HABAŞ INDUSTRIAL AND MEDICAL GASES PRODUCTION INC.

COLD ROLLING MILL PROJECT

NON-TECHNICAL SUMMARY

Aliağa, İzmir - Türkiye

FEBRUARY-2023

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1 INTRODUCTION

Aqwadem Consulting Management Engineering Consultancy Trade Ltd. (“AQWADEM”) has been engaged by KfW IPEX-Bank GmbH ("KfW") and Landesbank Baden-Württemberg ("LBBW"), together the “Lenders”, who are financing the Cold Rolling Mill Project ("Project") owned by Habaş Industrial and Medical Gases Production Inc. ("HABAŞ"), to conduct an Environmental and Social Due Diligence ("ESDD") process for the Project.

AQWADEM has prepared the ESDD Report to assess the Project's compliance with various international and national standards, including::

- Current environmental and social legislation in Türkiye;
- International conventions signed by Türkiye;
- Equator Principles (“EPs”);
- International Finance Corporation (“IFC”) Performance Standards (“PS”); and
- World Bank Group (“WB”) General and Sector Specific Environmental Health and Safety (“EHS”) Guidelines.

Category of Project is determined according to the EPs and IFC PS categorization processes. The Project is situated in a heavily industrialized area and its activities are expected to present limited adverse environmental or social risks and/or impacts. These site-specific and reversible impacts can be effectively addressed through planned mitigation measures. Therefore, the Project is categorized as “B” in accordance with the EPs and IFC categorization processes.

This document serves as a non-technical summary (“NTS”) of the ESDD conducted for the Project planned by HABAŞ. The NTS outlines the findings of the ESDD in a non-technical language with the mitigation measures proposed to manage the Project’s potential environmental and social impacts effectively.

2 PROJECT DESCRIPTION

2.1 PROJECT BACKGROUND

HABAŞ was established in 1956 with operation of the Oxygen Factory in the İstanbul Province, Topkapı Neighbourhood. Today, HABAŞ, with the sister companies within the holding, have operations in following sectors:

- Industrial and medical gases
- Iron and steel
- Power production
- Port
- Production of heavy machines
- Banking

HABAŞ’s first investment in the Aliağa region was a Steel Plant that started to operate in 1987. Subsequently, the company undertook a series of investments, resulting in the following facilities:.

- Production of gas cylinders was started in 1990;

- Production of bar rolling mill was started in 1992 in the Steel Plant;
- Liquid Carbon Dioxide Production Factory was constructed in 2000;
- A 54 MW Cogeneration Power Plant was constructed in 2002;
- A 240 MW Cogeneration Power Plant was constructed in 2004;
- Second Bar Rolling Mill Plant was started to be operated in 2008;
- Operation of Hot (Sheet) Rolling Mill was started in 2014;
- Capacity of Steel Plant was increased in 2017;
- An 800 MW Cogeneration Power Plant was started to be operated in 2018.

In addition, HABAŞ Port in Aliağa is used for import of scrap from different countries and export of the products.

The aim of the project is to utilize the output of the hot rolling mill facility of HABAŞ as raw material to manufacture advanced products. This suggests a focus on maximizing the efficiency and value of the hot rolling process by integrating its output directly into downstream production processes. By doing so, the project aims to enhance the overall production capabilities of HABAŞ and potentially create more sophisticated and value-added products.

Environmental Impact Assessment (EIA) studies for the Project is carried out by Almer Project. Two separate Project Information Files (PIFs) were prepared for Location 1 and Location 2. EIA permits (EIA is not Required Decision) decisions were obtained for the Project on 16.11.2022 and 21.11.2022 respectively for Location 1 and Location 2 from PDoEUCC.

2.2 PROJECT LOCATION

The Project is located in the Aliağa district, is a heavily industrialized area on the coast of the Aegean Sea. The Project is located in two locations, referred to as Location 1 and Location 2, both located in the southern part of the district. The Project areas are shown below in Figure 2-1. The distance between the two is approximately 2,100 m.

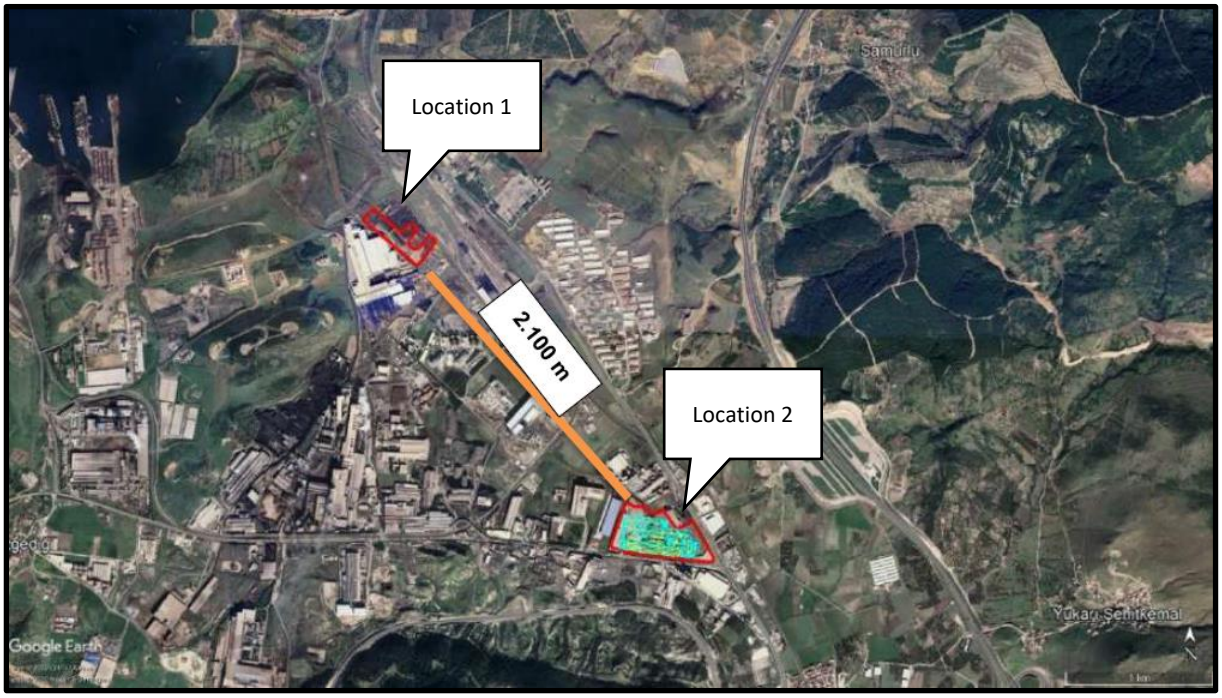

Figure 2-1 Site Location Map[1]

Location 1

Location 1 is located in Bozköy neighborhood in Aliağa district. Total size of Location 1 is approximately 58,733 m^2.

Location 1 consists of brownfields covered with filling material, which is currently used as a product storage area of the hot rolling mill facility, and empty green lands which are not used for any economical activity.

Location 1 is located adjacent to the existing HABAŞ hot (sheet) rolling mill facility, which is present in south western border of this area. There is a switchyard located approximately 50 m northeast of the Project area. The area is surrounded by the greenfield at northern and western borders. These greenfields are registered industrial sites and currently are not used for any economical activity. An energy transmission line pole is located in the Project area which will be relocated after obtaining relevant permits prior to the construction works. A high voltage 154 kV energy transmission line passes through 1,750 m southeast of Location 1. The area is approximately 350 m away from the D550 İzmir-Aliağa Road, located in south of the area (See Figure 2-2).

