2022 TCFD REPORT

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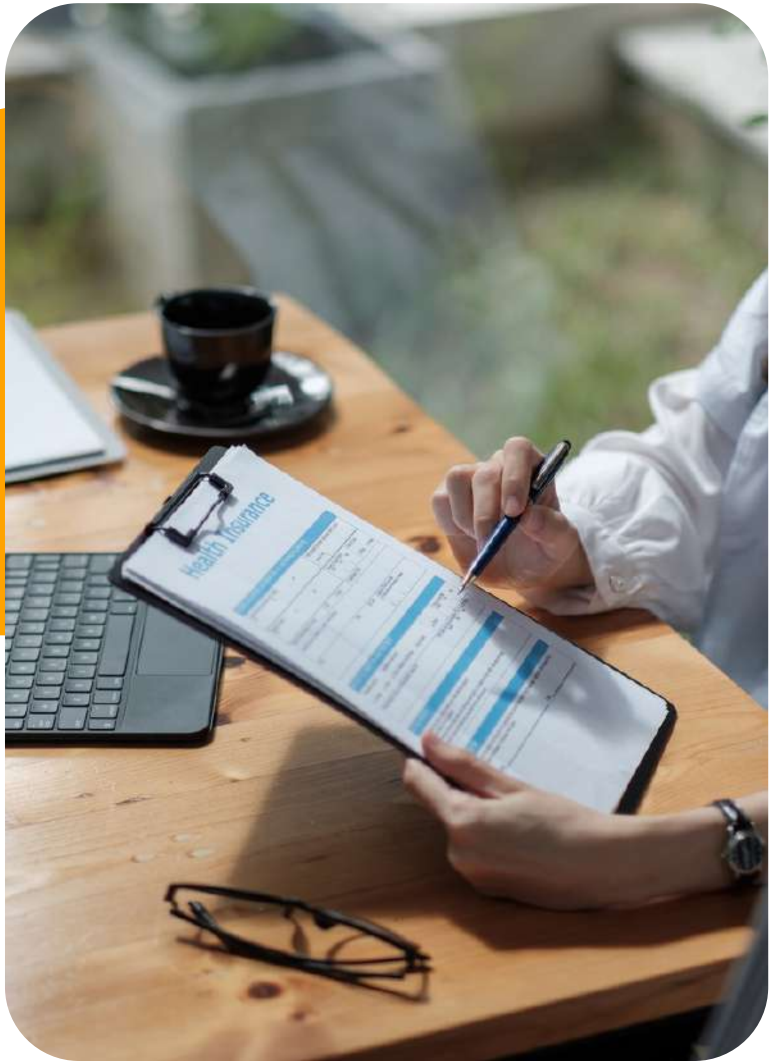
About Us



About Us

To our 3.3 million customers, Service with 1,712 employees

"We ensure individuals and families against unexpected risks that life may bring."

As AgeSA Hayat&Emeklilik, a subsidiary of Sabancı Holding and the global insurance giant Ageas with a history spanning 200 years, we offer innovative products in individual pension, life insurance, and personal accident insurance to our customers. With current investment and savings solutions, we lead our industry to enable our customers to say "gladly" instead of "I wish."

In every activity we undertake, we work towards the goal of achieving a society with happy individuals and full of trust, drawing on Ageas's deep-rooted history and the strength and confidence of Sabancı Holding. We redefine the perception of insurance for everyone we touch in order to deliver the goodness at the core of our business. With 1,712 employees, we continue to provide services to 3.3 million customers, growing together despite economic fluctuations and extraordinary situations.

Customer experience and digitalization-focused strategies

"We are here to offer the goodness at the core of our business with the goal of a society with happy individuals and full of trust." We offer innovative products in the fields of "individual pension," "life insurance," and "personal accident insurance" to our customers. Through our strong bank assurance network in collaboration with Akbank, alongside Turkey's largest direct sales force, agents, tele sales channel, and corporate projects team, we provide services through our unique multi-distribution channel structure.

Being customer-centric across all channels we engage with, we operate with a focus on enhancing the customer experience, and our company has been recognized with numerous international and national awards, making us a sector-leading and differentiating firm.

Value proposition strengthened by extensive fund diversity and advisory

As AgeSA, we provide a wide range of fund diversity and fund advisory services within individual and group pension plans to address the savings and accumulation needs of individuals. We offer life insurance products to protect individuals and families from unexpected risks.

About Us

Customer experience and digitalization-focused strategies

Sustainable development through digitalization, data analytics, and innovation

Our company relies on digitalization, innovation, and data analytics to accelerate growth. We prioritize customer-centricity and digitalization in all the services and experiences we offer. By considering digitalization, data analytics, and innovation as essential tools for sustainable development, we strive to improve our business processes. We achieve this by incorporating topics such as artificial intelligence and data analytics to make them more efficient.

Embracing digitalization and innovation as one of our strategic focuses, we aim to create sustainable business models by adding value to the economy and society.

About Us

Message from CEO

"Today, one of the biggest challenges the world is facing is climate change. In the United Nations Framework Convention on Climate Change, 'climate change' is defined as changes in the climate which are attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods. Despite significant steps being taken to combat climate change, there remains a long road ahead towards a solution.

The Intergovernmental Panel on Climate Change (IPCC) warns that global greenhouse gas emissions must be reduced by around 45% globally by 2030 (compared to 2010 levels) and reach net zero by mid-century.

One of the most significant consequences of climate change is natural disasters. The insurance sector, which serves as a shield against natural disasters and risks, undertakes an important role. Insurance companies accurately assess and expedite the compensation for damages incurred, thereby providing security for individuals. By addressing the financial losses incurred, insurance companies become a safety net for individuals.

In our world full of uncertainties and risks, insurance companies protect us, our loved ones, our homes, our businesses, and even our productions with products ranging from agriculture to life insurance. They ensure our sense of security, helping to reduce risks to increase our level of well-being. As AgeSA, we manage these risks with the products we offer, allowing individuals to secure themselves and their loved ones."

Fırat Kuruca
CEO of AgeSA Hayat ve Emeklilik

About AgeSA

Message from CEO

With our Sustainability Policy published in 2022, as AgeSA, we have integrated environmental, social, and governance-focused sustainability into all our processes. In this context, we are steadily progressing towards our "2050 Net Zero Emissions" target. We implement various practices and continually aim for improvement. As a result of our initiatives, we obtained the LEED Gold (Green Building) certification for our headquarters office. As of 2023, we began consuming 100% environmentally friendly energy using internationally recognized renewable energy certificates (IREC). According to year-end data for 2022, through the projects we have implemented, we have reduced our carbon emissions resulting from fuel consumption of company vehicles and natural gas and electricity usage in offices by 764 tons (40%) compared to 2019.

This value is equivalent to the carbon emissions absorbed by 1,859 trees from the atmosphere. We aim for a 69% reduction in Scope 1 and 2 emissions by 2030 compared to 2019. 96% of our company vehicles consist of hybrid vehicles. We plan to transition half of our company vehicles to electric vehicles by 2030. Our Science-Based Targets Initiative (SBTi) compliant target-setting efforts for Scope 3 emissions are ongoing. In the upcoming period, within the scope of fund management, we will invite companies we invest in to collaborate and set targets aligned with the Science-Based Targets Initiative.

Among our goals is to achieve paper savings focusing on digital transformation in all pre-sales and post-sales services by 2025. Through our digital transformation activities such as mobile applications, biometric signatures, voice approvals, and remote sales applications, we have prevented the printing of over 25 million sheets of paper and the felling of 582 trees in sales processes. We contributed to saving 240 tons of carbon emissions and over 128 million liters of water. In line with the European Union's ban on single-use plastics in 2021 and the goals set by the United Nations for a global plastic agreement by 2024, we have eliminated single-use plastic straws, plastic cutlery, plastic cups, plastic stirrers, and plastic plates from use. As a result of these efforts, we successfully reduced total waste by 35% in 2022 compared to 2021.

Furthermore, with the intention of commemorating our deceased customers, we established the AgeSA Memorial Forest in collaboration with the TEMA Foundation. Also, in collaboration with the TEMA Foundation, to contribute to the "World's Green Footprint", we identified customers who got married, had a child, or started a new job using the Speech Analytics application and made tree donations on their behalf. In the upcoming period, within the scope of fund management, we will invite companies we invest in to collaborate and set targets aligned with the Science-Based Targets Initiative.

We will continue our efforts in this field to make everyone say "Thank goodness for" with a sustainability focus. We are proud to share our "Task Force on Climate-Related Financial Disclosures (TCFD) Report" and express our gratitude to our employees, shareholders, customers, and all stakeholders, especially those who walk with us on this path.

Sincerely,

Fırat Kuruca
CEO of AgeSA Hayat ve Emeklilik

Purpose and Scope

With a view towards sustainability, as AgeSA we aim to increase our economic contribution to the country. Considering our expanding business, we are aware that one of the most crucial factors is climate change and its associated risks.

In the Sustainability and Annual Reports, we have created sustainability strategies that correspond with the feedback from the stakeholders, industry trends, and our activities. Reducing carbon emissions is an integral part of our sustainability strategy, which includes assessing environmental performance. We create spesific roadmaps and objectives to decrease our carbon emissions. This report has been prepared to present our climate-related physical and transition risks, climate-related strategies and targets to stakeholders.

About Us

About Us

SDG-Linked Products, Services and Responsible Investments

We offer an environmentally and socially oriented approach with our SDG-Linked products. The exact definition is

Solutions that contribute to environmental, social and economic sustainability by:

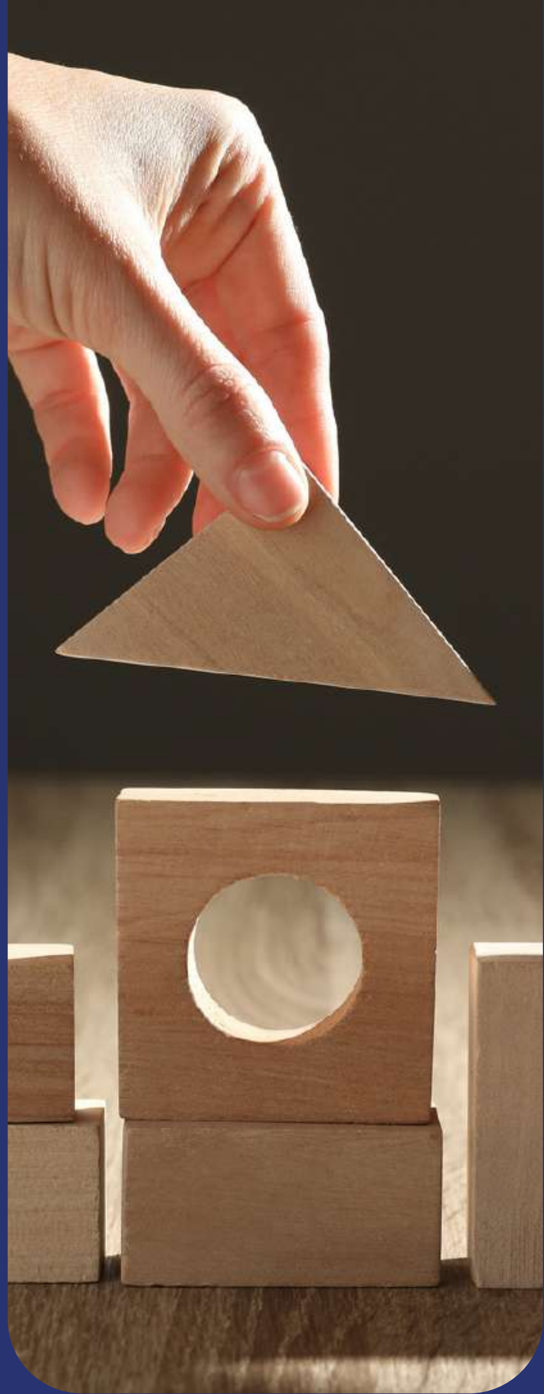
Level 1 — Protecting people against the risks of

a) a social downturn (= our reason to exist)

b) and/or an environmental downturn

Level 2 — Creating the conditions for our customers to make sustainable choices and providing solutions that positively contribute to a more sustainable world

Level 3 — Developing products and services towards uninsured and underserved



About Us

SDG-Linked Products, Services and Responsible Investments

We are developing products and services to accelerate the transition to a low-carbon economy and contribute to increasing community wealth. SDG-linked products and responsible investments support our transition to a more sustainable business model, enhancing the value proposition we offer to our customers.

In 2022, by introducing six new SDG-linked products and services, we increased the total number of SDG-linked products and services to 13, and the proportion of revenue from these products and services to the total revenue reached 18.5%.

Our 4 main goals:

- At least 1 SDG-Linked product, service or application to be developed by the end of 2022
- Expansion of the Sustainability Fund's PPS plans by 30% by the end of 2023
- Ensure that 25% of revenue comes from SDG-Linked products or services by the end of 2024.
- Implementing a self-service sales process through a mobile app or website by 2025.

About Us

SDG-Linked Products, Services and Responsible Investments

By 2022, we offer a total of 13 products and services that make a positive impact on the environment and society. Among these products, 4 are mitigating and 9 are creating a positive social impact. In 2023, we aim to develop 5 new products and services and reach to 18 products and services.

Three major product categories are ;

- Private Pension Insurance
- Life Insurance
- Personal Accident Insurance

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02 Governance

“We create value with our human-oriented and low-carbon model with building a strong engagement with our stakeholders.”

Governance Structure

Our corporate governance process is centered around equality, transparency, accountability, and responsibility.

At AgeSA, we make decisions guided by the four principles we have identified and embraced. We have initiated human-oriented and low-carbon model with building a strong engagement with our stakeholders.

Governance

4 major principles headlines our Corporate Governance Approach:

Governance

1 Equality

Entails the equal treatment of both shareholders and stakeholders in all activities of corporate management, preventing potential conflicts of interest.

2 Transparency

Involves the timely, accurate, complete, understandable, interpretable, cost-effective, and easily accessible disclosure of financial and non-financial information related to the company, excluding trade secrets and yet-to-be-disclosed information.

3 Accountability

Refers to the obligation of the board members, primarily to the legal personality of the joint-stock company and our shareholders.

4 Responsibility

Signifies the compliance of all activities conducted by corporate management on behalf of the joint-stock company with legislation, the articles of association, and internal regulations, along with their supervision.

Governance

AGESA HAYAT VE EMEKLİLİK A.Ş. GENERAL DIRECTORATE

BOARD OF DIRECTORS

Nazıf Dayı
Director
IT Audit and Data Analytics

Hasan Vatansever
Head of Internal Audit
Hilal Gümrükçü
Director
Process Audit

Selin Ozkırım
Secretary of the Board of Directors
Nihan Namoğlu Cengiz
Director
Information Security and Compliance
Merter Yılmaz
Group Manager
Process Audit and Reviews

Participation Insurance Advisory Committee

Sibel Öztap
Director
Risk Management, Internal Control and Compliance Control

Fırat Kuruca
CEO

Hale Şimşek Kara
Director
Participation Insurance Compliance Officer

Ebru Canlı Özkan
Group Manager
Internal Control and Risk Management

Suat Özkok
Group Manager Legislative Compliance and Actuarial Oversight

Selim Avşar
Assistant General Manager
Bank Insurance

Osman Atıcı
Group Manager
Aegean

Duygu Yener
Group Manager
Istanbul

Gamze Acarözmen
Group Manager
Central Anatolia and Eastern Black Sea

Yavuz Öztürk
Group Manager
Marmara

Ahmet Delioğlu
Group Manager
Southern and Eastern Anatolia

Saadet Nur Uruçoğlu
Group Manager
Bank Insurance

M. Ali Meşruoğlu
Director Bank Sales Coordination and Communication Management

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Özgür Erdoğan
Assistant General Manager
Direct Sales, Agencies and Corporate Projects

Fırat Dinçer
Group Manager
Region 1

Kürşad Uygunlar
Group Manager
Region 2

Aslı Canöz
Group Manager
Region 3

Levent Buğur
Group Manager
DS Agencies Development and Agency Management

Yonca Sarol
Group Manager
Corporate Projects

Zeliha Altınok
Assistant General Manager
Finance

Yeliz Güven Saracoğlu
Group Manager
Strategical Planning, Financial Risks and Reporting

Gürel Çağlar Türkmen
Group Manager
Accounting and Legal Reporting

Tuğrul Gemici
Group Manager
Treasury and Fund Management, Research and Investor Communications

Mehmet Orcan Yolaşan
Group Manager
Logistics and Business Continuity

Gregory Philip Jones
Vacant Actuer
Actuery and Business Risk

Betül Yönel Topaloğlu
Manager
Purchasing

Berkant Dişçigil
Assistant General Manager
Operations

Idil Namyeter
Group Manager
Aegean

Celal Abbas Aykutlu
Group Manager
Legislative Adaptation and Surveillance

Kurtuluş Çaltekin
Legal Advisor
Legal Advisory

Arzu Tana
Manager
Compensation

Zeynep Kobat
Manager
Telesales and Promotion

A. Fahri Arkan
Assistant General Manager
Business Technologies

Kağan Aydınyüz
Group Manager
Software Development

Füsun Borluk
Group Manager
Agile Governance Center, Quality and Robotics Processes

Devim Zımba
Group Manager
Governance and Business Minds

Figen Özmen
Group Manager
Business Solutions

Zeynep Aslı Dinç
Group Manager
Strategic Portfolio and Process Management

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Group Manager
Infrastructure and Security

Rasan Dilek
Assistant General Manager
Marketing and Strategy

Cemre Mehmet Özdemir
Group Manager
Digital Development and Data Analytics

Fırat Babatonguz
Group Manager
Customer Management and Corporate Relations

Damla Şahin
Group Manager
Product Management and Pricing

Burak Yüzgül
Assistant General Manager
Human Resources and Sustainability

Zafer Tartar
Group Manager
Human Resources, Development, Talent, and Earning Management

Neslihan Maral
Group Manager
Human Resources and Communcations

Seda Zerener
Group Manager
Human Resources, Agile Management and HR Technologies

Okan Can Taşkın
Group Manager
HR Trainings and Sustainability

Neslihan Yalınkılıç
Group Manager
HR Management and Adaptation

Board of Directors and Activities of the Committees

The Company is managed and represented by a Board of Directors (BoD) being elected by the General Assembly in accordance with the provisions of the Turkish Commercial Code, Capital Markets Law, Private Pension Legislation and this Articles of Association. As of December 31, 2022, our BoD consists of 10 members, two of whom are independent. The members include the Chair of the Board, Vice Chair, and the General Manager, who, in accordance with insurance legislation, holds executive duties as a mandatory member of the Board.

The number and qualifications of the independent members which will sit on the BoD are determined in accordance with the corporate governance regulations of the Capital Markets Board. The procedures of the Capital Markets Board are to be followed in the event that an independent member loses its independence, resigns or becomes unable to perform its duty.

Governance

Board of Directors and Activities of the Committees

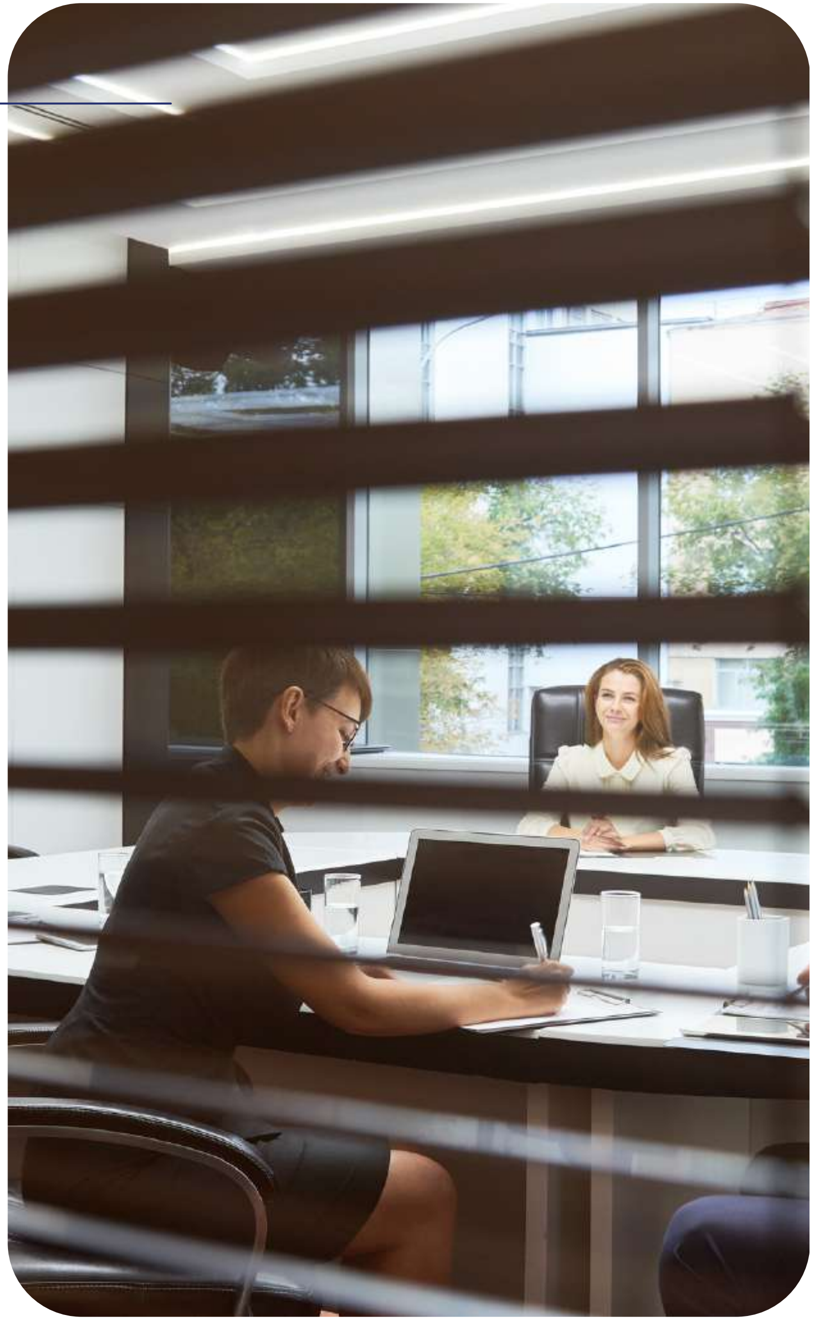
BoD exercises its authorities prudentially and within the frame of good will as equipped with all kinds of information to accomplish the task fully.

