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Resource Efficiency, Environmental and Social Assessment

Non-Technical Executive Summary (NTS)

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TABLE OF CONTENTS

	Page
1 INTRODUCTION	3
2 COMPANY DESCRIPTION	4
3 SUMMARY OF EHS RISKS AND IMPACTS	5
3.1 ESAP OVERVIEW	6
3.2 SEP OVERVIEW	7

ABBREVIATIONS AND ACRONYMS

EBRD	European Bank for Reconstruction and Development
EMS	Environmental Management System
ESAP	Environmental Social Action Plan
ESDD	Environmental Social Due Diligence
ESMS	Environmental Social Management System
HR	Human Resources
HSE	Health, Safety and Environment
HSMS	Health and Safety Management System
HSE&S	Health, Safety, Environment and Social
SEP	Stakeholder Engagement Plan
TPPD/TP	Turkiye Petrolleri Petroleum Distribution Company
Turkuaz	Turkuaz Petroleum Products
VOC	Volatile Organic Compounds

1 INTRODUCTION

RINA Consulting (former D'Appolonia) has been tasked by European Bank for Reconstruction and Development (EBRD) to perform an Environmental and Social Due Diligence (ESDD) in parallel with an Energy Efficiency Due Diligence of Turkuaz Petroleum and Turkiye Petrolleri Petroleum Distribution after the merge of two companies. The European Bank for Reconstruction and Development ("EBRD") intends to provide financing to Turkuaz Petrol Ürünleri A.Ş, involved in the fuel distribution sector in Turkey, for an acquisition of 100% shares in the state owned Turkiye Petrolleri Petrol Dagitim A.S. ("TPPD").

The main scope of the ESDD Due Diligence is to assess environmental and social impacts associated with the Company's activities in terms of regulatory compliance, national international standards and best practices current EHS systems management and implementation and to provide recommendations for identified gaps. The Energy Efficiency Due Diligence included the analysis of the energy saving options and assessment of associated benefits. The findings and recommendations for the environment, health and safety (EHS) is outlined in the ESDD report, as well as the development of a Stakeholder Engagement Plan (SEP) and an Environmental and Social Action Plan (ESAP).

This non-technical summary (NTS) presents an overview of the main subjects of the ESDD, SEP and ESAP.

2 COMPANY DESCRIPTION

Continuing its activities within the body of Zülfikarlar Holding, Turkuaz Petrol Ürünleri A.Ş. was established in 1994 aiming to meet the requirements of private and public sector organizations and the final consumers, has started to buy and import petrol and petroleum products and market them by establishing distribution and stock networks in various regions of the country. With its nearly 350 number of stations, 4 fuel terminals, 7 regional representatives, 10 supply points, 1 mineral oil plant, more than 200 personnel and sales and marketing network that are expanding with each passing day, Turkuaz Petrol Ürünleri A.Ş. continues its operations.

Turkuaz Petroleum Corporation has nearly 350 numbers of stations, 2 fuel terminals, and 2 LPG filling facilities, 10 supply points, , more than 200 personnel and sales and marketing network that are expanding continuously.

TP Petroleum Distribution Corporation, formerly a state-owned capital, is the sixth biggest player in the fuel distribution sector with a market share of 4.4 percent. There are nearly 400 dealers of the brand. TP Petroleum Distribution Corporation has 6 terminals, 333 thousand cubic meters storage capacity and 2 LPG filling facilities.

TPPD and Turkuaz are the 6th and 12th largest fuel distributors in Turkey respectively, which will have a combined 5.0 % market share after the merger (6th largest).

3 SUMMARY OF EHS RISKS AND IMPACTS

Operations of Turkuaz and Turkiye Petrolleri includes, receiving and unloading of petroleum products from refineries, ships, trucks, rail tankers and pipelines; storage and handling of products in storage tanks or mixing or product blending activities, and loading of products to transportation vehicles, pipelines, rail tankers, trucks and ships. In fuel stations, the products are loaded to tanks and stored in tanks (above ground or underground) and unloaded to transportation vehicles. Also, some stations have vehicle mineral oil replacement services.

Environmental risks and impacts within petroleum distribution sector generally include fugitive air emissions, wastewater, hazardous materials and wastes. Handling, storage and transportation of petroleum products may lead to spillages or fires. Petroleum products are flammable and therefore require careful handling to reduce fire risks.

Corporate environmental policy, environmental procedures, forms, and instructions are essential elements of a well-established ISO 14001 Environmental Management System which has been established by TP and has to be extended to all facilities for implementation in a more systematic manner.

