İSKENDERUN DEMİR VE ÇELİK A.Ş.

Türkiye Sustainability Reporting Standards (TSRS)
Compliant Sustainability Report 2025

Shape the future
with confidence

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(Convenience Translation of Auditor's Limited Assurance Report Originally Issued in Turkish)

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR ON THE INFORMATION OF İSKENDERUN DEMİR VE ÇELİK ANONİM ŞİRKETİ PRESENTED IN ACCORDANCE WITH THE TURKIYE SUSTAINABILITY REPORTING STANDARDS

To the Shareholders of İskenderun Demir ve Çelik Anonim Şirketi,

We have been assigned to perform limited assurance engagement on the information ("Sustainability Information") presented in accordance with the Turkiye Sustainability Reporting Standards 1 "General Requirements for Disclosure of Sustainability-related Financial Information" and Turkiye Sustainability Reporting Standards 2 "Climate-Related Disclosures" of İskenderun Demir ve Çelik Anonim Şirketi ("Company") for the year ended December 31, 2025.

Our assurance engagement does not include other information associated with Sustainability Information (including any images, audio files, website links or embedded videos).

Limited Assurance Conclusion

Based on the procedures performed and the evidence obtained, as summarized under the section "Summary of the Work we Performed as the Basis for our Assurance Conclusion", nothing has come to our attention that causes us to believe that Company's Sustainability Information for the year ending December 31, 2025, has not been prepared in accordance with the Turkiye Sustainability Reporting Standards ("TSRS"), as published by the Public Oversight Accounting and Auditing Standards Authority of Turkiye ("POA") in the Official Gazette dated December 29, 2023 and numbered 32414(M). We do not provide any assurance conclusion regarding any other information associated with the Sustainability Information (including any images, audio files, website links or embedded videos).

Inherent Limitations in the Preparation of Sustainability Information

The Sustainability Information is subject to inherent uncertainties due to lack of scientific and economic information. The inadequacy of scientific data leads to uncertainties in the calculation of greenhouse gas emissions. Additionally, due to the lack of data regarding the likelihood, frequency, and impacts of potential physical and transition climate risks, the Sustainability Information is subject to uncertainties related to climate-related scenarios.

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Responsibilities of Management and Those Charged with Governance Regarding Sustainability Information

The Company's Management is responsible for:

- Preparing the Sustainability Information in accordance with the principles of Turkiye 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.
- Additionally, the Company Management is responsible for selecting and implementing appropriate sustainability reporting methodologies as well as making reasonable assumptions and suitable estimates.

Those charged with Governance is responsible for overseeing the Company's sustainability reporting process.

Responsibilities of the Independent Auditor Regarding the Limited Assurance of Sustainability Information

We are responsible for the following:

- 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
- Reporting our conclusion to the Company Management. Since we are responsible for providing an independent conclusion on the Sustainability Information prepared by management, we are not permitted to be involved in the preparation process 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 Standard on Assurance Engagements 3410 Assurance Engagements on Greenhouse Gas Statements, issued by POA.

Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Independent Auditors which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, issued by the POA. Our firm applies Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality control 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 management specialists. We have used the work of our expert team to assess the reliability of the information and assumptions related to the Company's climate and sustainability-related risks and opportunities. We remain solely responsible for our assurance conclusion.

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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:

- Face to face interviews were conducted with the Company's key senior personnel to understand the processes in place for obtaining the Sustainability Information for the reporting period.

- The Company's internal documentation was used to assess and review sustainability-related information.

- The disclosure and presentation of sustainability-related information was evaluated.

- Through inquiries, an understanding of Company's control environment, processes and information systems relevant to the preparation of the Sustainability Information was obtained. However, the design of particular control activities was not evaluated and evidence about their implementation was not obtained, or their operating effectiveness was not tested.

- It was evaluated whether Company'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 Company's estimates.

The procedures performed 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 we performed a reasonable assurance engagement.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Musavirlik Anonim Sirketi
A member firm of Ernst & Young Global Limited

Didem Tuşe Özdoğan, SMMM
Partner

February 17, 2026
İstanbul, Türkiye

1. Introduction

1.1. Preparation of the Report

1.1.1. Compliance with Türkiye Sustainability Reporting Standards (TSRS)

The Türkiye Sustainability Reporting Standards (TSRS), published in the Official Gazette on 29 December 2023, entered into force to be applied for reporting periods beginning on or after 1 January 2024. İsdemir, as the parent company İskenderun Demir ve Çelik A.Ş. ("İsdemir" or the "Company") and its subsidiaries, is subject to the regulations and supervision of the Capital Markets Board and is required to report in accordance with TSRS Standards since it meets the criterion of exceeding at least two of the thresholds for two consecutive reporting periods.

This report has been prepared in line with the requirements set out in TSRS 1: General Requirements for Disclosure of Sustainability-related Financial Information and TSRS 2: Climate-related Disclosures. İsdemir has evaluated its entire value chain, including its core iron and steel production activities as well as its subsidiaries, and incorporated them within the scope of reporting. Unless stated otherwise, all information and statements in this report cover İskenderun Demir ve Çelik A.Ş. (İsdemir) and all subsidiaries subject to full consolidation.

Additionally, the sector-based guidance derived from the Sustainability Accounting Standards Board (SASB) Standards, maintained by the International Sustainability Standards Board (ISSB), has been referenced. In particular, the "Volume 9—Iron and Steel Producers" guide, which forms part of the Sector-based Guidance for the Implementation of TSRS 2 and outlines potential approaches for identifying, measuring, and disclosing climate-related risks and opportunities, has been utilized. This volume serves as a sector-specific reference for İsdemir's primary iron and steel production operations. Since İsdemir's subsidiaries operating in non-steel sectors represent an immaterial portion of the consolidated financial statements, only the relevant sector guide has been applied. The sector-specific disclosure topics and metrics provided in this guide are referenced in Section 6: Metrics and Targets of this report.

1.1.2. Financial Linkages with Disclosures

The sustainability and climate-related disclosures presented in this report have been prepared specifically for İsdemir and should be assessed together with the consolidated financial statements. The reporting period covers the 12-month period ending 31 December 2025, and the consolidated financial statements are aligned with this reporting period. Relevant financial information can be accessed through the audited 2025 12-Month Consolidated Financial Statements.[1]

[1] https://www.isdemir.com.tr/en/investor-relations/reports-and-presentations/financial-statements

1.1.3. Timing of Reporting

İsdemir is preparing its sustainability report under the Türkiye Sustainability Reporting Standards (TSRS) for the second time for the reporting period ending 31 December 2025. As of 1 January 2025, the Company applies both TSRS 1 and TSRS 2 Standards for annual reporting periods.

1.1.4. Transition and Exemptions

According to the Board Decision published by the Public Oversight, Accounting and Auditing Standards Authority (KGK) in the Official Gazette dated 30 December 2025, the transition exemptions granted to entities preparing their first TSRS-compliant sustainability reports in the 2024 reporting period have been extended for one additional year. Accordingly, İsdemir, which published its first TSRS report for the 2024 fiscal period, will continue to benefit from the exemptions specified under paragraphs E5 and E6(b) of TSRS 1, except for paragraph E4, during the 2025 reporting period. These exemptions support a smoother transition toward full compliance with the Standards.

- Similar to the first annual reporting period in 2024, İsdemir has exercised the exemption and reported only climate-related risks and opportunities (in accordance with TSRS 2) for the 2025 reporting period. Accordingly, İsdemir has applied TSRS 1 requirements only to the extent that they relate to climate-related risk and opportunity disclosures. For this reason, the preparation of this report focused exclusively on climate change-related risks and opportunities. However, information regarding governance, strategy, and risk management approaches covers all sustainability matters, including climate-related topics.