We believe that having members on the Board of Directors who possess a diverse range of competencies, knowledge and experience strengthens the Board's functioning and benefits decision-making processes.

The process of being nominated for the Board of Directors membership is evaluated through various factors inculuding knowledge of the insurance sector, management experience, crisis management experience, global and long-term thinking as well as diversity and inclusion, and knowledge in ESG matters. We do not tolerate any discrimination among candidates on grounds of gender, age, ethnicity, religion, language, race, etc.

Members of BoD have knowledge and talent in the banking and insurance area, are skilled to read and analyze financial statements and reports, have basic knowledge about the legal regulations and general market conditions, which our Company is subject to and have the will and possibility to attend the BoD meetings regularly throughout their terms of office.

Governance



Board of Directors and Activities of the Committees

Corporate Governance Principles set a minimum target of 25% for the ratio of female members on the Board of Directors. Our BoD consitsting of three female member among ten members shows female representation beyond the minimum target of Corporate Governance Principles.The composition of the board of directors is reviewed annually and the nomination process is carried out in accordance with this policy.

Audit, Early Detection of Risk and Corporate Governance Committees are committees affiliated with the Board. BoD have the authority to hire external advisors or consultants by itself or through its committees in compliance with the Corporate Governance Code numbered 4.5.7."Committees may benefit from the opinions of the independent specialists on matters that they find necessary with regard to their activities."

BoD addresses the impacts of activities conducted at AgeSA in the economic, environmental, and social dimensions, including human rights, when necessary.

Governance

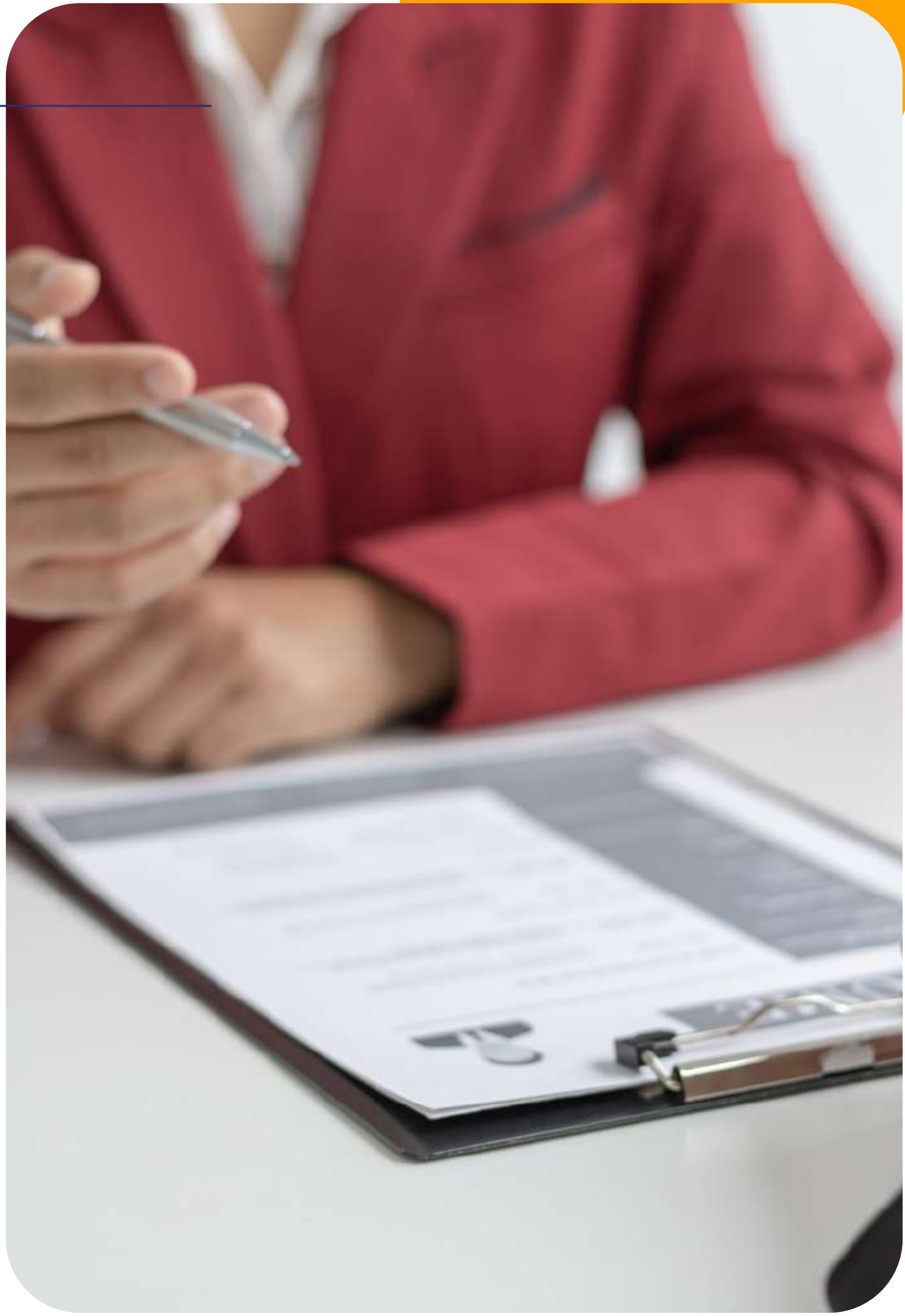
Corporate Governance Committee

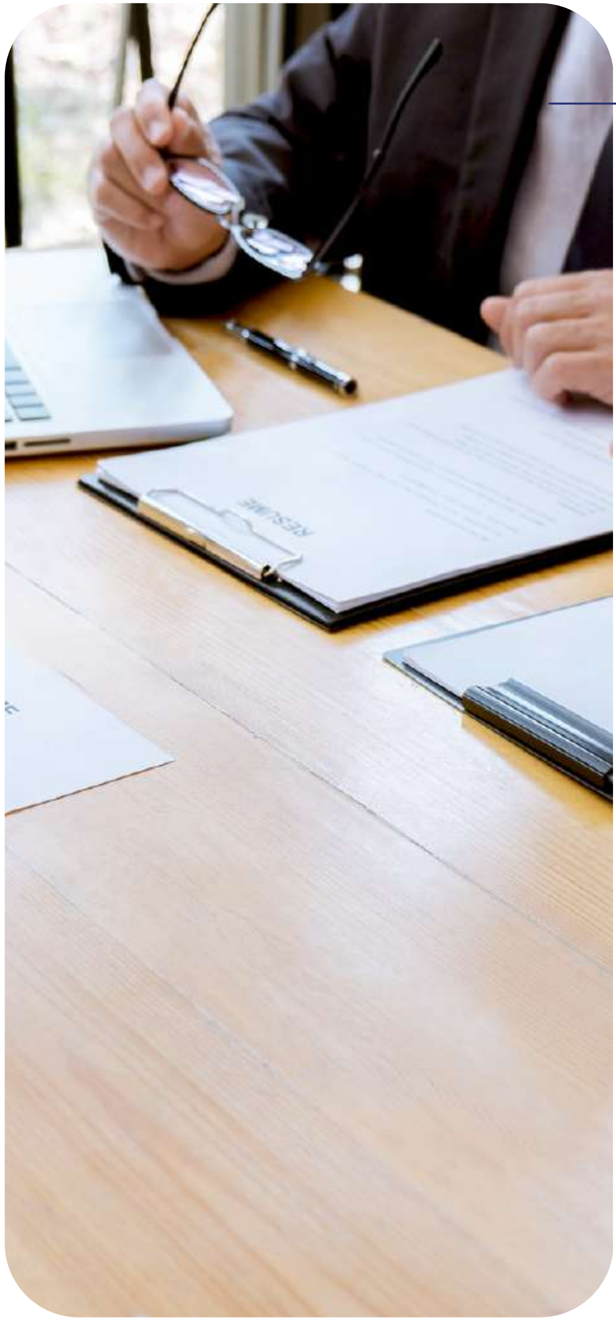
The Corporate Governance Committee was structured in accordance with the Capital Markets Board's and other internationally accepted Corporate Governance Principles.

The main responsibility of the Corporate Governance Committee is to make suggestions to the Board of Directors and make recommendations for the launch and implementation of Corporate Governance Principles, monitor the Company's compliance with these principles, and conduct improvement studies on these topics.

The Committee also reviews the activities of investor relations department, agendas related to nominating and remuneration and compliance with the Ethical Guide.

Governance





Audit Committee

The Audit Committee was structured in accordance with applicable laws, rules, regulations and practices, Capital Markets Board Corporate Governance Principles to help protect the interests of the Company's stakeholders.

The main responsibility of the Audit Committee is to advice concerning reviewing internal audit reports, determination of the accuracy of company's financial tables and reports and assignment of the independent audit organization, determination of on-time and duly execution of financial tables required to be disclosed to the public.

The Audit Committee consists of two members, both Independent Members of the Board of Directors. At least one member of the audit committee has 5 years of experience in audit/accounting and finance.

According to the organizational chart, the Internal Audit Department reports directly to the Board of Directors and operates independently. Agesa's audit methodology is risk-based and in compliance with International Internal Audit Standards; furthermore, it is connected with COSO (Committee of Sponsoring Organizations of the Treadway Commission) and ERM (Enterprise Risk Management), and in compliance with their provisions.

Governance

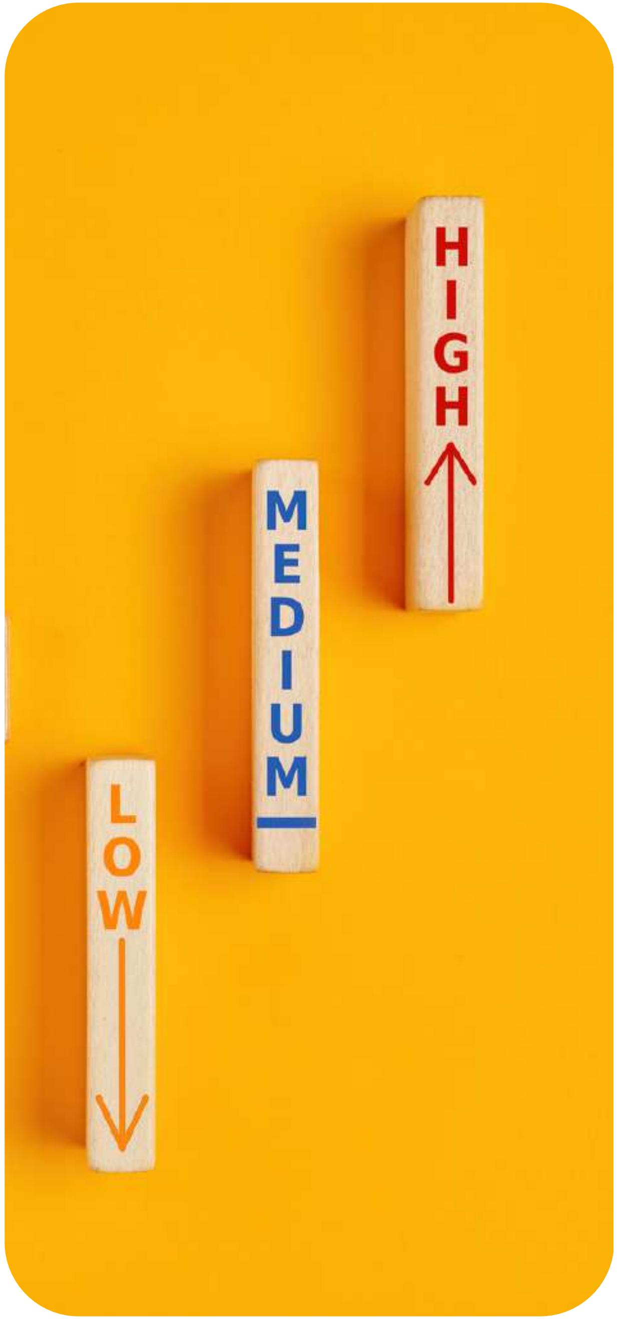
Early Detection of Risk Committee

The Early Detection of Risk Committee has been established by the Board of Directors with the purpose of early identification, implementation of necessary measures, and management of any strategic, operational including climate risks, or financial risks that could threaten the existence, development, and continuity of AgeSA.

The major responsibilities of the Early Detection of Risk Committee are observation and early detection of risks by the Board of Directors, review of the Company's risk appetite and risk profile in terms of insurance, financial, operation, business and strategic risks, evaluation of the effectiveness of the risk management framework, review of the methods used in determining equity capital requirements, stress tests, in strategic or important transactions carrying out due diligence and following legal obligations. The EDRC conveyed six times in 2022. Internal control and risk management systems are rewieved at least once a year.

The committee evaluates and highlights potential dangers with proposed soluitons and shares its reports with Board of Director and to the auditor. If the risks identified by the Sustainability Committee are among the high risks, they are included in Early Detection of Risks Comittee's agenda. The Committee also supports the Board of Directors in fulfilling its responsibility in operating a sound internal control system. All of the duties listed in the Regulation on Internal Systems in the Insurance and Private Pension Sectors are carried out by the committee regarding internal system functions other than internal audit.

Governance



Sustainability Governance

At AgeSA, we prioritize our vision of being an impact-focused, sustainablility-oriented company in every step we take and every decision we make. We believe that all companies should evaluate their corporate strategies from a sustainability perspective in their journeys of respect for nature and humanity, and responsibility for the impact they create. Therefore, we prepare our company strategies in parallel with our sustainability policies. We support our low-carbon and stakeholder-oriented economic growth model with the products and services we create, embrace the Net Zero approach by improving our environmental performance through our value chain.

Sustainability Committee being established under Human Resources in 2021, reconstructed in 2022 to be represented by the Executive Committee. The Sustainability Committee is responsible for determining AgeSA's sustainability strategy, policies, and goals in the environmental, social, and corporate governance areas. This includes planning, monitoring, reviewing, improving, and developing the implemented practices. Additionally, the committee is tasked with identifying sustainability-related risks and opportunities. Being a member of Sustaniability Committee, the General Manager, together with the managers of the relevant business functions, is responsible for the implementation of the sustainability strategy, policy and objectives.

Governance

Governance

Committee Structure

The Committee is composed of Executive Board members. The Executive Board addresses sustainability issues at least four times a year. Sustainability initiatives are presented to the Executive Board by the Sustainability Department, led by the Deputy General Manager of Human Resources and Sustainability, and the leaders of the sustainability working groups. When necessary, individuals with decision-making roles in environmental, social, and governance matters or experts from various departments provide input to the committee.

We formed 4 working groups, who reports to Sustainability Committee via Susainability Team:

- Environment and Climate Change
- Equality, Diversity and Inclusion
- SDG-Linked Products and Services
- Sustainable Finance

Governance

Roles and Responsibilities of Sustainability Committee

- Identifying the priority issues to focus on in sustainability. Developing and implementing sustainability strategy, short-term, medium-term, and long-term goals, roadmaps, and policies, ensuring their execution and monitoring.

- Determining performance criteria for business units' sustainability goals and monitors them.

- Establishing and appoints working groups as needed to undertake necessary efforts to achieve sustainability goals, defining their members.

- Keeping abreast of national and international developments, public regulations, and trends related to sustainability issues.

- Identifying, assessing, and managing risks and opportunities associated with sustainability.

- Providing recommendations on sustainability communication plans, approves plans, and oversees their processes.

- Ensuring the dissemination of the sustainability business understanding among employees and all stakeholders, coordinating the provision of training and facilitating stakeholder participation as needed.

- Participating in sustainability report initiatives and approves the reports.

- Working towards compliance with the Sustainability Principles Framework announced by the Capital Markets Board. Preparing reports required by Capital Markets Legislation regarding sustainability and submitting them for approval to the Board of Directors for public disclosure.

AgeSA's Sustainability Organization

In AgeSA, our sustainability organization scheme is the roadmap that leads and summarises our sustainability approach and processes.

Sustainability Management Cycle at AgeSA

Structure	Sustainability Scope	Meeting Frequency	Members	Decision Process	Information Flow
Board of Directors	Guidance function for Sustainability framework vision and strategy	4 times per year	Board of Directors Members	↑	↓
Sustainability Committee	Establishing AgeSA's sustainability strategies, policies and goals in the fields of environmental, social and corporate governance; planning accordingly, monitoring, reviewing, enhancing and developing implemented practices; Identifying risks and opportunities associated to sustainability	Minimum 4 times per year	Executive board members		
Human Resources and Sustainability Assistant General Manager and Sustainability Team	Conducting studies in the context of sustainability and ESG in the daily business cycle. Conducting relevant reporting and consultations with other units	Daily work cycle	Assistant General Manager Human Resources and Sustainability and team members		

Reporting	**Working Groups**
Meeting minutes of the Sustainability Committee and Working Groups are kept by sustainability unit managers.	They develop projects in line with AgeSA's sustainability strategies, policies and goals in environmental, social and governance areas.
	Environment and Climate Change Working Group
	Equality, Diversity and Inclusion Working Group
	Sustainable Finance Working Group
	Sustainable Product and Services Working Group

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03 Strategy

Strategy

It is imperative that we address the issue of global climate change and its far-reaching effects.

The risks of climate change, including physical impacts and transitional challenges, pose a serious threat across different timeframes. However, with effective and proactive management, these challenges can also yield significant opportunities for growth and contribute to the global effort in combating climate change in the years to come. Acknowledging and addressing these challenges with foresight can lead to sustainable development and positive contributions to the collective fight against the impacts of climate change.

Our Sustainability Strategy

As AgeSA, we have fully integrated our activities with a perspective that prioritizes environmental and social impact, aiming to contribute to a sustainable future through our investments.

Sustainability is not merely a response to global and local trends for us; rather, it is an intrinsic element of our core business strategy. In 2022, we successfully concluded our Sustainability Strategy, an initiative that was launched in 2021. The objective was to embed sustainability into all aspects of our company's operations, focusing on environmental and social impacts and actively contributing to a sustainable future through our investment initiatives.

Strategy

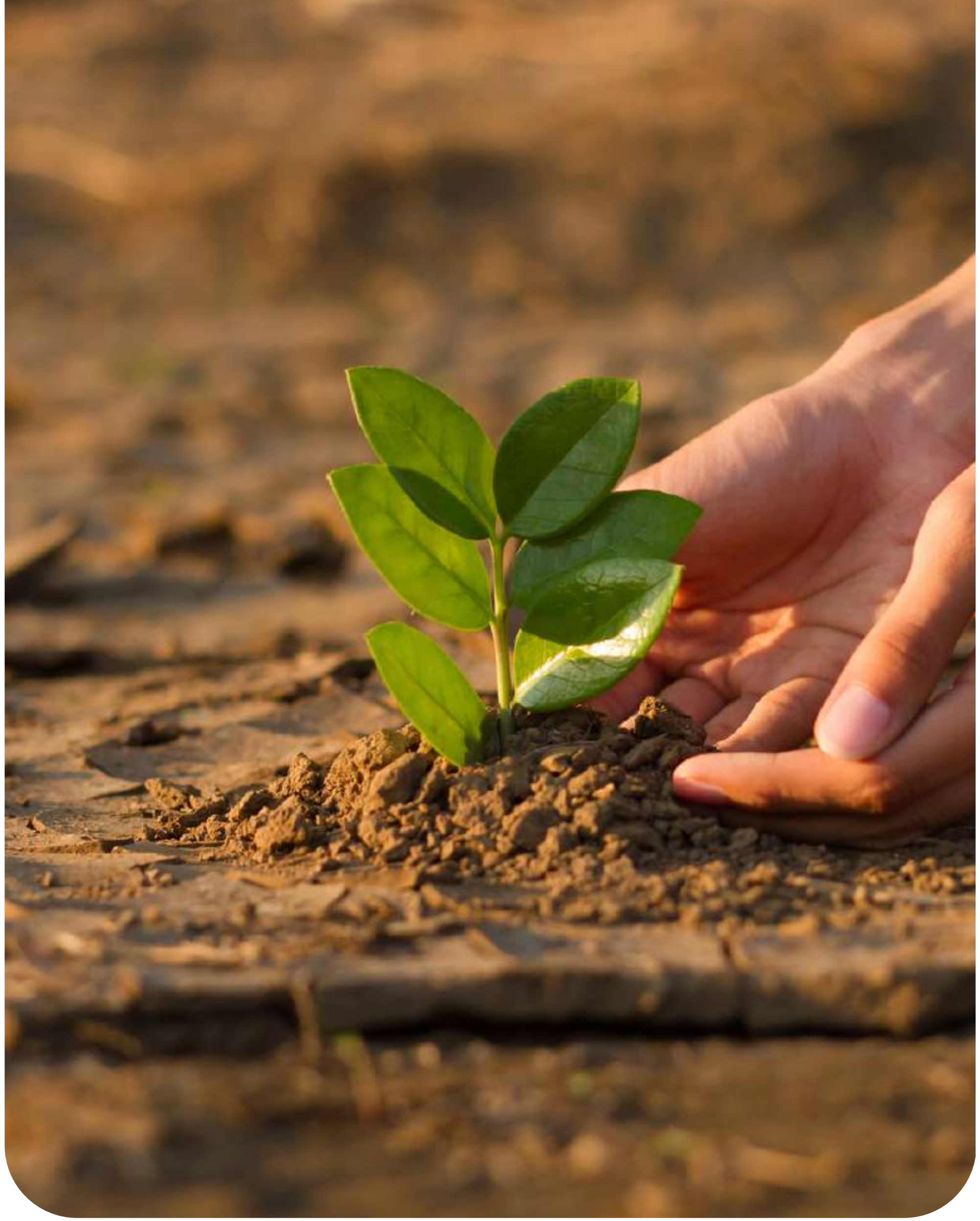
AgeSA's Sustainability Strategy, focusing on:

- People-Oriented Organization
- Impact-Oriented Organization

Our strategy revolves around these two key pillars, and includes digitalization, innovation and data analytics, as well as robust corporate governance, risk management, and ethical principles. These foundational elements serve as the bedrock of our approach.

