TOFAŞ

Tofaş TSRS-Compliant Sustainability Report (2024)

Deloitte.

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CONVENIENCE TRANSLATION INTO ENGLISH OF PRACTITIONER'S LIMITED ASSURANCE REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON THE SUSTAINABILITY INFORMATION PRESENTED BY TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş. AND IT'S SUBSIDIARIES IN ACCORDANCE WITH TURKISH SUSTAINABILITY REPORTING STANDARDS

To the General Assembly of Tofaş Türk Otomobil Fabrikası A.Ş.,

We have undertaken a limited assurance engagement on Sustainability Information of Tofaş Türk Otomobil Fabrikası A.Ş. and its subsidiaries ("the Group") for the year ended 31 December 2024 in accordance with Turkish Sustainability Reporting Standards 1 "General Requirements for Disclosure of Sustainability-related Financial Information" and Turkish Sustainability Reporting Standards 2 "Climate-Related Disclosures".

Our assurance engagement does not extend to information in respect of earlier periods or linked to the other information included in the 2024 Integrated Report and Activity Report and Sustainability Information or other information related to the 2024 Integrated Report and Activity Report including (any images, audio files, documents embedded in a website or embedded videos).

Limited Assurance Conclusion

Based on the procedures we have performed as described under the "Summary of the work we performed as the basis for our assurance conclusion" and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information of the Group for the year ended 31 December 2024, is not prepared, in all material respects, in accordance with Turkish Sustainability Reporting Standards ("TSRS"), as published by the Public Oversight Accounting and Auditing Standards Authority of Türkiye ("POA") in the Official Gazette dated 29 December 2023 and numbered 32414(M).

We do not express an assurance conclusion on information in respect of earlier periods or linked to from other information included in the 2024 Integrated Report and Activity Report and Sustainability Information or any other information related to the 2024 Integrated Report and Activity Report (including any images, audio files, documents embedded in a website or embedded videos).

Inherent Limitations in Preparing the Sustainability Information

Sustainability Information is subject to inherent uncertainty due to incomplete scientific and economic knowledge. Greenhouse gas emission quantification is subject to inherent uncertainty due to incomplete scientific knowledge. Additionally, the Sustainability Information includes information based on climate-related scenarios that is subject to inherent uncertainty due to incomplete scientific and economic knowledge about the likelihood, timing or effect of possible future physical and transitional climate-related impacts.

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Responsibilities of Management and Those Charged with Governance for the Sustainability Information

The Group Management is responsible for:

- Preparing the Sustainability Information in accordance with the principles of Turkish Sustainability Reporting Standards;
- Designing, implementing and maintaining internal control over information relevant to the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error;
- In addition, the Group Management is responsible for the selection and implementation of appropriate sustainability reporting methods, as well as making reasonable assumptions and estimates that are appropriate in the circumstances.

Those charged with Governance are responsible for overseeing the Group's sustainability reporting process.

Practitioner's Responsibilities for the Limited Assurance on Sustainability Information

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained and informing the Group management of the conclusion we have reached.
- Performing risk assessment procedures to obtain an understanding of the Group's internal control structure and to identify and assess the risks of material misstatement of sustainability information, whether due to fraud or error, but not for the purpose of expressing an assurance conclusion on the effectiveness of the Group's internal control.
- Designing and implementing procedures to identify and address areas of the Sustainability Information that may contain material misstatements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements may arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users of Sustainability Information.

As we are engaged to form an independent conclusion on the Sustainability Information as prepared by management, we are not permitted to be involved in the preparation of the Sustainability Information in order to ensure that our independence is not compromised.

Professional Standards Applied

We performed a limited assurance engagement in accordance with the Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information and, in respect of greenhouse gas emissions included in the Sustainability Information, in accordance with the Standard on Assurance Engagements 3410 Assurance Engagements on Greenhouse Gas Statements, issued by POA.

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Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Independent Auditors (including Independence Standards) (Code of Ethics) issued by the POA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our work was carried out by an independent and multidisciplinary team including assurance practitioners, sustainability and risk experts. We used the work of experts to assess the reliability of the information and assumptions related to the Group's climate and sustainability-related risks and opportunities. We remain solely responsible for our assurance conclusion.

Summary of the Work We Performed as the Basis for Our Assurance Conclusion

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Sustainability Information is likely to arise.

The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement on the Sustainability Information, we:

- Conducted inquiries with the Group's key senior personnel to understand the processes in place for obtaining the Sustainability Information for the reporting period;
- Used the Group's internal documentation to assess and review sustainability-related information;
- Evaluated the disclosure and presentation of sustainability-related information.
- Through inquiries, obtained an understanding of Group's control environment, processes and information systems relevant to the preparation of the Sustainability Information. However, we did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether Group's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate Group's estimates.
- Obtained understanding of process for identifying risks and opportunities that are financially significant, along with the Group's sustainability reporting process.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Osman Arslan
Partner

İstanbul, 28 July 2025

İçindekiler

Introduction

Basis of Preperation and Presentation

Tofaş Türk Otomobil Fabrikası A.Ş. (“Tofaş” or “the Company“) transparently discloses the governance processes it has established to identify, monitor, and manage sustainability-related risks and opportunities. This report aims to present, in a complete and accurate manner, the relationship between climate-related risks and opportunities and their expected impact on the Company’s future financial performance and corporate strategy, as relevant to the primary users of general-purpose financial statements.

The report has been prepared in accordance with the Turkish Sustainability Reporting Standards (“TSRS”) and the applicable regulations of the Public Oversight, Accounting and Auditing Standards Authority (“KGK”) of the Republic of Türkiye. The disclosures relate to the reporting period from January 1 to December 31, 2024, and are intended to support the decision-making processes of the primary users of the general-purpose financial statements. It covers the reporting period from 1 January to 31 December 2024 and includes the Company’s consolidated subsidiaries as of 31 December 2024. Consolidation had no material effect on the disclosures.

As this is the Company’s first year of reporting under TSRS, the following transitional provisions have been applied:

- Comparative information is not required,
- Sustainability-related disclosures were not published concurrently with the financial statements,
- Reporting has been limited to climate-related topics,
- Emissions have been calculated in accordance with ISO 14064-1:2019, and 2024 data have been independently verified at a limited assurance level in line with ISO 14064-3.

All financial data are presented in Turkish Lira (TRY). Emissions and energy-related data are expressed in technical units, including tonnes of carbon dioxide equivalent (tCO_2e), gigajoules (GJ), and kilowatt-hours (kWh).

About Tofaş

Tofaş, one of Türkiye’s leading automotive manufacturers, was founded in 1968. The Company is jointly owned by Koç Holding and Stellantis, with 24.3% of its shares publicly traded. It is listed on the Borsa Istanbul BIST 30, BIST 100, Corporate Governance, and Sustainability indices. Headquartered in Istanbul, Tofaş operates its production facilities in Bursa on a site covering one million square metres. The Company manufactures the Fiat Egea model range and K0 light commercial vehicles for four different brands, which are exported to international markets. It also manages sales and after-sales services in Türkiye for the Fiat, Alfa Romeo, Jeep®, Maserati, and Ferrari brands.

As one of Stellantis’ global R&D centres, Tofaş contributes to Türkiye’s engineering capabilities and develops connectivity-based mobility solutions through its R&D hub in Izmir. The Company plays a role in the development of other Stellantis models and exports engineering expertise globally. As part of its smart factory transformation, Tofaş continues to expand its use of digital optimisation tools while closely tracking technological advances and evolving market demands.

Tofaş is a signatory to the 2°C Challenge Communiqué, an international business call for global climate action. The Company is implementing a carbon transformation programme with the goal of achieving carbon neutrality by 2050. This programme focuses on the use of green materials, electrification, energy efficiency, and circular economy practices.

With over fifty years of experience, a strong research and development foundation, ongoing technological investment, and a skilled workforce, the Company aims to create long-term value while maintaining its position as a global player within the automotive sector.

Organizational Reporting Boundary

This report covers activities that fall under the operational control of Tofaş. Disclosures relate to operations at the Company’s production facilities in Bursa and its headquarters in Istanbul, where Tofaş has direct control. Scope 1 and Scope 2 greenhouse gas emissions have been calculated solely on the basis of assets operated by the Company. Environmental data from Fer-Mas Oto Ticaret A.Ş., Koç Fiat Kredi Finansman A.Ş. (including its subsidiary Koç Fiat Sigorta), and Tofaş dealers are excluded from the reporting boundary.

Tofaş applies the “Volume 63 – Automobiles” guidance, part of the Guidance on the Sector-Specific Application of TSRS 2, to identify, measure, and disclose climate-related risks and opportunities. This approach reflects the Company’s primary focus in the automotive sector, which accounts for 95% of its revenue

Statement of Validity

The statements presented in this report are based on the governance structures, policies, and reporting systems in place as of 31 December 2024 and remain valid as of that date. Should there be material changes to the Company’s governance model, reporting structure, or sustainability strategy in future periods, these will be disclosed in subsequent TSRS reports. The review process is conducted annually in alignment with the Company’s strategic planning cycle.

