

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF VESTEL'S GREEN BOND FRAMEWORK

June 2020

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter "Second Party Opinion" or "SPO") on the sustainability credentials and management of the Green Bonds² ("Bonds") to be issued by Vestel (the "Issuer") in compliance with the Green Bond Framework (the "Framework") created to govern their issuances.

Our opinion is established according to Vigeo Eiris' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the ICMA's Green Bond Principles ("GBP") voluntary guidelines edited in June 2018.

Our opinion is built on the review of the following components:

- 1) **Issuer**³: we assessed the Issuer's management of potential stakeholder-related ESG controversies and its involvement in controversial activities⁴.
- 2) **Issuance**: we assessed the Framework, including the coherence between the Framework and the Issuer's environmental commitments, the Bonds' potential contribution to sustainability and its alignment with the four core components of the GBP & SBP 2018.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from Vigeo Eiris' exclusive ESG rating database, and (iii) information provided from the Issuer, through documents.

We carried out our due diligence assessment from March 9th, to June 5th, 2020. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the Green Bond Framework of Vestel is aligned with the four core components of the Green Bond Principles 2018.

We express a reasonable assurance⁵ (our highest level of assurance) on the Issuer's commitments and on the contribution of the contemplated Bonds to sustainability.

- ▶ As of today, no stakeholders-related ESG controversy involving Vestel was identified over the last 3 years.
- ▶ The Issuer has a minor involvement in one controversial activity, namely: Military, due to the manufacture of parts for Unmanned Aerial Vehicle (UAV) systems. Vestel is not involved in any of the other 16 controversial activities screened under our methodology.

2) Issuance (see Part II):

The Issuer has described the main characteristics of the Bonds within a formalized Green Bond Framework which covers the four core components of the GBP 2018 (the last updated version was provided to Vigeo Eiris on June 2nd, 2020). The Issuer has committed to make this document publicly accessible on Vestel's website on the Bonds' issuance date, in line with good market practices.

¹ This opinion is to be considered as the "Second Party Opinion" described in the GBP voluntary guidelines (June 2018 Edition) edited by the International Capital Market Association (www.icmagroup.org).

² The "Green Bond" is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name "Green Bond" has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

³ Vestel is currently not part of our ESG rating universe

⁴ The 17 controversial activities screened by Vigeo Eiris are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

⁵ Definition of Vigeo Eiris' scales of assessment (as detailed in the Methodology section):

- Level of Evaluation: Advanced, Good, Limited, Weak.
- Level of Assurance: Reasonable, Moderate, Weak.

We are of the opinion that the Green Bond Framework is coherent with Vestel's main sector sustainability issues, with its publicly disclosed strategic sustainable development priorities, and that it contributes to achieve its sustainable development commitments.

Use of Proceeds

- ▶ The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under three Green Project Categories ("Eligible Categories"), namely: Climate Change Mitigation, Sustainable Use and Protection of Water, and Circular Economy and Waste Prevention and Recycling. We consider the Eligible Categories to be clearly defined.
- ▶ The Eligible Categories are intended to contribute to three main environmental objectives (climate change mitigation, natural resource conservation, and pollution prevention and control). These objectives are formalized in the Framework and considered clearly defined and relevant.
- ▶ The Eligible Categories are considered to provide clear environmental benefits. The Issuer has committed to assess and, where feasible, quantify the expected environmental benefits of the Bonds. An area for improvement consists in defining ex-ante quantified environmental targets, for each Eligible Category.
- ▶ The Eligible Categories are likely to contribute to four of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 6. Clean Water and Sanitation, Goal 7. Affordable and Clean energy, Goal 12. Responsible Consumption and Production, Goal 13. Climate Action.
- ▶ The Issuer has transparently communicated on the estimated share of refinancing for its first Bond issuance, which will be between 70% and 100%. The Issuer has committed that, in case of re-financing, a look-back period of maximum 36 months from each Bonds' issuance date will be applied, in line with market practices.

Process for Projects Evaluation and Selection

- ▶ The governance and process for the evaluation and selection of the Eligible Projects are formalized in the Framework and in internal documentation. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible Categories.
- ▶ The identification and management of the environmental and social risks associated with the Eligible Projects are considered overall good.

Management of Proceeds

- ▶ The rules for the management of proceeds are clearly defined in the Framework and in internal documentation and will be verified. We consider that they would enable a documented and transparent allocation process.

Reporting

- ▶ The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.
- ▶ The reporting indicators on allocation of proceeds and environmental benefits are relevant and clear.