- In the 2024 reporting year, İsdemir and its subsidiaries measured their greenhouse gas emissions in accordance with the Türkiye Monitoring, Reporting and Verification (MRV) Communiqué, benefiting from the transition provision under TSRS 2 Appendix C4(a). With the end of this exemption in 2025, İsdemir and its subsidiaries measured their 2025 emissions in line with the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard (2004). These results are presented comparatively in the Metrics and Targets section of this report.

- In accordance with the “Temporary Article 3 – Transition Provision on Exemptions from Disclosure Requirements” included in the KGK’s ‘Board Decision on the Scope of TSRS Application’ published in the Official Gazette on 29 December 2023, entities are not required to disclose Scope 3 greenhouse gas emissions during their first two annual TSRS reporting periods. İsdemir has made use of this exemption.

- Furthermore, in the Board Decision issued by KGK on 30 December 2025 regarding exemptions, İsdemir did not utilize the exemption under Article E4 of TSRS 1, and

therefore published its 2025 TSRS report together with the financial statements for the fiscal period 1 January – 31 December 2025.

1.2. Reporting Boundaries and Measurement Approach

İsdemir has consolidated 100% of the emissions from its primary iron and steel production operations, over which it has full operational control, as well as the emissions of its joint venture, İsdemir Linde Gaz Ortaklığı A.Ş., based on its equity share. Since İsdemir has full authority over its iron and steel production facilities, it reports 100% of its Scope 1 and Scope 2 greenhouse gas emissions. As İsdemir Linde Gaz Ortaklığı A.Ş. (İsdemir Linde Gaz) is a joint venture accounted for using the equity method in the accompanying consolidated financial statements, İsdemir has applied the equity-share approach for this entity and included its greenhouse gas emissions in the consolidation in proportion to its ownership share (50%).[2]

The financial data of İsdemir Linde Gaz Ortaklığı A.Ş., in which İsdemir holds a joint-management interest, are accounted for using the equity method in the consolidated financial statements. Accordingly, the emission data of İsdemir Linde Gaz have also been incorporated into the total emission calculations using the same approach (equity-share method). Therefore, the emissions of İsdemir Linde Gaz have been consolidated in proportion to İsdemir's ownership share (50%). Since İsdemir does not include Teknopark Hatay A.Ş.—in which it holds a 5% ownership interest—within the scope of financial consolidation, the associated emissions, water consumption, and energy consumption data have also been excluded from consolidation.

In this way, İsdemir has applied the same consolidation methodology used in its financial statements to the reporting of environmental data, including greenhouse gas emissions as well as water and energy consumption.

[2] Under the equity share approach, the entity reports its share of greenhouse gas (GHG) emissions based on its equity share in the operations.

2. About İsdemir

2.1. İsdemir's Field of Activity and Value

2.1.1. İsdemir's Field of Activity

İsdemir is under the effective control of its parent company, Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir), which holds a 94.87% ownership interest in the Company.

As Türkiye's only integrated steel producer operating both long and flat product facilities, İsdemir was established on 3 October 1970. Commissioned in 1975 with an annual steel bloom production capacity of 1.1 million tons, İsdemir continues to manufacture in accordance with international quality standards, leveraging the experience it has gained throughout its longstanding history. Ranked among the world's leading steel producers, the Company's main product portfolio consists of billets, wire rods, slabs, and hot-rolled coils. In addition, various by-products such as coke, oxygen, nitrogen, argon, ammonium sulfate, granulated slag, tar, and benzol are also produced. Among İsdemir's subsidiaries is İsdemir Linde Gaz Ortaklığı A.Ş., which was established to meet the Company's additional industrial gas needs and to reduce costs associated with its existing industrial gas systems.

İsdemir's shares have been traded on Borsa İstanbul's Pre-Market Trading Platform since 28 March 2016. The Company's registered address is Karşı Mahalle, Şehit Yüzbaşı Ali Oğuz Bulvarı No:1, 31900 Payas/Hatay, Türkiye.

The operating fields and ownership interests of the companies included in the scope of consolidation in 2025 remain unchanged from 2024 and are presented below:

COMPANY NAME	REGION OF OPERATION	FIELD OF ACTIVITY	2025 EFFECTIVE OWNERSHIP (%)
İSDEMIR LINDE GAZ ORTAKLIĞI A.Ş.	Türkiye	Industrial Gas Production and Sales	50
TEKNOPARK HATAY A.Ş.	Türkiye	R&D Center	5

2.1.2. İsdemir's Business Model and Value Chain

İsdemir has evaluated its entire value chain—including its own operations and its affiliates—while preparing its climate-related financial disclosures. To deliver its iron and steel products, İsdemir relies on a wide range of resources and engages with numerous organizations and stakeholders. These stakeholders include suppliers of raw materials required for production activities, providers of facilities and equipment, employees, consultants, logistics companies that collaborate for product distribution, and customers who purchase the products. Accordingly, a broad range of activities and stakeholders are involved across the value chain, both upstream and downstream.

İsdemir's upstream and downstream value chain relationships are as shown below:

		Explanation and Definition Geographical Location	Geographical Location
Upstream Value Chain	**Suppliers**	Solid Fuel	USA, Australia, Indonesia, Colombia, Italy, Local
		Scrap Supply for Steel Production Process	USA, United Kingdom, European Union, Baltic States, Local
		Ore	Brazil, Norway, Australia, South Africa, Local
		Ferro & Auxiliary Material	European Union, India, China
		Finished & Semi-finished Product	Local
Operations	**Auxiliary Functions**	Central Units (HR, Finance, IT, etc.) Structure, Management, R&D, Sustainability, Electricity Natural Gas Water Insurance Public & Other	İskenderun
	Port & Logistics & Warehousing	Solid Fuel, Ore, Scrap, Ferro, Auxiliary Material, Finished Product, Semi-Finished Product	İskenderun
	Üretim	İskenderun Demir Çelik Fabrikaları	İskenderun
Downstream Value Chain	**Customers**	Erdemir Steel Service Center	Türkiye
		Automotive	Türkiye
		Erdemir Romania	Romanya
		Merchants and Service Centers	Türkiye
		General Manufacturing Industry	Türkiye
		Pipe Profile and Rolling	Türkiye
		Other Customers	Türkiye
		Export	Avrupa, MENA, Kuzey Amerika

3. Governance

3.1. İsdemir Sustainability Governance Structure

The governance of sustainability and climate change–related matters at İsdemir is addressed from the highest level of oversight, starting with the Board of Directors. This structure encompasses the evaluation of risks and opportunities associated with sustainability and climate strategies, policies, and targets. The Board of Directors is supported by the Early Detection of Risk Committee (EDRC) regarding sustainability- and climate-related risks and opportunities.

3.2. Board of Directors

The sustainability and climate-related risks and opportunities of İsdemir are monitored and managed at the highest level by the Board of Directors. In alignment with the company's short-, medium-, and long-term business objectives, the Board holds the responsibility for approving sustainability- and climate-related policies, strategies, and targets. The Board also ensures the integration of the sustainability strategy into the company's overall business model and long-term objectives.

The Board of Directors evaluates sustainability and climate topics during the meetings it holds twice a year. The Board addresses sustainability and climate issues within the framework of company strategy, performance targets, and risk management processes, and assesses the alignment of these factors with the company's short-, medium-, and long-term objectives.

In investment feasibility studies, sustainability- and climate-related risks and opportunities are taken into account, and the quantitative analyses developed for these topics are incorporated into decision-making processes. In addition, these considerations guide financing and resource allocation decisions, shape strategic steps aimed at reducing carbon emissions, and ensure oversight of the process through the action plans approved by the Board.

