

Türkiye Green Finance Project
ENVIRONMENTAL AND SOCIAL
MANAGEMENT SYSTEM (ESMS)

ESMS MANUAL SUMMARY

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Türkiye Green Finance Project Venture Capital Investment Fund’s Environmental and Social Management System Summary

Türkiye Green Finance Project Venture Capital Investment Fund (“Fund”) has been established with the cooperation of International Bank for Reconstruction and Development (“IBRD”, “World Bank”) and Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) under the guarantee of the Ministry of Treasury and Finance of the Republic of Türkiye. The fund will provide equity financing to green and greening companies. It will be managed by Maxis Private Equity Portfolio Management A.Ş. (“Maxis”, “Fund Manager”).

Please find the indicative Fund structure in Figure 1 below:

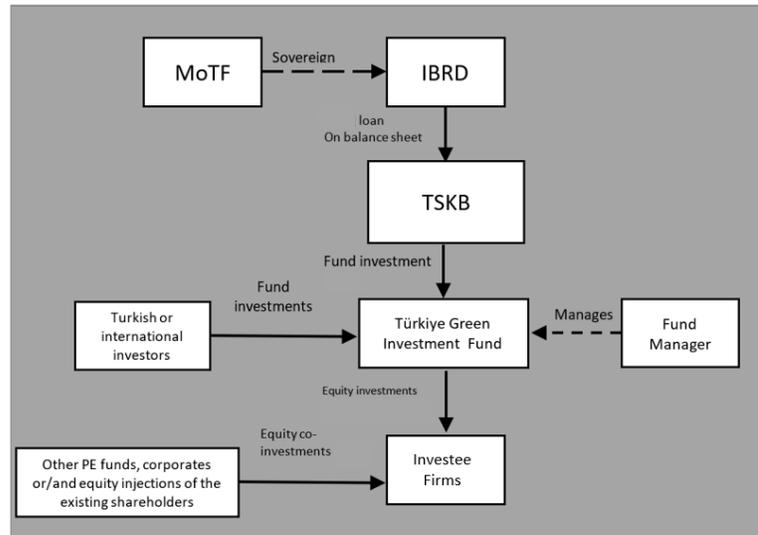


Figure 1 Indicative Fund Structure

The Fund aims to support (i) firms’ decarbonization and investments in green technologies, (ii) development of the Private Equity industry through a demonstration green fund, (iii) financial sector diversification and development of firms’ access to diversified sources of long-term finance, (iv) lowering high corporate leverage, and (v) accelerating finance for the green transition and enhanced climate action.

The Fund prioritizes investments in innovative green or greening firms, specifically SMEs and mid-caps, in line with clear definitions as follows.

- **Green (Greentech)** firms refer to any enterprise or project based SPV established to develop or invest in activities that contribute to ; (i) low energy density production, (ii) reduction in greenhouse gas emissions by developing renewable energy plants or decreasing utilization of non-renewable sources, (iii) circular economy practices to reduce their own or their stakeholders of natural resource utilization, (iv) reduction in air, soil and water pollution, (v) more efficient and sustainable use of natural resources and (vi) increasing resilience to the impacts of climate change.

- **Greening firms** refers to enterprises in any sector that have/plan concrete adaptation and/or decarbonisation plans in line with Türkiye’s net zero emissions target by 2053, relevant national strategies, published green roadmaps and future green taxonomy, and environmentally and socially sustainable practices to increase their competitiveness and sustain their potential for climate resilient growth. These companies may be high GHG emitters or adopters of good industrial practices (e.g. subject to the Borderline Carbon Regulation Mechanism and/or embedded emitters) in order to compete and expand their markets. The policies and investments of these companies will support them to decarbonize their operations, mitigate and adapt to climate change impacts, implement circular economy practices and address environmental issues.

TGF also promotes gender-equitable investments by identifying women-inclusive firms with investment potential. Women inclusive firms are defined as: (i) owned by women (i.e., with at least one female shareholder with a properly documented representative and managing powers) or (ii) managed by women (i.e., with at least one female C level manager or with at least 25 percent female representation in mid-level management) or (iii) employing a ratio of women that is higher than the average ratio observed in the respective sector or (iv) has increased the share of women employment by at least 5 percent in the previous year.

