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LOAN NUMBER 9319-TR

# Loan Agreement

(Additional Financing for the Turkey Geothermal Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.

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## LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş. ("TKYB" or "Borrower") for the purpose of providing additional financing for activities related to the Original Project (as said Original Project is defined in the Appendix to this Agreement).

WHEREAS, in furtherance of the development objective of the Project set forth in Schedule 1 of this Agreement, the Bank, acting as administrator of the Energy Sector Management Assistance Program ("ESMAP"), and TKYB intend to enter into a grant agreement ("ESMAP Grant Agreement") for the purpose of providing a grant in an amount of three hundred fifty thousand Dollars (USD 350,000) ("ESMAP Grant") to assist TKYB in the financing of Part B.2 of the Project on the terms and conditions set forth in the ESMAP Grant Agreement.

The Borrower and the Bank hereby agree as follows:

### ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of one hundred fifty million Dollars (USD 150,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing of Part B.1(b) of the project, as said project is described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion, subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

### ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out Part B of the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

### ARTICLE IV — EFFECTIVENESS

- 4.01. The Additional Condition of Effectiveness consists of the following:
  - (a) The Borrower shall have updated and approved the Project Operations Manual originally prepared for the Original Project to address the activities covered by the additional financing and the updated implementation arrangements, and in accordance with Section I.B of Schedule 2 to this Agreement, in form and substance satisfactory to the Bank; and
  - (b) hired for its Project Implementation Unit one (1) social specialist in accordance with Section I.A of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Borrower's Representative is the Executive Vice President of the Borrower.

5.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's Address is:

Türkiye Kalkınma Ve Yatırım Bankası A.Ş.  
Saray Mahallesi  
Dr. Adnan Büyükdeniz Cd. No:10 34768 Ümraniye  
İstanbul  
Turkey; and

(b) the Borrower's Electronic Address is:

Facsimile: E-mail:  
+90-216-6301815 [Dfi@kalkinma.com.tr](mailto:Dfi@kalkinma.com.tr)

5.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

(b) the Bank's Electronic Address is:

Telex: Facsimile:  
248423(MCI) or 1-202-477-6391  
64145(MCI)

AGREED as of the Signature Date.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: AUGUSTE KOUAME

Title: COUNTRY DIRECTOR

Date: December 21, 2021

TÜRKİYE KALKINMA VE YATIRIM  
BANKASI A.Ş.

By



Authorized Representative

Name: İBRAHİM H. ÖZTOP

Title: CEO & BOARD MEMBER

Date: December 21, 2021

By



Authorized Representative

Name: E. ÖZLEM CİNEMRE

Title: EVP

Date: December 21, 2021

## SCHEDULE 1

### Project Description

The objective of the Project is to scale up private sector investment in geothermal energy development in the Republic of Turkey's territory.

The Project consists of the Original Project as amended below:

#### **Part A:**        Risk Sharing Mechanism for Resource Validation

1. Risk Sharing Mechanism for Resource Validation – establishing a mechanism to promote private sector development of renewable geothermal energy investments in the early stage of geothermal exploratory and confirmation drilling stages (“Exploration Subprojects”) by sharing the risk with Geothermal Explorers of failing to validate a geothermal energy resource through said Risk Sharing Mechanism.
2. Technical Assistance for TKYB – strengthening capacity of TKYB to supervise implementation of the RSM.