In strategic decisions and long-term planning, the İsdemir Board of Directors evaluates climate risks and opportunities together with financial and operational returns. During decision-making, a balance is sought between the short-term returns of an investment with high or low carbon emissions and the company's long-term sustainability targets. The Board discusses such trade-offs to determine the most appropriate balance for the company. Taking all of these factors into consideration, the Board has established the Net-Zero Roadmap.

Throughout 2025, the Board members were informed during meetings about the latest developments regarding the Carbon Border Adjustment Mechanism (CBAM), Türkiye Climate Law, Türkiye Emissions Trading System (ETS), green transition, and other relevant sustainability and climate-related matters. These briefings support the Board's decision-making processes and enhance their awareness of sustainability governance.

Our Board members have extensive experience across industry, corporate management, and academia. The Early Detection of Risk Committee (EDRC), composed of Independent Board Members, was briefed on sustainability and climate change matters during two meetings held in 2025 (three in 2024), thereby strengthening its capability to oversee sustainability and climate risks, including the latest developments. The company plans to provide briefings on sustainability and climate change in two EDRC meetings to be held next year. The Board of Directors possesses the necessary skills and competencies to effectively oversee sustainability- and climate-related risks and opportunities. The members of the EDRC have long-standing senior executive, board membership, and academic career backgrounds across various companies. Detailed résumés of the Board Members can be accessed through this link.[3]

Sustainability- and climate-related performance metrics are targeted and monitored through corporate scorecards. There is no direct link between these targets and the remuneration of senior executives.

3.3. Early Detection of Risk Committee

At İsdemir, sustainability and climate-related risks and opportunities are regularly assessed by the Early Detection of Risk Committee (EDRC). The Committee identifies, at an early stage, any risks that may threaten the Company's existence, development, and continuity within the scope of regulatory and legal requirements, takes the necessary measures, and ensures the effective management of risks. The Committee analyzes all risks in line with the Company's risk appetite and strategic priorities and reports them to the Board of Directors.

EDRC is composed of two Independent Board Members. As in the previous reporting period, the Committee convenes six times a year to assess risks and opportunities in the strategic (economic, political, reputational, climate change and sustainability, etc.), financial, operational and compliance categories and provides regular information to the Board of Directors. In the meetings held on February 12 and August 4, 2025, the Committee addressed green transformation and sustainability issues, as well as CBAM, Türkiye ETS, and the insurance implications of climate change, and presented its findings to the Board of Directors.

Defined controls and procedures are implemented to support the management of sustainability and climate-related risks and opportunities, and the Risk Management Procedure is used to ensure the effectiveness of these processes. In this context, alignment with the Company's overall strategic and risk management processes is ensured. Risk management practices are continuously reviewed in integration with other internal functions, and recommendations are submitted to the Board of Directors to improve these processes.

[3] https://www.isdemir.com.tr/en/corporate/management/board-of-directors

3.4. Corporate Risk Management Directorate

The Corporate Risk Management (CRM) Directorate initiates and monitors risk management activities for targets and processes in critical areas across the central function, subsidiaries and the value chain.

The Corporate Risk Management Directorate carries out the processes of identifying and assessing risks in coordination with business units, taking into account sustainability and climate-related risks, reports these processes with a proactive approach, updates risk inventories, and monitors and evaluates critical risks. In addition, the Directorate ensures the follow-up of the actions taken for the identified risks and maintains effective risk management practices.

3.5. Internal Audit

The Internal Audit function ensures that corporate risk management activities, including sustainability and climate-related matters, are carried out in accordance with applicable national and international legislation and standards, as well as the Company's strategies, policies, procedures, principles and objectives. In addition, by assessing the effectiveness and adequacy of first-line controls and second-line process and risk management systems, it provides assurance to senior management. In this regard, the Internal Audit function conducts an annual risk assessment for all audit elements and prepares the audit plan by considering the risk level of the processes, the date of the last audit, and other relevant factors.

4. Strategy

4.1. Climate-Related Risks and Opportunities

Climate change is not only an environmental issue, but also one of the greatest global challenges of our time, profoundly affecting economic systems and social structures. Unless the necessary steps are taken quickly to limit the global temperature rise to 1.5°C in line with the Paris Agreement, there is an increasing risk that the environmental, economic and social impacts will reach an irreversible point. Aware of these risks, İsdemir acts with a strong sense of responsibility in the fight against climate change. In addressing climate change, İsdemir aims to align its actions with its long-term value-creation objective and place its economic and social impacts on a sustainable basis.

İsdemir has identified, assessed and prioritized the climate-related risks and opportunities that are expected to reasonably affect the future in the short, medium and long term. In line with the timelines used in its strategic decision-making processes, İsdemir has defined the time frames in its sustainability and climate-related risk assessment processes as follows: short term 0–1 year, medium term 2–5 years and long term 5–10 years.

Short term	0 - 1 year
Medium term	2 - 5 years
Long term	6 - 10 years

The identified climate risks and the analyses performed are part of a consolidated risk assessment carried out in accordance with the Corporate Risk Management practices. The risk tolerance level is determined by taking into account key parameters such as EBITDA (3%–5%), working capital, cash flow, revenue, total assets, equity and gross profit.

A consolidated risk inventory covering all risks and opportunities of İsdemir has been established. Within this inventory, the Carbon Border Adjustment Mechanism (CBAM) Carbon Pricing risk — one of the sustainability and climate-related risks and opportunities — has been classified at level 3 (major) in the long term on İsdemir's five-point risk impact scale. Although it is not foreseen to have a critical impact on İsdemir, it has been disclosed as it is closely monitored by other companies in the sector and by investors.

In addition, with the publication of the Türkiye Climate Law in the Official Gazette on July 9, 2025, it was decided to establish an Emissions Trading System. The years 2026 and 2027 have been designated as the pilot period, during which a 100% free carbon allowance will be allocated for each sector. During the pilot period, Türkiye ETS is not expected to have an adverse impact on İsdemir.

Other climate-related risks and opportunities have not been included in the report, as they were not assessed as significant. All identified risks are prioritized and reported within the framework of a matrix, and changes in risk levels are regularly monitored.

4.1.1. CBAM Carbon Pricing

Risk Title	Carbon Border Adjustment Mechanism (CBAM) Carbon Pricing		
Risk Category	Transition Risk - Policy & Legal Risk		
Risk Definition	The Carbon Border Adjustment Mechanism (CBAM) is an arrangement that enables the imposition of carbon costs on imports into the European Union (EU) from non-EU countries, particularly for carbon-intensive products. The CBAM entered into force in October 2023, and a transitional period was implemented until the end of 2025. In December 2025, the European Commission published the CBAM implementation legislation in order to effectively operationalize this transition. İsdemir has addressed the CBAM risk in line with the scenario that the financial implementation period will begin in 2026, and has started to assess, monitor and report this risk as of 2024. The CBAM covers the import of emission-intensive products and introduces carbon pricing for sectors such as iron and steel, cement, electricity, fertilizers, aluminum and hydrogen, requiring importers in the EU to purchase CBAM certificates against the embedded and indirect emissions of these products. As the iron and steel sector requires a production process that is associated with high carbon emissions, the impact of the CBAM in the baseline scenario is a closely monitored risk component for companies in the sector. Companies exporting steel and iron to the EU have begun to face uncertainties in the pricing of their EU-bound products due to the carbon costs linked to the emissions of their production processes under this regulation. This situation puts pressure on product pricing and makes maintaining a competitive advantage more challenging, thereby starting to affect their profitability as of 2026. For the reasons explained above, İsdemir — as a producer of iron and steel outside the EU — and some of its local customers that export to the EU have also begun to face additional costs arising from the CBAM. In other words, the prices of steel products exported to the EU are being pressured due to the CBAM, which affects the Company's competitiveness. The CBAM risk particularly impacts the direct and indirect exports of İsdemir to the EU.		
Place in the Value Chain	Downstream Value Chain - Customers		
Impact Time Interval	Short Term	Medium Term	Long Term
Term (Year)	0-1	2-5	6-10
Impact Scale	2 (Minor)	2 (Minor)	3 (Moderate)

