

# SUSTAINABILITY REPORTING

## SUPPLEMENTARY INFORMATION

### ADDITIONAL SOCIAL PERFORMANCE INDICATORS

Training Breakdown by Gender and Age (h)			
Metric	2021	2022	2023
Female	425,716	427,561	578,270
Male	1,082,663	1,216,627	1,044,814
Under 30	482,471	568,044	407,936
30-50 years old	995,283	1,045,117	1,174,941
Over 50	30,623	31,025	40,207

2023	
Workforce Gender Breakdown	Share (%)
Women in top management positions <sup>1</sup>	27%
Women in junior management positions <sup>2</sup>	41%
Women in all management positions	41%
Women in management positions in revenue-generating roles	46%
Women in STEM-related positions	34%

### ADDITIONAL INFORMATION SECURITY/CYBERSECURITY INDICATORS

Topic	Breaches	
	2022	2023
Total number of information security breaches	0	0
Total number of clients, customers and employees affected by the breaches	0	0

### ADDITIONAL POLICY INFLUENCE INDICATORS

Topic <sup>1</sup>	Year				
	2019	2020	2021	2022	2023
Lobbying, interest representation or similar	0	0	1,198,000	4,059,236	4,835,191
Local, regional or national political campaigns / organizations / candidates	0	0	0	0	0
Trade associations or tax-exempt groups (e.g. think tanks)	0	0	402	708	1,050,000
Other (e.g. spending related to ballot measures or referendums)	0	0	0	0	0
Total contributions and other spending	0	0	1,600,000	4,767,236	5,885,191
Total contributions and other spending	0	0	100	100	100

<sup>1</sup> maximum two levels away from the CEO

<sup>2</sup> first level of management

## External Stakeholder Engagement on Climate and The SDGs

Sabancı Holding's executive committee and senior management actively engages with public institutions, trade associations, and industry bodies to contribute processes such as the formulation or implementation of new standards and regulations on sustainability. Leveraging its internal expertise, Sabancı Holding's Sustainability Directorate also contributes to shaping public policies, including nature and climate-related initiatives, with the goal of accelerating sectoral development and facilitating the transition to a low-carbon economy.

The Holding ensures that all engagements on public policy activities and trade association memberships are fully aligned with its overarching sustainability objectives in all jurisdictions where Sabancı Holding operates. Sustainability Directorate provides advice to other functions and Executive Committee members where relevant and needed on the alignment of such endorsements and climate-related initiatives with the Holding's higher purpose and the goals of the Paris Agreement.

Critical actions such as the endorsement of a global sustainability initiative are approved by the CEO, and when necessary, referred to the relevant Group Presidents, Sustainability Leadership Committee and the Board of Directors' Sustainability Committee for further review and approval.

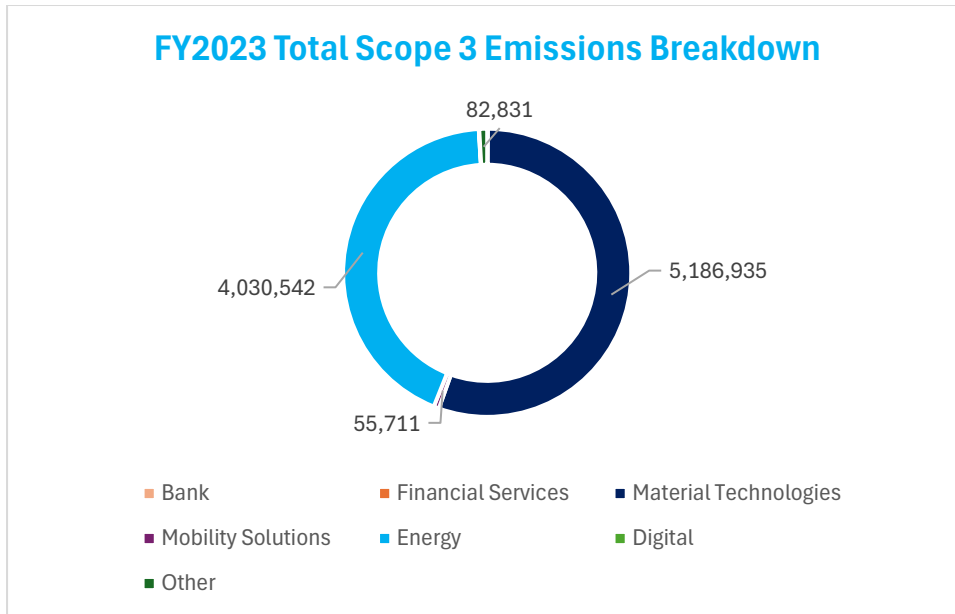
Coordination between the Sustainability Department and Corporate Brand Management and Communications ensures that external communications remain consistent and fully aligned with the goals of Paris Agreement and the SDGs, reinforcing the company's commitment to sustainable development in the eyes of stakeholders, including shareholders and investors.

