



Sabancı Holding ESG Day

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Speakers:

Yeşim Özlale Önen, Group Human Capital & Sustainability President

Kerem Tezcan, IR Director

Derya Özet Yalgi, Sustainability Director

Şule Gençtürk Kardiçalıoğlu, IR Manager

Mrs. Şule Gençtürk Kardiçalıoğlu, IR Manager: Hello everyone, welcome to Sabancı Holding ESG Day. Today we have Kerem Tezcan, head of investor relations, Yeşim Özlale Önen, Human Capital And Sustainability President and Derya Özet Yalgi, sustainability Director on stage. Our CFO Orhun Köstem couldn't make it to the event because of minor health issues. First Kerem will go through how the Sabancı Group's portfolio has been transforming towards a new sustainable economy, followed by Yeşim Hn, who will talk about Group's sustainability performance. We will have Q&A session at the end of the presentation. Before I hand over to Kerem, please pay attention to our usual disclaimer, which you find in the presentation. And please also note that this day will be recorded and uploaded to the investor relations website. With that, I will hand over to Kerem.

Mr. Kerem Tezcan, IR Director: As per our Higher Purpose, "we unite Türkiye and the World for a sustainable life with leading enterprises". In other words, we emphasize on our aim to support the SDGs, the importance of connecting different markets to each other and our role on paving the way for others in leading technologies and initiatives. All these aspects are also inherent to address the global trends on the transition to a sustainable and digital economy. In this slide, I will explain how we translate our Higher Purpose, which address the twin transition, into our capital allocation strategy.

Today, energy, materials, and mobility constitute the three highest-emitting sectors, contributing 34%, 21% and 19% of total emissions respectively. If we transform the existing assets in these areas and grow them in better technologies, then we would address majority of the SDGs that you see on the right-hand side. That's why, we invest in Energy and Climate technologies, and the enabling infrastructure, all of which are key in decarbonizing the economy. Advanced Material Technologies for energy, materials and mobility are also major drivers of sustainable growth. Such technologies decouple materials use and growth, increase efficiency and decarbonize the value chains. On the other hand, Digital Technologies by itself are fostering innovation, efficiency and access to information. Therefore, they contribute to the faster and more effective achievement of the SDGs.

These three areas not only contribute to the SDGs, but they are also the strongest magnets of policy support, therefore key sectors for growth. To put it into perspective, at present, \$3.7 trillion—or 65 percent of total spending—goes annually toward high-emissions assets, such as vehicles with internal combustion engines. In the net zero scenario of the Network for Greening the Financial System, \$9.2 trillion is needed annually for a net-zero transition over the next 30 years. This is \$3.5 trillion higher than today, and the increase is equal to half of global corporate profits and one-quarter of total tax revenue of 2020. \$6.5 trillion—or 70 percent of total spending—would be on low-emissions assets, reversing today's trend. Three sector groups—mobility, power, and buildings—would account for approximately 75 percent of the total spending on physical assets in this net-zero scenario. The amount is equivalent to about 7.5 percent of GDP from 2021 to 2050. The required spending would be front-loaded, rising from about 6.8 percent of GDP today to about 9 percent of GDP between 2026 and 2030 before falling. These figures represent a scenario in which 1.5-degree limit is not exceeded, which many stakeholders believe as out of reach. However, even in the conservative existing policies scenario, in which the transition is not at desired levels, the shift towards clean technologies presents massive opportunities. On the other hand, decarbonization of these three sectors are also the building blocks of the new industrial policies such as the EU Green Deal Industrial Plan and the US Inflation Reduction Act both of which are worth \$648 billion. IRA alone is estimated to be translated to more than \$1 trillion in investment when blended with private finance. These policies are a significant sign of political motivations, which evolve from “no” to “go” policies, in a bid to attract green investments and maintain industrial competitiveness. What we see in other countries is a similar trend in which the same themes are supported like in Türkiye. This tendency is not only triggered by the sustainability concerns, but also by the concerns on energy and materials security. In parallel to all these developments, the digital economy makes up more than 15% of the global GDP and has grown 2.5 times faster over the previous ten years than the GDP of the physical world. Even today, digitally transformed enterprises account more than half of the nominal GDP and are likely to increase in the coming years. In these three sectors – energy, materials, and mobility – digital technologies offer enormous potential to cut emissions, through use cases that can create both climate benefits and business value.