#### **Part B:**        Loan Facility for Resource Development

1. Providing Sub-loans:
  - (a) financed by the Original Loan, to Geothermal Developers, to support license holders and financiers investing in geothermal project development at (i) the capacity drilling (also referred to as production drilling) stage, and (ii) the steam gathering, power plant, or direct use facility construction stage (collectively, “Original Loan Development Subprojects”); and
  - (b) financed by the Additional Financing, to Geothermal Developers, to support license holders and financiers investing in geothermal project development at (i) the capacity drilling (also referred to as production drilling) stage, and steam gathering and/or power plant construction stage, for power generation facilities, and (ii) the capacity drilling (also referred to as production drilling) stage, and steam gathering and/or construction stage, for direct use facilities (collectively, “AF Development Subprojects”); and
2. Providing Subgrants, financed by the ESMAP Grant, to potential Geothermal Developers for technical assistance to deliver on-demand support for the preparation of pre-feasibility studies and market analyses, and the development of business plans or feasibility studies, for potential AF Development Subprojects under Part B.1(b)(ii) that specifically involve direct use applications.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

###### Project Implementation Unit

1. For purposes of carrying out Part B of the Project, the Borrower shall operate and maintain, until the completion of the Project, its Project Implementation Unit ("PIU") with functions, responsibilities, and adequate staffing and budgetary resources necessary and appropriate for implementation of Part B of the Project, all satisfactory to the Bank.
2. Without limitation to the generality of Section I.A.1. above, the Borrower shall ensure that the PIU includes the following minimum personnel throughout the Project implementation period (a) one environmental safeguard specialist, (b) one social safeguard specialist, and (c) one occupational and health and safety specialist, each with terms of reference, qualifications, and experience satisfactory to the Bank.
3. By no later than Effective Date of this Agreement, the Borrower shall have executed the ESMAP Grant Agreement.

##### B. Subproject Financing

1. For the purposes of carrying out Part B.1 of the Project, the Borrower shall, in accordance with the Project Operations Manual ("POM") and the provisions set forth below:
  - (a) Determine the eligibility of Geothermal Developers;
  - (b) Determine the eligibility of Original Loan Development Subprojects and AF Development Subprojects (collectively referred to as "Development Subprojects");
  - (c) Enter into a Subproject Financing Agreement with each Geothermal Developer for eligible Development Subprojects;
  - (d) Exercise its rights and carry out its obligations under each Subproject Financing Agreement in such manner as to protect its interests and the interests of the Guarantor and the Bank;

- (e) Not, except as the Bank shall otherwise agree, amend, waive or fail to enforce any provisions concerning the Environmental and Social Management Framework ("ESMF") or the Resettlement Policy Framework ("RPF") of any Subproject Financing Agreement; and
- (f) Supervise, monitor and report on the carrying out of Development Subprojects.

2. Eligibility of Geothermal Developers.

The Borrower shall ensure that each Geothermal Developer has established, to the satisfaction of the Bank, that:

- (a) It is a private enterprise where more than fifty percent (50%) of the shares or other equity interest thereof is held by persons or companies other than the Borrower, any agency or subdivision thereof, or any local governmental authority, or any entities controlled by the Borrower or such agencies or subdivisions;
- (b) It has: (i) a satisfactory financial, organizational and management structure; and (ii) adequate staff and financial and other resources required for the efficient carrying out of its operations, including the pertinent Development Subproject;
- (c) It has the required certificates and licenses from the Guarantor's relevant local or national authorities with respect to compliance with applicable environmental laws and regulations of the Guarantor; and
- (d) It has not already entered into Subproject Financing Agreements for two Subprojects financed by the Borrower through the proceeds of the Loan.

3. Development Subproject Eligibility.

The Borrower shall ensure that, prior to the approval of any Development Subproject, the pertinent Geothermal Developer has established to the satisfaction of the Bank and, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank, that:

- (a) the pertinent Development Subproject is technically feasible and economically, financially, commercially, environmentally and socially viable;
- (b) the pertinent Development Subproject is in compliance with all requirements pertaining to environmental protection applicable under the Guarantor's laws and regulations and the ESMF, including:



- (i) the preparation of (A) an acceptable Environmental and Social Impact Assessment ("ESIA") and/or Environmental and Social Management Plan ("ESMP"), and Stakeholder Engagement Plan ("SEP"), in accordance with the EMSF; and (B) if applicable, an acceptable Resettlement Action Plan ("RAP") in accordance with the RPF; and
  - (ii) all other relevant terms of this Agreement, including the exclusion of any Excluded Activities.
- (c) the total amount of the Development Subproject Financing in respect of the one or two Development Subprojects to the same Geothermal Developer is less than eighty million Dollars (US\$80,000,000) in the aggregate;
- (d) the total amount of any one Development Subproject is less than sixty million Dollars (US\$60,000,000);
- (e) any Development Subproject in the Gediz Graben and Menderes Graben shall have estimated lifetime average annual net CO<sub>2</sub> emissions at or below the 2019 Grid Emission Factor of 571 g/kWh;
- (f) for AF Development Subprojects under Part B.1(b) of the Project, no more than sixty percent (60%) of the total Loan proceeds financing such subprojects outside the Gediz Graben and Menderes Graben, shall support or finance power generation subprojects with initial estimated CO<sub>2</sub> emissions above the 2019 Grid Emission Factor of 571 g/kWh;
- (g) for AF Development Subprojects under Part B.1(b)(i) of the Project, no more than ninety percent (90%) of the proceeds of the Loan shall be provided to said subprojects; and
- (h) for proposed AF Development Subprojects to qualify for retroactive financing under Section III.B of this Schedule, the Borrower shall have:
  - (i) required each relevant Geothermal Developer to carry out, and each said Geothermal Developer shall have carried out, an environmental and social due diligence ("ESDD") and, as relevant, an Ex-post Social Audit, for the related geothermal plants and/or activities, all in accordance with the requirements of Section I.D of this Schedule and to the satisfaction of the Bank;
  - (ii) determined that the results of the said ESDD and, as relevant, the Ex-post Social Audit, for each of the respective subprojects, are in

compliance with the pertinent environmental and social obligations set forth in this Agreement; and

- (iii) furnished to the Bank the said ESSD and, as relevant, social audit, and any other information requested by the Bank, for the Bank's review, and received the Bank's no-objection; and
  - (i) any proposed Development Subproject shall not: (i) include renewable energy facilities that hybridize existing geothermal projects, unless the proposed Development Subproject is associated with the geothermal capacity expansion of such existing geothermal projects; or (ii) include drilling for any make-up wells in existing Development Subprojects.
4. The Borrower shall obtain the approval of the Bank on environmental and social compliance with the requirements of the Project for all proposed Development Subprojects that: (a) are proposed for retroactive financing; and/or (b) have been classified as Category A or Category B in accordance with the Bank's Safeguard Policies.
5. Subproject Financing Agreement.

Upon approval of any given Development Subproject, the Borrower shall on-lend a portion of the Loan ("Development Subproject Financing") to the pertinent Geothermal Developer pursuant to a Subproject Financing Agreement, to be entered into between the Borrower and said Geothermal Developer on terms and conditions acceptable to the Bank, including the following provisions:

- (a) The obligation of the Geothermal Developer to:
  - (i) make a minimum equity contribution of fifteen percent (15%) of the estimated cost of the respective Development Subproject;
  - (ii) be charged interest on the principal amount of the Development Subproject Financing that has been withdrawn and outstanding from time to time, at such a rate as may be determined by the Borrower on the basis of its assessment of market conditions and risk management;
  - (iii) carry out and operate the facilities financed by the Development Subproject with due diligence and efficiency and in accordance with sound technical, financial and managerial standards, and in accordance with the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower, and to maintain adequate records;