[1] Almer Project (2022), Cold Rolling Mill Facility (Cold Rolling And Surface Finishing) Project Introduction File

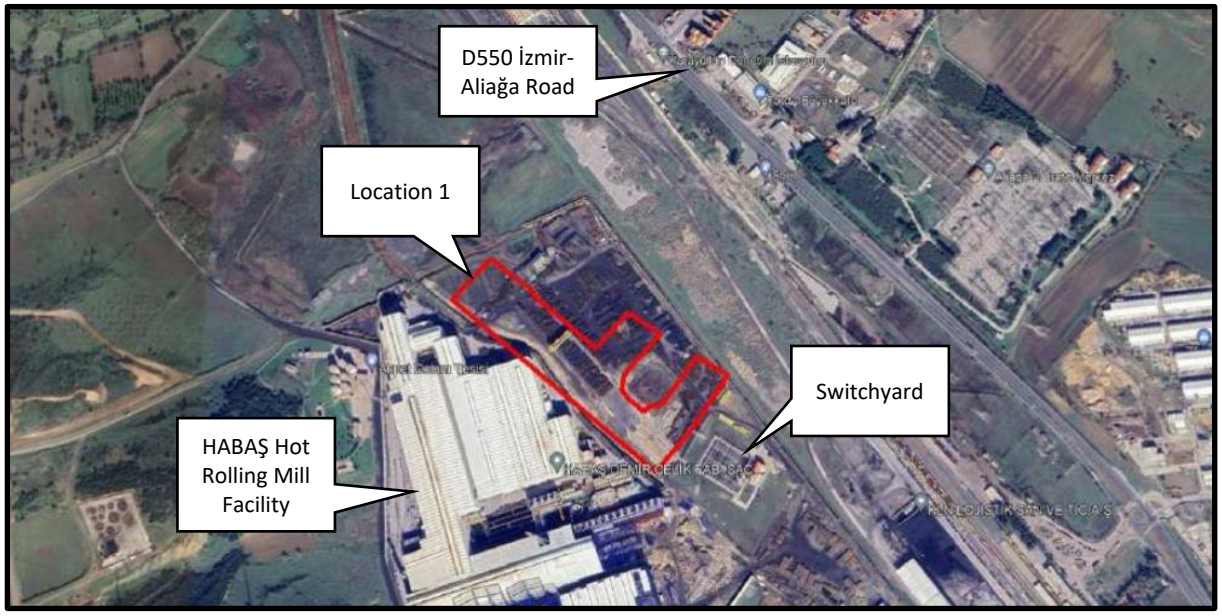

Figure 2-2 Satellite View of Location 1[2]

Location 1 has a flat topography. Elevation of Location 1 is close to the sea level. The topographical map showing the area is shown in Figure 2-3.

According to the 1/100,000 scaled Environmental Plan of İzmir-Manisa Planning Region, Location 1 is shown as "industrial area" and "2nd/3rd degree archeological site" (Figure 2-4) and according to the 1/1,000 scaled Implementation Zoning Plan, this area is demonstrated as "industrial area" and "3rd degree archeological site" (Figure 2-5).

The closest settlements to Location 1 are shown in Figure 2-6, which are:

- Çakmaklı Neighborhood, located approximately 3 km west of Location 1;
- Horozgediği Neighborhood, located approximately 2.9 km southwest of Location 1;
- Samurlu Neighbourhood, located approximately 3.25 km northeast of Location 1.

[2] Almer Project (2022), Cold Rolling Mill Facility (Cold Rolling And Surface Finishing) Project Introduction File

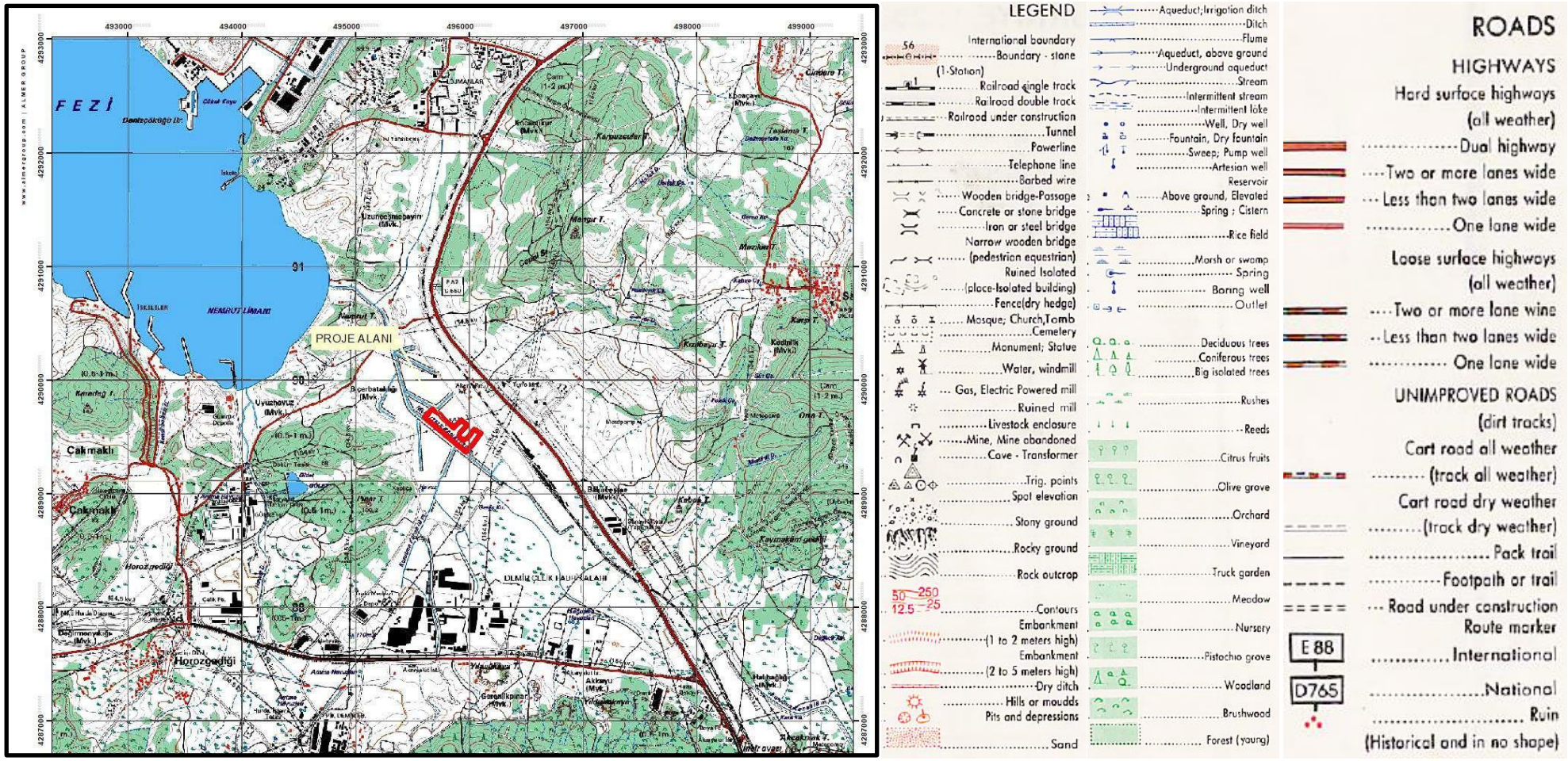

Figure 2-3 Topographical Map Showing Location 1[3]

[3] Almer Project, 2021. Source of the topographical map: General Command of Mapping, 2000

