

Public Information Summary

Host Country	Republic of Turkey
Name of Borrower	Ceyhan Polipropilen Üretim Anonim Şirketi
Project Description	The development of a greenfield polypropylene production facility with a nameplate capacity of 472,500 MT p.a. in Province of Adana, Republic of Turkey. The Project stands to significantly bolster regional economic development by anchoring jobs and investment in one of the poorest regions of Turkey, fostering resilience and self-sufficiency by enhancing domestic polypropylene production, reducing imports and an improved foreign currency exchange balance to address Turkey's ongoing currency crisis. The Project incorporate the most up-to-date technology to produce polypropylene efficiently takes significant steps to mitigate its contribution to climate and pollution risks. The transaction is recommended for approval despite market and country risks that are more difficult to mitigate. The investment will support U.S. foreign policy objectives and counters financing from competitor states.
Proposed DFC Loan/Guaranty	Up to \$550 million; Tenor of no more than 15 years after first disbursement.
All-Source Funding Total	\$1,666,785,281
Policy Review	
Developmental Objectives	The Project is expected to have a positive development impact in Turkey by supporting the country's macroeconomic position, as well as creating jobs and providing income to local businesses. Turkey currently faces various economic headwinds, with a recent increase in the current accounts deficit and high levels of inflation. By replacing polypropene imports with new domestic production, the Project is expected to generate \$800 million in saved foreign exchange annually. The Project will also create several hundred new jobs in the less-developed southern region of the country, which suffers from higher unemployment and poverty rates than the country as a whole, while procuring hundreds of millions of dollars' worth of goods and services from Turkish businesses. Furthermore, the Project will produce polypropene using 100% renewable power.
Environment and Social Assessment	Screening: The Project has been reviewed against DFC's categorical prohibitions and determined to be eligible. The Project has been

screened as Category A because it involves large-scale, greenfield development of a petrochemical facility and the projected Greenhouse Gas emissions exceed the 100,000 tons of carbon dioxide equivalent (CO₂eq) per year threshold. In addition, the Project has the potential to cause significant and irreversible impacts which need to be adequately mitigated.

The Project involves a major manufacturing complex (the “Complex”) that has potential impacts which are diverse and potentially irreversible; greenhouse gas emissions from the Project that are estimated to be 210,000 and 275,000 tons of carbon dioxide equivalent per year (Scope 1 and Scope 2 emissions respectively) (the Sponsor plans to purchase Renewable Energy Credits [market-based instrument that represents property rights to electricity generated from renewable energy sources and fed to the grid] for the Project’s use of electricity); the potential to impact local infrastructure; and the potential for accidental releases of variety of volatile organic compounds (VOC) including propane. In addition, there are also impacts and risks commonly associated with new construction and civil works (e.g., noise, dust, vehicle and equipment emissions, solid and hazardous waste management, occupational health and safety, housing, and sewage management). Other issues of concern during construction include marine impacts from both dredging undertaken during jetty construction and from the disposal of dredged materials at the Terminal (an Associated Facility). The main environmental impacts of the Project during operations are associated with: the accidental releases of hazardous materials such as propane; accidents and process upsets resulting in fire and explosion; air emissions of VOCs, particulate matter (which maybe only released when diesel is used as a fuel), nitrogen oxides, and sulfur oxides (which maybe only released when diesel is used as a fuel) which may have impacts beyond the Project boundaries; wastewater discharges; solid and hazardous wastes disposal; occupational health and safety risks associated with the construction and operation of a major petrochemical complex (including the handling of hazardous materials such as propane and hydrogen); potential risks to community health, safety, and security; biodiversity impacts; and cumulative impacts.

In addition to the above, key social impacts are related to cultural heritage, displacement and expropriation associated with the broader Ceyhan Petrochemical Industrial Region (CPIR); in-migration; and overall labor management of a large construction workforce. Land for the PDH-PP Project was provided by the CPIR Management Company who manages the overall CPIR zone in which the project is located.

The CPIR was established via expropriation by the Government of Turkey in 2007.

The construction schedule is divided in two phases, the Early Works (Phase 1) and Main EPC Works (Phase 2) which are scheduled to last 6 and 38 months, respectively, with completion planned for April 2026.

Environmental and Social Standards:

DFC's environmental and social due diligence indicates that the Project will have impacts that must be managed in a manner consistent with the following of the International Finance Corporation's (IFC) 2012 Performance Standards:

- PS 1: Assessment and Management of Environmental and Social Risks and Impacts;
- PS 2: Labor and Working Conditions;
- PS 3: Resource Efficiency and Pollution Prevention;
- PS 4: Community Health, Safety, and Security;
- PS 5: Land Acquisition and Involuntary Resettlement;
- PS 6: Biodiversity Conservation and Sustainable Management of Living Resources; and
- PS 8: Cultural Heritage.

No indigenous peoples have been identified at or near the Project site. Therefore, Performance Standard 7 (Indigenous Peoples) is not triggered by the Project at this time.

