record of tracking, reporting, and managing their waste exposure.

Galata Wind sees biodiversity protection as a relevant topic and does more than just meet the legal requirements set in Turkiye. It performs Environmental Impact Assessments (ESIA) for greenfield projects and often monitors biodiversity risks more closely than the law requires, which we view positively. The company is planning to introduce automatic controls at its wind farms to ensure turbines are stopped during bird migrations, which we view as a standard practice for wind power operators.

While Galata Wind has low exposure to water risks, driven by its lower-than-peers consumption, all its sites are in water-stressed areas according to WRI Aqueduct Water Risk Atlas. We view favorably the holding-level target for 2030 for all water used by the group to be recycled or replenished. Galata Wind commits to make water-saving measures at all centers to reduce its consumption.

Social Profile

68/100

Sector/Region Score (35/50)

Renewable energy power generators like Galata Wind have relatively low exposure to social risks. The most material social risks are linked to community relationships and employee health and safety, especially during the project development phase. As a fast-developing segment, renewables require highly skilled employees.

Entity-Specific Score (33/50)

Note: Figures are subject to rounding.

Workforce and diversity	Safety management	Customer engagement	Communities	General factors
Good	**Strong**	**Good**	**Good**	**None**

Galata Wind's health and safety performance compares well to local peers. It has low direct exposure to safety risks given that third parties carry out the construction and maintenance of its plants. This has resulted in zero reported injury rates for its direct employees. To mitigate any risks, the company provides a minimum of 16 hours of mandatory health and safety training per employee (13.8 hours in 2022). There have been no severe or fatal accidents at its plants in the last three years. Furthermore, all its plants have management systems certified under ISO 45001, in line with strong peers in the industry.

Galata Wind involves local communities during the planning of new projects, in line with peers. Concerns are mostly raised during the development phase related to local employment, unwanted noise, expropriation, livestock breeding, and radiation. These are resolved through local meetings and discussions, via compensation for lands, and by showing technical academic assessments of previous projects. Though all complaints are third party audited, the grievance reporting mechanism looks less robust than that of sector peers, as there is no online way of communicating grievances. Similar to peers, Galata Wind invests in community education, arts, sports, partnerships, and sponsorship of local events and charitable foundations. Most of its community investment is done through its parent company's Aydin Dogan Foundation.

Galata Wind has average gender diversity across its workforce and management positions. The percentage of women in its workforce (24%) and management (24%) is in line with sector medians, but the company lacks formalized targets and initiatives to improve gender diversity. The employee turnover rate is higher than that of peers and the sector median, predominantly due to project-related hiring that usually ceases upon project conclusion. Given the human rights risks in the upstream of its supply chain, the company is developing supplier screening standards, which we assess as strong practice compared to industry peers. The company has achieved more training hours (54.5 hours in 2022) compared to industry peers, mostly covering vocational skills, safety, environment and waste management, and leadership skills, among others.

By selling renewable energy certificates and renewable electricity, Galata Wind contributes to clients' decarbonization goals. It also has a high availability factor of 98%+ for its wind farms, in line with strong peers. Galata Wind has ISO 27001 Information Security Management System certificates for all its sites and has not reported any data breaches in the last few years, which we view positively. The company does not track customer satisfaction levels.

Governance Profile

54/100

Sector/Region Score (18/35)

Galata Wind is headquartered in Turkiye, a country we view as having weaker governance than international standards, including less advanced ESG regulation. That said, we have observed efforts in recent years to update Turkiye's corporate governance principles, which supports improving governance standards.

Entity-Specific Score (36/65)

Note: Figures are subject to rounding.

Structure and oversight	Code and values	Transparency and reporting	Financial and operational risks	General factors
Good	**Good**	**Developing**	**Neutral**	**None**

Galata Wind's board exhibits good governance practices in line with Turkish standards for listed companies. Following the successful IPO in 2021, Galata Wind established a new board of six members including separate CEO and chair positions, which we view as in line with international best practice. Two of the six members are also on majority-owner Doğan Holding's board, reflecting the parent company's active participation. We view independence (33% in 2023) as largely in line with Turkish standards, but slightly below stronger peers in the sector. Under the company's by-laws, a simple majority is required to take decisions at board level, but in practice the board passes resolutions only when all votes are in favor, ensuring the views of the minority shareholders, represented by the two independents, are respected. We believe board members' skills in and knowledge of areas such as finance, auditing, sustainability, and the broader industry support Galata Wind's business needs. Gender diversity falls short of expectations for listed companies in Turkiye (Galata Wind has one female board member in 2023) and we expect the company will formalize a diversity policy and set a target to meet the required 25% soon.