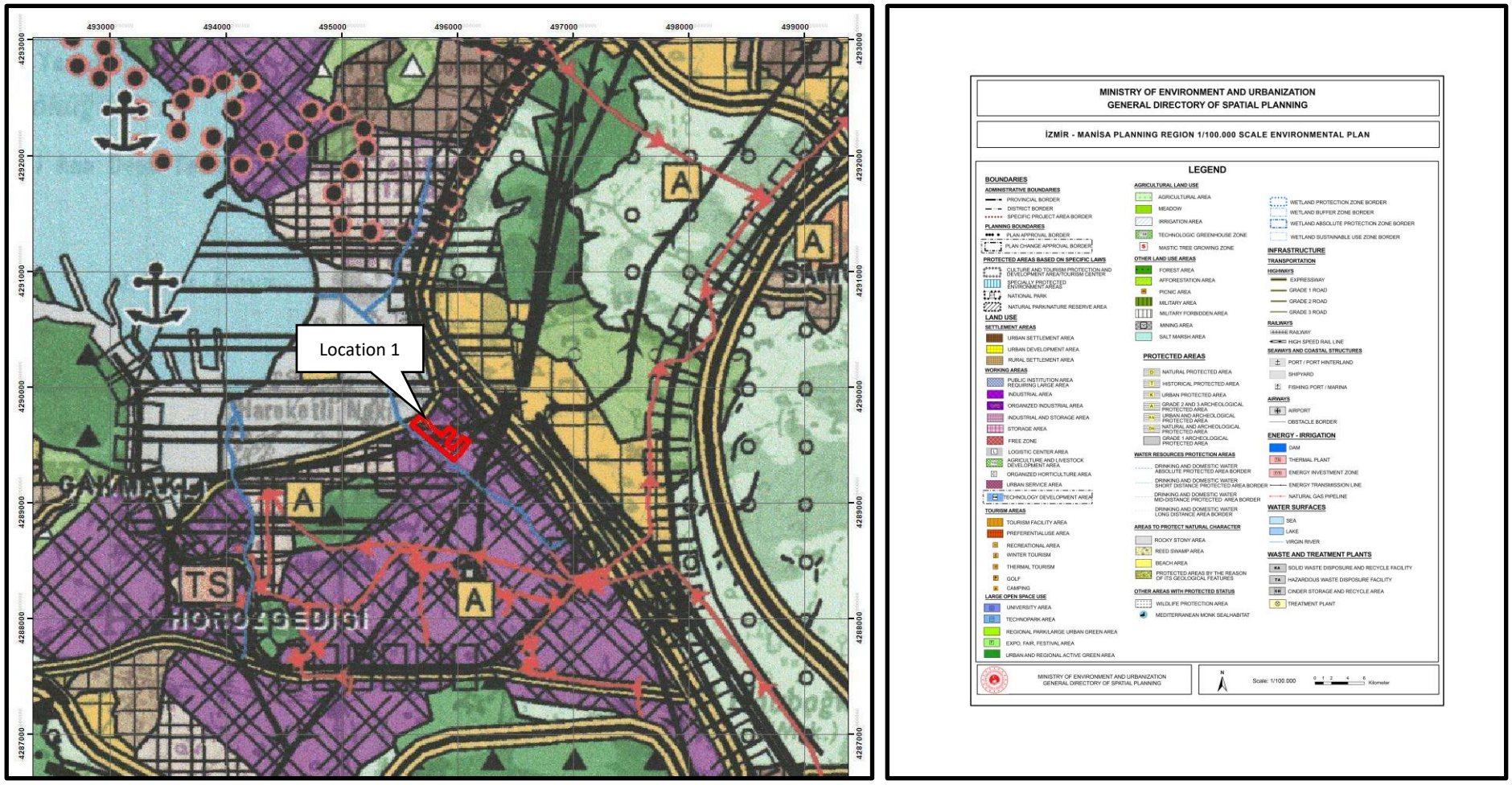

Figure 2-4 Environmental Plan Showing Location 1[4]

[4] Almer Project (2022), Cold Rolling Mill Facility (Cold Rolling And Surface Finishing) Project Introduction File

Figure 2-5 1/1,000 Scaled Implementation Zoning Plan Showing Location 1

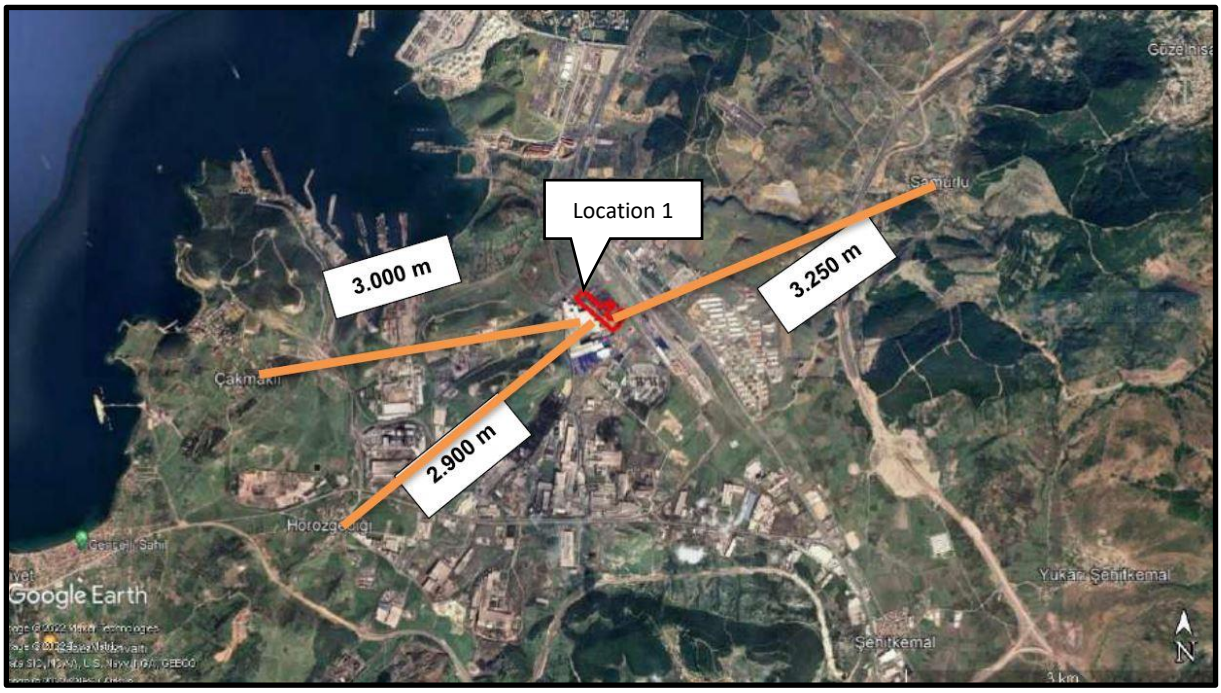

Figure 2-6 The Closest Settlements around Location 1

Location 2

Location 2 is located in Bozköy neighborhood. Location 2 encompasses a total area of approximately 162,613 m^2.

Location 2 has been used for industrial activities (iron-steel industry), prior to its acquisition by HABAŞ. There are buildings in the area which will be demolished prior to the construction works. Some parts of the area are covered by concrete floor where the buildings are present and other parts are brown field. Any vegetation cover was not observed at Location 2 during the site visit. The area is currently used by HABAŞ for storage of raw materials. Except this, the area is not used for any other economical activity.

As it is shown in Figure 2-1, Location 2 is located in approximately 2,100 m south east of Location 1 and the existing HABAŞ hot (sheet) rolling mill facility. Location 2 is adjacent to D550 İzmir-Aliağa Road and Adalı Street and located at connection point of these roads. The area is surrounded by industrial structures, mainly iron-steel production facilities.

A high voltage 154 kV energy transmission line passes through the area and there is a 380 kV energy transmission line in 400 m east of Location 2. The satellite view of Location 2 is provided in Figure 2-7.

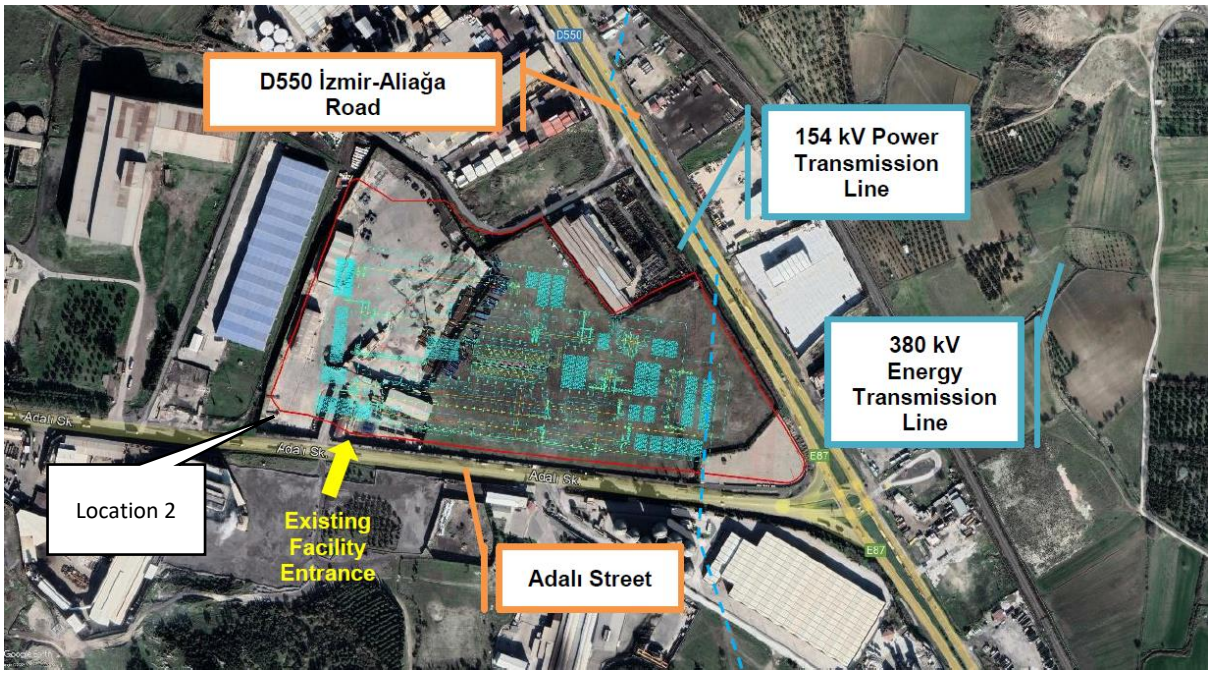

Figure 2-7 Satellite View of Location 2[5]

Location 2 has a flat topography. Elevation of Location 2 is close to the sea level. The topographical map showing the area is shown in Figure 2-8.

