

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

ENKA ATTACHES GREAT IMPORTANCE TO EXTEND SUSTAINABILITY THROUGHOUT ITS VALUE CHAIN. IN THIS SENSE, ENKA CONSIDERS ITS SUPPLIERS AS IMPORTANT PARTS OF THE VALUE CHAIN AND INTENDS TO MAKE THE ENTIRE SUPPLY CHAIN A PART OF THE SUSTAINABILITY PROGRESS AND DEVELOPMENT IT SEEKS FOR ITSELF.

In all fields it is involved in, ENKA works without compromise from ethical rules and in keeping with the national and local laws and regulations as well as the stipulations of international standards. In line with this, ENKA expects its suppliers and partners to act in compliance with ethical rules and to meet the requirements of responsible management. To this end, ENKA has developed a Supplier Code of Conduct to cover all its suppliers, subcontractors, service providers, consultants, dealers and business partners (altogether referred to as “Suppliers”) and it carries its sustainability practices into its supply chain through risk management, supplier selection and evaluation processes, audits, training and supplier communications activities.

The Corporate Supply Chain Department, which started its activities in 2018, focuses on extending the use of new-generation procurement methods and e-trade applications throughout the company and on improving the supplier pool and ensuring that its effective use by all procurement units. In addition, it continues to work on the functional management and auditing of procurement units.

ENKA Supplier Code of Conduct is available on the ENKA corporate website in four languages; English, Turkish, Russian and Arabic. Furthermore, all contracts signed with suppliers contain clauses obliging the firms and their employees to conduct their activities in line with the ENKA Supplier Code of Conduct and reserving ENKA's rights to carry out audits in this regard and to terminate the business relationship should the Code of Conduct be violated, including over issues of human rights and combating bribery and corruption. The ENKA Supplier Code of Conduct contains detailed information Compliance with the Law, Human Rights and Fair Working Conditions, Environment, Occupational Health and Safety and Security, Combating Bribery and Corruption or Preventing Uncompetitive Behaviour and the procedures to be applied in case of violation of the rules.

For more information, please visit:

► www.enka.com/allfiles/media/pdfs/ENKA_Supplier_Code_of_Conduct_en.pdf

All suppliers, service providers and subcontractors that have a business relationship with ENKA may convey their complaints, opinions and suggestions to ENKA through the procurement and subcontractor management units of the projects. They may also report any violations of ethics or obtain information regarding any ethical violation

through the Ethics Hotline, which was established in 2017 and provides services in four languages.

ENKA aims to expend its sustainable and responsible supply chain approach among the ENKA Pazarlama dealers, which are among its stakeholders. In February 2019, a sustainability workshop was held for ENKA Pazarlama dealers in order to communicate the ENKA Supplier Code of Conduct, including its sustainability policy and approach and anti-bribery and anti-corruption policy and to raise the awareness and consciousness of the participating firms on these issues. The workshop addressed priority topics such as compliance with the law, compliance with human rights, fair working conditions, anti-bribery and anti-corruption policies and practices, occupational health and safety, environmental management and the communication of the relevant practices to stakeholders. Information was also given

about sustainability audits. The workshop concluded with an introduction of ENKA's social responsibility projects and workshops on carbon and water footprint were organized for dealers.

ENKA also organized an event to inform suppliers operating in Kazakhstan, where the company has been operating for many years and will continue its large-scale projects during 2019-2020 period, about the requirements of ENKA's Supplier Code of Conduct and management systems. In the event, where companies operating in different fields attended, information regarding the practices and requirements of different ENKA units was provided and a special Supplier Code of Conduct training was included. At the end of the event, participants had the opportunity to ask their questions and share their opinions and suggestions about ENKA's supply chain processes.



SUPPLIER SELECTION

The selection of suppliers is carried out by procurement departments, using criteria such as line of business, the needs and expectations of parties and special requirements concerning the demanded products or services. Procurement activities are carried out by treating every supplier fairly and equally and in line with the procurement and supplier selection procedures prepared by ENKA and its subsidiaries and other requirements. ENKA pays utmost attention to select suppliers according to their competence and pays its suppliers by criteria established by contract.