Impact Based on Long Term EBITDA Expectation	%2.2	%2.3	%3.5
Probability	5	5	5
Current Risk Score	10	10	15
Climate Resilience	Based on the climate scenarios[4] developed in the studies of the International Energy Agency (IEA), the Sustainable Development Scenario (SDS) presented in the report "Iron and Steel Technology Roadmap: Towards more sustainable steelmaking" serves as an important reference for the iron and steel sector and for technological green-transition pathways. The IEA's SDS scenario is also aligned with the temperature-limitation goals of the Paris Agreement. In the IEA analysis, short-term, medium- to long-term, and long-term periods are used. In the short term, the largest contribution comes from technology performance improvements and material efficiency within conventional production routes. In the medium and long term, carbon capture, fuel switching, and the transition from coal to natural gas, hydrogen and bioenergy play a major role. While preparing the green transformation Net Zero Roadmap, İsdemir evaluated in detail the low CO2 emission and emission-free green production technologies included in the SDS. The macroeconomic trends included in the IEA analysis have guided İsdemir's net-zero pathway. The production and energy technologies identified in the roadmap have been selected to enhance İsdemir's resilience and flexibility to the impacts of climate-related risks. In determining its Net-Zero Strategy, İsdemir has aligned its targets with the timeframes used in the scenario analysis, setting 2030 as the short term, 2040 as the medium term, and 2050 as the long term. The scenario analysis has been applied to İsdemir, and the net-zero roadmap has been developed accordingly. Electric Arc Furnaces (EAF) and Solar Power Plants based on circular generation play an important role in combating climate risks. Also expanding the range of solutions are Direct Reduced Iron (DRI) plants that can run on both natural gas and green hydrogen, and carbon capture and storage technologies for emissions that cannot be avoided. In addition, İsdemir determined the emission reduction targets in the net zero roadmap in 2023 and announced them at the beginning of 2024, taking into account the Faster Innovation Case scenario in the IEA's subject report, in which production technologies with a Technology Readiness Level-TRL currently low are rapidly developed and addressed in order to achieve net zero emissions by 2050.		

[4] Details on the models and key assumptions used in climate scenarios — including the applicable time frames, model scope, macroeconomic trends, energy demand, demographics, changes in global parameters such as material efficiency, and global warming levels — can be found at the following link: https://www.iea.org/reports/global-energy-and-climate-model

	On CBAM risk analyses, İsdemir takes into account the scenarios defined by the IEA, particularly the STEPS scenario and the NZE scenario published in 2021, which is based on achieving net-zero emissions by 2050, as well as the CPS, STEPS and NZE scenarios updated annually under the World Energy Outlook. The Current Policies Scenario (CPS), the Stated Policies Scenario (STEPS) and the Net Zero Emissions by 2050 Scenario (NZE) included in the IEA's World Energy Outlook 2025 study[5] have been used as inputs in İsdemir's CBAM risk-calculation models. The CPS scenario assumes the continuation of only the currently implemented policies and therefore presents an outlook in which carbon prices remain limited, demand for fossil fuels — particularly coal — remains relatively high, and energy-price volatility persists. The STEPS scenario includes the policy commitments announced by governments but not yet fully implemented; in this scenario, carbon-pricing mechanisms are expected to strengthen gradually, coal use is projected to decline in the medium term, and energy-supply costs show regional variation. The NZE scenario is based on achieving global net-zero emissions by 2050 and assumes high and widespread carbon prices, a rapid phase-out of coal from the energy and industrial mix, and a sharp decline in fossil-fuel demand. According to the IEA, under the NZE scenario, investment in the transformation of the energy system increases, and in the long term, energy prices are expected to evolve toward a more predictable structure based on low-emission sources. İsdemir has integrated the carbon-price levels projected in these three scenarios, as well as the trends in demand and prices for coal and other fossil-fuel feedstocks and the structural changes in energy costs, into its financial and strategic analyses. In this context, İsdemir further detailed the model it developed last year; the IEA CPS, STEPS and NZE scenarios — together with the main price-change scenarios for other key inputs in the sector — have been used as a complementary reference set in İsdemir's assessments of climate risks, the transition process and long-term financial resilience.
Risk Vulnerable Business Activity	Our steel product sales to the European Union, which is among our export markets, fall within the scope of the CBAM regulations. The volume assessed within this scope corresponds to approximately 14% of our total sales volume.

[5] Details on the scenarios and key assumptions used in the CBAM risk analysis — including applicable time horizons and intervals, model scope, macroeconomic trends, energy demand, changes in global parameters such as raw-material costs, and similar factors — can be found at the following link: https://www.iea.org/reports/world-energy-outlook-2025

Risk Impacts	**Uncertainty in Sales Price:** The CBAM and carbon pricing mechanisms directly and indirectly affect the prices of the Company's products exported to the EU. The uncertainty in prices leads to fluctuations in profit margins, making financial predictability more difficult. **Weakening of Competitiveness:** The high level of carbon emissions associated with being an integrated facility creates a disadvantage when competing with competitors that produce with lower carbon emissions. With increasing competition in the EU market, competitors that produce with low carbon emissions due to advanced production technologies may be less affected by the cost differences brought by carbon pricing, while companies like İsdemir, which operate carbon-intensive integrated iron and steel production, may need to reflect part of this additional burden in the prices of certain products. Consequently, in December 2025, the European Commission published a comprehensive package of CBAM implementation legislation to effectively operationalize this transition. In parallel with the gradual reduction of free allocations starting in 2026, all embedded emissions of products imported into the European Union will become fully subject to CBAM obligations by 2034. This increasing annual obligation may lead to adverse consequences. **Investment Delays:** Environments of financial uncertainty can lead to the postponement of investments in clean energy projects and sustainable production technologies that have been identified to manage risk in a balanced way. Failure to make these investments on time will impact competitiveness and delay the transformation needed to reduce carbon emissions.
Potential Financial Impact	Based on the assessments conducted, no requirement has been identified to make any adjustment to the values of assets or liabilities in the financial statements due to climate-related risks and opportunities. Although quantitative studies have been carried out to measure the potential financial impact projected under the CBAM, the effects have been considered only as statistical-probability inputs due to the continued high level of uncertainty regarding the Türkiye ETS and other key assumptions. In this regard, when evaluated based on long-term EBITDA figures, the CBAM impact has been estimated to be 2.2% of EBITDA in the short term, 2.3% in the medium term and 3.5% in the long term. Based on estimates prepared by various financial institutions, the CBAM may create price pressure on İsdemir's products that are sold directly or indirectly to the EU. As a result, a decline in annual sales revenues may occur. The financial dimension of this potential impact is monitored through the CBAM Impact Model.

Measurement Uncertainties	The calculations required to determine the emission values for 2025 under the CBAM methodology are still being carried out while this report is being prepared. The CBAM emission values for 2026 will be calculated at the beginning of 2027 and verified by an accredited institution whose conformity is recognized under EU legislation. However, it has been decided to conduct voluntary verification for the 2025 CBAM emission data. The CBAM impacts for 2026 may vary depending on emission levels, the price of CBAM certificates, the verification of supplier data and the feedback provided by verifiers. The wide range of projections regarding medium- and long-term carbon-price levels, the uncertainty surrounding how the CBAM cost will be shared between importers and exporters in the medium and long term, the unclear extent to which the Türkiye ETS may mitigate CBAM-related effects, and the inability to anticipate how the resulting new balances will influence the pricing of key raw materials and products create uncertainty for İsdemir's CBAM-related measurements and judgements.
Precautions / Actions	İsdemir evaluates the period between October 2023 and December 2025 as the transition period under the CBAM legislation and continues its preparations for the financial impacts beginning in 2026. **Net Zero Roadmap** • Emission Reduction Targets: Scope 1 and Scope 2 emissions are targeted to be reduced by 25% per ton of crude steel by 2030 and 40% by 2040, with the aim of achieving "NET ZERO" by 2050. **Energy Transition and Technology Investments** • Green Energy Use: Projects to increase the use of renewable energy sources aim to reduce carbon costs. • Transition to Clean Technologies: Feasibility studies are being carried out to improve production technologies based on the best available techniques (BAT) and to commission new low-carbon technologies. **Regulatory Tracking and Interaction** • Legislation Observation: Regulations on CBAM are closely monitored and potential impacts are assessed. **Sustainability Governance** • Management and Decision Mechanisms: Specific decision-making mechanisms have been established to monitor and manage the risks arising from CBAM, and these risks are regularly reviewed and necessary actions are taken.