We firmly believe that this strategy not only guides our endeavors but also propels us forward, bolstering our capabilities in generating added value. This strategic framework positions us to navigate the dynamic landscape with agility and ensures that our operations are aligned with contemporary standards of excellence.

Strategy



Our Strategy for Combating Climate Change

As AgeSA, we are adopting strategies aimed at combating climate change and fostering sustainable growth. These strategies are carefully crafted to consider the risks associated with environmental issues.

By incorporating measures that address both climate change challenges and potential risks, we demonstrate a commitment to environmentally conscious and sustainable practices. This approach aligns with the broader global efforts to mitigate the impacts of climate change and promotes responsible, sustainable development.

Strategy

Strategy

AgeSA's Sustainability Strategy

Impact-Oriented Organization

Our focus at AgeSA is centered on creating a positive impact across the spectrum — in the products we develop, the services we offer, and our overall operations. It is essential for us to assess investments made through premiums in the insurance sector from a sustainability perspective. We channel our efforts towards products and services that serve as catalysts for positive impacts, contributing to low-carbon and stakeholder-focused economic growth. Additionally, we are committed to improving the environmental performance of our operations and are dedicated to embracing a net-zero approach, further underlining our commitment to sustainability and responsible business practices.

Our very high and high-priority topics include:

- SDG-Linked products and responsible investment
- Customer satisfaction
- Environmental performance
- Customer health and safety

People-Oriented Organization

At AgeSA, people are at the heart of our business. We position ourselves as an organization with a primary focus on people, aiming to make a positive contribution to individuals' lives. Our commitment extends to designing programs and projects that actively contribute to the development, prosperity, and improved quality of life within the communities where we operate. Moreover, we prioritize the continual development of our human resources and strive to create a positive and fulfilling working experience. This emphasis on the well-being and growth of our workforce is instrumental in enabling us to excel in our endeavors

Our very high and high-priority topics include:

- Equality, diversity, and inclusion
- Employee rights and satisfaction
- Employee health and well-being
- Talent management
- Human rights
- Community investment

Accelerators:
We have tools that facilitate and accelerate high performance in our value areas.
·Digitization
·Innovation
·Data Analytics

Foundations:
We do not compromise on the principles that form the basis of our performance and guide our work.
·Corporate Governance
·Business Ethics
·Risk Management

Strategy

Our Strategy for Combating Climate Change

Changing our investment portfolio

Focusing on net-zero alignment on our investment portfolio and applying Portfolio Coverage methodology in line with SBTi recommendations and also adhering to our parent Sabancı Holding's Responsible Investment Policy.

Reducing our Scope 1&2 emissions

Achieving 69% reduction by 2030 in parallel with 2050 Net Zero target, by changing hybrid company cars into electrical ones and providing electricity of our offices from renewable sources.

Our Strategy for Combating Climate Change

We are targeting to reduce our operational carbon footprint and our investment portfolio’s carbon footprint. We have set targets for our Scope 1&2 emissions. Moreover, we are preparing action plans to adhere to Sabancı Holding’s Responsible Investment Policy. We are planning to make our targets align with the Net Zero Insurance Alliance (NZIA) and Science Based Targets Initiative (SBTI) within 2 years after we finish our action plans for our Scope 3 emissions.

We aim to contribute to our country's sustainability goals and play a pivotal role in tackling climate change by setting an example for all stakeholders.

We have adjusted our corporate strategy to align with our goals and the primary pillars of combating climate change. We are confident that AgeSA will have a significant impact in the fight against climate change and will be at the forefront of leading Turkey's transition to a low-carbon economy.

Strategy

Climate-Related Risks and Opportunities

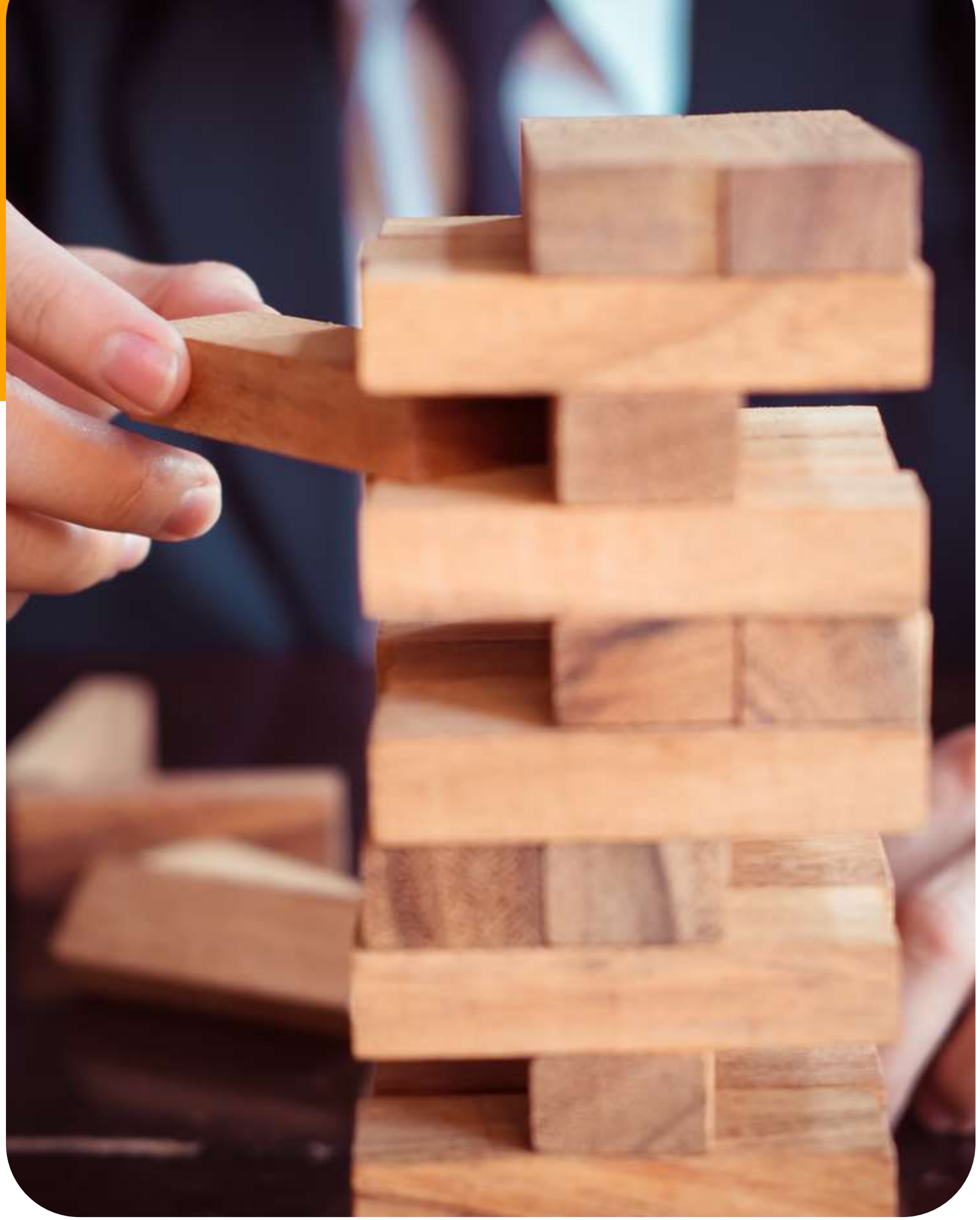
Climate change introduces significant shifts in environmental, social, and economic dimensions, presenting both physical and transitional risks. Recognizing climate change as a pivotal and pressing issue, strategic consideration is essential for all organizations. At our organization, we systematically define the risks stemming from climate change, encompassing internationally recognized physical risks and transition risks arising from regulatory changes. Our approach involves a comprehensive assessment of these changes, allowing us to evaluate associated risks and identify opportunities within the framework of globally recognized perspectives on climate-related challenges. This strategic viewpoint guides our efforts to proactively manage the impacts of climate change on our operations and seize opportunities aligned with sustainable practices.

Strategy

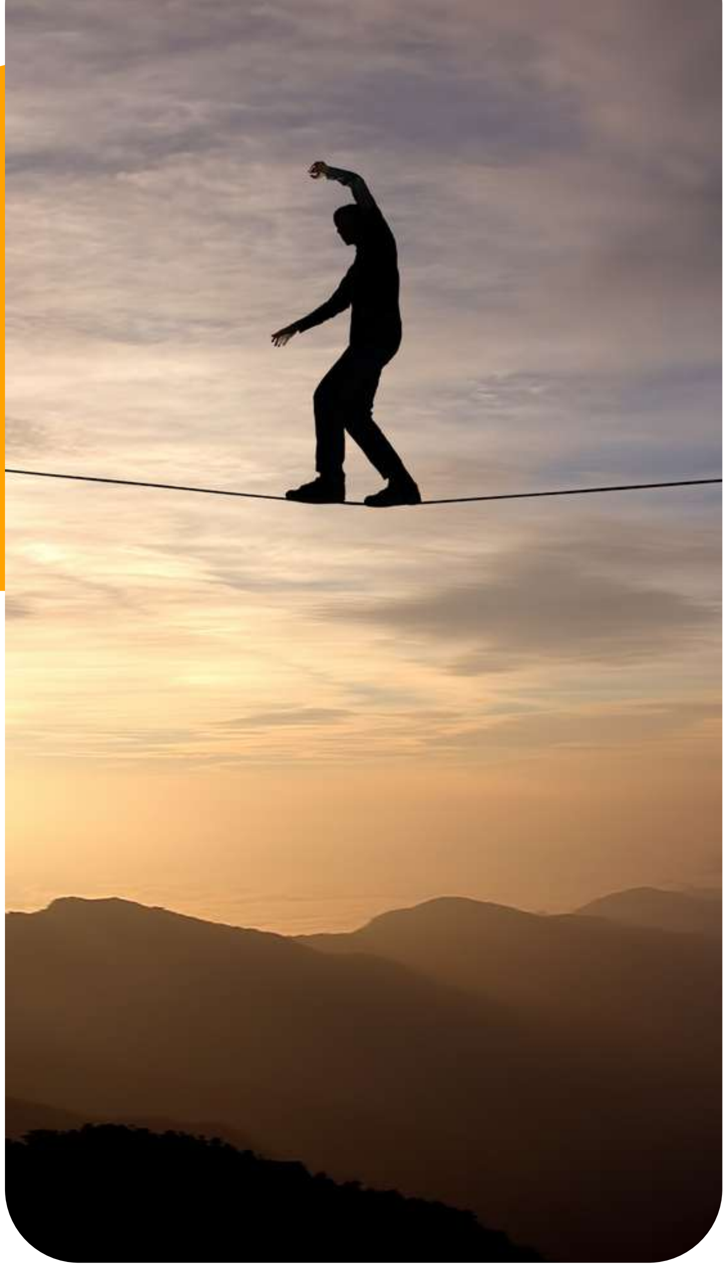
Climate Related Risk Definitions

In alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we place significant emphasis on defining risks as a crucial step for the organization. Going beyond traditional financial and occupational health risks, we specifically address risks associated with the environment and climate change.

Our approach involves a detailed analysis of climate risks, following the guidelines provided by TCFD. These risks are categorized into two main types: Physical risks and transitional risks. Importantly, our assessment of climate change impacts is tailored to the specific region where we operate. This region-specific approach ensures a nuanced understanding of climate risks and aligns with TCFD guidelines and statements, enhancing the organization's ability to proactively manage and disclose climate-related risks.



Strategy



Strategy

- **Transition Risks**

Transition risks represent the challenges that our company encounters as it endeavors to meet climate change adaptation demands, mitigate its effects, and shift towards a more eco-friendly, low-carbon economy. These risks primarily pertain to our reputation and market stability, specifically in connection with policy, regulatory changes, and technological shifts, rather than direct physical impacts. It's important to note that these transition risk definitions are interconnected and interdependent, with each affecting the other's consequences.

- **Physical Risks**

Physical risks are the risks that arise from the physical occurrences that are caused by climate change. These are the risks that can disrupt or damage the organization’s assets, business continuity, employees, supply chain and markets.

Physical risks are assessed from two distinct angles such as their consequences and the timing of their occurrence. These physical risks are categorized into two main types: Acute and chronic risks.
Acute risks are those that manifest as immediate effects when a weather event occurs. With climate predictions spanning multiple years, it becomes feasible to anticipate these risks and implement suitable strategies and responses in advance.
Chronic risks, on the other hand, are risks that persist over time in geographical areas where ongoing activities have the potential for long-term consequences.

Strategy

Policy and Regulatory Risks

Regulators continue to put additional pressure on insurers with new and revised requirements that demand significant investment and create distraction from regular business activities. The scope of regulations is extensive. Being an important financial services company operating in the insurance sector and serving a diverse client base, our organization can be impacted, both directly and indirectly, by new regulations concerning carbon pricing and policies related to the shift toward low-carbon and cleaner energy sources.

These measures are often designed to mitigate the consequences of climate change and encourage adaptive responses to its impacts. Such regulations may have repercussions not only for AgeSA's own activities but also for the pension fund returns of our clients, who frequently rely on us for financing their future. We consistently assess the implications of both current and emerging regulations, whether they have a direct impact on our operations or indirectly affect the industries in which our investments rely on. We perform evaluations and gap analysis exercises several times annually, adhering to a standardized procedure defined by our climate risk program. Additionally, we consistently monitor regulatory advancements on an quarterly basis and have pinpointed the subsequent potential short-term risks. We have identified "carbon pricing and related regulations" risk under this category.

- Carbon Pricing and Related Regulations

Technology Risk

As AgeSA we, working in partnership with diverse clients who may rely on our organization for financing, confront exposure to technological developments, whether through direct or indirect means. These advancements, such as the growing significance of electric vehicles and battery technologies in the automotive industry, transition to green energy and low-carbon companies in our investment processes undergo analysis by us using scenario analysis techniques. We identify these potential risks emerging in the near to medium-term future. Under technology risks, we have identified the risks given below.

- Transition to Electric Vehicles

- Transition to Green Energy Companies in our investment processes

- Transition to Low-Carbon Product Companies in our investment processes

Strategy

Reputation Risk

In the coming years, climate-related strategies and benchmarks are anticipated to undergo changes. There exists the potential for damage to our reputation if our climate-related initiatives and strategies are perceived as not aligning with current or upcoming industry standards and best practices.

This could manifest in accusations of greenwashing or insufficient efforts in addressing climate change. Heightened reputational risks have the capacity to result in a loss of business and may trigger regulatory alterations, consequently impacting our business model. We observe these potential risks becoming increasingly prominent in the near future. Within reputation risk, we have identified the risks given below.

- Increasing stakeholder concerns on climate actions
- Greenwashing
- Sustainability and Climate Evaluations (CDP, Refinitiv etc.)
- Skilled workforce perception of the company

Strategy

Market Risk

Customer expectations are the feelings, needs, and ideas that customers have towards certain products or services. This is typically influenced by societal and environmental changes. Shifting consumer needs and the more recent inflationary environment invite insurers to innovate in pursuit of growth and to stay ahead of new competitive threats. Protecting the interests of our clients is a pivotal element of our organization's climate strategy. Considering the growing demand for climate-focused products and services, we are compelled to proactively respond to market changes driven by the transition to low-carbon practices and our clients' apprehensions regarding climate-related risks and the changes in health technologies. We forecast that future of health will focus on prevention rather than treatment, therefore the demand for life insurance products may be affected negatively in the absence of satisfactory level of offerings related to prevention of climate related illnesses and viruses. We address this potential risk by offering a diverse array of sustainability and climate and customer-oriented products and services. The consequences of not addressing this issue adequately are seen as an impending risk. In market risk category, we have identified “Changes in customer preferences” and “Investor Sentiment” risks.

- Changes in customer preferences

- Investor Sentiment

Strategy

Political Risk

Political instability and tensions in international relations carry the risk of conflicts, including trade wars, which can impact economic, social, and environmental factors. These uncertainties pose threats to economic growth, social welfare, and overall business operations. Additionally, wars may increase the demand for fossil fuels, leading to a rise in greenhouse gas (GHG) emissions and further environmental concerns.

Regulatory measures such as the Carbon Border Adjustment Mechanism (CBAM) represent political risks, providing EU companies an advantage over non-EU entities. This may exert financial pressure on investment portfolios.

Geopolitical events, including trade conflicts and regulatory changes, introduce uncertainties that can impact business profitability and stability, requiring thorough analysis and strategic planning to navigate potential challenges.

- Political risk

Strategy

Demographic Change Risk

The escalation of physical risks, particularly climate-induced natural catastrophes, may lead to demographic shifts, influencing growth rates, mortality rates, and migration patterns.

This could disrupt employment structures and pose challenges in maintaining a skilled workforce. Thus, it is required to make strategic adaptations to address these demographic changes and to ensure resilience in workforce dynamics.

Changing demographic structure, growth rates, mortality rates, and migration patterns may result in higher insurance premium payments, especially in life and personal accident insurance sectors. In response, the life and health sectors might need to reassess offerings for different generations and long-term care funding.

- Demographic Change Risk

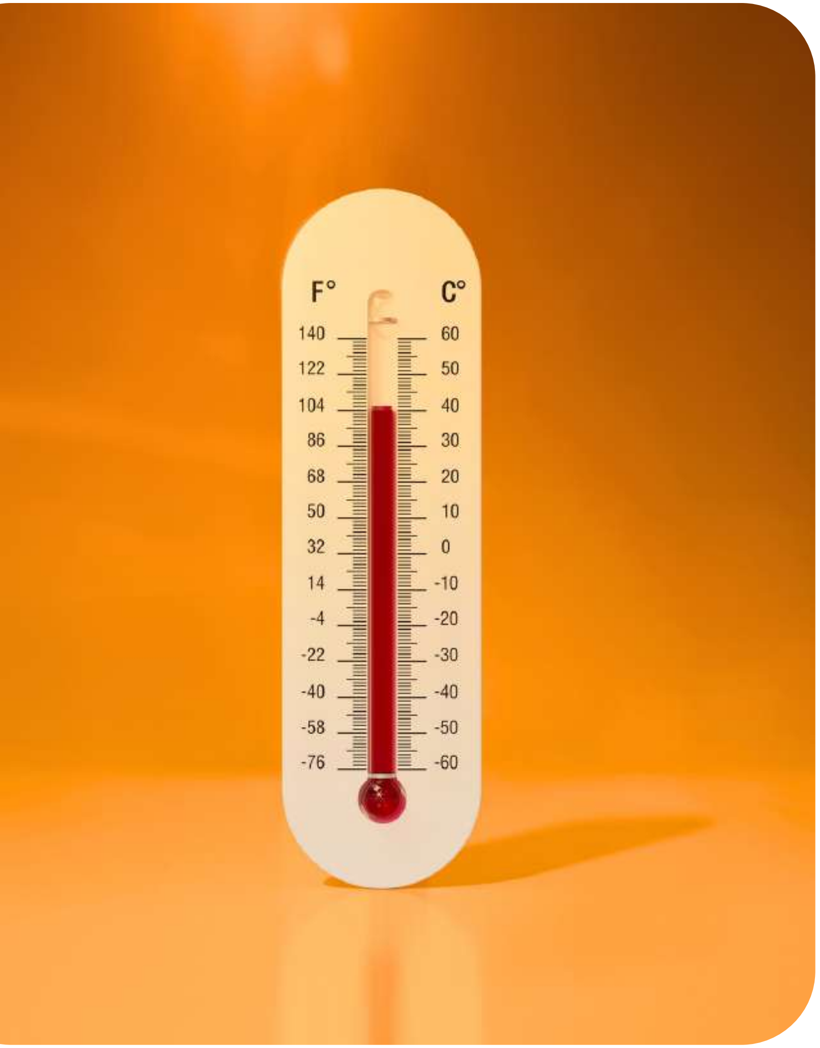
Strategy

Acute Risks

Natural catastrophe risk refers to the potential for unforeseen loss of life or property resulting from events such as storms, floods, fires, and extreme weather conditions. The impact of climate change is anticipated to contribute to a continued rise in catastrophic damage in the coming years. This trend poses significant challenges for both companies and individuals, including a reduction in the risk protection provided by insurance and an increase in insurance premiums and the probability of companies going bankrupt and closing. Acute physical risks hold the capacity to impact the value of physical assets owned and the industries invested in by AgeSA. As climate change intensifies, addressing and mitigating the risks associated with natural catastrophes becomes crucial to sustaining resilience in the face of evolving environmental challenges. To mitigate these risks related to product pricing and premiums, our own assets and investments, we utilize a comprehensive business continuity planning process and diligently identify physical climate risks. Risks that are identified under acute risks are given below.

- Flood
- Fires
- Extreme Weather Events

Strategy



Chronic Risks

The value of physical assets owned, and industries invested in by AgeSA may be affected by the repercussions of gradual climate change. Gradual changes in climate conditions, such as rising temperatures and alterations in precipitation patterns, have the potential to intensify extreme events, making them more frequent and severe. Consequently, this can have an impact on economic productivity and output, as well as an increase in health-related issues. Moreover, gradually increasing extreme weather events will have adverse affects on the business continuity of the companies which may result in a value loss of private sector assets and a decrease in revenues. This may trigger rising of unemployment and create a pressure on the demand for insurance products. These events could result in a decrease in the value of assets used as collateral and invested in and may also lead to higher underwriting payments. We anticipate these potential risks becoming more prominent in the long term. Risks that are identified under chronic risks are given below.