Any firm that wants to develop a business relationship with ENKA may register to the ENKA Global Vendor Network portal. The ENKA Global Vendor Network (EGVN) contains trade information of all suppliers, service providers, subcontractors and other third parties with which business relations have been established. All information belonging to other firms is kept confidential in line with Information Security Management systems operated within ENKA.

ENKA Global Procurement System (EGPS) is a global procurement and warehouse management software that was developed to monitor the entire procurement process end-to-end, beginning with procurement planning, proceeding through receiving offers, holding a tender, evaluating tenders, issuing purchase orders, shipping, warehouse acceptance, storing and finally issuing of the goods and allows recording and control of material and equipment purchases at every stage.

As a result of the improvements made to the EGPS in the last weeks of 2018, it became possible for registered suppliers to be invited to take part in open tenders using EGPS. Suppliers that are invited to tenders can enter the portal using their own user information and to make their offers directly and they can access the details of tenders they have previously participated in on their home page. Furthermore, the questions and answers and other information correspondence throughout the tender process are shared with all suppliers in full transparency. Doing so, the tender process has been fully integrated with the online system and became fully traceable and transparent. In 2019, work continued on perfecting these applications based on feedbacks from suppliers and procurement units. The targets for the end of 2019 to carry out more than half of the total number of procurement transactions using electronic procurement methods and to use E-Tender applications for purchases of consumables and inventory items for Headquarters were achieved in 2019. As a 2020 target, it is aimed to place E-RFQ (electronic offer collection) and E-Tender applications in all purchases, including projects.

Before coming to an agreement with any supplier firm, ENKA's procurement units run a pre-qualification assessment. Among the criteria used in the pre-qualification assessment are the volume of goods and





services to be purchased, risk level, supplier assessment results, time and cost analysis, quality assessment analysis, environmental performance, the business experience of the supplier as well as the performance and attitude of the supplier with respect to ethics, compliance and sustainability.

In 2017, sustainability criteria were included both in the corporate procurement procedure and in the supplier pre-qualification and performance evaluation criteria. These have been used by all procurement units since 2017 and include the following main criteria:

- Health, Safety and Environment Management Systems
- Measurements for water consumption, carbon footprint and waste management
- Commitment to ethical conduct and in compliance with human rights
- Policies and procedures on preventing child labour and forced labour
- Policies and procedures on bribery and corruption
- Policies and procedures on preventing discrimination and harassment
- Legal compliance with employee rights and working hours
- Social responsibility projects
- Supplier's evaluation of its sub-suppliers on social and environmental compliance criteria

Considering the business lines and developing countries in which ENKA mainly operates, the selection of the suppliers to cooperate with is of great importance. Therefore, suppliers are categorised by their sector, amount and value of procurement, critical materials or services they offer, the continuity of the business relationship, ability to offer goods and services at international standards, strategic importance due to constraints on time or resources and risk grade. The categorisation guarantees outputs that provide the highest benefit and value added in keeping with requirements.

During supplier pre-qualification assessments, if the firm in question has previously done business with ENKA, its EGVN assessment scores and notes are checked and those firms which performed poorly or which violated the law, human rights, the rules for combating bribery and corruption or the ENKA Supplier Code of Conduct are not engaged. For firms that are planned to work for the first time, the "Restricted Party Screening" service is used to make use of the data of states (governments) and research institutions to check that the firm has not been on the blacklists and are legally eligible to work with.



Proterm Energy has been operating since 2002 in the fields of regular and emergency maintenance/repairs of power plants and industrial facilities and the turnkey delivery of electro-mechanical assemblies of power plant turbines and generators, auxiliary units for these systems and rotating equipment. The history of the company's cooperation with ENKA dates back to the start of commercial operation at ENKA's Adapazarı, Gebze and İzmir power plants in 2002-2003. Today, besides these power plants, we are also continuing to cooperate with ENKA through the services we offer in different sectors in Turkey and abroad.