Vestel has committed that its Green Bonds will be supported by external reviews:

- A pre-issuance consultant review: the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Bonds, based on pre-issuance assessment and commitments, to be made publicly available by the Issuer on its website⁶, at the date of first issuance.
- An annual verification: an external verification performed by a third-party auditor, covering (i) the actual allocation of proceeds to the Eligible Green Assets, (ii) their alignment with the eligibility criteria and (iii) the impact reporting, annually and until the Bond's full allocation and in case of any material change.

⁶ <http://www.vestelinvestorrelations.com/en/>

This Second Party Opinion is based on the review of the information provided by the Issuer, according to our exclusive assessment methodology and to the GBP voluntary guidelines (June 2018). Vestel acknowledges that in case of changes of such standards and market practices and expectations, VIGEO EIRIS shall exclude any liability regarding the use of the concerned Second Party Opinion and its compliance with then-current standards and market practices and expectations.

Paris, June 5th, 2020

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has not carried out any audit mission or consultancy activity for Vestel. No established relation (financial or commercial) exists between Vigeo Eiris and Vestel.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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DETAILED RESULTS

Part I. ISSUER

Vestel is a multi-industry manufacturer, which operates in electronics, household appliances, mobile technologies, LED lighting and defence. Founded in 1984, it joined the Zorlu Group in 1994. It is headquartered in Turkey and operates throughout the world.

Management of stakeholder-related ESG controversies

As of today, the review conducted by Vigeo Eiris did not reveal any controversy against Vestel over the last 3 years.

Involvement in controversial activities

The Issuer is involved in one of the 17 controversial activities screened under Vigeo Eiris methodology namely:

- Minor involvement in Military: through its subsidiary Vestel Savunma (Vestel Defence), which is engaged in the design, production and sale of military parts and services, for Unmanned Aerial Vehicle (UAV) systems. We estimate that Vestel derives 0-5% of its turnover from this activity. Of note, Vestel is not involved in the design, production or sale of controversial weapons.

The Issuer appears to not be involved in any of the 16 other controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Part II. ISSUANCE

Coherence between the Issuances and the Issuer

Context note:

The Information Communication and Technology (ICT) sector is responsible for around 2.3% of global CO₂ emissions. ICT infrastructure providers promote digital transformation and help digital innovation in sectors such as construction, transportation and energy technologies. The ICT sector also has a major role to play in electronic waste management and recycling. Greener products might be an important area of competitiveness in the future due to regulations and/or consumer demand. In addition, the Technology Hardware sector is characterised by short product life cycles due to rapidly changing technologies. As a consequence, electronic waste has become one of the fastest growing waste streams in the world.

Important environmental challenges of the sector are toxic waste and recycling, reducing environmental impacts of ICT disposal, and using ICT applications (e.g. smart meters, smart homes, smart grids) to reduce energy consumption, CO₂ emissions, and to a lesser extent, resource efficiency. Green ICT procurement and support for R&D are significant, but performance measurement and policy evaluation are still lacking.

We are of the opinion that the contemplated Green Bond Framework is coherent with Vestel's strategic sustainability priorities and sector issues, and contributes to achieve the Issuer's sustainability commitments.

As a pure player in the Technology Hardware sector, Vestel appears to acknowledge its role in providing solutions to support society's transition to a low carbon and sustainable economy. Vestel is part of the Zorlu Holding, which has formalised its aspiration to align with the UN Sustainable Development Goals in its "Smart Life 2030" vision.

Vestel seems to acknowledge its responsibility in contributing to its sector's sustainability challenge through the following commitments:

- Vestel discloses a Sustainability Policy and a Sustainability Strategy, which focus on the development of more eco-efficient products. Additionally, the TPM (Total Production Maintenance) model, aiming for zero breakdowns and zero defects in production systems, supports environmental performance in all aspects, from energy and water efficiency to waste reduction.
- Vestel aims to increase recyclable materials in its production processes, reducing the diversity of materials and using less raw materials.
- Vestel allocates approximately 2% of its revenues to R&D each year. The Group collaborates with several national and international organisations, particularly with universities. R&D efforts of Vestel Group include new screen technologies, smart solutions, photovoltaic cells, energy transformation and storage systems, electric vehicle charging stations, 5G, automotive electronics, wearable technologies and telecommunication.

