Second-Party Opinion

LimakPort Sustainability-Linked Bond Framework

SUSTAINALYTICS
a Morningstar company
SECOND-PARTY OPINION

Evaluation Summary

Evaluation Date	May 27, 2021
Issuer Location	İskenderun, Turkey

Sustainalytics is of the opinion that the LimakPort Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- **Selection of Key Performance Indicator (KPI)** LimakPort Sustainability-Linked Bond Framework includes one KPI: Percentage conversion of select port vehicles from diesel-powered to electric-powered (see Table 1). Based on a consideration of the materiality of the KPI, its relevance to LimakPort's business, the scope of its applicability, and its ability to be benchmarked, Sustainalytics considers the KPI to be adequate.
- **Calibration of Sustainability Performance Target (SPT)** Sustainalytics considers the SPT to be aligned with the issuer's sustainability strategy. Sustainalytics further considers the SPT to be ambitious, primarily because it indicates performance that is significantly above LimakPort's historical performance.
- **Bond Characteristics** LimakPort will link the bond's financial/structural characteristics to the achievement of the SPT. The Company will embed a coupon step-up clause in the bond indenture which will be triggered if LimakPort fails to meet its SPT on target observation dates.
- **Reporting** LimakPort commits to report on an annual basis on its performance on the KPI on its website. LimakPort commits to disclose relevant information enabling investors to monitor the progress of the SPT including verification assurance reports on progress towards the SPT. The reporting commitments are aligned with the SLBP.
- **Verification** LimakPort commits to have external limited/ reasonable assurance conducted on its KPI performance at the communicated SPT deadline, which is aligned with market expectations.

The SPT contribute to the following SDGs:

Overview of KPI and SPT

KPI	Baseline	SPT	Strength of the KPI	Ambitiousness of SPT
Percentage of select diesel-powered vehicles that have been converted to electric	2020	100% of the terminal trucks, 85% of the total forklifts, 100% of the vehicles used by the port personnel have been converted to electric by 2031	Adequate	Ambitious

Table of Contents

Scope of Work and Limitations **3**

Introduction **4**

Sustainalytics' Opinion **5**

Section 1: Sustainalytics' Opinion on the Alignment of Limak İskenderun Uluslararası Liman İşletmeciliği A.Ş.'s Sustainability-Linked Notes with the Sustainability-Linked Bond Principles. **5**

- Selection of Key Performance Indicators (KPI) 5
- Calibration of Sustainability Performance Targets (SPT) 6
- Bond Characteristics 7
- Reporting 7
- Verification 7

Section 2: Assessment of Limak İskenderun Uluslararası Liman İşletmeciliği A.Ş.'s Sustainability Strategy **8**

Section 3: Impact of the SPT chosen **9**

Conclusion **10**

Appendix 1 ..... **11**

Scope of Work and Limitations

Limak İskenderun Uluslararası Liman İşletmeciliği A.Ş. ("LimakPort" or the "Company") has engaged Sustainalytics to review the SLB Framework and provide an opinion on the alignment of the bonds with the Sustainability-Linked Bond Principles (SLBP).[1]

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[2] opinion on the alignment of the reviewed SLB Framework with the Sustainability-Linked Bond Principles 2020, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of Limak İskenderun Uluslararası Liman İşletmeciliği A.Ş.'s management team to understand the sustainability impact of their business processes and SPT, as well as reporting and verification processes of aspects of the SLB Framework. Limak İskenderun Uluslararası Liman İşletmeciliği A.Ş.'s representatives have confirmed that:

(1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate or up to date;

(2) They have provided Sustainalytics with all relevant information; and

(3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Sustainability-Linked Bond Framework and should be read in conjunction with the Bond Documents. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and LimakPort. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Sustainability-Linked Bond Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPT of KPI but does not measure the KPI's performance. The measurement and reporting of the KPI is the responsibility of the Bond issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that LimakPort has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Sustainability-Linked Bond Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

(1) A material change to the external benchmarks[3] against which targets were set;

(2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SLBs or the materiality of the KPI.