- (iv) carry out and operate the facilities financed by the Development Subproject with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the POM, the ESMF, the applicable ESIA, ESMP or ESDD, and the RPF, RAP, and/or Ex-post Social Audit, if applicable;
  - (v) in furtherance of the obligations set forth in Section I.B.5(a)(iv) above, throughout Project implementation, (A) maintain proper policies and procedures, (B) ensure sufficient funds and resources, and (C) retain qualified personnel in adequate numbers, all to ensure the capacity necessary to properly appraise, implement, supervise, monitor and report on the Development Subproject, including specifically the procurement, environmental and social elements of the Development Subproject, all in a manner satisfactory to the Borrower and the Bank; and
  - (vi) prepare every six (6) months during Project implementation, and provide to the Borrower and the Bank not later than forty-five (45) days after the end of each such six-month period, CO<sub>2</sub> emission reports from its Development Subproject and such other reports required under the environmental and social instruments referred to and as set forth in Section I.B.5(a)(iv) above; each said report shall be in form and substance satisfactory to the Borrower and the Bank.
- (b) The repayment schedule for the repayment by the Geothermal Developer of the Subproject Financing shall be for no less than eight (8) years. If, however, the use of the Subproject Financing shall include the purchase of equipment to capture CO<sub>2</sub> emissions, the repayment schedule for the repayment by the Geothermal Developer of the Subproject Financing shall be for no less than ten (10) years.
  - (c) The Borrower shall retain the right to inspect, by itself or jointly with representatives of the Bank, if the Bank so requests, such goods, sites, works, plants and construction included in the Development Subproject, the operation thereof, and any relevant documents and records of the Geothermal Developer or its contractors or consultants.
  - (d) The Borrower shall establish a separate account, in accordance with policies and procedures satisfactory to the Bank, in which it shall deposit and record the repayments of principal and interest by the Geothermal Developer under the pertinent Development Subproject Financing.
  - (e) The Borrower shall cause each Geothermal Developer to take out and maintain insurance with responsible insurers, satisfactory to the Bank,

against such risks and in such amounts as shall be consistent with sound business practices. Without any limitation upon the foregoing, such insurance shall cover hazards incident to the Development Subproject activities.

- (f) The Borrower shall cause each Geothermal Developer to (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (ii) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank.
- (g) The Borrower shall retain the right to suspend or terminate the right of the Geothermal Developer to receive financing from the Borrower or obtain a refund of all or any part of the amount of the sub-loan then withdrawn upon failure by the Geothermal Developer to perform its obligations under its Subproject Financing Agreement.
- (h) The Geothermal Developer shall agree that the Borrower may provide to the Bank and the Bank may disclose to the public the location and nature of the Development Subproject and the date on which Development Subproject activities started and were completed.

- 6. The Borrower shall provide financing from its own resources for Part B.1 of the Project in an amount equivalent to not less than five percent (5%) of the total Loan amount.
- 7. In furtherance of Part B.1 of the Project, the Borrower shall first expend the Original Loan proceeds allocated for Part B.1(a) of the Project before withdrawing the Loan proceeds for Part B.1(b) of the Project.

**C. Project Operations Manual**

The Borrower shall carry out Part B of the Project in accordance with the relevant provisions of the Project Operations Manual and shall not assign, amend, abrogate, terminate, waive, or fail to enforce any provisions of the POM without obtaining the prior approval of the Bank. In the event of any conflict between the terms of the POM and those of this Agreement, those of this Agreement shall prevail.

**D. Safeguards**

1. The Borrower shall ensure, and cause each relevant Geothermal Developer to ensure, that Part B. I of the Project is carried out in accordance with the provisions of the Safeguard Instruments.
2. Whenever an ESIA, ESMP, ESDD, SEP, RAP, and/or Ex-post Social Audit shall be required for any proposed Development Subproject activity in accordance with the provisions of the ESMF and/or the RPF, the Borrower shall ensure that the relevant Geothermal Developer:
  - (a) prior to effectiveness of a Subproject Financing Agreement, proceeds to have such ESIA, ESMP, ESDD, SEP, RAP, and/or Ex-post Social Audit, as the case may be: (i) prepared and disclosed in accordance with the provisions of the ESMF and the RPF; (ii) consulted upon adequately with people affected by the Project as per the ESMF and RPF and furnished to the Bank for review and approval; and (iii) thereafter adopted and disclosed as approved by the Bank, in form and substance acceptable to the Bank;
  - (b) thereafter takes such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESIA, ESMP, ESDD, SEP, RAP, and/or Ex-post Social Audit, and, as relevant, incorporate within the terms of reference of any technical services the requirements of the Bank's Safeguard Policies then in force, and to ensure that the Bank Safeguards Policies are applied to the advice conveyed through such technical assistance; and
  - (c) in the case of any resettlement activity under the Subproject involving Affected Persons, takes such measures to ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before necessary resettlement measures consistent with the RAP have been executed, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, prior to displacement.
3. The Borrower shall not, and shall ensure that each Geothermal Developer does not, amend, abrogate or waive, or permit to be amended, abrogated or waived, any Safeguards Instruments adopted in accordance with paragraph 2 of this Part D, unless the Bank has provided its prior approval thereof in writing, and the Borrower has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.
4. Without limitation on its other reporting obligations under this Agreement, the Borrower shall collect, compile and submit to the Bank each calendar semester (or