Additionally, Vestel has identified three sustainability dimensions of its Sustainability Strategy, which are the Environment, Labour standards in its supply chain and Contributions to society. Vestel has set specific sustainability targets to contribute to promote a low carbon economy and the reduction of environmental impacts of its product life cycle, which include:

- By 2022, to increase R&D spending by 50%;
- By 2022, to increase sales in sustainable product categories by 50%;
- By 2022, to increase the number of suggestions regarding entrepreneurship and open innovation by 50%.

By creating a Framework to issue Green Bonds intended to finance or refinance projects related to climate change mitigation, sustainable use of water, and the circular economy, Vestel coherently aligns with its sustainability strategy and commitments, as well as with the main sustainability issues of the sector in terms of sustainable development.

Use of proceeds

The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under three Green Project Categories (“Eligible Categories”), namely: Climate Change Mitigation, Sustainable Use and Protection of Water, and Circular Economy and Waste Prevention and Recycling. We consider the Eligible Categories to be clearly defined.

The Eligible Categories are intended to contribute to three main environmental objectives (climate change mitigation, natural resource conservation, and pollution prevention and control). These objectives are formalized in the Framework and considered clearly defined and relevant.

The Eligible Categories are considered to provide clear environmental benefits. The Issuer has committed to assess and, where feasible, quantify the expected environmental benefits of the Bonds. An area for improvement consists in defining ex-ante quantified environmental targets, for each Eligible Category.

The Issuer has transparently communicated on the estimated share of refinancing for its first Bond issuance, which will be between 70% and 100%. The Issuer has committed that, in case of refinancing, a look-back period of maximum 36 months from each Bonds’ issuance date will be applied, in line with market practices.

Vestel's Framework			Vigeo Eiris' Analysis
Eligible Categories	Definition & Eligibility Criteria	Environmental objectives and benefits	
Climate Change Mitigation	<ul style="list-style-type: none"> - Resource efficiency in all operational processes starting from procurement to distribution - Offering environmentally friendly products⁷ - Green innovation that results in climate change mitigation (R&D) - Capacity building activities and solutions generating efforts on climate change - Reductions in the use of heating energy in the manufacturing process - Illumination products with controls for lower brightness - Products with automatic switch-off feature - Installation of electric vehicle charging units - Energy Efficiency in Lighting Systems in production area 	<p>Climate Change Mitigation</p> <p><i>Improved energy efficiency</i></p> <p><i>Avoided GHG emissions</i></p>	<p>The definition of the Eligible Category is clear. We identified three main types of expenditures: (i) manufacturing and sale of eligible green products, (ii) improving Vestel's production processes, (iii) R&D.</p> <p>The objective is considered clear and relevant.</p> <p>The environmental benefits are clear, relevant and measurable.</p>
Sustainable Use and Protection of Water	<ul style="list-style-type: none"> - Water efficiency⁸ - Green innovation that result in sustainable use and protection of water resources, and pollution prevention (R&D) 	<p>Natural Resource Conservation (water)</p> <p><i>Water savings</i></p> <p>--</p> <p>Pollution Prevention and Control</p> <p><i>Prevention of water pollution</i></p>	<p>The definition of the Eligible Category is clear. We identified three main types of expenditures: (i) manufacturing and sale of eligible green products, (ii) improving Vestel's production processes, (iii) R&D.</p> <ul style="list-style-type: none"> - For the subcategory "Water efficiency", Vestel has specified that this refers to both (1) expenditures to achieve water efficiency in the production process at Vestel manufacturing plants and (2) manufacturing, sales, and maintenance of household appliances that meet water efficiency standards. <p>The objective is considered clear and relevant.</p> <p>The environmental benefits are clear, relevant and measurable.</p>

⁷ Vestel has specified in the Framework that for "environmentally friendly" products and processes, the eligibility criteria is a minimum 10% improvement threshold in terms of energy efficiency, resource efficiency (raw materials), waste reduction or water efficiency. The decrease is measured in comparison to Business as Usual (BaU), meaning the same operation/product or group of products without efficiency measures. This definition applies both to efficiency in the use of products sold to customers, and efficiency in the manufacturing process.

⁸ Vestel has specified the eligibility criteria as having a minimum 10% improvement threshold in terms of water efficiency, as compared to BaU for the same product or operation.

