

Non-Technical Summary

**Enerjisa CapEx Investments for Electricity Distribution Companies
(Başkent Elektrik Dağıtım A.Ş., İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.
and Toroslar Elektrik Dağıtım A.Ş.)**

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Glossary

AESR: Annual Environmental and Social Report

EBRD: European Bank for Reconstruction and Development

EHSS: Environment, Health & Safety and Social

EMRA: Energy Market Regulatory Authority

ENERJISA: Enerjisa Enerji A.Ş.

ESAP: Environmental and Social Action Plan

ESDD: Environmental and Social Due Diligence

GIP: Good International Practice

IT: Information Technology

kV: Kilovolt

NGO: Non-Governmental Organisation

NTS: Non-Technical Summary

OHS: Occupational Health and Safety

PR: Performance Requirement

SEP: Stakeholder Engagement Plan

TEDAŞ: Turkish Electricity Distribution Corporation

TEİAŞ: Turkish Electricity Transmission Corporation

1 INTRODUCTION

1.1 Background

Energy is an indispensable source that accompanies us in all aspects of our daily lives, allowing us to lead a comfortable and modern life. Electricity distribution network is the final stage in the delivery of electricity to end users.

A distribution system's network carries electricity from the transmission system and delivers to its load centres from where the end users are provided with electricity. According to the Electricity Market Law of Turkey (Law No: 6446), electricity distribution is defined as “the conveyance of electricity through 36 kilovolts (kV) or lower voltage lines”; while electricity transmission is defined as “the conveyance of electricity through lines with voltage level of over 36 kV”. While electricity distribution in Turkey is conducted in 21 service regions by private distribution companies under the supervision and authority of Turkish Electricity Distribution Corporation (Türkiye Elektrik Dağıtım A.Ş. – TEDAŞ); electricity transmission is under the responsibility of Turkish Electricity Transmission Corporation (Türkiye Elektrik İletim A.Ş. - TEİAŞ).

The electricity distribution services are fully regulated and are subject to Energy Market Regulatory Authority (“EMRA”) regulations.

1.2 Enerjisa

As Enerjisa Enerji A.Ş. (“Enerjisa” or “the Company”), we are engaged in electricity distribution operations through Başkent Elektrik Dağıtım A.Ş. (“Başkent EDAŞ”) in the Başkent region which covers the provinces of Ankara, Zonguldak, Kastamonu, Kırıkkale, Karabük, Bartın and Çankırı; through İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. (“AYEDAŞ”) in the AYEDAŞ Region, which covers districts on the Asian side of İstanbul; and through Toroslar Elektrik Dağıtım A.Ş. (“Toroslar EDAŞ”) which covers the provinces of Adana, Gaziantep, Mersin, Hatay, Osmaniye and Kilis (**Figure 1**).

We reach out to a population of around 21 million in 14 cities with a team of comprising around 10,000 employees. As of December 31, 2018, we have around 11 million network connections, approximately 26% of all network connections in Turkey and 9.6 million retail customers, about 23% of the retail electricity market. We distribute electricity in 14 provinces spanning across approximately 110,000 square kilometres.

As of 2018, the characteristics of the electricity distribution lines we operate are as follows:

General Characteristics of Power Lines Operated by Enerjisa			
Distribution Company	Length of overhead lines (km)	Length of underground lines (km)	Total (km)
Başkent EDAŞ	90,421.20	21,526.48	111,947.68
AYEDAŞ	5,566.45	18,631.05	24,197.50
Toroslar EDAŞ	78,206.48	12,355.95	90,562.43

