

KOCAER ÇELİK

Climate Transition Plan

2025

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As Kocaer Çelik Sanayi ve Ticaret A.Ş., we reaffirm our commitment to environmental protection and to aligning our sustainability goals with international standards through the validation of our targets by the Science Based Targets initiative (SBTi). This milestone brings us closer to achieving our net-zero emissions target by 2050 as we continue to implement our comprehensive decarbonization roadmap and related investments across our operations and value chain.

Kocaer Çelik has set SBTi-validated near-term and long-term emissions reduction targets covering its entire value chain.

- **Near-term (2030):** We commit to reduce absolute Scope 1 and 2 GHG emissions by 42% from a 2022 base year, and Scope 3 GHG emissions intensity by 51.6% per tonne of steel product produced within the same timeframe.
- **Long-term (2050):** We commit to reduce absolute Scope 1 and 2 GHG emissions by 90% and Scope 3 GHG emissions intensity by 97% per tonne of steel product produced, achieving net-zero GHG emissions across our value chain.

To deliver on these commitments, Kocaer Çelik has developed an integrated transition strategy encompassing operational efficiency, renewable energy investments, technological innovation, and value chain decarbonization. Our approach focuses on reducing both direct and indirect emissions and is structured around the following key action pillars:

- Process and Energy Efficiency
- Renewable Energy Investments
- Green Steel and Technological Innovation
- Value Chain Engagement
- Residual Emission Neutralization
- Governance & Finance

Through these coordinated measures, Kocaer Çelik's decarbonization strategy directly supports its validated SBTi pathway and Türkiye's Net-Zero 2053 vision, addressing both direct operational emissions and value chain impacts in alignment with the Paris Agreement's 1.5°C target trajectory.

Emission Reductions in Detail

For our Scope 1+2 emissions targets:

→ Energy and Process Efficiency Improvements

- Reduce heat loss and increase process efficiency by optimising combustion with high-capacity recuperators, flameless regenerative burners, gas analysers and similar systems.
- Reduce energy consumption by using variable frequency drives (VFDs) and high-efficiency electrical components in pumps, motors and fans.
- Implement modernisation and infrastructure improvements across the facility to enhance energy management, safety and operational efficiency.
- Investment in waste heat recovery systems to reduce process energy demand.
- Strengthen circular economy practices to improve material efficiency and minimise waste.

→ Renewable Energy Investments:

- Meet 33% of electricity demand with 15 million kWh capacity solar panels installed on facility roofs.
- Increase the share of renewable energy and reduce scope 2 emissions by installing wind turbines within the facility.
- Fully meet Kocaer Steel's electricity needs and supply surplus production to the national grid with the 24 MW geothermal power plant developed in Aydın Kuyucak.

→ Electrification of Fleet and Equipment:

- Transition to electric vehicles and machinery within the company-owned fleet
- Use of energy storage systems to support electrified operations

→ Green Steel Production and Raw Material Preference:

- Preference for Electric Arc Furnace (EAF) billets over Basic Oxygen Furnace (BOF) billets in in-house operations
- Continuous improvement of process efficiency in green steel production
- Product design improvements for galvanized steel

→ Transition to Green Hydrogen:

- Gradual transition from natural gas to green hydrogen use in annealing furnaces
- Integration of hydrogen-ready burners and flameless combustion systems

→ Carbon Capture, Utilization and Storage (CCUS):

- Planned integration of CCUS technologies into production processes
- Feasibility studies to identify carbon capture potential in furnace exhaust systems

For our Scope 3 emissions targets:

→ Low-Carbon Procurement and Supplier Engagement:

- Procurement of low-carbon and long-lifetime materials with Environmental Product Declarations (EPDs)
- Preference for low-carbon footprint products (e.g., EAF billets instead of BOF billets)
- Engagement with suppliers to promote green hydrogen-based production technologies
- Preference for primary and secondary raw materials produced using green hydrogen technologies, regardless of production route

→ Circular Economy and Material Efficiency:

- Preference for environmentally friendly materials in equipment and fixture purchases through a green procurement approach
- Enhancing internal reuse and recycling practices within factory operations
- Collaboration with recycling companies adopting zero-carbon technologies
- Reducing purchased input material through improved production efficiency and material recovery

→ Green Logistics and Transportation:

- Use of electric or hybrid vehicles and low-carbon maritime transport
- Selection of employee shuttle service providers using electric vehicles
- Accommodation preference for Green Star-certified hotels and low-carbon aviation alternatives

→ Beyond Value Chain Mitigation:

- Utilization of carbon offset credits and renewable energy certificates to neutralize residual emissions in alignment with the SBTi Net-Zero Standard

→ Water and Nature Interface:

- Implementation of this Climate Transition Plan within our integrated TCFD- and TNFD-aligned framework, with water and nature objectives governed by the same Board mechanism
- Operation of the Water Efficiency Management System established at all four production facilities, supported by ISO 46001 certification work
- Recovery and reuse of process wastewater through the membrane bioreactor (MBR) system commissioned at the A2 plant, and phased extension of rainwater harvesting across the facilities
- Reduction of water intensity as a co-benefit of the process and energy efficiency measures set out in this plan
- Annual review of priority locations using the WRI Aqueduct Water Risk Atlas for water risk and the WWF Biodiversity Risk Filter for biodiversity sensitivity
- Protection and restoration of ecosystems through the biodiversity monitoring programme at Manisa Demirci, including native species planting and biological corridors
- Verification of the corporate water footprint under ISO 14046 and annual public disclosure of water and nature performance

Near-Term and Long-Term Horizon Transition Plan

Kocaer Çelik Sanayi ve Ticaret A.Ş. has defined a clear, science-based decarbonization pathway in alignment with the Science Based Targets initiative (SBTi) Net-Zero Standard. Our climate transition framework establishes near-term, long-term, and net-zero targets that together outline our full decarbonization roadmap across all emission scopes.

Our validated commitments include:

Near-term (by 2030):

- Reduce absolute Scope 1 and 2 GHG emissions by 42% from a 2022 base year.
- Reduce Scope 3 GHG emissions intensity by 51.6% per tonne of steel product produced within the same timeframe.

Long-term (by 2050):

- Reduce absolute Scope 1 and 2 GHG emissions by 90% from a 2022 base year.
- Reduce Scope 3 GHG emissions intensity by 97% per tonne of steel product produced.

Net-Zero Commitment:

- Achieve net-zero GHG emissions by 2050, first within own operations (Scopes 1 and 2) and subsequently across the entire value chain (Scope 3), in alignment with the SBTi Net-Zero Standard.
- Neutralize residual emissions through renewable energy expansion, carbon capture, and verified offset mechanisms after achieving deep decarbonization across all scopes.

These targets have been officially validated and published under the SBTi platform and can be viewed through the Science Based Targets initiative company dashboard:

<https://sciencebasedtargets.org/companies-taking-action#dashboard>

The commitment to the SBTi framework marks a pivotal step for Kocaer Çelik in institutionalizing climate action and aligning its business strategy with the Paris Agreement's 1.5°C target.

Aligning Capital Investments with Decarbonization Objectives

Kocaer Çelik is establishing a structured framework to ensure that all capital investments are aligned with its decarbonization targets and net-zero roadmap. This framework integrates climate considerations directly into investment evaluation, prioritization, and approval processes, ensuring that financial resources support the company's transition strategy. The evaluation approach focuses on three key dimensions:

- **Carbon Impact Assessment:** Each investment is assessed for its potential to lower the carbon intensity of operations or products, prioritizing those that deliver measurable GHG reductions.
- **Carbon Cost Consideration:** Future CapEx decisions will take into account potential carbon pricing and market risks to safeguard alignment with long-term climate goals
- **Sustainability Governance:** Relevant departments oversee the climate alignment of all CapEx proposals, approving those consistent with Kocaer Çelik's SBTi targets and the Paris Agreement's 1.5°C pathway.

Integration of Climate Transition into Financial Planning

Kocaer Çelik has integrated its financial planning and investment governance with its climate transition strategy, ensuring that capital is allocated in a manner consistent with its decarbonization and net-zero objectives. Rather than treating sustainability projects as standalone initiatives, the company embeds them into its overall budgeting, financing, and risk management processes.

Our financial framework focuses on:

- Aligning capital expenditures with emission reduction priorities and SBTi targets.
- Incorporating climate-related criteria into investment evaluation and decision-making.
- Mobilizing green and sustainability-linked financing instruments to fund the transition.
- Integrating climate-related risks and opportunities into long-term business and financial planning.

Kocaer's transition-aligned financial approach ensures that every major investment is evaluated for its impact on carbon intensity, energy efficiency, and long-term resilience. Financial planning processes prioritize funding for initiatives that enhance both operational performance and climate alignment. The company is also advancing sustainability-linked financing policies and ESG-oriented credit mechanisms to access capital aligned with its decarbonization pathway. Meanwhile, R&D and innovation budgets are focused on technologies that improve efficiency, reduce emissions, and strengthen competitiveness in a low-carbon economy.