Vestel's Framework			Vigeo Eiris' Analysis
Eligible Categories	Definition & Eligibility Criteria	Environmental objectives and benefits	
Circular Economy and Waste Prevention and Recycling	<ul style="list-style-type: none"> - Expenditures aimed at the recycling and reuse of materials in the manufacturing process - Resource efficiency⁹ including reduction of packaging waste and the use of raw materials - Green innovation that contributes to circular economy practices (R&D) - Activities to increase the supply chain's performance in Circular Economy and Waste Prevention and Recycling 	<p>Natural Resource Conservation (raw materials)</p> <p><i>Decrease in use of raw materials</i></p> <p>--</p> <p>Pollution Prevention and Control</p> <p><i>Waste reduction</i></p>	<p>The definition of the Eligible Category is clear. We identified two main types of expenditures: (i) improving Vestel's production processes, (ii) R&D.</p> <p>The objectives are considered clear and relevant.</p> <p>The environmental benefits are clear, relevant and measurable.</p>

⁹ Vestel has specified the eligibility criteria for "resource efficiency" as having a minimum 10% improvement threshold of resource efficiency (raw materials), as compared to BaU for the same product or operation.

In addition, the Eligible Categories are likely to contribute to four of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 6. Clean Water and Sanitation, Goal 7. Affordable and Clean energy, Goal 12. Responsible Consumption and Production, Goal 13. Climate Action.



Eligible Categories	UN SDGs identified	UN SDGs targets
Climate Change Mitigation	SDG 7. Affordable and Clean energy	7.3
	SDG 12. Responsible Consumption and Production	12.2
	SDG 13. Climate Action	NA
Sustainable Use and Protection of Water	SDG 6. Clean Water and Sanitation	6.3, 6.4
	SDG 12. Responsible Consumption and Production	12.2
Circular Economy and Waste Prevention and Recycling	SDG 12. Responsible Consumption and Production	12.2, 12.5



UN SDG 6 consists in ensuring availability and sustainable management of water and sanitation for all. More precisely, relevant SDG 6 targets include:

- 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.



UN SDG 7 consists in ensuring access to affordable, reliable, sustainable and modern energy for all. More precisely, relevant SDG 7 targets include:

- 7.3 By 2030, double the global rate of improvement in energy efficiency.



UN SDG 12 consists in ensuring sustainable consumption and production patterns. More precisely, relevant SDG 12 targets by 2030 include:

- 12.2 Achieve the sustainable management and efficient use of natural resources
- 12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse.



UN SDG 13 consists in taking urgent action to combat climate change and its impacts.

Process for Project Evaluation and Selection

The governance and process for the evaluation and selection of the Eligible Projects are formalized in the Framework and in internal documentation. We consider that the process is reasonably structured, transparent and relevant.

The process for evaluation and selection of Eligible Projects is defined in the Framework and in internal documentation.

The evaluation and selection of Eligible Projects is based on relevant internal expertise, with well-defined roles and responsibilities:

- Vestel has established a “Sustainability Working Group”, composed of representatives from the following Departments:
 - Environmental Management Systems
 - Production
 - Investor Relations
 - R&D
 - Finance (coordinator of the Group)
- The Sustainability Working Group is responsible for:
 - Selecting the Eligible Green Assets to be included in the Eligible Project Portfolio according to the eligibility criteria established in the Framework.
- The Finance Department is responsible for:
 - Presenting the upgrades of the Green Bond Framework to the Sustainability Committee of Zorlu Holding for approval
 - Monitoring the Eligible Projects portfolio during the lifetime of the Bonds and replacing an Eligible Green Project if it no longer meets the eligibility criteria, if it faces a controversy, or if the Eligible Project has matured. This will be done with the support of two people from the R&D and Environmental Management Systems Departments.

The traceability and verification of the selection and evaluation of the projects are ensured throughout the process:

- The Sustainability Working Group will meet once a year and in case of material changes to the Framework, and will report to the Sustainability Committee of Zorlu Holding through the Finance Department.
- Meeting minutes will be taken for each Sustainability Working Group meeting, which ensures the traceability of decisions throughout the process.
- An external verification will be made of the alignment of the selected Green Portfolio of projects with the eligibility criteria, after full allocation of the proceeds and in case of material changes, as part of the Impact Report.

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible categories.

- The selection is based on the Eligible Categories defined in the Use of Proceeds section of the Framework. In addition, activities must be compliant with Turkey’s environmental, health and safety and labour legislation.
- The Issuer is committed to exclude any activity on the EBRD¹⁰ and IFC¹¹ exclusion lists (including weapons, alcohol, tobacco and gambling).

The identification and management of the environmental and social risks associated with the Eligible Projects are considered overall good.

¹⁰ https://www.ebrd.com/downloads/about/sustainability/Environmental_and_Social_Exclusion_and_Referral_Lists_15092008.pdf

¹¹ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

The Issuer has several ISO certifications, covering the main environmental and social risks associated with the Eligible Projects, complemented by internal policies and management plans.