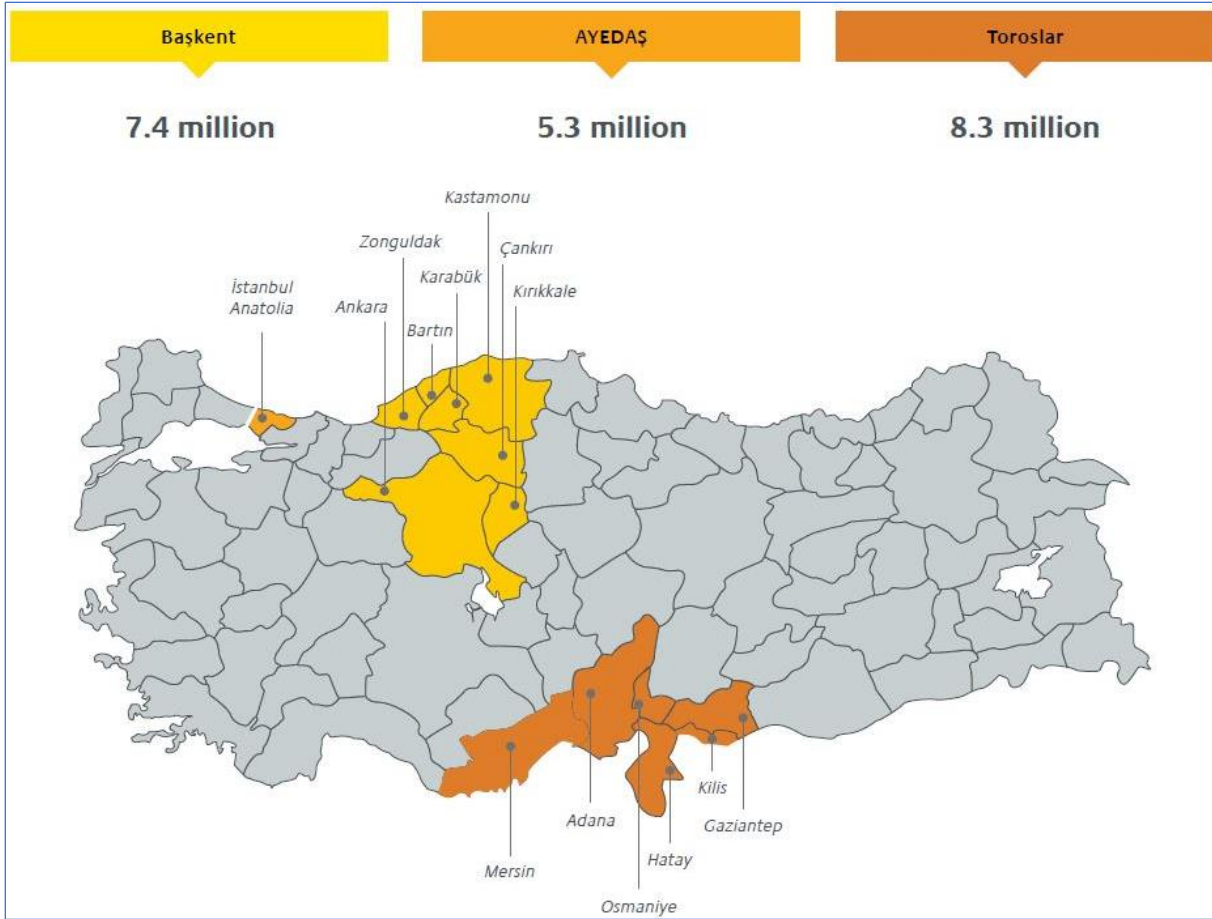


Figure 1 – Electricity Distribution Regions of Enerjisa

As part of electricity distribution operations, we perform various technical activities including repair and maintenance of the power lines, construction of new lines (both overhead and underground), index meter reading, connection/reconnection as well as activities related to daily and regulatory functions to ensure smooth implementation of our operations (e.g., human resources, investment planning, customer satisfaction, etc).

Due to the dynamic nature of the electricity distribution business as well as the need to implement daily operations within a well-regulated framework in Turkey, we have an integrated team performing various functions as outlined in the organogram below in **Figure 2**:

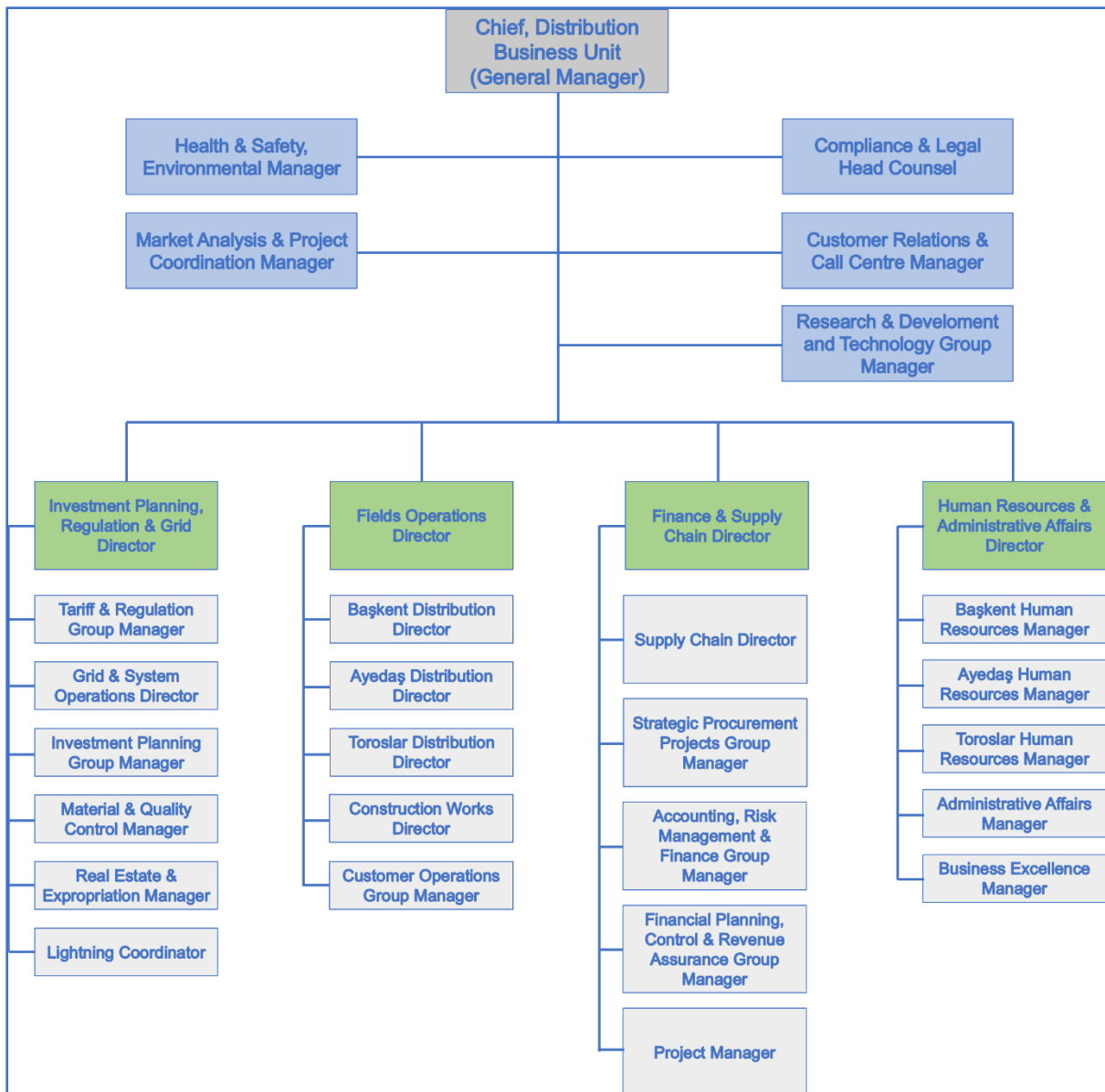


Figure 2 - Organogram Showing the Overall Organisation of Enerjisa’s Distribution Business Unit

1.3 The Project

Turkey's electricity distribution business requires vast amount of investments due to growing electricity demand. EMRA, in consultation with distribution companies, sets investment targets for a given 5-year implementation period (e.g. for 3rd implementation period 2016-2020) and monitors investments during each implementation period.

The European Bank for Reconstruction and Development (“EBRD”) currently is to provide a senior unsecured term loan (the “Loan”) to Enerjisa for capital expenditure investments of Başkent Elektrik Dağıtım A.Ş., İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş., and Toroslar Elektrik Dağıtım A.Ş. as required by EMRA to be made during the calendar year 2019 and/or 2020 (the “Project”). In line with investment target set by EMRA and Enerjisa’s 2019 investment plan, the proposed Loan will enable Enerjisa to implement a part of the capex investments required by EMRA for the 3rd implementation period of 2016-2020.

Investments to be made as part of the Project does not include high voltage lines (i.e., power lines with voltage above 36 kV as these are transmission lines under the responsibility of TEİAŞ). The Project will

be comprised of network investments; environment, safety and other obligatory investments; grid operating system investments; meter investments; and other (buildings, IT, etc).

This Non-Technical Summary (NTS) provides an overview of the Project to be funded by EBRD.