at such other frequency as may be agreed with the Bank) consolidated reports on the status of compliance with the Safeguards Instruments, giving details of: (a) measures taken in furtherance of the said instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the said measures; and (c) remedial measures taken or required to be taken to address such conditions.

5. The Borrower shall ensure, and cause each Geothermal Developer to ensure, that: (a) all consultancies related to technical assistance and capacity building under the Project, the application of whose results could have environmental or social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Bank; and (b) such terms of reference shall duly incorporate the requirements of the applicable Bank Safeguards Policies and procedures then in force and shall require the technical assistance, design and capacity building activities to take into account the requirements of said policies.
6. The Borrower shall ensure, and cause each relevant Geothermal Developer to ensure, that all the bidding documents and contracts include the obligation of the relevant contractors and subcontractors to: (a) adopt and implement measures to assess and manage the risks and impacts of labor influx; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, as applicable to such civil works commissioned or carried out pursuant to said contracts.
7. The Borrower shall maintain, throughout Project implementation, and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.
8. The Borrower shall:
  - (a) take all necessary measures to cause each relevant Geothermal Developer to report to the Borrower immediately the occurrence of a Significant Event;
  - (b) as soon as reasonably practicable, but no later than three (3) business days after the occurrence of a Significant Event, inform the Bank by any electronic means of the nature of the incident, accident, or circumstance and any effect or impact (whether on-site or off-site) resulting or likely to result therefrom;
  - (c) as soon as reasonably practicable, but no later than thirty (30) business days after such Significant Event, provide the Bank with a summary report, and findings of the root cause analysis, that include a description

of such Significant Event, and the measures, if any, that the Borrower is taking or plans to take, including measures that the Borrower shall cause the Subproject Developer to take, to address such Significant Event and to prevent any future similar event; and

- (d) keep the Bank informed of the on-going implementation of the said measures and plans.

**Section II. Project Monitoring Reporting and Evaluation**

The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

**Section III. Withdrawal of Loan Proceeds**

**A. General.**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to (i) finance Eligible Expenditures, and (ii) pay the Front-end Fee, in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services and consulting services under Development Subprojects under Part B.1(b) of the Project	149,625,000	100 %
(2) Front-end Fee	375,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>150,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed thirty million Dollars (USD 30,000,000) may be made for payments made prior to this date but on or after December 31, 2020, for Eligible Expenditures under Category (1).
2. The Closing Date is December 31, 2027.



**SCHEDULE 3**

**Commitment-Linked Amortization Repayment Schedule**

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

**Level Principal Repayments**

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each February 15 and August 15 Beginning February 15, 2032 through February 15, 2046	3.33%
On August 15, 2046	3.43%

