SASA

TCFD 2024 REPORT

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1 About

SASA Polyester Sanayi A.Ş. (SASA) is a pioneer and global leader in the polyester industry with its wide range of products including polyester, fiber, filament yarn, polyester-based polymers, specialty polymers and intermediates.

Since its establishment, SASA has leveraged technology from world-leading companies and, in 2015, became a member of Erdemoğlu Holding. SASA has integrated production facilities in Adana with an outdoor area of 2,181,000 m², a 55,625 m² raw material storage facility in İskenderun, and liaison offices in Istanbul and Ankara. SASA houses major technologies such as Dynamit Nobel, ICI, Dupont, Udhe Inventa-Fischer (UIF), Oerlikon Barmag, AC Automation and INVISTA and offers innovative products and solutions thanks to the R&D Center established in 2002, thus delivering high-quality production at international standards.

In addition to its pioneer role in the Turkish market, SASA also holds a key position in export activities to European countries particularly Germany and Middle Eastern countries. SASA is Germany's first choice for the supply of polyethylene terephthalate (PET) chips and is also a supplier to North American and Asian countries. Ranked 29th in "Türkiye's Top 500 Industrial Enterprises 2023" list prepared by the Istanbul Chamber of Industry (İSO), SASA enjoys a competitive position in both national and global markets. SASA is also ranked 45th in the export ranking in the same list.

In line with its sustainability vision, SASA has set long-term goals for the three pillars of sustainability - environmental, social and corporate governance - to protect the environment and generate social value.

2 About the Report

Changing global dynamics, escalating social challenges, the adverse impacts of climate change, rising environmental pollution, and depleting resources make it essential to redefine business practices with a strong emphasis on sustainability. In addition to its economic objectives, SASA supports Türkiye's sustainable development with its responsible business approach, the employment opportunities it creates and its environmental sensitivity. As a matter of fact, the climate crisis and reducing carbon emissions are among the top priorities identified within the Sustainability Report.

Through this 3rd TCFD (Task-Force on Climate Related Financial Disclosures) Report, published in line with the recommendations of TCFD, SASA aims to inform its stakeholders about its activities and developments to contribute to the fight against climate change. SASA's approach to effectively combat climate change, strategic priorities and future plans are included in the relevant sections of this report. All information in this report has been provided by SASA, unless otherwise stated, and covers the company's activities between January 1, 2023 and December 31, 2023.

The Board Resolution on Turkish Sustainability Reporting Standards (TSRS) and the Implementation Scope of the Turkish Sustainability Standards was published in the Official Gazette No. 32414 (1.M) of December 29, 2023, making it obligatory for the businesses identified within the resolution to prepare sustainability reporting from January 1, 2024. Therefore, SASA's climate-related reporting processes will develop in line with the introduction of mandatory reporting in Türkiye. SASA will also update the data and information provided to its stakeholders in this report within the scope of its ongoing investments, if necessary.

3 Governance

3.1 Governance Structure

SASA acknowledges the importance of a corporate governance framework that addresses the expectations of all stakeholders to ensure a sustainable and responsible business model over the long term. The Company develops its corporate sustainability approach by integrating environmental awareness, ethical behavior, corporate strategy, compensation and risk management with the principles of accountability, transparency, fairness and responsibility, which are the principles considered as the basis of corporate governance.

SASA highly values transparent and effective communication between senior management and all stakeholders, ensuring accurate dissemination of information. The company's management structure includes the Board Chairman, General Manager, Deputy General Managers, Group Managers, and Group Heads.

The majority of the Board of Directors is composed of non-executive members. Four of them are independent members. In alignment with Corporate Governance Principles, board members are elected by the General Assembly. Upholding a governance approach that actively and effectively embodies the Company's core values, the Board of Directors formulates corporate strategies by considering the Company's operations, performance, and the interests of all stakeholders.

At SASA, committees operating under the Board of Directors are responsible for conducting oversight and audit functions across the organization. The structure, operations, and effectiveness of these committees are consistently assessed, with necessary measures implemented to ensure systematic monitoring and documentation of all processes. Committees reporting to the Board of Directors are as follows:

- Corporate Governance Committee,
- Audit Committee,
- Early Detection of Risk Committee and
- Sustainability Committee.

As of 2023, the Nomination Committee and the Remuneration Committee are not separately defined in the current structure, and these duties are undertaken by the Corporate Governance Committee.

Several working groups function under the Early Detection of Risk Committee and the Sustainability Committee. The Climate Change Working Group reports to the Early Detection of Risk Committee, whereas the Environmental Sustainability, Sustainable Products and Chemicals, Social Sustainability, and Corporate Governance Working Groups operate under the Sustainability Committee.

