

According to article 7 of section 3.2 Human Rights and Fair Working Conditions of ENKA Supplier Code of Conduct, all suppliers and service providers that work with ENKA have to respect the right 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 and collective bargaining were encountered at supplier firms and no reports, complaints or tip-offs about such an issue were received.

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 annulment of contract may be enforced.

LOCAL PROCUREMENT

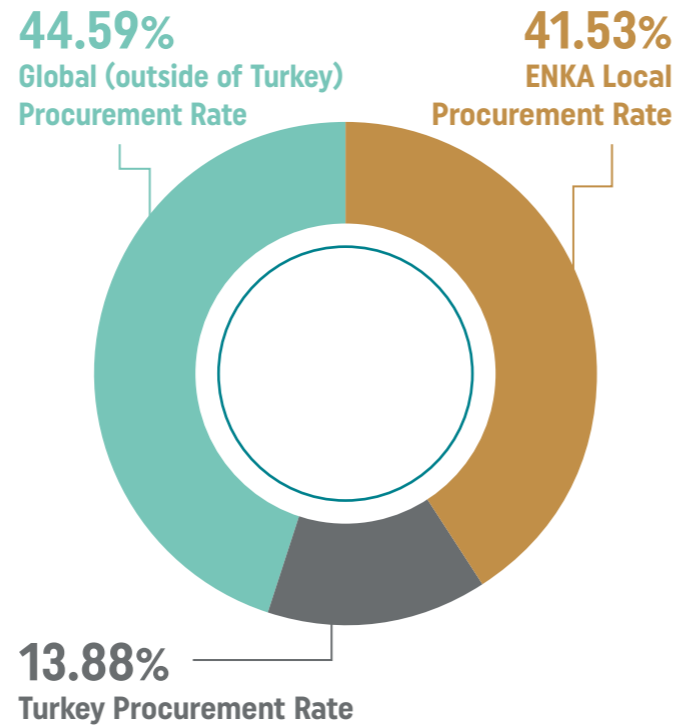
In projects it undertakes in many regions around the world, ENKA carries out considerable local procurement and thereby supports the economic development of local communities. For ENKA, the term 'local suppliers' denotes suppliers registered within the territory in which ENKA is active.

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 of goods and services stood at 41.53% of its consolidated international purchases. 13.88% of procurement was sourced from Turkey.

LOCAL PROCUREMENT RATES BY PROJECT

In line with ENKA's sustainability strategy, ENKA subsidiaries also prioritise local firms for purchases, provided that technical conditions and standards are met. In 2018, the local procurement rate was 94% at ENKA Power, 37% at ENKA Pazarlama; 95% at MKH, 100% at Mosenka, 99.4% at ENKA TC and 95% at CCI which operate in Russia; and 82% in Cimtas Ningbo which operates in China.



PROJECT NAME	LOCAL PROCUREMENT RATE (%)
Athens Embassy Project	21.96%
Dhi Qar 750 MW Combined Cycle Power Station	46.12%
FGP 3GP Project	14.99%
India Embassy Project	16.89%
Kashirskaya Project	84.22%
Kenya Embassy Project	5.75%
Kosovo Route 6 Project	54.64%
Mexico Embassy Project	14.44%
Nizhnkamskneftekhim Combined Cycle Power Station	19.74%
Paraguay Embassy Project	23.49%
Basra Umm Qasr Project	32.46%
Samawa Combined Cycle Power Plant	51.52%
SCPX Early Works and Facilities	58.13%
Sri Lanka Embassy Project	18.30%
Kazan TAIF Business Centre Project	95.53%
Tengiz Projects	66.94%
West Qurma 1 IOT Project	77.13%

RISK MANAGEMENT

BEHIND ENKA'S ABILITY TO OVERCOME CHALLENGES AND CONTINUE ITS SUCCESS IN THE DIFFICULT GEOGRAPHIES AND COMPETITIVE SECTORS IT ENGAGES IN, LIES A RISK MANAGEMENT APPROACH THAT ENCOURAGES MULTI-STAKEHOLDER PARTICIPATION, FOLLOWS CHANGES, MONITORS INTERNATIONAL STANDARDS AND DEVELOPMENTS AND AS A RESULT IS CAPABLE OF TURNING RISKS INTO OPPORTUNITIES.

Risk management is a component of all ENKA's processes and activities, and risk-based thinking is encouraged by ENKA's senior management.