2 ENVIRONMENTAL, HEALTH, SAFETY and SOCIAL RISKS

The Project is expected contribute to increased well-being of the community as a result of increased effectiveness of the existing electricity grid operated by Enerjisa. The Project has been assessed as Category B as the expected environmental and social risks are limited and can be avoided or mitigated by adhering to relevant performance requirements, procedures, and guidelines. Notwithstanding, a number of potentially negative impacts related to the existing operations have been identified during the environmental and social assessment of the Project. To this end, Enerjisa will be implementing certain actions (called “mitigation measures”) to prevent, reduce, or mitigate any potential negative impacts that may be associated with the Project, including the existing electricity distribution operations. These actions, or mitigation measures, are discussed in the next section of the NTS. This section presents an overview of the key Environmental, Health & Safety and Social (EHSS) risks/issues identified.

The current investment program is aimed at increasing efficiency of existing management systems and effectiveness of the electrical infrastructure through investments. The proposed investments to be financed by EBRD will not include any high voltage power lines. As power lines under 154 kV are not covered under Annex 1 and Annex 2 of the national “Environmental Impact Assessment (EIA) Regulation”, operations of the electricity distribution companies are not subject to national “EIA Regulation”. Therefore, environmental impacts associated with the construction of new power lines is regarded as limited. However, if the investments to be made within the scope of the Project is located in environmentally sensitive areas, these will be subject to certain mitigation measures.

EHSS risks and impacts on human and environmental receptors associated with the nature of the services offered by Enerjisa may relate to construction, repair and maintenance of electricity distribution lines and critical electrical infrastructure such as transformers. A summary of issues considered to have the potential to pose risks per assessment category is highlighted in the following tables:

Key Social Impacts

Risk/Issue
External grievances
Internal grievances
Land acquisition disputes

Key Health and Safety Impacts

Risk/Issue
Occupational accidents
Community health and safety

Key Environmental Impacts

Risk/Issue
Bird mortalities, disruption of biodiversity
Oil leaks from oil-type transformers

3 ENVIRONMENTAL AND SOCIAL ACTION PLAN OVERVIEW

A Corporate Environmental and Social Action Plan (ESAP) has been developed in 2017 and this has been updated in 2019 to further support Enerjisa’s Corporate environmental, social and governance program and implement best practices in line with Enerjisa’s aims and ambitions. The implementation of the ESAP and ongoing tracking of action items is under the responsibility of Enerjisa.

In general, Enerjisa has well-structured management systems in place combining overarching policies with specific procedures and plans across all aspects of the business (from corporate level to electricity distribution companies). The management systems, in general, are currently based on achieving compliance with national requirements and as such several actions have been identified during the ESDD to further improve the management systems and align them in line with EBRD requirements. These actions mainly relate to developing a specific component within a management system or development of plans/policies to satisfy specific Performance Requirements (PRs) (e.g., in areas of biodiversity conservation, community health and safety aspects, etc.), and the development of more specific action items to close an identified gap.

A summary of the mitigation measures to be implemented by Enerjisa relevant to the Project are given below:

Impact/Issue	Mitigation Measure	Status
Social		
External grievances	Enerjisa will implement a corporate stakeholder engagement plan which will be rolled-out to each distribution company and these shall be updated annually as required (based on business risks and needs). The effectiveness of stakeholder engagement practices shall be monitored by Enerjisa.	In line with its corporate communication procedure, Enerjisa is in the process of preparing a corporate level SEP to be rolled out to the distribution companies to further improve relations with its stakeholders.
Internal grievances	Enerjisa shall enhance the existing channels to collect grievances to further improve relations with its employees. To this end, Enerjisa shall enhance the existing ethics procedure and its implementation for all direct employees to allow raising grievances not limited to ethics issues. The employees shall be provided with further information on channels to use the existing grievance mechanism. In addition, Enerjisa shall require its contractors to implement a worker grievance mechanism as part of standard contracts (to be applied to all new contracts or those extended from the end of 2020).	Enerjisa employees and their stakeholders can submit their ethical non-conformity notifications/grievances to Enerjisa through the ENETİK Line, ENETİK@enerjisa.com, ethics notification form on the corporate web site (www.enetik.enerjisa.com), or using 0 (312) 573 55 55, 0 (312) 573 55 fax numbers or postal code PK 2 06510 Emek / Ankara.
Land acquisition disputes	Enerjisa shall consider expropriation through amicable agreements over urgent expropriation to the extent possible during the land acquisition process. Enerjisa shall disclose activities related to land acquisition which will be defined, updated and disclosed in the Stakeholder Engagement Plans to be developed for each distribution company.	Enerjisa has an established land acquisition procedure in place in line with EBRD Performance Requirements to prioritise, to the extent possible, expropriation through amicable agreements over urgent expropriation. The information on expropriation is published on the web pages of distribution companies which is also shared by headmen by mail and posted on the mukhtar boards.

