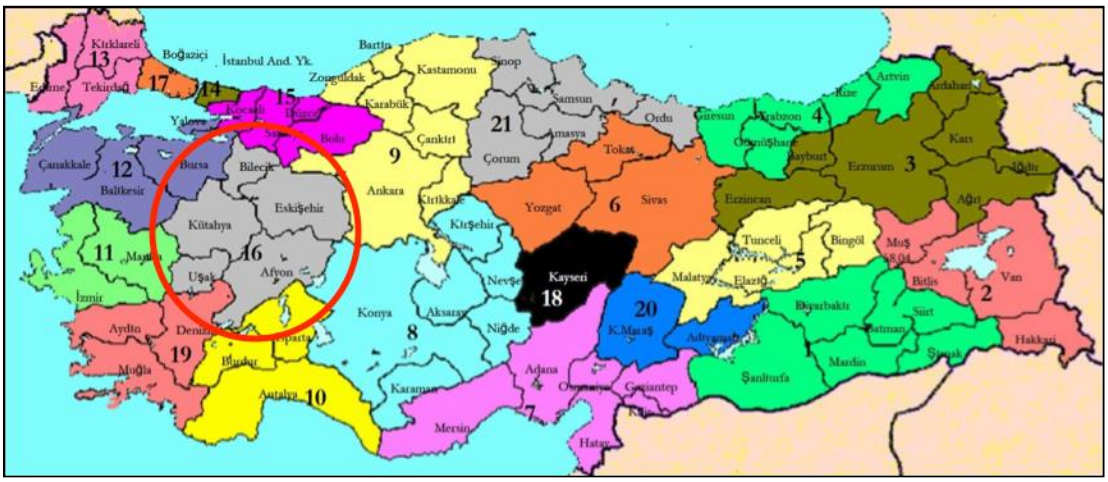
OEDAŞ Investment and Existing Operations - Non-Technical Summary (NTS)

1 Who are OEDAŞ?

OEDAŞ is an electricity distribution company with exclusive distribution rights in the provinces of Afyonkarahisar, Bilecik, Eskişehir, Kütahya and Uşak(known as OEDAŞ region). OEDAŞ presently delivers 24-hour uninterrupted energy distribution services in OEDAŞ region (No: 16 within red circle in map below) to approximately 1.6 million subscribers serving a population of 2.7 million in 194 towns and 1596 villages, within 59 districts within a surface area of 49,419 km^2 through an operating distribution network of 43,687 km.



Electricity Distribution Regions in Turkey - OREDAS Region (No: 16 within red circle)

Prior to the establishment of OEDAŞ in March 2005, the Company was a government owned institution (as part of TEDAŞ – Turkish Electricity Distribution Inc.) engaged in electricity distribution operations in Eskisehir, Afyon, Usak, Kutahya and Bilecik from 1994. OEDAŞ was privatized in 2010 following a tendering process which was awarded to Eti Gümüş, a subsidiary of Yildizlar SSS Holding. In January 2013, the Company divided into two separate entities OEDAŞ and OEPSAŞ as per the regulatory requirement. The same year in August, Energy Market Regulatory Authority (EMRA or Trustee) took over OEDAŞ due to Yildizlar SSS Holding's failure to fulfil service obligations.

As of February 2017, Zorlu Osmangazi Energy, a subsidiary of Zorlu Energy fully owns and operates OEDAŞ and OEPSAŞ serving to the 16th region (i.e. Eskisehir, Afyon, Usak, Kutahya and Bilecik) among the total 21 electrical distribution regions in Turkey:

- OEDAŞ**:** Electricity distribution company with exclusive distribution rights in its region, covering the provinces of Eskisehir, Afyon, Usak, Kutahya and Bilecik.

2 What are the planned investments by OEDAŞ?

The planned investments by OEDAŞ for 2017-2020 period total to an amount of 1,473 million TL (based on Consumer Price Index as of June 2017). Investments are mostly related to distribution network as presented in the table below.