For the 18 years since our foundation, we have maintained our business relationship with ENKA based on mutual satisfaction. At the time when we started to work with ENKA, the private sector was just starting to engage in power generation in Turkey. Throughout this period, in line with ENKA's policy of training up qualified personnel for the sector, the managers of the power plants have never made any distinction between their own employees and the employees of the subcontractor firms providing services at the plants, and have always stood by firms that offer quality services.

On account of the professional trainings provided by ENKA, particularly with respect to occupational health and safety, our employees have acquired experience and gained in confidence. As a result, they produced better work for the units in which they were employed. Thanks to the trainings provided and the experiences acquired, our company and our employees with whom we work have had the opportunities to do business for companies that were involved in power generation sector at a later stage and we have become a company that transfers trained and qualified workforce to the sector. Like ENKA, we are proud of the work of our engineers and other technical personnel who were working in our company and later, as is the reality of professional working life, started to work in different companies operating in Turkey and abroad.

The success story of our 18-year-old company sums up ENKA's mission very well. It is very difficult to explain this in just a few paragraphs. However, I would like to say that we have come to occupy an important place in the sector on account of the references that we have obtained while working for ENKA. In the field of energy, we are cooperating with the most respected equipment manufacturers in Turkey and abroad and thanks to the references we have obtained, we have taken our place among the companies that directly do business abroad. Consequently, we provide qualified workforce and equipment support to companies that generate energy and at the same time, we add significant value to our country with the services we provide.

The main target of both our managers and all our employees is to prevent any harm to our values we have whether with respect to occupational health and safety or to technical and commercial business ethics. In line with this target, we take pride in our references from ENKA.

■ Cemal Yücer

*General Manager
Proterm Energy Industry and Trade Inc.*

**FOR THE 18 YEARS SINCE
OUR FOUNDATION, WE
HAVE MAINTAINED OUR
BUSINESS RELATIONSHIP WITH
ENKA BASED ON MUTUAL
SATISFACTION.**

#GrowingBetterTogether



STAKEHOLDER
ASPECT

SUPPLIER ASSESSMENTS AND AUDITS

MONITORING AND EVALUATION OF SUPPLIER PERFORMANCE IS AMONG THE MOST IMPORTANT CRITERIA FOR A HEALTHY FUNCTIONING SUSTAINABLE SUPPLY CHAIN.



ENKA runs evaluation systems on electronic platforms to measure its suppliers’ operational, scheduling, cost, quality, occupational health and safety, environmental, ethical and social performance.

In 2017, additional sustainability topics such as compliance with ethics, human rights and ENKA Supplier Code of Conduct, environmental and social compliance and combating bribery and corruption were added to the list of questions for performance evaluation. In 2019, performance evaluations were carried out for a total of 1,438 firms. The evaluations were carried out electronically, using the ENKA Global Vender Network (EGVN) database. Performance scores based on the assessments can be accessed by all ENKA users through the EGVN. Before any potential supplier is contracted, the former performance of the supplier is checked on EGVN and no contracts are offered to suppliers whose assessment score is under the acceptable limit, and if any human rights violations or cases of bribery and corruption have been detected.