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[1] The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf

[2] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

[3] Benchmarks refers to science based benchmarks

Introduction

Limak İskenderun Uluslararası Liman İşletmeciliği A.Ş. ("LimakPort") operates the Port of Iskenderun, a container and general cargo port located in Iskenderun bay – South East-Mediterranean Turkey. LimakPort took control of the Port of Iskenderun in 2011 under a 36-year concession agreement with the General Directorate of the Turkish State Railroad Administration ("TCDD") ending in 2047 for the operation, maintenance, and development of the port. Today, the Iskenderun Port is one of the largest container terminals in the Eastern Mediterranean, with an annual cargo capacity handling of 1 million Twenty-foot Equivalent (TEU) and providing 24/7 pilotage and towage services.

LimakPort will link the coupon rate of the bond to the achievement of the Sustainability Performance Target for the KPI, which is the conversion rate of select diesel-powered port vehicles into electric-powered vehicles.

LimakPort has engaged Sustainalytics to review the SLB Framework and provide an opinion on the alignment of the SLB Bond framework with the Sustainability-Linked Bond Principles (SLBP).[4]

The KPI and SPT used by LimakPort is defined in Tables 1 and 2 below.

Table 1: KPI Definitions

KPI	Definition
Percentage of select diesel-powered vehicles that have been converted to electric	The KPI measures the percentage of diesel-powered port vehicles that have been converted to electric-powered vehicles. The vehicles targeted for conversion into electric-powered include all vehicles that can be converted to electric[5] and include: - 100% of terminal trucks (36 out of 36). - 85% of forklifts (32 out of 37). - 100% of passenger vehicles used by port personnel when performing port duties (32 out of 32). The KPI is a directly observable number and calculated by dividing the quantity of total vehicles that have been converted to electric power by the total quantity of vehicles available.

Table 2: SPT and Past Performance

KPI	2020 (Baseline)	2028 (Target Observation Date)	2031 (Target Observation Date & SPT)
Percentage of select diesel-powered vehicles that have been converted to electric	0% (No electric powered vehicles)	45% of the terminal trucks, 45% of the total forklifts, 45% of the vehicles used by the port personnel have been converted to electric by 2028	100% of the terminal trucks, 85% of the total forklifts, 100% of the vehicles used by the port personnel have been converted to electric by 2031

[4] The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/

[5] LimakPort has clarified that vehicles that are not targeted under the SLB Framework include vehicles that cannot be converted to electric powered vehicles due to the lack of relevant technological advancements. Such vehicles include container stackers, container handlers, port cleaning vehicles, tugboats, pilot boat, and other boats that are used for maneuver of the vessels at the port.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of LimakPort Sustainability-Linked Bond Framework with the Sustainability-Linked Bond Principles.

Sustainalytics is of the opinion that the Sustainability-Linked Bond Framework align with the five core components of the Sustainability-Linked Bond Principles 2020 (SLBP).

Selection of Key Performance Indicators (KPI)

Relevance and Materiality of KPI

Sustainalytics in its assessment of materiality and relevance considers i) whether an indicator speaks to a material impact of the issuer business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers the KPI to be material and relevant given that:

- In assessing the Company's sustainability priorities, LimakPort has identified a reduction in fuel consumption of its port equipment, including vehicles, as one of its key priorities to reduce the Company's GHG emissions.[6]
- Sustainalytics' ESG Risk Rating assessment identifies "Emissions, Effluents and Waste" as a material ESG issue and an area of high exposure for the marine port subindustry.
- LimakPort's emissions associated with select vehicles account for 50% of Scope 1 and 44% of Scope 1 and 2 emissions as of 2020.[7] LimakPort has clarified that the Company targets all vehicles that can be converted to electric under the KPI, and other vehicles/equipment that cannot be converted account for the remaining 50% of Scope 1 emissions.
- Sustainalytics notes that, while the vehicles being targeted by the KPI account for a meaningful portion of the Company's carbon footprint, the KPI does not play a role in capturing the Company's Scope 3 emissions.