Planned Investments for 2017-2020 Period

Type of Investments	Planned Investment Amount* between 2017-2020 (million TL)
Grid Investments	1,234
Environment, Safety and Other Investments Required by Law	114
Grid Operating Investments	85
Meter Reading Investments	21
Other Investments	19
Total Planned Investment Amounts	**1,473**

*Amounts are presented in Turkish Lira based on CPI as of June 2017 (309.78)

Information related to future investments for the year 2018 is given below. A total of 328 projects is planned in five regions.

Information on Planned investment for 2018 – OEDAŞ

Afyonkarahisar	
District	**# of project**
Başmakçı	2
Bayat	1
Bolvadin	4
Çay	4
Dazkırı	3
Dinar	13
Emirdağ	9
Hocalar	1
İhsaniye	6
İscehisar	4
Kızılören	3
Merkez	15
Sandıklı	6
Sinanpaşa	4
Sultandağı	3
Şuhut	2
Subtotal	**80**

Bilecik	
District	**# of project**
Bozüyük	3
Gölpazarı	3
Merkez	3
Osmaneli	3
Paşalar	1
Pazaryeri	2
Söğüt	2
Yenipazar	1
Subtotal	**18**

Uşak	
District	**# of project**
Banaz	1
Eşme	1
Karahallı	1
Merkez	5
Subtotal	**8**

Eskişehir	
District	**# of project**
Alpu	6
Çifteler	4
Günyüzü	2
Han	1
İnönü	5
Mahmudiye	2
Merkez	22
Mihalgazi	1
Odunpazarı	13
Sarıcakaya	1
Seyitgazi	7
Sivrihisar	12
Tepebaşı	13
Subtotal	**89**

Kütahya	
District	**# of project**
Altıntaş	12
Aslanapa	8
Bayat	1
Çavdarhisar	1
Dumlupınar	1
Emet	8
Gediz	11
Hisarcık	4
Merkez	45
Pazarlar	1
Seyitömer	2
Simav	19
Tavşanlı	20
Subtotal	**133**

3 What environmental and social studies have been undertaken?

The European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC") is considering providing financing to OEDAŞ. The potential transaction is part of a financing package to be used as follows:

- Distribution network expansion;
- Upgrade and rehabilitation to support efficiency improvement; and
- Network stability and enhance service quality.

An Environmental and Social Assessment ("ESA") was conducted by ACE Consulting and Engineering Inc. ("ACE") for the proposed financing of the capital expenditures program (the "Project"). The

objective of the ESA was to identify and assess the potentially significant existing and future adverse environmental and social impacts associated with the Project.

The Project has been designated as a category "B" project in accordance with the EBRD's 2014 Environmental and Social Policy.

4 What is the purpose of this document?

This NTS document provides an overview of the proposed Project and presents a summary of relevant potential environmental and social issues and impacts related to the Project. Appropriate measures to mitigate key adverse environmental and social impacts that may arise in relation to the Project are also provided.

This document is a non-technical summary, and it aims to describe the operations of OEDAŞ and as well as the key findings of the ESA.

5 Scope of ESA work

The scope of ESA work comprised the following:

- Environmental and Social (ES) Audit of the corporate management and human resources (HR) practices for existing operations; and
- ES Analysis of potential environmental and social issues associated with the proposed investments.

The scope of the ESA undertaken for the Project included site visits to selected existing facilities, interviews with OEDAŞ staff, review of available environmental and social documents and an environmental and social management review and analysis for.

As part of the ESA, a detailed ESA Report, an Environmental and Social Action Plan and a Stakeholder Engagement Plan were prepared for the Project.

6 What are the key environmental and social impacts of the Project and what are the proposed mitigation measures?

The main improvement that will be provided by the Project will be the mitigation of issues related to electricity distribution in OEDAŞ region, such as power scarcity, technical energy losses, etc. In addition, the investments will help cover the demands of new customers who will join the distribution system. On the other hand, in addition to its benefits, the Project could potentially result in some negative impacts on the environment and people, if not managed carefully. In addition, the ESA determined areas for improvement related to the existing operations. Therefore, OEDAŞ will be implementing certain actions (called "mitigation measures") to prevent, reduce, or mitigate any potential negative impacts of the Project, including the existing electricity distribution operations.