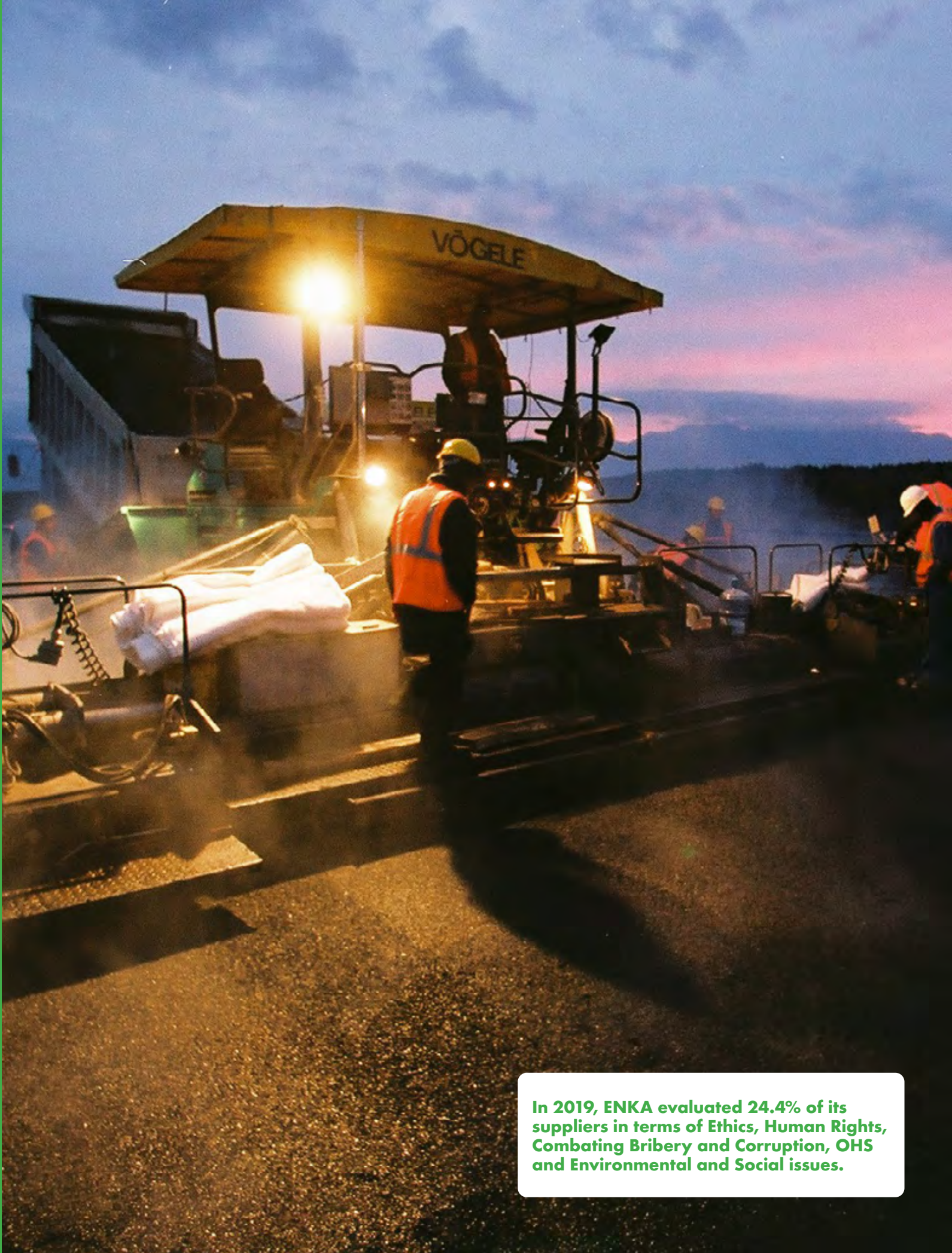
In 2019, ENKA evaluated 24.4% of its suppliers in terms of Ethics, Human Rights, Combating Bribery and Corruption, OHS and Environmental and Social issues. 17.4% of the companies evaluated were in a class that was previously categorised as risky. As a result of this assessment, no cases of environmental or social non-compliance or violation of the law were encountered. It was decided not to work with three companies that did not meet the economic aspects of the evaluation criteria and four companies that underperformed as well as with a further two companies that did not meet the criteria related to the requirements of the Supplier Code of Conduct and these two companies were blacklisted in order to not to work with again.

Cimtas Ningbo audited 14% of its suppliers during the reporting period and following these audits, it decided to stop working with 17 suppliers as a result of their evaluation of environmental, OHS and social and ethical issues.

The sustainability audits started in 2018 for suppliers that have strategic importance for ENKA, continued in 2019. In these audits, carried out by the Corporate Sustainability Department, three companies were visited and ethics and compliance, human rights and employee rights, combating bribery and corruption, social compliance, occupational health and safety and environment topics were focused on. During these audits that took place in the reporting period, no cases of child labour or forced labour were encountered and no cases of corruption were identified. In the light of these audits, the areas that need to be improved were identified and the necessary corrective and sustainable action plans were prepared by the suppliers and they were conducted in line with these plans. In this way, it was intended to contribute the improvement in the existing systems of suppliers.

