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Semtrio Green Loan Second Party Opinion  
Based on the Assan Alüminyum Green Finance Framework

Prepared for:  
ASSAN ALÜMİNYUM  
İstanbul, Turkey

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## 1. SUMMARY

Semtrio, as a responsible second party, has recognized the alignment of Assan Alüminyum Green Financing Framework with the four core components of the Green Loan Principles (GLP)<sup>1</sup> and Green Bond Principles (GBP)<sup>2</sup>. The assessment is based on the core components of the Green Loan Principles:

### **Use of Proceeds:**

The eligible categories for the use of proceeds are aligned with those determined by the GBP and GLP, and Assan Alüminyum's sustainability strategy of advancing its adaptation of UN Sustainable Development Goals, specifically SGD 7, 12 and 13. Semtrio acknowledges the use of proceeds from green financing as a significant contribution to the climate change and circular economy adaptation of the company.

### **Process for Project Evaluation and Selection:**

Within Assan Alüminyum the management of project evaluation and selection process is designated to the Green Finance Working Group (GFWG). The GFWG has the overall responsibility to oversee and communicate with lenders the evaluation and selection process and confirm the eligibility of the projects based on their clear environmental benefits stated in scenarios, relevant certification of company activities and third-party consultations. Semtrio finds project evaluation and selection process applied by the company in alignment with the principles of GLP and GBP.

### **Management of Proceeds:**

To track and manage the allocation of net proceeds from each green finance instrument (GFI), Assan Alüminyum will establish, manage, and maintain a Green Finance Register. The register will contain necessary details for the green instrument with its ISIN number and will attach corresponding green project the instrument has been deployed for together with the project's details. Based on these elements, Semtrio considers this process to be in line with the Green Loan Principles.

### **Reporting:**

Assan Alüminyum is committed to reporting on the allocation of proceeds in its Sustainability report, published on its website, on an annual basis until allocation has been fully completed. The allocation reporting will include details such as project details, share of net proceeds allocated to eligible projects, share of financing vs. refinancing and breakdown of allocated amounts to eligible projects. Semtrio finds the reporting mechanism of the green proceeds in line with the principles of Green Loan Principles.

## 2. BASELINE

### **Introduction:**

Assan Alüminyum, one of the world's leading manufacturers in the flat-rolled aluminium (FRP) industry, has been producing coil & sheet, foil and pre-painted aluminium products since its establishment in 1988, offering its products to a variety of sectors such as packaging, distribution,

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<sup>1</sup> The Green Loan Principles <https://www.lsta.org/content/green-loan-principles/>

<sup>2</sup> The Green Bond Principles <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

construction, consumer durables, automotive and HVAC. Assan Alüminyum, a subsidiary of Kibar Holding, has an installed annual capacity reaching up to 360 thousand tons in its production facilities located in Istanbul and Kocaeli – Turkey and an R&D Center to develop innovative, tailor-made solutions for its business partners. The company is currently one of the 2 largest aluminium foil manufacturers in Europe, with an aluminium foil production capacity reaching up to 130 thousand tons.

Assan Alüminyum consider sustainability as a crucial component of its management approach and act with the awareness of its responsibility to make the value we create sustainable for future generations. Assan Alüminyum has established a short- term sustainability strategy to attain its targets of aligning its business operations with the United Nations Sustainable Development Goals. Sustainable Strategy of the company is developed and determined under the name of Sustainability Strategy 2025, which shapes day-to-day operational decisions of the company and encompasses the whole Kibar Group. The Sustainability strategy of the company outline goals that are in line with UN Sustainable Development Goals, specifically:

- SDG 4: Quality Education,
- SDG 5 Gender Equality,
- SDG 7 Affordable and Clean Energy,
- SDG 8 Decent Work and Economic Growth,
- SDG 9 Industry, Innovation, and Infrastructure,
- SDG 12 Responsible Consumption and Production,
- SDG 13 Climate Action,
- SDG 17 Partnerships for the Goals.

Assan Alüminyum has developed the Assan Alüminyum Green Financing Framework under which it intends to issue Green Financing Instruments (“GFIs”) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are aimed at goals as stated in the Kibar Group Sustainability strategy to stimulate the climate action of the Company through responsible production and circular economy adaptations across its value chain.