Environmental And Social Risk Management

The Fund’s E&S management is carried out in accordance with the World Bank Environmental and Social Framework (“ESF”) and World Bank Environmental and Social Standards (“WB ESSs” or “ESSs”) and the Environmental and Social Commitment Plan (“ESCP”) as part of the Loan Agreement. TGF’s E&S requirements are fulfilled via the management procedures and instruments prepared under the environmental and social management system (“ESMS”). The implementation of the ESMS is intended to ensure that all potential E&S impacts, risks and opportunities associated with the Fund are fully assessed, understood and managed. This document has been prepared as a summary of the Fund’s ESMS Manual to inform all interested and relevant project stakeholders of the Fund’s E&S requirements. An overarching E&S Policy defining the environmental and social objectives and principles that guide the TGF has been developed.

In accordance with the Environmental and Social Standards (ESS) of the World Bank and relevant other national legislation, Maxis as the Fund Manager reviews and manages Environmental and Social (E&S) Performance of the investees as a main component of its structure. While holding the overall responsibility for executing the TGF ESMS, Fund Manager works in cooperation with TSKB and TSKB takes an active role in the origination, preliminary examination and detailed review processes of venture capital investments.

An ESMS officer who is entitled as Director in Maxis Organization Structure sits in Research and Investment (R&I), is primarily responsible for developing and implementing the Fund’s ESMS and is empowered with sufficient resources for the effective implementation of the ESMS. ESMS Officer is supported by a Social Expert that specially works for TGF and sits in R&I Team of Maxis. E&S considerations are embedded across all levels of the Fund’s business operations and among its partners.

Please find the E&S governance structure in Figure 2 below.

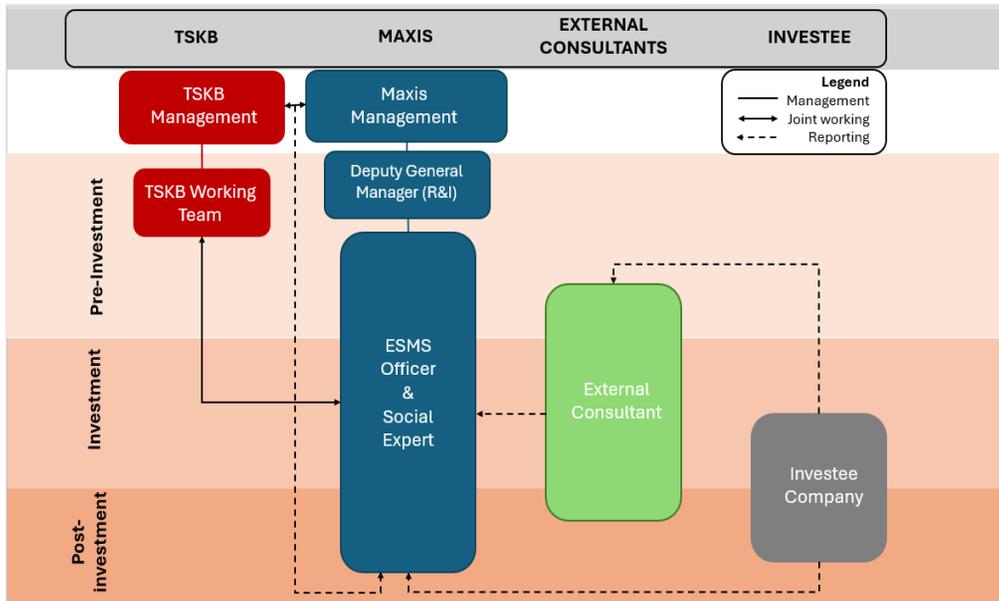


Figure 2 E&S Governance Structure

The ESMS Officer oversees the effective implementation and continuous improvement of the Environmental and Social (E&S) Policy and ESMS in daily operations, conducting preliminary E&S screening of potential investee companies, selecting E&S consultants, and managing the E&S due diligence (ESDD) process. The ESMS officer reviews investee companies’ environmental, social, and occupational health and safety performance; requiring timely reports or information on incidents, accidents, significant E&S incidents or complaints including the implementation of the critical mitigating actions from the investee company, conducting regular or unannounced field visits for monitoring purposes quarterly or biannually; and providing guidance to investee companies and external consultant on E&S matters where required. Additionally, ESMS officer supports the Maxis TGF team in capacity building on E&S issues, giving training on E&S matters including E&S risk management, gender equality and more. Moreover, the Social Expert is responsible for implementing procedures and management plans related to social risks and impacts, gender, and social inclusion; conducting social screening of sub-projects; overseeing and guiding E&S consultants; reviewing all ESDD documentation; ensuring corrective actions are taken in response to social monitoring findings and non-compliances; and ensuring the effective functioning of Stakeholder Engagement Plans and Grievance Mechanisms at both TGF and investee company levels, in line with the World Bank ESSs. Maxis, as the Fund Manager of the TGF, support and ensures of the TGF’s Investee Firms to establish and maintain an ESMS consistent with the WB ESSs, national legislation, TGF’s E&S Policy and ESAP that prepared after the ESDD conducted on Investee Operations. ESAP shall be part of the Shareholders and Share Purchase Agreements customary rights, requirements and remedies to assure that its portfolio companies comply with the TGF requirements.