According to the 1/100,000 scaled Environmental Plan of İzmir-Manisa Planning Region and 1/1,000 scaled Implementation Zoning Plan, Location 2 is shown as "industrial area" (Figure 2-9 and Figure 2-10).

The closest settlements to Location 2 are shown in Figure 2-11, which are:

- Şehitkemal Neighborhood, located approximately 950 m south of Location 2;
- Bozköy Neighborhood, located approximately 1.1 km southwest of Location 2;
- Yukarışehitkemal Neighbourhood, located approximately 2.2 km northeast of Location 2.

[5] Almer Project (2022), Cold Rolling, Surface Treatment, Nitrogen and Hydrogen Gas Production) Project Introduction File

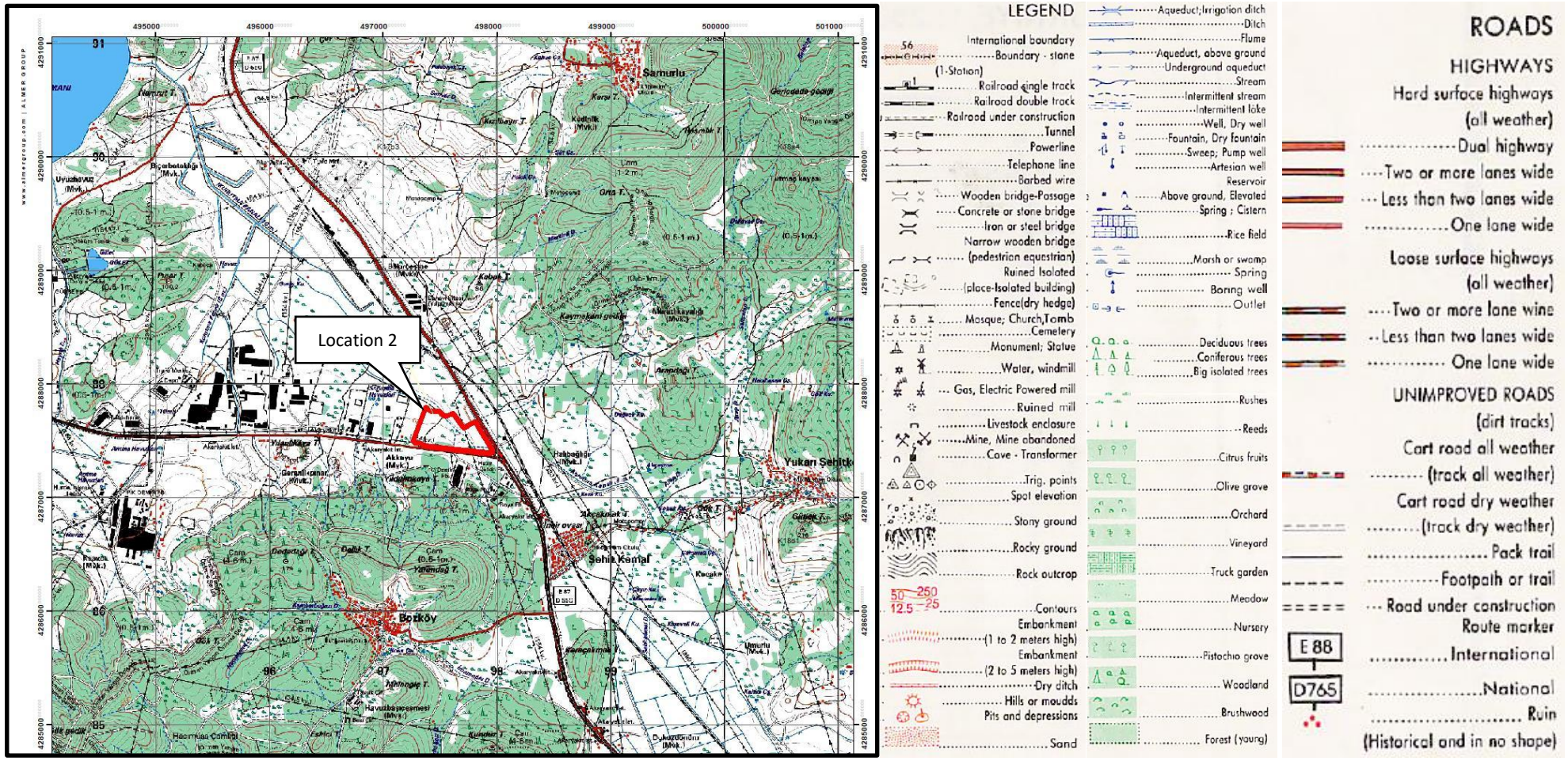

Figure 2-8 Topographical Map Showing Location 2[6]

[6] Almer Project (2022), Cold Rolling Mill Facility (Cold Rolling, Surface Treatment, Nitrogen and Hydrogen Gas Production) Project Introduction File