Alignment with Corporate Strategy

At Tofaş, sustainability is not viewed solely through environmental or social lenses but as a core element shaping the Company’s long-term strategic direction and financial planning. Climate transition planning, emission reduction targets, circular economy principles, and supply chain transformation initiatives are integrated with R&D investments, capacity expansion projects, and new product strategies.

While specific responsibilities have not been formally assigned, the Board of Directors and senior management actively oversee these areas to ensure continuity of operations and alignment with the Company’s strategic priorities.

Significant Judgments and Uncertainties

In preparing its climate-related disclosures, Tofaş has made a number of significant judgements, not only in relation to the technical aspects of greenhouse gas calculations but also in the assumptions underpinning its strategy, scenario analyses, and transition planning. The key areas of uncertainty and estimation affecting these disclosures are outlined below:

- **Carbon pricing scenario uncertainty:** At the time of reporting, the timeline for Türkiye's adoption of an Emissions Trading System ("TR-ETS") had not yet been finalised. As a result, the hypothetical carbon price used in the internal carbon pricing framework (e.g. 4,939.24 TL/tCO_2-e for 2030) [1] has been applied only in scenario-based planning, limiting the precision of forward-looking financial impact assessments
- **Timing of technological developments:** The pace of technological change, particularly in relation to electric and hybrid vehicles, the battery supply chain, and the rollout of related regulations, remains uncertain. These factors may influence the future emissions profile across the product life cycle.
- **External dependencies in scenario analysis:** While the climate scenarios used (RCP 2.6, RCP 4.5, and RCP 8.5) reflect regional physical risks, their specific impacts on Türkiye may evolve over time. In addition, external policy changes such as developments in carbon regulation or the expansion of the Carbon Border Adjustment Mechanism (CBAM), may shift strategic priorities.
- **Uncertainty of financial impacts:** Several financial implications associated with transition risks, including effects on operating expenses, capital investments, and cash flows related to carbon pricing, energy transition, and CBAM, have not yet been quantified. As a result, certain financial disclosures required under TSRS 2 have been deferred to future reporting periods.

All assessments are based on the best available data and methodologies at the time of publication and are subject to revision in response to changes in legislation, market dynamics, or technological progress.

1 The amount of 140 USD/tCO_2e has been converted into Turkish Lira based on the Central Bank of the Republic of Turkey's foreign exchange buying rate as of December 31, 2024 (1 USD = 35.2803 TRY), and has been reported as 4,939.24 TRY/tCO_2e

1. Governance

Tofaş's corporate sustainability policy is based on a lifecycle perspective, aiming to manage environmental, social, and economic impacts across both internal operations and external areas of influence, including the supply chain and dealer network. Climate-related risks and opportunities are addressed through structured processes of identification, prioritisation, monitoring, and action. These are supported by internal control and audit mechanisms.

Governance Structure

At Tofaş, managing climate-related risks and opportunities is considered a strategic priority and is integrated into all business processes. Governance of this area falls under the oversight of the Board of Directors and the executive responsibility of the CEO. The senior management team—comprising 18 directors reporting to the CEO—addresses sustainability matters within their respective areas of responsibility.

Key responsibilities are carried out through the CEO and the following committees: the Early Risk Detection and Risk Management Committee, the Corporate Governance Committee, and the Audit Committee. These responsibilities include:

- Defining the sustainability strategy and objectives
- Approving targets
- Evaluating climate transition plans
- Considering environmental and social impacts in investment decisions
- Setting R&D priorities with a focus on ESG
- Conducting sustainability assessments in procurement and merger processes

In parallel, the Sustainability Committee oversees work related to climate risks and opportunities, based on inputs from field teams and technical units.

The Role and Competencies of the Board of Directors

The Board of Directors is responsible for approving the Company's sustainability strategy. Board members actively monitor issues such as climate change, energy management, the circular economy, and social impact, as well as their implications for the automotive sector. Technical knowledge is incorporated into decision-making through regular engagement with internal expert teams.

Although there is currently no requirement for the CEO or Board members to hold formal qualifications in sustainability, the development of sustainability-related competencies is under consideration and in the planning phase.

Information Processes

Sustainability information is collected and evaluated at the operational level.

The Sustainability Working Group collects KPIs

The Facilities and Sustainability Manager monitors the indicators

The Sustainability Committee evaluates the process for strategic alignment

The Corporate Governance Committee reports to the Board of Directors

Where necessary, special reports may be submitted to the Board of Directors in response to critical developments.

Integration into Strategic Decisions and Trade-offs

The Board of Directors plays an active role in shaping long-term strategic decisions by considering the implications of climate change, the energy transition, and evolving regulatory requirements. The Company adopts a governance approach that integrates sustainability principles into both investment and operational processes.

Major capital investments, product development initiatives, and supply chain practices are assessed and managed in alignment with the Company's sustainability objectives. Risk management processes are structured to address climate, environmental, operational, and legal risks through comprehensive analysis based on impact, probability, and time horizon. Contingency plans and clear lines of responsibility are established for critical scenarios.

In managing climate-related risks and opportunities, Tofaş evaluates the interplay between financial, environmental, and social factors and follows a balanced approach to decision-making that reflects these interdependencies.

Progress Tracking Towards Sustainability Goals

Progress against sustainability targets is periodically monitored by senior management, comprising 18 directors under the leadership of the CEO, together with relevant specialist units. As part of this oversight, environmental performance indicators—including emissions data, energy use, and water consumption—are regularly reviewed and, when necessary, submitted to the Board of Directors via the Corporate Governance Committee and the Early Risk Detection and Risk Management Committee.

In 2024, the Board of Directors reviewed the Company's sustainability performance through several channels: follow-up activities conducted by the CEO and relevant managers; a report prepared in line with the Capital Markets Board (CMB) sustainability compliance framework during the approval of the annual activity report; and data submitted to external platforms such as the Carbon Disclosure Project (CDP). No separate Board meeting was held for this agenda item.

Performance and Compensation

Sustainability-related objectives have been incorporated into the Objective Key Result (OKR) performance system for the CEO, CFO, Director of Corporate Communications and External Relations, Director of Human Resources, and the Sustainability Coordinator.

The OKR system is a strategic performance management tool that enables goals to be set, shared, and tracked across the organisation. The outcomes of performance tracking throughout the year directly influence base salary adjustments and bonus calculations for relevant employees.

As performance is evaluated holistically—based on the overall achievement of all assigned objectives—the portion of financial incentives specifically tied to environmental targets is not disclosed separately.

To promote the internal adoption of sustainability goals, the Company applies a multi-layered performance and incentive system across relevant management levels.

Role	Evaluation Criteria
CEO and Senior Management	Evaluated against performance criteria aligned with sustainability goals. Assessments consider both financial outcomes and progress on sustainability, benchmarked against prior periods.
Facility Managers	Assessed using the Stellantis Production Model (SPW), which tracks performance in energy efficiency, cost reduction, and environmental impact.
Facilities and Sustainability Manager	Responsible for developing and tracking climate-related targets; works in coordination with energy managers to monitor progress.
Energy Managers	Evaluated based on achievement of carbon and energy reduction targets set out in the Energy Action Plan.
All Employees	Encouraged to contribute suggestions on energy efficiency, greenhouse gas reduction, and environmental improvements through the Tofaş Suggestion System. Feasible suggestions are reviewed and and those deemed feasible are rewarded.

Integration of Internal Controls and Procedures

The CEO and senior management are directly responsible for managing sustainability-related risks in accordance with the Company's publicly disclosed policies. The Early Risk Detection and Risk Management Committee, the Sustainability Committee, and the Facilities and Sustainability Directorate carry out systematic assessments based on a five-step methodology.

All sustainability processes are integrated with internal control and internal audit systems. Risks are managed through a structured cycle of identification, measurement, evaluation, control, and monitoring. Data gathered through these processes is fed into decision support systems and transformed into strategic insights.

Various controls and procedures are in place at Tofaş to support the management of sustainability-related risks and opportunities. Environmental performance metrics—covering areas such as climate change, energy, water, waste, and emissions—are monitored by senior management and periodically reviewed in line with international reporting frameworks, including the Carbon Disclosure Project (CDP).

These controls operate in coordination with internal audit, corporate risk management, and relevant operational units. The Early Risk Detection and Risk Management Committee and the Corporate Governance Committee assess the Company's overall strategic risk profile based on these outputs and report material sustainability-related developments to the Board of Directors as needed.

Tofaş Sustainability Policies

Environmental Policy

Tofaş views all waste disposal as a loss of natural resources and aims to manufacture in a way that avoids environmental pollution and reduces its overall impact.

Energy Policy

The Company is committed to improving energy efficiency, using energy resources responsibly, and protecting environmental balance as a core principle.

Corporate Sustainability Policy

Tofaş implements sustainability policies through a holistic approach that covers environmental, social, and governance areas, based on business models aligned with long-term sustainable development strategies.

Human Rights Policy

The Company upholds the rights and dignity of all employees, rejects discrimination in the workplace, and supports fair and ethical working conditions.

Waste Management Policy

Tofaş aims to minimise waste generation at its source, maximise recycling within production processes, and implement sustainable waste management systems.

Ethical Values and Anti-Corruption Policy

The Company is committed to transparency and accountability, acting in line with ethical principles to prevent corruption and conflicts of interest.