What is more interesting, according to an analysis done by an investment house, last year companies with very high environmental performance trade at much higher valuations than those failing on this metric. The companies that lack on environmental performance trade at 17-times to their last 12-months earnings. However, companies with high performance on environmental metrics were trade at 25-times. 5 years ago, this was not the case. In the future, the gap between the best and the worst performers, especially in the industries that we focus on, may further widen. To sum up, all these figures showcase that our growth platforms enable us to capitalize on the growing demand on a sustainable economy, while making us future-proof in terms of the rising ESG regulations and other market forces.

As we have been addressing in the past two years that we are aiming to double our investments in the medium-term. As you can see, we are progressing in our capex and we are in the right direction to reach our medium term target as capex to non-bank sales reached 10%. In terms of the breakdown, in the past two years, we spent 77% of this capex to new economy. Out of new economy investments, energy and climate technologies has the highest share because, first, energy is the most urgent topic to be transformed and second there are plenty of incentives that has been provided for energy related transformation investments. But of course, this breakdown will change as we move forward with our new investments. Now I will hand over to Yesim to speak more detailed on our suitability performance.

Mrs. Yeşim Özlale Önen, Group Human Capital & Sustainability President: Thank you for joining us. It is a pleasure to host you at our ESG Investor Day. It has always been very exciting for us to talk about our ESG agenda. As Sabancı, we strongly believe that the new economy areas hold significant potential for us, not only from a financial perspective but also from a transformation perspective. Our ESG approach goes hand in hand with our strategy both in terms of our new investments and existing operations. We are aware that our industries play a critical role in addressing some of the most pressing environmental and societal challenges of our time. Therefore, we continuously work to transform our portfolio into a more sustainable one. Now, let me give you a brief update on our strategic initiatives and the progress we have made so far towards this target.

In 2021, our GHG emissions were at 11.2 million tons for Scope 1 and 2 and 11.6 million tons for Scope 3. We managed to reduce our emissions intensity over revenues as we grew our business. What we aimed for, however, was to achieve reductions in absolute terms based on science-based targets. This was when we decided to launch a Group-wide decarbonization program. The purpose of this program was to encourage our portfolio companies to assess their operations to reduce GHG further. The effort paid out. In 2022, we managed to decrease our GHG emissions to 9.95 million tons for Scope 1 and 2 and 10 million tons for Scope 3. This impressive achievement demonstrated our commitment to our environmental footprint.

2022 was a great year for us since we also achieved a 27% utilization of renewable electricity. This led us to set a challenging target for 2030: At least 80% renewable energy utilization across all our operations. Our dedication to clean energy production is equally remarkable. In 2020, our CO₂-free electricity production rate was 42%, and in 2022 it went up to 45.5%. We have high ambitions going forward. In 2030, we target 78.5% and eventually in 2050, we promise to have 100% clean energy production at a global level. Beyond our environmental commitments, Akbank, one of our Group Companies, has pledged 200 billion TL in sustainable finance. They have made substantial progress already, achieving 30% of their targets in 2022. We have also demonstrated our dedication to sustainability with our innovation activities. In 2022, we have reached 53% SDG linked R&D investment ratio. Our aim is to exceed 70% in the coming years. As Sabancı, we have made a big commitment to invest 5 billion USD in SDG related areas between 2022 and 2027. This excludes our digital investments. Our pledge for SDG related investments is progressing steadily with 10% achievement in 2022. We are determined to achieve 100% in 2027, showing our commitment to allocate capital to sustainable areas. Here, on behalf of Sabancı Holding, I am telling you an ambitious story of focusing and dedicating our efforts to sustainability, continuously improving ourselves to do more and achieving our commitments with persistence.

We will continue, to reduce our environmental footprint, invest sustainably, and innovate for a better future. Our vision is clear, our goals are ambitious. We are committed and responsible. I should admit that it was very hard work to achieve this progress. We had set very challenging targets at the beginning. We aim to be net zero by 2050. We commit to reducing Scope 1 and 2 carbon emissions by 15% in 2025 and 42% by 2030. Our 42% reduction target is in line with the expectation of SBTi for similar companies.