Galata Wind has comprehensive publicly available policies and values driving its direct operations, though we view its management of risks along the supply chain as less robust than that of direct peers. While its code of conduct is less sophisticated, the company complies with the Doğan Holding Code of Ethics and Conduct, which covers its employees, contractors, suppliers, and subsidiaries like Galata Wind. Like many peers, the company has not yet formalized a process to assess and manage sustainability risks along its supply chain, and it does not provide training to suppliers or contractors, which would be seen as a good practice. Also, in Turkiye listed companies are not required to report information on their remuneration structure, so we have limited visibility on how Galata Wind's executive pay aligns with its strategy, which we view as a weakness.

We believe Galata Wind's financial and nonfinancial disclosures will become more granular and robust. As a recently listed company in a jurisdiction with less advanced financial and nonfinancial reporting requirements, we understand Galata Wind is developing more comprehensive reporting practices. While Doğan Holding has been tracking and reporting some ESG metrics for Galata Wind since 2018, the company will publish its first sustainability report in 2023 and intends to externally assure the information from 2024 onward, which we see as strong practice that goes beyond what is required in Turkiye.

Preparedness Opinion

Adequate
(+3)

Preparedness	Low	Emerging	**Adequate**	Strong	Best in class

We view Galata Wind as adequately prepared to benefit from and overcome short- and medium-term disruptions facing the renewable energy power sector. As a pure renewables player that focuses on wind and solar energy, we believe Galata Wind has a role in increasing Turkiye's renewable energy generation capacity, and therefore in reducing the country's reliance on fossil fuel imports. While the company is relatively small, the IPO in 2021 allowed it to secure additional capital and attain a more robust governance structure to support its ambition of becoming a leading generator in the Turkish market. Its target is to nearly double its installed capacity from 269 MW in 2023 to 550 MW in 2025. To do so, its current focus is on improving the efficiency and operational capacity of existing plants and, to a lesser extent, developing new greenfield projects within Turkiye, mainly in wind energy. We believe it will achieve its goal given its track record of doubling its capacity in the previous five years and considering it has already secured the licenses for an additional 350 MW.

Galata Wind's relatively new board demonstrates good awareness of the financial, operational, and geopolitical risks facing its business. Members benefit from previous experience on Doğan Holding's board. The parent company operates in a diversified portfolio of segments and prioritizes growth in renewable energy generation. Galata Wind set up an Early Detection of Risks Committee in 2021, which uses stress scenarios and other tools to anticipate risks and designs effective internal control systems to mitigate and overcome them. The committee meets every two months and submits a written report to the board to ensure all its members are aware of the risks identified—mainly financial risks as well as those derived from the current volatile political and financial situation in Turkiye. The company's power plants are fully insured against natural disaster damage, though we believe it has yet to improve its physical climate risk awareness.

Galata Wind's main focus is to maintain revenues and predictable costs, and expand its capacity in Turkiye in the short and medium terms. We understand that, as a listed company that operates in foreign currency, Galata Wind's primary focus is financial stability. Furthermore, it operates in a highly regulated sector and is therefore heavily exposed to changes in the regulatory environment. As such, we view positively that in 2022 it achieved strong financial results despite the price cap for merchant energy generators. This was introduced in April by the Turkish Energy Market Regulatory Authority (EMRA), affecting 60% of the company's assets and negatively impacting its revenues. Unexpected regulatory changes and Turkiye's volatile economic situation present uncertainties for the execution of the company's expansion strategy. We view its strategy as somewhat constrained by its short-term outlook to 2025, though we understand that beyond 2025 the company will aim to continue strengthening its position in Turkiye while looking for growth opportunities in Europe or elsewhere.

The company is reactive when it comes to managing sector-specific future disruptions and we therefore view it as less able to benefit from and capitalize on new trends in the energy sector. While Galata Wind operates in a sector that is paramount to the transition to a low carbon economy, its ability to provide solutions to concerns around the supply of clean energy is more limited, in our view, than that of other more consolidated players in the industry. It does not invest in R&D and relies on stronger peers to develop new technologies that it can then start applying. That said, we view it as having a role in helping Turkiye increase its renewable energy generation capacity to displace fossil fuels in the national energy mix.