KPI Characteristics

Sustainalytics in its assessment of the KPI characteristics considers i) whether a clear and consistent methodology is used, ii) whether the issuer follows an externally recognized definition, iii) whether the KPI are a direct measure of the performance of the issuer on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.[8]

Sustainalytics considers LimakPort's definition and methodology to calculate KPI performance to be clear and consistent based on the simplicity of the calculation and ease of interpretation of the KPI. The KPI measures the conversion rate of diesel-powered vehicles to electric powered vehicles, and thus Sustainalytics considers the KPI as an indirect measure of the performance of the Company on its emissions reduction targets. Sustainalytics

[6] Limak Group, "Sustainability Report, (2018-2019)", at: http://www.limak.com.tr/files/limak-2018-2019-sustainability-report.pdf
[7] LimakPort's Scope 1 and 2 emissions include mobile combustion emissions and emissions from purchased energy.
[8] External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPI or impact areas for which such contextual benchmarks are not available.

notes that the KPI does not follow an externally recognized methodology as it was formulated in the context of company-specific operations, and the KPI does not lend itself well to being benchmarked.

Overall Assessment

Overall, Sustainalytics considers the percentage conversion rate of port vehicles from diesel-powered to electric-powered to be an adequate KPI given that the select vehicles account for 50% of Scope 1 and 44% of Scope 1 and 2 emissions, and the KPI speaks to a material environmental issue in the marine ports subindustry.

Percentage conversion of select port vehicles from diesel-powered to electric-powered vehicles	Not Aligned	Adequate	Strong	Very strong

2 Calibration of Sustainability Performance Targets (SPT)

Alignment with Issuer's Sustainability Strategy

LimakPort has set the following SPT for its KPI:

- 100% of the terminal trucks, 85% of the total forklifts, 100% of the vehicles used by the port personnel to be converted to electric by 2031, using 2020 baseline data.

Sustainalytics considers the SPT to be aligned with LimakPort's sustainability strategy (please refer to Section 2 for analysis of the credibility of LimakPort 's sustainability strategy).

LimakPort's sustainability report highlights the initiatives the Company has undertaken. Examples of these initiatives include; (i) LimakPort has adopted the use of electric powered cranes as much as possible for container movement and has reported a significant reduction in the number of movements per container by diesel-powered vehicles, (ii) The Company targets a reduction in fuel consumption by adhering to regular periodical maintenance of the entire port vehicle fleet to improve fuel efficiency of the vehicle fleet, and (iii) To support its vehicle electrification project, LimakPort has installed an independent power line from the local energy distribution center to the port in order to fulfill the energy requirements of the port area and eliminate the exposure to local power outages.

Strategy to Achieve the SPT

LimakPort's strategy to achieve the SPT includes potential outright purchases of electric vehicles as replacement for the diesel-powered vehicles, and mandatory tender specifications for subcontractors to use electric vehicles on LimakPort business. Additionally, the Company intends to install charging stations at the port and to purchase an additional battery to increase the working hours of the trucks. LimakPort also intends to initiate contact with electric forklift manufacturers for design specifications and separate charging systems for the forklifts. LimakPort intends to take advantage of any technological advancements in port container and vehicle mobility and adapt to such changes.

Ambitiousness, Baseline and Benchmarks

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance. Sustainalytics has relied on the historical performance as the SPT does not support peer analysis or benchmarking with science-based targets.

LimakPort has clarified that the Company does not have any electric powered vehicles in its fleet, and the SPT includes all vehicles that are eligible for conversion as of 2020.[9] Data in LimakPort's framework indicates the achievement of following: (i) 15% of the terminal trucks, 15% of the total forklifts, 15% of the vehicles used by the

[9] LimakPort targets conversion to electric power of 50% of its port vehicles. The remaining 50% is deemed inconvertible and consist of 8 container handling vehicles (5 stackers,3 empty container handlers) , tug boats ,pilot boat and mouring boat , port cleaning vehicles and 5 forklifts.