According to the section 7 of the ENKA Supplier Code of Conduct; Human Rights and Fair Working Conditions, all suppliers and service providers having a business relationship with ENKA have to respect the rights of their employees to establish independent trade unions, become members of such unions and to organise at the workplace. During the reporting period, no violations of employees’ right to organise or engage in collective bargaining were encountered at supplier companies and no reports, complaints or denunciation about such an issue were received. Similarly, no cases of child labour or forced labour were encountered at supplier companies during the reporting period and no reports, complaints or denunciation were received in this matter.

Any cases of non-compliance identified during supplier assessment are officially communicated to the supplier’s management as soon as possible. According to the type of non-compliance and the stipulations of the contract with the supplier, measures such as issuing a warning, punitive action or termination of contract may be enforced.



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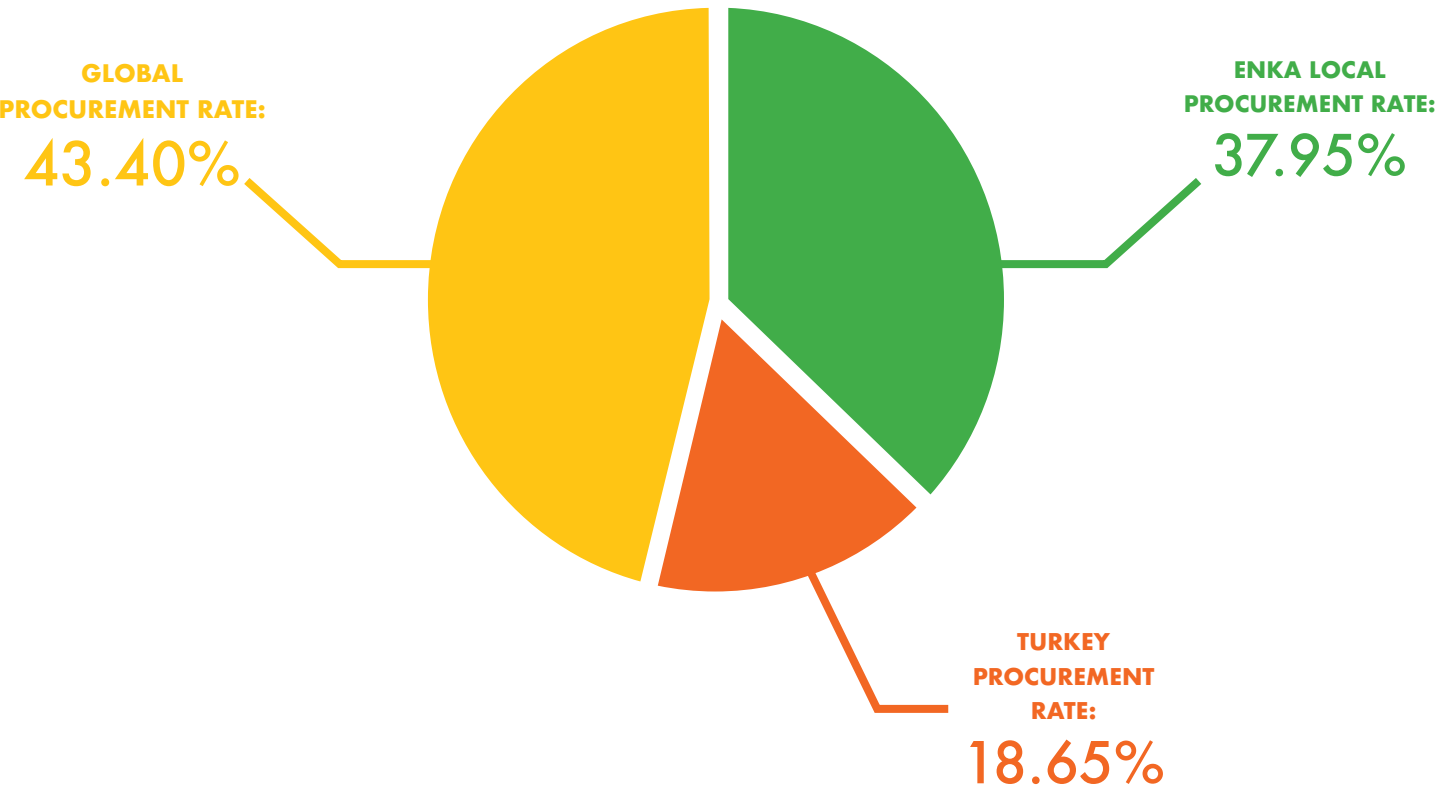
LOCAL PROCUREMENT