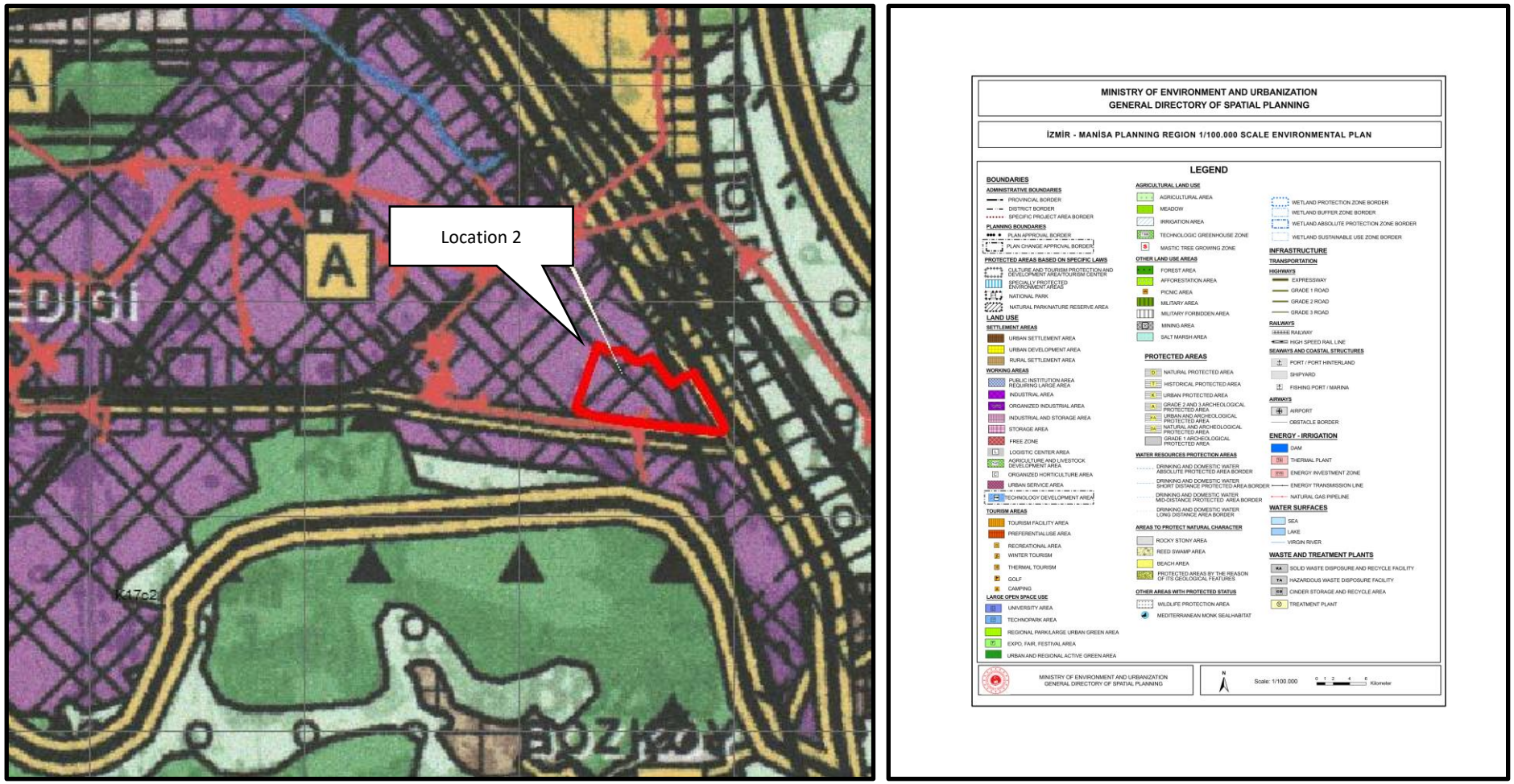

Figure 2-9 Environmental Plan Showing Location 2[7]

[7] Almer Project (2022), Cold Rolling Mill Facility (Cold Rolling, Surface Treatment, Nitrogen and Hydrogen Gas Production) Project Introduction File

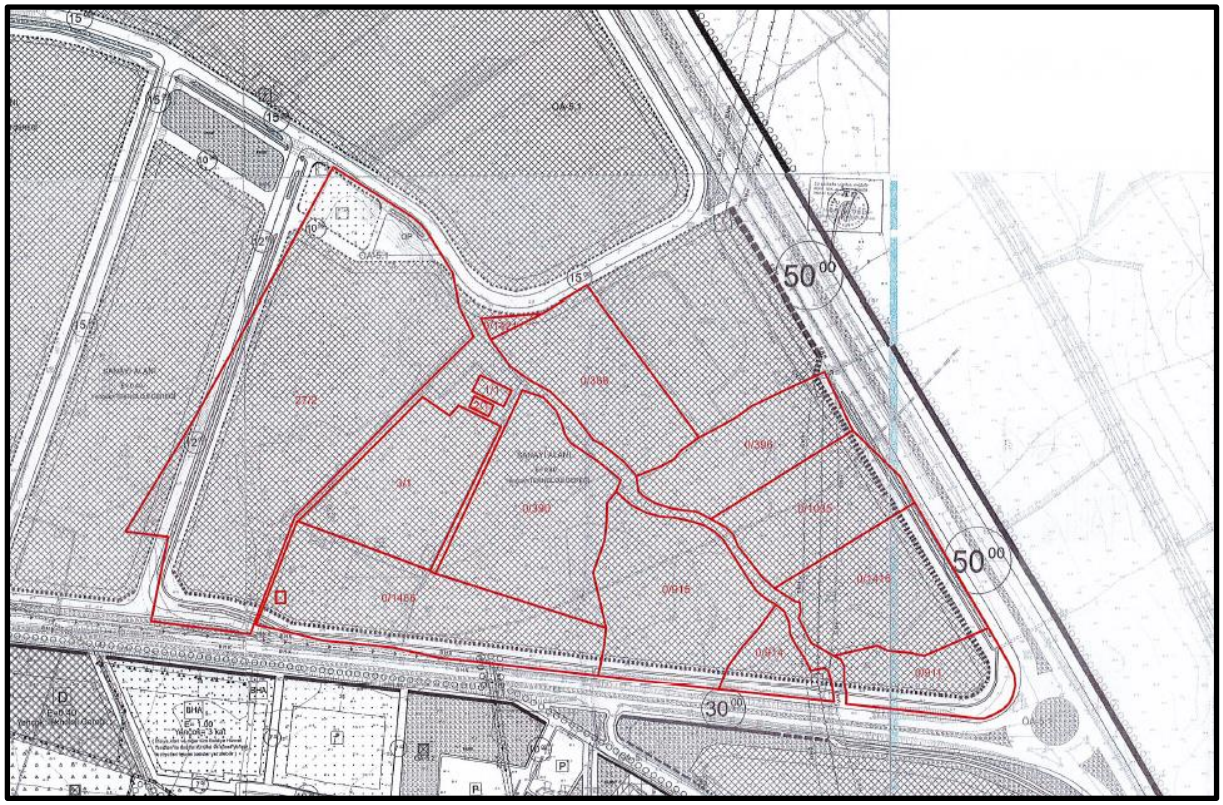

Figure 2-10 1/1,000 Scaled Implementation Zoning Plan Showing Location 2

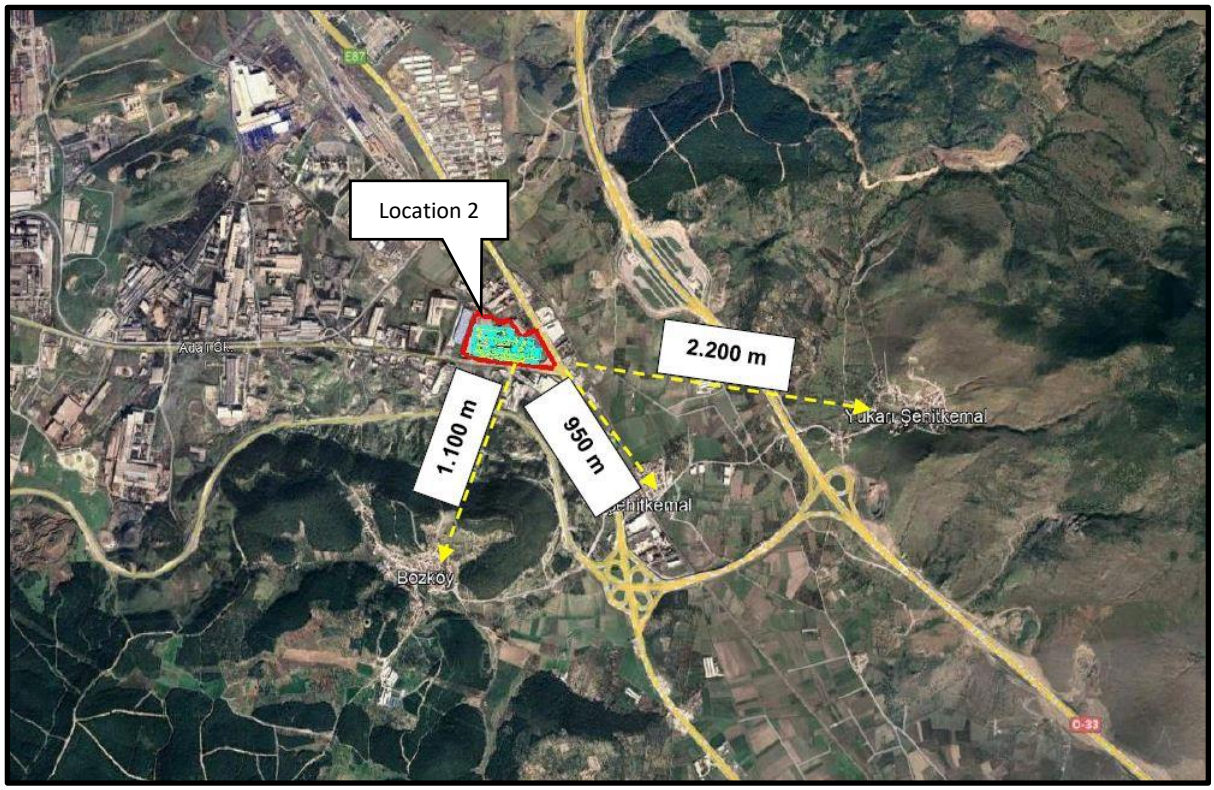

Figure 2-11 The Closest Settlements around Location 2

2.3 PROJECT SCHEDULE

Contract of the facilities in scope of the Cold Rolling Mill Project signed on 13.08.2021 with SMS Group. The effective date of Pickling Line and Tandem Cold Mill ("PLTCM") was 01.10.2021 according to the contract. The construction works for is planned to be started in third quarter of 2023 at PLTCM facility (Location 1).The construction works is expected to be completed approximately in 2.5-3 years.