Environmental And Social Risk Assessment

The Fund does not allow investee company to invest in a “high risk” (the risk categorization is given Annex A) project and/or a project not compliant with Fund Exclusion List (Annex B) and WB ESSs.

As the fund manager, Maxis’s ESMS Team is responsible for the E&S performance evaluation process which includes three phases:

1- Pre-Investment

- a. Review the investee’s compliance with the Fund’s Environmental and Social Policy including the Exclusion List. Following the E&S risk categorization, conduct a site visit, review E&S related information and prepare Preliminary E&S Screening Checklist for the attention of the relevant decision-making parties.
- b. Following the agreement on the Term Sheet, an E&S Due Diligence (ESDD) process is initiated via supervision of the fund manager, Maxis’s ESMS Team ESDD is undertaken by a third-party consultant and results with E&S Action Plan (ESAP) that defines the gaps for alignment with the Fund’s E&S Requirements.

2- Investment

- a. An ESDD Summary Report is prepared by ESMS officer for the consideration of Fund Investment Committee.
- b. Shareholders and Share Purchase Agreements shall include E&S inputs including the ESAP

3- Post-Investment

- a. Investee’s E&S performance, including ESAP compliance, is periodically monitored by the external consultant under supervision of the fund manager, Maxis’s ESMS Team.
- b. A Biannual E&S Monitoring Report covering implementation of the investees and the Fund’s E&S performance is prepared by the fund manager, Maxis’s ESMS Team
- c. At the time of exit decision, E&S impacts and risks are identified, evaluated, managed and reflected in the Supervision Report. The report is submitted to the Fund Investment Committee to enable a smooth transition of E&S risk and impact management to the investor.

Please find the steps in the flowchart below.

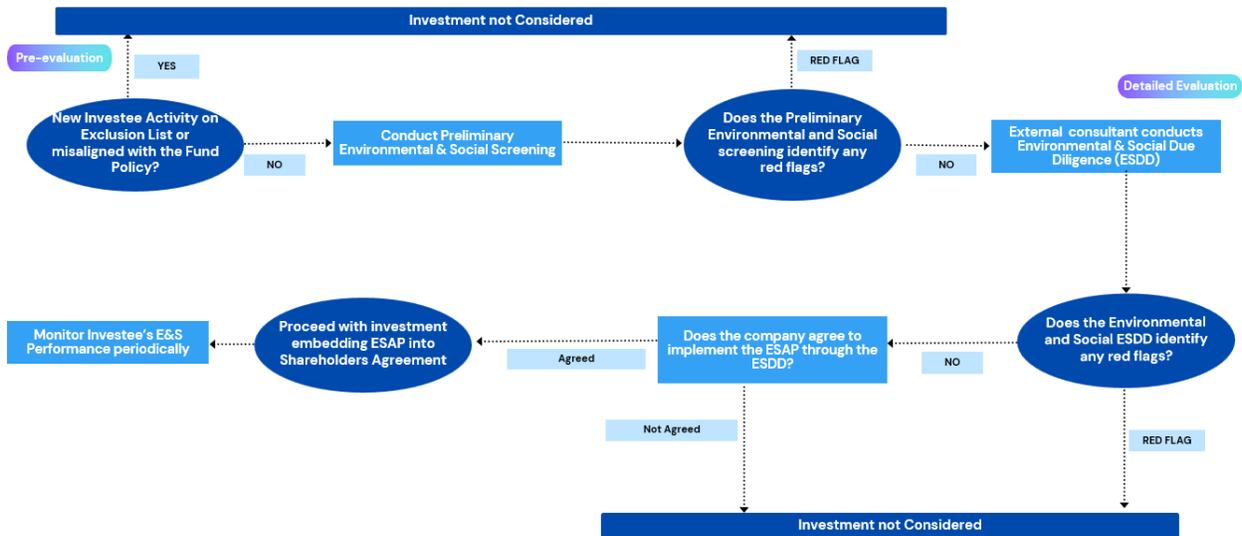


Figure 3 E&S Performance Evaluation Process

The Fund Manager, Maxis, manages the successful implementation of the ESMS and ensures that TGF's funding activities, including investee firms' E&S practices, are carried out in accordance with the above-mentioned flow chart through ESMS.