Risk Management Policy

A risk-focused approach is adopted across all operations, with an emphasis on early identification, assessment, and mitigation through proactive measures.

Water and Wastewater Management Policy

Tofaş strives to use water resources efficiently and manage wastewater responsibly to avoid environmental harm.

Access Other Policies

Further policy documents under the Company's sustainability framework can be accessed via the following link:

https://www.tofas.com.tr/en/Sustainability/Policies

2. Strategy

The impact of climate-related risks and opportunities on Tofaş's business strategy and decision-making mechanisms is addressed through a comprehensive approach aligned with the company's long-term value creation perspective. Tofaş views climate change not only as an environmental threat but also as a key driver of economic and technological transformation. In response to this global challenge, Tofaş is restructuring its production, product development and supply chain strategies with the goal of a low-carbon future, and is addressing regulations such as the European Green Deal, SKDM and internal carbon pricing as building blocks of its climate transition strategy.

The company's climate strategy commits to reducing Scope 1 and Scope 2 emissions by 50% compared to 2021 levels by 2030 and achieving carbon neutrality by 2050 ([2]). In line with this goal, the electrification of production processes, energy efficiency investments, supply chain practices that reduce the carbon footprint, and the management of Scope 3 emissions calculated over the entire vehicle lifecycle are among the top priorities. Tofaş is developing its transition plan to transform both producer and consumer behaviour in line with the Paris Climate Agreement, which Turkey has also signed, and Turkey's 2053 Net Zero Emissions Target. [3]

The strategy underlying Tofaş's climate transition planning is based on short-, medium-, and long-term transformation steps. Preparations have been made to increase the proportion of electric and hybrid vehicles in the portfolio as part of the transition to a low-carbon economy. In new investments or machine equipment changes, the Kanban (production management system) process has been established, BAT (best available techniques) application has been systematised, and environmental and energy efficiency studies have been standardised.

Tofaş aims to align with its parent company Stellantis' "1.5°C-compatible emissions pathway" approach in the fight against climate change and achieve its long-term carbon reduction targets. This strategy, which was defined by Stellantis and inspired by the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, focuses on key transformation areas such as operational efficiency, a low-carbon product portfolio, and a sustainable supply chain, and is shaped by science-based scenarios. Within this framework, Tofaş is fully aligned with Stellantis' environmental strategy and energy policies on issues such as reducing its carbon footprint, electrification and regulatory compliance.

In line with Stellantis' defined targets, Tofaş aims to reduce Scope 1 and 2 emissions by 50% by 2030 compared to the 2021 base year: this target forms one of the cornerstones of Tofaş's long-term climate strategy. The company's emissions management approach is aligned with the Dare Forward 2030 targets; vehicle-per-unit emissions reduction performance is monitored monthly, data is evaluated on a regional basis, and the approach is periodically updated based on internal (product plans, production volumes) or external (regulatory changes) factors. Tofaş has developed its climate roadmap based on Stellantis' 2021 emissions methodology and targeting approach. This approach enables the assessment of transition risks and reduction strategies under TSRS 2 within a global transformation framework.

Strategic Planning Horizons

Short-, medium-, and long-term planning horizons have been defined to support the monitoring of risks and opportunities and to guide strategy development. These timeframes correspond to the Company's existing strategic planning structure and are used to align sustainability priorities with investment decisions, operational focus, and risk management. The table below outlines how each horizon is defined and how it connects to Tofaş's corporate decision-making processes.

Time Horizon	Definition	Connection to Strategic Planning
Short-Term (1 year)	Refers to the period during which environmental performance is monitored annually and urgent climate, operational, or regulatory risks are managed. Focus areas include energy use, water consumption, waste management, and short-term carbon reduction actions.	Indicators are tracked through annual planning and CDP reporting. These metrics inform operational priorities for the first year of the four-year corporate strategy cycle and support short-term sustainability goal tracking.
Medium-Term (4 years)	Aligned with the Company's four-year strategic planning cycle with Koç Holding and Stellantis. Targets progress in areas such as emissions reduction, energy efficiency, electrification, and regulatory compliance.	This is the primary phase for integrating sustainability into operations, assessing risks and opportunities, and defining investment priorities. CDP commitments and annual performance improvements are aligned with medium-term targets.
Long-Term(10+ years)	Anchored in Tofaş's 2050 carbon neutrality target. Encompasses major strategic projects based on advanced technologies and alternative energy solutions.	Long-term planning is shaped by the carbon transformation programme. Successive four-year cycles support this vision, which focuses on emissions reduction, energy transition, digitalisation, and circular economy initiatives.

2 TOFAŞ's 2050 target is aligned with Stellantis.

3 Turkiye's climate strategic targets and priority sectors for the 2024–2030 period

3. Risks and Opportunities

Climate change presents systemic risks that may impact Tofaş's value chain, including physical infrastructure, supply chain continuity, production planning, and access to external markets. These risks extend beyond environmental concerns; they also have financial, operational, and strategic implications. The Company assesses and manages them based on their potential short-, medium-, and long-term effects.

Tofaş classifies climate-related risks into two main categories:

- Physical risks, such as extreme weather events, water stress, and climate-related disruptions to operations
- Transition risks, including regulatory changes, carbon pricing, and shifts in consumer preferences

This risk classification is embedded in the Company's internal control processes and strategic planning frameworks, with consideration given to external drivers such as Türkiye's 2053 Net Zero Target and the European Green Deal.

The following section outlines the key climate-related risks identified by Tofaş as of 2024, along with their potential impacts on the business model, financial planning, operational continuity, and investment priorities.

3.1. Managing Climate-Related Risks and Opportunities

Inputs and Parameters Used by the Business

Processes for identifying, assessing, prioritising, and monitoring climate-related risks and opportunities are embedded in Tofaş's broader risk management framework through structured committee oversight and reporting mechanisms. Sustainability risks are incorporated into the Company's overall risk profile via the Early Risk Detection and Risk Management Committee. Risks are addressed through a structured cycle of identification, measurement, assessment, control, and monitoring.

All climate-related risk and opportunity assessments inform the Company's transition plans, investment priorities, and product portfolio strategies. Tofaş's 2030 target to reduce emissions by 50% and its 2050 carbon neutrality goal have been shaped through this process. External variables—such as carbon pricing, water stress, and evolving regulatory scenarios—are factored into cash flow modelling during strategic planning and investment evaluations. An internal carbon price of 1,836.81 TL[4] per tCO_2e is applied when evaluating projects.

Tofaş uses a variety of tools and data sources to assess risks, including:

- ISO 14001 environmental management system data
- WWF Risk Filter analyses
- Internal carbon pricing models
- Internal audit reports
- SKDM (CBAM) impact assessments
- CDP performance data
- Supplier risk assessment forms

The scope of analysis covers direct production (Bursa factory), the upstream supply chain (particularly high-emission inputs), downstream distribution, and product use. Both internal factors—such as energy consumption, water availability, and operational processes—and external factors—such as EU regulations, carbon pricing, and physical climate risks—are considered.

Quantitative and Qualitative Assessment

Tofaş estimates financial impacts using internal carbon pricing and scenario-based modelling (e.g. 4,939.24 TL/tCO_2e by 2030). A risk scoring system, based on a probability–impact matrix, is used with a financial threshold set at 0.5% of Company revenue.

Qualitative factors—including changes in regulation, supply chain vulnerabilities, operational disruptions, and reputational risks—are also evaluated. Risk classifications are reviewed annually through an integrated risk map that ranks each risk from "very high" to "very low."

Probability assessments draw on past events (such as the Nilüfer River flood), scientific forecasts, and expert input.

How the Company Monitors Sustainability-Related Risks

Climate-related risks are evaluated as part of the Company's corporate risk map and integrated with outputs from ISO 14001 and WWF Risk Filter analyses. These risks are prioritised alongside financial, operational, and reputational risks and are monitored in coordination with the Sustainability Committee and the Early Risk Detection and Risk Management Committee.

Tofaş applies a structured approach to risk monitoring, which includes:

- Conducting annual risk reviews to reflect current developments
- Expanding internal audit processes to cover sustainability-related risks
- Periodically tracking key performance indicators (KPIs), such as emission intensity, water use, and energy efficiency, under senior management oversight
- Verifying selected performance metrics externally, particularly in areas such as water and carbon management, in line with CDP, ISO 14064, and ISO 50001 standards

Sustainability KPIs—including carbon intensity, water recovery rate, and energy efficiency—are used to monitor risks throughout the year. Committees develop action plans and escalate relevant issues to the CEO when required. Progress is also disclosed publicly through external platforms such as CDP.

In 2024, no major methodological changes were introduced; however, internal carbon pricing and the alignment of risk assessments with strategic scenario planning were formally integrated into the risk management process. These developments have strengthened the Company's overall risk governance approach.

To address water stress specifically, several measures were implemented in 2024: new supply lines were completed from the Demirtaş Organised Industrial Zone (DOSAB); wastewater recovery rates were improved; and dedicated technical intervention teams were established. These outcomes reflect the Company's targeted investments in water efficiency.

Opportunities are assessed using the same structured approach applied to risks. The internal carbon price model serves as a central tool in evaluating investment options. Opportunities are reviewed annually by the Sustainability Committee, the Early Risk Detection and Risk Management Committee, and other relevant department heads. Findings are presented to the CEO during year-end meetings. This process involves KPI-based performance monitoring, with energy efficiency and electrification projects prioritised for investment.