The estimated operational period of the plant is 30 years. At the end of this period, it shall be possible to extend the period with necessary improvements and modernization.

2.4 DESCRIPTION OF THE PROJECT ACTIVITIES

As it is described in above sections, two locations are selected for the Cold Rolling Mill Project.

In **Location 1**, it is planned to produce 1,650,000 tons/year cold products by using 1,824,000 tons/year of hot rolled flat steel which is produced at existing HABAŞ hot rolling mill facility.

In **Location 2**, 400,000 tons/year of galvanized cold products (automotive industry), 350,000 tons/year of galvanized cold products (construction industry), 90,000 tons/year of hot galvanized products and 900,000 tons of cold rolled products including 650,000 tons/year cold products and 250,000 tons/year tin plated products are planned to be produced. 1,732,400 tons of cold rolled full hard material which will be produced in Location 1 and 90,000 tons of hot rolled pickled flat steel supplied from the existing HABAŞ hot rolling mill facility is planned to be used as raw material to produce cold rolled products.

Amount of raw material to be used in scope of the Project and product details are provided in Table 2-1 and Table 2-2.

Table 2-1 Amounts of Raw Material to Be Used during Production

No	Raw Material Name	Amount (ton/year)
1	Hot Rolled Flat Steel	1.824.000
2	Hot Rolled Pickled Flat Steel	90.000
Total		**1.914.000**

Table 2-2 Product Types and Amount

No	Product Name	Amount (ton/year)
1	Galvanized Cold Product (automotive industry)	400.000
2	Galvanized Cold Product (construction sector)	350.000
3	Galvanized Hot Rolled Product	90.000*
4	Cold Rolled Product	900.000
Total (Cold Product)		**1.650.000**

NOTE: 90,000 tons/year of hot rolled product indicated with * in the table is not included in the total amount.

Details about the cold rolling process are provided below.

2.4.1 LOCATION 1

The cold rolling mill includes the process of thinning the sheet only by crushing it with rollers without applying heat treatment. During rolling, emulsion is sprayed on the coil passing between the rollers and on the rollers.

Following 1 main facilities and 3 auxiliary facilities will be installed in Location 1:

Main Units:

- A.1. Continuous Pickling and Tandem Line ("PLTCM")

Auxiliary Facilities :

- B.1. Acid Regeneration Plant ("ARP")
- B.2. Water Preparation and Wastewater Treatment Unit
- B.3. Roll Shop
- B.4. Steam Boiler
- B.5. Compressor

2.4.2 LOCATION 2

As it is stated above, the hot rolled sheet produced in the existing hot rolling mill facility of HABAŞ will be the input material of the PLTCM facility which will be constructed in Location 1 the cold rolled full-hard material produced in PLTCM will enter the Location 2 and here;

- It will be sent to the customer as galvanized sheet after being coated with zinc in 2 Continuous Galvanizing Lines ("CGL1" and "CGL2").
- Cold rolled sheet will be produced by sending the material coming out of the ("ECL") to the Bulk Annealing Line ("BAF") for annealing, and then to the Temper Rolling Mill ("SPM") to ensure surface smoothness (ironing), and from there it will be sent to the customer.
- To the Electrolytic Cleaning Line ("ECL") for cleaning, to the Bulk Annealing Line (BAF) for annealing, then to the DCR and Temper Mill ("DCR/SPM") for secondary cold rolling, and from there to the Electrolytic Tin Coating Line ("ETL") after being coated with tin, it will be sent to the customer as a tin material.
- After the material sent to the Continuous Annealing Line ("TinCAL") leaves here, some part of it is sent to the customer as cold rolled product, and some is sent to ETL for tinplating, and the material (tin) from here will be sent to the customer.
- Some of the product generated in CGL1/CGL1 and SPM will be sent to the Rewinding Inspection Line (RCL) and sent to the customer from there, and some of the product will be sent directly to the customer after leaving the SPM.

Following 9 main facilities and 4 auxiliary facilities will be installed in Location 2:

Main Units:

- A.1. Continuous Galvanizing Line No.1 (CGL 1)
- A.2. Continuous Galvanizing Line No.2 (CGL2)
- A.3. Temper Rolling (SPM)
- A.4. Rewind Inspection Line (RCL)
- A.5. Electrolytic Cleaning Line (ECL)
- A.6. DCR and Temper Rolling (DCR/TMP)
- A.7. Electrolytic Tin Plating Line (ETL)
- A.8. Continuous Annealing Line (TinCAL)
- A.9. Bulk Annealing Line (BAF)

Auxiliary Facilities :

- B.1. Nitrogen and Hydrogen Production Facility
- B.2. Water Preparation and Wastewater Treatment Unit
- B.3. Steam Boilers
- B.4. Compressors

3 ORGANIZATIONAL CAPACITY

3.1 ORGANIZATIONAL STRUCTURE

Organization structure of HABAŞ for the new Cold Rolling Mill is shown in Figure **3-1**.

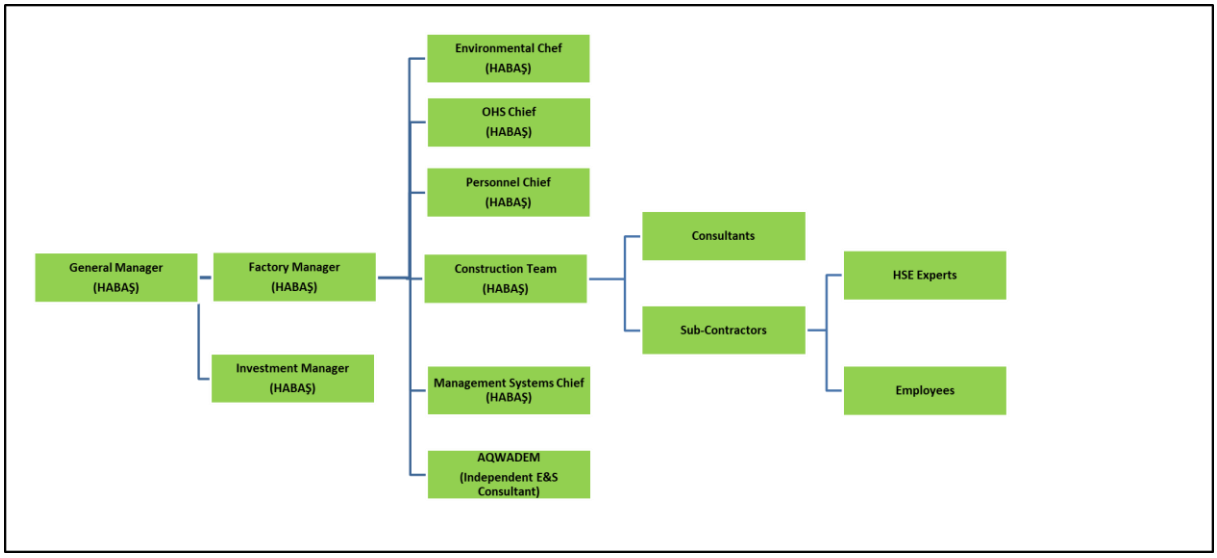

Figure 3-1 Organizational Chart of the Project

The representatives for implementation of environmental and social issues are:

- Environmental Chief;
- OHS Chief;
- Personnel Chief.

3.2 ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM DOCUMENTS

Specific Environmental and Social Management System ("ESMS") documents for construction, which will also be used by the contractors,and operation phases of the Project will be prepared or existing HABAŞ plans/procedures will be updated for the Project and other HABAŞ projects and operations that HABAŞ directly owns, operates and manages and that are in physical and technical connection with the Project, i.e., existing operations and planned extensions of the Steel Mill, Port. The documentation should include the following at a minimum:

1. Organisation Chart and Responsibilities for the Project
2. Environment, Social, H&S, Human Resources and Human Rights Policies
3. Stakeholder Engagement Plan including Grievance Mechanism
4. Pollution Prevention Plan
5. Air Quality (including GHG Management) Management Plan
6. Noise Management Plan
7. Camp Site Management Plan
8. Labor and Working Conditions Management Plan
9. Human Resources Management Plan
10. Hazardous Materials Management Plan
11. Security Management Plan
12. Training Plan (to include cultural heritage, environmental, OHS and social topics)
13. Waste Management Plan
14. Water and Wastewater Management Plan
15. Community Health and Safety Management Plan
16. Chance Find Procedure and Cultural Heritage Management Plan
17. Environmental, H&S and Social Monitoring Plan
18. Resource Efficiency Plan
19. Supply Chain Management Plan
20. Contractor Management Plan
21. Emergency Response Plan (internal and external)
22. OHS Management Plan

4 POTENTIAL ENVIRONMENTAL AND SOCIAL IMPACTS

4.1 PHYSICAL COMPONENTS

4.1.1 HYDROLOGY AND HYDROGEOLOGY

Project actions such as water usage, wastewater generation and disposal, waste generation, storage and disposal, hazardous material storage, transportation and usage, contamination of surface water run-off and transport of sediments will create following environmental impacts on hydrology and surface water quality.