The Communication Committee, consisting of the CEO, CFO, finance, investor relations, sustainability and human capital functions, alongside with the corporate brand management and communications teams, ensures the alignment on the Holding's position on external communications and public initiatives, while deciding on mitigating actions if any inconsistencies between the external engagement and the Holding's position on the SDGs and the Paris Agreement are detected.

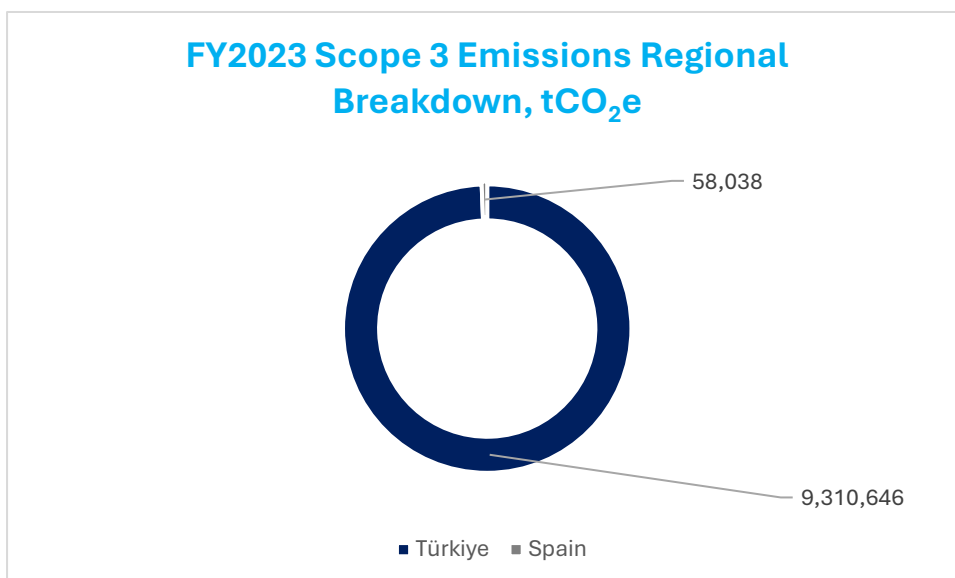
The platforms that are engaged and the initiatives endorsed are monitored by relevant departments such as sustainability and strategy teams. Such platforms are publicly disclosed on an annual basis in Sustainability Reports.

## ADDITIONAL ENVIRONMENTAL PERFORMANCE INDICATORS

### Scope 3 GHG Emissions Sectoral/Industry & Regional Breakdown



Industry	Scope 3, tCO <sub>2</sub> e	%
Bank	7,069.71	0.1%
Financial Services	1,040.49	0.0%
Material Technologies	5,186,965.32	55.4%
Mobility Solutions	55,711.98	0.6%
Energy	4,030,542.62	43.0%
Digital	4,523.67	0.0%
Other	82,831.21	0.9%



Region	Scope 3, tCO <sub>2</sub> e	%
Türkiye	9,310,646.59	99%
Spain	58,038.42	1%

Scope 3 GHG Emissions Breakdown, tCO <sub>2</sub> e, 2023	Category 6 <sup>3</sup>	Category 7 <sup>9</sup>	Category 15
	433	93	9,368,159

Scope 3 GHG Emissions Intensity, tCO <sub>2</sub> e	2020	2021	2022	2023
	171.14	118.34	21.39	20.35

Industry	2023	
	Scope 3 intensity, tCO <sub>2</sub> e	%
Bank	0.02	0%
Financial Services	0.00	0%
Material Technologies	11.27	55%
Mobility Solutions	0.12	1%
Energy	8.75	43%
Digital	0.01	0%
Other	0.18	1%