Cost of Responding to Risk	İsdemir is making investments aimed at reducing emissions in line with its sustainability vision and global climate objectives, and within this scope, it also aims to manage the obligations arising from the CBAM. Erdemir and İsdemir plan to carry out a comprehensive transformation investment program amounting to USD 3.2 billion (TRY 137.1 billion) by the end of 2030 in line with their low-carbon production targets. The total investment expenditure realized to date within this strategic transformation program has reached USD 101 million. A significant portion of these transformation investments is financed through borrowing within the framework of the Company's financing strategy. These amounts are reported under "construction in progress" and "advances given for fixed assets" within property, plant and equipment in the financial statements as of the reporting periods.

4.2. Impacts of Climate-Related Risks and Opportunities on Company Strategy: Green Journey of Steel

İsdemir has announced its 2050 Net-Zero Roadmap to contribute to Türkiye's goal of achieving net-zero emissions by 2053 under the Paris Agreement. As one of the leading steel producers in Türkiye and worldwide, İsdemir will continue to maintain its leadership role in adapting to green-transition processes.

Within the scope of its Net-Zero Roadmap strategy, İsdemir has accelerated its decarbonization efforts to support a sustainable future. Innovative solutions are being developed in production processes to reduce greenhouse-gas emissions, technologies that enhance energy efficiency are being implemented, and maximum benefit is derived from by-product gases and waste heat generated during production. While efforts continue to increase the use of recyclable steel, research is being carried out on the use of biomass — which has a zero-emission factor — at various stages of production processes.

İsdemir is committed to achieving its net-zero emissions target by 2050 through decisive steps taken to increase energy efficiency and expand the use of renewable energy. In this context, based on 2022 as the reference year, İsdemir aims to reduce emissions per tonne of crude steel by 25% by 2030 and by 40% by 2040, and to achieve net-zero emissions by 2050. While supporting Türkiye's 2053 net-zero emissions target, İsdemir utilizes existing and innovative technologies to strengthen its leadership in the decarbonization process.

İsdemir conducts analyses to identify the necessary actions to reduce greenhouse-gas emissions and determines the improvement steps accordingly. In this regard, initiatives such as installing solar power plants, enhancing energy efficiency, increasing the share of scrap used in production, and utilizing HBI (hot-briquetted iron) are being implemented to support emission reduction. In addition, by closely monitoring the development of low-emission steel-production technologies, İsdemir has developed its Net-Zero Roadmap based on feasibility studies that include internal carbon pricing. Although carbon market fluctuations,

changes in free allowances and tightening regulatory trends create a high degree of unpredictability and uncertainty, the shadow carbon price in the range of EUR 15–25 is used in feasibility studies as a necessary component for planning the required investments.

İsdemir is reshaping its activities in line with its “Green Journey of Steel” strategy to generate benefits for society and the environment, and aims to integrate sustainability and climate-related risks and opportunities across all of its business processes. At the same time, İsdemir is committed to carrying out the identification and management of sustainability and climate-related risks and opportunities in a manner aligned with national and international standards.

5. Risk Management

5.1. Sustainability and Climate Risk and Opportunity Assessment Process

İsdemir has adopted the corporate risk management framework to identify, assess and manage sustainability and climate related risks and opportunities, and has integrated these processes into its overall risk management approach. The processes for managing sustainability and climate related risks and opportunities are defined in the Corporate Risk Management (CRM) Procedure. Within this scope, İsdemir also evaluates the opportunities that may arise from climate change as part of the CRM process. Risks are identified, prioritized and monitored in line with ISO 31000 Risk Management principles, the COSO ERM framework and good practices. Risks and opportunities of critical importance are continuously monitored, and the effectiveness of action plans is reviewed and recorded in the risk inventory.

The identification of sustainability and climate-related risks and opportunities is carried out using inputs such as historical climate data and market trends. These analyses are used to understand the long-term impacts of opportunities and assess their alignment with the Company's strategic objectives. Opportunities such as energy-efficiency projects and the development of low-carbon production technologies are identified and presented to senior management. These opportunities are ranked according to their significance, and detailed planning is undertaken for those prioritized. This process has continued in the same manner as in the previous reporting period.

5.1.1. Determining Risk Tolerance and Risk Appetite

Risk tolerance refers to our capacity to absorb financial losses; risk appetite refers to the highest acceptable level of risk. The impact scales created within the framework of these definitions are regularly reviewed by the Early Detection of Risk Committee.

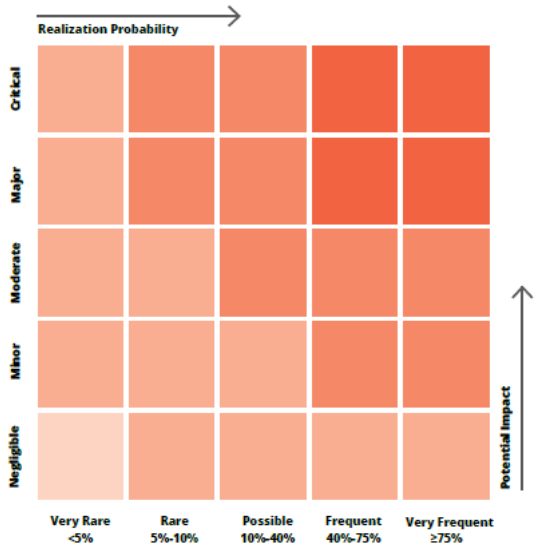
5.1.2. Identification of Risks

Internal and external factors that may affect strategic objectives are systematically analyzed, and operational disruptions, compliance risks and potential costs are taken into account. Identified risks are integrated into the corporate risk management framework and monitored.

5.1.3. Prioritization of Risks

Risks are prioritized based on impact, likelihood and maturity criteria through scenario analyses and expert opinions. The potential financial, environmental and regulatory effects of sustainability and climate-related risks are evaluated, and possible implications for strategic planning are assessed accordingly. Risks scored as "Very High" and "High" are closely monitored by senior management. Risks are assessed using a five-point scale (1-Negligable, 2-Minor, 3-Moderate, 4-Major, 5-Critical) and are scored according to an impact-likelihood matrix. In this context, the Carbon Pricing risk under the Carbon Border Adjustment

Mechanism (CBAM) has been assessed at level 3 on the five-point scale; although it is not expected to have a critical impact on İsdemir, details regarding this risk have been included in the Climate-Related Risks and Opportunities section, as it is closely monitored by other companies in the sector and by investors. Other climate-related risks are considered lower priority. All identified risks are prioritized and reported within the framework of a matrix, and changes in impact-likelihood levels are regularly monitored.



5.1.4. Modeling of Risks

İsdemir uses risk modeling processes to understand the impact of prioritized risks and to determine their financial implications. The company's climate-related risks are analyzed with inputs such as greenhouse gas emissions, production data and free allocation reduction levels, and different scenarios are prepared in line with evolving information. This process is expected to produce outputs in the coming periods in line with the 2050 Net Zero Roadmap.