The Sustainability Committee conducts periodic reviews of the activities undertaken by these working groups and provides feedback based on the evaluation outcomes. During General Assembly meetings, sustainability objectives and the strategies designed to achieve them are thoroughly examined by the relevant committees reporting to the Board of Directors, along with the working groups operating under these committees.

3.2 Climate-related Governance Structure

SASA aims to minimize legal, financial, strategic and operational risks and unexpected risks in order to offer the highest value to all stakeholders. The Company's Corporate Risk Management is carried out in accordance with the requirements of the ISO 31000/Risk Management - Principles and Guidelines Standard and the Corporate Risk Management Policy, which was developed in line with the Company's past knowledge and experience.

3.2.1 Early Detection of Risk Committee

The Early Detection of Risk Committee continues to operate with the aim of early detection and management of all kinds of strategic, operational, financial and climate risks that may jeopardize the existence, development and sustainability of SASA.

The Committee conducts an annual review of risk management systems and ensures the implementation of risk management practices in accordance with its decisions. The Early Detection of Risk Committee is composed of three members appointed by the Board of Directors: the Chairman, the rapporteur, and one additional member. Both the Chairman and members are independent Board members, ensuring that risks are assessed at the highest level of governance.

The Committee Chairman is responsible for determining the agenda, discussion topics, and meeting schedule. The Committee convenes at least six times per year to evaluate agenda items. When necessary, relevant managers may be invited to participate in meetings, and independent expert opinions may be sought. The Committee's decisions serve as recommendations to the Board of Directors and are formally documented in writing.

The establishment of working groups under the committees, as outlined in the previous section, aims to enhance committee functions, support activities aligned with SASA's sustainability goals and strategies, and provide informed recommendations.

3.2.2 Working Groups

Adopting a multidisciplinary working culture along its sustainable development journey, SASA strives to fulfill its sustainability commitments with five different working groups. These groups include members from various departments and play a key role in identifying sustainability-related focus areas, reviewing sustainability performance and taking necessary actions. The groups facilitate cross-collaboration on issues of common interest and increase the effectiveness and efficiency of the Company's sustainability efforts. Each working group is responsible for the execution of projects in line with the objectives of the committee to which it reports and supports the approach of integrating sustainability throughout the Company's operations.

The coordination of working groups is overseen by the designated Working Groups Coordinator, who facilitates the seamless exchange of information and reporting between the groups and the respective committee. The committees conduct periodic evaluations of the working groups' activities, ensuring timely feedback that fosters continuous improvement. Key sustainability issues identified by the working groups are conveyed to the Board of Directors through the committees to which they report, thereby influencing strategic decision-making.

3.2.3 Climate Change Working Group

The Climate Change Working Group was established in 2021 under the Early Detection of Risk Committee. The main focus areas for this group include supporting the transition to a low-carbon economy, reducing carbon emissions, and examining the risks and opportunities brought about by climate change in detail. Furthermore, climate-related risks and opportunities, coupled with their potential financial impacts, are regularly reported to the Early Detection of Risk Committee.

The Sustainability and Climate Change Working Group has a multidisciplinary structure. This multidisciplinary structure is very important for organizations like SASA, which have an impact on sustainability issues in all areas, to correctly identify climate risks and opportunities and to carry out activities.

The SASA Energy Group collaborates closely with various departments to ensure comprehensive risk management and sustainable operations. It coordinates with the Environment Department to address regional drought risks, works alongside the Occupational Health and Safety Department on social issues, and engages with the Financial Affairs Department to assess the financial implications of actions related to energy use and the continuity of energy-related activities.

The actions taken by the Climate Change Working Group are listed below:

Carbon Management	Developing the SASA Carbon Roadmap, setting and monitoring carbon targets
Water Management	Monitoring water use and wastewater data
	Monitoring water intensity and setting mitigation targets
	Calculating and verifying the corporate carbon and water footprint every year in accordance with ISO standards
	Investigating the effects of potential water pollutants on aquatic ecosystems
	Conducting studies specific to water risks under the leadership of the Early Detection of Risk Committee
	Determining the total water withdrawal, discharged water quality in SASA's water use and metering phases and conducting the process with third parties
	Monitoring and improving compliance with the Water Policy
	Minimizing steam loss and leakage through water efficiency studies
Climate Change Management	Identifying physical climate risks and planning relevant actions
	Assessing transition risks and financial impacts, planning relevant measures and actions
CDP	Contributing to CDP every year with Climate Change and Water Security reports and improving disclosures on climate and water by taking necessary actions in line with gap analyses

4 Strategy and Sustainability Targets

In line with its sustainability vision, SASA has set targets in three key areas of sustainability: environment, social and corporate governance, and continues to work to achieve these targets.