## APPENDIX

### Definitions

1. "Additional Financing" or "AF" means the Loan provided under this Agreement for the purpose of this Project.
2. "Additional Financing Development Subproject" or "AF Development Subproject" means any investment, financed by the Additional Financing, in the development of geothermal energy resources that has met the criteria set forth in the POM for benefitting from financing under Part B.1(b) of this Project; "Additional Financing Development Subprojects" or "AF Development Subprojects" means, collectively, the subprojects covered under Part B.1(b) of the Project.
3. "Affected Persons" means persons who, as a result of the execution of the Project, would be subject to Resettlement; "Affected Person" means any of such Affected Persons.
4. "Anti-Corruption Guidelines" means, for purposes of paragraph 6 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011 and as of July 1, 2016.
5. "Bank's Safeguards Policies" means the Bank's operational policies and procedures, set forth in the Bank's operational manual and identified as OP/BP 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, as said manual is published under <https://www.worldbank.org/en/projects-operations/environmental-and-social-policies/safeguards>.
6. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
7. "Category A" means a classification for activities that are likely to have significant adverse environmental impacts (based on type, location, sensitivity, and scale of the activities and the nature and magnitude of its potential environmental impacts), as prescribed by the Bank's OP/BP 4.01 referred to in the Bank's Safeguard Policies.
8. "Category B" means a classification for activities for which the potential impacts on the environment are typically site-specific, reversible in nature, are less adverse than those classified as Category A, and for which mitigation measures can be designed more readily.

9. "Development Subproject Financing" means a loan made or to be made by the Borrower out of the proceeds of the Original Loan or the Additional Financing to a Geothermal Developer to finance the carrying out of either, as relevant, an Original Development Subproject or AF Development Subproject.
10. "Development Subprojects" means, collectively, Original Development Subprojects and Additional Financing Development Subprojects; "Development Subproject" means any such development subproject, individually.
11. "Environmental and Social Impact Assessment" or "ESIA" means the environmental and social and impact assessment prepared, adopted, and disclosed by a Geothermal Developer that sets forth the environmental and social measures needed to prevent and/or mitigate negative environmental and social effects associated with the corresponding Development Subproject, and that specifically includes: (a) describing the existing socio-environmental conditions within the corresponding Development Subproject area; (b) describing the extent, duration and severity of potential impacts of the Development Subproject; (c) analyzing all significant impacts of the Development Subproject; and (d) formulating the mitigation actions set forth in the form of an ESMP; such ESIA, including relevant annexes, shall be satisfactory to the Bank.
12. "Environmental and Social Management Framework" or "ESMF" means the environmental and social management framework prepared and adopted by the Borrower and disclosed on October 27, 2021 acceptable to the World Bank, that sets forth policies and procedures for environmental and social screening of Development Subprojects, for conducting environmental and social assessments and specifying requirements for environmental and social mitigation measures to be included in ESMPs, and lists the international aquifers and eligible list of river basins in Turkey.
13. "Environmental and Social Management Plan" or "ESMP" means a site-specific environmental and social management plan comprised of an environmental and social mitigation plan and environmental and social monitoring plan to be prepared and adopted by a Geothermal Developer pursuant to the ESMF and to be implemented by the Geothermal Developer in accordance with the provisions of Schedule 2, Section I, Part D, paragraph 2 of this Agreement, satisfactory to the Bank, wherein are set forth specific details of measures to manage identified or potential environmental and social risks and to avoid, mitigate, reduce and/or offset adverse environmental and social impacts associated with the implementation of activities under Part B.1 of the Project, together with an environmental and social baseline for each site, details of the relevant environmental and social legislative framework, adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Bank's prior written approval.