Environmental risks

- Vestel has an ISO 14001 certified **Environmental Management System** since 1998, covering all of Vestel's activities, with the latest certification obtained in January 2018. This includes an eco-design approach to the eligible products.
- **Energy efficiency and reduction of energy use:** Vestel has been ISO 50001 certified for its Energy Management System since 2012. An Energy Director is responsible for the effective management of this system. The consumption of carbon, steam and natural gas in the production operations are monitored and published on their Energy Efficiency website¹².
- **GHG emissions:** Vestel Elektronik has been ISO 14064-1 certified for the reporting and verification of GHG emissions since 2018.
- **Prevention and mitigation of environmental pollution:** Vestel has internal monitoring systems for environmental parameters such as wastewater analysis and emission measures. Vestel involves internal and external expertise in the management of environmental pollution, having appointed environmental engineers and waste officers, and hiring external Environmental Consultants. Vestel reports no environmental accidents or related penal sanctions in 2018.
- **Reduction and management of waste:** Vestel has an industrial waste management plan in accordance with its ISO 14001 certified Environmental Management System. The waste management process follows regulations on waste management, zero waste, and waste storage. Vestel has designated areas for waste management and designated staff responsible for waste management.
- **End-of-life and decommissioning:** Regarding manufacturing materials, expired materials are sent to accredited waste companies by Vestel's environmental engineers and those responsible for waste management, for recycling or disposal. Following the completion of the products' useful life, the collection and recycling activities are conducted by the agencies authorized by Vestel Ticaret which launches the products in the market.

Social Risks

- **Respect of human and labour rights standards:** Vestel is subject to Zorlu Group's Ethical Principles which include commitments regarding the protection of human dignity, the respect for diversity and Equality, and a commitment against Child Labour. In addition, Vestel Elektronik has undergone social responsibility audits: a Sedex Members Ethical Trade Audit Report was published in October 2019, and a BSCI Audit report in April 2019. Corrective mitigation actions are conducted for the open items of each audit report. Customers can also request interim follow up audits. Additional monitoring and control mechanisms are in place within the framework of internal audits which are conducted following the social responsibility framework.
- **Health and Safety:** Vestel has been ISO 45001 certified for its Occupational Health and Safety Management System since 2005.
- **Integration of social and environmental factors in procurement:** Vestel has a Supplier Selection and Evaluation Procedure, through which it applies supplier evaluation criteria, which include both performance indicators, and social and environmental factors. These evaluation criteria are integrated in the different steps of working with the supplier. Suppliers must fill out a questionnaire with general qualification requirements and upload it to the Supplier Life Cycle Management System. Vestel creates a scorecard for the supplier, and based on this evaluation, fill out supplier approval forms. The selection of suppliers is made on the basis of these approval forms. In the case that suppliers do not comply with the criteria, Vestel looks for alternative suppliers. The supplier status can be revoked if a supplier is found to no longer comply with requirements. In addition to the above-mentioned Supplier Selection and Evaluation Procedure, there is a Code of Conduct for Suppliers which is published by the Holding Company (Zorlu Holding).

¹² <http://www.vestelinvestorrelations.com/en/sustainability/ecological-awareness/energy-efficiency.aspx>

Management of proceeds

The rules for the management of proceeds are clearly defined in the Framework and in internal documentation and will be verified. We consider that they would enable a documented and transparent allocation process.

The allocation and management of the proceeds are clearly defined:

- The net proceeds of the Bonds will be credited to the Issuer's treasury liquidity portfolio, and will be managed in cash.
- The net proceeds of the Bonds will be allocated immediately, and within a maximum delay of 12 months, in line with best market practices.
- In case the Eligible Projects portfolio is smaller than the Bonds' net proceeds outstanding, Vestel has committed to fill the gap and load the Eligible Project Portfolio with new Eligible Projects within twelve months.
- The unallocated funds will be held within Vestel's liquidity portfolio, invested in money market products in cash or cash-equivalent.
- In case of project postponement, cancelation, divestment or ineligibility, or in case an Eligible Project has matured, the Issuer has committed to replace the no longer Eligible Project by a new Eligible Project within twelve months.

Traceability and verification of both the tracking method and allocation of the proceeds is ensured throughout the process:

- The Finance Department is responsible for verifying that the net proceeds match the Green Bond Portfolio until the Bonds' maturity date.
- The proceeds will be appropriately managed and tracked by the Finance Department using an internal tracking system.
- An independent third party will verify the net proceeds allocation and management.