4 The amount of 50 EUR/tCO_2e has been converted into Turkish Lira based on the Central Bank of the Republic of Turkey's foreign exchange buying rate as of December 31, 2024 (1 EUR = 36.7362 TRY).

3.2. Impact on the Business Model and Value Chain

Tofaş contributes to the Turkish automotive ecosystem through its supplier and dealership network and is preparing for future mobility by investing in digital transformation and sustainability-driven technologies. In defining its strategy for managing climate-related risks and opportunities, the Company conducted a review of TSRS 2 Annex – Volume 63 (Automobiles) and SASB standards to identify material issues.

This section outlines the key climate-related risks and opportunities that inform the Company's strategic approach, along with their implications for the value chain.

The identified risks include:

- Water Stress Risk (chronic physical risk)
- Carbon Pricing Risk (transition risk)
- Product and Service Transition Risk (regulatory or market-related)

The corresponding opportunities are:

- Resource Efficiency, particularly through wastewater recovery
- Renewable Energy Use, as an alternative energy source
- Low-Emission Product Development, reflected in growing sales of electric and hybrid vehicles

These risks and opportunities influence the Company's operational priorities, investment planning, and product strategy across the full value chain.

Risks

Category	Geography / Value Chain / Focus / Probability / Impact	Current and Projected Impacts
Risk 1: Chronic Physical Risk – Water Stress	Turkey / Bursa; Direct operations, upstream supply chain; Production facility, water-dependent lines; Likely; Moderate	**Current:** Water constraints pose a risk to production continuity, potentially affecting efficiency and capacity. **Projected:** Long-term disruptions may hinder production targets and cause revenue loss. Water-dependent suppliers may also be affected, risking operational continuity.
Risk 2: Transition Risk – Carbon Pricing Mechanisms	Turkey / Bursa; Direct operations, upstream supply chain; Energy-intensive processes, emission-intensive materials; Likely; Low–Medium	**Current:** No carbon tax yet, but preparations for regulatory changes are underway, which could raise costs. Projected: Higher raw material and input costs; suppliers may pass on carbon pricing. Logistics and distribution costs may also rise.
Risk 3: Transition Risk – Regulatory Changes Affecting Products and Services	Turkey / Bursa; Direct operations, upstream supply chain; Product development, portfolio transformation, post-sales; Equal likelihood; Low–Medium	**Current:** No direct regulatory conflicts identified yet. **Projected:** Some models may become non-compliant. R&D and production changes may be needed, along with restructuring in after-sales services.

Opportunities

Category	Geography / Value Chain / Focus / Likelihood / Impact	Current and Anticipated Impacts
Opportunity 1: Resource Efficiency – Wastewater Recovery	Turkey / Bursa; Direct operations; Production facility, Water-using processes; Highly likely; Moderate	**Current:** Reduced water consumption and discharge costs. Lower dependency on external water sources. **Expected:** Enhances resilience to water scarcity and reduces costs. Upstream scaling can strengthen sustainability performance.
Opportunity 2: Energy Source – Use of Renewable Energy	Turkey / Bursa; Direct operations, upstream supply chain; Energy-intensive processes; Highly likely; Medium–High	**Current:** Renewable projects launched, energy efficiency improved, and costs reduced. **Expected:** Solar energy and efficiency projects will cut fossil fuel use and operational costs. Supplier emission criteria introduced.
Opportunity 3: Products and Services – Sales of Electric and Hybrid Vehicles	Turkey / Bursa; Downstream value chain; Product development, after-sales, customer expectations; Highly likely; Medium–High	**Current:** Expanded electric/hybrid portfolio; training and preparations completed. **Expected:** Entire value chain will undergo transformation. Supports low-carbon transition and opens new revenue opportunities.

3.2.1. Risk 1: Water Stress

Impact of Sustainability Risks on Strategy and Decision-Making Mechanisms

(a) Responses and Planned Actions for Sustainability Risks

Tofaş considers water stress—classified as a chronic physical risk linked to climate change—a critical concern for maintaining production continuity. Given the reliance of the Bursa production facility on stable water supply, the Company has implemented several operational measures focused on water efficiency:

- Water efficiency projects have been developed, and an alternative water supply infrastructure has been established through the Demirtaş Organised Industrial Zone (DOSAB).
- Technical rapid response teams have been formed to manage water-related emergencies.
- Water management performance indicators have been integrated into the corporate risk mapping process.
- These measures have helped embed sustainability objectives into operational strategy and are designed to reduce the risk of water-related disruptions in strategic decision-making.

(i) Current and Planned Changes

- **Current:** Projects to increase water efficiency have been implemented at the Bursa production facility to mitigate water stress risk, and a water line has been connected from DOSAB as an alternative water supply.
- **Planned:** Infrastructure investments to increase climate resilience are on the agenda to ensure production continuity in the event of water scarcity. Water management KPIs are monitored and included in capital expenditure planning.

(ii) Direct Reduction and Adaptation Efforts

- **Current:** Water efficiency projects have been implemented to reduce natural resource consumption.
- **Planned:** Based on future climate projections, increasing water recycling rates and operational adaptation to potential interruption risks are prioritized.

Water Stress
(Chronic Physical Risk)

(iii) Indirect Reduction and Adaptation Efforts

- **Current:** A monitoring system has been developed for water-dependent suppliers in the supply chain.
- **Planned:** Water management strategies will be requested from suppliers; supply relationships in regions with low environmental resilience will be reassessed.

(iv) Transition Plan and Key Assumptions

- According to the physical risk analysis, the Bursa facility is assessed to have medium–high exposure to water stress by 2050. As a result, the transition plan focuses on investments in climate adaptation infrastructure, efficiency optimisation, and securing alternative water sources.

(b) Assessed Trade-offs

- Water efficiency projects and investments in alternative supply routes have required short-term capital expenditure. However, these investments are strategically valuable for preventing production disruptions, reducing operational costs, and strengthening long-term corporate resilience.
- Promoting similar practices across the supply chain may introduce short-term management challenges, but it supports the development of a more sustainable production ecosystem over the medium to long term.

(c) Key Assumptions Used in Developing the Transition Plan

- It is assumed that any disruption to water access could pose a critical risk to production continuity.
- Based on projections of increasing water stress at the Bursa facility, alternative water sources and wastewater recovery systems have been planned at levels sufficient to avoid production interruptions.
- Water management investments are recognised not only as sustainability measures but also as essential tools for ensuring business continuity and mitigating operational risk.

(d) Related Dependencies

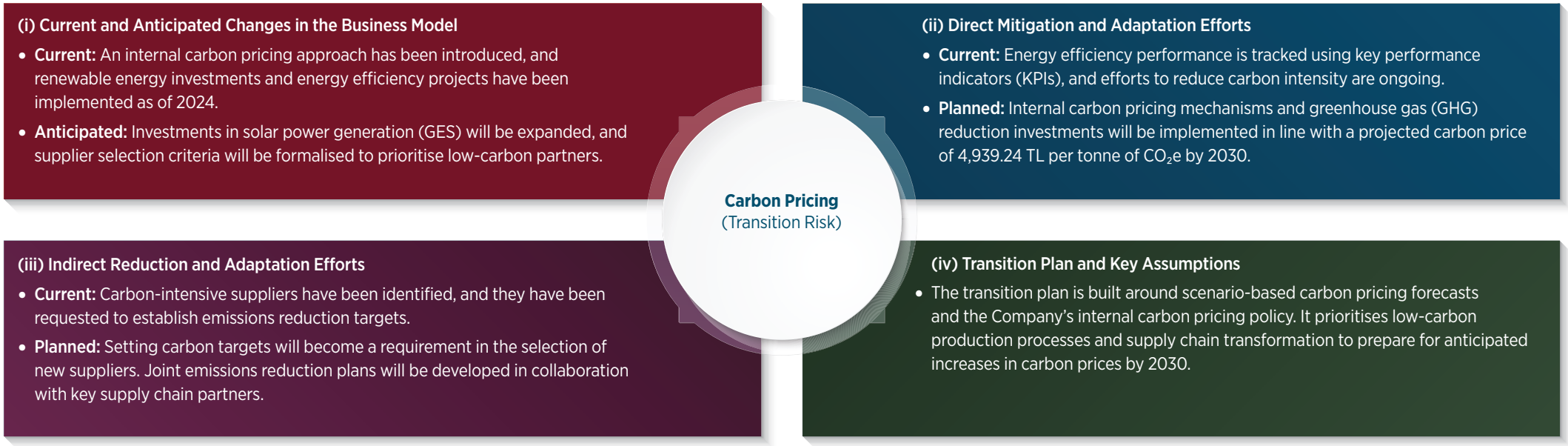
- Dependency on Regional Water Resources: The Bursa facility relies on a consistent and high-quality water supply to maintain operational efficiency. A regional decline in water availability due to climate change would directly affect production continuity.
- Sustainability of Secondary Water Sources: The effectiveness of alternative sources, such as the supply line from DOSAB, depends on the presence of robust infrastructure to ensure long-term reliability and resilience against future water stress.