Industry	2022	
	Scope 3 intensity, tCO <sub>2</sub> e	%
Bank	0.04	0%
Financial Services	0.00	0%
Material Technologies	11.81	55%
Mobility Solutions	0.13	1%
Energy	9.22	43%
Digital	0.01	0%
Other	0.19	1%

Industry	2021	
	Scope 3 intensity, tCO <sub>2</sub> e	%
Bank	0.26	0%
Financial Services	0.01	0%
Material Technologies	65.27	55%
Mobility Solutions	0.73	1%
Energy	50.98	43%
Digital	0.06	0%
Other	1.04	1%

<sup>3</sup> Sabancı Holding only.

Industry	2020	
	Scope 3 intensity, tCO <sub>2</sub> e	%
Bank	0.53	0%
Financial Services	0.02	0%
Material Technologies	92.75	54%
Mobility Solutions	1.24	1%
Energy	75.10	44%
Digital	0.11	0%
Other	1.73	1%

Scope 2 GHG Emissions Breakdown (tCO <sub>2</sub> e)	2021	2022	2023 <sup>4</sup>
Scope 2 (market-based)	1,227,675	887,826	863,964
Scope 2 (location-based)	1,227,675	1,118,018	1,111,156

Water Management (m <sup>3</sup> )	2021	2022	2023 <sup>5</sup>
Water consumption	9,258,621	8,429,288	8,034,293
Water withdrawal <sup>6</sup>	10,647,280	10,026,518	342,264,156
Water withdrawal (excluding sea water) <sup>7</sup>	10,647,280	10,026,518	9,301,239
Water recycled and reused	23%	31%	38%
Total amount of discharged water	5,378,280	2,340,655	334,229,864
Total amount of discharged water (excluding sea water)	5,378,280	2,340,655	1,550,560
Total net freshwater consumption	5,269,000	8,429,288	8,148,879

<sup>4</sup> The 2023 water-related data has been assured by PwC and can be accessed through the Sabancı Holding Sustainability for a Better Life 2023 Report.

<sup>5</sup> The 2023 water-related data has been assured by PwC and can be accessed through the Sabancı Holding Sustainability for a Better Life 2023 Report.

<sup>6</sup> 2021 total water consumption data has been restated because of the latest calculations. The volume of water withdrawal has increased due to a change in Enerjisa Üretim's methodology, which now includes seawater in the total withdrawal data.

<sup>7</sup> Please note, during 2023 we defined key water concepts for each company within our Group. By identifying key metrics and methodologies, we established a baseline for water consumption and set ambitious targets for reduction and efficiency improvement. As a result of such alignment, we realized that the cooling water from sea for natural gas power plants constitutes the majority of our total water withdrawal, although the quality of water is not impacted during the process according to Turkish regulations and the resource water is withdrawn is not a freshwater resource.

## Financial Risks of Climate Change

Have you identified any climate change risks (current or future) that have potential to generate a substantive change in your business operations, revenue or expenditures?

✓ Yes, we have identified climate change-related risks with potential impact. Please estimate the financial impact for the most significant risk from each category and provide supporting evidence:

### Risks driven by changes in regulation:

Currency:

TRY - Turkish Lira

Information is available publicly for the description and estimated financial implications of the risk

✓ Brief description of the most significant risk and methods used to manage this risk:

As of today, Türkiye's only legal requirement directly related to GHG emissions is the Regulation on Monitoring, Reporting, and Verification (MRV) of GHG Emissions, in effect since 2015, targeting emission-intensive sectors. This MRV regulation is expected to lay the groundwork for a future legally-binding carbon pricing mechanism, potentially impacting Sabancı Group companies by reducing revenues in energy-intensive sectors if GHG thresholds or allocations are exceeded. Adhering to the MRV law and enhancing the capacity to monitor and manage GHG emissions is critical for Sabancı Group to adapt to future obligations.

Türkiye's MRV system is anticipated to evolve into an Emissions Trading System (ETS), influenced by the European Union's Carbon Border Adjustment Mechanism included in the Green Deal. The introduction of an ETS is expected to bring additional costs for Sabancı Holding's investee companies subject to the MRV, representing a financial risk for Sabancı Holding.

As of 2023, five of Sabancı Holding's investee companies in Türkiye are subject to the MRV, reporting their emissions from stationary combustion to the government annually. With the anticipated transition of the MRV into an ETS, these companies are expected to incur carbon costs for their operations falling under the MRV reporting scope.

