

**KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş.
ENVIRONMENT AND CLIMATE CHANGE POLICY**

1. PURPOSE & SCOPE

Karsan Otomotiv San. ve Tic. A.Ş. (Karsan) considers sustainable development as the best way to leave a livable world for future generations and raise society's standard of living, and is working hard to fulfil its responsibilities in this respect.

"Climate and environment" is one of the main priorities of Karsan's sustainability program. "Smart Mobility", another focus of our business, represents our climate and environmental awareness with our range of products and services. UN Sustainable Development Goals, a global sustainability program, also includes "SDG6 - Clean Water and Sanitation", "SDG7 - Affordable and Clean Energy", "SDG12 - Responsible Consumption and Production", "SDG13 - Climate Action" and "SDG17 - Partnerships for the Goals" which make up the basis of Karsan's sustainability program. We want to contribute to the achievement of these goals with our activities, and our product and service range we offer our customers.

With this policy document, we aim at identifying the main pillars of our strategic approach to conducting business operations and designing products and services in line with climate and environmental risk management, as well as informing our stakeholders about what we do to achieve these. "Energy management", "Greenhouse gas emissions", "Water consumption", "Use of environmentally friendly materials", "Waste management and recycling", "Vehicle emissions and fuel efficiency" and "Vehicles with reduced environmental impact" are the main risk and opportunity areas we manage under this policy.

This policy intends to outline the principles of environmental and climate change risk management that apply to Karsan's business activities and are binding on all activities, managers and employees of Karsan and its subsidiaries.

Karsan is committed to ensuring that the principles set out in this policy are adopted and disseminated by its suppliers and business partners.

2. ENVIRONMENTAL AND CLIMATE CHANGE MANAGEMENT PRINCIPLES

Karsan embraces a holistic perspective that focuses on the entire value chain in the management of environmental and climate risks. In this context, there are three basic ways in Karsan leaves a footprint on the climate and the environment:

1. **Procurement Processes:** To carry out its activities, Karsan buys raw materials, materials, components and services. The production of these products and services leave an impact on the environment and climate in various ways. Karsan takes care to eliminate these impacts by choosing responsible suppliers or ethically sourced products when conducting its purchasing activities, promoting the purchasing of products with a low environmental and climate impact by applying the total cost-benefit principle.
2. **Company Operations:** Karsan takes measures to minimize the environmental and climate footprint of its operations.
3. **Products and Services:** Starting from the design process of its products and services, Karsan aims at minimizing the negative climate and environmental impacts that can occur during the consumption and post-consumption of products/services, and offering consumers climate-friendly consumption options that support the transition to a low-carbon business economy.

Accordingly, Karsan

- a. Carries out its activities in accordance with the environmental and climate change protection laws to which it is subject. Ensures that its products and services comply with the climate and environmental legislation of the countries in which they are consumed, for the provision and consumption of the respective products and services. Adopts internationally recognized principles and examples of good practice in areas not regulated by law.
- b. Meets the environmental and climate change protection requirements of its customers; to do so, it makes new initiatives to align its business processes with eco-friendly practices.
- c. Makes efforts to protect the environment and combat climate change in accordance with management systems and standards that are in conjunction with its scope of activities and, as far as possible, internationally accepted. As part of its commitment to a cleaner world, Karsan conducts its business activities in accordance with reliable system standards such as the World Class Manufacturing (WCM) methodology, ISO9001 Quality Management System Standard, ISO14001 Environmental Management System Standard, ISO50001 Energy Management System Standard, ISO14064 Standard for Quantifying GHG Emissions, and the GHG Protocol Standard.

- d. Assesses environmental and climate risks and opportunities as part of its company-wide risk management system and uses these in setting business strategies. To this end, it conducts scenario analyses and stress tests.
- e. Takes into account their environmental/climate impact when designing its production facilities and processes.
- f. Seeks to reduce its impact on the environment and climate, which it considers an area of continuous improvement, by using the best available techniques, environmentally and climate friendly technologies.
- g. Outlines, calculates, analyses and records the climate and environmental impacts from its operations on a regular basis, in particular greenhouse gas emissions, air emissions, energy consumption, water consumption, material consumption and waste, using systematic methods. It takes action to address deficiencies based on the results obtained.
- h. Aims to use energy safely and efficiently due to its impact on climate change, and also to bring down costs, and makes efforts to streamline its processes to help achieve these goals.