Assan Alüminyum, in its Green Finance Framework, defines eligible criteria in accordance with the Green Loan Principle in 5 categories:

1. Renewable energy,
2. Energy and resource efficiency,
3. Eco-efficient and/or circular economy adapted products, production technologies and processes,
4. Sustainable waste and wastewater management,
5. Climate change adaptation.

Assan Alüminyum has contracted Semtrio to review its February 2023 dated Assan Alüminyum Green Finance Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP) and the Green Loan Principles 2021 (GLP).

**General description of the objective, scope of work, and the external reviewer’s credentials:**

Semtrio, as an independent body from the issuer, in this document reports its opinion on the alignment of the reviewed Framework with the four core components of the Green Loan Principles (GLP) and Green Bond Principles (GBP). Semtrio defines its objective to be transparent in its impact assessment of Circular Economy capital products as a part of its consultancy services in Circular Economy.

This SPO covers the green financing period that is aimed at 2025 Sustainability strategy of Assan Alüminyum and relevant expenditures on projects stated in company public disclosures and by the company members. Semtrio relies on its extensive ESG and sustainability consultancy expertise in accepting the offer to present its SPO on the ongoing and/or planned actions of Assan Alüminyum towards sustainable performance targets.

Semtrio bases its Second-Party Opinion on its environmental/ social/sustainability expertise and assessments of information and documents stated below:

1. Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, administered by International Capital Markets Association (ICMA) , June 2022
2. Bond Principles 2018, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA6
3. Assan Alüminyum Public Disclosures: Sustainability Reports issued by the company; Relevant company certifications; Green Finance Relevant financial documentation.
4. Independent on-site audit of company facilities and several on and offline meetings with the Green Finance Working Group (GFWG), designated for the green loan process management within Assan Alüminyum.

#### **Environmental and social risks associated with the projects:**

Semtrio is aware that every environmental action regardless of intention can bear negative environmental and social outcomes. Semtrio has requested, analysed, and audited the relevant documentation and information regarding company's sustainability adaptation, including company disclosures comprising company approach to ESG and sustainability with historical examples and evidence of positive action, prior to the SPO agreement.

Some key environmental and social risks associated with the eligible projects could include occupational health and safety, land use and biodiversity, and stakeholder relations issues associated with eligible projects. In the documentation and information presented by the company, Assan Alüminyum demonstrated industry wide best approaches with relevant certifications of positive and reliable business conduct. The documentation involved:

1. ISO 14001:2015 – Environmental Management Systems Certificate
2. ISO 45001 – Occupational Health and Safety Management System Certificate
3. ISO 31000 Risk Management System and ISO 22301 Business Continuity Management System Certificates
4. ASI- Aluminium Stewardship Initiative- Performance Standard Certificate
5. Written Sustainability and ESG related policies stated by Assan Alüminyum

#### **Limitations of the Second-party Opinion:**

Semtrio notes that, the SPO presented is subject to limitations of non-public information and documentation provided by Assan Alüminyum's executives and current market practices regarding

Sustainability performance in Aluminium industry. In addition, Semtrio indicates that, this SPO addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact of the green projects.

### 3. SEMTRIO OPINION ON ASSAN ALÜMINYUM GREEN FINANCING FRAMEWORK

Semtrio, as a responsible second party, has recognized Assan Alüminyum Green Financing Framework's alignment with the four core components of the Green Loan Principles (GLP) and Green Bond Principles (GBP). Each of the four core elements are highlighted below with attached descriptions of supporting evidence of fund utilisation in valid Green Projects in line with the principles of GLP.

#### **Use of Proceeds:**

The eligible categories – Renewable Energy; Energy and Resource efficiency; Eco-efficient and/or Circular Economy Adapted Products, Production technologies and processes; Sustainable waste and wastewater management; Climate Change Adaptation – are aligned with those determined by the GBP and GLP, and Assan Alüminyum's sustainability strategy of advancing its adaptation of UN Sustainable Goals, specifically SGD 7, 12 and 13. Semtrio acknowledges the use of proceeds from green financing as a significant contribution to the climate change and circular economy adaptation of the Aluminium industry and the industries that rely on aluminium as an irreplaceable input for their operations.