GHG values: 15,785,170 tCO<sub>2</sub>eq

Assumed auction rate: 50%

Carbon price: USD 20 /ton carbon

Exchange Rate as of December 31st, 2023: 29.4 TRY/USD

$15,785,170 \text{ tCO}_2\text{e} * 50\% * 20 * 29.4 = 4,645,575,515 \text{ TRY}$

✓ Estimated financial implications of the risk before taking action:

4,645,575,515

Average estimated time frame (in number of years) for financial implications of this risk:

3

✓ Estimated costs of these actions:

193,085,045

### Risks driven by change in physical climate parameters or other climate-change related developments

Currency:

TRY - Turkish Lira

Information is available publicly for the description and estimated financial implications of the risk

✓ Brief description of the most significant risk and methods used to manage this risk:

As an investment holding company, we are significantly affected by the physical risks faced by our Group companies, particularly those engaged in mass production. Çimsa, one of our material technologies companies, is directly impacted by extreme weather events, which in turn affects our business. Such events could increase Çimsa's logistics budget by 5 to 10%. Interruptions in the supply of raw materials and electricity may result in a 1% revenue loss due to decreased production volumes, equivalent to approximately 4 days of production downtime at Çimsa's facilities. Based on applied scenarios, the potential cost from decreased production capacity has been estimated at 205 million TL.

To mitigate the impacts of extreme weather events, including floods, droughts, and heat waves, Çimsa has implemented various actions. The total capital expenditure (CapEx) dedicated to these projects in 2023 has been calculated at 213 million TL.

✓ Estimated financial implication of the risk before taking action:

205,000,000

Average estimated time frame (in number of years) for financial implications of the risk:

3

✓ Estimated costs of these actions:

213,710,965

## Financial Opportunities Arising from Climate Change

Have you identified any climate change-related opportunities (current or future) that have the potential to generate a substantive positive change in your business operations, revenue, expenditure (i.e. opportunities driven by changes in regulation, physical, or other climate change-related developments)?

✓ Yes, we have identified climate change-related opportunities. Please briefly describe the most significant opportunity resulting from climate change on your business operations, revenue growth, or expenditures and provide supporting evidence:

Currency:

TRY - Turkish Lira

Information is available publicly for the description and estimated financial implications of the

opportunity:

✓ Please provide description below:

The estimated total annual revenue from Cutlass Solar II and Oriana Solar projects is USD 43 million. This amount was converted into TL using an indicative exchange rate of 32.7 TL/USD as of July 1, 2024, resulting in approximately TL 1.40 billion. The revenue calculation considers the prices set in the Power Purchase Agreements (PPAs), which are valid for 10 years for Cutlass Solar II and 15 years for Oriana Solar, covering 70% and 80% of the electricity generated by these plants, respectively. The remaining electricity is priced based on market rates for the duration of the plants' operational lifetimes.

Cost to Realize Opportunity:

The calculation considers an average maximum unit cost of USD 1.25 million per MW for Cutlass Solar II and USD 1.1 million per MW for Oriana Solar. To determine the total cost, including CapEx and OpEx during construction, the unit costs are multiplied by the installed capacities of 272 MW (Cutlass Solar II) and 232 MW (Oriana Solar). This results in costs of USD 340 million for Cutlass Solar II and USD 255 million for Oriana Solar. The combined figure is then converted to TL using the exchange rate as of July 1, 2024 (32.7 TL/USD), amounting to TL 19.46 billion.

✓ Please estimate the annual financial positive implications of this opportunity:

1,406,100,000

Estimated time frame (in number of years) for positive financial implications of this opportunity:

15

✓ Please estimate the current annual costs associated with developing this opportunity:

19,463,040,000



## Climate-Related Scenario Analysis

We use qualitative and quantitative climate-related scenario analysis.