5.1.5. Risk Improvement

Within the scope of risk management, identified risk owners review their risks. Remedial actions to address identified risks are included in the investment plans.

5.1.6. Monitoring and Reporting of Risks and Opportunities

Risks and opportunities are continuously monitored and updated in line with local and global developments. The Company regularly tracks and updates sustainability- and climate-related risks and opportunities in accordance with defined metrics and targets. The monitoring of sustainability- and climate-related risks is carried out within the framework of specific performance indicators, and action plans and policies are revised based on these indicators. This process contributes to strategic decision-making related to climate change within the Company's overall risk-management framework. Compared with the previous reporting period, the parameters related to the CBAM risk described above have been examined in

greater detail, international developments have been monitored, and expert input has been obtained throughout the year.

5.1.7. Evaluation of the Risk Management Process

The risk-management process is reviewed every two years to enhance the Company's existing capabilities and to evaluate its strategies for responding to risks. The risk-management process was most recently reviewed in 2024, and the next assessment is planned for 2026. Effectiveness analyses are carried out based on data obtained from internal and external sources, and continuous improvement is ensured.

6. Metrics and Targets

İsdemir has set emission reduction targets to minimize the additional cost risk arising from the CBAM and has outlined the actions it will take until 2050 through its Net Zero Roadmap. This roadmap, which includes the investments and projects to be implemented throughout its net-zero journey, has been transparently shared with the public. It also aims to contribute to Türkiye's 2053 net-zero commitment under the Paris Agreement.

The İsdemir Net Zero Roadmap was announced in 2024, and no changes have been made to the current targets. Should any revisions occur in the coming years, such updates will be reflected in subsequent annual reports. The Net Zero Roadmap is accessible via this link.[6]

In CBAM risk calculation models, greenhouse gas emission data have been assessed on a product basis in line with EU CBAM guidelines and have served as the basis for estimating the expected carbon cost.

6.1. Activity Metrics[7]

Production Volumes	**2024**	**2025**
Crude Steel Production (metric tons (t))	5,297,400	5,497,478
Percentage of Basic Oxygen Furnace Operations (Percent (%))	100	100
Percentage of Electric Arc Furnace Operations (Percent (%))	0	0
Total Coke Production (metric tons (t))	2,126,524	2,010,405

6.2. Climate-Related Metrics

6.2.1. Greenhouse Gas Emission Metrics (Absolute Gross)

Greenhouse Gas Emissions (Consolidated Group)[8]	**2024[9]**	**2025**
Scope 1 (ton CO_2eq)[10]	10,663,364	11,554,957
Scope 2 (ton CO_2eq)[11]	441,598	444,294
Total (Scope 1 and 2)	11,104,962	11,999,251

[6] https://www.erdemir.com.tr/storage/uploads/2024/01/7e1a961a047812f2cd9ed9ae73edeb4e.pdf

[7] The operational metrics include İsdemir's crude steel production and coke production data

8 It includes the data of the parent company, İsdemir.

[9] In accordance with TSRS 2 C4(a), İsdemir measured its 2024 greenhouse gas emissions during the first reporting year using a method other than the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard (2004), employing the MRV approach.

[10] The Türkiye Emissions Trading System Regulation is still in draft form. As the regulation has not yet entered into force, the percentage of gross total Scope 1 emissions that falls under emission-limiting regulations is currently 0

[11] The Scope 2 greenhouse gas emissions presented in the table have been calculated and reported using the location-based method

Greenhouse Gas Emissions (Affiliates, Joint Ventures, and Non-consolidated Subsidiaries)[12]	**2024**	**2025**
Scope 1 (tons CO_2eq)	0	3.64
Scope 2 (tons CO_2eq)	30,159	28,816
Total (Scope 1 and 2)	30,159	28,819

Since İsdemir has full authority over its iron and steel production operations, it reports 100% of its Scope 1 and Scope 2 greenhouse gas emissions. For its jointly controlled entity, İsdemir Linde Gaz Ortaklığı A.Ş., the equity method has been applied in the accompanying consolidated financial statements; therefore, the equity share method has also been used for this entity, and its greenhouse gas emissions have been consolidated proportionally (50%). İsdemir has applied the same consolidation approach used in its financial statements for the reporting of its greenhouse gas emissions data.

With the expiration of the transition exemption provided under TSRS 2 Annex C4(a), İsdemir, which had previously used the emission data submitted under the Monitoring, Reporting and Verification (MRV) Communiqué for the 2024 reporting period, has begun calculating its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard (2004) starting from 2025.

In its 2025 emission calculations, İsdemir followed the 'Calculation-Based Method,' applying the standard methodology for combustion emissions and for process emissions associated with limestone feedstock, while using the mass balance method for other material streams. For coals—which constitute the largest share of our total emissions (including coking coal, coke, coke breeze, anthracite, injection coal, etc.)—the emission factor calculations are based on the analysis results of our onsite laboratories (Coal, Coke, and By-Products Laboratory). The emission factors for limestone and iron-bearing raw materials are determined using the analytical data provided by our in-house Spectral Analysis Laboratory. For alloying materials, emission factors are derived from analyses performed in the General Chemistry Laboratory. Emission factors for natural gas are determined based on the BOTAŞ–İsdemir online gas chromatography system. For scrap steel, the national emission factor published by the Ministry of Environment, Urbanization and Climate Change on 19.12.2025 (TÜİK Türkiye Greenhouse Gas Inventory 1990–2023, April 2025) is used. For commercial standard fuels such as diesel, gasoline, LPG, propane, and fuel-oil, the national emission factor is applied for CO_2 emissions arising from stationary combustion (TÜİK Türkiye Greenhouse Gas Inventory 1990–2023, April 2025), while CH_4 and N_2O emission factors are taken from 'IPCC 2006 V2 CH1 Table 2.3.' For emissions from mobile combustion, the factors in 'IPCC 2006 V2 CH1 Tables 1.2/3.2' are used. Global Warming Potential (GWP) values for refrigerants are based on 'IPCC 2006 V3 CH7 Table 7.9.' Emission factors for fire extinguishing agents reference 'IPCC/TEAP Special Report Tables

[12] It is composed of affiliates, joint ventures, and non-consolidated subsidiaries outside the consolidated group.

9.1/9.2.' Emission factors for SF_6 gases are taken from 'IPCC 2006 V3 CH8 Table 8.2.' AdBlue emission factors are calculated using data from the 'Total AdBlue MSDS.

For the calculation of Scope 2 greenhouse gas emissions, the emission factor for consumption points connected to the transmission grid, as published most recently on 26.12.2025 in the Türkiye Electricity Generation and Electricity Consumption Point (2023) report by the Ministry of Energy and Natural Resources, is used.

As a fundamental distinction, GHG emission calculations conducted in accordance with the MRV (Monitoring, Reporting and Verification) Communiqué focus solely on direct production-related emissions within defined facility boundaries. In contrast, the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard (2004) bases its calculations on organizational boundaries, ensuring comprehensive reporting of all emissions arising from company activities by including Scope 1 sources outside the physical facility limits, such as off-site mobile sources. Given the characteristic structure of the iron and steel sector—where emission intensity is concentrated predominantly in core production processes—no material deviation is observed in Scope 1 results.

İsdemir did not purchase or use any carbon credits during the reporting period. In the coming periods, carbon credit purchases may be considered to support progress toward our net greenhouse gas emission targets; however, the approach for the use of carbon credits, including our carbon credit strategy and implementation methods, will be clarified in future periods.