SASA'S SUSTAINABILITY TARGETS		
ENVIRONMENT	**SOCIAL**	**CORPORATE GOVERNANCE**
Climate Crisis and Carbon Management	**Rights, Equalities and Ethics**	**Corporate Governance Structure**
Reducing carbon footprint and achieving net zero emissions.	Prioritizing equality, justice and ethical values in the work environment.	Establishing a transparent and ethical management structure.
Circular Economy	**Health and Safety**	**Stakeholder Engagement**
Effective use of resources and minimization of waste.	Taking necessary measures to protect the health and safety of employees.	Ensuring an active engagement of stakeholders in processes and taking their views into account.
Sustainable Product Management	**Corporate Social Responsibility and Partnerships**	**Sustainability Governance**
Managing products according to sustainability principles from design to disposal.	Contributing to society and actively participating in social responsibility projects.	Integrating sustainability issues into management processes.
Environmental Responsibility		
Conservation of natural resources and mitigation of environmental impacts.		

The environmental targets set are critical in terms of providing direct and indirect support to SASA's activities to combat climate change.

4.1 Strategy to Combat Climate Change

SASA carries out its climate change mitigation efforts within the framework of its Environmental Goals, focusing on three key themes:

- Optimization
- Transition to a Green Economy
- Innovation for Sustainability.

4.1.1 Optimization

Efficiency Projects: Under optimization activities, SASA carries out efficiency projects to reduce steam, electricity and natural gas consumption used in the process. There are plans to save 3,704 tons of water vapor, 74,000 sm^3/year of natural gas and 91,100,000 kWh of electricity annually by 2025.

Lighting: SASA organizes energy efficiency projects to reduce the energy consumed for lighting. There are plans to save 466,560 kWh of electricity and increase lighting fixture life by 85% until 2025 by improving energy efficiency to reduce the energy consumed for lighting purposes under such activities.

Water Use: SASA engages in activities to reduce the use of water used in the process and aims to recover 55-60% of the water through the ongoing wastewater treatment and recovery facility.

Digitalization: Industry 4.0 practices will be integrated into all processes to improve optimization.

Green Chemistry Practices: There are plans in place to continue to carry out projects that optimize the use of resources in line with the principles of 'Waste Prevention' and 'Atom Economy'.

4.1.2 Transition to a Green Economy

Fuel Switching: SASA aims to phase out the use of coal in all plants with an ultimate coal exit as of 2026. To this end, new investments will be based on the widespread adoption of practices such as energy recovery from natural gas and waste heat.

Use of Renewable Energy: To mitigate emissions resulting from electricity consumption, SASA seeks to expand its investments in solar power plants (SPPs) while also utilizing biomass energy as an alternative fuel source.

4.1.3 Innovation for Sustainability

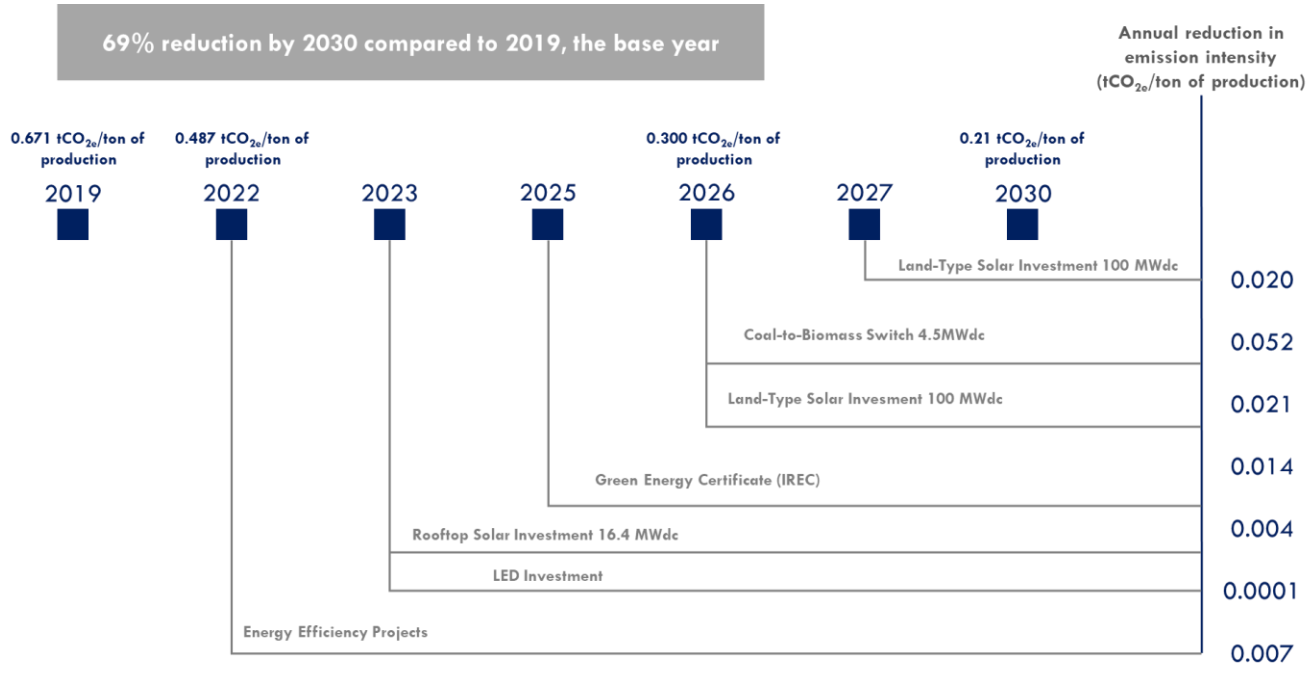
Utilization of Renewable Raw Materials: In addition to the biodegradable polymer groups in the portfolio, the Company aims to continue its R&D studies on the use of bio-based raw materials. Furthermore, SASA plans to comparatively analyze the observed environmental impacts of raw material use through the life cycle assessment (LCA) approach. In 2024, an LCA software programme has been incorporated within the institution to conduct a comparative LCA study of products produced using biobased raw materials, recycled raw materials, renewable energy options with standard products.