3.2.2. Risk 2: Carbon Pricing Risk

(a) Responses and Planned Actions for Sustainability Risks

Tofaş recognises carbon pricing as a significant transition risk with the potential to increase operational costs. In response:

- A corporate-level internal carbon pricing mechanism has been adopted, and carbon impact is now a factor in investment decision-making.
- Investments in renewable energy—such as a solar power plant—have been initiated, and energy efficiency projects have been accelerated.
- Carbon-intensive suppliers within the supply chain have been identified, and they are now required to set emissions targets aligned with Tofaş's own goals. These targets are currently being monitored.



(b) Assessed Trade-offs

- In the short term, investments in renewable energy and energy efficiency have resulted in additional costs. However, these investments serve as strategic preparation for future carbon regulations. By reducing exposure to carbon pricing and enhancing investor confidence, they are expected to generate long-term financial benefits.

(c) Key Assumptions Used in Developing the Transition Plan

- Under a high carbon price scenario aligned with a 2°C pathway, it is assumed that the carbon price will rise from 2,547.23 TL/tCO_2e in 2025 to 4,939.24 TL/tCO_2e [5] by 2030.
- Based on this scenario, Tofaş has integrated internal carbon pricing into its investment planning and has prioritised emissions reduction projects.
- It is assumed that higher carbon prices will increase operating costs and lead to cost pass-through within the supply chain.
- Expanding the use of renewable energy is viewed as a key measure to reduce reliance on fossil fuels and mitigate the financial impact of carbon pricing.

(d) Related Dependencies

- Dependency on Renewable Energy Technologies and Costs: The success of Tofaş's carbon pricing resilience strategy depends on scaling up renewable energy use. However, the high upfront cost of technologies like solar energy, along with the availability of regulatory incentives and market access, will significantly influence investment decisions.
- Transition Speed of Carbon-Intensive Suppliers: Many suppliers may face constraints in developing and implementing their own carbon reduction plans. This could affect product cost structures and present challenges in meeting the Company's broader sustainability targets.

5 Based on the Central Bank of the Republic of Turkey's foreign exchange buying rate as of December 31, 2024 (1 USD = 35.2803 TRY), the Turkish Lira equivalents of 72.2 USD/tCO_2e and 140 USD/tCO_2e have been calculated and reported as 2,547.23 TRY/tCO_2e for the 2025 carbon price projection and 4,939.24 TRY/tCO_2e for the 2030 carbon price projection.

3.2.3. Risk 3: Product Transformation Risk

Risk of Regulatory Changes in Products and Services

(a) Responses and Plans for Sustainability Risks

The risk that existing products may become technically non-compliant with new environmental regulations is a key strategic concern for Tofaş. In response:

- Efforts have been intensified to build competencies in electric and hybrid vehicle technologies and to expand the product portfolio in line with growing demand.
- Vehicle design now prioritises lightweight construction, energy efficiency, and the use of recyclable materials.
- Product R&D processes and post-sales service structures have been adapted to meet anticipated regulatory requirements.

(i) Current and Anticipated Changes in the Business Model

- **Current:** Tofaş has established a portfolio of electric and hybrid vehicles, and post-sales service structures have been adapted to support these products.
- **Anticipated:** Low-emission solutions will be prioritised in product design and R&D processes to ensure compliance with evolving environmental regulations.

(ii) Direct Mitigation and Adaptation Efforts

- **Current:** Electrification projects are underway, and efforts to improve the efficiency of fossil fuel engine technologies continue.
- **Planned:** The product range will be restructured around low-carbon technologies to meet future regulatory and market expectations.

Product and Service Regulation
(Transition Risk)

(iii) Indirect Reduction and Adaptation Efforts

- **Current:** The supply chain is being reviewed to identify alternative materials and components suitable for electric vehicle production.
- **Planned:** A supply structure tailored to support the transition to low-emission vehicles will be developed, with circular economy practices—such as battery recycling—integrated into the process.

(iv) Transition Plan and Key Assumptions

- It is assumed that the vehicles ordered by Stellantis for export to the EU during the transition period will comply with applicable carbon targets.
- Tofaş's transition plan is structured around EU regulatory requirements, customer expectations, and long-term carbon reduction goals. Its key pillars include product electrification, regulatory compliance, enhanced R&D capacity, and market diversification strategies.

(b) Evaluated Trade-offs

- R&D investments for product development and, where necessary, production line adaptations have increased capital requirements in the short term.
- However, these investments have enabled the expansion of the product portfolio, improved competitiveness, and strengthened compliance with future regulatory requirements.
- The transition process may result in a temporary decline in sales of traditional internal combustion engine vehicles, but this is expected to be offset by the growth in sales of high-value-added, low-emission vehicles over the medium to long term.

(c) Key Assumptions Used in Developing the Transition Plan

- The product portfolio transformation plan assumes that EU environmental regulations will become increasingly stringent and that restrictions on fossil fuel vehicles will expand.
- Demand for electric and hybrid vehicles is expected to grow, providing a competitive advantage; however, this shift will also require transformation in after-sales services and the supply chain.
- Investments in product transformation are anticipated to support access to new customer segments and enable market diversification in the long term.
- R&D efforts in battery technologies, alternative fuel systems, and lightweight materials are considered essential pillars of the transformation strategy.

(d) Related Dependencies

- **Dependency on an Electric Vehicle-Compatible Supply Chain:** The availability of critical components—such as batteries, lightweight alloys, software, and charging systems—is essential to the success of product transformation. Product costs, geopolitical supply risks, and the adoption of circular economy models may all influence strategic outcomes.
- **Dependency on Technological Maturity and Timing:** Technologies used in product development must evolve in parallel with market needs and regulatory progress. In particular, the development of battery recycling systems and the expansion of electric vehicle service networks will be key to the success of this transition.

3.3. Scenario Analyses

Tofaş's climate strategy is informed by both transition and physical climate scenarios developed by the Intergovernmental Panel on Climate Change (IPCC). The Company is a signatory to the "2°C Challenge Communiqué," an international business call for coordinated global climate action. To evaluate regulatory risks, Tofaş considers three carbon pricing scenarios:

- **High Carbon Price Scenario (IEA NZE):** This scenario reflects the implementation of policies deemed sufficient to reduce greenhouse gas emissions in line with limiting global warming to 2°C by 2100. It is based on research by the Organisation for Economic Co-Operation and Development (OECD) and the International Energy Agency (IEA, 2017).
- **Medium Carbon Price Scenario (IEA APS):** This scenario assumes emissions will ultimately be reduced to achieve the 2°C target but anticipates a delay in short-term action. It draws on assessments of Nationally Determined Contributions (NDCs) by Ecofys, Climate Analytics, and the New Climate Team via the Climate Action Tracker, alongside OECD and IEA data. It is assumed that countries with Nationally Determined Contributions (NDCs) not aligned with the 2°C target in the short term will strengthen their climate mitigation efforts in the medium and long term.
- **Low Price Scenario (IEA STEPS):** This scenario is based on research conducted by the OECD and IEA (2017) and assumes the full implementation of countries' Nationally Determined Contributions (NDCs). However, it concludes that the projected carbon pricing levels under this scenario would be insufficient to achieve the targets set by the Paris Agreement.

Tofaş is expected to face Scope 1 carbon pricing risks by 2030. The level of financial exposure varies depending on the scenario adopted. To avoid exposure to physical climate risks, three IPCC Representative Concentration Pathways (RCPs) are considered:

- **High Climate Change Scenario (RCP 8.5):** Assumes emissions continue to rise at current rates, leading to a projected temperature increase of over 4°C by 2100.
- **Moderate Climate Change Scenario (RCP 4.5):** Envisions strong mitigation measures, reducing emissions by 2080, but still resulting in warming above 2°C by century-end.
- **Low Climate Change Scenario (RCP 2.6):** Involves aggressive emissions cuts by 2050, with a projected warming limit below 2°C.

Asset-level data is used to conduct the relevant climate scenario analyses. Under the low-emissions scenario, a global temperature increase of 2°C is projected by the end of the century. In the moderate scenario, this threshold is exceeded, while in the high-emissions scenario, warming is expected to surpass 4°C.

Asset-level climate scenario analyses are conducted using geographic coordinates of Company facilities, matched with seven climate hazards: extreme heat, flooding, drought, storms, sea level rise, forest fires, and extreme cold. This mapping enables site-specific exposure scoring, which informs corporate-level physical risk assessments.

Physical risk scenarios are also considered for the period to 2030, particularly in relation to market and regulatory transition risks. These analyses are aligned with the Paris Agreement and focus on:

- Assessing water resource decline in climate-sensitive regions such as Bursa and anticipating infrastructure investment needs
- Evaluating the impact of Türkiye's potential transition to an Emissions Trading System (ETS), alignment with EU ETS, and sector-specific carbon regulations
- Modelling technical non-compliance, carbon cost impacts, and market contraction risks related to Tofaş's product portfolio in the EU market

Scenario Analyses Operational Scope

Risk	Category	Operational Scope
P	**Water Stress**	The analysis covers the Bursa production facilities, including process water requirements, water-dependent production units, and investments in alternative water sources.
T	**Carbon Price**	The scenario analysis spans the full operational scope of the Bursa facility, covering energy consumption, emissions, and the entire supply chain.
T	**Product Regulation**	The analysis includes internal combustion, hybrid, and electric vehicle production lines; R&D activities; after-sales services; supply and spare parts logistics; and product segments exported to the EU.