Scenario Type	2°C or below 2°C	Above 2°C
<b>Transition Scenario</b>	IEA NZE 1050	-
	IEA B2DS	
	IEA 450	
	IRENA	
	NGFS (2°C AND BELOW SCENARIOS)	
<b>Physical Scenario</b>	-	RCP 4.5 (or SSP2 4.5) RCP 6.0 (or SSP4 6.0) RCP 8.5 (or SSP5 8.5)

## Internal Carbon Pricing

Yes, we use an internal price of carbon to:

- Navigate GHG regulations
- Drive energy efficiency
- Drive low-carbon investments
- Stress test investments
- Identify and seize low-carbon opportunities

GHG Scope	Type of internal carbon price	Application	Price (per metric tonne CO <sub>2</sub> e)	Price setting search
Scope 1	Shadow price	Selected business units	TL 589 min. TL 883 max.	Technical analysis

We used a carbon corridor to estimate the annual cost of carbon. To forecast future Türkiye ETS, carbon prices in the absence of the market and historical data, Sabancı Holding has undertaken several analysis with the support of a consultant relying on considerations from current Türkiye context, lessons learned from other ETS launched globally potential linkage to EU CBAM and input from carbon pricing databases of the NFGS, IEA, IIASA for below 2 degree scenario. Based on analyses, CO<sub>2</sub> pricing corridor is use for 2022-2030 between USD 20 and USD 30 with linear increase over time. Please note that above mentioned Actual Price is in TL and the estimate made by our analysis for 2023 is converted by the rate stated by Central Bank of The Republic of Türkiye (CBRT) as of 31.12.2023 (Exchange Rate as of December 31<sup>st</sup>, 2023: 29.4 TRY/USD)

2025: 20 USD/ton

2030: 30 USD/ton

## MATERIALITY METRICS FOR EXTERNAL STAKEHOLDERS

	Impact 1	Impact 2
<b>Material Issue for External Stakeholders</b>	Climate Emergency	Responsible Investment and Sustainable Business Models
<b>Output Metric</b>	Reduced emissions in 2023 Scope 1&2: 1,011,384 10%	Reduced and Avoided Emissions
<b>Impact Valuation</b>	Environmental value lost&gained Avoided social cost of carbon through mitigation	Social cost caused/avoided Avoided social cost of carbon through investments
<b>Impact Metric</b>	<p>Avoided Social Cost of Carbon in 2023: USD 133 million Assumptions: The amount of avoided CO<sub>2</sub>e and the avoided cost of carbon is calculated based on the following assumptions: 1) As of 2030, the total amount of renewable installed capacity is expected to reach 7 GW by Sabancı Climate Technologies and Enerjisa Üretim, our investee company in Türkiye. The total amount of energy generation with average capacity factors are calculated and then multiplied with the estimated grid emission factor of Türkiye in 2030. Grid emission factor of which is 0.437 kg CO<sub>2</sub>/kWh in 2020, will be reduced to 0.352** kg CO<sub>2</sub>/kWh through the new renewable energy installed power capacity. The resulting GHG emissions avoidance is multiplied with the social cost of carbon*** 2) Sabancı Holding estimates the benefit, i.e. avoided social cost of CO<sub>2</sub>, of reducing its GHG emissions by 42% as of 2030 compared to 2021 according to the following formula: Amount of Scope 1 &amp; 2 CO<sub>2</sub>e reduction by 2030 compared to 2021 is multiplied by USD 152, i.e. the social cost of carbon in 2030. Sabancı Holding estimates the benefit of reducing its GHG emissions only in 2023 according to the following formula: Avoided social cost of CO<sub>2</sub>: Amount of CO<sub>2</sub>e reduction in 2023 (1,011,384 tonnes of CO<sub>2</sub>e x USD 132* = USD 133,502,688 *(USD 2007/metric ton CO<sub>2</sub>) USD 132 (USD 2007/metric ton CO<sub>2</sub>) corresponds to social cost of carbon in high Impact (95<sup>th</sup> Pct at 3%) scenario for 2023. USD 152 (USD 2007/metric ton CO<sub>2</sub>) corresponds to social cost of carbon in high Impact (95<sup>th</sup> Pct at 3%) scenario for 2030.</p> <p>Note that the unit cost is only for CO<sub>2</sub>, whereas the amount of reduction is in CO<sub>2</sub> equivalent terms.</p> <p>The Social Cost of Carbon: Estimating the Benefits of Reducing Greenhouse Gas Emissions EPA and other federal agencies use estimates of the social cost of carbon (SC-CO<sub>2</sub>) to value the climate impacts of rulemakings. The SC-CO<sub>2</sub> is a measure, USD, of the long-term damage done by a ton of carbon dioxide (CO<sub>2</sub>) emissions in a given year. The SC-CO<sub>2</sub> is meant to be a comprehensive estimate of climate change damages and includes changes in net agricultural productivity, human health, property damages from increased flood risk, and changes in energy system costs, such as reduced costs for heating and increased costs for air conditioning. However, given current modelling and data limitations, it does not include all important damages. This USD figure also represents the value of damages avoided for a small emission reduction (i.e., the benefit of a CO<sub>2</sub> reduction). USD 132 (USD 2007/metric ton CO<sub>2</sub>) corresponds to social cost of carbon in high Impact (95<sup>th</sup> Pct at 3%) scenario for 2023. Sources: <a href="https://19january2017snapshot.epa.gov/climatechange/social-cost-carbon_.html">https://19january2017snapshot.epa.gov/climatechange/social-cost-carbon_.html</a> <a href="https://19january2017snapshot.epa.gov/sites/production/files/2016-12/documents/sc_co2_tsd_august_2016.pdf">https://19january2017snapshot.epa.gov/sites/production/files/2016-12/documents/sc_co2_tsd_august_2016.pdf</a></p>	