A summary of key potential impacts and mitigation measures that have been identified is provided in the Table below.

Overview of key potential Project impacts and their mitigation

No	Issue/Finding	ES Risks/Benefits	Mitigation measures
1	Environmental and Social management system needs to be developed and implemented	Optimization of environmental and social management through a formalized system	• Establish a stand-alone environmental and social management system with increased capacity to implement environmental, health and safety (EHS) management systems with increased scope. • Develop and implement an environmental and social risks/impacts analysis procedure. • Appoint or assign an Environmental and Social Team in each province with relevant qualifications, the defined roles and responsibilities, and authority. • Develop and implement basic Environmental, Health and Safety training programs for all employees including sub-contractors. • Develop an EHS Policy including Management Commitment which can be signed by all employees and displayed across OEDAS facilities. • Review the existing Occupational Health and Safety Procedures and revise so as to cover all operational site activities of OEDAS.
2	A formal employee grievance mechanism needs to be established	Improved employee/ contractor relationship and management	• Establish a formal "employee grievance mechanism" for all direct and sub-contracted employees and provide them information on channels for internal communication and raising grievances. The workers should be informed of the mechanism and procedures at the time of hire in their local language. • As a best practice, options of anonymous grievance mechanism should be established to encourage concerns to be raised freely.
3	Waste management needs improvements	Waste management control Compliance with national regulations Waste oil control Asbestos Containing Materials (ACMs) control Ozone Depleting Substances (ODS) control	• Receive relevant authority's approval on Waste Management Plan. • Establish new procedures to identify waste types at operational warehouses. • Develop necessary Temporary Waste Storage Areas within five main warehouses in accordance with the technical specifications set by the Ministry of Environment and Urbanization (MoEU) and apply to relevant Provincial Directorates of Environment and Urbanization (PDEU) in five provinces to obtain permit for the Temporary Waste Storage Areas. • Take immediate action on removing and disposing existing wastes at all sites. This should include conducting a waste management survey to identify correct waste codes, developing appropriate removal and disposal methods for each waste stored on-site and ensuring removal and disposal process was undertaken by certified waste operators. • Ensure hazardous waste storage conditions and period are compliant with the requirements of relevant regulations. • An asbestos survey should be conducted to identify potentially asbestos containing materials that are broken and/or have cracks; a removal and replacement plan should be developed to remove, dismantle and dispose asbestos containing materials in line with the relevant regulatory requirements. • Undertake sampling in the old transformers to analyze the PCB content in transformer oils. Develop an inventory of transformers with PCB content and develop a relevant phase out plan for transformers, if necessary. • Develop a replacement plan for changing the R-22 containing air conditioning units at the sites in line with regulatory requirements.
4	Chemical management practices need to be improved	Hazardous material control	• Develop an inventory of materials and chemicals used in all operations. Ensure that all Material Safety Data Sheet (MSDS) for all chemicals are available in Turkish in accordance with the relevant regulation.