4.2 SASA's Strategic Carbon Roadmap

To fulfill the objectives outlined under the "Climate Crisis and Carbon Management" framework and contribute to global climate change mitigation efforts, SASA has developed the "SASA Strategic Carbon Roadmap." As part of this initiative, the company has set a target to reduce its emissions intensity per ton of product by 2030.

Emission and energy management activities are conducted in alignment with this roadmap, with the goal of achieving a 69% reduction in carbon intensity per ton of product by 2030, compared to the baseline year of 2019. To achieve this goal, there are plans to:

- Obtain an I-REC certificate amounting to 97,655 MWh in 2025
- Invest in 200 MWp of land type SPP in 2026 and 2027 and
- Invest in 4.5 MWp of biomass starting from 2026.



4.3 Definitions of Term and Probability

SASA's Climate Change Risk Management Strategy is founded on the precise identification of climate-related risks. In this process, SASA not only identifies these risks but also prioritizes them based on their likelihood of occurrence and their potential financial impact. To ensure the accuracy of the prioritization analysis and a comprehensive assessment of potential consequences, the clear definition of risk timeframes is of critical importance.

Climate risks are included in internal risk management procedures at SASA. In this context, risks are defined under 3 different terms (short, medium and long).

Term	Description
Short Term Risks	Risks that are likely to occur within 3 years.
Medium Term Risks	Risks that may occur over a 3 to 10-year period.
Long Term Risks	Risks that may occur in 10 years or within a longer period of time.

Although probability ratings are defined as very high, high, medium and low under 4 main headings according to SASA's Corporate Risk Management Procedures and activities, they are defined as probable, possible, unexpected, rare and very rare in risk analyses prepared specifically for climate risks.

Probabilities	Descriptions
Probable	It is defined as the risks and events likely to be encountered at SASA facilities.
Possible	Risks that are expected to occur frequently at SASA facilities.
Unexpected	This is the definition used for risks that are expected within the organization but occur less frequently.
Rare	Risks that are less likely to be encountered in the organization than other risks.
Very Rare	These are the lowest risks due to the structure of the region and climate projections.

4.4 Climate Risks and Opportunities

At SASA, risk management extends beyond conventional financial and occupational health considerations to include environmental and climate-related risks. In alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), climate risks are categorized under two main headings: physical risks and transition risks.

The assessment of climate change impacts has been conducted in accordance with both the regional context in which SASA operates and the TCFD guidelines.