## Targets/Metrics Linked to The Executive Compensation for Material Issues

Material Topic	Strategic Business Units (SBUs)	Main Functions
<b>Climate Emergency</b>	Greenhouse gas emissions (GHG) reduction ( <b>Material Technologies Group President</b> )	Reduction in emissions intensity ( <b>CFO</b> )
<b>Responsible Investments and Sustainable Business Models</b>	New Investment & Growth in Climate Technologies, Sabancı Renewables and Climate Ventures, all of which are related to renewable energy and climate change solution technologies (part of our USD 5 billion climate & sustainability related investment pledge) ( <b>Energy Group President</b> )	Preparation of climate just transition plan ( <b>Energy Group President</b> )
<b>Circular Economy</b>	Setting short and long-term SMART targets in 3 (as a max.) out of 3 topics: Biodiversity / Water / Circular Economy ( <b>Material Technologies Group President</b> )	

The above-mentioned targets are part of the performance goals of related executive management and impacts the annual compensation.

## RISK REVIEW

Risk 1	
<b>Name of the Risk</b>	Cybersecurity-related risks
<b>Description of company-specific risk exposure</b>	<p>In Sabancı Holding, cyber security risk is determined as a critical level risk after assessing its impact, likelihood, vulnerability, speed onset scores and this risk is monitored closely and reported to the EDRC and BoD at least six times in a year. Cyber security risk is described as the risk of high costs, inefficiency or ineffectiveness in operations (i.e. timely and complete access to internal information, response time, availability) due to</p> <ul style="list-style-type: none"> <li>• Limited or ineffective security, storage, sharing of information</li> <li>• Insufficient IT infrastructure or applications that allow for rapid and successful adaptation to changing technology requirements (e.g. video conference applications in the pandemic, product licences)</li> <li>• Effective controls over information security (e.g. GDPR breaches)</li> <li>• Lack of authorisation controls (e.g. fat finger operations)</li> </ul>
<b>Process/Framework to determine risk appetite</b>	<p>Cybersecurity risks for Sabancı Holding and its Group companies are quantified by an external party, CyberCube. Sabancı Holding has decided to insure its cybersecurity risks at a 97.5% confidence level and purchases the appropriate coverage accordingly.</p> <p>The Information Technology Unit is responsible for managing cybersecurity risks within Sabancı Holding while the Risk Management and Audit Units also play a crucial role in monitoring the cybersecurity risk management activities.</p>
<b>Description of mitigating actions</b>	<p>Some examples that we take to mitigate cyber security risks are given below:</p> <ul style="list-style-type: none"> <li>• Strong access controls, security improvements</li> <li>• Regular system updates and controls</li> <li>• Regular employee trainings</li> <li>• Regular penetration tests</li> <li>• Phishing e-mails</li> <li>• High limit cyber security insurance not only for Sabancı Holding but for its companies</li> <li>• Assessments the maturity of cyber security of Sabancı Holding from the external parties</li> </ul>

## Risk 2

**Name of the Risk**

Damage to Property and Natural Disasters related risks

**Description of company-specific risk exposure**

At Sabancı Holding, Damage to Property and Natural Disasters risk is classified as a high-level risk following a comprehensive assessment of its impact, likelihood, vulnerability, and speed of onset. This risk is closely monitored and reported to the EDRC and the BoD at least six times a year. It encompasses potential financial losses arising from damage to property assets due to natural disasters (such as earthquakes, floods, and storms) or man-made hazards. Given that Sabancı Holding operates across a diverse range of sectors and geographies, Holding faces varying levels of exposure to these risks. Therefore, risk management strategies are tailored to account for industry-specific and regional vulnerabilities, ensuring a holistic approach to mitigating the impact of property damage and natural disasters.