Fugitive air emissions from petroleum distribution sector are mainly associated with storage, loading/unloading operations and leaks from equipment. TP has operational procedures for loading/unloading, storage and handling of petroleum products to minimize fugitive emissions. However, the Company may also need to make additional investments in order to prevent fugitive VOC emissions as required by Turkish legislation (expected to be in force in the near future) and EU legislation.

Soil and groundwater contamination might be of concern due to potential spills/leakages from the storage facilities, tanks and related equipment during the storage, transfer and transport of the hydrocarbons themselves or due to hydrocarbon-containing water. To minimize these risks, the tanks and related equipment, should be well-maintained and a program is required for prevention of soil contamination at the facility site.

At the facilities water is utilized for on-site processes. Wastewater that emanate from onsite processes, sanitary use and storm water run-off should be disposed properly as it is performed at terminals of the Company and this approach is also expected to be extended to stations.

Typical wastes from facilities include hazardous and non-hazardous wastes, such as petrol contaminated materials, sludge, packaging wastes, etc., which have to be segregated properly and sent to certified disposal facilities. Terminals properly handle the wastes produced at terminals and dispose as required by legislation. The same approach should also be adopted at the retail stations of the Company.

Potential occupational health and safety risks associated with the services include injury and incidents related with slips, trips and falls due to frequent need to work at elevations, uneven surfaces, work in confined spaces, exposure to chemicals, noise, vibration, accidents with motor vehicle, emergency situations such as fire, spills and etc. In order to avoid these occupational health and safety risks, health and safety conditions at the facilities has to be well managed and monitored continuously.

A Health and Safety Management System (HSMS) has been established at TP facilities to minimize potential safety risks. Process safety and operational procedures -with the use of organizational and infrastructural resources- form the basis of Health and Safety Management System. Therefore, this process is expected to be extended to all facilities in order to achieve a more comprehensive and systematic approach.

For management of the emergency conditions; the Company has established the Emergency Response Plans, drills are implemented periodically and some technical processes like risk assessment etc. has been initiated. The Health and Safety plans/procedures, emergency response plans, and risk assessment, which has been developed specifically for each site, should be reviewed and improved as necessary.

Social risks and impacts in the sector generally include community health and safety, stakeholder relations and cultural heritage. The stakeholders are the group of people who could be affected by operations of the Company. In order to manage reputational risk, the Company should provide a good communication with public, local and

regional communities, markets and clients and take all the necessary measures to protect community health and safety.

Labour and working conditions is another important issue for sustainability of business activities and may impose a risk if not managed properly. In order to avoid the labour and working condition risks, the company should provide safe and healthy working and living conditions, non-discrimination and avoid the use of child or forced labour.

For new facility installations or expansion projects, there is a potential risk of impacts on cultural heritage which has to be managed in accordance with the provisions of the national legislation.

Performance monitoring, retrenchment, overtime work, disciplinary procedures, wages, benefits and conditions of work, gender inequality are all managed in a good manner within the both sides of the company. The Company works with a finance consultancy firm for a new performance system and Key Performance Indicators will be determined in order to review performance.

By completing the corporate identity, technology and infrastructure revision of its nearly 200 stations with its "New Corporate Identity Project", the company aims to re-design the stations according to the determined appearance standards and this process is on-going. A stakeholder engagement plan and a grievance mechanism – especially an internal grievance – is required to be developed and implemented since stakeholder engagement is a basic element for the smooth running of projects and activities.

3.1 ESAP OVERVIEW

To support the Company for its operational activities and future projects, an Environmental and Social Action Plan (ESAP) has been prepared to describe the actions necessary for implementation of various mitigation measures or corrective actions so that the Company is in line with EBRD Environmental and Social requirements.

The actions described are relevant to the development of plans, procedures in order to meet specific performance requirements (i.e. Information Disclosure and Stakeholder Engagement, Cultural Heritage etc.) and development of other specific action items to close an identified gap. Key action items that are described in ESAP are presented below:

- ✓ TP holds ISO 14001 Environmental Management System and an OHSAS 18001 Health and Safety Management System certifications. The operational plans, procedures and practices need to be reviewed and improved as necessary. The management system should be put into use at all stations and terminals. The Company should improve and align the environmental, health and safety, and social management systems in line with the requirements of ISO 14001/OHSAS 18001 standards and other Good International Industry Practice (GIIP).
- ✓ Company is mostly in line with the regulations throughout its terminals except some minor items. The compliance of the stations should also be under control. The Company should upgrade the existing facilities and bring them into compliance with Turkish/EU environmental and safety regulations.
- ✓ The Company fulfil commitments regarding to non-discrimination and avoidance of child and forced labour. However, these commitments should be included in the Human Resources (HR) Policy of the Company. The Company should also improve the social and labour procedures and develop a worker grievance mechanism.
- ✓ Volatile organic emissions emitted to atmosphere should be recovered according to the EU directive and it will be mandatory after 01/01/2018 according to Turkish regulation. The Company didn't make any investments for these issues, to date. Therefore VOC recovery systems at all eligible sites should be implemented.