6.3. Other Sustainability Metrics

6.3.1. Energy Management

Energy Management	**2024**	**2025**
Total Energy Consumed (Gigajoules)	109,882,239	115,611,952
Grid Electricity (%)	3.50	3.70
Renewable Energy (%)	0.00	0.00
Total Fuel Consumed (Gigajoules)	106,038,704	111,358,930
Coal (%)	96.62	96
Natural Gas (%)	3.38	4

6.3.2. Water Management

Water Management	**2024**	**2025**
Total Water Withdrawn (Thousand Cubic Meters (m^3))	435,209	427,329
Total Freshwater Withdrawn (Thousand Cubic Meters (m^3))	40,479	40,454
Total Seawater Withdrawn (Thousand Cubic Meters (m^3))	394,730	386,875
Total Water Consumed (Thousand Cubic Meters (m^3))	99,689	98,245
Total Freshwater Consumed (Thousand Cubic Meters (m^3))	40,479	40,214
Total Seawater Consumed (Thousand Cubic Meters (m^3))	59,210	58,031
Water Withdrawn in Areas of High or Extremely High Baseline Water Stress (%)	100	100
Water Consumed in Areas of High or Extremely High Baseline Water Stress (%)	100	100

During the 2024 reporting period, İsdemir utilized the web-based ThinkHazard! portal—supported by the Global Facility for Disaster Reduction and Recovery (GFDRR), a global initiative backed by the World Bank Group—for the analysis and reporting of water-stress risks. However, in line with continuous improvement of reporting quality and compliance, starting from 2025, İsdemir adopted the WRI (World Resources Institute) Aqueduct Water Risk Atlas for water-stress assessments. This change was implemented by taking into consideration the recommendations and guidance provided in TSRS 2 Annex Volume 9 – Iron and Steel Producers.

The metric 'Percentage of Water Withdrawn in Areas with High or Extremely High Baseline Water Stress,' originally reported for 2024 using the ThinkHazard! approach, has been recalculated for this reporting year using the WRI Aqueduct methodology, and the corrected 2024 value has been updated in the table accordingly.

In line with the recommendations set out in TSRS 2 Annex Volume 9 – Iron and Steel Producers, the metric 'Percentage of Water Consumed in Areas with High or Extremely High Baseline Water Stress' has been included in this reporting period. The values for both 2024 and 2025 have been incorporated into the table.

With the advanced datasets provided by the WRI Aqueduct tool, İsdemir has been able to assess the exposure of its operational facilities to water-stress risks on a location-specific basis across different geographical regions. The WRI Aqueduct methodology evaluates water stress using a scoring scale ranging from 0 (Low) to 5 (Extremely High), based on the ratio of total annual water withdrawals to available renewable water resources (the amount of water naturally replenished in the system each year). Using this scoring framework, İsdemir has evaluated all operational locations and identified activities that withdraw and consume water particularly in areas classified as High (4) and Extremely High (5) Baseline Water Stress. Water withdrawn and consumed in High or Extremely High Baseline Water Stress areas is reported

as a percentage of the total water withdrawn and consumed by İsdemir and its affiliates in the water management table.

6.3.3. Supply Chain Management

In planning raw material procurement and negotiating agreements with suppliers, İsdemir evaluates a wide range of risk factors, including geopolitical risks, the customs and environmental regulations of both the miners' home countries and Türkiye, access to financing in the miners' countries, mining permit processes, local taxes applied to mined products, extreme weather events, and broader climate-related impacts. Additionally, all potential risks across the logistics chain—from the mine site to ports, and from these ports to Türkiye—are assessed.

Factors such as producer companies, ownership structures, port operations, and sanctions imposed on certain commodities are also taken into consideration. In this context, information is gathered on environmental and social challenges faced in the countries where supplier companies operate, and current developments are closely monitored through global media sources.

6.4. Strategic Initiatives and Target on the Path to Net-Zero Emissions

The Net Zero Roadmap is a transition plan that aims to reduce the company's carbon emissions to zero by 2050. This plan outlines the steps the company will take to achieve its sustainability objectives and incorporates the action plans that will be systematically implemented. Erdemir and İsdemir will continue to take determined steps toward a sustainable future through decarbonization-focused improvement initiatives and investment projects as part of their green transformation journey to achieve net-zero emissions by 2050.

Through Solar Power Plants (SPP), Electric Arc Furnace (EAF) investments, energy efficiency initiatives, and biomass projects, Erdemir and İsdemir target a 25% reduction in combined Scope 1 and Scope 2 emissions per ton of crude steel by 2030 compared to the base year of 2022, and a 40% reduction by 2040 through DRI (Direct Reduced Iron) projects initially operated with natural gas. With the increased availability of green hydrogen, the companies aim to operate DRI units fully with this resource, complemented by carbon capture and storage projects, to reach net-zero emissions by 2050. Short-, medium-, and long-term strategies to achieve these targets are detailed below. Erdemir and İsdemir's intensity-based targets for 2030 and 2040, as well as the absolute emissions reduction target for 2050, are presented in the Net Zero Roadmap.

Considering that 98% of the greenhouse gas emissions of Erdemir, the parent company, originate from Erdemir and İsdemir operations, and that these two companies are the primary entities exposed to CBAM risk, the targets in the Net Zero Roadmap have been defined specifically for these two companies.

The jointly established performance indicator and reduction target for Erdemir and İsdemir is as follows:

Performance Indicator	Unit	Base		Reduction Target vs. Baseline (%)		
		Gross Value	Year	2030	2040	2050
Total Scope 1–2 Greenhouse Gas Emissions	tCO_2/TCS*	2.2	2022	%25	%40	Net Zero

*TCS-Ton Crude Steel

Within the Net Zero Roadmap, the first quantitative greenhouse gas emission reduction target year has been set as 2030. Therefore, quantitative progress data for the period leading up to 2030 carry limited significance, and significant improvements in emission performance should not be expected during this phase. This does not indicate a lack of progress toward the targets; on the contrary, interim-period activities reflect a focus on building the infrastructure, capacity, and technology investments that will enable measurable reductions in 2030 and beyond.

The established net-zero targets have not yet been verified by third parties, and no revisions have been made to the targets at this stage. The review of targets is conducted in line with market conditions, technological developments, and the progress of related investments. Accordingly, should the need arise to update the targets, any revisions will be reported transparently.

6.4.1. Electric Arc Furnace Invesment

The Electric Arc Furnace (EAF) is a steelmaking method in which scrap is melted using an electric arc. This technology offers an energy-efficient production route, particularly by increasing the use of scrap steel and enhancing recycling processes.

Currently, İsdemir conducts all its production through the Basic Oxygen Furnace (BOF) route; however, production using Electric Arc Furnace technology is also planned. The EAF investment is expected to deliver a significant reduction in greenhouse gas emissions.

Regarding the Electric Arc Furnace (EAF) investment planned to be completed by 2030, feasibility analyses and technology selection assessments are being carried out meticulously, taking into consideration changing market dynamics and current conditions.

6.4.2. Energy Efficiency Initiatives

İsdemir is implementing significant projects and investments in various areas in order to achieve its net zero emissions target by 2050. It is taking steps to reduce greenhouse gas emissions by carrying out systematic improvements to increase energy efficiency in its processes. It aims to reduce external dependence and maximize energy efficiency by using its own resources more efficiently.

Within the scope of the 'Net Zero Roadmap' published in 2024, information regarding the current status of the projects under the 'İsdemir Energy Efficiency Works' is shared as of 2025. Within the scope of İsdemir's energy efficiency works, the Retubing of Steam Boiler No. 3, the new compressed air compressors, and the new blast furnace combustion stack have been completed and commissioned. Feasibility studies continue for the Coke Dry Quenching System, the capacity increase of Turbo-Generator No. 1–2, and the Back-Pressure Steam Turbine for the Coke Dry Quenching System, which are included within the same scope. In addition, in 2025, an energy efficiency gain was achieved by operating Turbo-Blower No. 2, which serves Blast Furnace No. 1, for Blast Furnace No. 3 and No. 4. After Blast Furnace No. 1 was commissioned, the TRT-1 System was brought online and electricity generation started. Additionally, energy efficiency projects such as the replacement of condenser coil tubes of Turbo-Generator No. 4–5, burner replacements for Steam Boilers No. 6–7, and mathematical modeling to reduce variability in converter gas (OG) injection amounts have been completed and commissioned.