In accordance with PS 3, the IFC's Guidelines applicable to the Project include: General Environmental, Health, and Safety (EHS) (2007); Petroleum-based Polymers Manufacturing (2007); Crude Oil and Petroleum Product Terminals (2007); Ports, Harbors, and Terminals (2007); and Water and Sanitation (2007).

Workers' accommodation both during construction and operations will be required to meet the recommendations of "Workers' accommodation: process and standards" (a guidance note by IFC and the EBRD).

The Project has submitted the ESIA to the Ministry of the Environment for undertaking construction and the environmental permit has been granted for the construction phase. Similarly, a permit will be obtained before the commencement of commercial operations.

Environmental and Social Risks and Mitigation:

The nearest residences to the Project are located approximately 1.5 kilometers (kms) from the Project site. Air dispersion modeling of a potentially harmful vapor cloud resulting from an accidental propane release indicates that hazardous concentrations of propane will be limited to less than 1.5 kms radius around the point of release and within the Complex fence-line. Therefore, all residences will be outside of the zone of critical impact. To further mitigate this unique community safety risk, an exclusion zone will be established around the Project facility. In the event of a major fire or explosion, minor damage may be expected to other industrial facilities within the industrial area and some injuries may occur to facility personnel. However, there is no facility (other than the Terminal) within 1.5 km of the Project facility. A detailed hazard analysis will be undertaken to identify opportunities to reduce the potential for accidental release of propane and other VOCs and minimize the risk of fire and explosion.

The Project will adopt detailed procedures relating to the safety of facilities' operations, including any recommendations resulting from the hazard analysis. Detection equipment located within the facilities will monitor VOC releases. These monitors will detect any accidental release of propane and other VOCs and automatically shut down the relevant manufacturing facilities. The Project will be required to develop and implement an Emergency Preparedness and Response Plan to ensure that appropriate emergency response measures are in place including the Complex having its own emergency service vehicles and responders. The Project will also be required to develop and implement an Occupational Health and Safety Plan and a Fire Prevention and Control Plan both of which will be designed to ensure workplace safety. Employees will be trained on emergency response measures in addition to being trained on safety and environmental and social impacts management.

The Project is currently in process of establishing an environmental and social management system that will be consistent with the requirements of the IFC's Performance Standards. DFC will require that the Project put in place procedures consistent with the Good Internationally-accepted Industry Practices (GIIP) to address both construction safety and occupational and community risks.

For the construction phase, the Project is expected to follow internationally recognized best practices in construction safety, provide adequate housing to construction personnel, and properly manage the sewage generated from the construction camps. The Project will develop and implement a detailed Environmental and Social

Management Plan (ESMP) which will address: construction safety; accidental VOCs releases, fire and explosions; air emissions; wastewater discharges; and solid and hazardous waste disposal.

The Project will treat and re-use all of its process wastewaters and storm water in its own wastewater treatment facility. Particulate matter, sulfur oxides, and nitrogen oxide emissions from furnaces, flares, and generators will comply with the IFC's General EHS Guidelines. Process emissions of VOCs will comply with the recommended air emission levels in IFC's Guidelines for Polymers Manufacturing. Spent catalysts will be sent to the original manufacturer for metal recovery and subsequent disposal of residues as hazardous wastes. Other process residues will be treated to reduce the toxicity of contaminants present and the treated residues disposed in a manner to prevent significant environmental releases. The Project will be required to monitor other infrastructure impacts and take corrective actions when necessary.

Biodiversity Impacts

The Project will be located within the Ceyhan Energy Specialized industrial zone, which is surrounded by industrial facilities, rural residential areas, scattered vacant land, and agricultural areas. In addition, two crude oil pipelines belonging to the Turkish Petroleum Pipeline Company (BOTAS) and Baku-Tbilisi-Ceyhan Crude Oil Pipeline (BTC) are located to the north of the Project site. Construction and operation activities in the Project area are not expected to result in major habitat modification. However, the Project area contains ecosystems that are important habitats for local, regional, and global biodiversity which could be potentially impacted during construction and operations.

Baseline studies in the terrestrial environments identified two species of flora (*Cyclamen persicum* and *Crocus vitellinus*) as vulnerable and one species (*Pancreatium maritimum*) as endemic according to the Red Data Book of Turkish Plants, and one species of fauna (Egyptian vulture) listed as Endangered under IUCN categories. On the marine environment, the Project identified four species listed as Critically Endangered (European Eel, Duckbill Eagle Ray, Spiny Butterfly Ray, and Mediterranean Monk Seal) and four species listed as endangered (Green turtle, Dusky Grouper, Rough Skate, and Common Guitarfish). In addition, the ESIA identified important sea turtle nesting sites near the Project and performed studies on the potential impacts of blasting activities on sea turtle nesting. While the Critical Habitat Assessment

confirmed that the project area is not a critical habitat for any of these species. The Project is implementing the mitigation hierarchy to avoid and minimize impacts on sensitive ecosystems and species. Mitigation measures and management plans for these activities incorporate GIIPs. A Biodiversity Management Plan (BMP) has also been prepared as a part of the ESIA package to address the identified biodiversity impacts. The Project will update the BMP to properly manage the biodiversity impacts and monitor compliance with the IFC's PS6 requirements.