The investee company ensures the compliance with WB ESSs, ESMS and the ESAP items and monitor environmental and social performance starting from investment start and until exit time.

In addition to the requirements and assessment processes outlined above, the Fund related other key issues are listed below.

- TSKB conducts a technical eligibility assessment of potential investees, in parallel with the E&S assessments, to determine alignment with the Fund's green and greening firm definition.
- Women's inclusion practices of investee companies are examined across all phases of the Fund.
- During the all phases; Pre- Investment, Investment and Post- investment, Maxis notifies TSKB and WB within forty-eight (48) hours after becoming aware of the occurrence of an incident/accident that may have significant adverse effect on the environment, the affected communities, the public or workers, including, inter alia, cases of sexual exploitation and abuse, sexual harassment, and accidents that result in death, serious or multiple injury.
- A Grievance Redress Mechanism (GRM) will be developed by the investee enterprises for potential use by both external and internal stakeholders (workers etc.). The fundamental aim of the GRM will be to timely resolve any project related grievance that may result in the complainant being worse off due to project activities.
- Any new investment that TGF investee company is considering after signing Shareholders Agreement and Share Purchase Agreement (in post-investment phase) ESMS Officer evaluates the new investment's theme, checks the TGF Exclusion List and ensures the investment is eligible.

Stakeholder Engagement

Stakeholder Engagement Plan (SEP) is one of the key documents for the Fund. The overall purpose of the SEP is to ensure that a consistent, comprehensive and coordinated approach is taken to stakeholder engagement and information disclosure throughout The Fund implementation. In line with national legislation, ESS 1 and 10 of WB ESSs, the TGF's SEP was disclosed in [Turkish](#) and [English](#) languages and shared with stakeholders for consultation.

The Fund's SEP outlines a grievance mechanism to address and resolve any grievances related to TGF's environmental and social (E&S) impacts. Both TSKB and Maxis have inclusive internal and external GRM to receive complaints from stakeholders of the Fund through the website, dedicated e-mail or phone line. Please find the communication channels provided below.

TSKB & Maxis Communication Channels

TSKB Communication channel	
Web site	http://www.tskb.com.tr/en/about-us/tskb-contact-form http://www.tskb.com.tr/tr/hakkimizda/tskb-iletisim-formu
E-mail address	tgf@tskb.com.tr
Phone number	+90 0 212 334 50 50
Maxis Communication channel	
Web site	https://www.maxisgs.com/iletisim.html
Phone number	+90 0 (212) 283 51 13

Maxis urges the investee company to provide an accident/ incident report including Root Cause Analysis and precautions and measures to remediate the incident and review the report and inform all parties. In this context, the Stakeholder Engagement Plan (SEP) and Grievance Redress Mechanism (GRM) of the TGF provide the framework for receiving, recording and addressing complaints related to incidents and accidents throughout all investment phases.

Annex A: E&S Risk Category & Description

Risk Category	Description
<p>High (Not eligible)</p>	<ol style="list-style-type: none"> 1. The project is likely to generate a wide range of significant adverse risks and impacts on human populations or the environment. This could be because of the complex nature of the project, the scale (large to very large) or the sensitivity of the location(s) of the project. This would consider whether the potential risks and impacts associated with the project have the majority or all of the following characteristics: <ol style="list-style-type: none"> a. long term, permanent and/or irreversible (e.g., loss of major natural habitat or conversion of wetland), and impossible to avoid entirely due to the nature of the project; b. high in magnitude and/or in spatial extent (the geographical area or size of the population likely to be affected is large to very large); c. cumulative and/or transboundary in nature; and d. a high probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal, etc.); 2. the area likely to be affected is of high value and sensitivity, for example sensitive and valuable ecosystems and habitats (protected areas, National Parks, World Heritage Sites, Important Bird Areas), lands or rights of Indigenous Peoples or other vulnerable minorities, impacts on cultural heritage or densely populated urban areas; 3. Large-scale Land Acquisition which causes involuntary physical and economic resettlement 4. some of the significant adverse ES risk and impacts of the project cannot be mitigated or specific mitigation measures require complex and/or unproven mitigation, compensatory measures or technology, or sophisticated social analysis and implementation; 5. there are significant concerns that the adverse social impacts of the project, and the associated mitigation measures, may give rise to significant social conflict or harm or significant risks to human security; 6. there is a history of unrest in the area of the project or the sector, and there may be significant concerns regarding the activities of security forces; 7. the project is being developed in a legal or regulatory environment where there is significant uncertainty or conflict as to jurisdiction of competing agencies, or where the legislation or regulations do not adequately address the risks and impacts of complex projects, or changes to applicable legislation are being made, or enforcement is weak; 8. the past experience of the Borrower and the implementing agencies in developing complex projects project is limited, their track record regarding ES issues generally is poor and this track record is unacceptable given the nature of the project’s potential risks and impacts; 9. stakeholder engagement is weak; 10. there are a number of factors outside the control of the project that could have a significant impact on the ES performance and outcomes of the project.
<p>Substantial</p>	<p>The project may not be as complex as High Risk projects, its ES scale and impact may be smaller (large to medium) and the location may not be in such a sensitive area. This would take into account whether the potential risks and impacts have the majority or all of the following characteristics;</p>

