



## Sabancı Holding ESG Day

November 25<sup>th</sup>, 2024 17:00 TR Time

### Speakers:

**Yeşim Özlale Önen, Group Human Capital & Sustainability President**  
**Derya Özet Yalçı, Sustainability Director**  
**Şule Gençtürk Kardiçalıoğlu, IR Manager**

**Mrs. Şule Gençtürk Kardiçalıoğlu, IR Manager:** Hello everyone, welcome to Sabancı Holding's Sustainability Day 2024. As many of you already know, sustainability has been an important topic on Sabancı Holding's agenda and today we will present our approach to sustainability, our executions to date, and give you a deep insight into our group-wide ESG program. Afterward, we will have time for the questions.

Without further ado, I would like to welcome Yeşim Hanım, Yeşim Özlale Önen, the Sabancı Holding Human Capital and Sustainability Group President, and Derya Hanım, Derya Özet Yalçı, the Sabancı Holding Sustainability Director. And before I hand over to Yeşim Hanım, please pay attention to our disclaimer and please also note that this event will be recorded and uploaded to our IR website. Yeşim Hanım, the floor is yours.

**Mrs. Yeşim Özlale Önen, Group Human Capital & Sustainability President:** Thank you Şule, and thank you for joining us today. It is a pleasure to host you at our ESG Investor Day. In this session, I will focus on the key areas that define our vision and strategic priorities in sustainability. I will also share the progress we have made in aligning our operations with our overarching sustainability goals. When embedding sustainability into our operations, we have established a dual focus; value preservation and value creation. These two focus areas are fundamental for sustaining our operations while driving business growth. Value preservation focuses on protecting what we have built and making it stronger by transforming our core operations. This includes; ensuring operational excellence for efficiency and effectiveness, reducing cost of debt to maximize returns, attracting and retaining the best talent ever, becoming future proof

to transition risks and ensuring resilience. Value Creation focuses on business growth. This includes; capitalizing on the growing demand for a sustainable economy, accessing new markets, increasing revenues, and achieving diversification, like our new renewables business in US, leveraging growing incentives from sustainability driven initiatives to maximize benefits, capturing valuation gains through innovation and investment in climate solutions, making sustainability a financial performance driver.

As an investment holding company, we have defined our value add towards a more sustainable portfolio in three pillars: #1 Ensuring Value Preservation, #2 Leading Business Model Transformation, and #3 Investing in new Economy. Ensuring value preservation focuses on maintaining and enhancing our existing operations. We align our purpose and strategy and improve ESG performance through sustainability programs. We leverage our ecosystem to accelerate innovation, share best practices, and enhance sustainability at all levels. Leading business model transformation is about embracing change and helping our businesses adapt to new ESG trends. We transform operating models to incorporate sustainable practices. We shift product and service offerings to meet the rising demand for responsible options, positioning ourselves as market leaders. Investing in new economy means looking ahead and seizing new opportunities aligned with our sustainability goals. We align M&A pipeline with sustainability ambitions and invest in green technologies. We focus on scalable businesses of today and disruptive technologies of tomorrow. This helps us balance short-term gains with long-term growth. These 3 pillars ensure that we not only adapt to green economy transition but lead it. With this leadership, we create sustainable value to our shareholders and make a meaningful impact on society.

Our capital allocation framework is a key tool to protecting and growing the value of our portfolio. This framework integrates our Responsible Investment Policy and considers how each investment contributes to a sustainable economy. By adopting the dual perspective of value protection and value creation, we safeguard the resilience of our core business while strategically positioning ourselves to capitalize on forward-looking growth opportunities. We are strategically investing in energy & climate technologies, mobility solutions, material technologies, and digital solutions since the net-zero economy drives significant transformation in these areas. Conventional infrastructures in these industries will integrate sustainable solutions, while new projects will prioritize sustainability from the start. This will be the case even in a 3.5-4°C warming scenario. Besides energy and mobility transitions, digital and material transitions are exceptionally critical. Digital transition and AI-driven innovations will boost the demand for advanced infrastructures like data centers and cloud solutions. Material transitions focus on resource-efficient production and circular economy principles. These investments promise strong financial returns while creating positive impacts for all stakeholders and supporting sustainable growth.