4.1.2 GEOLOGY AND GEOMORPHOLOGY

Land preparation and construction activities such as excavation, surface levelling, grading, filing, temporary stockpiling of excavated material, construction of the buildings and other temporary or permanent facilities can cause adverse impact on local morphology of the Project area.

4.1.3 SOIL

Similar to the potential impacts on hydrology and surface water quality, the Project actions such as water usage, wastewater generation and disposal, waste generation, storage and disposal, hazardous material storage, transportation and usage, contamination of surface water run-off and transport of sediments will create environmental impacts on soil. The Project actions such as water usage, wastewater generation and disposal, waste generation, storage and disposal, hazardous material storage, transportation and usage, contamination of surface water run-off and transport of sediments will create environmental impacts on soil. These impacts will be managed via the mitigation measures including :

- Drip trays will be placed over points that are more statistically inclined to leak and contact points of vehicles,• Storage tanks and tankers will be used only for their intended purposes,
- Personnel will be trained on installing and using the necessary equipment to control propagation,
- Absorbent materials will be used to control leaks.

4.1.4 AIR EMISSION AND GREENHOUSE GASES ("GHG")

Project actions such as excavation works, transportation of construction machinery/vehicles and excavation, temporary stockpiling of excavated material will create following environmental impacts on air quality.

- Diesel or fuel oil will be used as fuel for the construction machinery and vehicles, Exhaust gas emissions can create adverse environmental impacts in air quality in in the Project area. In addition, movement of the vehicles and construction machinery will create dust emissions especially in the Project access roads.
- Construction activities such as excavation works, temporary stockpiling of sub-soil and loading/unloading of trucks will also create dust emissions in the Project area.

In addition, production activities will create stack gas emissions.

4.1.5 NOISE AND VIBRATION

Potential noise impacts during the construction phase of the Project are caused by the construction machines. Construction activities particularly use of heavy-duty vehicles will cause noise. In addition, other activities such as vehicle movements and generators will create noise.

4.1.6 LANDSCAPE AND VISUAL IMPACTS

Both construction and operation phases will create impacts on visual aesthetics of the Project area. However, as the area is a heavily industrialized area and the Project area is not visible from any settlements, any important adverse impact on landscape and visuality is not expected.

4.1.7 CULTURAL HERITAGE

According to the 1/100,000 scaled Environmental Plan of İzmir-Manisa Planning Region, Location 1 is shown as "industrial area" and "2nd/3rd degree archeological site" (Figure 2-4) and according to the 1/1,000 scaled Implementation Zoning Plan, this area is demonstrated as "industrial area" and "3rd degree archeological site" (Figure 2-5). PIF states that a 1st degree archeological site is present in Parcels No: 1390 and 1532 outside the Project area. The archeological site (tumulus) is shown in below figures.

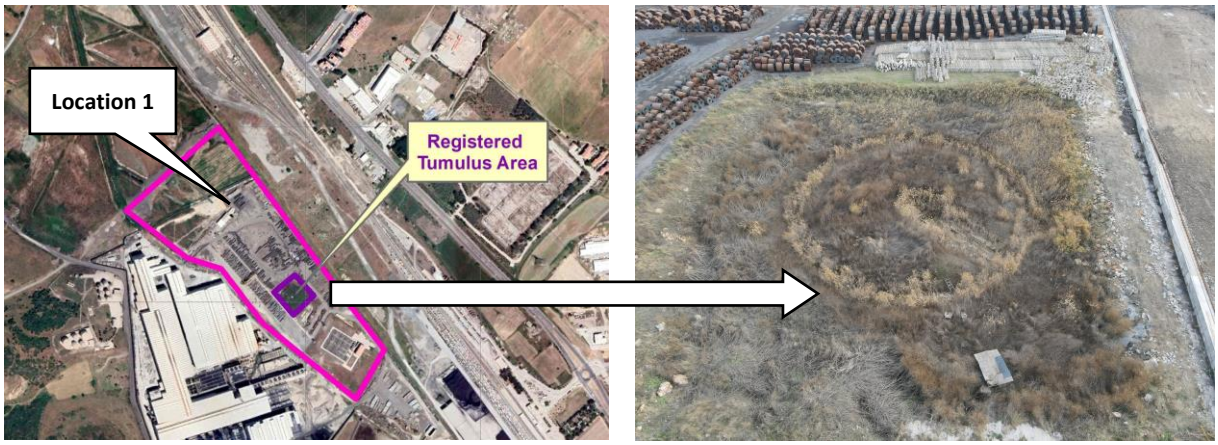

Figure 4-1. Satellite Image and View of the Tumulus in Location 1

The project works, specifically the excavations studies, can affect cultural heritage in the Project area and this must be managed by relevant mitigation measures listed in IFC PS8 and Law on the Protection of Cultural and Natural Assets.

It is committed by HABAŞ in PIF that no physical or constructional intervention will be made in the parts of the immovables at Location 1 in Parcel No: 1390 registered under the ownership of the State Treasury and Parcel No: 1532 registered in the ownership of the legal entity, remaining in the 1st Degree Archaeological Site, which are outside the Project area.

A Cultural Heritage Assessment Study is prepared including site observations in order to determine potential impacts on the archeological sites in the Project areas. According to the study, any major impact has not been expected considering all mitigation measures will be taken.

4.1.8 BIODIVERSITY

In order to evaluate the baseline conditions and the potential impacts of the project on the ecological environment within and around the project area, the terrestrial ecosystems were studied in the PIFs. In the scope of the ecological studies for the project biological environment studies both desk-based research and field surveys.

According to the study, there are not any standing water body neither a large volume of running water in and within the immediate vicinity the project area. Therefore, there is not distinctive aquatic vegetation and there is no water resource in the Project area.

A creek bed was observed between HABAŞ hot rolling mill facility and Location 1 during the site visit which is used as a drainage channel to collect storm water and discharge to sea. A small amount of water was observed at the channel.

There is not any national protected area covering the Project areas according to the data base of General Directorate of Nature Protection and National Parks. The Project areas is located at the southern border of the Foça Peninsula Key Biodiversity Area ("KBA") (Figure 4-2). The KBA's are not classified as protected areas according to Turkish legislation.

The bays and capes along the Foça Peninsula have the status of protected areas. However, the Project area is located in an area that has been designated as an industrial area and has already been transformed. There is no ecological sensitivity in the Project area.

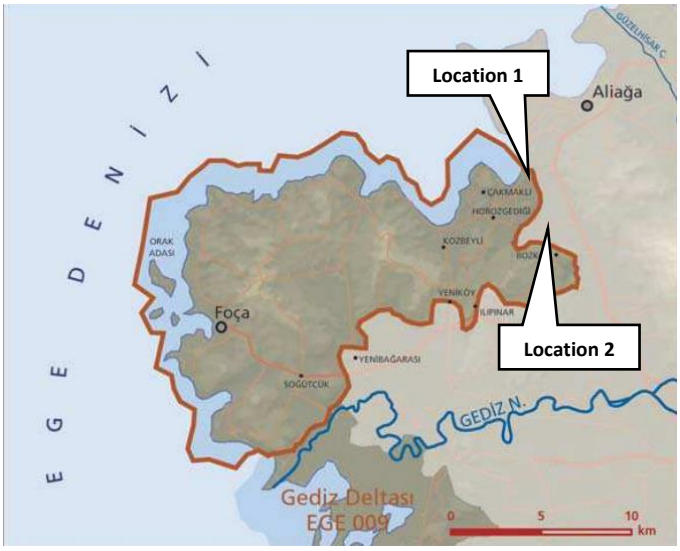

Figure 4-2 Location of Project Area and Foça Peninsula KBA[8]

The EUNIS habitat classification is comprehensive pan-European system for habitat identification. The classification is hierarchical and covers all types of habitats from natural to artificial, from terrestrial to freshwater and marine. The habitat types are identified by specific codes, names and descriptions.