Risk Category	Description
	<ol style="list-style-type: none"> 1. they are mostly temporary, predictable and/or reversible, and the nature of the project does not preclude the possibility of avoiding or reversing them (although substantial investment and time may be required); 2. a few of the significant adverse ES risk and impacts of the project cannot be mitigated or specific mitigation measures require complex and/or unproven mitigation or compensatory measures or technology, or sophisticated social analysis and implementation; 3. there are concerns that the adverse social impacts of the project, and the associated mitigation measures, may give rise to significant social conflict or harm or significant risks to human security; 4. they are medium in magnitude and/or in spatial extent (the geographical area and size of the population likely to be affected are medium to large); 5. the potential for cumulative and/or transboundary impacts may exist, but they are less severe and more readily avoided or mitigated than for High Risk projects; 6. there is medium to low probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal, etc.), and there are known and reliable mechanisms available to prevent or minimize such incidents; 7. the effects of the project on areas of high value or sensitivity will be lower than High Risk projects; 8. mitigatory and/or compensatory measures may be designed more readily and be more reliable than those of High Risk projects.
Moderate	<ol style="list-style-type: none"> 1. The potential adverse risks and impacts on human populations and/or the environment are not likely to be significant. This is because the project is not complex and/or large, does not involve activities that have a high potential for harming people or the environment, and is located away from environmentally or socially sensitive areas. As such, the potential risks and impacts and issues are likely to have the following characteristics: <ol style="list-style-type: none"> a. predictable and expected to be temporary and/or reversible; b. low in magnitude; c. site-specific, without likelihood of impacts beyond the actual footprint of the project d. low probability of serious adverse effects to human health and/or the environment (e.g., do not involve use or disposal of toxic materials, routine safety precautions are expected to be sufficient to prevent accidents, etc.) 2. risks and impacts can be easily mitigated in a predictable manner.
Low	<p>The Project's potential adverse risks to and impacts on human populations and/or the environment are likely to be minimal or negligible. These projects, with few or no adverse risks and impacts and issues, do not require further E&S assessment following the initial screening.</p>

Annex B: TGF Exclusion List

The TGF shall not fund the following investments or activities:

(a) Investments and activities inconsistent with the Bank's ESSs and/or the requirements set forth in the ESCP;

(b) Investment and activities that are classified as high risk, in respect to potential environmental and social impacts, in accordance with the provisions of the Fund Operations Manual;

(c) Any of the activities listed, or activities that produce and/or use materials listed, in the World Bank/International Finance Corporation Exclusion List, including said activities listed below, and such other activities and/or materials listed in the Fund Operations Manual and which are classified and referred to as part of the negative list in said manual, which shall include:

- I. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora;
- II. Production or trade in weapons and munitions;
- III. Production or trade in alcoholic beverages (excluding beer and wine);
- IV. Production or trade in tobacco;
- V. Gambling, casinos and equivalent enterprises;
- VI. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded;
- VII. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 percent; and
- VIII. Drift net fishing in the marine environment using nets in excess of 2.5 km in length.

(d) Investments and activities: (i) that involve large-scale physical and economic displacement as described in Land Acquisition, Restrictions on Land Use, or Involuntary Resettlement (as defined under ESS 5); (ii) that adversely impact sensitive habitats and species as described in Biodiversity Conservation and Sustainable Management of Living Natural Resources (as defined under ESS 6); (iii) that adversely impact Cultural Heritage (as defined under ESS 8); or (iv) that involve child or forced labor;

(e) Investments and activities related to, or used for, or are intended to be used for, defense, judiciary, law enforcement, security, correctional facilities, and specifically police, prison, and military facilities, including dormitories used by the personnel providing these functions, and other related areas as may be included in the Fund Operations Manual;

(f) Investments and activities involving the potential use of, or discharge into, waterways defined and applicable under World Bank Operational Policy (OP) 7.50 (including feasibility, detailed design and engineering studies of such investments) and

(g) Investments and activities that involve the construction of a new dam or a dam under construction.