**Resource Efficiency, Environmental and Social Assessment
Non-Technical Executive Summary (NTS)**

- ✓ The merge of the two companies is planned to be completed by the end of April 2019. However, the process is not well known by customers and field workers. A Stakeholder Engagement Plan and information disclosure procedure should be developed and implemented.
- ✓ A specific program for prevention of air emissions is not present, for wastewater some stations are discharging its wastewater without sufficient treatment and also waste are not managed in corporate level. Therefore, additional technical and organizational measures aimed at the reduction of the negative impacts associated with air emissions, water and waste management and their monitoring should be taken.
- ✓ Safety practices are not standardized at all facilities of the Company. Therefore, the safety culture and practices throughout the company should be enhanced.
- ✓ Emergency preparedness is mainly based on the emergency plans rather than process safety requirements. The Company should improve emergency preparedness and process safety by taking actions required by the National Legislation on Prevention of Major Industrial Accidents.
- ✓ Company should implement a proper contractor management system. Since, contractors face with same risks and same working conditions with the employees while they work for the Company.
- ✓ The Company mostly works with outsourced trucks for loading/unloading of products. There are some control measures for outsourced trucks, however a direct system for control of fleet and traffic does not exist. Therefore, fleet and traffic management system should be improved.

3.2 SEP OVERVIEW

Stakeholder Engagement aims to build and maintain constructive relationship over time and stakeholder engagement plan (SEP) describes a company's strategy and program for engaging with stakeholders. Therefore, timely provision of relevant and understandable information is provided.

SEP shall be updated periodically with respect to organisational changes, level of impact and risk, area of influence and stakeholders' interest should be followed up. The summary of SEP is provided in the following.

Stakeholders:

Within the scope the SEP, key Project stakeholders are identified as potential affected parties of this project and ongoing activities of the Company. Among affected parties, SEP identifies employees as internal stakeholders and clients, local governmental organisations, public economic enterprises as external stakeholders.

Engagement:

The methods of engagement and type of information share with the main stakeholders are presented in the SEP. The engagement process will be performed mainly through:

- ✓ Information disclosure on website;
- ✓ Development and disclosure of employee grievance procedure for internal engagement;
- ✓ Grievance leaflets through company website;

The Company will use the following methods to reach to the target audience:

- ✓ Meetings (both public and authorities);
- ✓ Interviews;
- ✓ Posts;
- ✓ Phone calls;
- ✓ Procurement notifications.

Grievance and feedback mechanism:

The grievance mechanism is an important building block for stakeholder engagement since all requests/complaints from both internal and external stakeholders will be received by this mechanism with appropriate corrective actions being implemented and the stakeholders are informed.

The SEP includes a grievance form.

Monitoring and Reporting:

Monthly summaries of grievances, queries and related incidents together with the implementation status of corrective/preventive actions will be reported. The monthly summaries will be used to assess both the number and nature of complaints (if any), along with TP&Turkuaz ability to address complaints in a timely and effective manner. Summary reports will be disclosed on the website at least annually.

Resource Efficiency, Environmental and Social Assessment
 Non-Technical Executive Summary (NTS)

Enquiry Form

Date of Incident/Grievance/Enquiry :

<i>to be filled out by recipient</i>	
Reference No.	
Received on	
Received by	

Full Name (If you wish to remain anonymous please just enter ANONYMOUS – your comments will still be considered)	_____
Contact information Please mark how you wish to be contacted (mail, telephone, email)	<input type="checkbox"/> by mail (please provide your mail address): _____ <input type="checkbox"/> by telephone (please provide your phone number): _____ <input type="checkbox"/> by email (please provide your email address): _____
Preferred Language	<input type="checkbox"/> Turkish <input type="checkbox"/> Other (_____)
Describe the Incident/Grievance/Enquiry (What happened? Where did it happen? Who did it happen to? What is the result of the problem?):	
	<input type="checkbox"/> One-time incident/grievance <input type="checkbox"/> Did it happen more than once (how many times? _____) <input type="checkbox"/> On-going (currently experiencing problem) yes <input type="checkbox"/> no <input type="checkbox"/>
What would you like to see happen to resolve the described problem?	

Signature : _____

Please return this form to: HR/Marketing

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