port personnel have been converted to electric by 2026, (ii) 30% of the terminal trucks, 30% of the total forklifts, 30% of the vehicles used by the port personnel have been converted to electric by 2027, (iii) 45% of the terminal trucks, 45% of the total forklifts, 45% of the vehicles used by the port personnel have been converted to electric by 2028, (iv) 60% of the terminal trucks, 60% of the total forklifts, 60% of the vehicles used by the port personnel have been converted to electric by 2029, (v) 75% of the terminal trucks, 75% of the total forklifts, 75% of the vehicles used by the port personnel have been converted to electric by 2030, (vi) 100% of the terminal trucks, 85% of the total forklifts, 100% of the vehicles used by the port personnel have been converted to electric by 2031. Given that LimakPort currently has no electric vehicles, and the Company intends to achieve substantial emission reduction through the achievement of the SPT, Sustainalytics consider the SPT to be ambitious and above business-as-usual trajectory.

LimakPort may recalculate the calibration of the SPT in the event of corporate restructuring activities such as material mergers and acquisitions or divestitures. The company may also re-evaluate its SPT if there are material changes in laws or regulations applicable to or relating to LimakPort's operations.

Overall Assessment

Sustainalytics considers the SPT to align with LimakPort's sustainability strategy and considers the SPT to be Ambitious given that it presents a significant improvement compared to past performance.

100% of the terminal trucks, 85% of the total forklifts, 100% of the vehicles used by the port personnel have been converted to electric by 2031	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

Bond Characteristics

LimakPort has disclosed that it will link the bond's coupon payments to the performance of the company on its sustainability performance targets. A coupon step-up provision will be imbedded in the bond indenture, where a coupon step-up event will occur if LimakPort fails to meet its SPT on target observation dates. LimakPort has disclosed that if the SPT have not been reached at respective target observation dates (December 31st, 2028 and December 31st, 2031), a premium will be payable from the first coupon payment date following the annual progress report, until the maturity of the notes. If triggered, LimakPort disclosed that a coupon step-up of 12.5bps will be applied at each target observation date if performance does not achieve the stated SPT.

If, for any reason, LimakPort does not publish the relevant SPT progress report within the time limit as described in this SLB framework, the coupon step-up of 12.5bps will be applicable.

Reporting

LimakPort commits to report on an annual basis on its performance on the KPI, and expects to include the relevant figures on its website within 90 days from previous financial year-end at 31st December. The progress reporting will include information on the performance of the selected KPI and SPT as well as any other information deemed material for investors to monitor the level of ambition of the SPT. LimakPort's reporting commitments are aligned with the recommendations of the SLB Principles.

Verification

LimakPort commits to having an external verifier provide reasonable assurance on the published KPI performance figures for each fiscal year/ on the KPI performance at the SPT deadline, which is aligned with the SLB Principles on verification.

Section 2: Assessment of LimakPort 's Sustainability Strategy

Credibility of LimakPort Sustainability Strategy

Limak Group of Companies (the "Group") released its inaugural sustainability report in 2013.[10] Since then, the Group has integrated sustainability considerations within its operations and various lines of business, including infrastructure,[11] energy, cement, construction, and tourism. The Group's most recent sustainability report was published in 2019,[12] outlining a new sustainability policy and associated targets covering a ten-year period spanning from 2020-2030. This includes increasing the use of renewable energy resources to at least 30% of total energy consumption by 2026, as well as achieving 28% water efficiency and a 25% improvement in energy efficiency by 2030. As highlighted in the Group's 2018-2019 Sustainability Report,[13] LimakPort follows the same approach to sustainability with an underlying focus on fulfilling the requirements of the Equator Principles and meeting the ISO 14001 Environmental Management System requirements. LimakPort's environmental priorities are centered on effective waste management, energy management, clean sea, and preservation of biodiversity, with the overarching goal of reducing the emissions associated with its operations.