- Over temperature in long term (Mean air temperature rise)
- Rising / decreasing sea water level
- Drought in long term
- Changes in precipitation regime

Strategy

Scenario Analysis

We, in AgeSA use scenario analysis, to inform and adapt our strategy to test our resilience against the climate change phenomena. We use mainly the Network for Greening the Financial System (NGFS) scenarios and for some of the physical risks associated with climate change we also use International Panel on Climate Change (IPCC) scenarios.

NGFS Scenarios

The NGFS partnered with an expert group of climate scientists and economists to design a set of hypothetical scenarios, now available in the expanded 2022 version. They provide a common and up-to-date reference point for understanding how climate change (physical risk) and climate policy and technology trends (transition risk) could evolve in different futures. Each scenario was chosen to show a range of higher and lower risk outcomes.

There exist 6 scenarios in NGFS, the scenarios are classified by the risks. For example, Divergent Net Zero Scenarios consists of more transition risks, and the Current Policies Scenarios consists of more physical risks.

- Divergent Net Zero
- Delayed Transition
- Net Zero 2050
- Below 2 Degree Celsius
- NDCs
- Current Policies

Divergent Net Zero:

Emissions are in line with a climate goal giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (<0.1°C) of 1.5°C in earlier years. This leads to considerably higher transition risks than Net Zero 2050 but overall, one of the lowest physical risks of the 6 NGFS scenarios.

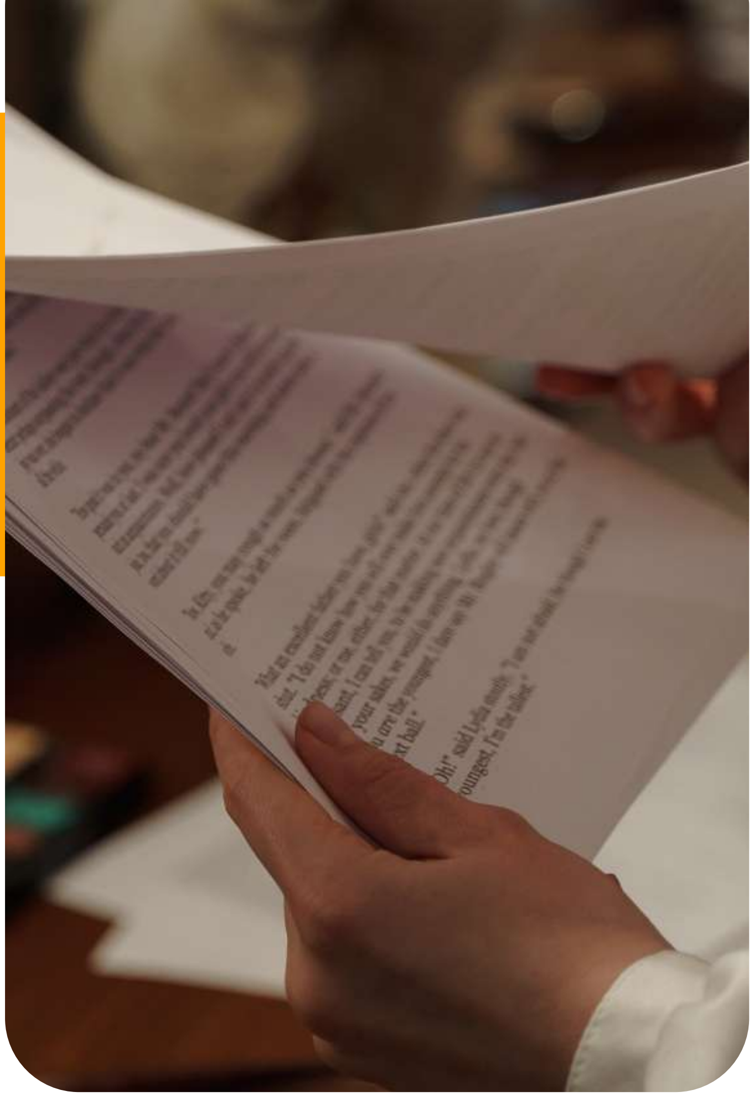
Delayed Transition:

In this scenario, emissions exceed the carbon budget temporarily and decline more rapidly than in Well-below 2°C after 2030 to ensure a 67% chance of limiting global warming to below 2°C. This leads to both higher transition and physical risks than the Net Zero 2050 and Below 2°C scenarios.

Current Policies:

Current Policies assume that only currently implemented policies are preserved, leading to high physical risks. Emissions grow until 2080 leading to about 3°C of warming and severe physical risks. This includes irreversible changes like higher sea level rise. This scenario can help central banks and supervisors consider the long-term physical risks to the economy and financial system if we continue our current path to a "hot house world".

Strategy



Strategy

IPCC Scenarios

The scenarios are the result of complex calculations that depend on how quickly humans curb greenhouse gas emissions. But the calculations are also meant to capture socioeconomic changes in areas such as population, urban density, education, land use and wealth.

Each scenario is labelled to identify both the emissions level and the so-called Shared Socioeconomic Pathway, or SSP, used in those calculations.

SSP’s are replaced RCPs in the Sixth Assessment Report of IPCC.

There exists 5 Scenarios in IPCC.

- **SSP 1.9**
- **SSP 2.6**
- **SSP 4.5**
- **SSP 7.0**
- **SSP 8.5**

The Network for Greening the Financial System (NGFS) Climate Scenarios and the Intergovernmental Panel on Climate Change (IPCC) Scenarios serve different purposes and are designed for different audiences. NGFS Climate Scenarios are primarily tailored for the financial sector, while IPCC Scenarios are intended to provide a broader assessment of potential climate futures for the scientific and policy communities.

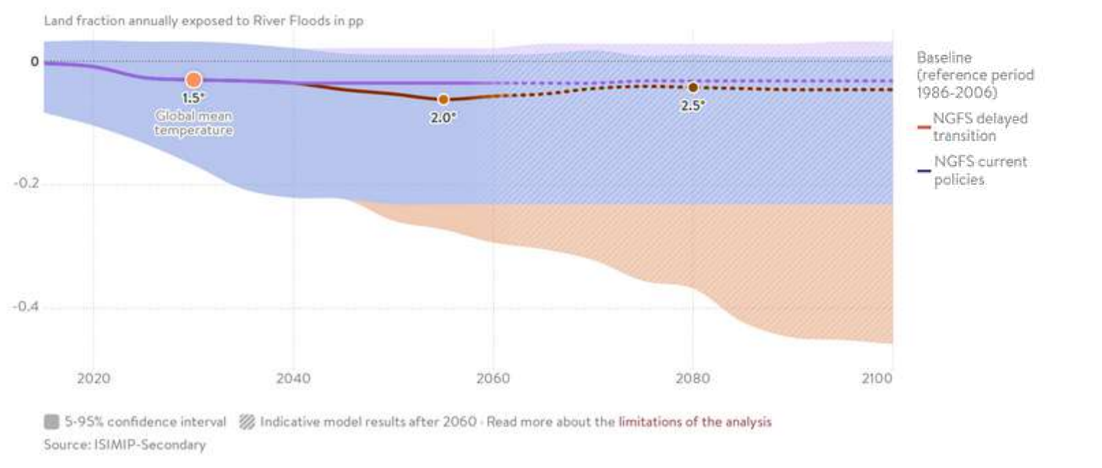
The Network for Greening the Financial System (NGFS) Climate Scenarios and the Intergovernmental Panel on Climate Change (IPCC) scenarios are chosen by AgeSA for scenario testing and determining physical risks. Please see the risk graphs given for physical risks in Türkiye where our company operates. The year intervals for the given scenarios are 2020-2100. Please see pages between 46-52.

Strategy

NGFS Scenarios Flood

NGFS

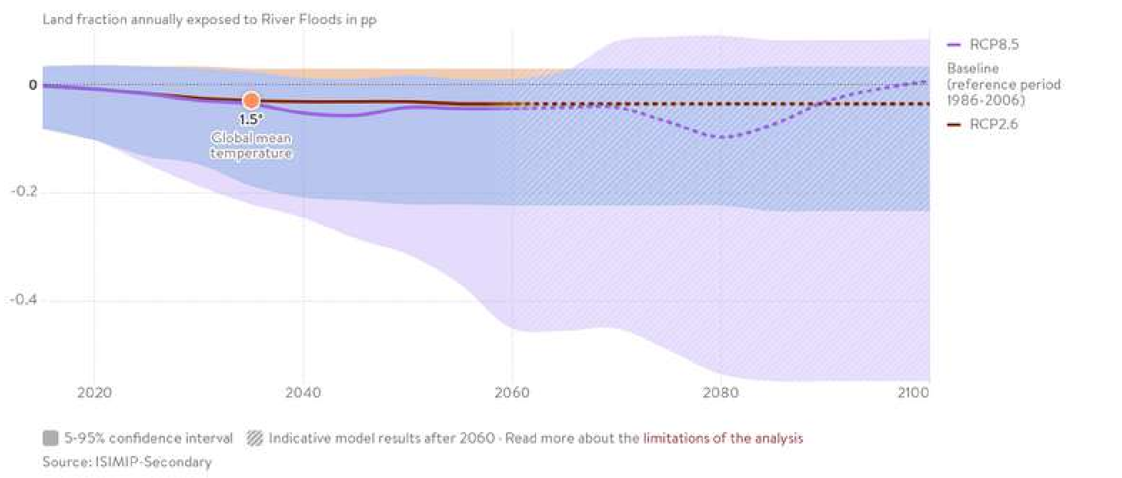
Source: Climate Impact Explorer by Climate Analytics



IPCC Scenarios Flood

RCP

Source: Climate Impact Explorer by Climate Analytics

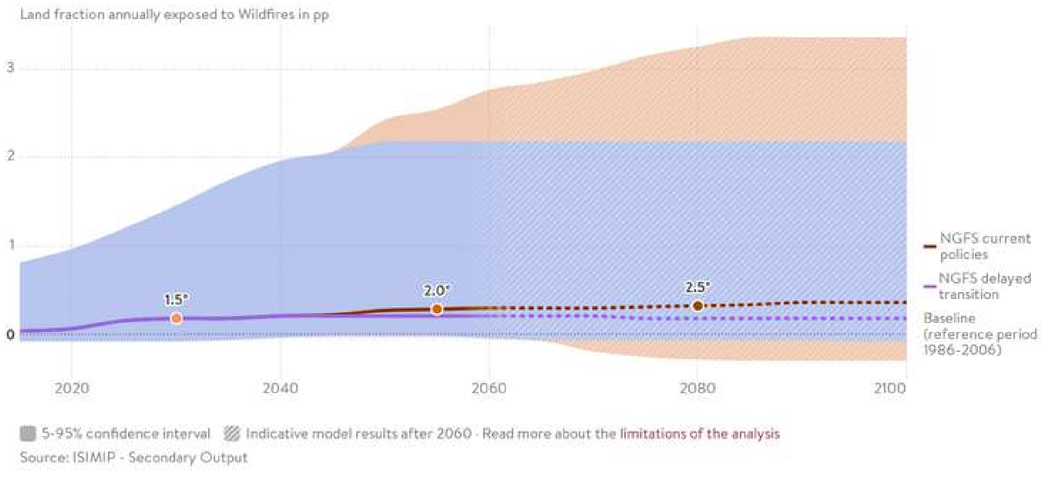


Strategy

NGFS Scenarios Fires

NGFS

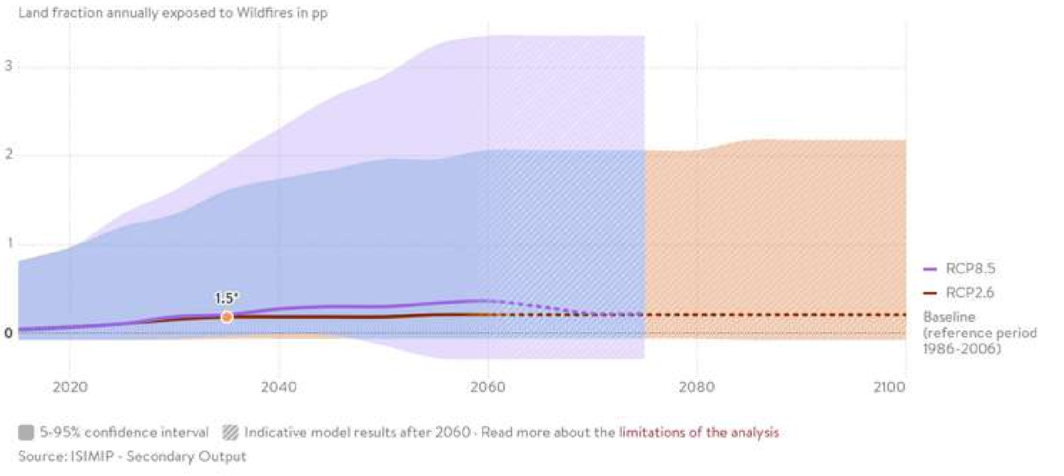
Source: Climate Impact Explorer by Climate Analytics



IPCC Scenarios Fires

RCP

Source: Climate Impact Explorer by Climate Analytics

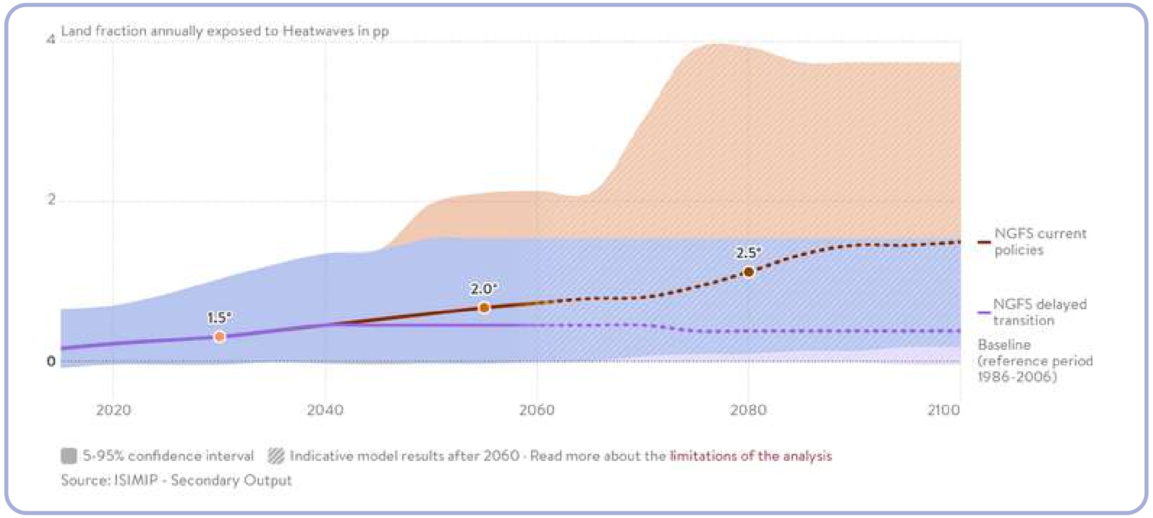


Strategy

NGFS Scenarios
Extreme Weather Events

NGFS

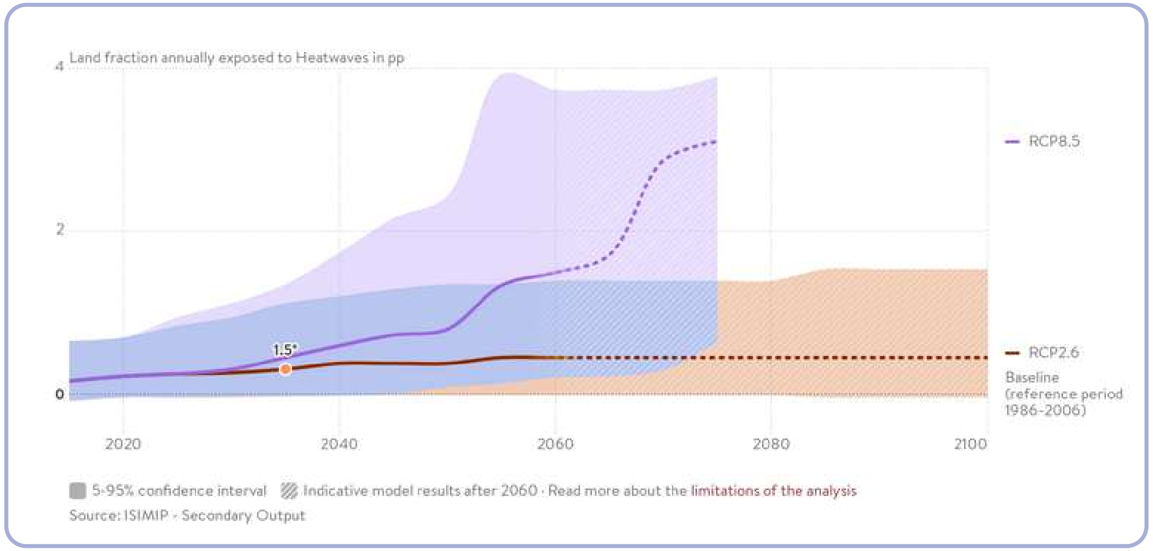
Source: Climate Impact Explorer by Climate Analytics



IPCC Scenarios
Extreme Weather Events

RCP

Source: Climate Impact Explorer by Climate Analytics

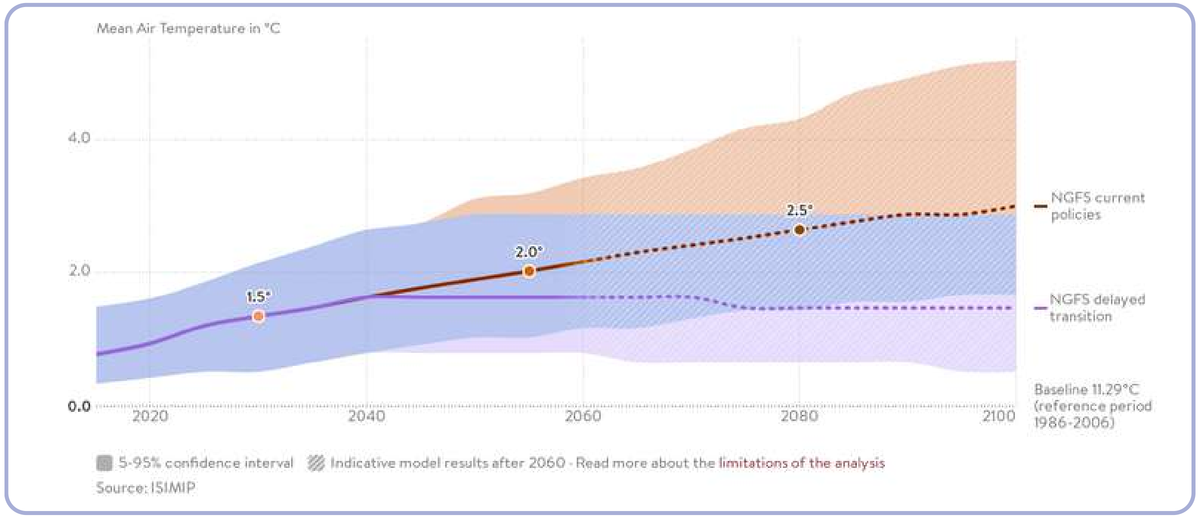


Strategy

NGFS Scenarios Mean Temperature

NGFS

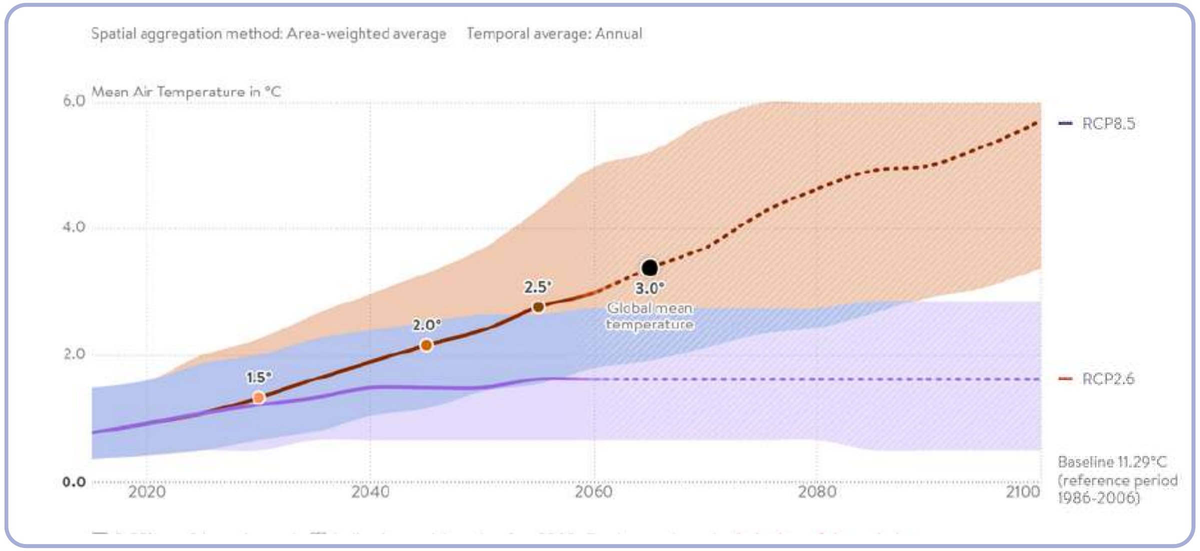
Source: Climate Impact Explorer by Climate Analytics