Other Impacts

In order to manage construction impacts to acceptable levels and ensure compliance with the IFC's Performance Standards and Guidelines, the Borrower will prepare traffic management and construction management plans. The Engineering, Procurement, and Construction (EPC) Contractor is also committed to complying with IFC's Performance Standards and Guidelines and ensuring that the community impacts are minimized.

Climate Change Resiliency. The Project's main physical climate risks include impacts from flooding, increased risk of wildfires, increased frequency and severity of storms, and increase in extreme temperatures (heat). Because the Project is located in a commercial area and has made adequate arrangements for flooding (such as raising the elevation of the base for the PP plant) it will not be significantly affected by urban flooding. Similarly, due to the Project site located on the sea within an industrial zone with fire breaks, the risk to the Project from wildfires is considered low. The jetty and other supporting infrastructure have been designed to withstand extreme weather events and this is being confirmed by the Independent Engineer (IE).

Extreme temperatures may impact the structural integrity of the facility buildings and the health and safety of the workers. Mitigation plans are in place, which include increased strength of the concrete and steel used in construction as well as deploying protective surface coatings. During the operations and maintenance phase, worker safety will be protected by a climate-sensitive maintenance plan, in which maintenance and repairs will be planned for cooler months.

The Project will develop a Transition Climate Change Risk Management Plan based on findings of the Project Transition Climate

Change Risk Assessment and in accordance with Equator Principles guidance.

Cumulative Impacts

The Borrower has developed a plan to manage cumulative impacts. Some of the major cumulative impacts are related to infrastructure impacts management and social impacts management. The Biodiversity Action Plan, Environmental & Social Management Plan, Noise Management Plan, Fire Prevention and Control Plan, are being designed to address the identified cumulative impacts. Other cumulative impacts related to the increase in road traffic and effluent discharges are being addressed in the traffic and effluent discharge management plans designed to specifically address these issues.

Cultural Heritage

The Project has the potential to impact a registered ancient waterway that borders the Project site. The Project is subject to prescribed mitigation measures from the government authorities. In addition, the Project will update its Cultural Heritage Management Plan as part of its construction and operations ESMP. A draft chance finds procedure has been developed as part of the ESIA.

Land Acquisition and Expropriation

The Project is located within CPIR, a zone managed by the CPIR Management Company. The land acquisition process for the CPIR zone was carried out by the Ministry of Industry and Technology (MoIT) beginning in 2007. The previous land use within the zone is largely public lands as well as private agricultural fields and 15 residences. While the expropriation process is considered legally complete, the ESIA reports that several structures and other assets are still being used within the CPIR zone. A Land Acquisition Gap Analysis was conducted by the Project in late 2022 and identified several gaps. It identified 7 households that are impacted by physical displacement due to the establishment of the mobilization area for the Project. A RAP will be required to be developed to address the project-induced physical and economic displacement as well as to define responsibilities and coordination with the CPIR Management Company and the relevant authorities.

Labor and Contractor Management

Based on the ESIA, the Project will reach 4,500 workers during peak construction and will have 300 workers during operations. An estimation of number of contractors and contracted workers has not yet been provided though it is anticipated that a Contractors/Subcontractors Management and Monitoring Plan will be developed as part of the ESMP. An onsite worker accommodation is expected though the number of workers housed there is still unknown.

In addition to the above, The Project will be required to: (i) submit annual reports on its environmental and social performance; (ii) develop and implement its Environmental and Social Management Plan, Occupational Health and Safety Plan, Fire Prevention and Control Plan, Resettlement Action Plan, Security Management Plan and an Emergency Preparedness and Response Plan; and (iii) conduct an independent audit.

Community Consultations: The Project has in place a Stakeholder Engagement Plan and project-level grievance mechanism. The IC reports that both are being actively implemented. In addition, formal consultation meetings were held in conjunction with the ESIA process from 2020 through 2022, including focused group discussions with women, vulnerable groups, local mukhtars, local authorities and NGOs. Concerns raised in consultations to-date have related to environmental impacts, increased traffic and influx, the government expropriation of the CPIR zone, impacts to fishing and aquaculture and employment opportunities and risks.

DFC Site Visit: An Independent Consultant (IC) was appointed by the Lenders to conduct the Project's environmental and social diligence and their findings are summarized in a report. The IC made two site visits in March and in October 2022. Based on IC's site visit, the major representations made in the ESIA have been confirmed.

ESIA Disclosure: The Project ESIA was disclosed on April 18, 2023, and the comment period closed on June 19, 2023. No comments were received.