P= Physical, T=Transition

Scenario Analysis Summary Table:

Risk Term	Physical – Water Stress	Transition – Carbon Price	Transition – Product Regulation
Short Term	Preventing disruptions; initiating recovery efforts	Introduction of internal carbon pricing; initial investments	Adaptation of service structures; launch of EV production
Medium Term	Increasing water recovery rates; monitoring suppliers	Supplier transformation; cost optimisation	Development of a regulation-compliant product portfolio
Long Term	Strengthening infrastructure resilience; enabling sustainable production	Building a competitive advantage through low-carbon operations	Sustainable brand positioning aligned with evolving market dynamics

3.4. Resilience

3.4.1. Risk 1: Chronic Physical Risk – Resilience Analysis for Water Stress

Climate Resilience Assessment

Impacts on Strategy and Business Model

Water stress poses a significant risk to Tofaş's production capacity and operational continuity. In response, the Company has adapted its business model by developing alternative water supply options and reducing its dependence on local water sources. Water management key performance indicators (KPIs) have been established and integrated into decision support systems to guide operational and strategic planning.

Areas of Uncertainty

Several uncertainties influence the assessment of this risk, including potential changes in the local hydrological regime due to climate change, the long-term sustainability of alternative sources such as DOSAB (Demirtaş Organised Industrial Zone), the frequency and severity of extreme events like floods and droughts, and future increases in water prices.

Adaptation Capacity

Tofaş has taken a multi-dimensional approach to enhancing resilience. From a financial standpoint, water efficiency projects have been incorporated into capital expenditure planning, and ESG-based investment ratings have been aligned with water management strategies. Rather than pursuing costly infrastructure overhauls, the Company has improved existing systems to boost efficiency without needing to relocate or decommission its facilities.

These investments in water reuse have yielded benefits for both cost control and production continuity. They have also improved the Company's ability to respond flexibly to sudden water shortages. In parallel, upstream suppliers are being monitored more closely, and expectations for water management strategies are being introduced across the supply chain.

At this stage, water stress is not expected to have a material impact on the Company's access to finance, capital costs, overall financial condition, or cash flow.

Element	Assessment
Scenarios	RCP 2.6, RCP 4.5, RCP 8.5
Short-Term Adaptation	DOSAB line, technical teams, KPI tracking
Medium-Term Adaptation	Increase in recovery rate, supplier monitoring
Long-Term Adaptation	100% recovery
Uncertainties	Water scarcity frequency, infrastructure adequacy, cost uncertainty
Financial resilience	ESG investor alignment and projects supported by KPIs

3.4.2. Risk 2: Risk 2: Transition Risk – Resilience Analysis for Carbon Pricing Mechanisms

Climate Resilience Assessment

Impacts on Strategy and Business Model

Under high carbon price scenarios, Tofaş anticipates a significant rise in production costs. To mitigate this risk, the Company has introduced an internal carbon pricing mechanism (currently set at 1,836.81 TL/tCO_2e)[6] and has accelerated its investments in energy efficiency and renewable energy, including solar power generation. These measures form the foundation of the Company's transition to a low-carbon business model and strengthen its strategic resilience against future carbon costs.

Areas of Uncertainty

Key uncertainties affecting this risk include Türkiye's timeline for adopting an Emissions Trading System (ETS), the extent to which carbon prices in the supply chain will be passed through to product prices, the impact of the EU Carbon Border Adjustment Mechanism (SKDM) on Tofaş's product portfolio, and inconsistencies in national carbon tax policies across different jurisdictions.

Adaptation Capacity

Tofaş has developed a multi-faceted approach to adaptation:

- **Financial Resources and Flexibility:** The Company is investing in renewable energy and energy efficiency projects, with all capital investments evaluated in the context of domestic carbon pricing. In parallel, Tofaş is exploring the use of sustainability-linked finance instruments such as green loans and ESG bonds.
- **Asset Transformation Capacity:** Existing production lines are being upgraded with energy-efficient and low-carbon technologies. Plans are in place to integrate alternative systems to reduce reliance on fossil fuel-based processes. While the physical location of production assets remains unchanged, their functions and energy sources are being progressively adapted.
- **Impact of Investments:** All investment decisions are guided by internal carbon pricing, allowing returns to be assessed in both financial and environmental terms. Additionally, Tofaş is working with supply chain partners to introduce carbon target-setting practices, laying the groundwork for broader emissions reduction across its value chain.

Element	Assessment
Scenarios	IEA STEPS, IEA APS, IEA NZE
Short-term adaptation	Internal carbon pricing, energy efficiency projects
Medium-term adaptation	Financial modelling
Long-term adaptation	Widespread adoption of low-carbon production infrastructure, integration of green energy
Uncertainties	ETS scope, SKDM impact, carbon cost pass-through, national/international tax harmonisation
Financial resilience	Flexible structure supported by internal carbon pricing and ESG-aligned investment strategies

3.4.3. Risk 3: Transition Risk – Resilience Analysis for Regulatory Changes in Products and Services (Product Transformation Risk)

Climate Resilience Assessment

Impacts on Strategy and Business Model

A Tofaş is responding to evolving EU regulations—such as zero- and low-emission vehicle (ZLEV) requirements and stricter emissions standards—by restructuring its product portfolio around low-emission technologies. Electric and hybrid vehicles have been introduced into production, while product design now incorporates lightweight and recyclable materials. The Company is also adapting its after-sales service structure through staff training and, where necessary, investment in new equipment to support the maintenance of next-generation vehicles.

Areas of Uncertainty

Key uncertainties include the timeline and technical scope of EU regulatory changes, the availability of electric vehicle components in global supply chains, the pace of consumer demand and behavioural adaptation, and the rate at which battery recycling technologies develop.

Adaptation Capacity

Tofaş has taken the following steps to enhance its resilience to this transition risk:

- Financial Resources and Flexibility: The Company has invested in training and preparedness for servicing electric vehicles. It has also introduced mechanisms to ensure compliance with evolving product regulations across the supply chain, including participation in Ecovadis sustainability assessments. Long-term financing options based on ESG performance criteria are also under review.
- Asset Convertibility: Existing production lines have been adapted to accommodate different propulsion technologies, including internal combustion engines (ICE), mild hybrid (MHEV), and battery electric vehicles (BEV). Rather than relying solely on physical upgrades, the Company has adopted a flexible production model to support ongoing transitions. After-sales services have been restructured accordingly.

6 The Turkish Lira equivalent of 50 EUR/tCO_2e has been calculated based on the Central Bank of the Republic of Turkey's foreign exchange buying rate as of December 31, 2024 (1 EUR = 36.7362 TRY).

- Reduction, Adaptation, and Impact of Investments: R&D activities are being carried out to meet environmental targets, with a strategic focus on expanding the share of electric vehicles in the portfolio to reduce lifecycle emissions. Tofaş is establishing new partnerships for the supply of batteries and lightweight alloy components and is requiring its suppliers to report on their use of recyclable materials.

At present, this transition risk is not expected to have a material impact on the Company's access to financing, capital costs, financial condition, or cash flow.

Element	Assessment
Scenarios	IEA STEPS, IEA APS, IEA NZE
Short-Term Adaptation	Initiating electric vehicle production, ensuring adaptation of after-sales services
Medium-term adaptation	Review of product range, development of micromobility solutions
Long-Term Adaptation	Compliance with EU regulations, competitive advantage in the electric vehicle market, circular supply systems
Uncertainties	Regulatory calendar, battery access, customer transition rate
Financial resilience	New investments and sustainable financing instruments

3.5. Funding Climate Action and Transition Plans

Tofaş has mobilised a range of financial resources to support its climate strategy, with investments targeting both risk mitigation and long-term value creation. In 2024, the Company implemented a series of energy efficiency projects aimed at optimising electricity and thermal energy consumption across its operations.

In the area of renewable energy, a feasibility study was carried out to assess the resource needs for a planned 30 MWh solar power plant investment, aligned with the Company's 2030 decarbonisation targets. To support the broader transformation, Tofaş established a sustainable financing framework to guide long-term capital allocation. As part of this effort, the Company secured a sustainability-linked loan of €295.2 million in 2024. In addition, Tofaş continues to benefit from public incentives and local grants that promote renewable energy and low-emission technologies.

Looking ahead, the Company plans to expand its solar energy investments (GES) as a central element of its strategy to phase out fossil fuel dependence. These financing efforts demonstrate that Tofaş's climate strategy is built not only on technical and operational measures, but also on a clear commitment to financial sustainability. Resource planning for short-, medium-, and long-term projects is progressing in parallel with the Company's broader climate-related risk management and opportunity development strategies.

3.6. Financial Position, Performance and Cash Flows

Line Items in the Financial Statements Likely to Be Affected and Qualitative Information

During the current reporting period, Tofaş did not experience any material or direct impact from sustainability-related risks on its financial position, performance, or cash flows. However, in view of the potential long-term effects of carbon pricing, product transformation investments, and large-scale financing agreements, certain financial statement items may be affected over the short, medium, and long term.