We implement sustainability across our Group companies based on six pillars: #1 is Sustainability Stewardship. We prioritize sustainability advocacy within and outside the organization to ensure focus. Our empowered sustainability teams drive change in business lines by increasing the knowledge throughout the organization. This helps us to better leverage sustainability trends and address emerging challenges. #2 is Governance & Management Systems. Governance ensures accountability and consistency. Sustainability Leadership Committee and Investment Committee are excellent examples of how we ensure the accountability. The newly launched "Board Excellence Program" strengthens oversight on management across companies and improves the functioning of our company boards. Our Enterprise Risk Management Framework mitigates financial and extra-financial risks, safeguarding long-term success. #3 is Strategic Partnerships. We collaborate with academia, innovation hubs, and the whole Sabancı Ecosystem to foster impactful solutions. Partnerships with these wide range of stakeholders drive innovation and keep us at the forefront of sustainability advancements. Partnerships with these wide range of stakeholders drive innovation and keep us at the forefront of sustainability advancements. #4 is Capital Allocation Criteria. Our X+5 strategic planning and X+3 budget processes integrate sustainability into financial decisions. Clear investment and divestment criteria on sustainability optimize our portfolio. Our venture capital strategy taps into emerging opportunities in high-growth sustainable industries. #5 is Business & Operating Model. Sustainability is embedded into M&A due diligence, green finance, innovation programs and even incentive screening, Investor Relations Programs with an integrated perspective on financial and non-financial areas build trust. #6 is Human Capital Strategy. We cultivate a people-centered culture with performance-based rewards, leadership programs, and workforce development. Training equips employees with the skills needed in a rapidly changing environment. These pillars and actions we take for each, ensure that sustainability drives long-term value for our business and communities.

How do we implement these in such a large Group while ensuring alignment among all companies? We have sustainability committees at the board level as well as the executive level. The Board Sustainability Committee oversees key sustainability issues, while the Sustainability Leadership Committee keeps executives informed and engaged. A key factor in our success is the strong collaboration between the Holding and Group companies. This is only possible by our robust governance mechanisms. This collaboration is driven through coordinated efforts between company boards and the Holding Sustainability Committee. Our internationally aligned policies lay the foundation of our sustainability governance; The Responsible Investment Policy integrates environmental and social factors into investments. The Diversity, Equity, and Inclusion Regulation advances DE&I efforts across all Group companies. Diversity drives innovation. Over the past three years, we've appointed three women as CEOs and three women to our executive committee. We ensure no all-male boards in our

companies, with women holding 44% of our Holding's Board seats and leading as chairs at both Holding and Akbank. This governance framework has been critical to our success, increasing our CDP leaders from 3 in 2022 to 9 in 2023.

We have been using our capital allocation framework to effectively deploy generated capital and recycle invested capital. Since we have already discussed these in detail during previous investor presentations, I will not go into the specifics of the transactions again. The critical point I would like to emphasize is that almost %90 of our investments is closely aligned with our sustainability goals. We translate our sustainability commitments into tangible actions. We have made significant progress in reducing emissions, achieving a 20% reduction in Scope 1&2 emissions compared to 2021. Our efforts position us to effectively navigate upcoming regulations like CBAM and ETS. With our ongoing investments, we are on track to reach 4 GW of renewable energy capacity by the end of 2026, representing almost two-thirds of our installed capacity. Additionally, we are capitalizing on favorable funding mechanisms, such as tax equity in the U.S., and benefiting from longer debt maturities. Our actions and accomplishments not only enhance our environmental impact but also drive significant business value.

One of the major shifts we have made recently, is to evolve our approach from a climate-focused one to a broader nature-centric strategy. This shift ensures that we address decarbonization, circularity, water, and biodiversity with a holistic approach. We have set challenging targets for each; we are committed to reducing Scope 1 and 2 GHG emissions 15% by 2025 AND 42% by 2030, ultimately reaching net-zero by 2050, while increasing CO2-free energy capacity. We aim to achieve circular inflow targets until 2030, design all key products with circular principles by 2050, and stop sending our waste to landfills and incineration. Our targets on water and biodiversity will be enhanced by 2025. I am proud to share that we have made significant progress on our nature agenda compared to 2021. Our emissions have decreased by 20%, and we have doubled the ratio of renewable electricity usage, indicating that we are on the right track. It is important to acknowledge that part of the reduction in emissions was due to conventional power plants undergoing maintenance or being out of merit order due to low demand. I still would state confidently that most of our Group companies actively manage their emissions, and a consistent downward trend has been observed. On the other hand, our waste management performance needs improvement, which is why we have launched our circular economy framework. We will disclose more developments in this area in the coming years. We have made significant steps toward our 5 billion USD sustainable investment pledge. By the end of 2023, we had reached 24% of our target, with substantial contributions from our Group companies. This demonstrates the commitment of our Group to sustainability. In line with our new X+5 plan, we project that SDG-related investments will reach to 90% of our total investments. This is a clear indicator of how determined we are in integrating sustainability into our core strategy