As part of its sustainability strategy, the Company monitors several indicators on a regular basis, including, direct energy consumption, emissions, wastewater, as well as hazardous and non-hazardous wastes. In addition to these indicators, LimakPort has set the following environmental goals: 1) Reducing hazardous waste generation; 2) Reducing diesel fuel consumption; 3) Ensuring the environmental awareness of employees is kept up to date; 4) Reducing initiation time for waste collection from vessels; and 5) Reducing the time of intervention to land spills. Between 2018 to 2019, LimakPort established an effective waste management system, and was able to reduce its hazardous waste by approximately 60%. In the same year, the Company increased the use of electric powered cranes amongst its fleet, including 2 Liebherr mobile cranes fully powered by electricity instead of fuel. The Company was also able to reduce the time for initiation of waste collection from vessels by 54 seconds and the time of intervention after a land spill to 2.54 minutes, compared to 2018. With respect to energy management, while LimakPort's total amount of energy consumed increased by only 4.2% from 2018 and 2019, the share of direct diesel energy consumed increased by 34% as the share of electricity consumption decreased.

In addition to the above, LimakPort is focused on aligning its sustainability efforts with the standards and goal set by international organizations. These efforts are highlighted in a report titled "For a Better World: Walk the Talk – Assessing Limak's Performance from Sustainability Rhetoric to Action", which follows the Group's sustainability strategy and progress between 2015 and 2019.[14] The Report revealed that LimakPort projects are closely aligned with the following United Nations Sustainability Development Goals: Decent Work and Economic Growth, Climate Action, Responsible Consumption, Production and Industry, Innovation, and Infrastructure.

Sustainalytics considers LimakPort's ongoing initiatives to represent a credible approach to improving its sustainability performance and notes positively that the Company has stated a commitment to reporting on its 2020-2021 performance in the first half of 2022. Overall, Sustainalytics is of the view that the target, KPI and investments identified as part of this issuance, as referenced in Section 1, will further support LimakPort to advance its sustainability strategy.

LimakPort 's Environmental and Social Risk Management

Sustainalytics recognizes that while LimakPort's defined target is impactful, it is acknowledged that achieving the SPT could bear environmental and social risks related to water and air pollution, hazardous waste and effluents, water-use, and occupational health and safety,

In the following section Sustainalytics comments on LimakPort's ability to mitigate such potential risks.[15]

- As of 2019, LimakPort has fulfilled the obligations within the scope of ISO 14001: 2015 Environmental Management System, including ongoing monitoring and improvement of environmental performance, adherence to relevant legislation and laws, and an ongoing approach to risk analysis with the aim to reduce the use of natural resources and minimize the damage to soil, water, and air.

[10] Limak Group of Companies, Sustainability Report 2013, at: http://www.limak.com.tr/docs/limak-sustainability-report-2013.pdf
[11] Since it took over Iskenderun Port in 2011, LimakPort Iskenderun has played a key role in the Group's infrastructure line of business.
[12] Limak Group of Companies, Sustainability Report 2018-2019, at: http://www.limak.com.tr/files/limak-2018-2019-sustainability-report.pdf
[13] *Ibid.*
[14] Limak, "For a Better World: Walk the Talk", at: http://www.limak.com.tr/files/limak-2015-2019-walkthetalk-report.pdf
[15] Limak Group of Companies, Sustainability Report 2018-2019, at: http://www.limak.com.tr/files/limak-2018-2019-sustainability-report.pdf