One key area is tangible fixed assets, particularly plant, machinery, and equipment. In 2024, Tofaş launched a significant investment under the K0 Light Commercial Vehicle Group, which is expected to have an impact on the Company's balance sheet in the years ahead.

Financial liabilities also represent a sensitive area, given the Company's engagement in sustainability-linked borrowing. The loan associated with the K0 project is a long-term facility with variable interest rates tied to sustainability performance metrics. Supported by export credit agency (ECA) mechanisms and provided through BNP Paribas Fortis and ING, the total financing amounts to €295.2 million. Should Tofaş fall short of its sustainability performance indicators, borrowing costs may rise, creating a risk of higher-than-anticipated financial liabilities and interest expenses.
Additionally, equity and profit distribution may be affected. Any delays in investment implementation or increased reliance on high-cost borrowing could weaken equity profitability, potentially placing constraints on future dividend policies.

Assessment

No significant revaluations have been required in Tofaş's financial statements during this reporting year. However, in future periods, developments in carbon pricing, the pace of technological transition, and sustainability-linked financing conditions may necessitate revisions to the valuation or classification of certain financial statement items.

4. Metrics and Targets

Tofaş continues to advance its sustainability strategy through clearly defined targets and measurable indicators that align with its governance structure, risk management processes, and long-term value creation goals, in accordance with TSRS standards. The metrics disclosed in this context are closely linked to the Company's key sustainability priorities, operational impact areas, and strategic objectives.

In line with the requirements of TSRS 2, the Company provides detailed and qualitative disclosures on climate-related risks and opportunities. These disclosures aim to offer stakeholders a comprehensive understanding of Tofaş's resilience, adaptability, and sustainability performance.

Climate change is addressed both as a strategic priority, as well as a systemic risk. Tofaş evaluates its impact across a multidimensional framework that includes legal and regulatory developments, physical climate conditions, operational processes, and financial implications. Through its corporate risk management system, the Company implements proactive measures in these areas and develops solutions to reduce its environmental footprint.

Reducing greenhouse gas emissions, increasing energy efficiency, and transitioning to low-carbon production technologies form the foundation of the Company's sustainability metrics. Emission reduction projects linked to production processes are independently verified each year.

Tofaş communicates both its current performance and its long-term vision for transformation with clarity. The Company is actively managing its transition to a low-carbon economy, guided by realistic and measurable targets shaped by stakeholder expectations. This approach is fully aligned with Stellantis's global climate strategy and the European Green Deal objectives.

As of July 2025, the publication date of this report, Tofaş is listed on the Borsa Istanbul Sustainability Index and Corporate Governance Index. The Company also regularly submits disclosures to the Carbon Disclosure Project (CDP), reporting on both climate change and water management.

4.1. Cross-Industry Metrics

	Metric Categories	Descriptions/Values
1	**Greenhouse Gas Emissions**	Disclosed in the Greenhouse Gas Emissions section.
2	**Climate-related transition risks**	Covered in the Risks and Opportunities section.
3	**Climate-related physical risks**	
4	**Climate-related opportunities**	
5	**Capital Allocation**	Capital allocation for climate-related risks and opportunities is via internal resources and the sustainability-linked credit.
6	**Internal Carbon Prices**	[7]An internal carbon price of 1,836.81 TL per tCO_2e has been adopted based on a projected carbon price.
7	**Charging**	This information is presented in the Performance and Remuneration section.

4.1.1. Greenhouse Gas Emissions

Emission Category	Total Emissions (tCO_2e)	Per Vehicle Emissions (kg CO_2e/vehicle)
Total Direct Greenhouse Gas Emissions (ST+MC+FE)	21,385	152.2
Total Indirect Greenhouse Gas Emissions (PE)	26,330	187.4
Total Greenhouse Gas Emissions (ST+MC+FE+PE)	47,715	339.6

For detailed information on greenhouse gas emissions please refer to the 2024 Integrated Report, Section 6.7 Greenhouse Gas Emissions and Carbon Management (pages 57-58). .

ST = Stationary Combustion
MC = Mobile Combustion
FE = Fugitive Emissions
PE = Purchased Electricity

No carbon credits or offset mechanisms have been used; the emission figures presented in this table reflect net emissions.
The greenhouse gas emissions of Tofaş's subsidiaries—Koç Fiat Kredi Finansman A.Ş. (including its affiliate Koç Fiat Sigorta) and Fer Mas Oto Ticaret A.Ş.—are considered immaterial and have therefore been consolidated into the overall emissions total.
Tofaş's Scope 2 emissions are calculated using the location-based method. During the reporting period, no contractual instruments such as green energy supply agreements or renewable energy certificates were in place.

7 The Turkish Lira equivalent of €50 per tCO_2e was calculated using the Central Bank of the Republic of Türkiye's exchange rate as of 31 December 2024 (1 EUR = 36.7362 TL).

4.2. Sector-BasedIndustry-Based Metrics

Tofaş reports the following sector-specific sustainability metrics and disclosures in accordance with **TSRS 2 – Appendix Volume 63: Automobiles.**

4.2.1 Sustainability Disclosure Topics and Metrics (TSRS 2-Appendix Volume 63-Automobiles)

Topic	Metric	Category	Unit of Measure	2024	Code
Fuel Economy and Use -phase Use-Stage Emissions	Sales-weighted average passenger fleet fuel economy, by regionRegion-weighted average fuel economy of the passenger fleet	Quantitative	MpgPG, L/km, gCO_2/km, km/L	Data not available due to aggregation limits	TR-AU-410a.1
	(1) Number of zero-emission vehicles (ZEV) sold	Quantitative	Number	2,391	TR-AU-410a.2
	(2) Number of hybrid vehicles sold	Quantitative	Number	3,595	TR-AU-410a.2
	(3) Number of plug-in hybrid vehicles soldhybrid vehicles with attachments	Quantitative	Number	46	TR-AU-410a.2
	Discussion of strategy for managing fleet fuel economy and emissions risks and opportunitiesStrategy for managing fuel economy and emissions-related risks and opportunities in the fleet	Discussion and Analysis	N/A	See next section for detailed explanation	TR-AU-410a.3

Table 2. Activity Metrics

	Metric	Category	Unit	2024	Code
	Number of Vehicles Produced	Quantitative	Number	140,484	TR-AU-000.A
	Number of Vehicles Sold	Quantitative	Number	173,746	TR-AU-000.B

4.2.1.1. Discussion of strategy for managing fleet fuel economy and emissions risks and opportunities (TR-AU-410a.3.)

4.2.1.1.1. Use-Phase Emissions and Strategic Approach

Tofaş is committed to reducing greenhouse gas and air pollutant emissions during the use phase of the Stellantis models it manufactures. This is pursued through investments in hybrid and electric vehicles and the broader electrification of its product portfolio. The Company adopts flexible and innovative technologies to support this transition.

This strategy is integrated directly into product development efforts and reflected in the allocation of R&D resources. Emission reduction objectives are embedded within the scope of ongoing R&D activities. Taken together, Tofaş's fleet strategy focuses on expanding the use of electric, hybrid, and alternative fuel systems in vehicles; reducing overall vehicle weight through material optimisation; and advancing software-based energy management solutions. These efforts collectively aim to lower use-phase emissions and reduce the release of air pollutants.

4.2.1.1.2. Relevant Aspects of the Strategy, Improvements in Existing Vehicles and Technologies

Strategy for Reducing Emissions and Improving Fuel Economy	Tofaş shapes its product development and R&D strategies with the goal of minimising the environmental impact of its vehicles not only during production, but throughout their entire life cycle. This approach includes a broad range of initiatives: improving energy efficiency in existing models, developing next-generation propulsion systems, advancing alternative fuel technologies, and enhancing the Company's capacity for innovation.
Improvements in Existing Vehicles and Technologies	Tofaş is reducing fuel consumption in its internal combustion engine vehicles by applying technologies such as thermal control systems, optimised torque management software, and lightweight materials. In 2024 alone, 140 energy efficiency projects were implemented, resulting in a reduction of 7,363 tonnes of CO_2 emissions.
Introduction of New Technologies	As part of its low-emission product strategy, Tofaş has launched hybrid and fully electric versions of the Fiat 500, along with the fully electric Jeep Avenger, into the Turkish market. These models represent a step forward in the adoption of new-generation vehicle technologies that reduce use-phase emissions.
Research and Development in Advanced Technologies	At the Tofaş R&D Centre, development is ongoing in battery management, range optimisation, thermal control, and energy-saving algorithms for electric and hybrid vehicles. These initiatives are aligned with Stellantis' global strategies and are being supported by locally sourced components.
Collaborations and Partnerships	Tofaş also contributes to multi-stakeholder research projects under the Horizon Europe programme. These projects aim to develop sustainable mobility solutions and recyclable lightweight materials, supporting the Company's broader commitment to low-carbon innovation.

4.2.1.1.3. Transmission Systems and Other Emission Reduction Technologies

Relevant Technologies and Priority Areas

Tofaş adopts a multi-faceted technology strategy across its product development and R&D activities, aiming to improve fuel economy and reduce use-phase emissions.
The following technologies and focus areas reflect the Company's current priorities.