During the risk management process, ENKA's present and potential activities are assessed not only in terms of financial and legal risks, but also for economic, environmental and social risks. At ENKA, the highest organ responsible for the risk management function is the Early Identification of Risks Committee, which reports to the Board of Directors. In 2017, a Risk Management Work Group was established under the Committee to ensure that an active and effective risk management programme is implemented.

The purpose of the Committee is the early identification of any potential risks that might jeopardise the existence, development and continuation of the company, the implementation of preventive actions concerning identified risks, and undertaking work related to risk management and review risks management systems in force at least once a year. The Committee meets at least six times every year with a maximum interval of two months and consists of the non-executive members of the Board of Directors.

The Risk Management Work Group was formed to ensure that corporate risks are identified, the means of risk reduction are specified, and that identified measures against risks are assessed and implemented.



Given the field of activity of the ENKA, the risks are taken up concerning sustainability issues and risk management covers ethics and compliance, human rights, anti-corruption, climate change, biodiversity and natural resources, engagement with communities as well as talent management risks in addition to strategic, financial, operational, external environment and brand management risks. Sustainability related risks are identified early by means of communications with stakeholders and the monitoring of international trends, standards and practices performed by the Sustainability Department and the Sustainability Committee and are mitigated through a proactive approach.

Risks identified during the risk management process are assessed and scored according to their probability and impact potential. For the mitigation of highest scored risks, a responsible manager is appointed at the company and/or group level. Identified risks are categorised as "to be avoided", "to be transferred", "to be mitigated" or "to be accepted" in the risk management strategy. The risk management strategy is formulated so that risks remain below the tolerance threshold identified by the Board of Directors.

ENKA's internal risk management mechanisms and procedures for the identification, monitoring and mitigation of risks are supplemented in sustainability fields such as ethics and compliance, human rights, combating corruption and the environment by the international promises and guidelines such as United Nations Global Compact (UNGC) of which ENKA is a signatory and the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) and management standards ISO 9001, ISO 14001 and OHSAS 18001 for which ENKA is audited and certified.

In assessments that were carried out during the reporting period, emerging risks on international scale were identified as changes to legislation and regulations in countries where ENKA is active, climate change risks, information security risks that advancing technology brings along and especially financial risks caused by exchange rate fluctuations.



PRODUCT AND SERVICE QUALITY

ENKA has established a reliable Quality Management System, that is certified, implemented and continually improved in order to ensure business efficiency in projects undertaken, develop process performance, constantly improve organizational knowledge and capabilities and to systematically meet customer needs and expectations. ENKA's Quality Management System is compliant with ISO 9001 standard and accordingly certified by the British Standards Institute (BSI) since 2001. The BSI carries out compliance audits at regular intervals, ensuring that product and service quality is maintained at the best international level.

In addition to the ISO 9001 certification, ENKA's Quality Assurance Programme for the realisation of construction works, including engineering and design, procurement, quality control, contracting, fabrication and installation activities, complies with the ASME Boiler and Pressure Vessel Codes.

IN ALL PROJECTS IT UNDERTAKES, ENKA CONSIDERS ITS CUSTOMERS' AND OTHER STAKEHOLDERS' NEEDS AND EXPECTATIONS AS WELL AS PROJECT CONTRACT REQUIREMENTS AS ESSENTIAL, ESTABLISHES A DEPENDABLE AND OBSERVABLE QUALITY MANAGEMENT SYSTEM AND MAINTAINS ITS CORPORATE QUALITY STANDARDS.

In order to maintain and update its corporate processes and activities with a stronger, more integrated and systematic structure, ENKA regularly runs audit and inspection activities and continues its work on quality standardisation under its continual improvement activities.

The quality management system established at projects acts as an effective tool for ensuring that the products and services supplied by ENKA are compliant with the requirements of the prime contract, as well as focusing on identifying and preventing potential problems.



In order to establish, run, maintain and continually improve the quality management system, the following requirements of ENKA's Culture of Quality must be met without fail:



- The assignment of necessary resources,
- Identification of authorities and responsibilities for roles within the company,
- Identifying internal and external issues that are related with the company's objectives and strategic direction and that affect the company's capability of attaining to the intended results of the quality management system,
- Identifying monitoring and measurement criteria and the monitoring, measuring and review of process performance,
- Integration of quality management system requirements with the company's business processes,
- Encouragement of a process approach and risk-based thinking management,
- The quality management system attaining the intended results of the quality management system,
- The adoption of the principles of customer satisfaction and customer-focused work by all employees,
- Encouragement and support for continual improvement.