IPCC Scenarios Mean Temperature

RCP

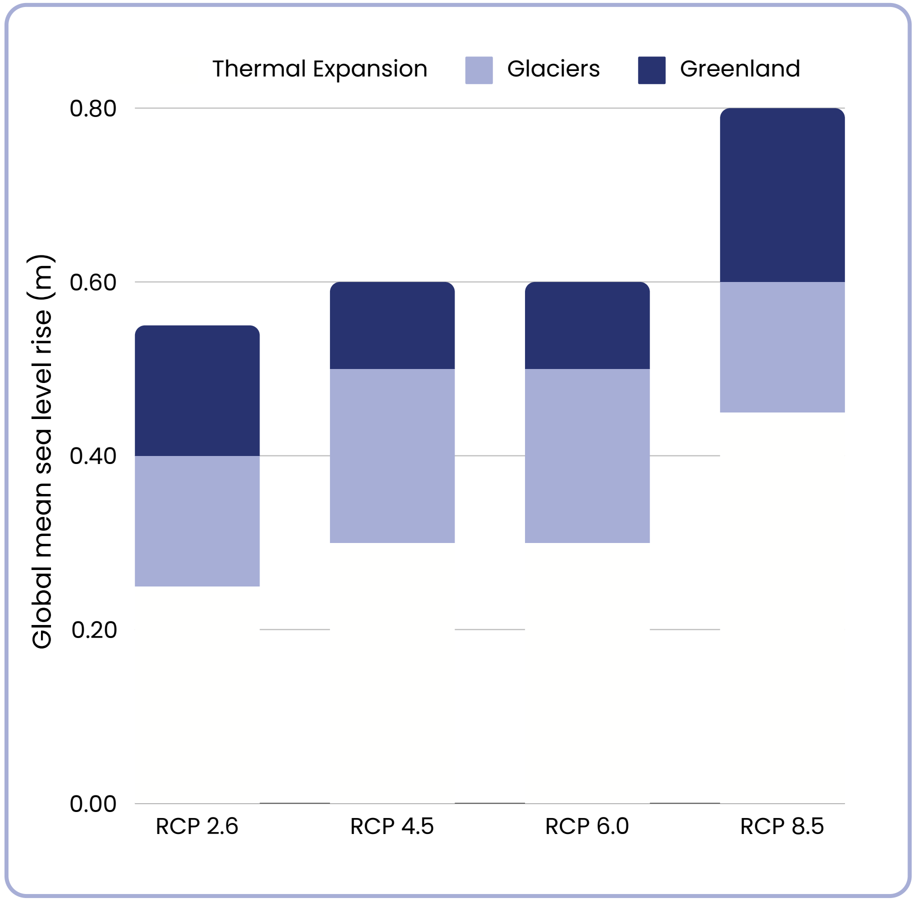
Source: Climate Impact Explorer by Climate Analytics



IPCC Scenarios

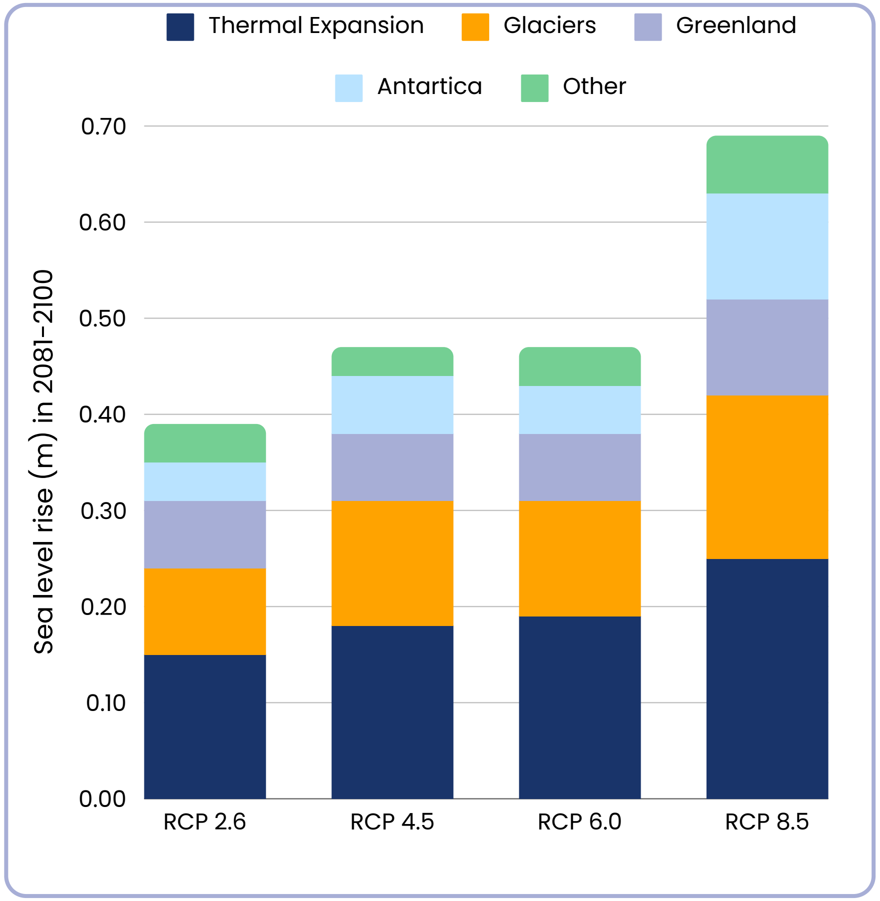
Sea Water Level

Source: Chapter 13 of the IPCC's Fifth Assessment Report



2081-2100 relative to 1986-2005

Source: Chapter 13 of the IPCC's Fifth Assessment Report



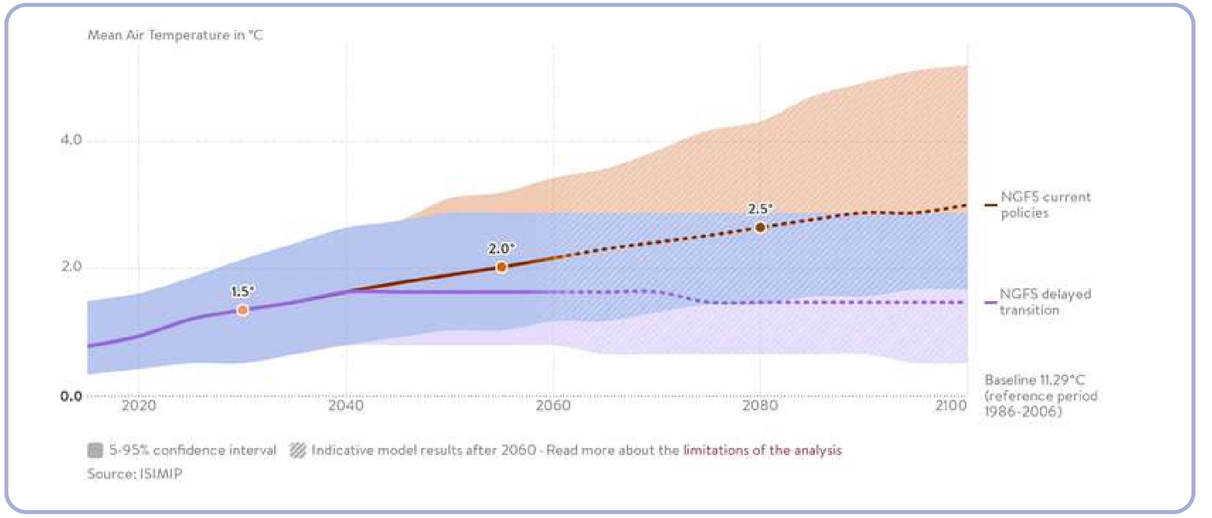
21st Century Sea Level Rise Projections

Strategy

NGFS Scenarios Drought

NGFS

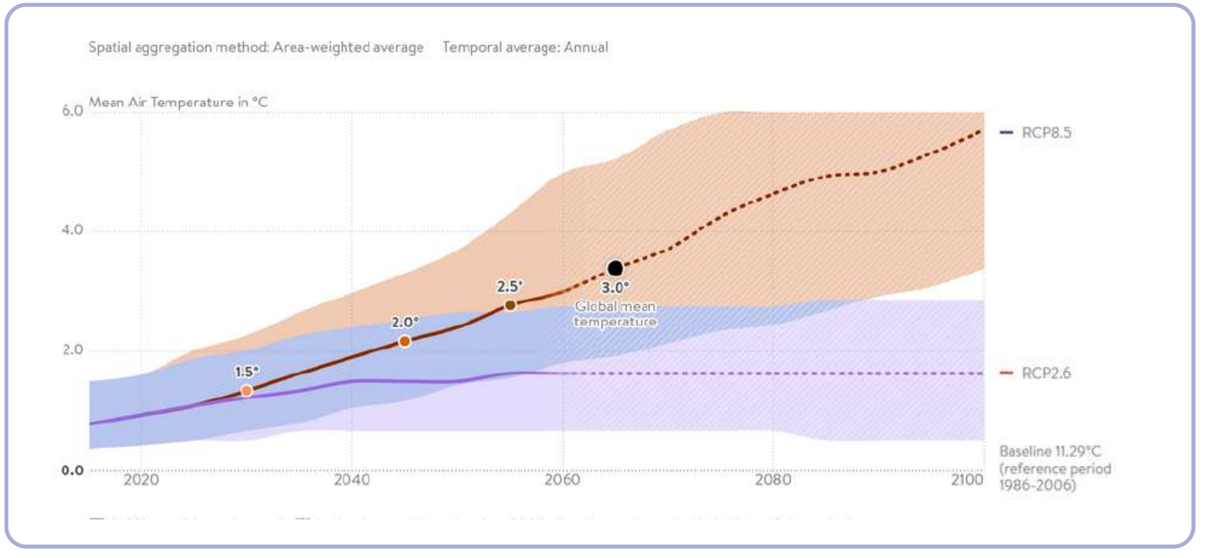
Source: Climate Impact Explorer by Climate Analytics



IPCC Scenarios Drought

RCP

Source: Climate Impact Explorer by Climate Analytics

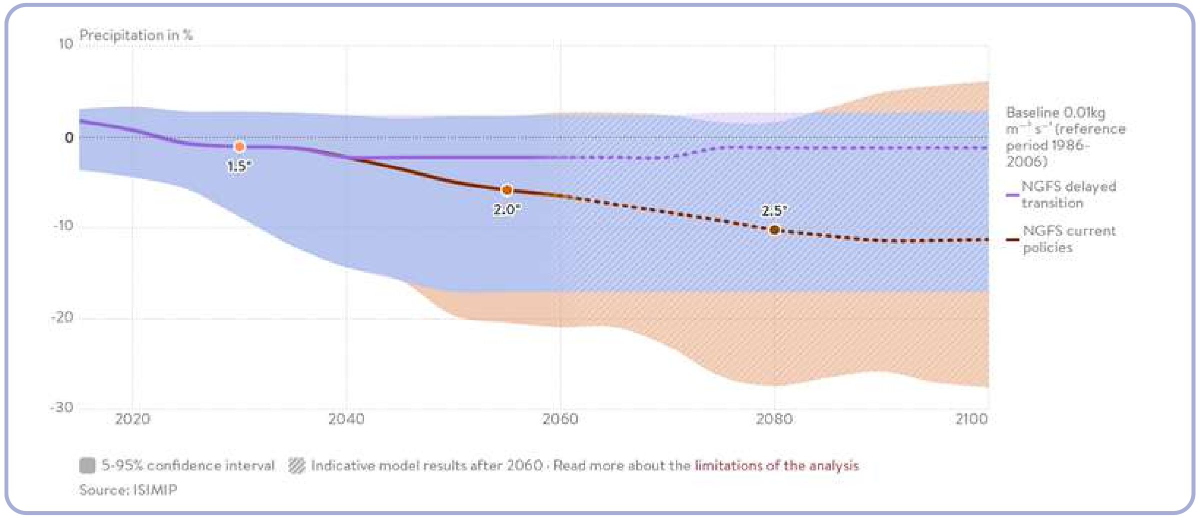


Strategy

NGFS Scenarios Precipitation

NGFS

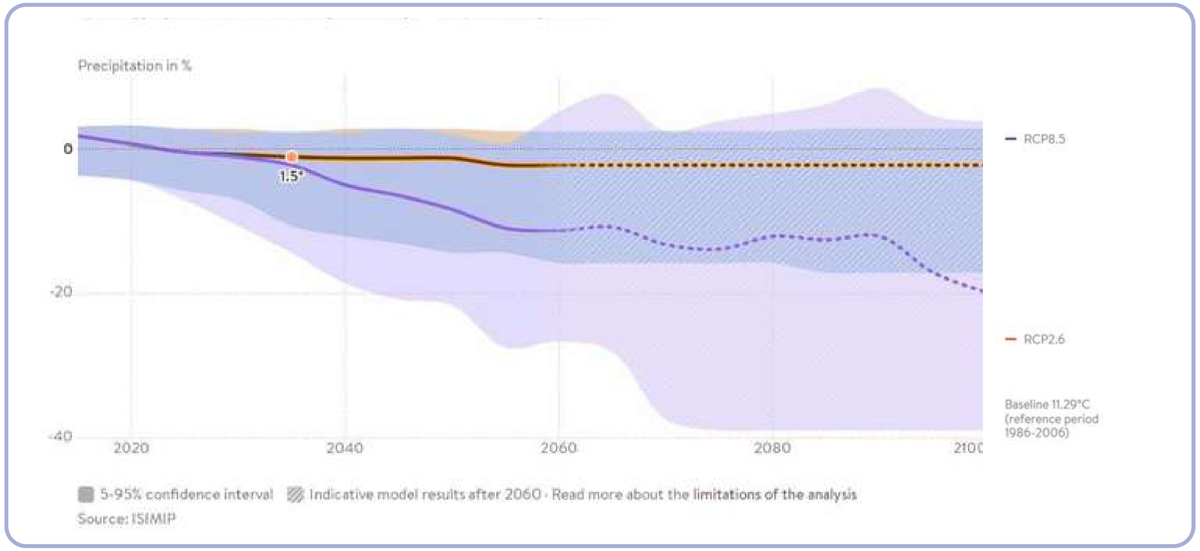
Source: Climate Impact Explorer by Climate Analytics



IPCC Scenarios Precipitation

RCP

Source: Climate Impact Explorer by Climate Analytics



Strategy and Resilience against Climate Change

At AgeSA, we are committed to bolstering our resilience against climate change through strategic initiatives. To achieve our goals, we have established targets for the reduction of greenhouse gas (GHG) emissions.

Collaboration is a key element of our approach, and we actively partner with non-governmental organizations (NGOs) to combat climate change. Furthermore, our continuous participation in and contributions to the Turkish Industry & Business Association's (TÜSİAD) Climate Change Working Group underscore our commitment to collaborative efforts within the industry. These initiatives collectively reflect our comprehensive strategy to mitigate the impacts of climate change, foster sustainability, and actively contribute to broader industry-wide solutions.

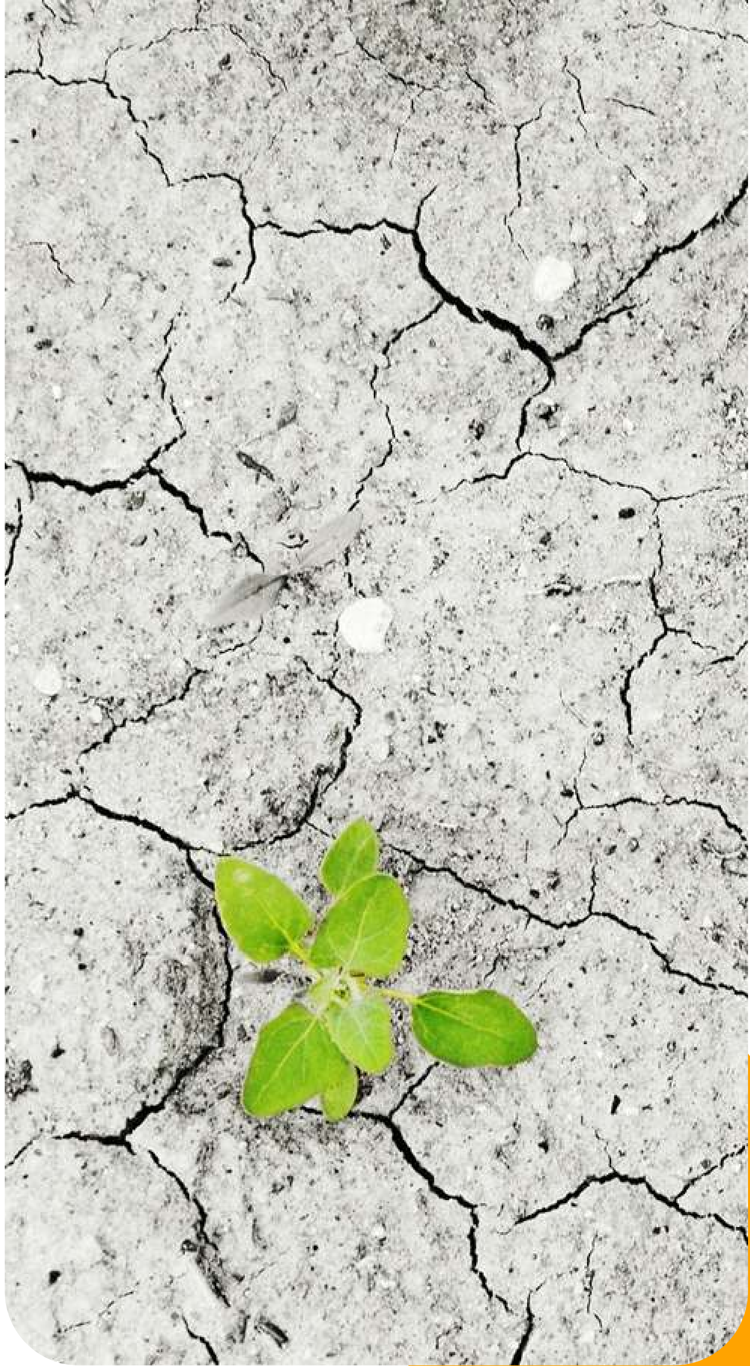
Climate Related Strategic Targets

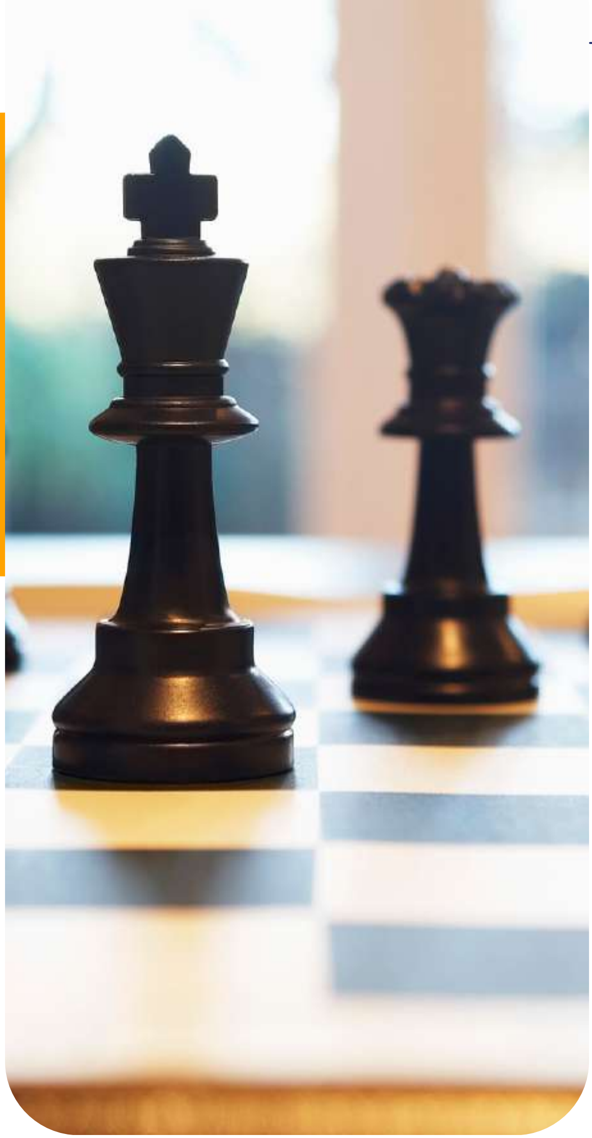
We aim to reduce our GHG emissions to align with the commitments to Paris Agreement's 1.5°C target. We are planning to commit to SBTi or NZIA targets to reduce our Scope 1,2 and 3 emissions.

We are targeting to achieve a reduction of 69% for the sum of Scope 1 and Scope 2 GHG emissions for the year 2030 in comparison to the year 2019. Our objective is to achieve a 50% replacement of our current fleet of company cars with electric vehicles by the year 2030.

After our implementation plan preparation to apply portfolio coverage approach which is also in accordance with Sabancı Holding's Responsible Investment Policy, we will commit to SBTi or NZIA targets.

Strategy





Strategy

Climate Related Strategic Activities

In the reporting year we have completed various strategic activities and started to prepare action plans and set targets for GHG emissions within our organization.

- In line with 2050 Net Zero goal, we have prepared a detailed analysis of our Scope 1,2 and 3 emissions. We have set a target for our Scope 1 and 2 emissions. Analyses have shown us our Scope 3 emissions are mainly from our investments. To reduce our Scope 3 emissions, we have initiated our works on an implementation plan under the Portfolio Coverage methodology, one of the approaches by SBTi for the financial services sector. We have initiated our work on the requirements for the application in 2023 to commit to SBTi in two years.
- During the course of preparing our report for publication, we took an important step by sourcing all of our electrical energy from renewable sources. By using renewable energy certificates (IREC) accepted at international standards as of 2023, we started consuming 100% environmentally friendly energy.
- We added our Sustainability Stock Pension Investment Fund to our Private Pension Plans which have the largest fund size and number of participants.
- We achieved LEED Gold Certification for our new HQ by achieving high performance in energy savings, water efficiency, sound insulation, material selection, and indoor air quality.
- We launched the investment on life insurance product, conducting paperless insurance policy services by selling it remotely and through our Bi'Tıkla Automatic Individual website with a biometric signature.
- We implemented the "Finish with PPS mobile" process to prevent paper usage.
- By transitioning processes such as application-approval to digital platforms and introducing verbal approval through our Next-Gen Call Center service, we saved 240 tons of carbon emissions which corresponds to 16% of our total emissions in 2022.
- We replaced the existing company cars with hybrid models.
- We reduced water consumption by 77% since 2019, achieving a per capita water consumption savings of 82% despite an increase in the number of employees.
- We reduced waste by 35% compared to the previous year.
- We eliminated the use of single-use plastic products in our new HQ.