[8] https://www.dogadernegi.org/wp-content/uploads/2018/11/ege008-foca-yarimadasi-onemli-doga-alanlari-kitabi.pdf

Habitat types were identified based on the European Nature Information System's (EUNIS) habitat classification system[9].

The Project area is evaluated as **J : Constructed, industrial and other artificial habitats** (Figure 2-2 and Figure 2-7).

In scope of the ESDD, a critical habitat ("CH") assessment has been conducted. CH holds the highest tier of irreplaceable (existing in few places) and vulnerable (at high risk of being lost) biodiversity features.

According to IFC PS6, CH is defined as areas with high biodiversity importance or value, including:

(a) habitat of significant importance to Critically Endangered or Endangered species, as listed in the IUCN Red List of threatened species or equivalent national approaches;

(b) habitat of significant importance to endemic or restricted-range species;

(c) habitat supporting globally or nationally significant concentrations of migratory or congregatory species;

(d) highly threatened or unique ecosystems;

(e) ecological functions or characteristics that are needed to maintain the viability of the biodiversity values described above in (a) to (d).

Project areas are not defined as or include a CH according to above criteria. The Project area is located in heavily industrial zone and in a modified habitat with planted trees. The Project site is surrounded by modified habitats where human activity has substantially modified an area's primary ecological functions and species composition.

Terrestrial flora and fauna studies were carried out within the Project areas and for its close vicinity. In order to investigate the biological diversity and ecological characteristics of the study area, a field study was conducted in April 2022 by Almer Proje specialists and this study was supported with current literature sources. Hence, flora and fauna inventories have been prepared and provided in the PIFs.

According to Floristic survey, there are 29 species observed terrestrial flora species belonging to 14 families. Based on the Red Data Book of Turkish Plants (Ekim et al. 2000), no endemic plant species is listed in the area.

As a result of floristic study,

- No threatened, vulnerable or endangered flora species were determined in the Project areas in accordance with the Red Data Book.

[9] http://eunis.eea.europa.eu/habitats-code-browser.jsp

- 1 of the flora elements were included in IUCN Red List of Threatened Species database and it is Least Concern.
- There are no plant species that are endangered and need to be protected according to the lists of the "Convention on the Conservation of European Wildlife and Habitats (Bern Convention) or Convention on International Trade in Endangered Species of Wild Fauna and Flora ("CITES").
- There is no threat of extinction of any sensitive flora element as a result of the habitat loss in the project area.

Similarly, there is not any endemic or sensitive fauna species observed for the Project area. Therefore, any significant impact is not expected during the project works.

4.2 SOCIAL COMPONENTS

4.2.1 STAKEHOLDER ENGAGEMENT AND GRIEVANCE MECHANISM

During the project preparation and permitting process; relevant authorities, heads of the communities and NGO's, potential customers and other stakeholders have started to be contacted.

Following procedures of HABAŞ related to stakeholder engagement and grievance mechanism are present in the IMS have been received and reviewed by AQWADEM in scope of the study.

- Communication Procedure
- Stakeholder Engagement Procedure
- Customer Grievance Assessment Procedure

Existing Stakeholder Engagement Procedure will be updated or a new plan or procedure will be developed considering the requirements of the new Cold Rolling Mill Project, i.e., new stakeholders must be added, engagement methods and timeline must be provided and responsibilities must be clearly set. If the existing procedure can not be updated, a new Project specific SEP can be prepared considering the above-mentioned requirements.

A Grievance Mechanism is already set up by HABAŞ and a procedure will be prepared for this project in line with the existing mechanism in which the process for management of grievances is clearly explained and all responsibilities are defined.

4.2.2 LAND ACQUISITION AND LIVELIHOOD RESTORATION

Majority of the lands on which the Cold Rolling Mill Project will be constructed is owned by HABAŞ. There is not any associated facility which requires land take for the Project activities. Therefore, there is not any land acquisition process to be conducted in scope of the Cold Rolling Mill Project.

According to the site visit observations and the information from HABAŞ representatives and Bozköy neighbourhood mukhtar who was met during the site visit, the Project lands is not used by villagers for animal husbandry activities. According to the information obtained, there are some lands around

the Project areas where the animal husbandry activities are carried out, however these lands are not close to the Project areas and it is stated that the Project works will not affect

4.3 OTHER COMPONENTS

4.3.1 LABOR AND WORKING CONDITIONS

According to the PIFs, it is planned to employ a total of 900 people during the construction phase and 700 people during the operation phase of the Project at Location 1 and Location 2. During the operation phase, there will be three shifts, to cover activities in 24 hours a day, 365 days a year, similarly to the existing facilities of HABAŞ.

Since the region is heavily industrialized and there are many industrial and construction activities in Aliağa, it would be easy to find skilled workers for HABAŞ and its construction contractor during construction and operation phases from Aliağa and its neighbourhoods. Some of the workers working in the HABAŞ facilities will be able to work during the Project construction works according to the company representatives. Since the workers from existing plants will also work in the new investment, new unskilled workers can learn the details about the work via on-the-job trainings.

Any accommodation camp for the construction works is not planned at this stage of the Project. As it is stated in the above paragraph, priority of the workers is planned to be sourced from the close communities, Aliağa District and surrounding residential areas.

All legislative measures will be implemented to prevent any potential labor related risk during the project works. Following procedures of HABAŞ have been prepared in line with these requirements, which will also bu used by the contractors during the construction works:

- Personnel Service Recruitment Procedure
- Personnel Service Processes
- Staff Service On-To-Job Process
- Personnel Service Payroll Preparation Process
- Personnel Service Dismissal Process
- Personnel Service General Process Map
- Document Archiving and Disposal Process

These procedures are mainly related to the recruitment and disposal process for the existing HABAŞ facilities. It is observed that there are relevant responsible people for management of labor issues in the company and requirements of Labor Law and relevant standards are implemented for the existing facilities. However, there is not any written plan or procedure for management of working conditions and requirement process.

4.3.2 OCCUPATIONAL HEALTH AND SAFETY

There will be OHS risks which are required to be properly managed by the Project, construction contractor and subcontractors through systematic management systems and in compliance with the national legislation. Following occupational health and safety issues are specific to steel

manufacturing activities during construction, operation, maintenance and decommissioning phases (IFC, 2007):

- Physical hazards
- Heat and hot liquids
- Radiation
- Respiratory hazards
- Chemical hazards
- Electrical hazards
- Noise Entrapment hazards
- Fire and explosions

4.3.3 COMMUNITY HEALTH AND SAFETY

The existing HABAŞ production area is surrounded by fences and controlled by security personnel. Therefore, access of community to the production site is prevented. Since the new facility will also be constructed close to the existing facility located in a heavily industrialized area, it is assumed that all relevant security measures will be taken for the construction and operation works of the new investment.

Any significant impact on communities is not expected since all security measures will be taken and the project areas are remote from the communities.

4.3.4 SUPPLY CHAIN AND CONTRACTOR MANAGEMENT

It is stated in the IMS Manual that *"HABAŞ has documented and applies the purchasing process with the Purchasing Procedure in order to control the purchased products. In accordance with the procedure, pre-preparation and approval of purchasing information, supplier evaluation and product verification activities are carried out.*

For outsourcing activities within the scope, the documents required for the OHS qualification of the relevant company must be submitted to the Technical Safety Unit. Then the "Work permit procedure" is executed. After the work done, progress payments are approved by the OHS and Environment unit after determining that the necessary rules are complied with."

Therefore, a Purchasing Procedure is implemented by supply chain including sub-contractor selection and necessary approvals are obtained from OHS and environmental units during this process.

5 ENVIRONMENTAL AND SOCIAL ACTION PLAN

An Environmental and Social Action Plan ("ESAP") has been prepared as a result of the ESDD study. The ESAP addresses the identified project gaps against the required standards and outlined the actions necessary to close such gaps. The implementation of the ESAP will be monitored externally through an Independent Environmental and Social Consultant ("IESC") and internally by HABAŞ.

6 CONTACT HABAŞ

Any grievance, comments or concerns related to the Project can be delivered to HABAŞ via following tools:

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