4.5 Transition Risks

Climate Related Risks	Risk Definition		Term	Probability	Impact	Potential Financial Impact	Management's Response
Policy and Legislation	**Carbon Pricing Mechanisms**	After 2026, the European Union's (EU) Carbon Border Adjustment Mechanism (CBAM) implementation period will begin, but SASA will not be among the priority sectors. Given the ongoing development of the EU CBAM Regulation, it is foreseen that SASA may be affected by the possible inclusion of the chemicals sector in the CBAM. SASA's product exports will be directly affected if the scope of the CBAM sector is expanded to include chemicals and polymers.	Medium	Possible	High	The CBAM is expected to have a significant impact on the organization's financial position, financial performance and cash flows in the future. As the CBAM comes into force, increased carbon costs associated with export activities may put downward pressure on overall profitability. The need to comply with CBAM regulations may also lead to increased operating costs and capital expenditures as the organization invests in emission reduction strategies and technologies. This could strain cash flows and require careful financial planning to manage additional costs while remaining competitive in international markets.	SASA plans to minimize the financial impact of risks through investments in renewable energy, energy efficiency and fuel conversion in 2023 and beyond. Planned investments include coal-to-biomass transition technologies, steam savings, lighting efficiency for the plant, waste heat recovery, high energy efficiency class in new equipment to be installed in offices and production facilities, and increasing the amount of energy to be generated from biogas through the installation of an integrated wastewater treatment system.
	Turkish Emissions Trading System (ETS)	In Türkiye, the ETS will be applicable after 2024. Since SASA's combustion capacity is above 20 MW, SASA will be a participant in the system. Therefore, Turkish ETS requirements will be followed.	Short	Probable	High	Implementation of the Turkish ETS after 2024, in which SASA will be a mandatory participant due to its combustion capacity exceeding 20 MW, is expected to have a significant impact on the organization's financial position, performance and cash flows. The need to purchase emission allowances or invest in	SASA plans to minimize the financial impact of risks through investments in energy efficiency and fuel conversion in 2023 and beyond. Planned investments include coal-to-biomass transition technologies, steam saving, waste heat recovery, the installation of an integrated wastewater treatment system and increasing the amount of energy to be generated from biogas.

Climate Related Risks	Risk Definition		Term	Probability	Impact	Potential Financial Impact	Management's Response
						emission reduction technologies will likely increase operating costs, leading to lower profit margins. Compliance with Turkish ETS requirements will also require increased capital expenditures and monitoring costs, further impacting cash flow. As a result, financial performance in the reporting year may experience downward pressure, with potential impacts on profitability and liquidity.	
Policy and Legislation	**Changes in legal water withdrawal limits/water allocation**	Limiting water withdrawals during the company's growth process will have a constraining effect on the growth rate. Currently, the expansion of operations is going on and such a limitation would have a negative impact on strategic growth plans.	Medium	Unexpected	Medium	Water withdrawal limits could have a material impact on SASA's financial position, performance and cash flows. Such a restriction could limit the pace of growth, leading to changes in the scale or timing of planned expansions. It is also estimated that the investments required for the provision of alternative water sources and compliance with new regulations could increase capital expenditures. Alternative plans are being developed to minimize the impact of these risks.	Commissioning of the water reuse unit is is planned. The mechanism is expected to help keep water withdrawals within set limits by increasing reuse rates.
Market	**Increasing raw plastic costs**	SASA faces market risks associated with climate change. These risks include changes in customer expectations and behavior, uncertainties in the markets and rises in raw material product costs.	Medium	Unexpected	Medium	SASA anticipates that the market risks associated with climate change will have a more significant impact on its financial position, performance and cash flows. As customer expectations and behaviors continue to change, SASA may face increasing pressure to adapt its products, which could lead to higher costs and lower revenues if market preferences shift away from its core products. Moreover, market uncertainty	At SASA, annual contracts are signed with suppliers to manage the increase in raw material prices. Raw material prices are set according to formulations based on data from reporting companies that publish internationally recognized base prices. On the other hand, the raw material stock level is kept at a level corresponding to one month of consumption and it is ensured that it does not fall below this level.

Climate Related Risks	Risk Definition		Term	Probability	Impact	Potential Financial Impact	Management's Response
						will increase volatility in demand, further complicating revenue forecasting and financial planning. The expected increase in raw material costs will likely reduce profit margins and strain cash flows, due to higher production expenses stemming from climate-related factors. Over time, these factors could weaken SASA's financial performance and require strategic efforts to maintain competitiveness and financial stability in an increasingly climate-conscious market environment.	

4.6 Physical Risks

Climate Related Risks	Risk Definition		Term	Probability	Impact	Potential Financial Impact	Management's Response
Acute	**Flood Risk**	Flood risk is expected as a result of sudden changes in rainfall regimes or excessive rainfall. Flood risk is assessed using hazard (inundation caused by river flooding), exposure (population in the flood zone) and vulnerability. The existing level of flood protection is also included in the risk calculation. It is important to note that this indicator represents flood risk in terms of average annual impact, not maximum possible impact. Impacts from infrequent, extreme flood years are	Medium	Possible	High	Flood risk is expected to have a more significant impact on the organization's financial position, performance and cash flows. As climate patterns change and the likelihood of extreme weather events increases, flood risk may lead to significant operational disruptions, potentially resulting in plant closures, loss of production capacity and increased costs associated with repairs and asset protection. These impacts can strain an organization's cash flows and reduce its profitability. There could also be an increase in capital spending to improve	SASA has a block insurance policy in place to compensate for damages that may occur during the transportation of raw materials or products and in production facilities in the event of floods or any natural/climate-related disaster