Accordingly, Karsan;

- Establishes modern, standard and legally acceptable energy management systems across its operations and updates/maintains them regularly.
- Tries to maintain a constant supply of energy to ensure continuity of production and draws up contingency plans for potential interruptions.
- Assesses how they impact the environment when diversifying its energy sources.
- Promotes the use of renewable energy sources.
- Continuously investigates and corrects energy losses and stray currents.
- Uses less energy in its manufacturing processes thanks to efficient use of energy.

- i. Launches initiatives to hold in check and reduce greenhouse gases across its value chain.

Accordingly, Karsan;

- Compiles an inventory of the greenhouse gases occurring along the value chain (Scope1, Scope2, Scope3) within the framework of international standards such as ISO 14064 and the GHG Protocol and calculates the resulting emissions at least on an annual basis.

- Takes measures to reduce greenhouse gas emissions across its value chain.
 - Considers overall benefit factors as well as financial feasibility, in its climate change risk mitigation activities and investment decisions, using tools such as "corporate carbon pricing" and "carbon neutralization" to promote such efforts.
- j. Recognizes that water resources are indispensable for life and supports initiatives to use less water in production processes, and so reclaim water. Efforts are made across the company to reduce wastewater discharges and the pollution they cause.
- k. In line with its responsible use of materials approach, supports the consumption of fewer materials; increasing the use of "recycled", "recovered", "recyclable" materials with "reduced environmental impact" while embracing a "circular economy" approach in its material planning processes.
- l. Takes into account its value chain approach when managing waste; ensures that waste is minimized by putting into place applicable waste management procedures; that waste is separated at source; that it is recycled as much as possible and disposed of with the most environmentally friendly options, when recycling is not possible.
- m. Makes thorough environmental assessments when planning physical investments, and studies the potential impacts of its operations on biodiversity.
- n. Assesses its climate and environmental impacts when choosing suppliers / products, deciding on supply logistics and other related processes; prioritizes reducing such impacts in the designing of its practices and processes, and encourages its suppliers to develop practices to manage their climate and environmental impacts.
- Using as leverage products and services such as electric and autonomous vehicles, vehicles with lower environmental impact, fuel efficiency and low emission levels, and innovative mobility solutions, promotes the transition to a low-carbon economy by creating responsible options that enable its customers to reduce their climate and environmental impacts and minimize their risks.
- p. Realizes the management of climate and environmental impacts by setting SMART targets. When setting its targets, it takes into account Science Based Targets, and visionary approaches such as "Zero Waste" and "Net-Zero".

- q. All company operations planned/executed in accordance with the company's objectives is subjected to internal controls and, if necessary, independent audit processes.
- r. Follows the latest developments in climate change and environmental issues as well as the international and local agenda. It joins forces / forges partnerships with private sector /public sector players to support environmental initiatives. The newest practices/ ideas coalescing around these initiatives are utilized in improving company processes.
- s. Supports efforts to raise awareness of environmental issues and climate change among company employees, business partners, external stakeholders and society in general.
- t. Develops partnerships / joint projects / initiatives with its business partners, suppliers, public institutions, non-governmental organizations, international organizations, trade associations and, particularly sales channels, on environment and climate change.
- u. Gives its employees the opportunity to develop new ideas/projects for mitigating the impacts of climate change, and puts in place an award system to award/acknowledge projects that stand out.

3. RESPONSIBILITY OF EXECUTION

Under this policy, the Karsan Sustainability Board was established and the policy became effective with the approval of the Karsan Board of Directors.

The company's business units are responsible for implementing Karsan's Climate Change and Environmental Policy in line with their remit/scope of responsibility, while the Environmental and Energy Technology Engineer supervises how efficiently the policy is executed and implemented.

4. RELATION TO OTHER CORPORATE POLICIES

The above statements are also part of Karsan's policies set out below:

- Karsan's Code of Ethics
- Code of Conduct for Karsan's Business Partners
- Karsan Energy Policy

5. SUPERVISION OF THE POLICY

This policy is reviewed and assessed annually. If there is a material change in the Company's practices that would affect the Policy, the Policy will be reviewed and aligned with the introduced changes.

6. CONTACT

Suggestions about and requests for information on Karsan's Climate Change and Environmental Policy can be e-mailed to sustainability@karsan.com.tr (Chair of the Karsan Sustainability Board), complaints for non-compliance to etik@karsan.com.tr (Chair of the Ethics Committee) or sent by post to the address "Karsan Otomotiv Sanayii ve Ticaret A.Ş. Hasanağa Organize Sanayi Bölgesi Sanayi Caddesi 16225 Nilüfer Bursa".