Our Approach to Climate Change

We are committed to integrating sustainability into all our activities and focusing on creating value for our stakeholders through our products and investments. While aiming to increase the well-being of stakeholders in our impact area, we use a people-oriented approach as the lever of our sustainability approach and carry out our work.

3-Year Roadmap:

As the second year of our three-year roadmap, our sustainability strategy, sustainability management, stakeholder engagement, performance, reporting, and communication activities are progressing in line with our business strategy.

We aim to elevate our sustainability maturity level at AgeSA to the "best practice" level.

Supporting our low-carbon and stakeholder-focused economic growth model with the products, services and investment tools we offer; we provide multi-dimensional support to our Net Zero journey by improving our environmental performance through our entire value chain.

Strategy

Strategy and Resilience against Climate Change

Strategy

Strategy and Resilience against Climate Change

AgeSA's goal is to achieve net-zero emissions by 2050:

In line with this goal, we conducted a detailed analysis of our Scope 1, 2, and 3 emissions as part of Phase 1 activities. For the sum of our Scope 1 and 2 emissions, we set a target to reduce them by 69% by 2030 compared to the 2019 base year. This target is in line with the SBTi recommendations.

Our Scope 3 emissions are mainly associated with investment processes. In Phase 1, through the current situation and sectoral analysis, we determined that 68% of our emissions from investments are related to production, and 24% are related to the energy sector.

In the context of the strategy developed during the reporting period, we continue our efforts to set SBTi-aligned targets at AgeSA. In Phase 2, we are working on an implementation plan under the Portfolio Coverage methodology, one of the approaches recommended by SBTi for the financial services sector. After completing the Scope 3 target setting, we will apply to SBTi. We have initiated our work on the requirements for the application in 2023.

In line with the Responsible Investment Policy, we prioritized climate change for our investment processes. We have finalized the financial impact analysis and calculated the investment values on the risky areas. We will complete our implementation plan which includes engagement with companies about decarbonization and SBTi targets, selecting companies with SBTi targets in new investments and divestment from certain sectors.

To Reduce the Effects of Climate Change:

We conduct efforts to help manage risks arising from climate change and promote a low-carbon economy through our insurance identity and investments.

We accept contributing to limiting global temperature rise to 1.5°C and facilitating a fair transition to a low-carbon economy as a corporate commitment.

In our industry, we take responsibility as a stakeholder in the process of managing the effects of risks defined as physical and transitional risks due to the climate crisis. We are determined to increase our efforts in this area.

We support the transition to a low-carbon economy through portfolio adjustments and policy content, aiming to be part of the mechanism to compensate for possible losses arising from the effects of climate change-related disasters on assets.

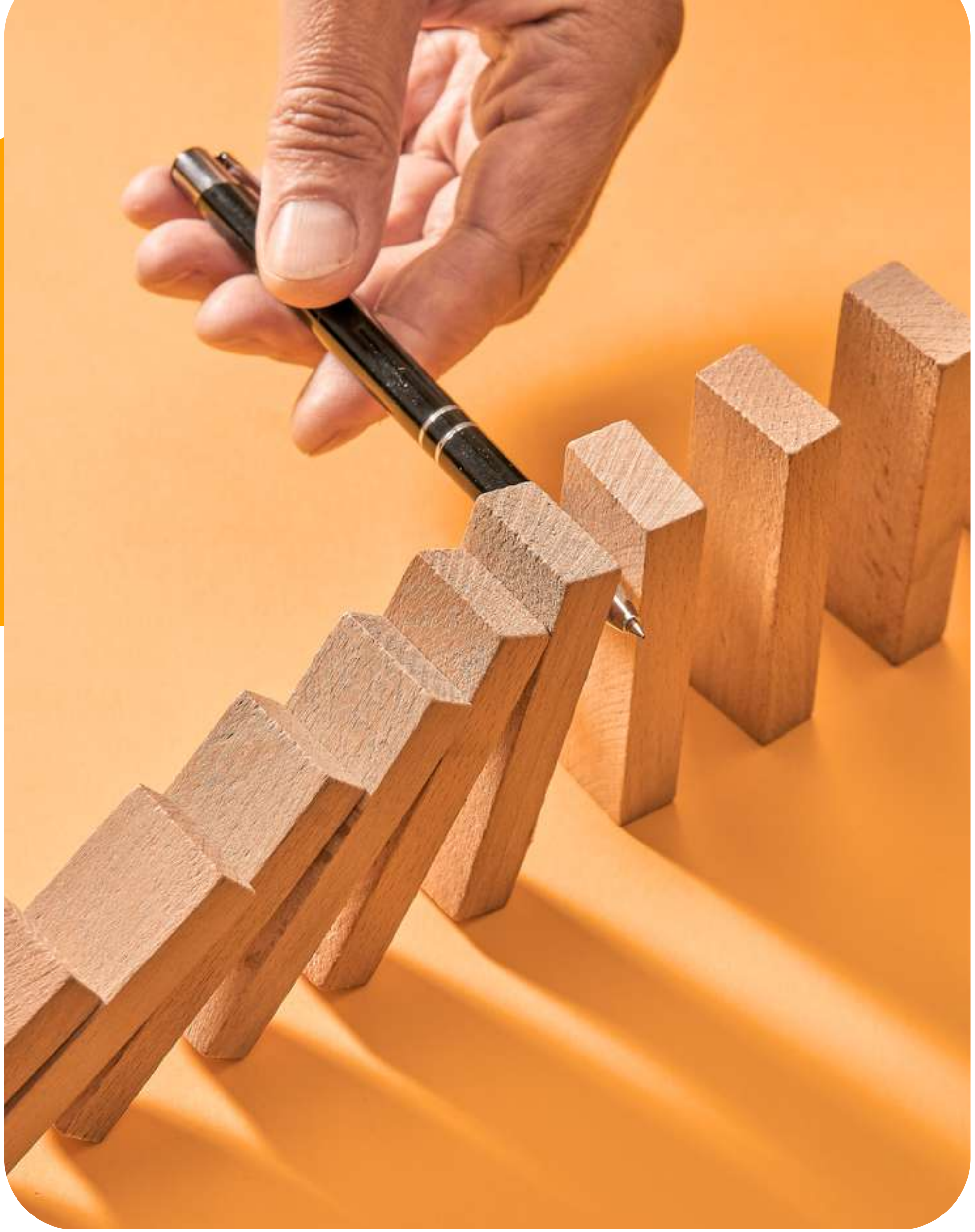
Strategy

Strategy and Resilience against Climate Change

TCFD Report - 2022

04

Risk Management



Risk Management in AgeSA

We follow a rigorous risk assessment approach using scenario analyses prepared by our own Risk Engineering teams and analyses prepared by internationally recognized organizations such as NGFS and IPCC. As discussed in the Strategy section, we identify the potential risks by following a scenario analysis.

We evaluate our strategy within the framework of risk management and update it when necessary.

At AgeSA, we regularly conduct risk analyses to effectively manage our environmental, social, and governance performance-focused sustainability, which we have integrated into all our activities. These analyses contribute to managing our strategy efficiently to achieve sustainability goals, monitor performance, and take measures against potential risks.

Risk Management

Risk Management

AgeSA Risk Management Framework

1. Risk Culture

2. Risk Strategy Objectives and Risk Appetite

3. Risk Governance, Risk Classification, CRM Policy and Model Framework

4. Risk Management Processes

Risk Identification
Encompasses the identification of existing and emerging risks
Includes risk classification

Risk Assessment & Prioritization
Risk probability & impact
Internal/Residual/Estimated Residual risk

Responding to Risk & Control
Mitigate, avoid, accept, transfer
Encompasses risk classification

Monitoring & Reporting of Risk
Continuous monitoring & exposure to risk & tracking of actions

5. Data, IT and Infrastructure

1. Risk Culture

1. Risk Culture

Risk Management

Risk Assessment and Responses in AgeSA

At AgeSA we follow a rigorous risk assessment approach using scenario analyses prepared by our own Risk Engineering teams and analyses prepared by internationally recognized organizations such as NGFS and IPCC. As discussed in the Strategy section, we identify the potential risks by following a scenario analysis.

AgeSA's climate change strategy, risk assessments and responses to those risks rely on accurate prioritization of risks and opportunities. Our organization places importance on climate-related risks by considering both their probability of happening and the expected financial consequences they might entail. To ensure the materiality analysis yields precise outcomes, it is crucial to define and understand the durations and terms accurately.

AgeSA's emerging risk assessment prioritizes risks based on their proximity and impact. The tables for proximity and the impacts are given below.

Proximity		Definitions
High	3	The risk could have an impact on the business within the next 3 years
Medium	2	The risk could have an impact on the business in the next 3 to 5 years
Low	1	The risk could have an impact on the business in more than 5 years

Impact		Definitions
Major	3	The business could suffer a major disruption (redesign of the business model)
Moderate	2	The business could suffer a moderate disruption (adjustments to the current business model are moderate)
Minor	1	The business could suffer a minor disruption (adjustments to the current business model are limited)

Defining the proximity and impact of risks is also very crucial in classifying the risks and the emerging risk trends in our organization.

- **Proximity:** The speed with which the risk will develop / evolve and impact the business
- **Impact:** Could be assessed along the same dimensions as for the known risks (qualitatively and/or quantitatively)

Risk Management

The risks are then classified as given in the below table.

High	**Analyze**	**Act**	**Act**
Medium	**Aware**	**Analyze**	**Act**
Low	**Aware**	**Aware**	**Analyze**
	Minor	**Moderate**	**Major**

The actions given on the tables are defined as act, analyze and aware.

- **Aware:** The risk requires close monitoring; given the high volatility of the risk, unexpected developments could be expected.
- **Analyze:** The risk requires further analysis (the impact and/or speed of the risk are highly uncertain, and it needs a better understanding before taking mitigation actions)
- **Act:** The risk requires mitigating actions to prevent/reduce its potential impact on the business.

Emerging Risk Trends Heat Map

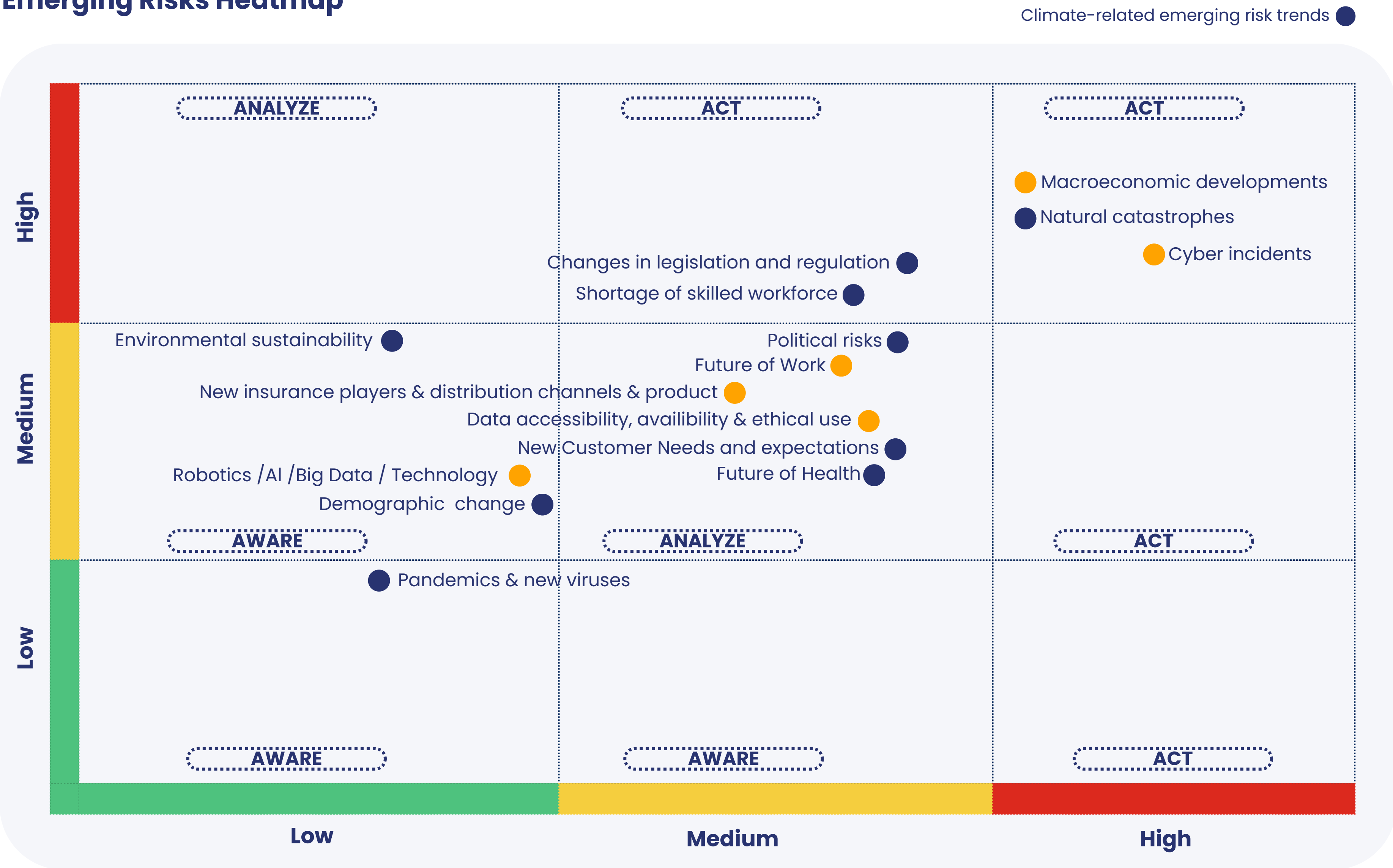
Aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), at AgeSA we have developed an emerging risks and trends heat map to systematically monitor the susceptibility of identified risks and determine necessary actions. The primary objective of this heat map is to conduct an initial assessment of business risks including climate change that may impact the continuity of our operations. Business-relevant emerging risks are categorized using the PESTLE methodology (Political, Economic, Social, Technological, Legal, Environmental) and evaluated by the newly introduced risk rating methodology of our partner, Ageas.

Furthermore, the heat map serves as a crucial tool guiding strategic decisions and actions in response to emerging risks. By conducting a detailed analysis of risk trends within the business, evaluating their impact, and assessing their proximity to operations, we adopt a proactive stance in understanding and mitigating emerging risks. This approach enhances our ability to navigate challenges posed by climate change and other evolving risk factors within our business operations.

Risk Management

Risk Management

Emerging Risks Heatmap



Risk Management in AgeSA

We have identified 9 emerging risk trends that are related to climate change.

- Natural Catastrophes, Climate Change, and Impacts on Business Continuity
- Political risks (Geo-political Instability / Trade wars)
- Demographic change
- Environmental sustainability
- Customer Needs and Expectations
- Changes in Legislation and Regulation
- Shortage of Skilled Workforce
- Pandemics & New Viruses
- Future of Health

Risk Management

Risk Management

Climate Related Risks

As outlined in the strategy section, climate risks are divided into two main categories: Physical and transitional risks. These risks exert direct and indirect influences on the financial sector, impacting it through microeconomic and macroeconomic transmission channels. The repercussions encompass shifts in economic conditions, employment fluctuations, price variations, income adjustments, and cost escalations.

Our organization places significant emphasis on an effective risk management process, fostering a shared risk culture. This approach is guided by established risk management policies, legal obligations, and international regulations. The risk management process spans the identification, measurement, analysis, monitoring, and reporting of risks. Comprehensive reports, covering key risks, stress tests, scenario analyses, and compliance with predefined limits and risk tolerance thresholds, are presented to the Board of Directors through various channels such as the Early Detection of Risk Committee, Executive Committee, and relevant departments within the organization.

Climate-related physical and transition risks are evaluated within the existing risk framework of the company, seamlessly integrated into the organization's risk management processes. Consequently, both physical and transition risks associated with climate change are categorized, monitored, and managed within the realms of business and strategic risks. This holistic approach ensures a thorough understanding and proactive management of climate-related risks throughout the organization.

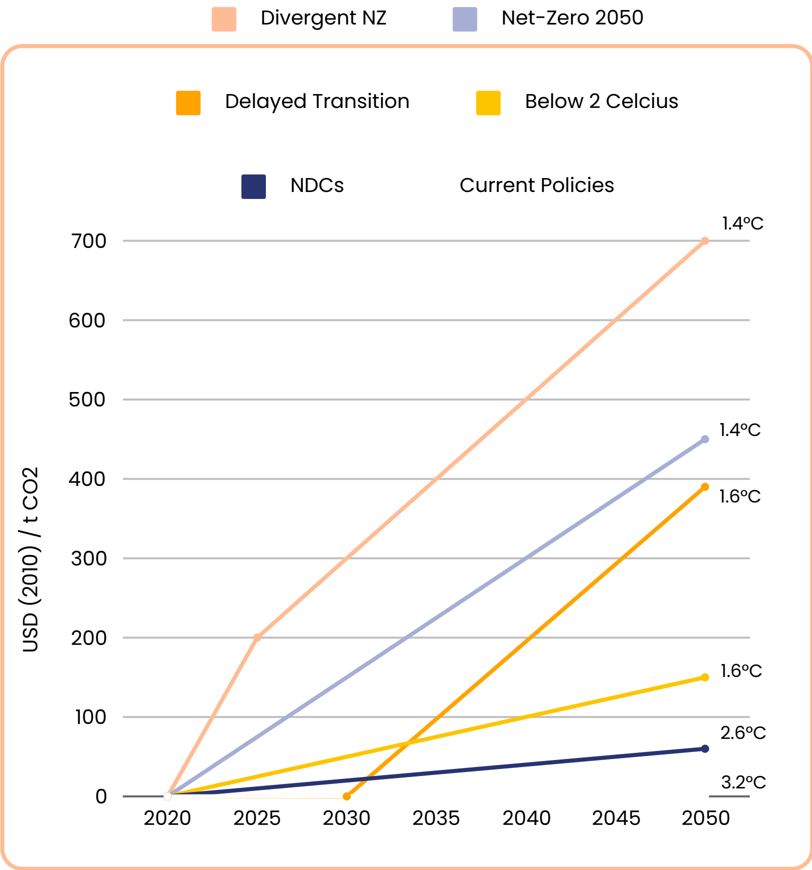
1. Policy and Regulatory Risks

1.1. Carbon Pricing and Related Regulations

The identified risk emanates from investments linked to carbon-intensive companies, particularly those operating in industrial sectors such as iron and steel, aluminum, cement, fertilizer, hydrogen, and electricity, among others. This risk is characterized by the potential decline in the value of assets. This decline is attributed to the diminished profitability of the invested companies, stemming from carbon taxation or payments associated with mechanisms like Carbon Border Adjustment Mechanisms (CBAM) or Emissions Trading Systems (ETS). The financial dimension of this risk is contingent on the reduced profitability of the companies within the portfolio due to carbon-related regulations and initiatives.

As the Paris Agreement was ratified by the EU, the Union has set ETS and CBAM practices against carbon emissions. Also besides the profitability of our investees, we have to comply with the Paris Agreement and SBTi recommendations and have to switch our investment portfolio. Through our scenario analyses, we have found that carbon prices will increase and will further increase the severity of this risk.

Carbon Price Across Models - NGFS Scenarios



Source : IIASA NGFS Climate Scenarios Database

Risk Management

1. Policy and Regulatory Risks

1.1. Carbon Pricing and Related Regulations

- Financial Impacts

Loss of share price values of invested assets because of their loss of profits due to carbon pricing

- Management Response

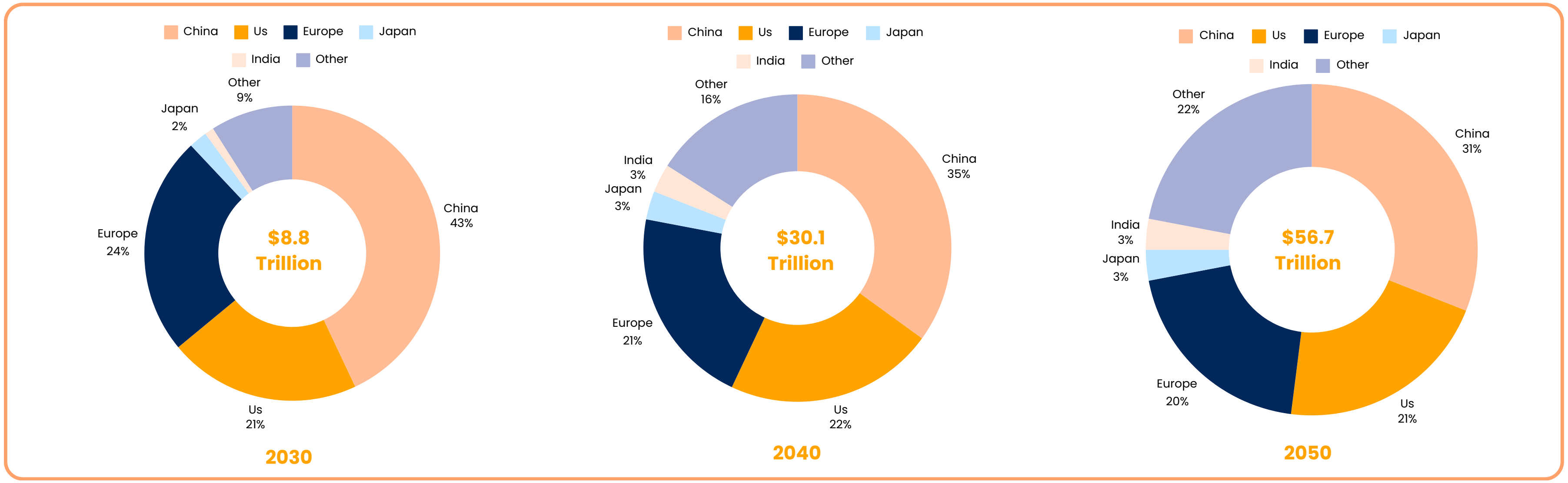
In line with the Responsible Investment Policy, with a 2040-targetted road map to meet a net-zero company target by the end of 2050, we will seek for engagement opportunites with investee companies about target setting to SBTi, will invest in SBTi committed companies in the new investments and will divest from certain companies and sectors

Risk Management

2.1. Transition to Electric Vehicles

The core concept of this risk stems from the transition to electric vehicles. As this represents a novel technology in transportation, uncertainties arise regarding the risks of accidents or failures associated with electric vehicles. Consequently, there is a potential risk that may lead to an increase in premium payments for personal accident insurances. The evolving nature of electric vehicle technology introduces unique considerations in assessing and managing risks within the insurance landscape.