Climate Related Risks	Risk Definition		Term	Probability	Impact	Potential Financial Impact	Management's Response
		averaged with more common, less newsworthy flood years to calculate the "expected annual affected population". Higher values indicate that, on average, a larger proportion of the population is expected to be affected by river flooding.				flood defenses and infrastructure resilience, which could further impact financial performance in the medium term. Overall, the organization anticipates that this risk will require continued attention and investment to mitigate its potential future financial impact.	
Chronic	**Water Stress**	According to the WRI water risk map, Adana is a region experiencing extreme water stress. A water shortage in the region could lead to the suspension of operations.	Short	Unexpected	Medium-High	The risk of extreme water stress in Adana is expected to have a significant impact on the organization's financial position, performance and cash flows in the medium to long term. If water scarcity is exacerbated, there is a high likelihood of shutting down operations, which may lead to the loss of productive capacity and reduced revenues. Costs associated with securing alternative water sources or implementing water-saving technologies could increase capital expenditures, further straining cash flows. Furthermore, potential disruption to operations could reduce overall profitability and require more robust risk management strategies. The organization prepares for these scenarios by investing in infrastructure and technologies to improve water efficiency and developing contingency plans to ensure business continuity in the face of worsening water scarcity.	SASA aims to mitigate the risks of water scarcity by establishing a water reuse unit within the scope of new wastewater treatment plant.
Acute	**Other Physical Risks**	Disasters due to physical climate risks such as heavy rainfall, cyclones and fires pose significant threats to SASA. These events may cause direct damage to critical infrastructure, including production facilities, supply	Short	Unexpected	Medium	The increased likelihood of acute physical risks, including heavy rainfall, cyclones and fires, could have a significant impact on the organization's financial position, performance and cash flows in the upcoming years. Although no such events have occurred during	SASA has a block insurance policy in place to compensate for damages that may occur during the transportation of raw materials or products and in production facilities in the event of floods or any natural/climate-related disaster

Climate Related Risks	Risk Definition		Term	Probability	Impact	Potential Financial Impact	Management's Response
		chains and storage units, leading to operational disruptions. The increasing frequency and intensity of such climate-related events increases the risk of asset impairment, early retirement of equipment and increased maintenance costs.				the reporting year, the potential for future events is recognized. If these risks materialize, increased costs for infrastructure repair, asset impairment and operational disruptions could occur, putting pressure on financial resources and potentially reducing profitability. To address these concerns, efforts are in place to improve risk management strategies and increase resilience to mitigate the potential financial impacts of these climate-related risks.	

4.7 Climate Change Scenario Analysis

In recent years, SASA has analyzed the RCP 4.5 and RCP 8.5 scenarios to examine in detail the impacts of climate change on its operations. Under these scenarios, temperature, precipitation and SPEI drought index parameters were evaluated in Adana region in the present and future periods. In this context, risks have been identified and necessary actions continue to be taken.

SASA has taken its climate change scenario analysis studies one step further and started analyzing the impacts of the SSP1-2.6, SSP2-4.5 and SSP5-8.5 scenarios on the Company's operations in the long term. In this respect, it examines the parameters of temperature, heavy precipitation, increase in extreme weather events, heat and cold waves, forest fires, floods, sea level rise and storms in Adana region in the current and future period. Accordingly, it is also expected to identify risks and opportunities and guide the company's strategy.

5 Risk Management

5.1 Risk Management Structure

SASA is committed to minimizing legal, financial, strategic, operational, and unforeseen risks to maximize value for all stakeholders. The Corporate Risk Management processes are conducted in accordance with the ISO 31000 Risk Management – Principles and Guidelines Standard and the Corporate Risk Management Policy, which has been developed based on the Company's accumulated knowledge and experience. The Board of Directors is dedicated to ensuring compliance with the Corporate Risk Management Policy and expects employees to uphold the same commitment.

The primary objective of this policy is to mitigate legal, financial, strategic, operational, and climate-related risks through a comprehensive approach that involves all stakeholders, reflecting SASA's role as an integrated polyester and chemical producer. The policy adopts a sustainability-focused perspective on risk management, aligning risks with corporate strategies, operational security, and asset value protection. Continuous efforts are undertaken to manage, monitor, and enhance risk mitigation practices.

The Early Detection of Risk Committee, which operates under the Board of Directors, is responsible for identifying, assessing, and addressing risks. This committee serves as the core structure of the Company's risk management framework, ensuring the continuity of the risk management cycle.

Corporate Risk Management Process

Execution of the activities in the Risk Management Procedure prepared in the light of the Corporate Risk Management Policy is secured by SASA integrated management systems. The risk management process is established according to the risk management flow chart defined in the Corporate Risk Management Procedure.

Within the risk management process;

1. Risk awareness is ensured and proactive methods are adopted.
2. Losses and costs are reduced.
3. Corporate reputation and trust are improved.
4. Income and sustainable growth are ensured.
5. Regulations are complied with.