No	Issue/Finding	ES Risks/Benefits	Mitigation measures
		Compliance with national regulations	• Ensure that hazardous material handling procedures are improved, including housekeeping and storage conditions.
5	Enhance the existing occupational health and safety (OHS) practices	Increased health and safety performance in the workplace	• Develop an improvement program to address the non-compliance issues identified by Ministry of Labor and Social Security during the audits undertaken in July 2016. • Occupational Health and Safety Policy must be signed by OEDAS management and lessons learned pager should be prepared from fatal and lost time injuries. • Develop an internal accident investigation/analysis program and investigate lost time injuries in detail to prevent recurrence of such accidents. Key employees are recommended to attend root cause analysis training. • Develop community accidents investigation and reporting system, identify and take actions to prevent recurrences. • Conduct Job Safety Analysis for each task as a part of the existing risk analysis. Ensure that identified corrective and preventive actions are implemented through an 'Action Plan' to be developed. • Improve safety conditions at operational sites (including electrical safety, pedestrian/traffic separation, roofing). • Develop a work permit system for non-routine tasks. • Develop a security policy with following provisions and provide relevant training to security personnel. Enhance subcontractor monitoring mechanism in terms of verification of proper labor conditions and OHS issues.
6	Risks related to public health and safety need to be monitored closely	Protection of community health and safety	• Include public safety issues in the risk assessment process. • Review of security fences at facilities located in public areas to prevent unauthorized entry. • Necessary safety precautions should be controlled during construction activities to ensure public safety (including community safety awareness trainings).
7	Land Acquisition Plans need to be developed	Maintain effective relations with landowners	• Finalize, obtain management approval and disclose a Land Acquisition Policy Framework (LAPF) that presents an entitlement matrix for all possible impact categories that also include further actions should the scale and features of the investments change in the future. • Carry out consultation process regularly with an understanding to priorly inform impacted people on land requirements of investments. Consultation and information disclosure strategies for the inclusion of possible vulnerable groups such as women and elderly should be incorporated in the Stakeholder Engagement Plan (SEP). The SEP should be updated and described in the land acquisition procedure. • LAFP should include a monitoring plan based on the identified indicators to monitor land acquisition process.
8	Biodiversity	Protection of forest areas	• Conduct a high-level assessment on a site-by-site basis to evaluate the ecological potential of the areas where the distribution lines will pass. This should include a regional bird survey based on desk top assessment. • Develop a general procedure for construction works in forest areas in order to identify the requirements for the contractor in terms of EHS with particular emphasis on biodiversity.
9	Stakeholder engagement	Maintain good relationships with stakeholders	• Implement the agreed Stakeholder Engagement Plan (SEP) in order to ensure effective communication of the investment plans, potential impacts and mitigation measures for land acquisition, construction and operation (i.e. maintenance activities) to

No	Issue/Finding	ES Risks/Benefits	Mitigation measures
			communities through public meetings, publications and corporate websites. • Improve the existing Grievance Mechanism.

7 What is OEDAŞ approach to stakeholder engagement?

OEDAŞ considers stakeholder engagement (including dialogue, consultation and the disclosure of information) to be a key element of project planning, development and implementation and committed to a transparent and respectful dialogue with stakeholders. OEDAŞ has developed a Stakeholder Engagement Plan which provides details of the approach to stakeholder engagement and their planned meetings and commitments.

8 How will OEDAŞ communicate and engage with stakeholder?

A Stakeholder Engagement Plan is in place to ensure that there is regular ongoing engagement with the community, local government and organisations, to inform them of plans and developments on an ongoing basis and gather any complaints or feedback. A Stakeholder Engagement Register records all OEDAŞ interactions with stakeholders.

9 How can stakeholders make a complaint or make an inquiry?

OEDAŞ employs Grievance Mechanisms which provide a process for all people to raise any complaints and grievances, and allows the project to respond to and resolve the issues in an appropriate manner.

OEDAŞ Grievance Procedure provides a channel for individuals, groups and communities to raise any concerns that they have. Any complaint can be lodged:

The contact details for submitting grievances to OEDAŞ/ and contacting its units are provided below:

OEDAŞ "Osmangazi Elektrik Dağıtım A.Ş."

İSTİKLAL MAHALLESİ ŞAİR FUZULİ CADDESİ NO:7 26010

ODUNPAZARI / ESKİŞEHİR

E-mail: info@oedas.com.tr

Telephone (Customer Care Department and other departments listed above):

+90 222 211 60 00

Corporate Communication Ext: 26091

Telephone (Customer Call Center): 'ALO 186'

Fax: +90 222 230 15 53

Website: http://www.osmangaziedas.com.tr