One of the greatest initiatives we've had in achieving our targets was the comprehensive decarbonization program across our entire group – as I told you before. This program includes 15 key initiatives (such as grid decarbonization, switching to alternative fuels etc.) that will take us to our 2030 decarbonization goals.

As you can see from the slide, we managed to reverse an increasing trend in our GHG footprint. We believe that more than a 40% reduction is possible in 2030 compared to 2021 although the emissions may fluctuate due to external factors.

We are dedicated to aligning our efforts with globally recognized sustainability benchmarks. Due to these efforts, we observed a substantial increase in the number of our Portfolio companies pledging to the SBTi in 2022. Currently, 60% of the Holding's Scope 1 and 2 GHG emissions are either determined or in the approval process under the SBTi framework.

As you see, we set challenging targets, put in a lot of effort to ensure the sustainable transformation of our portfolio, and showed huge progress over a short period of time. We managed to reduce our carbon footprint while expanding our business.

Our latest results show that economic growth and nature responsibility are not mutually exclusive. By making conscious choices in our portfolio, we have not only protected our planet but also enhanced the long-term resilience and profitability of our business. Our achievements like reducing Scope 1 and 2 emissions and our energy and water consumption are testaments to our commitment to delivering value to our shareholders.

Commitment to Nature: Our vision goes beyond carbon reduction. Our goal is to transition our low carbon commitment into a broader nature commitment. Our aim is to perform at the same ambition level across the group, focusing on biodiversity, circularity, and water targets. This holistic approach will enable us to manage not only our impact on nature but also our dependencies on nature. This will make our business sustainable for the future. **Corporate Governance and Climate Performance:** We are also committed to evolving our governance structure with global governance trends. These principles have guided our actions and highlighted our commitment to be a responsible business and a driver of positive change. Now, let me tell you about a few critical actions we have taken so far to make this happen: We have established robust and transparent governance that allows us to respond swiftly to crises. This ensures our resilience and adaptability in challenging times. We have actively developed strategies to fast-track innovation and entrepreneurship. We ensure the right balance of risks and opportunities. We're nurturing a culture of innovation while keeping an eye on managing both risks and opportunities effectively. Our audit and control mechanisms have been enhanced to maintain consistency in meeting our ESG commitments.

We are increasing transparency in ESG and holding ourselves accountable to our stakeholders. It's a testament to our dedication. We have good practices at the Board Level that strengthen governance. There is a non-executive chair, ensuring an independent perspective at the highest level. Our board has industrial and functional expertise and experience, and diversity. This enriches our decision-making with a wide range of perspectives. The board continuously evaluates its own performance to ensure that it operates at its best. Diversity is not just a commitment; it's a reality. 44% of the Sabancı Holding Board of Directors are women, surpassing the EU target for women non-executive directors by 2026. We're proud to say that our boards of Holding and Akbank are chaired by women, promoting gender diversity and women's empowerment in leadership. We are dedicated to having diversity across all group companies, ensuring at least one-woman board member. There is a sustainability committee at the board level to keep a dedicated focus on ESG-related topics. Regular self-evaluation of board performance is done, which is crucial for maintaining effectiveness.

Enhanced Executive-level Governance Mechanisms: We have also introduced mechanisms to enhance governance at the executive level. There is an up to 20% ESG weight integrated into executive management remuneration, emphasizing our commitment to ESG. Our investments are aligned with our X+5 strategy, with nearly 80% focusing on the new economy. We believe in leveraging our ecosystem. We build ecosystems through innovation and collaboration programs that create synergies among our group companies. This further enhances our sustainability efforts. ESG has become a key theme in all our innovation and CVC programs at the Holding level. We have integrated ESG expertise within key committees. ESG principles are at the core of our decision-making processes. We have developed key policies to enhance our ESG performance, reinforcing our commitment to responsible and sustainable business practices. Our dedication to ESG is not just a corporate responsibility; it is a smart business strategy. These developments are not merely milestones; they are steps toward a more sustainable portfolio. Our journey is not limited to the path we are standing on today. As the Chief DE&I Officer of Sabancı Holding, I am proud to say that we are committed to being a future-ready and resilient organization, and we are fully aware of the role diversity, equity, and inclusion play in our success.