5.2 Corporate Risk Cycle

A corporate risk cycle has been established to enhance the effectiveness of risk management processes. The key components of an effective risk management approach include strategic planning, meticulous execution, and strong, sustainable commitments from corporate leadership.

To ensure the sustainability of these commitments, the alignment of the Corporate Risk Management Policy with the company's corporate culture, performance indicators, and regulatory requirements is carefully considered. Stakeholder engagement is also prioritized, with ongoing communication and the integration of stakeholder feedback to refine the risk management framework.

As part of the risk management process, there is a firm commitment to implementing the risk management plan across all relevant levels and operational practices of the company. Risk management performance is periodically assessed against key indicators to ensure compliance, support corporate performance, and maintain the effectiveness and continuity of risk management efforts. Regular evaluations are conducted in accordance with the risk management plan, and a detailed report is submitted on the monitoring of the Corporate Risk Management Policy to assess the efficiency of the overall framework.

Based on the findings from these monitoring and review processes, decisions are made regarding enhancements to the risk management framework, policy, and plan. The framework is then updated accordingly to ensure continuous improvement and alignment with evolving risk management needs.

5.3 Risk Assessment

SASA identifies, analyzes and prioritizes risks in line with the risk assessment instruction. The company assesses potential risks under four main risk categories: financial, operational, strategic and environmental. Environmental, social and governance (ESG) risks, including climate crisis risks, are managed in an integrated manner under these categories. The ESG risk categories addressed by the company are:

- Environmental Security and Climate Crisis
- Business Interruption
- Technological Innovation
- Employee Satisfaction
- Occupational Health and Safety
- International Impact
- Corruption
- Ethics

The impact and probability ranges of risks are defined in the risk impact assessment table created in accordance with the categories, and the relevant business units responsible for taking actions to minimize these risks are also included in the process. In this way, behaviors or actions that are likely to affect the operation and strategies of the company are planned in advance and made manageable with a corporate business management perspective.

5.4 Financial Risk Management

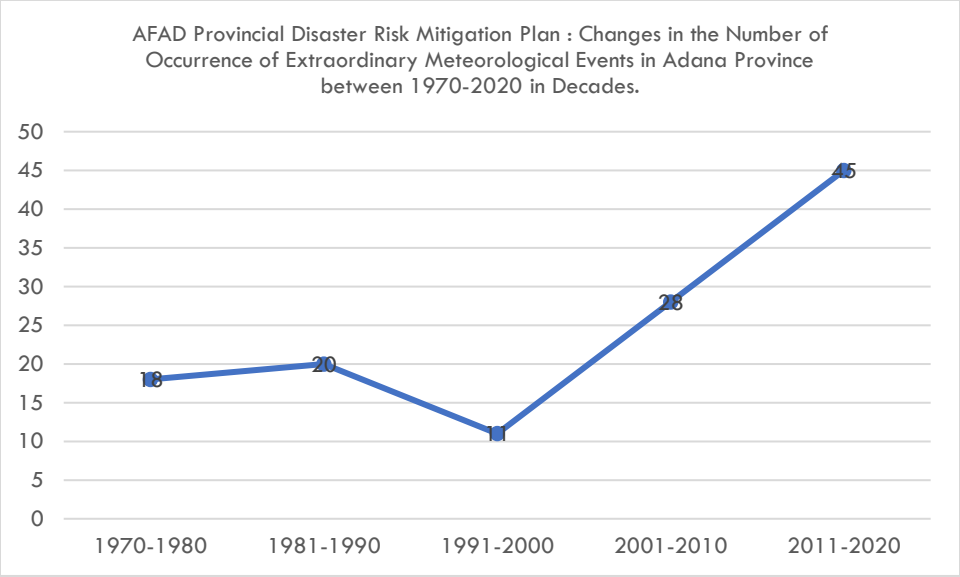
SASA is exposed to various financial risks due to its operations. These risks are defined as market risk (currency risk, interest rate risk), credit risk, liquidity risk and funding risk. SASA's risk management program focuses on the unpredictability of financial markets and aims to minimize potential adverse impacts on SASA's financial performance. Financial risk management is carried out by SASA's Finance Department within the framework of policies approved by management, except for receivables. The Finance Department establishes close cooperation with the other units of SASA and ensures that financial risks are identified, assessed and hedged.