Total Electric Vehicle Market



Source: Bloomberg New Energy Finance (BNEF). Data as of June 2023.

2. Technology Risks

2.1. Transition to Electric Vehicles

- Financial Impacts

Personal accident and life insurance risks from the uncertainty from new technology in transportation

- Management Response

Readjusting the premium values in our underwriting portfolio to watch our profitability while ensuring growth in this transition into electrical vehicles to meet our SBTi-aligned target.

Risk Management

2. Technology Risks

2.2. Transition to Green Energy Companies in Our Investment Processes

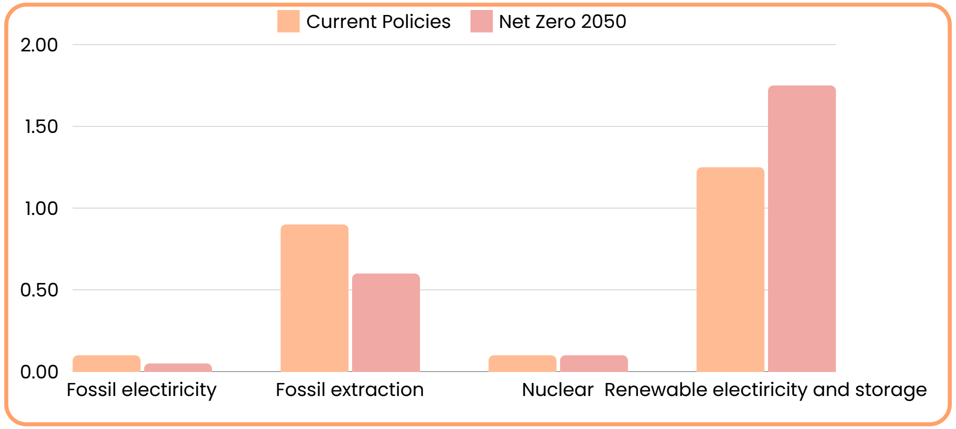
The identified risk pertains to investment risks arising from the growing transition to green energy. Fossil-based energy companies will see a lower demand for their products and services and as a result will see a decline in their profitability. This will require us to change our investment portfolio to adjust to this trend.

As outlined in NGFS (Network for Greening the Financial System) scenarios, evident in both current policies and Net Zero scenarios, there is a gradual increase in investments in renewable energy. The evolving landscape of renewable energy infrastructure necessitates careful consideration of potential risks and challenges within the insurance and investment sector.

2.3. Transition to Low-Carbon Product Companies in Our Investment Processes

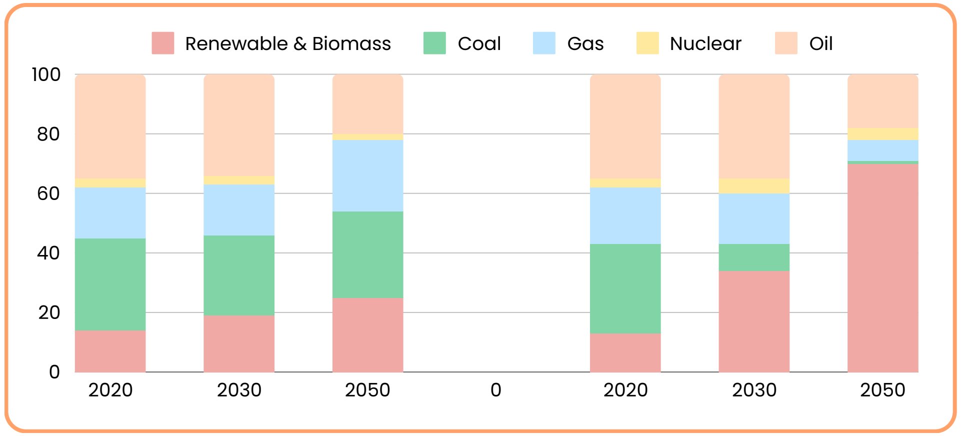
This identified risk arises from the demand trend going towards to low-carbon products. As previously mentioned, companies with a high carbon footprint will experience a reduction in their profitability, necessitating adjustment to our investment portfolio to account for this transition.

Average Annual Energy Investment to 2050



Source: NGFS Scenarios for central banks and supervisors September 2022

Primary Energy Mix Per Scenerio



Source: NGFS Scenarios for central banks and supervisors September 2022

Risk Management

2. Technology Risks

2.2. Transition to Green Energy Companies in Our Investment Processes

&

2.3. Transition to Low-Carbon Product Companies in Our Investment Processes

- Financial Impacts

Possible opportunity cost while transition from fossil fuel assets to green energy assets and also from carbon-intensive companies to low-carbon companies.

- Management Response

At AgeSA, we will follow Portfolio Coverage approach in line with Sabancı Holding's Responsible Investment Policy and SBTi recommendations to make necessary adjustments in our investment portfolio.

Risk Management

3. Reputation Risk

3.1. Increasing stakeholder concerns on climate actions

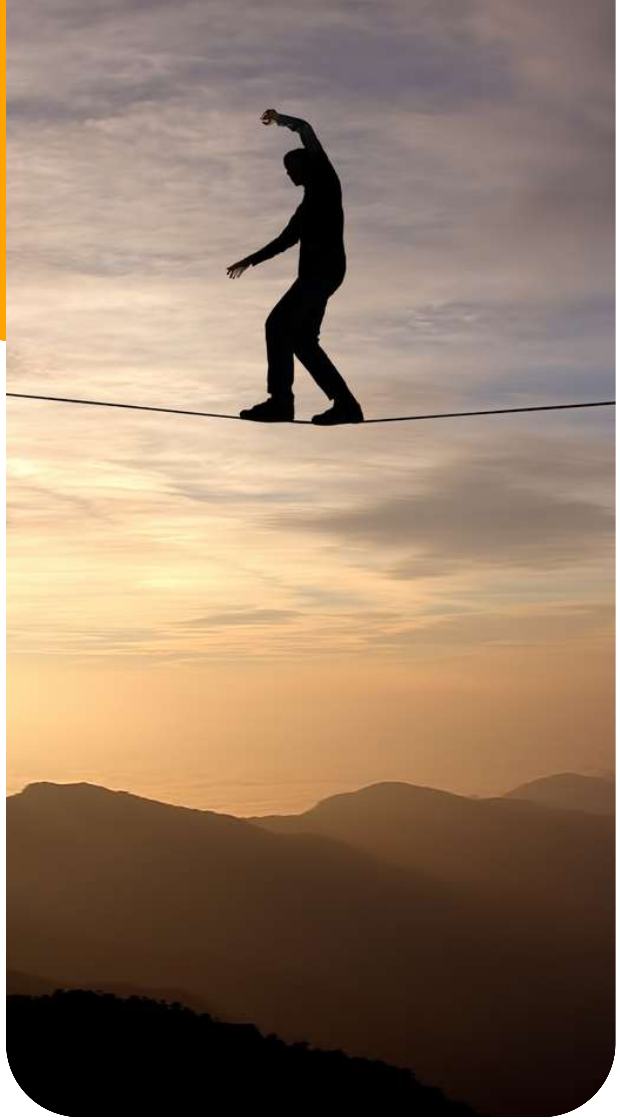
As awareness about climate change grows, we anticipate that the concerns of our stakeholders will intensify if we do not take proactive measures to address climate change. Stakeholders are likely to scrutinize the company's efforts and actions in response to climate-related challenges, and a lack of decisive action may lead to increased apprehension among stakeholders. Addressing climate change not only aligns with environmental responsibilities but also becomes a critical factor in maintaining positive relationships with stakeholders who prioritize sustainability and climate-conscious practices.

- Financial Impacts

Not fulfilling the stakeholder's expectations about the required actions for limiting the global temperatures at 1.5 degree may adversely impact our relationship with stakeholders. Therefore, we may need to alter our investment portfolio to better adjust our positioning against climate change as well.

- Management Response

We have already set a company wide SBTi-aligned target to reduce our Scope 1&2 GHG emissions by the year 2030 which is also in line with Sabancı Holding's Responsible Investment Policy. With a 2040-targetted road map to meet a net-zero company target by the end of 2050, we will seek for engagement opportunites with investee companies about target setting to SBTi, will invest in SBTi committed companies in the new investments and will divest from certain companies and sectors



Risk Management

3. Reputation Risk

3.2. Greenwashing

The risk of greenwashing arises when there is a failure to take effective action against climate change, leading to a lack of transparency and the potential for misleading investors. Greenwashing involves presenting a misleading or exaggerated portrayal of environmentally friendly practices to create a false impression of commitment to sustainability. It is crucial for organizations to align their actions with stated environmental goals and maintain transparency to avoid reputational damage and potential legal consequences associated with greenwashing accusations. Proactive and genuine efforts in addressing climate change are essential to mitigate this risk and uphold credibility with stakeholders.

- Financial Impacts

Exits from AgeSA by investors and negative impacts from greenwashing

- Management Response

As AgeSA, we are transparent in our operations. We publish our sustainability reports each year which demonstrates our actions to mitigate the impacts of climate change. Our communication tools and periods can be seen in detail in our **2022 Sustainability Report** on page 39-40. Moreover, we also constantly improve our communication with all of our stakeholders regarding climate change.

Risk Management

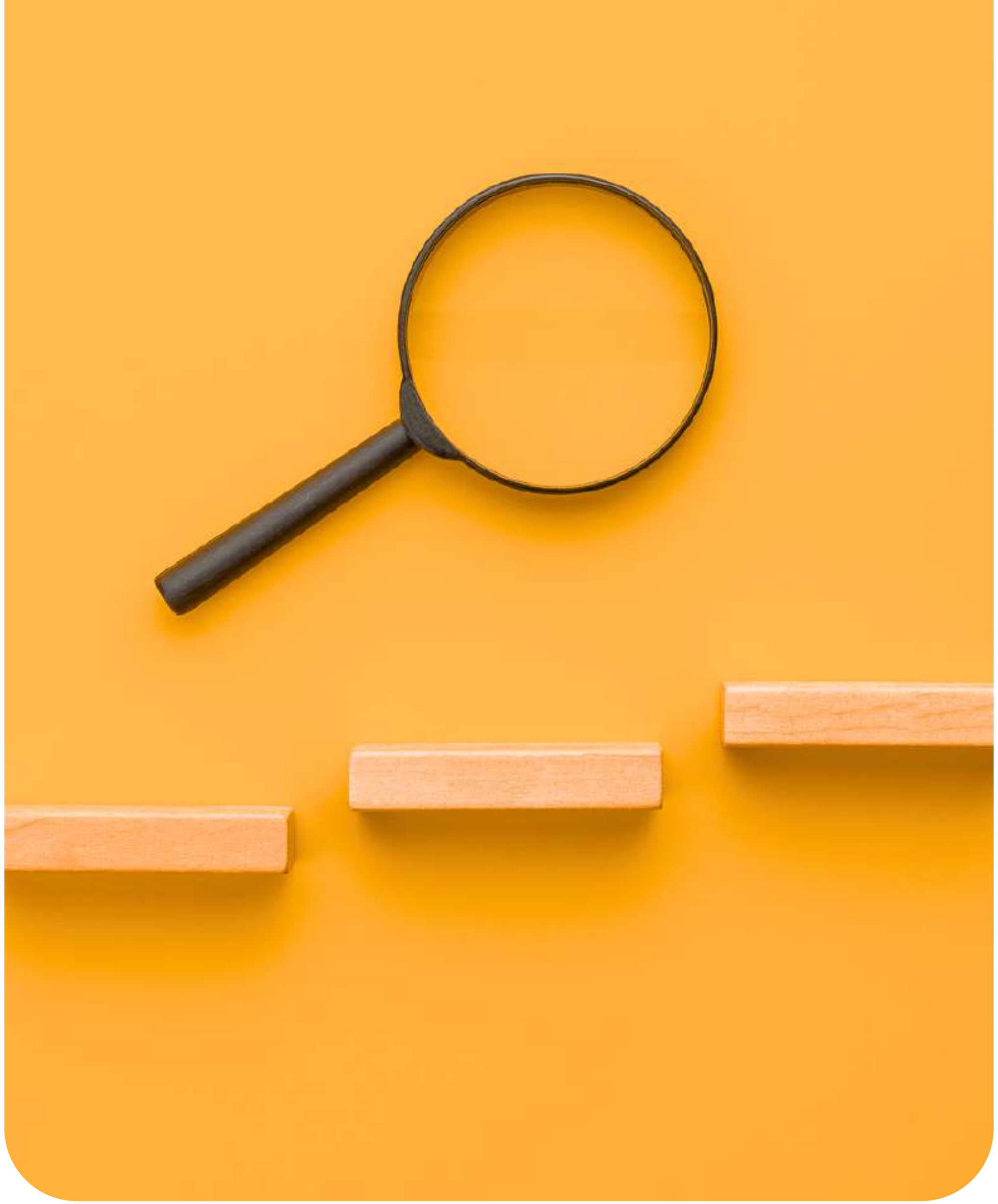
3. Reputation Risk

3.3. Sustainability and Climate Evaluation (CDP, Refinitiv, etc.)

The risk arising from sustainability and climate change evaluations, such as those conducted by CDP and Refinitiv, involves potential financial and reputational harm. Non-compliance with environmental regulations, inadequate climate risk disclosure, or a lack of sustainable practices can lead to increased scrutiny from investors, customers, and regulators.

This heightened attention may result in financial penalties, increased operating costs, and a diminished market reputation, impacting the company's ability to attract investment and retain customers in an era where environmental responsibility is increasingly valued.

Addressing these risks requires strategic adaptation, transparent reporting, and proactive measures to mitigate environmental impacts.



Risk Management

3. Reputation Risk

3.3. Sustainability and Climate Evaluation (CDP, Refinitiv, etc.)

- Financial Impacts

Our stakeholders, such as our customers, investors, and employees care about our transparency and our ability to take action against sustainability and climate related risks. Therefore, our stakeholders will want to see desirable scores on our evaluations.

- Management Response

We prioritize our Sustainability Evaluations and being transparent in all our disclosures. We are included to BIST Sustainability Index which indicates our sustainability performance level by the calculations of Refinitiv platform. We indirectly report to CDP through our parent company, Sabancı Holding.

Risk Management

3. Reputation Risk

3.4. Skilled workforce perception of the company

Skilled workers expect companies to put sustainability and climate change into the center of the business model. They will be demanding more flexibility due to migrations and new health problems which are caused by climate change.

- Financial Impacts

If the company fails to take action against climate change and put sustainability into the center of its business model, the perception of skilled workforce may change negatively. It will disrupt the operations of the company, possibly result in efficiency decreases and increases in spending for recruitments.

- Management Response

As AgeSA, we are taking actions to ensure we are still a desirable company for the skilled workforce. We have many projects that contributes to fight against climate change, such as setting targets for our emissions and planning to take more actions against climate change. Also, we are enabling remote working options and flexible working hours to ensure the wellbeings of our employees.

4. Market Risk

4.1. Changes in Customer Preferences

The risk associated with changes in customer preferences arises from the potential non-implementation of SDG-Linked products or services while customer preferences are shifting towards sustainability. As customer awareness increases, there is a growing sensitivity towards SDG-Linked products and services.

Failing to adapt to these changing preferences poses a risk of losing market share and customer loyalty. It is crucial for organizations to align their offerings with evolving customer values and sustainability expectations to remain competitive and responsive to market trends. Proactively addressing this risk involves staying attuned to customer preferences and strategically incorporating sustainability into product and service offerings.

- Financial Impacts

Customer preferences are switching to more SDG-Linked products or services. This can cause loss of sales from non-implementation of SDG-Linked products and services. Also, life insurance and personal accident insurance demands may be affected if their clauses do not include climate related health problems and prevention of patient diseases rather than treatment.

4.1. Changes in Customer Preferences

- Management Response

In 2022, we developed six new products and services with sustainability features, including the Sustainability Fund, voice guidance services on digital channels for visually impaired customers, financial advisory services for customers with low financial literacy, long-term unemployment coverage, options for customers facing economic challenges to temporarily suspend payments, and preventive measures such as check-ups, health packages, and child packages.

These initiatives contribute to a total of 13 SDG-linked products by the end of 2022. In 2023, we introduced five more products:

- Sign language video calls for the hearing impaired.
- Coverage for serious illnesses under the "My Credit Is Safe" product to provide long-term protection for customers.
- Revision of suggested fund allocations in Fonpro to promote the widespread adoption of the Sustainability Fund, redirecting a portion of stock allocations to the Sustainability Fund.
- Expansion of options for economically challenged customers, including extending the Good Possibilities Insurance coverage by adding unpaid installments to the end of the policy term.
- Providing an option for customers facing difficulties with payments in Good Possibilities Insurance to have a one-time premium discount during the policy term, with the possibility of premium increases afterward (providing an additional option for economically challenged customers).

We are also evaluating our life and health insurance clauses with regards to changing customer needs and expectations. As AgeSA, we are continuously monitoring customer needs and preferences.

4. Market Risk

4.2. Investor Sentiment

The risk associated with investor sentiment arises from the potential for investment or investor losses if no action is taken in the development of SDG-Linked products. This risk is intertwined with the broader context of carbon pricing and related regulations.

If we fail to align our investment portfolio with sustainability considerations, it may lead to investor exits. Investors increasingly prioritize sustainable practices, and a lack of commitment to environmental responsibility can impact the organization's standing in the eyes of investors, potentially resulting in financial losses and reduced investor confidence. Proactively addressing this risk involves aligning investment strategies with sustainability goals and communicating these efforts transparently to investors.

Risk Management

4. Market Risk

4.2. Investor Sentiment

- Financial Impacts

Carbon pricing will affect the companies in our investment portfolio negatively. Besides, we can lose investors due to non-implementation of sustainable services and non-alteration of our investing processes.

- Management Response

We have already started offering SDG-linked products and services, and also have a plan to commit to reduction targets for our Scope 3 GHG emissions from our investment portfolio. We are preparing action plans to comply with our parent holding's Responsible Investment Policy in which we will ask from the companies in our portfolio to commit to a net-zero target for the year 2050.

Risk Management

5. Political Risk

Political instability and tensions in international relations have the potential to lead to conflicts, including trade wars, with wide-ranging impacts on the economic, social, and environmental fronts. Political instability and the specter of wars or trade conflicts pose threats to economic growth, social welfare and overall business operations. Wars, in particular, can drive demand for fossil fuels, contributing to an increase in greenhouse gas (GHG) emissions, thereby exacerbating environmental concerns.

Regulatory measures like the Carbon Border Adjustment Mechanism (CBAM) can be cited as examples of political risks. CBAM provides an advantage to European Union (EU) companies over non-EU entities, potentially creating financial pressure on investment portfolios. The geopolitical landscape, including events like trade conflicts and regulatory shifts, introduces uncertainties that can affect the profitability and stability of businesses, necessitating careful analysis and strategic planning to navigate potential challenges.

Risk Management

5. Political Risk

Geo-political Instability / Trade wars

- Financial Impacts

Political instability and the possibility of wars or trade conflicts pose threats to economic growth, as well as business. Moreover, regulatory measures such as the Carbon Border Adjustment Mechanism (CBAM) may provide an advantage to European Union (EU) companies over non-EU entities.

- Management Response

At AgeSA, we are conducting comprehensive analyses of how political decisions, events, or conditions might impact our business profitability and continuity or expected values of specific business decisions.

Risk Management

Risk Management

6.Demographic Change Risk

The intensification of physical risks, particularly those related to climate-induced natural catastrophes, can trigger shifts in social and economic dynamics, including changes in growth rates, life expectancy, economic development, employement, income distribution, poverty and social protections. This, in turn, may give rise to new patterns of migration and disrupt employment structures which could present challenges in maintaining a skilled workforce. Companies may need to adapt their strategies to address these demographic changes and ensure resilience against potential impacts on insurance portfolios and workforce dynamics.

Shifts in social and economic dynamics may also result in higher insurance premium payments, especially in life and personal accident insurance sectors. The life and health sectors, being the most directly affected by demographic shifts, may need to reconsider their propositions, including life and healthcare offerings tailored to different generations and funding models for long-term care.

6.Demographic Change Risk

Demographic Changes due to Climate Change

- Financial Impacts

Demographic changes due to climate change are likely to result in higher insurance premium payments, particularly in the life and personal accident insurance sectors. Being most impacted by demographic developments, life and health sectors need to rethink life and healthcare propositions for different generations, and the funding of long-term care. Additionally, the disruptions in the employment landscape may create financial difficulties in maintaining a skilled workforce.

- Management Response

We are constantly evaluating the risks in our insurance portfolio and continuously updating the premium values of our insurances based on the risk studies prepared by our risk engineering and underwriting departments. We are also investing in workforce development plans to ensure a skilled talent pool which is resilient to demographic disruptions such as remote working options and flexible office hours to ensure the wellbeings of our employees.

Risk Management

Climate Related Physical Risks

Climate related physical risks are determined from following scenario analyses by NGFS and IPCC.
The risk occurence graphs are given in Scenario section, between pages 46-52.

1. Acute Physical Risks

Natural catastrophes risks such as floods, fires and extreme weather events lead to unexpected loss of life and property.