With regards to the category of **Renewable Energy**, Assan Alüminyum has already achieved a significant success with reducing its Scope 2 emissions through generation of 88,299 MWh of electricity from renewable energy sources at Manavgat<sup>3</sup> renewable energy plant, obtaining International Renewable Energy Certificate for all its electricity consumption. Assan Alüminyum, in its financial projections, allocate the proceeds obtained from the Green Loan financing to finance and/or refinance investments in renewable energy **generation** and **storage** capacity, specifically developing Solar Power generation within the Manavgat facility by installing solar photovoltaic systems over the roofs of new buildings within Dilovası facility and implementing waste heat recovery works in casting lines, as well as engaging in feasibility of renewable energy projects. Semtrio has audited and confirmed that the R&D expenditures, site **reconditioning expenditures**, **pilot project expenditures and acquisition costs of the relevant assets** described in financial documents of Assan Alüminyum are directly linked to the specific goals, described in Assan Alüminyum Green Financing framework. Semtrio encourages Assan Alüminyum to project its financial documents regarding green projects in company's publicly available disclosures as well with quantified goals specifically defined, stating the desired renewable energy share in total energy consumption.

Within **Energy and Resource Efficiency** category, Assan Alüminyum plans to finance and/or refinance the expenditures related to the installation of more-efficient equipment, changes in processes, reduction of heat losses, and waste heat recovery, implementation of greenfield manufacturing facilities and replacement of old facilities with newer ones, as well as water saving projects. Examples of potential and existing expenditures include asset acquisition costs of energy efficient machinery, asset acquisition costs related to the renewal of the old facilities, electrification of fossil fuel-based

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<sup>3</sup> Assan Alüminyum Manavgat Power Plant <https://www.assanaluminyum.com/en/sustainability/renewable-energy-production-and-efficiency>

equipment, solvent recovery in coating lines, research and development (R&D) expenditures, equipment testing, and other process development-related expenditures such as process planning, process automation and energy monitoring systems instalment. Semtrio has recognized the activities and projection of these activities on financial documents of Assan Alüminyum as eligible expenditures to improve energy and resource efficiency of the company and sector in general. However, Semtrio notes that, the specific quantifiable energy efficiency thresholds have not been established by the company and encourages Assan Alüminyum to set quantifiable energy efficiency thresholds and present those in company's publicly available disclosures.

**Regarding Eco-efficient and/or Circular Economy Adapted Products** category, Assan Alüminyum plans to finance and /or refinance investments and expenditures related to Assan Alüminyum's Aluminium recycling projects to boost capacity and scope of current operations and related to manufacturing of aluminium flat products. Proceeds from green loan will cover R&D costs related to aluminium recycling, capital expenditure related to increasing the use of internal process scrap and secondary aluminium, Capital expenditure to expand the capacity of Dilovası Recycling Facility and R&D costs related to aluminium flat rolled products such as EV battery and renewable Energy storage products, capital expenditures related to Aluminium foil production systems. Semtrio recognizes that eligible expenditures are intended to contribute to company's circular economy adaptation and the achievement of its recycling strategy as stated in Aluminium Stewardship Initiative (ASI)<sup>4</sup> performance certificate of Assan Alüminyum. Semtrio considers the expenditures contributing to positive environmental impact throughout the company's value chain and across many climate-relevant industries that rely on Aluminium as a major input.

With regards to **Sustainable Water and Wastewater Management**, Assan Alüminyum will finance and/or refinance expenditures related to water conservation and reuse activities aimed at reducing the amount of water consumed and/or wastewater generated from production activities. Potential investments and expenditures include R&D projects costs, expenditures related to wastewater treatment plants, wastewater recycling systems, rainwater harvesting, closed-loop water cycle projects and water monitoring systems in Tuzla and Dilovasi Facilities. Semtrio confirms the expenditures as creditable for environmental sustainability goals of the company as stated in Aluminium Stewardship Initiative (ASI) performance certificate of Assan Alüminyum.

Regarding **Climate Change Adaptation**, Assan Alüminyum will finance and/or refinance the investments and expenditures to improve industrial process efficiency. Expenditures related to the activity includes R&D investments in Production lines and capital expenditures related to technology upgrades. Semtrio confirms that the expenditures will create green benefits by reducing non-energy GHG emissions of Assan Alüminyum as stated by qualitative targets in the company's Sustainability Strategy<sup>5</sup>.