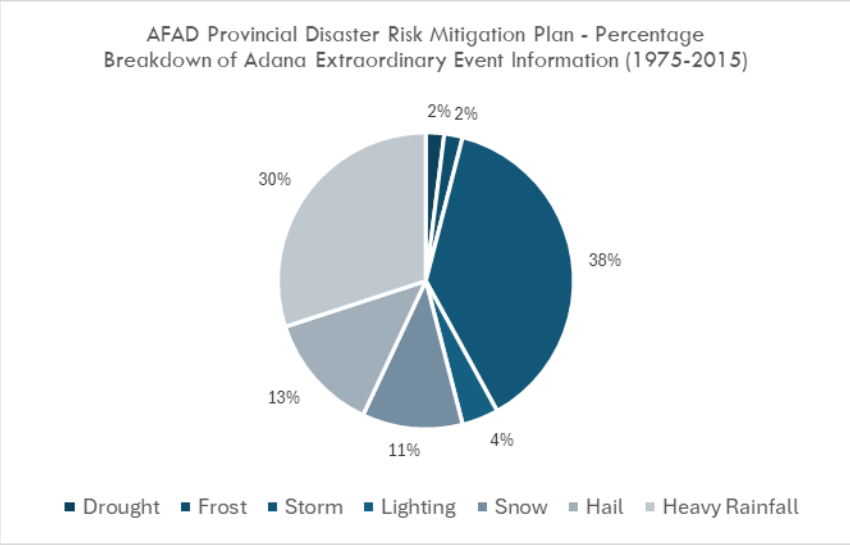
The nature and level of risks arising from financial instruments are disclosed in the financial statements at regular intervals. Periodic Financial Statements and Independent Audit Reports published within the company are available in Company website.

5.5 Regional and Physical Risks from Meteorological Events and Climate Change

As known, most of the natural disasters are closely related to weather conditions. Based on the literature studies, the most important disasters and natural events in Türkiye are drought, regional floods, overflows and storms.

According to the Disaster and Emergency Management Presidency (AFAD) reports, the increase in meteorological weather events in Adana province over the years is noteworthy. The most common meteorological events in Adana are storms and heavy rainfall. Population density, land use, inadequate infrastructure and unplanned urbanization are considered as the reasons for the high impact area of meteorological events in the city and the increase in the damage dimension of disasters. The impact of floods and inundations is mostly observed in agriculture and animal husbandry. As a result of the extreme rainfall events that occurred in Adana region in 2018 and 2019, the drainage channel capacity was exceeded due to the rise of existing rivers and streams, causing damage to cultivated and planted agricultural lands.





SASA develops strategies in line with climate change in the region and makes risk planning accordingly. It also acts responsibly on climate change by establishing industry partnerships with local authorities.

Hot Weather

The humid and hot weather that prevails in Türkiye, especially in summer, has gradually increased its impact in recent years. Increasing hot weather events affect agricultural activities in the region, especially the negative effects on human health.

The indirect impact of hot weather on the region is energy consumption for residential and industrial cooling needs when analyzed together with SASA facilities.

Storms

Severe winds and storms are the most common weather phenomena in Adana region in terms of percentage. For example, a strong storm in 2018 damaged the landscaping of 79 buildings in the province. SASA facilities and equipment were not damaged by the storm and extreme winds.

Flood and Inundation

The second most common weather phenomenon in Adana is floods and inundations due to heavy rainfall. On December 25, 2019, excessive rainfall took its toll in Yüreğir, Seyhan, Sarıçam, Çukurova, Kozan, Karataş districts and neighborhoods of Adana. SASA designs appropriate projects for facilities and equipment to eliminate the negative effects of floods and inundations. The warning and early detection system of local authorities is also taken into account.

Drought and Drought Index

Adana province and SASA facilities are characterized by the Mediterranean climate zone. The Mediterranean climate means hot and dry summers and mild and rainy winters. The most important factor that may cause drought in Adana province is the rapid increase in population. Under responsible resource use against drought and increasing water use, SASA aims to achieve 50% water recovery with the ongoing construction of a wastewater treatment and recycling plant. SASA's efficient use of resources is expected to minimize the impact of expected drought events.

Standardised Precipitation Evapotranspiration Drought Index (SPEI)

SPEI is a modeling system used to determine the severity of meteorological drought. According to RCP 4.5 and 8.5 scenarios, Adana region is expected to experience extreme dry periods until 2100.

6 Metrics and Targets

Items	Descriptions	Unit	Quantity	Beginning Year	Target Year	Target
Scope 1 Emissions	Emissions from fossil fuel use	tCO_2e/ton of production	0.671 (in 2019)	2019	2025	Reducing the emissions intensity of Scope 1 and Scope 2 to 0.30
Scope 2 Emissions	Emissions from electricity use				2030	Reducing the emissions intensity of Scope 1 and Scope 2 to 0.21
Water Use	Amount of water consumed	m^3/year	1,752,018	2022	2024	Reduction of 200,000 m^3/year through efficiency projects
Water Density	Ratio of total water withdrawn to production	raw water withdrawn in m^3/ton of production	5.21 (in 2019)	2019	2023	Reducing water density to 3.19

12.08.2024

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