14. "ESDD" means the environmental and social due diligence mechanism, as detailed in the POM, that is used to determine the nature and extent of environmental and social safeguard areas of concern and compliance at an existing facility or in respect to an ongoing activity, and that proposes and justifies appropriate measures to mitigate areas of concern, estimates the costs of the measures, and recommends a schedule for implementing them.
15. "ESMAP" means the Energy Sector Management Assistance Program.
16. "ESMAP Grant" means the amount referred to in the preamble of this Agreement, or such final grant amount reflected in the ESMAP Grant Agreement formally executed by the Bank, as administrator of the ESMAP grant funds, and TKYB.
17. "ESMAP Grant Agreement" means the grant agreement referred to in the preamble of this Agreement, and as such agreement may be amended from time to time; "ESMAP Grant Agreement" includes all appendices, schedules and agreements supplemental to the ESMAP Grant Agreement.
18. "Excluded Activities" means, collectively:
  - (a) any of the activities listed, or activities that produce and/or use materials listed, in the World Bank Group/International Finance Corporation Exclusion List (see [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/company-resources/ifcexclusionlist](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist)), and such other activities and/or materials listed in the POM and which are classified and referred to as part of the negative list in said manual;
  - (b) activities that involve child or forced labor;
  - (c) activities that adversely impact sensitive natural and critical habitats and species as described in OP 4.04, *Natural Habitats*, and OP 4.11, *Physical Cultural Resources*;
  - (d) activity that is prohibited by international agreements, and as recognized under the ESMF, that concerns the protection of biodiversity resources or of the cultural heritage;
  - (e) activities that include use of oil-based drilling muds;
  - (f) any investment that involves the potential use of, or discharge into, any waterways as defined and applicable under World Bank Operational Policy 7.50 (or detailed design and engineering studies of such investment), as such waterways shall have been described more specifically in the POM; and

- (g) any investment that involves the construction of a new dam or a dam under construction.
19. "Exploration Subproject" means any exploration of geothermal energy resources investment which has met the criteria set forth in the POM for benefitting from the RSM under Part A of this Project.
20. "Ex-post Social Audit" means the social due diligence mechanism, as detailed in the POM and Resettlement Policy Framework, that is used to: (a) define land-based impacts that may have occurred in anticipation of, or in preparation for, an existing facility or in respect to an on-going activity, and/or that involve land acquisition directly linked to the proposed Development Sub-project; and (b) identify mitigation measures to be undertaken by the Geothermal Developer carrying out a Development Subproject to comply with the principles of World Bank Operational Policy 4.12, *Involuntary Resettlement*.
21. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, and April 1, 2021).
22. "Geothermal Developer" means any private developer of renewable geothermal energy which has met the criteria set forth in the POM to carry out a Development Subproject.
23. "Geothermal Explorer" means any private developer of renewable geothermal energy which has met the criteria set forth in the POM to carry out an Exploration Subproject.
24. "Grid Emission Factor" means a combination of the emission levels of power plants both in existence and under construction.
25. "Guarantor" means the Republic of Turkey.
26. "Original Loan" means the financing provided under the Original Loan Agreement.
27. "Original Loan Agreement" means the financing agreement for the Turkey Geothermal Development Project between the Bank and the Borrower (formerly, TÜRKIYE KALKINMA BANKASI A.Ş.), dated November 30, 2016 (Loan No. 8652-TR), as amended to the date of this Agreement.
28. "Original Loan Development Subproject" means any investment, financed by the Original Loan, in the development of geothermal energy resources that has met the criteria set forth in the POM for benefitting from financing under Part B.1(a) of

this Project; "Original Loan Development Subprojects" means, collectively, the subprojects covered under Part B.1(a) of the Project.

29. "Original Project" means the Project described in Schedule 1 to the Original Loan Agreement as amended to the date of this Agreement.
30. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated November 2020.
31. "Project Implementation Unit" or "PIU" means the project implementation unit described in Section I.A.1 of Schedule 2 to this Agreement.
32. "Project Operations Manual" or "POM" means the project operations manual, satisfactory to the World Bank, describing and setting forth procedures for implementation of the Project and related institutional arrangements, and including, *inter alia*, timetables of actions required to be carried out under the Project, the respective roles and responsibilities of the agencies involved in the implementation of the Project, staffing, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), procurement procedures, monitoring and evaluation arrangements, and other fiduciary and administrative arrangements and necessary terms of reference, as the same may be amended from time to time by agreement with the World Bank.
33. "Resettlement" means the impacts of an involuntary taking of land under the Project, which taking causes Affected Persons to have their: (a) standard of living adversely affected; (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
34. "Resettlement Action Plan" or "RAP" means a resettlement action plan, satisfactory to the Bank, to be prepared in accordance with the RPF and implemented by the applicable Geothermal Developer for carrying out the corresponding Development Subproject, setting forth, *inter alia*, the principles and objectives, the Affected Persons' eligibility criteria, compensation, assistance and rehabilitation entitlements, as well as the monitoring and reporting arrangements.
35. "Resettlement Policy Framework" or "RPF" means the resettlement policy framework prepared by the Borrower and disclosed on October 27, 2021, satisfactory to the Bank, and defining the modalities for Resettlement under the