and operations which aligns with our focus on value creation and leading business model transformation.

When it comes to our social agenda, diversity, equity, and inclusion are key components of our strategy and they are aligned with our growth goals. By 2023, we had reached 42% women leaders at the Holding and maintained 41% across the Group, showcasing consistent progress. Additionally, women in STEM roles increased to 34%, and those in revenue-generating positions to 46%. Looking ahead, we aim to achieve 50% representation in leadership and STEM roles by 2030. As I mentioned earlier, our Group companies effectively manage their emissions, demonstrating a consistent downward trend. It is important to note that a linear reduction curve may show fluctuations year to year due to exceptional events like the earthquake we had in 2023. Enerjisa Enerji experienced an increase in Scope 2 emissions following the earthquake due to the increases in transmission and distribution losses in the earthquake region. Company Senior Management closely monitors progress toward these targets. They ensure that proactive measures are taken to achieve emission reduction goals in a controlled and effective manner, while protecting the financial returns.

Our strong ESG performance has been consistently recognized both locally and globally. We hold leading rankings in major indices such as MSCI, CDP, and Refinitiv, reflecting our robust climate and water security practices. Sabancı Holding has also been awarded six diamonds by EFQM and received a special award for Outstanding Achievement in Sustainability. All these achievements are the outputs of the work we have performed in last 4 years starting from 2021.

As a Holding company, our success in sustainability relies on how effectively we align and elevate the performance and ambition of our Group companies. I will now share an update on our Group-wide sustainability programs, which are essential for embedding sustainability across all aspects of our operations. Over the past three years, we have made substantial progress, with most of our companies setting GHG targets aligned with the 1.5-degree benchmark and starting the validation process. We have also launched our Circularity Framework and enhanced our ambitions in biodiversity and water management. In line with the global developments on nature, we conducted a biodiversity project with an in-depth review of our portfolio to prioritize companies based on materiality and ecological sensitivity. This allowed us to identify key locations and operations essential to our nature strategy. We assessed over 100 sites to understand their environmental impacts and dependencies. These insights enabled our Group companies to map their value chains and determine where targeted interventions would be most effective. With this comprehensive approach, we will be able to integrate efforts to preserve and restore biodiversity into our operations, reinforcing ecological integrity and business sustainability. In the next phase, Sabancı Group companies will launch flagship biodiversity projects in collaboration with local consultants to create

tailored action plans towards net gains. These plans strongly align with our group ambitions and support our nature-positive goals. Nature conservation requires more than just investing in biodiversity programs; it demands a shift in how we approach our core business processes to reduce environmental impact. The circular economy is central to this effort. Sabancı Holding's Circular Economy Program focuses on three key pillars: 1 Circular Materials & Partnerships, 2 Circular Design Principles, and 3 Enhanced Recovery Routes. Circular Inflow focuses on sourcing non-virgin and alternative raw materials. Circular Design emphasizes extending product lifetimes and facilitating recovery. Circular Outflow prioritizes effective material recovery and waste management to minimize environmental impact. We set specific circular economy targets and milestones based on the nature of each company's operations. Companies producing products or materials, like Akçansa, Çimsa, and Temsa, have greater influence and maturity in their supply chains in implementing circular pillars. They are assigned quantitative targets, such as increasing the use of alternative raw materials by 2030. On the other hand, service, utility, or retail companies, like Enerjisa Üretim and Teknosa, are focused on qualitative actions, such as engaging suppliers and setting circular economy baselines by 2025. This structured approach ensures tailored and effective strategies for each company, advancing our Group's overarching circular economy and sustainability goals. Our ambition is to invest strategically in a circular future, enhancing resource productivity and addressing material scarcity. Therefore, we aim for group companies to meet circular inflow targets by 2030, and adopt design principles, aligning all key products with circular economy standards by 2050. Enhanced recovery routes focus on eliminating landfill and incineration to achieve zero waste by 2050. We have KPIs to track progress across these pillars, ensuring measurable outcomes in circular inflow, design, and waste reduction. This comprehensive framework ensures that each Group company contributes effectively to our sustainability goals and enhances long-term resource productivity.