Sector And Region Risk

Primary sector	Power
Primary operating region	Turkiye

Sector Risk Summary

Environmental exposure

The primary environmental risk facing power generators stems from the sector's production of greenhouse gas emissions, accounting for about 40% of global emissions (source: IEA). This implies governments are likely to increasingly regulate these emissions as they seek to stem the effects of anthropogenic climate change. The magnitude of this risk varies sharply depending on generation type, ranging from coal-fired, which faces an existential threat in many parts of the world, to renewable energy, which is seen as necessary for the energy transition. The sector also faces growing risks around waste and pollution, with coal generation highly exposed due to its creation of coal ash and particulates, both of which have come under increased regulatory scrutiny and can be costly to remediate, while nuclear generation leads to vast stores of radioactive waste that can't be easily, quickly, or inexpensively disposed; other subsectors still face pollution risks but are less exposed in the near term. Conventional generators also rely heavily on access to water as a cooling fluid. In water-stressed regions, generators may face difficulty or increased costs procuring water, especially as climate change leads to longer and more severe droughts. As power generation is a broad sector grouping, certain subsectors face bespoke risks. Nuclear power is carbon-free, but carries significant low-probability, high-impact event risk that can have wide-ranging and enduring reputational consequences. The safe and permanent disposal of radioactive nuclear waste is another highly complex and difficult environmental problem yet to be solved. As for renewable projects, hydropower may have near-zero emissions during the use phase but occupies more land than other generation types, sometimes in areas of high biodiversity. Large hydropower plants can mean the forced resettlement of local communities. Wind and solar also occupy a significant amount of land, and, over time, will likely increasingly rely on battery technology, which creates indirect exposure to environmentally-taxing metals extraction. These projects can also create substantial nonrecyclable waste at the end of their lives.

Social exposure

Safety management is a critical risk for generators; safety metrics have generally improved in the sector, but there is still exposure to financial and reputational liability stemming from workplace fatalities, as well as to major accidents, notably for coal and nuclear facilities, that spill over beyond the generating facilities. These are less common but can weaken a company's social license to operate, and can damage a company's community standing. Generators sometimes face community backlash on environmental grounds, while plant closures can also be highly disruptive to communities. One of the more acute social risks that generators face relates to the workforce. As the energy transition takes hold globally, and generation types transform in response to regulation, required skills will also change; consequently, generators with limited age diversity face some exposure to the costs associated with reskilling workforces. Unlike regulated utilities in the U.S., the need for direct customer engagement is comparatively low, in part because generators have historically produced a commoditized product. However, as end-users increasingly vet generation for its environmental footprint, this relationship will become more central to generators' decision making. This risk could become more pronounced, too, for integrated utilities, as well as for pure generators who are acquiring retail operations. While utilities are the direct guarantors of reliability and affordability to customers, they are also unable to ensure this without strong and efficient operating performances by generators, who can often be penalized, financially, for an inability to perform.

Regional Risk Summary

Turkiye

In our view, Turkiye's institutional arrangements remain weak with limited checks and balances and power largely concentrated within the presidential administration. Institutional arrangements have continued to weaken over the last few years, in our view, leading to significant outflow of foreign investors from Turkiye's domestic capital markets. We consider that political institutions interfere in the free dissemination of information. Nevertheless, governance standards at blue-chip companies remain relatively strong. Since the publication of the landmark Capital Markets Law in 2012, the Capital Markets Board (CMB) of Turkiye has been working on further improving governance standards. Its Corporate Governance Principles (revised in 2014) introduced new and important clauses in areas such as board diversity and related-party transactions, among others, and made some provisions mandatory. Pyramidal ownership structures are prevalent in Turkiye where controlled conglomerates own controlling shares at most companies. This affects minority shareholders' rights. This is reflected on boards--often made up of several executives from the controlling group--while adherence to international best practices is more common among the key large-cap listed companies. In 2020, the CMB published new sustainability principles requiring public companies to disclose their sustainability performance and policies, as well as specific social and environmental indicators. The principles became effective in 2021, on a comply-or-explain basis. Turkiye ranks 96 of 180 on Transparency International's 2021 Corruption Perceptions Index.

Related Research

- Environmental, Social, And Governance Evaluation: Analytical Approach, Sept. 20, 2022
- The ESG Risk Atlas: Sector And Regional Rationales And Scores, July 22, 2020
- Our Updated ESG Risk Atlas And Key Sustainability Factors: A Companion Guide, July 22, 2020
- How We Apply Our ESG Evaluation Analytical Approach: Part 2, June 17, 2020

This report does not constitute a rating action.