Advanced Powertrain Systems	Tofaş continues to advance its expertise in electric and hybrid electric vehicle technologies. Hybrid and fully electric versions of the Fiat 500 have been introduced to the Turkish market, along with the fully electric Jeep Avenger. In support of these vehicles, the Tofaş R&D Centre is developing key technologies such as battery control systems, energy management tools, and range optimisation solutions.
Renewable Fuels and Energy Technologies	Tofaş monitors and aligns with the work carried out by Stellantis in the area of renewable fuels and alternative energy technologies.
Products Contributing to Emission Reduction	The Company is developing lightweight material engineering solutions and software that manages driving dynamics in order to reduce fuel consumption and CO_2 emissions during vehicle use. These efforts are aimed at improving the efficiency of existing internal combustion engine models.
Low-Emission Fuel Technologies	There are no active projects in this area as of 2024. However, in previous years, Tofaş conducted R&D on compressed natural gas (CNG) systems.
Technologies to Reduce Nitrogen Oxide (NO_x) Emissions	Tofaş continues to follow the progress of Stellantis in the development of NO_x reduction technologies.
Particulate Filters	Similarly, the Company tracks Stellantis' advancements in particulate filter technologies.
Priority Fuel Systems	Tofaş follows Stellantis' initiatives in the development of electric vehicle products and components, in line with long-term emission reduction goals.

4.2.1.1.4. Responding to Customer Demand, Regulatory Obligations, and Global Pressures

Factors Influencing Fuel Economy and Emission Reduction Efforts

Tofaş's approach to improving fuel economy and reducing emissions—across both product use and end-of-life phases—is shaped by a combination of customer demand, regulatory requirements, and competitive dynamics in domestic and export markets.

Consumer Demand

The Company closely monitors evolving user expectations, especially in areas such as urban mobility, energy efficiency, and total cost of ownership. In response to rising demand, Tofaş has introduced hybrid and fully electric versions of the Fiat 500, along with the Jeep Avenger, to the Turkish market. These launches reflect a shift in product strategy toward low-emission mobility solutions.

Regulatory Obligations

At the same time, regulatory compliance remains a key strategic driver. Tofaş develops its vehicles in line with Euro 6 emission standards to meet requirements in the European Union, its principal export region. Product development is also aligned with global standards such as CAFE (Corporate Average Fuel Economy) and China VI, with electrification, alternative fuels, and sustainable materials forming the core of Tofaş's roadmap for future compliance.

The Company is taking active steps to align with the goals of the European Green Deal and to prepare for the Carbon Border Adjustment Mechanism (CBAM). Electrification, energy efficiency, and circular economy practices are priority areas, both at the product and production levels.

Competition and Global Pressures

Tofaş also recognises the rising pressure from low-cost electric vehicle imports, particularly from China. In response, the Company is strengthening its range of efficient, low-emission models to remain competitive in both domestic and international markets.

4.2.1.1.5. Compliance with Fuel Economy and Use-Phase Regulatory Requirements

To ensure full compliance with future fuel economy and end-of-life vehicle regulations, Tofaş has initiated a comprehensive transformation of its product portfolio. This transformation is aligned with Stellantis' global strategy and includes the launch of hybrid and electric models as well as the development of low-carbon mobility solutions through R&D initiatives—some of which are supported by EU programmes such as Horizon Europe.

4.2.1.1.6. Scope of Disclosure

All vehicles developed and sold by Tofaş comply with national fuel economy and emissions regulations in Türkiye, as well as local requirements in export markets. The product portfolio includes domestic and export models under Stellantis' global brands. Main production at the Bursa plant includes the Fiat Egea family (Sedan, Cross, Cross Wagon, Hatchback), and since 2024, light commercial vehicles based on the K0 platform for four Stellantis brands.

4.3. Climate-Related Targets and Emissions Performance

Scope 1 and 2 Emission Reduction Target

Tofaş has signed the 2°C Challenge Communiqué, an international corporate declaration supporting climate action aligned with the Paris Agreement. The Company has committed to reducing Scope 1 and Scope 2 greenhouse gas emissions by 50% by 2030 (relative to 2021 levels), and to reaching carbon neutrality by 2050. These targets apply company-wide and are tracked through annual greenhouse gas inventories, with results published in the Company's sustainability reports.

Between 2021 and 2024, Tofaş reduced its total Scope 1 and 2 emissions from 98,894 tCO_2e to 47,715 tCO_2e.

Emission Reduction Monitoring within Energy Efficiency Projects

In parallel, the Company implemented 140 energy efficiency projects in 2024, resulting in energy savings of 90,313 GJ and emission reductions of 7,363 tCO_2e. These projects are tracked through performance indicators designed to measure improvements in energy and carbon efficiency.

For detailed information on our environmental performance please refer to the Performance Tables/Environmental Indicators (pp. 61-62) in the Appendices section of our 2024 Integrated Report.

Tofaş's Plan to Achieve Its Greenhouse Gas Emission Targets

1. Renewable Energy Investments
Tofaş is prioritising solar energy to reduce fossil fuel-based electricity use at its production facilities. The Company aims to install 30 MWh of solar capacity by 2030.

2. Energy Efficiency and Technological Upgrades
Projects targeting thermal and electrical efficiency are being implemented to reduce energy intensity. Performance is continuously monitored under the oversight of the Energy Guidelines Committee.

3. Scope 3 Emissions and Supply Chain Integration
Emission reduction plans have been initiated for carbon-intensive suppliers. Compliance with emission targets is now a requirement in selecting new suppliers, aiming to reduce Scope 3 emissions across the value chain.

4. Product Transformation and Electrification
Tofaş is transitioning its product portfolio toward low-emission vehicles, with a strong focus on electric and hybrid models. This shift helps reduce downstream emissions and supports changing consumer preferences.

5. Advanced Technologies and Innovation
The feasibility of carbon capture and storage (CCS) technologies is under active review, with plans to invest as the technology matures. R&D activities also include low-carbon innovations such as battery systems and alternative fuel technologies.

Appendix 1: Emission Sources and Selected Methodologies

No	Emission Category	Method Used	Emission Factor	Description
1	Category 1. Direct Greenhouse Gas Emissions – Fuel Use (Fixed)	Method: Activity data x emission factor IPCC Guidelines for National Greenhouse Gas Inventories Chapter 2: Stationary Combustion – Volume 2: Energy Intergovernmental Panel on Climate Change 2006	2006 IPCC Guidelines for National Greenhouse Gas Inventories Volume 2: Energy Table 2.2 Default Emission Factors for Stationary Combustion in the Energy Industries	Tier 1.
2	Category 1. Direct Greenhouse Gas Emissions – Fuel Use (Mobile)	Method: Activity data x emission factor IPCC Guidelines for National Greenhouse Gas Inventories Chapter 3: Mobile Combustion - Volume 2: Energy Intergovernmental Panel on Climate Change 2006 Equation 3.2.1. CO2 from Road Transport	2006 IPCC Guidelines for National Greenhouse Gas Inventories Volume 2: Energy Table 3.2.1 Road Transport Default CO2 Emission Factors and Uncertainty Ranges	Tier 1.
3	Category 1. Direct Greenhouse Gas Emissions – Refrigerant Leaks	Ozone-Depleting Substances Consumption. Method: Facility-specific correlation. Stoichiometric CO2 calculation has been performed	2H2C2 + 5O2 ---- 4CO2 + 2 H2O 52 grams of H2C2 = 176 grams of CO2 kg CO_2/kg H_2C_2 = 3.38	Tier 1.
		CO2 consumption Method: Facility-specific correlation. Consumption amount x GWP Measured based on facility records	Global warming potential = 1	Tier 1.
		Mixture gas consumption Method: Consumption quantity x GWP Consumption quantities and CO2 ratio of the mixture	Global warming potential = 1 The CO2 ratio in the mixture is taken as the maximum value of 22% by weight.	Tier 1.
		For vehicles: 134-A; Method: Consumption quantity x GWP Measured based on facility records	The GWP value defined in the GHG Protocol is considered AR6, published 2021	Tier 1.
		Facility leaks; Consumption quantity x GWP	The GWP value defined in the GHG Protocol is considered (AR6, published 2021)	Tier 1.
		R404; Method: Consumption quantity x GWP Measured based on facility records	The GWP value defined in the GHG Protocol is considered AR6, published 2021	Tier 1.
		R407-C; Method: Consumption quantity x GWP Measured based on facility records	The GWP value defined in the GHG Protocol is considered AR6, published 2021	Tier 1.
		R 410; Method: Consumption quantity x GWP	The GWP value defined in the GHG Protocol is considered AR6, published 2021	Tier 1.
		R22 Method: Consumption quantity x GWP Measured based on facility records	The GWP value defined in the GHG Protocol is considered AR6, published 2021	Tier 1.
		R 23 Method: Consumption quantity x GWP Measured based on facility records	The GWP value defined in the GHG Protocol is considered (AR6, published 2021)	Tier 1.
		NOVEC 1230 Method: Consumption quantity x GWP	Product safety data sheet Global warming potential = 1	Tier 1.
4	Category 2 Energy-related indirect greenhouse gas emissions	Electricity consumption activity data x emission factors	IEA Emission Factors 2024 Emissions per kWh of electricity only (gCO2/kWh)	Tier 2.

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