- LimakPort provides trainings on environmental regulations to vessel brokers to enhance their sensitivity and awareness to potential environmental risks. This includes one-to-one workshops on specific systems such as vessel waste tracking system as well as the waste collection processes required for ships.
- In 2018 LimakPort was awarded the Green Port Certificate. Green Port is comprised of six key components: 1) protection and improvement of natural life and marine ecosystem; 2) cleaning the air by reducing harmful emissions stemmed from port activities; 3) to ensure a clean port environment and coastal waters, 4) ensuring the cleaning of the dirty soils in the port area; 5) training of stakeholders in the port regarding port operations and environmental programs; and 6) to ensure the sustainability of operations, and management practices. The Green Port Certificate is based on voluntary action and focuses on practices carried out by the port and its stakeholders to eliminate the negative impact of its operations on the environment. An example includes building a wastewater treatment plant to prevent the transfer of ore from the mine stockpile with rainwater. In this context, wastewater treatment was built and commissioned to avoid the pollution created by rainwater.
- To mitigate health and safety risks, LimakPort performs occupational health and safety under the OHS, Fire and Workplace Medical Unit supervised by the Directorate of Occupational Health and Safety. Upon the occurrence of an accident, the Company's middle and upper-level directors are informed and corrective actions are initiated which is then followed by an on-site examination. Afterwards, root-cause analysis is performed so that non-conformities can be eliminated accordingly. This process is overseen by the Company's Occupational Health and Safety Board, consisting of a general manager, employee representatives, OHS specialist, occupational physician, and department directors, amongst others. As a result of such measures, as well as trainings performed on an ongoing basis, the Company's accident frequency rate decreased by 38% from 2017 to 2019.
- The Company also carries out continuous training and exercise plans for effective and timely response to possible leaks and spills in the port area. It also maintains a 24/7 Emergency Response Boat to respond to ship-induced leakages/spills, thereby ensuring there is immediate intervention before environmental pollution can occur, and that occupational safety risks caused by pollution are mitigated. In addition to the above, LimakPort participates in environmental training with non-governmental organizations in order to create environmental awareness in society, and follows Equator Principles, IFC Performance Standards, and related environmental, health, and safety Guidelines and ensures compliance to those standards and principles.

Overall, Sustainalytics considers that LimakPort has sufficient management programs and policies to mitigate sustainability risks that are material to its operations.

Section 3: Impact of the SPT Chosen

In 2019, the shipping sector accounted for 3% of global GHG emissions and 9% of transport-related emissions.[16] As 90% of world trade is done by sea and the world maritime trade fleet is increasing on a year-by-year basis, GHG emissions from the shipping sector are projected to continue increasing if mitigation measures are not put in place.[17] Specifically, the IMO estimates that by 2050 maritime emissions could grow by 50-250%.[18] Recognizing the need to reduce GHG emissions from the maritime sector in order to align with the Paris climate goals, in 2018 IMO set specific emission reduction targets for the shipping sector. The IMO aims to reduce the CO_2 intensity across international shipping by 70%, absolute emissions by at least 50% by 2050 compared to 2008 levels,[19] and has set a new limit for sulfur in fuel oil used.[20] Achieving these targets will require large amounts of capital investment, particularly in containers and cargo ports which traditionally rely heavily on diesel-powered fuel. One study estimates that a total investment of USD 1.65 trillion will be required by 2050 to decarbonize the shipping sector.[21]

In 2016 Turkey declared its intention to achieve up to a 21% reduction in GHG emissions from the Business-as-Usual level by 2030, with a focus on decarbonizing its power, transport and building sectors.[22] While investment incentives have helped to

[16] IRENA, New Report Identifies Clean Energy Options for Global Shipping Industry, October 2019, at: https://www.irena.org/newsroom/articles/2019/Oct/New-Report-Identifies-Clean-Energy-Options-for-Global-Shipping-Industry
[17] European Commission, Reducing emissions from the shipping sector, at: https://ec.europa.eu/clima/policies/transport/shipping_en
[18] International Maritime Organization, Third IMO Greenhouse Gas Study 2014, at: https://gmn.imo.org/wp-content/uploads/2017/05/GHG3-Executive-Summary-and-Report_web.pdf
[19] International Maritime Organization, Greenhouse Gas Emissions, accessed in September 2020, at: http://www.imo.org/en/OurWork/Environment/PollutionPrevention/AirPollution/Pages/GHG-Emissions.aspx
[20] The new limit effective from 1st January 2020 limits Sulphur in fuel oil to 0.50% mass by mass (m/m) as compared to the previous limit of 3.50% m/m. Read more: http://www.imo.org/en/MediaCentre/HotTopics/GHG/Documents/2020%20sulphur%20limit%20FAQ%202019.pdf
[21] Shell, Decarbonizing shipping, 2020, at: https://www.shell.com/energy-and-innovation/the-energy-future/decarbonising-shipping/_jcr_content/par/toptasks.stream/1594141914406/b4878c899602611f78d36655ebff06307e49d0f8/decarbonising-shipping-report.pdf
[22] The Carbon Brief Profile: Turkey, at: https://www.carbonbrief.org/carbon-brief-profile-turkey

increase the use of renewable energy, fast-rising energy demand and economic growth means that fossil fuels (including transport fuels) still make up a significant majority of the country's energy mix, at 82% in 2020.[23] In the Turkish context, this economic growth has led to increased international trade and corresponding growth in the tonnage of merchandise carried by ships.[24] While maritime transportation is considered to be the most energy efficient cargo transportation mode, majority of Turkey's, and more than 95% of the world's shipping fleet, is powered by diesel engines.[25]