**Process/Framework to determine risk appetite**

Risk appetite for Damage to Property and Natural Disasters is determined through a facility-based risk analysis, which is conducted as part of the risk engineering services provided by external consultants. These consultants perform on-site visits to Sabancı Group facilities and produce detailed reports assessing exposure to risks such as fire, earthquake, rain, hail, storm, flood, and lightning. Risk scoring is calculated based on the identified risk exposure, utilizing scientific data from multiple credible sources. This scoring includes a calculation of potential financial losses, which helps to gauge the magnitude of potential impact. The calculated risk scores are then evaluated annually to ensure they remain within tolerance limits. The risk appetite framework ensures that risks are managed within the company's acceptable thresholds, aligning with Holding's overall strategic objectives.

**Description of mitigating actions**

To mitigate Damage to Property and Natural Disasters risks, Sabancı Holding implements a series of strategic and operational actions. Some examples include:

- **Proactive Risk Management:** We invest in preventive measures such as regular maintenance, upgrading facilities to meet safety standards, and implementing advanced monitoring systems to detect potential hazards early, such as fire alarms, earthquake-proofing, and flood barriers.
- **Risk Analysis and Recommendations:** The facility-based risk analysis reports are utilized to evaluate the preparedness of Sabancı Holding and Group companies for potential damage to property and disaster risks. These reports provide specific recommendations to reduce identified risks, such as improving infrastructure resilience or implementing better safety measures. We closely monitor and track the implementation of these recommendations to ensure continuous risk reduction.
- **Insurance Coverage:** Sabancı Group maintains a comprehensive Global Fire Insurance Policy, which not only covers Sabancı Holding but also extends to its subsidiary companies. This policy provides financial protection against property damage caused by various hazards, including fire and natural disasters, ensuring that the financial impact of these risks is mitigated.

## Risk Culture

As an investment holding company, Sabancı Holding does not directly offer any products or services. However, the Holding's key functions assess various projects to determine whether they align with Sabancı Holding's investment criteria. In 2023, several projects were evaluated, with risk management being integrated into the main workstreams to measure potential qualitative and quantitative risks associated with these projects.

Due to the confidentiality of the projects and the results of risk assessments, only the general scope of the assessment process can be shared. When a potential project is presented to Sabancı Holding, a project organization is established, and workstreams are formed to evaluate risks from various perspectives. These workstreams include experts and executives from departments such as risk, finance, human resources, sustainability, tax, legal, commercial, and technical. Many of these workstreams engage with different advisors throughout the Due Diligence (DD) process. Additionally, specific workstreams—focused on business plan & valuation, transaction documents & contract negotiation, and post-merger integration—are established to ensure the continuity of processes initiated by the project.

During the assessment process, risk simulations are conducted to evaluate assumptions and potential outcomes. These simulations consider various commercial and financial risk parameters, such as the probability of occurrence and the time period. At the end, an internal rate of return (IRR) is calculated, providing an assumption and overview of the project's risk for Sabancı Holding.

As part of the general audit process, the external independent auditor confirms that the Early Detection of Risk Committee (EDRC) convenes six times annually and reviews the meeting minutes as a standard procedure in their work.