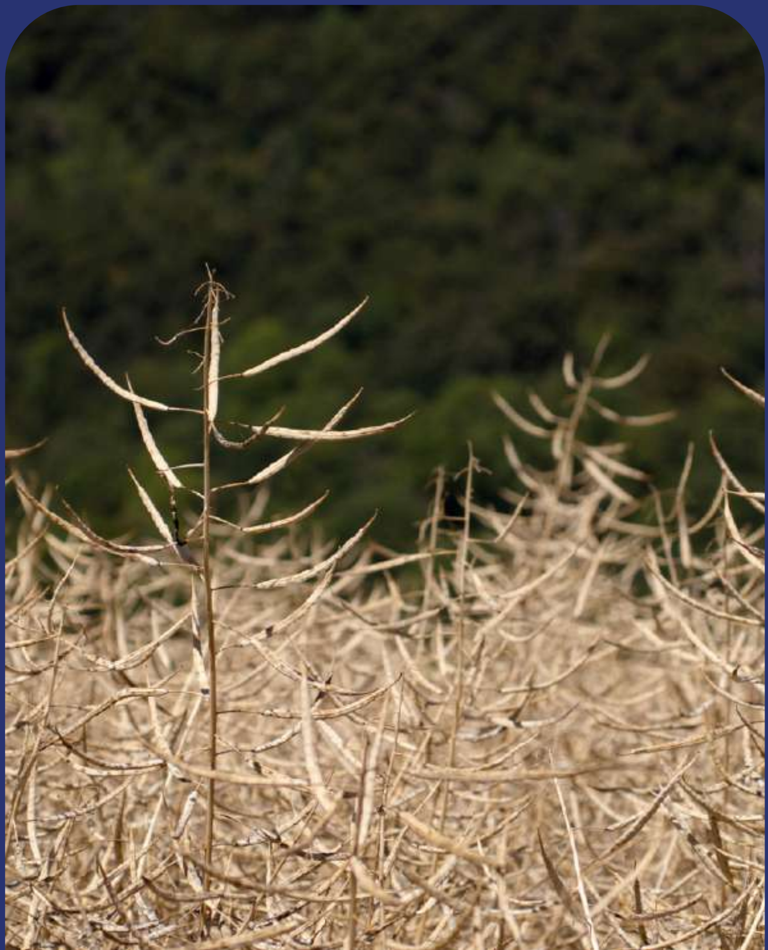
They have the potential to negatively affect the outputs of agriculture, food, chemicals, textiles and many other sectors, as they also increase the possibility of creating potential health hazards, disrupting business continuity and reducing labor productivity.

In addition, extreme weather events such as cyclones and hurricanes with increasing frequency and severity, and heatwaves which can heighten the likelihood of wildfires, can affect business continuity and cause major and widespread damage to private sector assets.

Risk Management

Climate Related Physical Risks

Risk Management



1. Acute Physical Risks

1.1. Flood

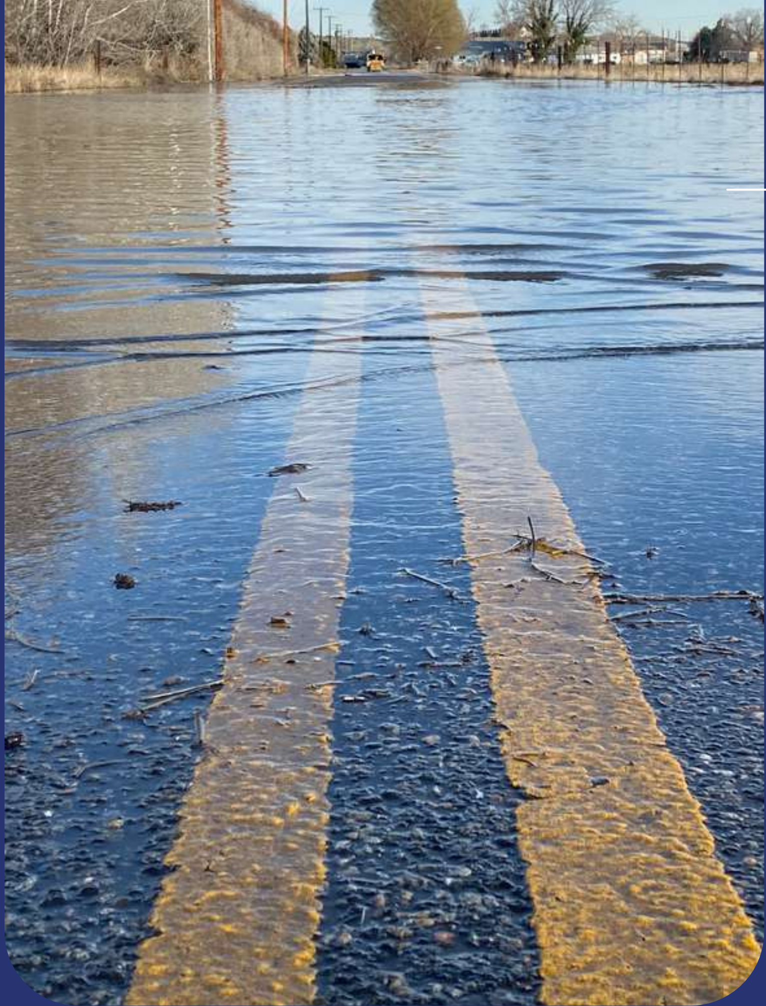
The flood risk arises from the impact of flooding on people insured by AgeSA or assets owned or invested in by AgeSA. This risk can increase the risk in our investment portfolio due to damages in the invested assets and it can provide a risk for the life and personal accident insurances.

1.2. Fires

The fire risk arises from the impact of fires on assets invested in or owned by AgeSA or the people insured. The impacts that are risen from these risks are from the damages to the companies that are in AgeSA's investment portfolio and increase premium payments in life and personal accident insurances as well.

1.3. Extreme Weather Events

Extreme weather events present an acute physical risk as they heighten the likelihood of wildfires, diminish labor productivity, pose potential health hazards, and negatively impact agricultural and many other sector outputs. They can also adversely affect industrial firms due to fires and have negative consequences for human health. Consequently, extreme weather events constitute a financial risk for AgeSA's investment portfolio and life and personal accident insurances.



Risk Management

1. Acute Physical Risks

1.1. Flood, 1.2. Fires &

1.3. Extreme Weather Events

- Financial Impacts

Unexpected loss of property values due to the natural catastrophes like flood, fire and extreme weather events will constitute a financial risk for our investment portfolio especially investments on agricultural, food, chemicals and textile sectors in our investment portfolio. We may also face the unexpected loss of property values of our own assets due to natural catastrophes.

Distruption of business continuity and major and widespread damage to private sector assets may also result in bankruptcies or employee layoffs. A possible increase in unemployment will reduce demand for the insurance products we offer.

Moreover, extreme weather evets may lead to increase in premiums of life and personal accident insurance due to posing potential health hazard and increased mortality.

Risk Management

1. Acute Physical Risks

1.1. Flood, 1.2. Fires &
1.3. Extreme Weather Events

- Management Response

As emerging risk maps indicates the natural catastrophes, climate change, their impacts on business continuity and environmental sustainability, insurance premiums for the products and insurance coverage for assets owned by Agesa are being evaluated accordingly.

To manage the risk of disruption in business continuity resulting in value loss of investee companies, we are making action plans for our investment portfolio to comply with SBTi targets and Responsible Investment Policy.

2. Chronic Physical Risks

2.1. Increase in Mean Air Temperature

The long-term rise in average temperatures amplifies the intensity and frequency of heatwaves, which can potentially result in the occurrence of sudden weather events. Consequently, in general, this long-term trend contributes to an increase in both the intensity and frequency of acute physical risks. Therefore, in addition to the risks explained under acute physical risks, increase in mean air temperatures will further increase serious threats to human health, mortality rates and their reflection on premiums.

2.2. Increasing Sea Water Level

The elevation in water levels can initiate sudden flood inundations and overflow, consequently heightening flood risks over the long term. This phenomenon highlights the potential for increased occurrences of flooding, posing challenges and implications for areas vulnerable to rising water levels. Organizations and communities in these regions need to assess and prepare for the escalating risks associated with prolonged changes in water levels, implementing proactive measures to mitigate the impact of potential floods.

Risk Management

2. Chronic Physical Risks

2.3. Drought

Drought has far-reaching impacts. It affects industries with high water usage, like chemicals and textile, and significantly impacts the agriculture and food sector by reducing access to water. It will cause our investment portfolio to lose value in assets. Additionally, drought poses a severe risk to human health and leads to increased premiums for life and personal accident insurance. In the long term, severe drought can result in a decrease in the country's GDP. For AgeSA, it can put pressure on our fund portfolio due to reductions in production.

2.4. Changes in Precipitation Regimes

The alteration in precipitation patterns, which can indirectly contribute to drought, gives rise to comparable risks and financial costs. As previously mentioned in the drought risk, this change in precipitation patterns affects industries with high water usage and has a direct impact on the agriculture sector. Moreover, it generally has an adverse effect on workers and public health by complicating access to water. Consequently, it will also place additional pressure on life insurance and pose risk to our investment portfolio.

Risk Management

Risk Management

2. Chronic Physical Risks

2.1. Increase in Mean Air Temperature,
2.2. Increasing Sea Water Level,
2.3. Drought &
2.4. Changes in Precipitation Regimes

- Financial Impacts

Increase in mean air temperature, sea water level, droughts, and changes in precipitation regimes likely to cause decrease in the level of risk protection offered by insurance companies and increases in premium payments in life and personal accident insurances due to rising mortality rates and increasing health problems. This will affect our operations and product pricing.

Increase in mean air temperature, sea water level, droughts and changes in precipitation regimes will threat all sectors especially agricultural, food, chemicals, and textile. The loss of arable lands due to increased sea water level and complications to access to water due to the drought will have an adverse impact on especially agricultural and food companies. Industries with high water usage, like chemicals and textile will also be affected negatively by drought and by the alteration in precipitation patterns, which can indirectly contribute to drought. The increasing probability of companies' disruption of business continuity, downsizing, going bankrupt and closing due to the chronic physical risks will affect our investment portfolio and also the demand for our products due to the reduced wages.

Chronic Physical Risks

2.1. Increase in Mean Air Temperature,
2.2. Increasing Sea Water Level,
2.3. Drought &
2.4. Changes in Precipitation Regimes

- Management Response

The climate analyses prepared by our risk assessment team to measure the potential effect for the natural catastrophes, climate change, their impacts on business continuity and environmental sustainability are considered while product features and insurance premiums are being designed.

We are preparing action plans to commit to SBTi targets which is also adhering to Sabancı Holding's Responsible Investment Policy to ensure our overall GHG emissions and the emissions of the investee companies are reduced.

Therefore, we are aiming to incentivize the companies in our portfolio to commit to net-zero targets for 2050 to align with the Paris Agreement and SBTi.

Risk Management

Risk Management

Climate Related Risks	Subtitles	Proximity	Impact	Impacted Business Areas	Possible Financial Impacts	Management Response
Policy and Regulatory	Carbon Pricing and Related Regulations	Medium	Moderate	Investing Processes	Please see **p.70**	Please see **p.70**
Technology	Transtion to EV	Medium	Major	Products	Please see **p.72**	Please see **p.72**
	Transition to Low-carbon Products & Green Energy	High	Major	Investing Processes	Please see **p.74**	Please see **p.74**
Reputation	Increasing Stakeholder concerns on climate actions	High	Major	Investing Processes	Please see **p.75**	Please see **p.75**
	Greenwashing	Low	Minor	Operations, Investing Processes	Please see **p.76**	Please see **p.76**
	Sustainability and Climate Evaluations (CDP, Refinitiv, etc.)	High	Major	Operations, Investing Processes	Please see **p.78**	Please see **p.78**
	Skilled workforce perception of the company	Medium	Moderate	Operations	Please see **p.79**	Please see **p.79**

Risk Management

Climate Related Risks	Subtitles	Proximity	Impact	Impacted Business Areas	Possible Financial Impacts	Management Response
Market	Changes in customer preferences	High	Major	Products	Please see **p.80**	Please see **p.81**
Market	Investor sentiment	Medium	Major	Investing Processes	Please see **p.83**	Please see **p.83**
Political	(Geo-political Instability / Trade wars)	Low	Moderate	Investing Processes	Please see **p.85**	Please see **p.85**
Demographic change	Demographic Changes due to Climate Change	Medium	Moderate	Operations, Products, Investing Processes	Please see **p.87**	Please see **p.87**

Risk Management

Climate Related Risks	Subtitles	Proximity	Impact	Impacted Business Areas	Possible Financial Impacts	Management Response
Flood	Flooding	Medium	Moderate	Investing Processes, Operations, Products	Please see **p.90**	Please see **p.91**
Industrial Fires	Fires damaging goods and products	Low	Moderate	Investing Processes, Operations, Products		
Extreme Weather Events	Storms, Heatwaves	Medium	Moderate	Investing Processes, Operations, Products		
Mean Air Temperature	Increase in Mean Air Temperature	Medium	Moderate	Investing Processes, Operations, Products	Please see **p.94**	Please see **p.95**
Sea Water Level	Increase in Water Levels	Low	Moderate	Investing Processes, Operations, Products		
Drought	Drought and decreasing access to water use	Low	Moderate	Investing Processes, Products		
Precipitation	Changes in precipitation regime (decrease)	Low	Moderate	Investing Processes, Operations, Products		

Climate Related Opportunities

Risk Management

Through our risk and opportunity assessment, we identified various opportunities related to climate change. The definitions are as follows.

1. Resource Efficiency

1.1. Utilization of More Efficient Modes of Transportation

Through choosing more effective transportation methods, such as transforming our car fleet to electrical vehicles and optimizing personnel shuttles, we realized that we can achieve cost savings as well as reducing its GHG emissions.

- Financial Impacts

Decreased operational expenses, achieved through improved efficiency and cost-cutting measures.

- Management Response

Replacement of our car fleet with hybrid vehicles and making reservations for personnel shuttles have increased cost efficiency and reduced overall carbon footprint from transportation.
In 2022, we have reduced 764 tons carbon emissions, which is nearly 40% from the base year 2019, from company vehicles, natural gas consumptions and electricity consumption in our offices. We also have a target to change 50% of our company car fleet to electrical vehicles in 2030.

Risk Management

1. Resource Efficiency

1.2. Use of Recycling and Digitization of Processes

By incentivizing recycling among our offices and also digitizing our processes, as AgeSA, we identified this as an opportunity to achieve cost efficiency and also preventing loss of recyclable office materials as well.

- Financial Impacts

Increased efficiency measures help cost cutting in processes currently taken in the offices and by digitization loss of recyclable goods are prevented

- Management Response

We incentivize efficiency among our offices, which helps usage of recyclable goods and digitization of processes are already in motion such as setting insurance policies without paper, and remote expertise services in our operations.

Risk Management

1. Resource Efficiency

1.3. Moving to More Efficient Buildings

Moving to more efficient buildings can help us to increase real asset values and also energy and water efficiency through our offices.

- Financial Impacts

Increased value of real assets (highly rated energy efficient buildings), as well as helps saving energy costs

- Management Response

We have already moved our HQ to a LEED Gold certified green building, which helps the company to achieve energy efficiency and will increase asset value.

2. Energy Sources

2.1. Usage of Greener Sources of Energy

Using greener sources for energy results in energy cost efficiency, reduced operational costs, and reduced exposure to fossil fuel price volatility. Moreover, it will help the company's reputation for the usage of green energy which may result in increased demand for services.

- Financial Impacts

Reduced exposure to fossil fuel price increases, and also reduced operational costs and energy cost savings, as well as reputational benefits resulting in increased demand for products and services.

- Management Response

We are sourcing our electric energy from renewable sources starting from 2023. For the investment process, it is planned to invest in SBTi committed companies, low-carbon companies and renewable energies within the scope of Responsible Investment Policy by implementing a road map.

Climate Related Opportunities

3. Products and Services

3.1. Introduction of SDG-Linked Products and Services &

3.2. Shifts in Consumer Preferences:

Both opportunities in this category are in line with each other. These opportunities can help us to capture demand by offering SDG-Linked products which will be in parallel with the shifts in consumer preferences. It will help increase our revenues through these services and diversifying product portfolios to capture future demand. As a result, we can achieve a better competitive position in the market.

- Financial Impacts

Increased revenue through demand for lower emissions products and services, increased revenue through new solutions to adaptation needs better competitive position to reflect shifting consumer preferences, resulting in increased revenues better reputation on customers, investors, employees and candidates.

Risk Management

Climate Related Opportunities

3. Products and Services

3.1. Introduction of SDG-Linked Products and Services &

3.2. Shifts in Consumer Preferences:

- Management Response

At AgeSA we already have many SDG-linked products and services. And the revenue percentage of the SDG-linked products and services with respect to our overall revenue is 18.5%. We will also continue to offer more SDG-linked products and services. Our target to achieve is 25%.

As of 2022 we have 13 SDG-linked Products and Services. We have introduced 5 new SDG-linked products and services in 2023, while our target was 3. In general our minimum target is to introduce 1 new SDG-linked products or services each year.

Risk Management

Risk Management

4. Markets

4.1. Access to New Markets

Climate change is bringing new opportunities in the financial markets and increasing the demand for renewable energy and low-carbon companies. Through these opportunities, we can achieve success in the market by trading green bonds, investing in renewable energy and low-carbon companies.

- Financial Impacts

Increased diversification of financial assets (e.g., green bonds, low-carbon, SBTi committed companies, etc.)

- Management Response

13% of the companies have set a SBTi-target in our investment portfolio. By considering committed to SBTi but not yet set a target companies, this value reaches to 40%. Our target is to achieve 47% by the year 2030, and 100% by the year 2040. Besides, we established a sustainability pension fund and placed it into our PPS plans.

Risk Management

4. Markets

4.2. Involvement in Renewable Energy & Low-Carbon Initiatives and the Implementation of Energy-Saving Measures

Involvement in renewable energy can help us to achieve cost efficiency among our offices. As well, energy saving measures will help our company to cut costs. Furthermore, by involving with low-carbon initiatives, we can reduce our exposures to carbon pricing. By continuing involvement in these measures and renewables we can ensure resilience against climate change and create value for us.

- Financial Impacts

Increased market valuation through resilience planning (e.g., investments in renewable sources)

- Management Response

By moving into energy efficient building and supplying electricity from greener sources, we are already in the way of realizing this opportunity. We are also taking action on our investments to reach Net Zero company by 2050. We completed the portfolio analysis and currently working on the implementation plan in compliance with SBTi Portfolio Approach.

Risk Management

Climate Related Opportunities	Subtitles	Proximity	Impact	Possible Financial Impacts	Management Response
Resource Efficiency	Utilization of more effective transportation methods	High	Major	Please see **p.99**	Please see **p.99**
	Use of efficiency measures and digitization of processes	High - Medium - Low	Major	Please see **p.100**	Please see **p.100**
	Moving to more efficient buildings	High - Medium - Low	Major	Please see **p.101**	Please see **p.101**
Energy Sources	Usage of greener sources of energy	High - Medium - Low	Major	Please see **p.102**	Please see **p.102**

Risk Management

Climate Related Opportunities	Subtitles	Proximity	Impact	Possible Financial Impacts	Management Response
SDG-Linked Products and Services	Introducing SDG-Linked Products and Services	High - Medium - Low	Major	Please see **p.103**	Please see **p.104**
	Shift in Consumer Preferences	High - Medium - Low	Moderate		
Markets	Access to new markets	High - Medium	Major	Please see **p.105**	Please see **p.105**
	Involvement in renewable energy & low-carbon initiatives and the implementation of energy-saving measures.	High - Medium - Low	Major	Please see **p.106**	Please see **p.106**

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Metrics & Targets

Metrics & Targets

Topic	Metrics	Objectives and Explanation	Progress and Actions in 2022
Investment Portfolio	Scope 3 Emissions: 925,186 ton CO2 eq.	Our objective is mainly focusing on the net-zero alignment of our investment portfolio. The objective involves usage of portfolio approach and preparing action plans to commit to SBTi targets which is also adhering to Sabancı Holding's Responsible Investment Policy to ensure our overall GHG emissions and the emissions of the investee companies are reduced. Therefore, we are aiming to incentivize the companies in our portfolio to commit to net-zero targets for 2050 to align with the Paris Agreement and SBTi.	As AgeSA, we are setting up action plans to introduce the methods given in the objectives. We are planning to commit to SBTi target for Scope 3 emissions through asking companies for commitment to SBTi targets from the companies in our portfolio.
Scope 1&2 Emissions	1139 ton CO2 eq.	69% reduction in AgeSA's Scope 1 and Scope 2 GHG emissions. Base year for this reduction is 2019. The target year is 2030. Car fleet transformation into electrical vehicles to reduce emissions from transportation. Our target is to transform 50% of our car fleet to electrical vehicles.	To achieve our goals, we have undertaken initiatives such as obtaining LEED Gold (Green Building) certification, setting Science-Based Targets Initiative (SBTi) compliant goals, and implementing practices for efficient energy consumption. We have also started consuming 100% environment-friendly energy by use of renewable energy certificates that are recognized by international standards. We have transformed 96% of our car fleet to hybrid vehicles. We are then planning to transform our car fleet to electrical vehicles.
SDG-Linked Product Income Ratio	18.50%	As part of the transition to a low-carbon economy, AgeSA is developing SDG-linked products and services. In 2022, the number of SDG-linked products and services increased to 13, reaching 18.5% of total revenue. The target for 2024 is to increase revenues to 25%.	The developments in the SDG-linked product and services range between the years have been structured based on **four main objectives**. Efforts are underway to achieve objectives of introducing as least one new SDG-linked products and services each year and reaching a revenue share of 25%.

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Appendix

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Topics	Disclosures	Page(s)
Governance	a Describe the board's oversight of climate related risks and opportunities. b Describe management's role in assessing and managing climate related risks and opportunities.	p. 13-26
Strategy	a Describe the climate related risks and opportunities the company has identified over the short, medium, and long term. b Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning. c Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	p.27-59
Risk Management	a Describe the company's processes for identifying and assessing climate related risks b Describe the company's processes for managing climate related risks. c Describe how processes for identifying, assessing, and managing climate related risks are integrated into the company's overall risk management.	p. 60-108
Metrics & Targets	a Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process b Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks c Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.	p.109-110

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