We have set ambitious targets in this area as well. We aim to have a 50% women representation in our leadership programs and talent pools. By 2030, we aim to achieve a 50% women management ratio at SAHOL, reflecting our dedication to fostering women leadership. We are determined to achieve a 50% total ratio of women in STEM and revenue-generating positions.

As of 2022 YE, our actual numbers are already impressive: 41% women management ratio, 44% rate of women in revenue-generating roles, 33% rate of women in STEM positions. Sabancı Holding is the only holding company in Turkey to be globally recognized by Bloomberg Gender Equality Index for our commitment to gender equality. Our new HR strategy is a commitment to shaping not only the future of our organization but the future of our employees, fostering a culture of performance, inclusion, and sustainability. We are dedicated to creating an environment where everyone can thrive, feel strong and capable and achieve their full potential. We will continue to strive for excellence and innovation as we march towards our goals.

Each initiative we undertake in the ESG domain significantly enhances our position in crucial international ESG-related indices and ratings. This remarkable performance includes two specific highlights inside: Our MSCI Performance has continuously improved with our efforts upon SDG-linked areas. We have succeeded in a 3-notch increase in 3 years, and we are targeting beyond. We have been listed in the Bloomberg Gender Equality Index two years in a row as the only Holding company operating in Türkiye.

When we compare ourselves with local and global peers, we are usually ranked in the first place locally, and in the top three among our global peers. As we come to the end of the presentation, I kindly ask for a few more minutes of your time to wrap up the key themes and messages that we covered in today's meeting. Firstly, as my colleague explained, we will leverage the opportunities in the new economy through our capital allocation strategy. All new investments must comply with our Responsible Investment Policy and be part of the solution in reaching the SDGs. Secondly, there is a lot going on in the sustainability arena in terms of regulations, standards, new industrial policies and the like. As Sabancı Holding, we have the right governance mechanisms and expertise to make our Group companies future-proof in a complex environment.

Thirdly, our latest results show that economic growth and responsibility towards nature are not mutually exclusive. By making conscious choices in our portfolio, we have not only protected our planet but also enhanced the long-term resilience and profitability of our business. This is showcased in our improved ESG ratings, which go hand in hand with our financial performance.

Thank you for being with us today and for listening to Sabancı Holding's ESG journey, its accomplishments to date, and its future ESG-focused roadmap. We express our gratitude for your presence and attention. Now, I would like to leave the floor to Kerem to take your questions, if you have any.

Question: Could you please provide specific details regarding the \$5 billion investment you have committed?

Mrs. Derya Özet Yalçı, Sustainability Director: First of all, the 5 billion Us dollars commitment will happen between the beginning of 2022 and 2027. So this is a 6 years commitment and also the majority of the investments that we envisage will be on climate and renewable energy technologies and the surrounding, let's say, a value chain. The rest of it will be on themes like sustainable chemicals, which is also touching circular economy principles. Thank you.

Question: Why have you set a 42% emission reduction target for 2030?

Mrs. Derya Özet Yalçı, Sustainability Director: So thanks for that question, actually, this is what the science is telling us to achieve. So this is not something that we can determine on our own. So what we have done, we have looked at what the science is telling us, the global standards, and then we have intensified our efforts to reach this goal, and we have developed our decarbonization roadmap accordingly.

Question: How are your Scope 3 emissions calculated?

Mrs. Derya Özet Yalçı, Sustainability Director: For the holding companies, we see is that there are a couple of methodologies that we can follow. One of them is the equity share approach where you are considering your portfolio emissions in terms of scope one and two at rate of your equity shares. And it becomes your scope One and two emission. And the rest that you do not own is your scope three. So, as the holding company, we are not kept responsible by the value chain emissions of our group companies, be it client, related emissions or supply chain emissions. Having said that we believe that it is important to prepare our portfolio companies for the future. Therefore we asked them to set their scope three targets as well, and that's why, in the beginning, for instance, in 2020 there were none of our businesses committing to SPTI for scope three. But now we have companies covering 60% of our scope one and two emissions with science based airline targets, and the rest is also working on their commitments.

The reason why the rest has not yet determined their targets is either because the methodologies are evolving. For instance, for the retail companies, we have realized that just in March this year the methodology has been changed, and it's affected, significant to their supply chain targets. And this is why, although we are not responsible as the holding company on their scope three targets, we still ask them set there scope three decarbonization roadmaps. Thank you.