In this context, Sustainalytics is of the opinion that LimakPort's investment in converting all of its diesel-powered vehicles and terminal trucks to run on electricity, as well as some of its diesel-powered forklifts to electric-powered forklifts, will contribute to steering the cargo and shipping sector towards a low carbon future and support Turkey's ability to fulfill its climate goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability linked bond advances the following SDG goals and targets:

KPI	SDG	SDG Target
Percentage of select diesel-powered vehicles that have been converted to electric	7. Renewable Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
	9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Conclusion

LimakPort intends to issue Sustainability-Linked Bonds which will tie the coupon rate to the achievements of the following SPT:

- 100% of the terminal trucks, 85% of the total forklifts, 100% of the vehicles used by the port personnel have been converted to electric by 2031.

Sustainalytics performed a review of LimakPort's information and considers the KPI to be relevant and material and aligned with the Company's sustainability strategy. Further, Sustainalytics considers the KPI to be adequate based on the scope of its applicability and ability to be benchmarked, and the SPT to be ambitious as it represents a material improvement compared to the Company's past performance. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers LimakPort's Sustainability-Linked Bond Framework to be in alignment with the five core components of the SLBP and the prospective of achievement of the SPT to be impactful.

[23] Climate Transparency, "Turkey", at: https://www.climate-transparency.org/wp-content/uploads/2020/11/Turkey-CT-2020-WEB.pdf
[24] The Scientific World Journal, "An Investigation on the Effects of Ship Sourced Emissions in Izmir Port, Turkey", at: https://www.hindawi.com/journals/tswj/2013/218324/
[25] *Ibid*.

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Limak İskenderun Uluslararası Liman İşletmeciliği A.Ş.

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3)**:** Sustainalytics

Completion date of second party opinion pre-issuance: May [XX], 2021

Independent External Review provider's name for post-issuance verification (section 4)**:**

Completion date of post issuance verification:

At the launch of the bond, the structure is:

☒ a step-up structure ☐ a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

☒ assessed all the following elements (complete review) ☐ only some of them (partial review):

- ☒ Selection of Key Performance Indicators (KPI)
- ☒ Calibration of Sustainability Performance Targets (SPT)
- ☒ Verification
- ☒ Bond characteristics *(acknowledgment of)*
- ☒ Reporting

☐ and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- ☒ Second Party Opinion
- ☐ Verification
- ☐ Certification
- ☐ Scoring/Rating

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

LimakPort intends to issue Sustainability-Linked Bonds which will tie the coupon rate to the achievements of the following SPT:

- 100% of the terminal trucks, 85% of the total forklifts, 100% of the vehicles used by the port personnel have been converted to electric by 2031.

Sustainalytics performed a review of LimakPort's information and considers the KPI to be relevant and material and aligned with the Company's sustainability strategy. Further, Sustainalytics considers the KPI to be adequate based on the scope of its applicability and ability to be benchmarked, and the SPT to be ambitious as it represents a material improvement compared to the Company's past performance. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers LimakPort's Sustainability-Linked Bond Framework to be in alignment with the five core components of the SLBP and the prospective of achievement of the SPT to be impactful.

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPI)

Overall comment on the section *(if applicable)***:**

Sustainalytics overall considers the percentage conversion rate of port vehicles from diesel-powered to electric-powered to be an adequate KPI given select vehicles account for 50% of Scope 1 and 44% of Scope 1 and 2 emissions, and the KPI speaks to a material environmental issue in the marine ports subindustry.