Project and describing the policies, procedures, plans and actions (including the guidelines for the preparation and implementation of resettlement action plans), and institutional measures related to Resettlement and other social impacts that may arise during the implementation of the Project.

36. "Risk Sharing Mechanism" or "RSM" means the mechanism created under Part A of the Project.
37. "Safeguard Instruments" means, collectively, the environmental and social instruments prepared by the Borrower, Geothermal Explorers, and Geothermal Developers for the purposes of the Project and corresponding Development Subprojects, namely the Environmental and Social Management Framework and the Resettlement Policy Framework prepared by the Borrower, and the Environmental and Social Impact Assessments, the Environmental and Social Management Plans, the Resettlement Action Plans, and the Stakeholder Engagement Plans prepared, as relevant, by Geothermal Explorers and Geothermal Developers.
38. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
39. "Significant Event" means: (a) any significant social, labor, health and safety, security or environmental incident, accident, or circumstance involving the Project (or individual Development Subprojects), including, without limitation, explosions, spills, and any workplace accidents that result in death, serious or multiple injury, material pollution, or any violent labor unrest or dispute between the Borrower or security forces (assigned to protect the Project or individual Development Subprojects) and local communities; or (b) any other event or circumstance having, or which could reasonably be expected to have, a material adverse effect on the implementation or operation of the Project in accordance with the ESMF.
40. "Stakeholder" means an individual or group who (a) is affected or likely to be affected by a Development Subproject; and (b) may have an interest in the Development Subproject (other interested parties); "Stakeholders" means collectively such individuals and groups.
41. "Stakeholder Engagement Plan" or "SEP" means the plan prepared and adopted by a Geothermal Developer to engage with Stakeholders of a corresponding Development Subproject, throughout the respective Development Subproject implementation, in a timeframe that enables meaningful consultations with the Stakeholders on the respective Development Subproject design, in view of the nature and scale of the respective Development Subproject and its potential risks

and impacts; said plan shall be in form and substance satisfactory to the Bank; "Stakeholder Engagement Plans" means collectively all such plans.

42. "Subgrant" means a grant to be provided by TKYB under Part B.2 of the Project, selected in accordance with the criteria set out in the POM, to be used for technical assistance to support preparation of feasibility studies for potential Development Subprojects under Part B.1(b)(ii) of the Project.
43. "Sub-loan" means a loan to be provided by TKYB to a Geothermal Developer to carry out a Development Subproject under Part B.1 of the Project.
44. "Subproject Financing Agreement" means an agreement referenced in Section I.B.5 of Schedule 2 to this Agreement whereby the Borrower on-lends a portion of the Loan to a Geothermal Developer.
45. "Türkiye Kalkınma ve Yatırım Bankası A.Ş." or "TKYB" means the development and investment bank of the Republic of Turkey, also known as Development and Investment Bank of Turkey, originally founded as a Joint Stock Company and with the name of State Industry and Laborer Investment Bank (DESIYAB) pursuant to the Decree numbered 13 and dated 27.11.1975, and renamed as Türkiye Kalkınma ve Yatırım Bankası A.Ş., pursuant to Law No. 7147, published in the Republic of Turkey's Official Gazette No.30575, dated October 24, 2018 (Trade Registry No. 1988985); such shall include any legal successor or successors thereto acceptable to the Bank.