## Emerging Risks

Metric	Emerging Risk 1	Emerging Risk 2
<b>Name of the emerging risk</b>	Risk of Increased Regulatory Pressure on Carbon-Intensive Industries	Setbacks in Global Renewable Energy Transition
<b>Category</b>	Economic	Environmental
<b>Description</b>	<p>This risk refers to the increased pressure of sustainability regulations on carbon-intensive industries. On 1 October 2023, the CBAM entered into application in its transitional phase, with the first reporting period for importers ending 31 January 2024, requiring importers to report the emissions embedded in their goods, signaling future regulatory and cost implications.</p> <p>Additionally, the 2023 revision of the EU ETS increased the greenhouse gas reduction target to 62% by 2030, up from the previous 43% target. These changes introduce potential long-term financial and operational risks, such as increased compliance costs, limited access to finance, and the need to adapt business strategies to meet stricter environmental standards. Although the immediate effects may be minimal, companies must start making strategic adjustments now to mitigate substantial future consequences.</p>	<p>In 2023, some governments have adjusted or slowed the pace of climate policies and renewable energy incentives, responding to economic pressures and political resistance. In the US, for instance, significant progress has been made through initiatives like the Inflation Reduction Act, which promotes renewable energy investments. However, with upcoming election campaigns, opposition voices from fossil fuel industries have grown louder, questioning the scope and impact of climate regulations due to concerns over economic implications and energy security. Reflecting this shift, at least 165 bills and resolutions against ESG investment criteria were introduced in 37 states between January and June 2023, despite legislative analyses that pointed to billions of dollars in potential losses. These dynamics show the complex balance between long-term environmental goals and immediate political and economic considerations.</p>
<b>Impact</b>	<p>Sabancı Holding operates across various sectors, including carbon-intensive industries like cement and fossil fuel-based energy generation. These sectors are particularly vulnerable to carbon leakage and are expected to face significant financial impacts from regulations such as CBAM and EU ETS.</p> <p>As an example of business impact, the cement industry, accounting for 5% of Sabancı Holding's 2023 revenue, is sensitive to CBAM. As the company expands domestically and internationally - especially in Europe where regulations are strictest - these rules could impact profitability by raising operational costs and taxes.</p> <p>To mitigate these risks, Sabancı Holding is focused on increasing R&amp;D and investing in climate and nature technologies. By doing so, Sabancı Holding aims to enhance the competitiveness of its carbon-intensive sectors and reduce the potential financial burden of emerging environmental regulations.</p>	<p>Sabancı Holding strategically focuses on energy and climate technologies as part of its portfolio transformation. As a leader in the Turkish energy sector, it operates in generation, trade, distribution, and retail, managing over 23 power plants. Through Sabancı Renewables, the company seeks to expand its renewable energy portfolio in the US, leveraging expertise from established energy firms. Sabancı Climate Ventures invests in disruptive innovations to create new energy value chains. Therefore, any regulatory pressures on renewables are particularly relevant for our global portfolio.</p> <p>Although regulatory and economic challenges could slow the energy transition or delay returns, Sabancı is committed to achieving its renewable energy goals. With operations in both Turkey and the US, the company adjusts to different regulatory environments, ensuring flexibility and resilience, pursuing long-term growth while creating value for its shareholders.</p>
<b>Mitigating actions</b>	<p>As Türkiye's first holding company to commit to Net Zero by 2050, Sabancı Group places energy and climate technologies at the core of its growth strategy within the new economy framework. The Group introduced groundbreaking technologies, including the first green hydrogen facility in Bandırma, and expanded international investments in hydrogen equipment in Singapore and storage in Switzerland. Sabancı Climate Ventures focuses on fusion and geothermal technologies in the U.S. With plans to increase renewable energy capacity to 75% by 2030 and 100% by 2050, Sabancı's investments include solar, wind, and hydrogen sectors. In 2023, the Material Technologies SBU, including Çimsa, advanced decarbonization efforts and became the world's third-largest CAC</p>	<p>Despite political challenges and setbacks, renewable energy is expected to grow in the long term, driven by global climate goals. The Paris Agreement and national commitments require significant GHG reductions, incentivizing the adoption of cleaner energy sources. Türkiye aims for net zero by 2053, with a \$73 billion investment in renewables by 2035. Enerjisa Üretim, our energy generation company, will expand its renewable portfolio to 58% with a 1,000 MW wind investment. Besides, renewable energy is important for emerging technologies like sustainable data centers and AI that are expected to grow in the near future. Finally, countries are also focusing on self-sufficient energy systems to</p>

producer. The expanded capacity, aimed at exports to the US and Europe, supports Holding's commitment to low CO2 intensity and sustainable growth. Material Technologies companies continue to explore innovative solutions in building materials.

reduce geopolitical dependencies. To summarize, Sabancı Holding's renewable portfolio will exceed 4 GW, including Europe's largest onshore wind project by 2026 and we will continue to expand our global footprint with Sabancı Climate Technologies.