Impact/Issue	Mitigation Measure	Status
Health and Safety		
Occupational accidents	<p>Enerjisa will make ensure continuous improvement of existing health and safety practices to guide all Project-related activities during construction and operation to minimise occupational accidents, including (but not limited to) the following actions:</p> <ul style="list-style-type: none"> • Maintain the existing health and safety improvement program; • Continue conducting Occupational Health and Safety (OHS) committee meetings; • Ensure continuous improvement of health and safety risk assessments; • Continue conducting job safety analysis for each task and implement the identified corrective actions; • Provide OHS trainings including working at height, managing electrification risks, road safety trainings (including defensive driving, off road and antiskid) to all employees of the Company. Similar trainings will be required from the core contractors of the Company. 	<p>Enerjisa, through an occupational health and safety management system in place, manages health and safety issues with a constant drive for improvement.</p> <p>Enerjisa will continue providing more effective trainings, improve risk assessments, etc., to minimise risks that may lead to occupational accidents.</p>
Community health and safety	Enerjisa will develop a community health, safety and security plan.	Enerjisa takes precautions to prevent community from the negative impacts of its operations. These efforts will be monitored through a formalised plan.
Environment and Biodiversity		
Bird mortalities Disruption of biodiversity	Enerjisa will develop and implement a Bird Protection Plan and an ecological risk assessment procedure and perform ecological risk assessments for construction/maintenance works to be conducted primarily in close proximity of protected areas.	Enerjisa is already carrying out bird protection measures and will develop a program to be implemented on its power lines over the next few years based on relevant risk assessments.
Oil leaks from oil-type transformers	Enerjisa shall continue the implementation of maintenance programme for oil type transformers in use and ensure corrective actions are taken for those that do not comply with regulatory requirements.	Enerjisa has an Investment Program in place where oil type transformers are maintained/replaced to prevent accidental pollution of environmental components.

4 STAKEHOLDER ENGAGEMENT PLAN OVERVIEW

As Enerjisa we have prepared a Corporate Stakeholder Engagement Plan (SEP) to provide the requirements and applied processes for stakeholder engagement and public consultation, stakeholder identification and grievance mechanism planned by the Company at a corporate level. The SEP been designed so that Enerjisa can demonstrate engagement that is effective, meaningful, consistent, comprehensive, coordinated and culturally appropriate, in line with all the relevant legal and regulatory commitments and good international industry practice. As stakeholder engagement is an ongoing process, we see this SEP as a 'living document' that will be updated and adjusted as we continue to grow. The primary objectives of stakeholder engagement are illustrated in **Figure 3** below:

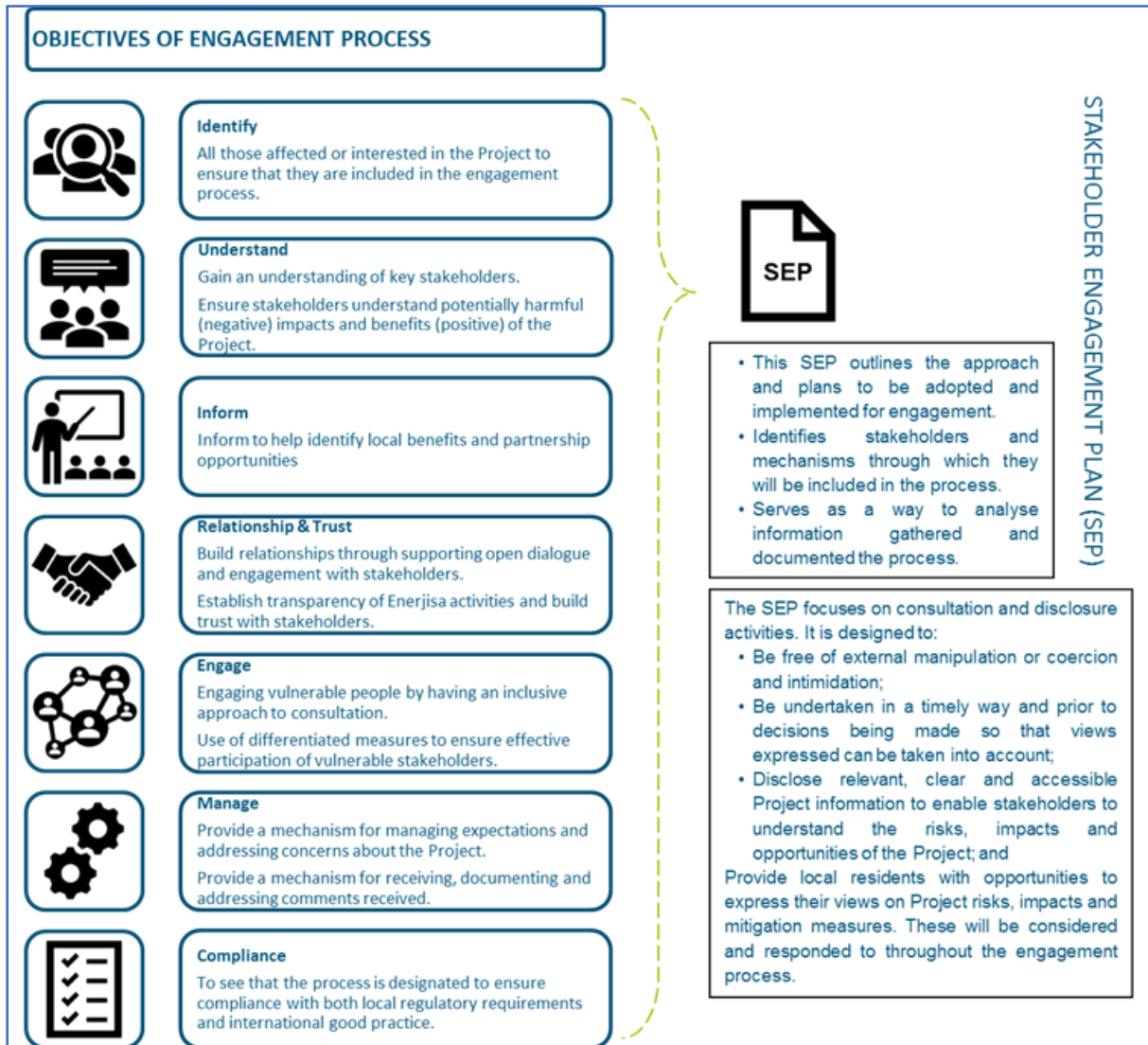


Figure 3 - Objectives of Stakeholder Engagement Process

Stakeholders

We have identified priority areas that will guide our sustainability investments through a participatory stakeholder analysis and in accordance with the AA1000 AccountAbility Stakeholder Engagement Standard. As part of the analysis, the expectations of Enerjisa employees and the insights of external stakeholders, including international organisations, financial institutions, affiliates, business partners and public institutions, were collected. In addition, we collected employee opinions through a focus group workshop. An online questionnaire was used to get external stakeholders' opinions. Following the

collection of data, the responses received from 51% of stakeholders were assessed based on the external trends that lead to the energy and distribution/retail sector.

Based on the stakeholder analysis outlined above, public and private stakeholders who may have interest in the Company and/or affect public perceptions and the Company's reputation include analysts, press, credit rating agencies, think tanks, financial institutions, shareholders, public institutions and regulatory authorities, customers, competitors, unions, Non-Governmental Organisations (NGOs), suppliers and business partners, international organisations, universities, investors, local governments, employees, subsidiaries and senior management.

We have also identified communication platforms and methods, communication strategy, as well as targets and criteria for successful self-evaluation for each stakeholder identified in the SEP.

Grievance and feedback mechanism:

The purpose of the grievance and feedback mechanism is to ensure that all requests and complaints from individuals, groups and local communities are dealt with systematically in a timely manner with appropriate corrective actions being implemented and the complainant being informed of the outcome.