In the projects it undertakes in many regions around the world, ENKA carries out considerable local procurement and thereby supports the economic development of local communities. For ENKA, the term "local suppliers" denotes suppliers registered within the territory in which ENKA is active.

With its strategy of local procurement, ENKA not only supports the development of local communities, but also prevents loss of natural resources and time as well as negative impacts on society and the environment due to the logistics of international procurement.

During the reporting period, ENKA İnşaat’s share of consolidated local procurement ratio of goods and services was 37.95%. In addition, 18.65% of procurement was sourced from Turkey.

Procurement Distribution



ENKA’s direct contribution to the local economies in the countries where it carried out the highest amounts of local procurement is shown in the table below.

Direct Contribution to Economies with Highest Value of Local Procurement

COUNTRY	TOTAL LOCAL PROCUREMENT VALUE
Russia	>USD 82 million
Iraq	>USD 59 million
Kazakhstan	>USD 25 million

LOCAL PROCUREMENT RATES BY PROJECT

As part of ENKA’s sustainability strategy, all ENKA subsidiaries prioritise local firms for purchases if the relevant technical conditions and standards are met. In 2019, the local procurement rate was 96% at ENKA Power, 47% at ENKA Pazarlama, 92% at ENKA Systems; among the subsidiaries operating in Russia, this rate was 100% at MKH, 100% at MOSENKA, 97% at OMKH, 99.8% at ENKA TC, 100% at ENKA Invest, 100% at CCI and 78% at Cintas Ningbo, operating in China.

Local Procurement Rates at ENKA İnşaat Projects

PROJECT NAME	LOCAL PROCUREMENT RATE
Dhi Qar 750 MW Combined Cycle Power Plant	32.04%
FGP 3GP Project	19.82%
Kashirskaya Project	95.74%
Kosovo Route 6 Project	81.39%
Nizhnekamsk Combined Cycle Power Plant	44.57%
Basra Umm Qasr Project	65.04%
Samawa 750 MW Combined Cycle Power Plant	35.68%
South Caucasus Pipeline Expansion Project (SCPx)	92.92%
Kazan TAIFF Business Centre Project	98.85%
Tengiz Projects	83.34%
West Qurna 1 IOT Project	71.56%



“BASED ON MY PERSONAL EXPERIENCE, WORKING WITH ENKA HAD A GREAT IMPACT ON OUR COMPANY WITH RESPECT TO SAFETY STANDARDS, PROFESSIONALISM AND ECONOMIC ASPECTS.”



We have started our business relationship with ENKA in 2011 by supplying high quality concrete for ENKA's Kosovo Motorway Project.

Based on my personal experience, working with ENKA had a great impact on our company with respect to safety standards, professionalism and economic aspects.

ENKA has contributed to our development as a company. During our collaboration we have gained experience in the most important fields such as occupational health and safety and also now after 9 years of cooperation we have increased the number of employees by 35% which is a great number considering our country's economy.

During ENKA's project activities in Kosovo we always had equal opportunities with other local suppliers. I believe this is a key point of doing business ethically; all suppliers were informed about their rights and expected standards and we were equal while being evaluated against these standards.

ENKA's existence in Kosovo has also developed the labor standards and the industry in here. Now we have a labour force that acts more professional, well-trained and follow the safety standards.

■ Zeqa Bakolli
Construction Manager
FITORJA LLC

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