Monitoring & Reporting

The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.

The processes for monitoring, data collection, consolidation, validation and reporting are clearly defined by the Issuer in internal documentation.

The processes are structured and based on relevant internal expertise and involve relevant departments of the Issuer:

- The Finance Department is responsible for the collection, validation, and monitoring of financial and environmental data, with support from the R&D Department, and Environmental Management Systems.
- The Finance department is responsible for consolidating the data and producing the Green Bonds reports.
- The Institutional Relations department is responsible for publishing the Green Bond reports on Vestel's Investor Relations website.
- The Issuer states that the Finance and Investor Relations Departments will be responsible for the internal verification of the reports.

The Issuer has committed to publish a Green Bond Impact Report one year after Bond issuance and when the proceeds are fully allocated, and until maturity of the bond in the case of material changes. The Report which will be made publicly accessible on Vestel's Investor website¹³.

¹³ <http://www.vestelinvestorrelations.com/en/>

The Issuer has committed to transparently communicate at Bond level, on:

- Allocation of proceeds: the selected reporting indicators are clear and relevant.

Reporting indicators
<ul style="list-style-type: none"> - The total amount of the issuance - The total amount of net proceeds allocated to each Eligible Category, including a list of eligible expenditures financed - The share (%) of financing and/or refinancing in total Bond proceeds - The share of allocated and unallocated proceeds

- Environmental benefits: the selected reporting indicators are clear and relevant.

Eligible categories	Environmental benefits indicators		Vigeo Eiris' opinion
	Outputs and outcomes	Impact Indicators	
Climate Change Mitigation	<ul style="list-style-type: none"> - % of environmentally friendly products sold out of total sales in the same category in a given year - % reduction in Green Warming potential per product compared to conventional technologies 	<ul style="list-style-type: none"> - Avoided GHG emissions (tCO₂e per year or per unit, i.e. volume or product) based on total energy savings compared to BaU where no adjustments are made to reduce energy consumption 	<p>The selected reporting indicators are clear and relevant.</p> <p>The definition of “environmentally friendly products” is specified in the “Use of Proceeds” section.</p>
Sustainable Use and Protection of Water	<ul style="list-style-type: none"> - % of products with water saving or water pollution reduction aspects sold out of total sales in the same category in a given year 	<ul style="list-style-type: none"> - Water savings (litre per year or per unit, i.e. product or volume) achieved by sales of water-efficient devices - Savings in chemical ¹⁴ usage (per year or per unit, i.e. product or volume) achieved by sales of more efficient devices 	<p>The selected reporting indicators are clear and relevant.</p>
Circular Economy and Waste Prevention and Recycling	<ul style="list-style-type: none"> - % of resource efficient products sold out of total sales in the same category in a given year - % of the number of supplier contracts entailing ESG Criteria 	<ul style="list-style-type: none"> - % of annual savings or savings per unit (product or volume) in materials use in a given manufacturing activity compared to BaU where no adjustments are made to reduce resource consumption - % reduction in packaging waste per annum or per unit (product or volume) compared to BaU where no adjustments are made to reduce waste 	<p>The selected reporting indicators are clear and relevant.</p> <p>The definition of “resource efficient products” is specified in the “Use of Proceeds” section.</p>

¹⁴ The Issuer reports that the chemicals usage refers to products entering the sewage system through the use of devices/white goods, such as detergent in dishwashers. Designing more efficient devices reduces the need to use chemicals, resulting in less polluted waste water discharged to the sewage system during the use of devices/white goods.

The Issuer has committed to publicly disclose the key methodologies and assumptions used to calculate the benefits of Eligible Projects in each annual report.

In case of material developments relating to the Bonds and to the Eligible Assets, including in case of ESG controversies or assets modification, the Issuer has committed to reporting on it in the impact report.

The issuer has also committed to mandate an external auditor to verify the Green Bond Impact Report, covering (i) the actual allocation of proceeds to the Eligible Green Assets, (ii) their alignment with the eligibility criteria and (iii) the output, outcome and impact indicators.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on the specificities of the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: The Issuer has not been assessed following a complete process of rating and benchmarking developed by Vigeo Eiris.

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The Framework has been evaluated by Vigeo Eiris according to the GBP 2018 and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria have been assessed on their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

The rules for the management of proceeds and the allocation process are evaluated by Vigeo Eiris on their transparency, coherence and efficiency.

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat and Santiago de Chile.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com

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