6.4.3. Solar Power Plant (SPP) Investments

The solar power plant (GES) projects play a critical role in our emission reduction and sustainable production processes. Through these investments, it is aimed to achieve emission reductions compared with the emissions of the base year 2022 and to significantly reduce dependence on fossil fuels.

Within the scope of the Çorum, Diyarbakır, and Şırnak solar power plant projects outlined in the Net Zero Roadmap, solar power plants with a total installed capacity of 530 MWp will be established, and an annual electricity generation of 940,000 MWh is expected. Work is being initiated at the sites where legal processes such as project approval, EIA procedures, and zoning requirements have been completed.

6.4.4. Biomass Utilization

Biomass utilization is an important strategy for steel producers in reducing dependence on fossil fuels and lowering greenhouse gas emissions. Biomass is a renewable energy source derived from organic waste, and as an alternative with a zero-emission factor, it has significantly lower environmental impacts compared to traditional coal use. This approach not only reduces the carbon footprint of production processes but also supports the development of a sustainable energy supply model. From a greenhouse gas emissions management perspective, biomass utilization—particularly when replacing coal, which results in high carbon emissions—helps steel producers progress toward their net-zero emission targets.

Raw Biomass → Processed Biomass→ Pyrolysis and Carbonization→ Biochar

In line with the 2050 net-zero emission target, significant steps are being taken to increase biomass utilization. In this context, it is planned to gradually increase the use of biomass—an alternative with a zero-emission factor—in place of coal, thereby achieving a substantial

reduction in emissions. A pilot pyrolysis plant has been established, where raw biomass is processed through the stages of processed biomass, pyrolysis, and carbonization to produce biochar. Through this project, reductions in coal consumption are targeted across several processes, including reducing the use of fossil coal in the Coke Plant, decreasing coke fines in the Sinter Plant, lowering PCI coal consumption in the Blast Furnaces, and reducing coal usage in the Steelmaking Plant.

6.4.5. DRI (Natural Gas-Based) Investment

Direct Reduced Iron (DRI) is a steel production method in which iron ore is reduced using natural gas instead of fossil coal. This process produces iron at lower temperatures and with significantly lower carbon emissions compared with traditional blast furnace operations. When applied with low-carbon energy sources such as natural gas, DRI technology can considerably reduce environmental impacts.

Thanks to its potential for lowering carbon emissions, DRI technology is regarded as one of the key building blocks of the transition to low-emission steel production. In conventional steelmaking, iron is produced in blast furnaces using coal, a process that results in substantial carbon dioxide (CO_2) emissions. In contrast, when DRI operates with natural gas, emissions drop to substantially lower levels compared with coal-based production. This contributes to steel producers' efforts to manage their greenhouse gas emissions and progress toward net-zero targets.

The implementation of a natural-gas-based DRI investment is expected to deliver a significant reduction in greenhouse gas emissions compared with the base year.

The DRI investment is planned for the post-2030 period, and global developments in DRI technology within the iron and steel sector are being closely monitored to guide the progress of this initiative.

6.4.6. DRI (Green Hydrogen-Based) Investment

In green-hydrogen-based DRI production, hydrogen replaces natural gas in the reduction of iron ore, enabling the production of iron with significantly lower environmental impact. The use of hydrogen in steelmaking substantially reduces carbon dioxide (CO_2) emissions, as the reduction process results in only water vapor as a by-product, with no carbon emissions. In DRI production using green hydrogen, carbon emissions are effectively zero, making this one of the most innovative and impactful methods for steel producers to achieve their net-zero emission targets.

Erdemir aims to increase the use of green hydrogen and significantly reduce greenhouse gas emissions in line with Türkiye's Hydrogen Roadmap, which sets national targets for electrolyzer capacity expansion. Green-hydrogen-based DRI investments constitute one of the company's most critical strategies for managing carbon emissions and achieving zero-emission production. As the country's electrolyzer capacity expands, broader green hydrogen adoption

is expected, enabling the minimization of environmental impacts across steel production processes. Global technological advancements in DRI (Green Hydrogen) systems, as well as developments in Türkiye's green hydrogen supply infrastructure, are being closely monitored.

✓ **Türkiye's Electrolyzer Capacity Target for 2030: 2 GW**

The first interim target in Türkiye's Hydrogen Roadmap is to reach an electrolyzer capacity of 2 GW by 2030. Electrolyzers are devices that convert water into hydrogen gas through electrolysis, a process powered by renewable energy sources. Achieving this capacity by 2030 will reduce the use of coal and natural gas in steel production and enable greater utilization of green hydrogen in the sector, thereby contributing significantly to the reduction of carbon emissions.

✓ **Türkiye's Electrolyzer Capacity Target for 2035: 5 GW**

Following the successful achievement of the 2030 target, Türkiye aims to reach an electrolyzer capacity of 5 GW by 2035. This expansion will further increase hydrogen production capacity and significantly enhance the share of green hydrogen used in steel manufacturing. With the growth in electrolyzer capacity, a larger volume of green hydrogen will become available, contributing to a further reduction in carbon emissions.

✓ **Türkiye's Electrolyzer Capacity Target for 2053: 70 GW**

In line with Türkiye's net-zero carbon target, the country's most ambitious goal is to reach an electrolyzer capacity of 70 GW by 2053. Achieving this target will ensure that all hydrogen used in steel production is generated entirely from renewable energy sources, thereby supporting Türkiye's commitment to achieving net-zero emissions by 2053. A 70 GW capacity will enable a substantial share of the energy required in steelmaking to be supplied by green hydrogen, significantly reducing the sector's carbon emissions.

6.4.7. Carbon Capture and Storage (CCS)

İsdemir aims to implement carbon capture and storage (CCS) technologies. Among the company's planned investments, carbon capture and storage (CCS) technologies hold a highly significant position. CCS technology captures the unavoidable emissions generated during production processes before they are released into the atmosphere and transfers them safely to underground storage sites. In this way, carbon emissions originating from steelmaking processes can be substantially reduced. This technology will make a meaningful contribution to achieving our net-zero emissions target by 2050 and provide strong momentum to our sustainable production approach. Global technological developments in carbon capture technologies, as well as advancements in Türkiye's carbon storage infrastructure, are being closely monitored.

7. Judgements and Uncertainties

This report also makes use of the Sustainability Accounting Standards Board (SASB) Standards of the International Sustainability Standards Board (ISSB). The 'Volume 9—Iron and Steel Producers', which is part of the TSRS 2 Sector-Based Application Guidance and sets out possible ways of determining, measuring, and disclosing information on climate-related risks and opportunities, has been used. This volume, which serves as a sector-specific guide for the iron and steel industry—İsdemir's main area of activity—has been derived from the SASB Standards maintained by the ISSB. In Section 6, Metrics and Targets, reference is made to the sector-based disclosure topics and metrics contained in this volume. Since İsdemir's subsidiaries operating in fields other than iron and steel production do not represent a significant proportion within the consolidated financial statements, only the relevant sector guide has been used. This information is also presented in Section 1.1.1. Compliance with the Türkiye Sustainability Reporting Standards (TSRS).

Judgements and uncertainties related to the scenario analysis evaluating the Carbon Border Adjustment Mechanism (CBAM) Carbon Pricing risk are presented in the 'Measurement Uncertainties' subsection of Section 4.1.1. CBAM Carbon Pricing of this report.