Enerjisa has an external grievance mechanism in place which allow the collection of grievances by the stakeholders through one of the existing channels: 186 call centre, mobile 186 application, social media accounts (Twitter, Facebook), 'Şikayetvar' website, the corporate website, e-mail, government offices / open door (Written grievances from public institutions), petitions, dedicated village headmen lines.

Complaints are coded as complaints on behaviour (employees of Enerjisa) and other complaints. Other complaints are evaluated according to the related category and directed to the related unit. Responses are sent to the applicant via the communication channel within 15 working days.

The complaint submission form available at the corporate web site is shown in **Figure 4** below:

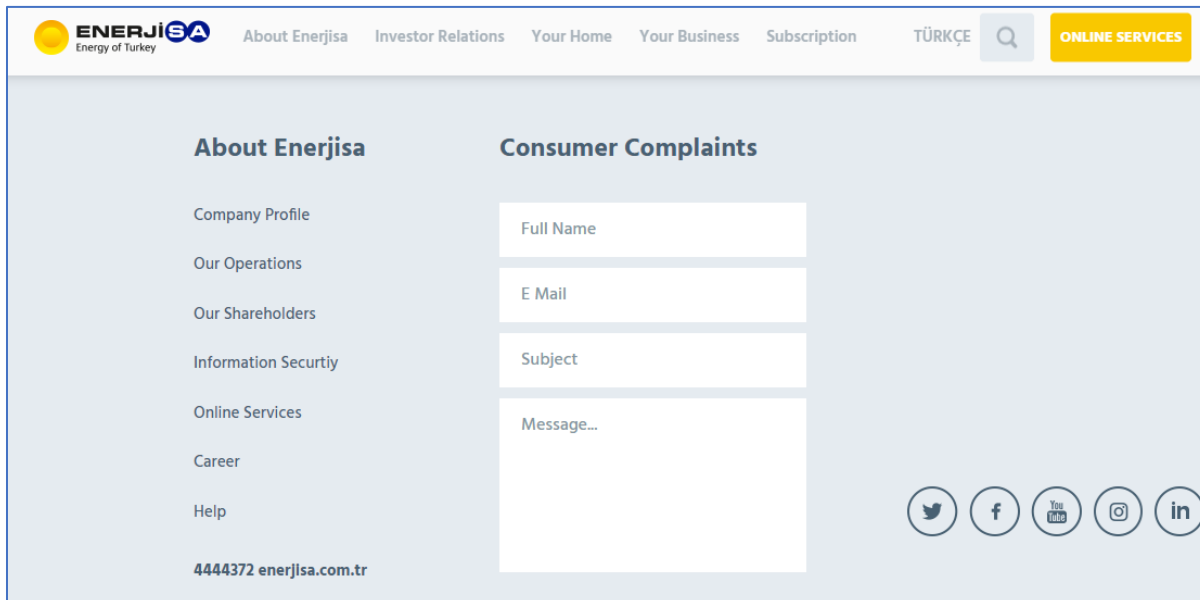


Figure 4 – The Complaint Submission Form Available at the Corporate Web Site

For the purposes of the Project, Enerjisa shall further enhance the existing grievance mechanism to ensure that all comments, suggestions and objections received from all stakeholders (in particular from the nearby surrounding communities and facilities where construction works are carried out) are dealt with appropriately and in a timely manner.

5 ONGOING MONITORING AND REPORTING

Enerjisa has a well-established corporate level social reporting program in line with Global Reporting Initiative standards. This includes presentation of key performance data and compliance with national legislation best standards. To demonstrate its performance in a substantive, measurable and comparable manner, Enerjisa prepared its first Sustainability Report providing last 3 years' data for certain areas. The Sustainability Report of Enerjisa can be found at:

<https://www.enerjisainvestorrelations.com/en/reports-presentations/sustainability-reports>

As part of the Company's internal management system and internal audit/inspection procedures, ongoing monitoring will be undertaken for the oversight of EHS performance and implementation of EBRD PRs. Based on the internal audits, Enerjisa will also provide monitoring the progress of actions defined within the environmental and social assessment of the Project through the established mechanisms within the Company and the progress on the Project will be reported to the EBRD on an annual basis through Annual Environmental and Social Reports (AESRs).

Grievance process, with the number of grievances received and addressed/closed, the most frequent types of grievances, and any recommendation or action taken to decrease the number of grievances will also form part of the AESRs and corporate social reporting as appropriate.

6 COMPANY CONTACTS

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