I would like you to leave this session with four key messages ; we are committed to preserve current value and drive growth and innovation to grasp future opportunities. We have expanded our focus from climate-centric to nature-centric, ensuring a comprehensive environmental strategy. We continue to identify and leverage opportunities that create efficiency and drive growth through scalable and sustainable industries with higher multiples. Strong governance structures and board leadership are essential for aligning our strategies, fostering accountability, and achieving long-term sustainable success.

Thank you for your presence today. We look forward to continuing this journey together, creating sustainable value and making a meaningful impact for our stakeholders and society. Now, I open the floor for any questions you may have and hand it over to Şule to facilitate the Q&A session. Derya and I are ready to take your questions and provide any clarifications you may need.



**Mrs. Şule Gençtürk Kardiçaloğlu, IR Manager:** Hello again. Thank you, Yeşim Hanım. Let's open up the Q&A session. We have already three questions on the line. Let me start the first one.

**Question:** What will be the impact of new reporting regulations to your group? Are you ready to fully implement them?

**Mrs. Derya Özet Yalgi, Sustainability Director:** There are two major reporting schemes that will be applicable to the group companies. One is CSRD, as you know, and the second one is the ISSB framework, which is adopted by Turkey last year, and it will be fully effective by the next year, for this reporting year. When it comes to CSRD, some of our group company subsidiaries are subject to CSRD. They have made their preparations to adopt the new reporting framework because they have been disclosing nearly 1,000 KPIs since 2021, so they are quite ready. Of course, there are new things that they will be covering in their report, but the majority of the CSRD's requirements are covered by their existing studies and disclosed reports. When it comes to ISSB, it will be applicable to our group next year. We have done a gap analysis to identify where we lack the KPIs or the requirements under the new legislation, and we don't envisage any major gaps moving forward. Thank you.

**Question:** What specific governance practices or leadership qualities do you prioritize in evaluating a company's board?

**Mrs. Yeşim Özlale Önen, Group Human Capital & Sustainability President:** When we look at this, our board excellence program, we look at it as a journey, and we look at it in four different pillars to have our boards to be more effective and to bring more performance. One is about the selection of board members, so that's about the composition. There, we look at the strategic priorities of our companies when selecting the board members, and the diversity of the skill set and experience besides gender. Number two is onboarding, so how do we onboard the board members in an excellent way so that starting from day one, they start performing. Number three is training, and training we mean it's twofold. One is updating the board members in terms of the trends and of the industry of the company, and the second one is developing them in terms of their leadership skills, like big picture focusing, future-centric leadership, visionary to help the executives. And number four is performance management, and when we talk about the performance management, we look at all of these criteria in terms of two things. One is how do I express all of the skills, leverage all of my skills and potential as a board member to help the company. Two, how do I keep myself updated in terms of the new trends to help the company to increase their performance.

**Question:** What is the company's exposure to coal, and what is the timeline or plan to reduce that to 0%?

**Mrs. Derya Özet Yalgı, Sustainability Director:** Thank you for the question. In our portfolio, in energy portfolio, we have one lignite coal power plant, and we envisage that between 2040 and 45, this area will be converted to a fully solar power plant area, and we have already started some work to do the transition. For instance, Enerjisa Üretim is operating a reskilling and upskilling center in the plant, because we have also renewable assets surrounding the area. Therefore, not only including the environmental transition, but also the social transition will take place moving forward. And when it comes to the share, because this was also included in the question, on the holding level, it is far less than 1% of the net income. Thank you.

**Mrs. Şule Gençtürk Kardiçalıoğlu, IR Manager:** Thank you everyone for joining us today at Sabancı Holding ESG Day 2024. If you have any further questions, please contact the Investor Relations team. Thank you again and goodbye.