#### **Process for Project Evaluation and Selection:**

Within Assan Alüminyum the management of project evaluation and selection process is designated to the Green Finance Working Group (GFWG) , consisting of: the Chief Financial Officer (CFO); the Deputy General Manager responsible for CAPEX projects; the Director responsible for sustainability strategy; to oversee the process with other departments, providing information related to the environmental sustainability objectives of green projects and the process of eligibility assessment

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<sup>4</sup> Assan Alüminyum Aluminium Stewardship Initiative (ASI) Audit Report Public Summary <https://aluminium-stewardship.org/about-asi/asi-members/assan-aluminyum>

<sup>5</sup> Assan Alüminyum Sustainability Strategy <https://www.assanaluminyum.com/en/sustainability/assan-aluminyum-sustainability-strategy>

including eligibility criteria included in and, if applicable, excluded from assessments. The GFWG has the overall responsibility to oversee and communicate with lenders the evaluation and selection process and confirm the eligibility of the projects based on their clear environmental benefits stated in scenarios, relevant certification of company activities and third-party consultations. Semtrio finds project evaluation and selection process applied by the company in alignment with the principles of GLP and GBP.

**Management of Proceeds:**

To track and manage the allocation of net proceeds from each green finance instrument (GFI), Assan Alüminyum will establish, manage, and maintain a Green Finance Register. The register will contain necessary details for the green instrument with its ISIN number and will attach corresponding green project the instrument has been deployed for together with the project’s details. Information regarding the loan tranches that have been appropriated to specific projects and remaining loan balances will be reported, tracked, and managed through internal accounting and financial management and information systems. Based on these elements, Semtrio considers this process to be in line with the Green Loan Principles.

**Reporting:**

Assan Alüminyum is committed to reporting on the allocation of proceeds in its sustainability report, published on its website, on an annual basis until allocation has been fully completed. The allocation reporting will include details such as project details, share of net proceeds allocated to eligible projects, share of financing vs. refinancing and breakdown of allocated amounts to eligible projects. Additionally, Assan Alüminyum will transparently report on the impact achievement of each project with relevant impact indicators, including biodiversity benefits. Indicators related to different categories are stated on the table below. Semtrio finds the reporting mechanism of the green proceeds in line with the principles of Green Loan Principles.

Eligible Project Category	Impact Indicators
<b>Renewable energy</b>	<ul style="list-style-type: none"> <li>• Installed capacity (MW)</li> <li>• Annual renewable energy generation (MWh/y)</li> <li>• Tons of CO2 avoided (tCO2eq/y)</li> </ul>
<b>Energy and resource efficiency</b>	<ul style="list-style-type: none"> <li>• Annual Energy Savings (MWh/y)</li> <li>• Annual water savings (m3/y)</li> <li>• Amount of Material reduced (tons/y)</li> <li>• Tons of CO2 avoided (tCO2eq/y)</li> </ul>
<b>Eco-efficient and/or circular economy adapted products, production technologies and processes</b>	<ul style="list-style-type: none"> <li>• Amount of aluminium scrap recycled (tons/y)</li> <li>• Amount of secondary aluminium used (tons/y)</li> <li>• Tons of produced aluminium (tons/y)</li> </ul>
<b>Sustainable Waste and wastewater management</b>	<ul style="list-style-type: none"> <li>• Amount of water treated for re-use (m3/y)</li> <li>• Annual waste recycled (tons/y)</li> <li>• Tons of CO2 avoided (tCO2eq/y)</li> </ul>
<b>Non-Energy GHG reduction</b>	<ul style="list-style-type: none"> <li>• Tons of CO2 avoided (tCO2eq/y)</li> </ul>



## 4. CONCLUSION

Assan Alüminyum has developed the Assan Alüminyum Green Financing Framework under which it intends to issue Green Financing Instruments (“GFIs”) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are aimed at goals as stated in the Kibar Group Sustainability strategy to stimulate the climate action of the Company through responsible production and circular economy adaptations across its value chain. The Assan Alüminyum Green Financing Framework outlines the use of proceeds and the process developed by the company in monitoring, management and allocation and impact reporting of the green loan proceeds.

Semtrio confirms the eligibility of Assan Alüminyum’s Green Financing Framework with the four core components of the Green Loan Principles (GLP) and Green Bond Principles (GBP), and is of opinion that the projects funded by the green loan proceeds are in line with the Sustainability Strategy of the Kibar Holding and are expected to provide positive environmental impacts by contributing to the advancements of the UN Sustainable Development Goals 7, 12 and 13.

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