List of selected KPI:

✓ Conversion of select port vehicles from diesel-powered vehicles to electric-powered

Definition, Scope, and parameters

☒ Clear definition of each selected KPI

☒ Clear calculation methodology

☐ Other *(please specify)*:

Relevance, robustness, and reliability of the selected KPI

☒ Credentials that the selected KPI are relevant, core and material to the issuer's sustainability and business strategy.

☒ Credentials that the KPI are measurable or quantifiable on a consistent methodological basis

☐ Evidence that the KPI are externally verifiable

☐ Evidence that the KPI can be benchmarked

☐ Other *(please specify):*

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPT)

Overall comment on the section *(if applicable)***:**

Sustainalytics considers the SPT to align with LimakPort's sustainability strategy and considers the SPT to be Ambitious given that it presents a significant improvement compared to past performance.

Rationale and level of ambition

- ☒ Evidence that the SPT represent a material improvement
- ☒ Evidence that SPT are consistent with the issuer's sustainability and business strategy
- ☒ Credentials on the relevance and reliability of selected benchmarks and baselines
- ☒ Credentials that the SPT are determined on a predefined timeline
- ☐ Other *(please specify):*

Benchmarking approach

- ☒ Issuer own performance
- ☐ reference to the science
- ☐ Issuer's peers
- ☐ Other *(please specify)*:

Additional disclosure

- ☒ potential recalculations or adjustments description
- ☒ identification of key factors that may affect the achievement of the SPT
- ☒ issuer's strategy to achieve description
- ☐ Other *(please specify)*:

3-3 BOND CHARACTERISTICS

Overall comment on the section *(if applicable)***:**

LimakPort has disclosed that it will link the bond's coupon payments to the performance of the company on its sustainability performance targets. A coupon step-up provision will be imbedded in the bond indenture, where a coupon step-up event will occur if LimakPort fails to meet its SPT on target observation dates. LimakPort has disclosed that if the SPT have not been reached at respective target observation dates (December 31st, 2028 and December 31st, 2031), a premium will be payable from the first coupon payment date following the annual progress report, until the maturity of the notes. If triggered, LimakPort disclosed that a coupon step-up of 12.5bps will be applied at each target observation date if performance does not achieve the stated SPT.

If, for any reason, LimakPort does not publish the relevant SPT progress report within the time limit as described in this SLB framework, the coupon step-up of 12.5bps will be applicable.

Financial impact:

☒ variation of the coupon

☐ …

☐ Other *(please specify)*:

Structural characteristic:

☐ …

☐ …

☐ Other *(please specify)*:

3-4 REPORTING

Overall comment on the section *(if applicable)***:**

LimakPort commits to report on an annual basis on its performance on the KPI, and expects to include the relevant figures on its website within 90 days from previous financial year-end at 31st December. The progress reporting will include information on the performance of the selected KPI and SPT as well as any other information deemed material for investors to monitor the level of ambition of the SPT. LimakPort's reporting commitments are aligned with the recommendations of the SLB Principles.

Information reported:

☒ performance of the selected KPI

☒ level of ambition of the SPT

☒ verification assurance report

☐ Other *(please specify):*

Frequency:

☒ Annual

☐ Semi-annual

☐ Other *(please specify):*

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other *(please specify):* Company's website.

☒ Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review):* A verification assurance report relative to the SPT outlining the performance against the SPT.

Where appropriate, please specify name and date of publication in the "useful links" section.

Level of Assurance on Reporting

☐ limited assurance

☒ reasonable assurance

☐ Other *(please specify):*

USEFUL LINKS *(e.g. to review provider methodology or credentials, to issuer's documentation, etc.)*

Section 4. Post-issuance verification

Overall comment on the section *(if applicable)*:

Information reported:

- ☐ limited assurance
- ☒ reasonable assurance
- ☐ Other *(please specify):*

Frequency:

- ☒ Annual
- ☐ Semi-annual
- ☐ Other *(please specify):*

Material change:

- ☐ Perimeter
- ☒ KPI methodology
- ☒ SPT calibration

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For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider