

Karsan Otomotiv Sanayii ve Ticaret A.Ş.

2025 TSRS COMPLIANT SUSTAINABILITY REPORT





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ABOUT THE REPORT

Karsan Otomotiv Sanayii ve Ticaret A.Ş. ('Karsan' or 'Company') hereby makes public its information and evaluations regarding its activities and sustainability performance for the period 1 January – 31 December 2025 in accordance with Turkish Sustainability Reporting Standards (TSRS 2). The report aims to present the company's sustainability performance with a transparent and holistic approach and provides detailed information about climate-related risks, opportunities, strategic goals, governance, risk management, criteria and objectives, in particular. They are used in the report within the scope of transition period exemptions and only climate-related risks and opportunities are included. It is recommended that the report be considered in conjunction with the consolidated financial reports for 2025 and this includes the activities in the consolidated financial statements.

When the report was being prepared, the results obtained from the greenhouse gases emissions inventory, the strategic planning documents and the existing corporate risk assessment inventories helped shape the preparation process. The statements and insights provided by the managerial staff offered valuable input to the report's sections on governance and strategy. The preparation process also utilised both national and international sources, which were cross-referenced during the analysis and verification phases to strengthen the report's consistency and reliability. Preparation also took

into consideration the sectoral supplementary guide "Supplementary Volume 63: Automobiles" published under TSRS 2. Following these guidelines, the explanation titles and metrics specific to Karsan's field of activity were analysed and included in the report. This enabled sector-specific dynamics and priorities to be reflected in the report. At the same time, use was also made of the Standards of the Sustainability Accounting Standards Board (SASB) of the International Sustainability Standards Board (ISSB).

All financial data included in the scope of this report are presented in Turkish Lira (TL). This currency is consistent with the presentation currency used in Karsan's consolidated financial statements.

The sustainability disclosures have been prepared to cover not only Karsan's own operations but also its subsidiaries.

Limited Assurance

A limited assurance engagement has been conducted in accordance with ISAE 3000 – Assurance Engagements Other than Audits or Reviews of Historical Financial Information and ISAE 3410 – Assurance Engagements on Greenhouse Gas Statements. The independent limited assurance engagement was performed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.



Transition Exemptions

Karsan made use of specific transition exemptions defined in accordance with Articles E3, E4, E5 and E6 of TSRS 1 and C3, C4 and C5 of TSRS 2. Details of the exemptions applied are given below:

- Scope 3 greenhouse gas emissions are not disclosed in this report under the exemption granted for the first two years.
- During the reporting period, the focus

was solely on climate-related risks and opportunities, and detailed disclosures on sustainability-related risks and opportunities were not included.

- Sustainability-related financial disclosures were published simultaneously with the integrated annual report during this reporting period. Therefore, no additional disclosures were required following the publication of the financial statements.

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KARSAN AT A GLANCE

With our flexible production infrastructure and multi-brand manufacturing capabilities, we are at the heart of the electric and autonomous vehicle transformation.

With 60 years of experience in the Turkish automotive industry, Karsan has been producing commercial vehicles for the world's leading brands, including our own, in our modern facilities since our founding. By manufacturing commercial vehicles since 1981, we have established a strong position in the industry. Our manufacturing plant in Hasanağa, Bursa, has the capacity to manufacture approximately 20,000 vehicles per year in a single shift. Designed with the flexibility to manufacture everything from passenger cars to heavy trucks, and from minivans to buses, our Hasanağa Manufacturing Plant operates on a total area of 203,000 square meters, including 99,000 square meters of covered space, and is located 30 km from the center of Bursa.

As the only independent multi-brand vehicle manufacturer in the Turkish automotive industry, we operate with the vision of staying one step ahead in the future of mobility. Together with our partners and licensors, we aim to develop derivatives of our new and existing products to participate in all segments of passenger transportation. In the public transportation sector, we continue our activities in line with our "innovative products and services" and "conception to market" development approach, with a particular focus

on strengthening our Original Equipment Manufacturer (OEM) business line.

Our "Conception to Market" Journey with Innovative Products and Services

In the public transportation sector, we continue our journey of developing innovative products and services, from concept and design development through to market launch. We manage the entire automotive value chain, from R&D to manufacturing, and from marketing to sales and after-sales services. With a particular focus on strengthening our OEM business line, we are committed to securing a strong position in global markets.

While manufacturing our Jest and Atak models under our own brand, we launched the e-JEST in 2018, the e-ATAK in 2019, and, in 2021, the Autonomous e-ATAK—a Level 4 driverless bus developed in collaboration with the domestic technology company ADASTEC, a world-first innovation—onto the market. In the same year, we expanded our product lineup with the 10-meter, 12-meter, and 18-meter models of the fully electric e-ATA family, and in 2022, by consecutively launching the

e-ATA HYDROGEN models, we became the first and only company in Europe to offer a fully electric product lineup ranging from 6 meters to 18 meters.

As of 2022, by manufacturing the Megane Sedan vehicles for the Renault brand, we extended our automotive expertise into different market segments. By the end of 2023, we took pride in becoming the first European bus manufacturer to enter the Japanese market with the right-hand drive e-JEST model. We continue to maintain our leadership in markets with right-hand drive public transportation systems. In November 2024, we entered the UK and Ireland markets by launching our right-hand drive e-JEST model. In October 2025, we introduced the Autonomous e-JEST—the version of the e-JEST, Europe's most preferred electric minibus for the past five consecutive years, equipped with Level 4 autonomous driving technology—to the world and received its first 10 orders from the United States.

At Karsan, we continue our efforts without pause in line with our mission to shape the future through innovative and sustainable mobility solutions.

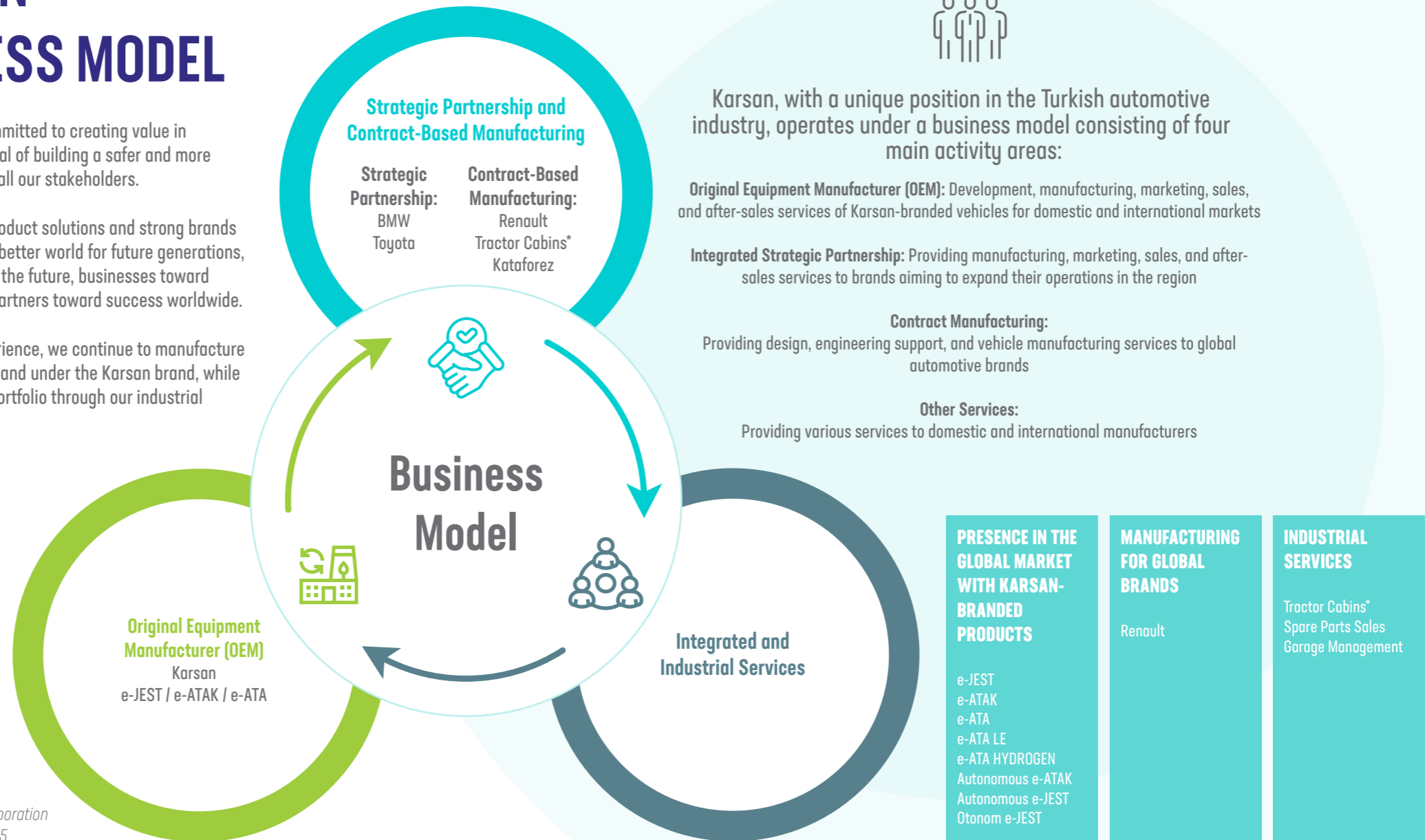


KARSAN BUSINESS MODEL

As Karsan, we are committed to creating value in every field with the goal of building a safer and more sustainable future for all our stakeholders.

With the innovative product solutions and strong brands we develop to leave a better world for future generations, we drive cities toward the future, businesses toward profitability, and our partners toward success worldwide.

With 60 years of experience, we continue to manufacture both for global brands and under the Karsan brand, while also diversifying our portfolio through our industrial services.



Karsan, with a unique position in the Turkish automotive industry, operates under a business model consisting of four main activity areas:

Original Equipment Manufacturer (OEM): Development, manufacturing, marketing, sales, and after-sales services of Karsan-branded vehicles for domestic and international markets

Integrated Strategic Partnership: Providing manufacturing, marketing, sales, and after-sales services to brands aiming to expand their operations in the region

Contract Manufacturing:
Providing design, engineering support, and vehicle manufacturing services to global automotive brands

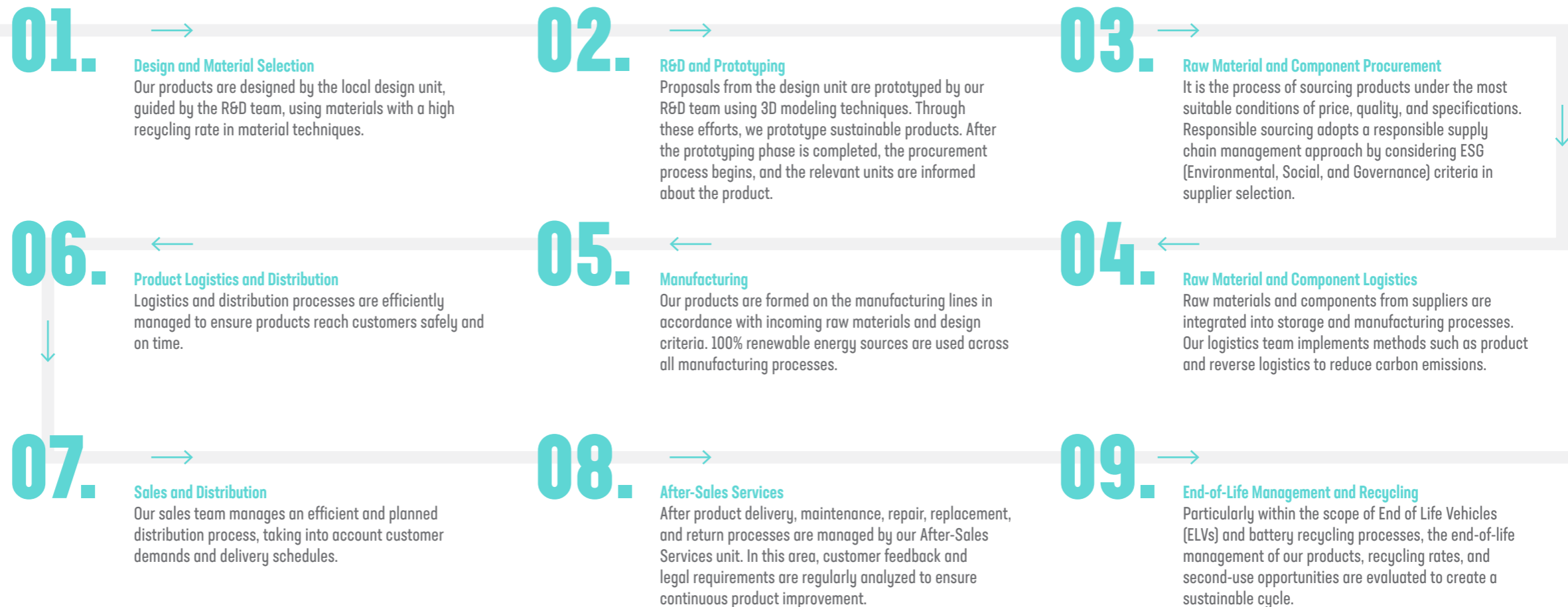
Other Services:
Providing various services to domestic and international manufacturers

**The tractor cabins collaboration ended in September 2025.*



KARSAN VALUE CHAIN

As Karsan, we place sustainability principles at the core of our business model, adopting end-to-end responsible value chain management. We approach the lifecycle of our products holistically, from design to recycling, considering environmental and social impacts at every stage—from material selection and manufacturing to logistics and after-sales services. From our R&D processes to our supply chain, and from manufacturing to after-sales services, we aim for a low carbon footprint across all operations and implement practices that contribute to the circular economy. Within this scope, we aim to create a sustainable mobility ecosystem through our supply chain management aligned with ESG (Environmental, Social, and Governance) criteria, manufacturing processes supported by renewable energy, and product lifecycle management strategies.



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GOVERNANCE

This section outlines the governance processes and controls established by Karsan to monitor, manage, and oversee environmental, social, and governance (ESG) matters within the scope of sustainability. At Karsan, sustainability and climate-related topics are addressed holistically across environmental, social, and governance (ESG) dimensions and are managed through an integrated governance approach embedded in business strategies, investment decisions, risk management processes, and operational practices. In this context, the governance structure is designed as a multi-layered system, starting at the Board of Directors level and extending through relevant committees, senior management, and operational units.

BOARD OF DIRECTORS

At Karsan, ultimate oversight of sustainability matters is provided by the Board of Directors. The Board evaluates climate-related risks and opportunities alongside the Company's long-term strategic objectives, major investment decisions, financial resilience, and competitive position.

In 2025, the Board of Directors was informed once on developments related to climate-related risks and opportunities. As part of this briefing, the impacts of climate-related risks and opportunities on the Company's business model, as well as their medium- and long-term implications for financial performance and competitiveness, were assessed. In the same context, the strategic contributions of

low-carbon solutions, renewable energy investments, and green financing opportunities were presented to the Board. When evaluating climate-related risks and opportunities, the Board considers trade-offs between short-term cost impacts and long-term financial and environmental benefits. In this context, the solar power plant (SPP) investment planned to be commissioned in 2026, while requiring upfront capital expenditure, has been assessed as a strategic opportunity due to its potential to reduce energy costs, lower carbon emissions, and mitigate financial risks related to CBAM.

Assessments related to climate-related risks and opportunities are shared by the ESG team and sustainability ambassadors with the Corporate Risk Management Unit. In this framework, climate-related risks are brought to the agenda of the Early Detection of Risk Committee under the coordination of the Corporate Risk Management and Internal Audit functions, and are reported to the Board of Directors once a year through this committee.

MANAGEMENT-LEVEL RESPONSIBILITIES AND AUTHORITY

Responsibilities for the management of sustainability matters have been delegated to the CEO and are carried out through the Sustainability Committee, which operates under the leadership of the CEO. The Sustainability Committee serves as the main management body responsible for defining short-, medium-, and long-term sustainability strategies,

shaping policies related to climate-related risks and opportunities, and monitoring relevant performance indicators.

In this context, the governance structure, which was previously managed through the Corporate Governance Committee, has been restructured as of 2025 under the leadership of the CEO with a more streamlined and direct reporting line. This approach enables sustainability and climate-related matters to be addressed more effectively and in a timely manner at the senior management level.

As the CEO is also a member of the Board of Directors, sustainability and climate-related matters are directly communicated from the management level to the Board. This structure ensures effective oversight by the Board and facilitates the integration of these

topics into high-level decision-making processes.

Operational Management of Sustainability Matters

To ensure the implementation of Karsan's sustainability and climate-related strategies at the operational level, five main working groups have been established across specific areas of expertise. These working groups are structured under the following themes: Operational Impact and Carbon Management, Life Cycle and Innovation, Responsible Supply Chain, People and Culture, and Risk and Sustainable Finance. These groups are responsible for developing actions aligned with sustainability targets and for assessing climate-related risks and opportunities within their respective areas of responsibility.

Sustainability Committee Chair: CEO				
Manufacturing Director	Deputy General Manager, R&D	Deputy General Manager, Procurement and Supply Chain	HR Director	CFO
Operational Impact and Carbon Management Working Group	Life Cycle and Innovation Working Group	Green Supply Chain Working Group	Social Impact and Inclusivity Working Group	Risk and Sustainable Finance Working Group

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The activities of the working groups are cascaded into operational processes through sustainability ambassadors designated across the organization. Sustainability ambassadors coordinate the implementation of projects within their respective units, monitor progress, and report outcomes to the Sustainability Committee. Through this structure, climate-related targets are not only managed centrally but are also embedded and owned at the operational level.

In 2025, sustainability ambassadors held three meetings. During these meetings, ongoing activities, achieved results, and areas for improvement were reviewed, and targets and projects for 2026 were defined. This process ensures coordinated execution of sustainability and climate-related initiatives across the organization.

Information And Monitoring Processes

At Karsan, information and monitoring processes related to sustainability and climate-related matters are carried out through structured mechanisms at the management level. In this context, in 2025, sustainability and climate-focused activities conducted by the sustainability working groups, along with their progress levels, were presented to senior management under the leadership of the CEO as part of the Catchball process, which is implemented as an annual strategic feedback and target alignment exercise. Director-level members of the Sustainability Committee also participated in this meeting.

Through the Catchball process, business units shared the projects they carried out, the outcomes achieved, and areas for improvement with senior management. Within this framework, climate-related risks and opportunities were evaluated at the management level. As a result of these evaluations, "Sustainability/ESG" was defined as one of Karsan's eight strategic priority areas for 2026, and sustainability projects and priorities were shaped in line with the views and guidance of senior management.

This mechanism serves as a key monitoring process that enables the regular review of climate-related risks and opportunities, the updating of priorities, and the revision of plans where necessary.

DEVELOPMENT OF COMPETENCIES AND GOVERNANCE CAPACITY

In 2025, sustainability awareness training was delivered to senior management, particularly to the CEO and director-level members of the Sustainability Committee. The training covered the strategic importance of sustainability for companies, the impacts of climate-related risks and opportunities on the business model, TSRS requirements, and Karsan's sustainability roadmap and priorities. It contributed to strengthening the authority and capabilities at the management level required to oversee and guide climate-related strategies.

To support this capability-building approach, a mandatory "Sustainability Fundamentals Training" is provided to all employees through Karsan Academy as part of the onboarding process. In addition, training programs are delivered to process owners under ISO 14001 and ISO 50001 management systems, aiming to enhance operational-level competencies related to environmental and energy performance.

CONTROLS, PROCEDURES, AND REMUNERATION INTEGRATION

At Karsan, the governance structure for sustainability and climate-related matters is defined through formal policies and procedures, with the roles, authorities, and responsibilities of committees and working groups established through internal regulations. In this context, the duties and authorities of the Sustainability Committee, along with its working principles and reporting responsibilities, are defined in the "Sustainability Committee Terms of Reference." This document sets out the Committee's scope, membership structure, meeting frequency, decision-making mechanisms, and reporting relationship with the Board of Directors. Within this structure, the Sustainability Committee is chaired by the CEO, while committee members assume a guidance and oversight role for the implementation of policies and strategies within their respective areas of responsibility. In addition, working groups and sustainability ambassadors operating under the Committee ensure the implementation of defined policies and targets at the operational level and regularly report progress to the Committee.

In this context, climate-related matters have been integrated into processes carried out under the ISO 14001 Environmental Management System and ISO 50001 Energy Management System. Relevant risks and opportunities are assessed through internal audit practices conducted within these systems and are monitored in terms of environmental and energy performance as well as process compliance. Internal audit results are reviewed at both the relevant unit and management levels, and necessary improvement actions are planned and followed up.

Monitoring of climate-related performance is carried out through the existing Performance Management System (PMM). As of 2025, one of the CEO's individual performance targets includes the indicator "Achieving Top 25% Ranking in ESG Assessments and Ratings." Within this scope, environmental performance in energy and waste is monitored on a monthly basis, while carbon emissions are tracked annually, with results reported regularly.

Efforts to integrate climate-related performance metrics into remuneration processes continued in 2025 but have not yet been finalized. In this context, KPI development studies have been initiated with the contribution of sustainability ambassadors and relevant teams. Evaluations on how these indicators will be incorporated into performance and remuneration mechanisms are being carried out under the coordination of the Sustainability Committee.



STRATEGY

This section outlines Karsan's strategic approach to managing climate change-related risks and opportunities and explains how these factors are integrated into its business model, decision-making processes, and target-setting framework. In line with the requirements of TSRS 2, the integration of transition and physical risks into financial planning processes is addressed, together with their potential impacts across the short, medium, and long term. In addition, the resilience of current strategies against different climate pathways is evaluated based on the climate scenario analyses conducted within the scope of this section.

CLIMATE-RELATED RISK AND OPPORTUNITY DISCLOSURES

Climate change has a transformative impact on global regulatory frameworks, financial markets, and supply chains. As a provider of zero-emission, smart, and autonomous mobility solutions, Karsan adopts a systematic approach to assessing climate-related risks and integrating opportunities into its business model to ensure the long-term resilience of its operations. Within the scope of physical and transition risks, factors such as the impact of extreme weather events on production processes, regulatory constraints related to carbon emissions, and supply chain vulnerabilities are continuously analysed. On the other hand, increasing demand for low-carbon transportation, the strengthening market position of low-carbon mobility solutions, and access

to green financing present strategic opportunities that may enhance the resilience and competitiveness of the business model.

Climate-related risks and opportunities have been assessed in terms of their potential impacts on Karsan's financial performance. During the 2025 reporting period, quantitative financial impact assessments were conducted for risks related to the Carbon Border Adjustment Mechanism (CBAM) and Water Stress, based on the current data infrastructure and the maturity level of scenario analyses. Risks identified under Battery Regulation, Supply Chain Transformation, and Compliance with Sustainability Criteria could not be reliably quantified at this stage due to uncertainties regarding regulatory scope and implementation timelines, the lack of sufficient and verifiable data across the supply chain, and the limited maturity of measurement methodologies. Nevertheless, although these risks and opportunities do not currently result in measurable financial impacts, they are included in the report due to their potential to significantly influence Karsan's business model, market access, eligibility for tenders, regulatory compliance capacity, and long-term competitiveness. In particular, the increasing prominence of sustainability criteria in public tenders, the expected enforcement of battery and supply chain regulations in the medium term, and the risk of market loss or operational constraints in case of non-compliance further elevate the strategic and forward-looking financial relevance of these topics. Accordingly,

climate-related risks have been evaluated in line with the impact-likelihood matrix defined under the Corporate Risk Management procedure, and only those classified as "significant" (15-20 points) and "moderate" (8-12 points) have been included. In identifying climate-related risks, no fixed quantitative financial threshold has been applied; instead, risks have been assessed based on their potential impacts on Karsan's financial position, cash flows, and strategic decision-making processes across the short, medium, and long term. Threshold values based on revenue, which were used in previous reporting periods, were not considered sufficiently representative in this reporting period due to the high sensitivity of climate risks to regulatory scope and scenario assumptions. Instead, the impact-likelihood matrix has been adopted as the primary assessment tool. Climate-related factors assessed as having low impact or not expected to materially influence decision-making processes have been excluded from the scope.

During the 2025 reporting period, climate-related risks and opportunities were analysed, and no risk or opportunity was identified that would result in a material change in the carrying values of assets and liabilities presented in the financial statements. Similarly, based on forward-looking assessments for the next reporting period, no climate-related developments are expected that would require a significant adjustment to financial values.



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Time Horizons Defined by Karsan

Karsan considers climate change-related risks and opportunities as strategic factors that directly affect business continuity and competitive advantage. These time horizons are also structured in alignment with Karsan's financial and strategic planning cycles.

Short Term (0-1 Year)

The short-term period includes the rapid assessment of operational risks and opportunities. In this period, priorities include energy efficiency projects, the establishment of carbon footprint calculation infrastructure, and immediate actions to ensure compliance with regulations (e.g. CBAM). Short-term climate impacts are addressed in parallel with annual budgeting, operational targets, and performance monitoring systems, and are monitored through current assets, short-term liabilities, or operating expenses in the financial statements.

Medium Term (1-5 Years):

This period corresponds to the phase in which Karsan's strategic transformation targets begin to be implemented and climate-related investments are put into practice. For example, the solar power plant (SPP) investment planned to be commissioned in 2026, the decarbonisation of operational energy sources, and the alignment of the product portfolio with environmental regulations are addressed within this scope. At the same time, practices such as the establishment of science-based targets (e.g. SBTi), supply chain sustainability, and production efficiency projects also fall within the medium term. These impacts are integrated into capital investments and cash flow projections, thereby guiding the assumptions of long-term financial statements. This period also requires the transformation of products and processes in full alignment with the European Green Deal's 2030 targets.

Long Term (5-10 Years)

The long-term period represents the timeframe in which structural transformation takes place and systemic innovations aligned with Karsan's net-zero target are implemented. Within product groups incorporating autonomous and hydrogen technologies, in continuation of existing production and market deployment activities, it is aimed to deepen technical capabilities and enhance performance and integration capacities. In addition, transformation-oriented practices such as battery recovery and second-life technologies, supply chain electrification, and infrastructure modernisation are among the key focus areas supporting sustainable value creation in the long term. The impacts of such investments are reflected in long-term asset planning, strategic product portfolio structuring, and R&D budgets. At the same time, 2030 represents a strategic milestone as the completion year of medium-term targets, and the achievement of these targets constitutes a prerequisite for the long-term climate vision.

Climate Related Risk Disclosure

Risk – 1

Impact: Likelihood: Time Horizon: Short-Medium

Risk Type	Transition Risk
Risk Category	Policy and Legal Risk
Risk Description	Carbon Border Adjustment Mechanism (CBAM) Risk
Karsan-Specific Risk Disclosure	<p>The Carbon Border Adjustment Mechanism (CBAM) causes Karsan to fall within its scope, particularly due to spare parts sales within the context of its export activities to the European Union. CBAM covers not only final products but also carbon-intensive inputs such as steel and aluminium used in production, as well as supply chain emissions associated with these inputs.</p> <p>As of 2025, Karsan has completed its emission reporting processes under CBAM. However, as of 2026, CBAM-related carbon costs are expected to materialise, particularly in relation to spare parts activities. With the expected expansion of the scope in the coming years, electric vehicles are likely to be included as of 2030, while hydrogen-powered vehicles may be included at an earlier stage.</p> <p>Karsan currently works with more than 900 suppliers, and as of 2025, CBAM-related processes are being managed for 437 parts and 72 suppliers. In the event that CBAM expands to cover the entire automotive sector by 2028, a significant increase in the number of suppliers within scope is expected. This situation creates additional governance risks in terms of the accuracy, traceability of carbon data, and supplier capacity.</p> <p>In addition, climate-related risks are reassessed in each reporting period, taking into account current regulatory developments, the scope of operations, and measurable financial impact criteria. In this context, the Emissions Trading System (ETS), which was included in the previous reporting period to reflect the general policy framework of carbon pricing mechanisms, has not been included in the 2025 risk set, as it does not currently create a direct obligation for Karsan's existing operations.</p>
Stage in the Value Chain Where the Risk Occurs:	<p>Design and Material Selection R&D and Prototyping Production Sales and Distribution</p>
Impact of Risk on Business Model and Value Chain:	<p>CBAM implementation requires the monitoring and reporting of carbon-intensive inputs, particularly in raw material and component sourcing as well as production stages within Karsan's value chain. Currently, the impact is primarily driven by spare parts activities, and supplier-based carbon data collection processes impose additional governance and reporting burdens on the business model.</p> <p>If electric and hydrogen-powered vehicles are included within the scope of CBAM, the impact will extend to vehicle-based production processes and become more significant in terms of product cost structure and supply chain management. In such a case, Karsan's business model will need to evolve into a structure capable of managing carbon costs effectively and supported by a robust data infrastructure.</p>



<p>Expected Impact of Risk on Karsan's Financial Status, Financial Performance and Cash Flows:</p>	<p>At present, the financial impact of CBAM is largely limited to spare parts activities and creates only a limited cost pressure on the financial statements.</p> <p>However, if electric and hydrogen-powered vehicles are included within the scope, carbon costs are expected to increase significantly across production and supply chain processes. If these costs cannot be fully reflected in sales prices, pressure may arise on product profitability and cash generation capacity.</p> <p>In addition, potential penalties arising from incorrect or incomplete declarations pose risks not only in terms of financial outcomes but also in terms of investor perception. Accordingly, CBAM risk is assessed as a strategic transition risk that creates financial uncertainty in the short and medium term.</p>
<p>Current Financial Impact of the Risk:</p>	<p>As of 2025, emission reporting processes under CBAM have been completed; however, no carbon cost has yet been incurred.</p>
<p>Anticipated Financial Impact of the Risk:</p>	<p>The potential financial impact of CBAM on Karsan has been calculated on a scenario basis, taking into account vehicle-based emission intensity, carbon prices, annual production volumes, and exchange rate assumptions. For each vehicle type, the average emission value has been multiplied by the relevant year's carbon price, and the per-unit cost has been scaled by planned production volumes to determine the total CBAM cost.</p> <p>Under the assumption that CBAM remains limited to spare parts activities, the financial impact related to transition risks is expected to remain limited in the short and medium term. However, under the scenario where CBAM expands to include electric and hydrogen-powered vehicles, the financial impact is expected to be higher. In this context, under the high-impact scenario, the financial effect is projected to correspond to approximately 0.02% of Karsan's revenue in 2026, while in the medium term (2027-2030), total impact is expected to range between approximately 0.04% and 1.8% of revenue, in parallel with increasing carbon costs.</p> <p>This indicates that changes in regulatory scope may significantly alter the financial impact and demonstrates that CBAM constitutes a critical transition risk for short- and medium-term financial planning.</p> <p>From the perspective of financial performance and cash flows, CBAM-related carbon costs are expected to create a limited margin pressure in the short term through cost of sales and/or operating expenses. In the medium term, with the expansion of scope and increases in carbon prices, these costs may exert more significant pressure on gross and operating profitability. In scenarios where such costs cannot be fully reflected in sales prices, negative impacts on operating cash flows may arise.</p> <p>In addition, in cases where competitiveness weakens on the demand side or certain products cannot be offered to the market due to regulatory constraints, balance sheet effects such as slower inventory turnover, inventory impairment provisions, and increased working capital requirements may occur. In the long term, cash outflows related to CBAM obligations are expected to become more pronounced in free cash flow.</p> <p>The difference between these two scenarios demonstrates that the financial impact of CBAM risk is highly sensitive to regulatory scope, and even minor changes may significantly alter financial outcomes. Therefore, CBAM risk is assessed as a critical transition risk in Karsan's short- and medium-term financial planning and pricing strategies. Quantitative projections for the long term could not be reliably calculated due to uncertainties related to carbon prices, regulatory scope, and the pace of product portfolio transformation.</p>
<p>Risk Response / Reducing Actions in Strategic Decision Making:</p>	<p>Karsan has established supplier-based carbon data collection and verification processes in order to manage CBAM-related risks and has started to obtain emission-related commitments from relevant suppliers. As of 2025, CBAM emission reporting has been completed, and carbon costs are expected to materialise as of 2026, particularly in relation to spare parts activities.</p> <p>In this context, it is planned to expand awareness and training activities aimed at enhancing suppliers' capabilities in CBAM calculation and reporting. The Company aims to strengthen its data collection and reporting infrastructure through digital platforms and continues its preparations for process consolidation with the support of consultancy services. Taking into account the potential inclusion of electric and hydrogen-powered vehicles within the scope in the coming periods, the impacts of CBAM risk on product and supply chain strategies are regularly monitored.</p>

Risk – 2

Impact: Likelihood: Time Horizon: Short-Medium

Risk Type	Physical Risk
Risk Category	Chronic Physical
Risk Description	Water-Stress Risk
Karsan-Specific Risk Disclosure	<p>Karsan's production facilities in Bursa are exposed to water stress risk in the medium and long term due to climate change-driven drought trends, declining groundwater levels, and increasing industrial water demand. In 2025, total water withdrawal amounted to 274,558 m³, and production processes are dependent on water usage.</p> <p>The decrease in the share of groundwater usage from 91.2% to 50.7% during the 2023–2025 period indicates an increasing risk level in terms of the sustainability of groundwater resources. This trend has necessitated a shift towards municipal water supply and has led to a structural transformation in water sourcing.</p> <p>Although water outages experienced across Bursa in 2025 did not directly affect Karsan's facilities, the increasing pressure on regional water supply is considered a risk factor that may create uncertainty in terms of production continuity in the long term. The water outages observed across Bursa during 2025 have also led to an increase in the likelihood score of water stress risk compared to the previous year as part of the risk reassessment process.</p>
Stage in the Value Chain Where the Risk Occurs:	Production
Impact of Risk on Business Model and Value Chain:	<p>Water is a critical input in certain stages of Karsan's production processes, particularly in painting and surface treatment operations. Potential constraints in water supply or increases in water costs may raise the risk of disruptions in these processes, limiting flexibility in production planning and exerting pressure on process efficiency.</p> <p>This situation is considered a factor that may increase operational risk levels across areas of the value chain where production continuity, quality standards, and delivery performance need to be managed simultaneously.</p>
Expected Impact of Risk on Karsan's Financial Status, Financial Performance and Cash Flows:	Water stress risk creates increasing pressure on cost of sales and operating expenses due to the transition from lower-cost groundwater to higher-cost municipal water; in the event of further constraints on regional water supply, it may also lead to adverse impacts on production continuity and revenue, and these developments are expected to exert pressure on cash flows from operating activities in the medium and long term; in this context, while currently limited, water stress risk is assessed as a significant chronic physical climate risk that may create gradual impacts on the financial statements.



Current Financial Impact of the Risk:

In 2025, due to the decline in the share of groundwater usage from 76.5% to 50.7%, Karsan has had to shift towards higher-cost municipal water in its production processes. The approximately tenfold difference in unit cost between groundwater and municipal water has resulted in an increase in water procurement costs.

According to comparative analyses, the difference between the cost that would have occurred if groundwater usage had been maintained at 76.5% in 2025 and the actual cost associated with approximately 50% groundwater usage has created an additional water procurement cost of approximately TRY 2.0 million for Karsan.

Water stress risk is assessed as a significant chronic physical climate risk that may create impacts on Karsan's financial performance and cash flows in the medium and long term due to the dependency of production processes on water.

In this context, the financial impact of water stress risk has been assessed through three main channels:

- (i) production disruptions due to water outages and potential production losses in Karsan-branded vehicle manufacturing,
- (ii) additional costs arising from the transition from groundwater to municipal water, and
- (iii) water price increases driven by drought conditions

Anticipated Financial Impact of the Risk:

Based on the updated scenario-based financial analyses, considering only Karsan-branded vehicle production, the combined impact of the three main channels of water stress risk is expected to correspond to approximately 0.02% of Karsan's revenue in the short term (2026), and to reach approximately 0.04%–0.07% of revenue in the medium term (2027–2030) with a gradual increase. Quantitative projections for the long term could not be calculated at this stage due to uncertainties related to water stress dynamics, the timing of alternative water investments, and production volumes.

From the perspective of financial performance and cash flows, the transition from groundwater to municipal water due to water stress risk may, in the short term, primarily impact cost of sales and operating expenses, potentially leading to a limited decline in gross profit and operating profit margins. In the medium term, in addition to increased water procurement costs, potential disruptions in production processes may further increase pressure on operating profitability and adversely affect cash flows from operating activities. In the long term, in scenarios where alternative water investments and efficiency projects are not effectively implemented, water stress-related expenditures and potential fluctuations in production volumes may create a more pronounced pressure on free cash flow.

Financial projections have been developed based on scenario-based assumptions, taking into account regional water stress trends, benchmark cases, and Karsan's current water usage profile. In this context, while water stress risk is currently limited, it is assessed as a physical climate risk that may have impacts on operational continuity and cost structure in the short and medium term, and its financial impact is expected to increase progressively in line with the escalation of water stress risk.

Risk Response / Reducing Actions in Strategic Decision Making:

Karsan has implemented wastewater recovery through reverse osmosis systems to enhance water efficiency, achieving approximately 8% water savings. In-facility water consumption is monitored through sensor-based automation systems and optimised through process-based improvements.

Through its digital water monitoring infrastructure, water usage is regularly tracked, and joint recycling and alternative water source projects are being evaluated in cooperation with the organised industrial zone. Due to the depletion of groundwater resources, a transition to municipal water has been implemented, ensuring production continuity in the short term.



Risk – 3

Impact: Likelihood: Time Horizon: Short-Medium

Risk Type	Transition Risk
Risk Category	Policy and Legal Risk
Risk Description	Battery Regulation (Product Legislation)
Karsan-Specific Risk Disclosure	<p>In alignment with the objectives of the European Green Deal, the EU Battery Regulation introduces requirements such as carbon footprint, digital traceability, recycled content, and extended producer responsibility throughout the entire life cycle of batteries—from production to recycling—directly affecting Karsan’s product portfolio and supply chain.</p> <p>Within the scope of these regulations, which aim to reduce greenhouse gas emissions across the battery life cycle, key obligations will come into force as follows: carbon footprint disclosure as of 2026, Digital Battery Passport as of 2027, and mandatory recycled content as of 2031. In this context, Karsan continuously monitors regulatory compliance processes with its battery suppliers; however, a systematic solution infrastructure for end-of-life battery management and second-life applications has not yet been fully established across all countries.</p> <p>In the event of non-compliance, there is a risk that products may not be placed on the EU market, may be excluded from tenders, and may be subject to administrative sanctions. This constitutes a climate-related policy and legal transition risk for Karsan.</p>
Stage in the Value Chain Where the Risk Occurs:	<ul style="list-style-type: none"> Design and Material Selection Raw Material and Component Supply Production End-of-Life Management and Recycling
Impact of Risk on Business Model and Value Chain:	<p>Battery regulations expand Karsan's responsibilities in product development, supplier selection, and after-sales processes, requiring greater integration of circular economy principles into its business model.</p> <p>Digital traceability, carbon footprint disclosure, and recycling obligations make the monitoring and reduction of greenhouse gas emissions across the entire product life cycle—including product development, after-sales services, and end-of-life management—an integral part of Karsan's value chain.</p>

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<p>Current Financial Impact of the Risk:</p>	<p>As of 2025, expenditures related to certification, digital infrastructure, and consultancy for regulatory compliance have created a limited but increasing cost pressure on operating expenses. However, these investments have enabled continued access to the EU market.</p>
<p>Anticipated Financial Impact of the Risk:</p>	<p>In the short term: Cost increases and related cash outflows may arise due to investments in digital systems, certification, and consultancy.</p> <p>In the medium term: In case of continued non-compliance, inability to participate in tenders, order losses, administrative sanctions, and carbon costs may create pressure on revenue and profitability.</p> <p>In the long term: As of 2031, with the expected enforcement of recycled content requirements, additional compliance requirements related to product design and the supply chain may increase product costs and compliance expenditures.</p> <p>Due to the phased implementation timeline of the Battery Regulation, the fact that application details will be clarified through secondary legislation and market practices, and uncertainties in allocating supply chain-related costs at the product level, the financial impacts cannot currently be quantified.</p>
<p>Risk Response / Reducing Actions in Strategic Decision Making:</p>	<p>Karsan continuously conducts regulatory compliance checks with its battery suppliers and continues preparations for the Digital Battery Passport infrastructure. Strategic collaborations for battery recovery and second-life applications are being evaluated, and efforts to establish an operational model in this area are ongoing.</p> <p>These processes aim to manage risks arising from dependence on a limited number of critical battery suppliers; in case of potential compliance issues, alternative supplier options and substitution scenarios are evaluated in the short, medium, and long term under the coordination of the Battery Strategy Team.</p>



Risk – 4

Impact: Likelihood: Time Horizon: Medium-Long

Risk Type	Transition Risk
Risk Category	Market Risk
Risk Description	Risk of Failure to Develop Products Compliant with Sustainability Criteria
Karsan-Specific Risk Disclosure	<p>In tenders issued by public and private sector customers, sustainability criteria such as carbon footprint, recycled content ratio, Environmental Product Declarations (EPD), life cycle analysis (LCA), and digital traceability are becoming increasingly decisive alongside technical and economic criteria.</p> <p>If these criteria are not integrated into Karsan's product development processes in a timely and sufficient manner, there is a risk that developed vehicles may receive lower scores in tender processes, be excluded from bids, or lose competitiveness. Given that Karsan's electric vehicle sales are predominantly tender-based, failure to comply with these sustainability criteria may result in the inability to secure sales or a significant limitation thereof.</p> <p>It has been observed that during the 2020-2024 period, sustainability criteria in tenders evolved towards LCA, third-party verification, and EPD-based reporting, and as of 2025, carbon emission values and recycled content ratios have become direct scoring criteria. This trend has made the capability to develop products compliant with sustainability criteria a critical competitive factor for Karsan.</p>
Stage in the Value Chain Where the Risk Occurs:	<p>Design and Material Selection R&D and Prototyping Production Sales and Distribution</p>
Impact of Risk on Business Model and Value Chain:	<p>Insufficient capability to develop products compliant with sustainability criteria may weaken Karsan's identity as a manufacturer offering low-carbon and environmentally friendly mobility solutions.</p> <p>Lack of transparency and verifiability of environmental performance data may reduce preference rates both in public tenders and among fleet customers, creating an impact concentrated at the sales and revenue generation stage of Karsan's value chain.</p> <p>In the long term, the lack of product life cycle data and digital traceability infrastructure may necessitate a more comprehensive transformation of the business model.</p>

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<p>Current Financial Impact of the Risk:</p>	<p>Although sustainability-based scoring mechanisms have become increasingly decisive in tender processes as of 2025, Karsan has not been excluded from or lost any tenders due to non-compliance with these criteria.</p>
<p>Anticipated Financial Impact of the Risk:</p>	<p>The financial impact of this risk is assessed qualitatively, as tender requirements vary on a project basis and customer expectations differ across markets and over time.</p> <p>In the short term: Cost increases and related cash outflows may arise due to R&D activities, certification processes, and environmental performance improvements required to comply with sustainability criteria.</p> <p>In the medium term: If product-level environmental performance cannot be improved, there is a risk of exclusion from new tenders, loss of market share within the existing customer portfolio, and consequent pressure on revenue, profitability, and cash collection flows.</p> <p>In the long term: Failure to develop a low-carbon and sustainable product portfolio may result in a weakening of market positioning, extended payback periods for R&D investments, and potential fluctuations in financial performance and cash position.</p>
<p>Risk Response / Reducing Actions in Strategic Decision Making:</p>	<p>In order to manage risks arising from increasing sustainability requirements shaped by tender and customer expectations, Karsan implements a range of strategic actions aimed at strengthening product environmental performance.</p> <p>As of 2025, Karsan has obtained four EPD certificates and aims to become the brand with the highest number of EPD certifications for electric vehicles in Türkiye, as well as to obtain the first EPD certification for an autonomous vehicle. These efforts enhance the comparability of products in terms of environmental performance in tender processes and support competitiveness based on sustainability criteria.</p> <p>In parallel, during 2025, R&D evaluation activities were carried out to enhance environmental sustainability and expand the use of recycled and bio-based materials. Within this scope, technical discussions were held with various companies, and feasibility studies were conducted on the use of bio-based materials derived from olive pomace (obtained through the pressing of olive pits) in interior trim components. These assessments aim to reduce the product carbon footprint by decreasing the use of petroleum-based plastics and to integrate a circular economy approach—supporting reuse and recovery of waste—into the business model. In this context, Karsan targets increasing the share of recycled or second-life materials in its products to 20% by 2030.</p>



Risk – 5

Impact: Likelihood: Time Horizon: Medium

Risk Type	Transition Risk
Risk Category	Market Risk
Risk Description	Risk of Failure to Transform the Supply Chain
Karsan-Specific Risk Disclosure	<p>Karsan's supply chain faces a structural transformation requirement driven by increasing traceability and environmental performance criteria in line with climate-related regulations and decarbonisation targets. Failure to achieve this transformation on the supplier side in a timely and adequate manner may pose risks to Karsan in terms of supply continuity, product compliance, and market access.</p> <p>Within the scope of climate-related regulations such as CBAM and the Battery Regulation, applications such as Environmental Product Declarations (EPDs) and digital traceability have become key elements requiring the monitoring and reporting of emission performance throughout the supply chain. This situation has elevated supplier transformation from a supplier-specific issue to a broader risk area that may affect Karsan's own business model within the context of its climate-related transition process.</p> <p>Insufficient carbon data infrastructure, reporting capabilities, and pace of transformation among suppliers are considered structural transition risks that may adversely affect Karsan's compliance with climate-related regulations, eligibility in tenders, and product competitiveness.</p>
Stage in the Value Chain Where the Risk Occurs:	Raw Material and Component Supply / Raw Material and Component Logistics / Production
Impact of Risk on Business Model and Value Chain:	<p>The climate-related sustainability performance of the supply chain (particularly carbon footprint, accuracy of emission data, and traceability) has become a key determinant of Karsan's product compliance with regulations, eligibility in tenders, and market preference. Therefore, failure to achieve supplier transformation at an adequate pace may create operational, commercial, and strategic vulnerabilities across Karsan's value chain.</p> <p>Underperformance in these areas may limit Karsan's capacity to support its strategic objective of delivering low-carbon mobility solutions and may exert indirect pressure on the long-term competitiveness of its business model.</p>

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Current Financial Impact of the Risk:	As of 2025, activities related to supply chain transformation have not resulted in a measurable financial impact on the Company's financial position, financial performance, or cash flows.
Anticipated Financial Impact of the Risk:	<p>The financial impacts associated with the failure to achieve supply chain transformation cannot be reliably quantified at this stage, as the risk depends on multiple variables simultaneously. This limits the usefulness of quantitative estimates. Therefore, the financial impact of the risk has been assessed using a qualitative approach.</p> <p>In the medium term: A limited level of pressure on revenue and profitability is expected due to potential tender losses, alternative sourcing costs, and operational inefficiencies.</p> <p>In the long term: If supply chain transformation is delayed, it is anticipated that impacts on competitiveness and market access may increase.</p>
Risk Response / Reducing Actions in Strategic Decision Making:	<p>In order to manage CBAM-related risks, Karsan has structured supplier-based carbon data collection and verification processes and has started to obtain emission data declarations from relevant suppliers. As of 2025, CBAM emission declarations have been completed, and as of 2026, carbon costs are expected to arise within the scope of spare parts activities.</p> <p>In this context, it is planned to expand awareness and training activities aimed at enhancing suppliers' capabilities in CBAM calculation and reporting. The Company aims to strengthen its data collection and reporting infrastructure through digital platforms and continues its preparations for process consolidation with the support of consultancy services. Considering the potential inclusion of electric and hydrogen vehicles within the scope in the coming periods, the impacts of CBAM-related risks on product and supply chain strategies are regularly monitored.</p>

Climate-Related Opportunity Disclosures

Opportunity-1

Impact: ██████████ Likelihood: ██████████ Time Horizon: Medium-Long

Opportunity Type	Market Opportunity
Opportunity Description	Low Carbon Vehicles
Karsan-Specific Opportunity Disclosure	<p>The global transition from internal combustion engine vehicles to zero-emission vehicles is accelerating; this transformation has gained momentum particularly in line with European Union regulations, public procurement requirements, and carbon-neutral targets in urban transportation. For example, the European Union plans to ban the sale of internal combustion engine vehicles by 2035.</p> <p>Karsan has embraced this transition as a strategic growth area and has introduced electric and hydrogen models such as e-JEST, e-ATAK, and e-ATA HYDROGEN to the market, achieving sales in more than 20 countries. In addition, it has strengthened its product development capabilities through technical projects such as range extension, battery efficiency, and vehicle life cycle (LCA) analyses. This transformation provides Karsan with opportunities to enter new markets, benefit from public incentives, and gain a competitive advantage in sustainability.</p>
Stage in the Value Chain Where the Opportunity Occurs	R&D and Prototyping Production Sales & Distribution
Impact of the Opportunity on Business Model and Value Chain	<p>Karsan's business model is evolving from a traditional manufacturer into an environmentally focused technology brand providing mobility solutions.</p> <p>With a focus on electrification, the product portfolio has diversified, and R&D-driven processes in areas such as battery, hydrogen, and range optimization have moved to the center of the value chain.</p>
Current Financial Impact of the Opportunity	In 2025, electric vehicle sales increased; electric and hydrogen vehicles maintained a high share in Karsan's total sales and export revenues, contributing positively to the Company's revenue structure.
Anticipated Financial Impact of the Opportunity	The increase in sales volume of zero-emission vehicles supports growth in net sales revenues, while a product portfolio aligned with European regulations facilitates access to public tenders, and incentive revenues contribute to stability in operating cash flows. In particular, the "clean vehicle" criterion in EU public bus procurements translates into a competitive advantage for Karsan. Detailed quantitative information regarding the financial impact of this opportunity is not disclosed due to commercial confidentiality considerations.
Opportunity Response / Management and Implementation in Strategic Decision Making	The electric model portfolio (e-JEST, e-ATAK, e-ATA HYDROGEN, etc.) has been expanded, with sales realized in more than 20 countries. In line with the strategy to expand into new markets, R&D investments have been increased, and hydrogen vehicle production has commenced. Within the scope of compliance with European regulations, projects focusing on range extension and battery efficiency are being carried out, and fleet electrification is being supported.

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Opportunity-2

Impact: Likelihood: Time Horizon: Short-Medium

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Opportunity Type	Energy Resources Opportunity
Opportunity Description	Renewable Energy Investment
Karsan-Specific Opportunity Disclosure	<p>Under the pressure created by increasing energy costs and carbon pricing mechanisms, renewable energy investments represent a significant opportunity area for Karsan in terms of both cost management and competitiveness. Supplying the electricity used in electric vehicle production from renewable sources ensures that operational costs become more predictable, while also enabling proactive compliance with climate-related regulations and customer expectations.</p> <p>As the use of 100% renewable energy in public tenders and among customer preferences in Europe becomes an increasingly decisive criterion, Karsan's investments in its own renewable energy generation provide a concrete competitive advantage in terms of compliance and market preference. In this context, renewable energy investments are evaluated not only as an environmental compliance element but also as a strategic opportunity that enhances the resilience of the business model and cost predictability.</p>
Stage in the Value Chain Where the Opportunity Occurs:	Production
Impact of the Opportunity on Business Model and Value Chain	Solar power plant (SPP) investments and the transition to renewable energy not only reduce carbon emissions but also make production processes more resilient. In line with customer expectations for green energy within the supply chain, Karsan can position its business model to meet these expectations.
Current Financial Impact of the Opportunity	As of 2025, Karsan has completed its rooftop Solar Energy System (SPP) investment with a capacity of 3,524 kWp; however, the system has not yet been commissioned. Therefore, no energy cost savings have been realized for 2025.
Anticipated Financial Impact of the Opportunity	Financial projections and scenario-based analyses indicate that the SPP investment will reduce energy costs in the medium term and contribute positively to Karsan's financial performance by ensuring predictability against energy price volatility. As of 2026, annual energy cost savings of approximately EUR 300,000 are expected. In addition to direct savings, the investment may support financial gains such as reducing operational expenses, ensuring stability against energy price fluctuations, and strengthening long-term cash flow management.
Opportunity Response / Management and Implementation in Strategic Decision Making	Within this scope, the rooftop solar power plant (SPP) investment with an installed capacity of 3,524 kWp has been completed, and the facility is planned to be commissioned in 2026. Accordingly, Karsan aims to meet 100% of the electricity used in vehicle production from its own renewable energy generation as of 2026. Currently, 100% renewable electricity usage is documented with I-REC certificates, and the ISO 50001 energy management system is actively implemented.

Opportunity-3

Impact: Likelihood: Time Horizon: Medium

Opportunity Type	Market Opportunity
Opportunity Description	New Financing Models / Grants
Karsan-Specific Opportunity Disclosure	Within the framework of the Green Deal, financial instruments and grants for sustainability-oriented investments in Europe and Türkiye have diversified, creating new funding opportunities for R&D, production, and transformation projects. In this context, Karsan aims to strengthen its investment transformation and balance equity utilization by leveraging access to these financing sources, which are expected to accelerate the transition to electric and hydrogen vehicles in the coming period.
Stage in the Value Chain Where the Opportunity Occurs:	R&D and Prototyping Production Product Logistics and Distribution
Impact of the Opportunity on Business Model and Value Chain	By closely monitoring green financing and incentive mechanisms, investment projects can be executed more effectively in terms of both timing and cost. In addition, externally funded grants and support mechanisms create funding diversity within the business model. In this context, resources provided by international financial institutions also play a significant role. Within this framework, Karsan utilized a loan of EUR 35 million from IFC. This loan has been evaluated to support the financing of electric vehicle production and has enabled the spreading of short-term debt over longer maturities. As a result, the financing structure has been strengthened, supporting sustainable and long-term investment strategies.
Current Financial Impact of the Opportunity	In 2025, Karsan carried out two main incentive projects within the scope of sustainability and R&D-focused initiatives under TÜBİTAK 1707 and 1071 programs. Within this scope, the total project budget for 2025-2026 is TRY 1,793,797, of which TRY 1,253,586 has been covered by Karsan, while TRY 825,861 has been financed by TÜBİTAK under repayable support. In addition, in 2025, Karsan received a grant of TRY 13.2 million from the World Bank and an interest support grant of TRY 18.5 million through Eximbank. These resources have been utilized in operational activities. These supports contributed to increasing the share of external financing in funding R&D and transformation-related expenditures, reducing financial pressure on working capital and supporting the continuation of investment and R&D cycles.
Anticipated Financial Impact of the Opportunity	Green financing, grants, and incentive mechanisms enable investments to be supported through alternative funding sources instead of equity, reducing financial pressure and increasing cash flow predictability. In 2025, supports provided by TÜBİTAK, as well as resources from the World Bank and Eximbank, contributed to the execution of R&D and transformation investments through external financing. As future support amounts may vary on a project basis, short- and medium-term impacts cannot be quantified precisely. However, this opportunity is considered financially significant due to its potential to enhance financing flexibility.
Opportunity Response / Management and Implementation in Strategic Decision Making	Applications to national and international funding sources such as TÜBİTAK and Horizon Europe within the scope of the European Green Deal and Türkiye are carried out systematically. Karsan has established an expert structure to develop sustainability-focused projects and access external financing sources. In this context, participation in the Artificial Intelligence Supported Smart Manufacturing System (AGASSI) project has been achieved. The project is implemented through a mixed financing model consisting of equity and TÜBİTAK/EUREKA supports.

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General Assessment of Climate-Related Risks and Opportunities

As a result of the assessments conducted regarding climate-related risks and opportunities, it has been identified that the areas where climate-related risks are most concentrated within Karsan's value chain are raw material and component sourcing (CBAM and supply chain transformation), production processes (water stress and energy use), and sales and tender processes (product regulations and sustainability criteria).

When evaluating the combined impact of climate-related risks and opportunities, it is anticipated that, under a scenario where CBAM-related carbon costs, supply chain transformation requirements, and investments required for compliance with product regulations are considered together, pressure may arise on Karsan's operational cost structure in the medium term. However, the expansion of the low-carbon product portfolio and investments in renewable energy are expected to partially offset this pressure.

SCENARIO ANALYSIS AND CLIMATE RESILIENCE

Scenario Analysis Approach

In order to assess the potential impacts of climate change on its operations, business model, and long-term strategies, Karsan conducted a climate scenario analysis covering climate-related risks and opportunities identified during the 2024 reporting period. This analysis constitutes a preliminary study based on qualitative assessments aimed at

understanding the current situation, addressing both transition and physical risks in an integrated manner. Evaluations within the scope of climate resilience in relation to scenario analyses cover the year 2025.

Within the scope of the study, key scenarios developed by the International Energy Agency (IEA), representing different decarbonisation pathways (NZE and STEPS), were taken as references, and the Company's positioning in the energy transition, production infrastructure, supply chain, and adaptation capacity were assessed. Physical risks were analysed in relation to climate parameters such as water stress, heatwaves, and temperature increases, specific to facility locations, using global climate modelling tools (WRI Aqueduct, Climate Impact Explorer, World Bank Climate Change Knowledge Portal).

The scenario analysis process was not limited to a desk-based exercise; it was conducted through multi-stakeholder workshops with the participation of representatives from relevant business units. In these workshops, the exposure levels of different units to the scenarios, the resilience of the business model under various climate scenarios, investment decisions, and risk priorities were evaluated.

Although the analysis is primarily based on qualitative data, it is planned to develop quantitative modelling techniques and conduct scenario-based financial impact analyses in the upcoming period.

Physical Scenarios

Karsan's analysis of physical climate risks is based on assessing impacts both at the regional level and at the facility level. In this context, physical risks such as water stress, temperature increase, and

heatwaves that may arise from climate change have been analysed based on the global models and tools outlined below.

The analyses are based on the Representative Concentration Pathways (RCP) and Shared Socioeconomic Pathways (SSP) scenarios defined under the IPCC's Sixth Assessment Report (AR6). The SSP1-2.6 and RCP4.5 scenarios used in the analysis represent low-emission pathways aiming to limit global temperature increase within the 1.5°C–2°C range, while scenarios such as SSP5-8.5 and RCP8.5 model high-risk futures based on uncontrolled emission growth:

- **Aqueduct Water Risk Atlas (WRI):** Water stress projections for all production and administrative facilities for the years 2030 and 2050 have been assessed under both optimistic and pessimistic climate scenarios (RCP 4.5 and RCP 8.5).
- **Climate Impact Explorer:** Changes in average air temperature and the associated heat risk have been analysed for 2030 and 2050 under different RCP scenarios for the Organized Industrial Zone factory located in Bursa and the headquarters located in Istanbul.
- **World Bank Climate Change Knowledge Portal:** Heatwave risk categories (from very low to extreme risk) have been analysed for Bursa and Istanbul under SSP126, SSP245, SSP370, and SSP585 scenarios.
- **Analysis Time Horizons:** Projections have been included for near term (2020–2039), medium term (2040–2059), and long term (2060–2079).

The scenario analyses are based on multi-model averages combining different climate model outputs and enable the assessment of location-specific risk

profiles for each facility. The physical risk profile of Karsan's facilities is detailed below:

Water Stress

According to the Aqueduct analysis, Karsan's production facilities in Bursa Hasanağa and its offices in Istanbul are currently operating under high water stress (between 40%–80%). This condition is projected to persist at similar levels in both optimistic and pessimistic scenarios for 2030 and 2050. In particular, under the pessimistic 2050 scenario, "extremely high water stress" (>80%) is projected for the region where the Istanbul office is located. This finding is of critical importance in terms of long-term operational continuity and water management.

Temperature Increase and Heat Risk

According to assessments conducted via the Climate Impact Explorer, the average temperature increase in Bursa is projected to exceed 3.5°C by 2050 under the RCP8.5 scenario. This increase has direct implications for employee health, energy consumption, production efficiency, and process stability.

Heatwaves

Analyses based on data from the World Bank Climate Change Knowledge Portal indicate that facilities in Istanbul and Bursa may face increasing heatwave risk in the long term. Under intermediate scenarios such as SSP245 and SSP370, both provinces are projected to reach a "moderate risk" level after 2060. Under more adverse climate scenarios such as SSP5-8.5, facilities in Bursa are expected to shift into the "high risk" category after 2080.



These findings indicate that physical risks are not limited to events such as flooding or water scarcity, but that heat stress driven by rising temperatures must also be taken into consideration. On the other hand, Istanbul's relatively lower risk levels reflect the impact of geographical location and microclimatic differences.

Transition Scenarios

In the scenario analysis, two main transition scenarios developed by the International Energy Agency (IEA) were selected in line with the automotive and public transportation sectors in which Karsan operates, and were used to assess Karsan's strategic resilience to transition risks. The NZE and STEPS scenarios represent different transition pathways aligned with global climate commitments. The rationale for selecting these scenarios is that they enable a comparative assessment of the resilience of Karsan's business model under both aggressive regulatory environments and environments with limited policy intervention. Both scenarios present varying levels of pace, scope, and regulatory intensity in the transition to a low-carbon economy. The NZE scenario represents a rapid and high-impact transformation, while the STEPS scenario reflects a more gradual transition under limited policy implementation.

- 1. IEA Net Zero Emissions (NZE) by 2050:** This scenario is based on achieving global net-zero emissions by 2050 and foresees rapid and structural changes in the energy system. Its assumptions are as follows:
 - The phase-out of internal combustion engine vehicle sales by 2035 (Climate Policies)
 - Carbon prices reaching USD 90/ton by 2030 (Climate Policies)

- Rapid growth in electric vehicle (EV) sales, with battery production capacity exceeding 6.5 TWh by 2030 (Macroeconomic Trends / Technological Developments)
- A shift towards public transport, cycling, walking, and shared mobility instead of private car use in urban transportation (National/Regional Variables)
- Rapid expansion of publicly supported EV charging infrastructure, including users without access to private charging (Energy Use – Infrastructure)
- Implementation of regulatory and technological support mechanisms enabling the smart integration of EVs into the energy grid (Technological Developments / Energy Use)
- Promotion of low-emission material use in automotive supply chains and reduction of emission intensity in vehicle component design (Macroeconomic Trends / Technological Developments)

2. IEA Stated Policies Scenario (STEPS): This scenario assumes a gradual transition based on existing policies and commitments of countries. It primarily considers the 2020–2050 period, projecting a transition in which policy interventions remain limited, particularly in the short and medium term (2020–2035), and where transformation progresses in a slower and more controlled manner. Its assumptions are as follows:

- Carbon pricing remains limited and is implemented only in certain regions (Climate Policies)
- Slower transition to EVs, with continued demand for internal combustion engine vehicles over an extended period (Macroeconomic Trends / Technological Developments)

- Gradual and controlled reduction in fossil fuel consumption (Energy Use)
- Slower expansion of charging infrastructure, with households lacking private charging access lagging behind in the transition (National/Regional Variables – Infrastructure)
- Renewable energy investments increase but do not progress at a pace aligned with net-zero targets (Climate Policies / Energy Use)
- Slower development in battery and critical mineral supply chains, with a more cautious investment environment (Macroeconomic Trends / Technological Developments)

Climate Resilience Assessment

Karsan's climate scenario analyses and climate resilience assessment incorporate certain areas of uncertainty, including the timing and scope of climate policies, carbon pricing levels, the pace of market transformation towards low-carbon technologies, the adaptation capacity of the supply chain, and the local severity and frequency of physical risks. Due to the inherent nature of scenario assumptions, these uncertainties may influence the timing and magnitude of outcomes. Accordingly, the assessment is not intended to produce definitive conclusions, but rather to serve as a decision-support tool to understand Karsan's strategic flexibility, areas of vulnerability, and adaptation capacity under different climate scenarios.

Karsan's Adaptation Capacity to Transition Scenarios

Karsan has established a strategically resilient structure against both scenarios. In order to adapt to the rapid transition envisaged under the NZE

scenario, Karsan has gradually increased the share of electric vehicles in its product portfolio over the past five years; as of 2025, electric vehicles account for approximately 71% of total revenue. This ratio reaches up to 96% for Karsan-branded vehicles, and the Company aims to further increase the share of electric products in the coming period. This structure ensures compliance with increasingly stringent regulations under the NZE scenario while also providing a cost advantage in environments where carbon costs increase. Under the STEPS scenario, this rapid transformation provides Karsan with a significant competitive advantage, strengthening its market position through products with lower emissions and higher environmental performance compared to its competitors.

Production Infrastructure: In line with new market requirements and the transition to low-carbon products, Karsan has established a flexible production infrastructure. Within the scope of vehicle adaptations for new markets, requirements related to production lines have been identified, prototype studies have been conducted, and operational preparations have been completed.

Through battery transition optimisation efforts in electric vehicles, existing production lines have been adapted to battery assembly and electric vehicle production, enabling both internal combustion engine vehicles and electric vehicles to be produced on the same line. This flexibility limits the risk of stranded assets in the NZE scenario, where demand for carbon-intensive products may decline rapidly, while in the STEPS scenario it enables efficient utilisation of production capacity by adapting to variations in market demand.



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Energy Supply and Carbon Cost Management: Karsan's positioning is advantageous under both scenarios. As of 2025, 100% of the electricity used is sourced from renewable energy through I-REC certificates, and with the commissioning of a 3,524 kWp solar power plant in 2026, energy needs will be met through renewable energy generation. In the NZE scenario, where carbon prices may reach USD 90/ton, these investments will serve as a critical lever to offset carbon costs. In the STEPS scenario, the return on investment and its contribution are more predictable and stable, as the transition progresses more gradually and the impacts on carbon costs remain relatively more manageable and associated risks are lower.

Supply Chain Management: Through life cycle analyses, Karsan has identified that a significant portion of environmental impacts originates from sources outside its direct operations and has collected greenhouse gas data directly from suppliers related to products within the scope of CBAM. Under the NZE scenario, the aim is to mitigate the financial burden arising from mechanisms such as CBAM, while under the STEPS scenario, this data management capability becomes a source of competitive advantage.

R&D and Innovation Investments: Karsan also approaches the transition from an opportunity perspective. As of 2025, R&D investments have been increased by 3% compared to the previous year, reaching TRY 406 million, with a focus on numerous projects ranging from battery management systems to second-life technologies. The e-ATA Hydrogen model developed in cooperation with Toyota represents a significant step towards hydrogen-based public transportation. Within this scope, 4 vehicles were produced in 2025. These technological investments

both support the maintenance of market leadership under the STEPS scenario and strengthen Karsan's capacity to comply with carbon regulations under the NZE scenario.

Karsan's Adaptation Capacity to Physical Risk Scenarios

Water-Stress Management

Karsan's production facility in Bursa Hasanağa and its offices in Istanbul are currently operating under high water stress. Climate projections for 2030 and 2050 indicate that this stress level will continue to increase. Therefore, water supply security is a key priority in Karsan's long-term strategic agenda.

A significant portion of the water used in production processes is sourced from groundwater wells, and a decline in these resources has been observed in recent years, particularly at the Akçalar production facility. In order to mitigate this risk, the facility is supported by first-quality water supplied from the Organized Industrial Zone (OIZ). At the same time, alternative supply and recovery strategies are being developed to address potential disruptions in water supply. Reverse osmosis technology, which is actively used across all production facilities, enhances water quality while reducing both consumption and chemical use. As of 2025, a project aimed at re-treating wastewater in cooperation with HOSAB and reusing it as process water is being evaluated at the feasibility stage.

Temperature Increase and Heatwaves:

Karsan's production facility in Bursa is exposed to a temperature increase risk exceeding 3.5°C by 2050 under the RCP8.5 scenario. This increase has direct implications for employee health, production

processes, energy consumption, and operational efficiency. Under current conditions, high temperature levels are observed in certain production areas (e.g. paint shop), making the need for climate control in production environments more critical. In this context, efforts are being undertaken to improve the efficiency of climate control systems, enhance natural ventilation capabilities, and implement area-specific cooling solutions. The shift-based working system helps to limit the impact of high temperatures on employees.

In line with scenario findings, existing Emergency Action Plans addressing disaster scenarios such as fire, earthquakes, heavy snowfall and similar events are being reassessed within the context of climate change-related physical risks. In this regard, Karsan has established procedures under its Emergency Response Instruction. It is planned to review and update this instruction to more comprehensively cover climate-related events such as heatwaves, extreme precipitation, and potential disruptions in water supply.

Association of Scenario Analyses with Risk and Opportunities

Risk / Opportunity Area	Risk / Opportunity Category	Associated Scenario
CBAM-Based Carbon Cost Increase	Transition Risk	Transition - NZE (increase in carbon prices by 2050)
Water Stress	Chronic Physical Risk	Physical - Aqueduct Water Risk Atlas (WRI) water stress scenarios Transition-STEPS (increase in water stress and extreme weather events)
Low-Carbon Vehicles	Product / Service Opportunity	Transition -NZE (Growth of the electric vehicle market and the spread of carbon-neutral technologies)
R&D and New Technologies	Product / Service Opportunity	Transition - NZE (innovative transport solutions after 2030 and the spread of electric and alternative fuel vehicles)
Renewable Energy	Resource / Productivity Opportunity	Transition - NZE & STEPS (increase in renewable energy investments)



CLIMATE STRATEGY AND DECISION-MAKING MECHANISM

Disclosures on Transition Plan

↗ Karsan's **Environmental and Climate Change Policy** aims to reduce environmental impacts across three main areas: the supply chain, company operations, and the product life cycle. Practices such as energy efficiency, waste reduction, and emission control have been widely implemented in production processes. At the product level, a strong innovation approach is pursued to develop low-carbon vehicles with reduced environmental impact through a life cycle perspective.

Building its short-, medium-, and long-term climate strategies on this foundation, Karsan plans to complete its preparation and feasibility processes by obtaining SBTi consultancy as of 2026. Although the Company has not yet published a comprehensive "climate transition plan," ongoing efforts in this direction are maintained as an integral part of its corporate strategy. In this journey, it is planned to accelerate climate-focused transformation across multiple areas, including workforce competencies, production infrastructure, supplier engagement, and product development priorities in the coming period.

Direct Mitigation Efforts

Management and Reduction of Operational Emissions: Karsan manages facility-based greenhouse gas emissions through a corporate monitoring approach while continuing modernization and process

improvement efforts within the ISO 50001 framework, with a focus on energy efficiency. Inputs used in production such as electricity, natural gas, and water are monitored through facility records; tracking of energy-intensive points and identification of improvement areas are carried out through this data infrastructure.

Renewable Energy Investments: In order to increase the use of renewable sources in electricity consumption, a rooftop solar power plant (SPP) project with an installed capacity of 3,524 kWp was commissioned as of the end of 2025. In addition, 100% of the electricity consumption of all operations in Bursa in 2025 was sourced from I-REC certified renewable energy. According to projections made within the scope of the SPP investment, approximately 18% of the current total electricity consumption is expected to be met through this investment. This corresponds to a production volume equivalent to 98% of the electricity consumption in the production processes of Karsan-branded vehicles. In this context, renewable energy investments aim to achieve a direct and measurable reduction in Scope 2 greenhouse gas emissions.

Indirect Mitigation Efforts

Low-Carbon and Climate-Resilient Products: Karsan continues its product development activities on electric and hydrogen vehicle platforms in order to scale zero/low-emission mobility solutions. Key focus areas in R&D include improvements in battery systems, increases in range and energy efficiency, and enhancements in range and operational continuity for hydrogen-based solutions. At the same time, in order to increase product resilience to different climate conditions, components suitable for higher and lower temperature ranges are

selected for subsystems; environmentally friendly refrigerants with low Global Warming Potential (GWP) are being adopted in climate control and cooling systems. In addition, alternative battery configurations are being developed to maintain performance under varying climate conditions, thereby strengthening the operational continuity of vehicles and their capacity to adapt to climate conditions.

These product and design choices contribute to indirect emission reductions beyond Karsan's direct operational emissions by reducing energy consumption and material-related environmental impacts throughout the vehicle use phase. In this context, R&D assessments were conducted in 2025 regarding the use of recycled and bio-based materials in vehicle components; it is aimed to reduce the carbon footprint throughout the product life cycle by decreasing the use of petroleum-based plastics. Studies on the technical and environmental suitability of these materials are ongoing.

Autonomous Vehicles: Karsan manages its transition to low-carbon mobility by integrating investments in electric and hydrogen vehicles with autonomous driving technologies. When combined with electric vehicles, autonomous systems contribute to optimizing energy consumption, reducing driving-related inefficiencies, and enabling more predictable operational processes, thereby playing a complementary role in enhancing resource efficiency. This approach strengthens Karsan's product portfolio while also supporting the long-term resilience of its business model.

Since 2021, uninterrupted driverless passenger transport operations in Stavanger, Norway have provided valuable "real-world" experience in system resilience, performance under different climate

conditions, passenger acceptance, and regulatory compliance. In 2025, R&D and innovation investments were directed towards autonomous driving technologies, AI-supported smart manufacturing approaches, and next-generation electric and hydrogen vehicle solutions; all R&D expenditures were allocated to areas supporting this transformation. As of the same year, Karsan operates more than 2,000 electric vehicles across 27 countries on three continents; with its Autonomous e-ATAK model, it has launched 9 projects in 7 countries over the past year, 5 of which have been put into active operation.

Supply Chain Capacity Building & Regulatory Readiness: Due to increasing requirements for supplier-based emission data and environmental compliance under regulations such as CBAM and battery regulations, Karsan implements practices that support data collection and capacity development on the supplier side. For CBAM, supplier-based data request processes are carried out for spare parts within scope; suppliers are required to sign declarations, establishing a framework of responsibility regarding the accuracy of disclosures.

In addition, awareness and training activities are planned to support suppliers' compliance with these new requirements, while developments in EU and Turkish legislation are communicated to internal stakeholders through regulatory monitoring (homologation) processes. On the battery side, close communication with suppliers is maintained, and the continuity of preparations on the supplier side for upcoming obligations such as digital product passport requirements is monitored. With respect to end-of-life battery management and second-life applications, it is assessed that a widespread and systematic solution

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infrastructure is needed across different countries, and collaboration opportunities in this area are being explored..

Strategic Progress and Implementation Status

In line with the strategic targets disclosed in previous reporting periods, Karsan has advanced its sustainability and climate-focused transformation in 2025 through concrete actions and measurable steps. Within the scope of plans to develop a low-carbon product portfolio, strengthen sustainability-driven R&D investments, and reduce operational emissions, R&D activities for electric and hydrogen vehicle technologies have continued, and two TÜBİTAK-supported R&D projects were actively carried out in 2025. To improve product-based environmental performance and increase transparency, progress has been made in life cycle assessments and environmental product declarations; following the LCA studies completed in 2024, EPD processes for four electric vehicles were completed in 2025, while work for other models has continued. On the production side, in line with previously announced renewable energy transition plans, the rooftop solar power plant investment has been completed, and commissioning preparations have continued under the target of meeting 100% of electricity consumption from renewable sources. In addition, through its sustainability-focused project portfolio, Karsan has increased its capacity to access national and international funds, grants, and financing mechanisms; a significant portion of investments focused on energy, digitalization, and R&D has been supported through external financing sources.

Capital Allocation, Financing & Business Model Transformation

Karsan evaluates climate-related transition risks and opportunities in an integrated manner and directs its capital allocation to accelerate the development of a low-carbon product portfolio and operational transformation. Through this approach, the Company aims both to invest in growth areas and to ensure that its assets and production capacity remain aligned with evolving demand dynamics.

R&D Capital Allocation for Product and Market Transformation

In 2025, R&D and innovation investments amounted to TRY 406 million, with the entire budget allocated to the development of electric, hydrogen, and autonomous vehicle solutions. Within this scope, priority was given to product development activities supporting battery system improvements, range and energy efficiency enhancements, operational continuity in hydrogen solutions, smart manufacturing (AI-supported), and regulatory compliance.

Of the total R&D expenditure, TRY 234 million was classified under activities aimed at improving environmental performance (e.g., energy efficiency, low-emission design, and sustainable material assessments).

Transformation of Existing Production Infrastructure and Flexible Capacity Management

To manage demand shifts accelerated by the climate transition, Karsan focuses not only on new asset investments but also on transforming its existing production lines. Through line transformation initiatives

carried out in 2025, the production infrastructure was adapted for electric vehicle manufacturing and battery assembly, while flexibility was increased to enable the production of vehicles with different powertrain systems on the same line.

This approach aims to limit the risk of “stranded assets” under changing product mix scenarios and to enhance investment efficiency.

Operational Reduction and Compliance-Oriented Environmental Investments

In 2025, total environmental investments amounted to TRY 88.8 million, of which TRY 76.3 million was CAPEX and TRY 12.5 million was OPEX. These investments were planned and implemented to improve emissions and resource efficiency in operations, ensure compliance with environmental requirements, and support production continuity.

Accordingly, capital allocation has been directed not only toward product transformation but also toward enhancing the resilience of facilities against climate risks and improving operational performance.

Investment in Renewable Energy and Transformation of Energy Supply Structure

In line with its objective to reduce exposure to energy costs and carbon costs arising from production activities, Karsan completed a rooftop solar power plant (SPP) investment with a capacity of 3,524 kWp (investment amount not disclosed due to commercial sensitivity).

This investment is positioned as a structural step contributing to a more predictable energy supply structure and the reduction of Scope 2 emissions.

Financing Sources and Impact on Liquidity

During the climate-aligned transformation process, grant and incentive mechanisms are utilized as complementary financing tools supporting capital allocation. In 2025, Karsan received a grant of TRY 13.2 million from the World Bank and an interest support grant of TRY 18.5 million through Eximbank, both of which were utilized in operational activities.

These supports are reported as contributing factors that strengthen liquidity in the short term and help limit the need for equity and debt financing.





RISK MANAGEMENT

Karsan's risk management framework provides an integrated structure that supports proactive decision-making and ensures business continuity. The Corporate Risk Management process is based on the systematic assessment, management, and continuous monitoring of risk exposures.

Risk management activities at Karsan are coordinated by the Corporate Risk Management and Internal Audit function, operating under the Legal and Internal Audit Directorate, which reports to the CEO. This structure is responsible for managing the end-to-end process, from risk identification to monitoring, in close collaboration with all departments. Across the organization, process owners identify, assess, and report risks within their respective operational contexts. Departments not only identify risks but also monitor them in line with defined risk responses and provide regular feedback to the Corporate Risk Management function. Identified risks are analyzed by the Corporate Risk Management function and reported to senior management.

The Early Detection of Risk Committee, operating under the Board of Directors, evaluates strategic, financial, operational, legal/compliance, and reputational risks within the Corporate Risk Management framework. Sustainability and climate-related risks are also addressed separately by sustainability teams, based on the Company's Corporate Risk Management methodology, and are managed within the common risk management framework by linking them to relevant risk categories.

Karsan's risk management approach aims to anticipate risks that may affect corporate strategies and objectives—primarily those of its shareholders—evaluate their impact and likelihood in line with the Company's risk appetite, and ensure that necessary actions are planned and monitored from both risk and crisis management perspectives.

Through the Early Detection of Risk Committee, reports are submitted to the Board of Directors six times a year, on a bi-monthly basis. Reporting on sustainability and climate-related risks is also brought to the agenda of the Early Detection of Risk Committee through the Corporate Risk Management and Internal Audit function and is reported to the Board of Directors once a year.

CORPORATE RISK MANAGEMENT PROCESS

Karsan conducts its risk management process in four main stages.

The risk identification process is supported by annual risk workshops and business unit-level interviews and is carried out taking into account current internal and external context analyses. Risks are reassessed based on direct field observations, internal audit findings, and regulatory changes.

During the risk analysis phase, specialist teams score the impact and likelihood of each risk, and the

“Corporate Risk Map” is updated accordingly. This evaluation considers the root causes, triggers, and potential consequences of risks, while interrelated risks are grouped and assessed from a systematic perspective.

Compared to the previous reporting period, no structural changes have been made to the corporate risk management methodology or to the scope of climate-related risks and opportunities. However, as of 2025, the assessment process has been strengthened in terms of operational participation, and risk ownership has been further reinforced within the relevant business units.

RISK CATEGORIES AND MATERIALITY APPROACH

↶ The risk assessment process is structured in accordance with the ISO 31000 framework and the Company's documented risk management procedure. Each identified risk is scored based on its “impact” and “likelihood,” and a “risk score” is calculated as the product of these two parameters. These scores are prioritised according to the matrix below. Climate-related risks and opportunities are also assessed using the same methodology. The management approach for these risks and opportunities is explained in detail in the section titled “Management Approach to Climate-Related Risks and Opportunities.”

Identification of Risks

- Identifying uncertainties related to company strategies and goals according to risk categories, and analyzing their root causes

Assessment of Risks

- Assessing the impacts and likelihoods of identified risks and root causes according to the risk matrix

Management of Risks

- Responding to risks as ‘accept, mitigate, avoid, or transfer’ based on the risk score from the assessment and aligned with the company's risk appetite
- Planning risk response activities

Monitoring and Reporting of Risks

- Monitoring of planned activities and reporting the risk inventory based on priority risks

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Risk Response Matrix



Risk Level	Description
Intolerable Risk (25 Points)	Work does not start, or current activity is halted until the identified risk has been reduced to an acceptable level. If it is not possible to reduce the risk despite the measures taken, the activity is prevented.
Significant Risk (15- 20 Points)	Work does not start, or current activity is halted until the identified risk has been reduced to an acceptable level. If the risk is related to the continuation of the work, urgent measures should be taken, and the decision should be taken to continue work as a result of these measures.
Moderate Risk (8- 12 Points)	Control activities should be initiated to reduce the identified risks. Responding to control methods for risk reduction can take time.
Tolerable Risk(3- 6)	Additional control processes may not be needed to eliminate identified risks. However, existing controls should be maintained and supervised.
Insignificant Risk (1-2)	There may be no need to plan control activities to eliminate the identified risk and to keep records of the activities to be carried out.

This structure makes it easier to make a systematic comparison of risks, prioritise action plans and manage monitoring cycles.

MONITORING, EVALUATION AND ASSURANCE MECHANISMS

At Karsan, the risk management process extends beyond identification and assessment, and is supported by ongoing monitoring, assurance, and reporting practices. The Risk Management Unit delivers training to risk owners across the organization throughout the year and, when needed, incorporates input from external experts to strengthen risk assessments.

Risks categorized as high and very high are continuously monitored until they are mitigated to acceptable levels, become obsolete, or materialize. These risks are periodically reassessed in line with Board-approved monitoring cycles, with action plans reviewed and updated accordingly.

Risks that are no longer relevant or have reached their target levels are removed from the risk portfolio, while lower-level risks continue to be tracked through routine monitoring mechanisms.

As part of this framework, the activities of the Early Detection of Risk Committee are also subject to independent audit review in accordance with the Turkish Commercial Code and Capital Markets Board regulations.



MANAGEMENT APPROACH TO CLIMATE-RELATED RISKS AND OPPORTUNITIES

For Karsan, the impact of climate-related risks has extended beyond operational processes and, with the acceleration of sectoral transformation and the tightening of regulations, has reached a level that directly affects the Company's financial structure, market position, and strategic plans.

In the analysis of climate-related risks and opportunities, a 5x5 "Impact-Likelihood Matrix" applied within the scope of the Enterprise Risk Management system is used. In determining the impact score, financial impact, operational disruption, reputation, and legal/compliance dimensions are taken into consideration, while the likelihood score is assessed based on the frequency of occurrence, duration of exposure, and level of controllability of the risk. In identifying climate-related opportunities, regulatory trends, technological developments, and stakeholder expectations are taken into account. The prioritization of identified opportunities is carried out based on financial contribution potential, feasibility level, and strategic alignment criteria.

Karsan's climate-related risk and opportunity assessment processes are structured under the Corporate Risk Management Procedure, and the operational execution of these assessments is carried out by the ESG team and sustainability ambassadors. The Corporate Risk Management and Internal Audit function assumes a guiding and oversight role to ensure the application of the common risk methodology, consistency, and integration with the corporate risk

management system. As of 2025, sustainability ambassadors have been more actively involved in the operational-level assessment of climate-related risks and opportunities, strengthening risk ownership across relevant business units and enhancing the regular feedback mechanism.

Key inputs used in these processes include the Integrated Management System (ISO 14001 and ISO 50001), environmental and energy monitoring systems, internal audit findings, stakeholder feedback, regulatory requirements, and insights obtained from annual risk workshops. In addition, Karsan's CDP responses, TSRS requirements, European Union regulations (such as CBAM and the Battery Regulation), sectoral analyses, and supply chain compliance assessments are also used as data sources in this process.

All assessments related to climate risks and opportunities are carried out in an integrated manner within the general risk management methodology, including steps such as impact and likelihood scoring and the calculation of risk scores. In this context, climate-related risks are scored and monitored using the same methodology as other financial, operational, and compliance risks.

In addition, climate-related risks are addressed under a strategic risk perspective at Karsan and are evaluated in terms of their potential impacts on the Company's long-term business model, regulatory compliance, and financial resilience.

Currently, climate risks are assessed separately within a structure that is aligned with the corporate risk management methodology and ensures comparability and traceability. As their full integration into the

corporate risk inventory has not yet been completed, a directly comparable prioritisation process with other operational and financial risks is not applied. Efforts are ongoing to position climate-related risks alongside other financial, operational, and compliance risks within the same risk map and to integrate them into monitoring and reporting processes in a holistic manner.

In addition to the standard risk prioritisation approach based on risk scores, climate-related risks are also monitored at the management level considering their strategic importance. In 2025, studies were initiated to align the reporting structure of climate-related risks with the corporate risk management process. Within this scope, risk ownership structures and reporting responsibilities related to climate risks have been defined and aligned with the corporate risk management process. Accordingly, with the completion of the relevant system developments, full integration of climate risks into the existing corporate risk map is targeted.

- ▮ Detailed assessments of the impacts of climate-related risks and opportunities on the business model, strategic priorities, and long-term objectives are provided in the "Strategy" section of the TSRS report.
- ▮ To better manage climate-related uncertainties, Karsan integrates scenario analyses into its risk assessment processes to assess different impact levels for both physical and transition risks. The scenarios used are based on the IPCC AR6 RCP and SSP scenarios, as well as the International Energy Agency's (IEA) NZE and STEPS transition scenarios.

Within this framework, both the physical impacts of climate change and regulatory risks related to the transition to a low-carbon economy are evaluated. Using the same set of scenarios, climate-related opportunity areas such as product and service development, R&D and new technologies, renewable energy investments, and resource efficiency are also analyzed and linked to the relevant scenarios. Further details of these analyses are provided in the "Strategy" section of the TSRS report.

INTERNAL AUDIT PROCESSES

Internal audit activities at Karsan are structured to support the corporate risk management process. The annual internal audit plan approved by the Audit Committee is prepared based on priority risk areas; nonconformities are detected through process-based examinations and corrective-preventive recommendations are developed. In addition, risk-oriented Internal Audit planning is carried out on the priority issues determined in relation to the company's risk management activities with the goal of providing an effective internal control system configuration with the action plans created as a result of the Internal Audit activities. Violations, notifications and complaints regarding the activities of the company are also evaluated and examined by the Corporate Risk Management and Internal Audit Unit in cooperation with the respective units and are reported and concluded together with the recommendations for ensuring the effective control of the activities. The Audit Committee periodically monitors all internal control and internal audit activities and reviews and approves the annual audit plans.

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Karsan supports its emission management and mitigation strategies in the fight against climate change with measurable indicators. This section presents Karsan's key metrics for greenhouse gas emissions, emission calculation approaches, internal carbon pricing practices, and medium- and long-term mitigation targets.

CLIMATE-RELATED METRICS

Data Scope and Consolidation

In greenhouse gas (GHG) emissions calculations, the operational control approach is applied in line with the GHG Protocol Corporate Standard (2004). Within this scope, emissions from facilities and activities under Karsan's operational control are fully included in the inventory.

As of the 2024 and 2025 reporting periods, GHG emissions calculations are based on directly measurable and verifiable activity data from three production facilities in Bursa and the headquarters location in Istanbul. For consolidated subsidiaries and affiliates, where direct measurement data is not available, an employee-based allocation methodology is applied. Within this scope:

- Total GHG emissions of the Bursa and Istanbul locations are divided by the total number of employees at these locations to calculate emissions per employee.
- The calculated emission factor per employee is multiplied by the number of employees in the relevant consolidated subsidiaries and affiliates to allocate emissions.

This method is preferred to ensure that emissions from subsidiaries and affiliates with relatively small operational scale and limited data availability are systematically and consistently included in the consolidated figures. The use of an employee-based allocation methodology for emissions calculations of consolidated subsidiaries and affiliates has been maintained in the 2025 reporting period, consistent with the 2024 reporting period. No changes have been made to this methodology between reporting periods.

Emission Calculation Methodology

The calculations for each emission source were carried out based on the respective activity data and the results were reported in tonnes of CO₂ equivalent (tCO₂e). The emission factors and global warming potential (GWP) coefficients used in the calculation

of emissions were obtained from internationally valid sources depending on the type of emission source. The inputs and assumptions used (e.g., lower calorific values of fuels, average consumption coefficients and emission factors) were preferred because they are based on internationally accepted sources, verifiable, up-to-date and compatible with the sectoral context. The same methodology was consistently applied in previous reporting periods, and its validity has been confirmed in independent

third-party verifications. This is why the same approach was maintained in order to maintain the methodological continuity. Emission factors are taken from the following sources:

- IPCC 2006 Guidelines for National Greenhouse Gas Inventories
- DEFRA Emission Factors
- IEA (2021) Emission Factors



Greenhouse Gas Emissions as of the 2024 Reporting Period:

	Scope 1	Scope 2 (Location-Based)	Scope 2 (Market-Based)	Total GHG Emissions (tCO ₂ e)
Karsan	8,108	12,760	4,845	20,868
Consolidated Subsidiaries	11	18	18	29
Affiliates	60	95	95	155
Total	8,179	12,873	4,958	21,053

As of the reporting period, the companies included within the scope of financial consolidation are Karsan Europe, E-BUSKAR, and Karsan İç ve Dış Ticaret A.Ş. As E BUSKAR and Karsan İç ve Dış Ticaret A.Ş. had no employees during the reporting period, only Karsan Europe data has been included under consolidated subsidiaries in the relevant indicators. In addition, for Hervouet Corporate Industry SAS (HCI), which is classified as an affiliate, Scope 1 and Scope 2 emission metrics are separately presented in the report to support reporting completeness. Karsan North America LLC has not been included in the emission calculations, as it is not within the scope of operational control or financial consolidation as of the reporting period.

In 2025, Karsan used 100% renewable energy sources across its three locations in Bursa, certified with IREC certificates. Based on this, market-based Scope 2 emissions for the Bursa locations were reported as "0."

Total greenhouse gas emissions amounted to 21,288 tonnes of CO₂e in the 2025 reporting period. Of these, 8,588 tonnes of CO₂e were Scope 1 emissions, while 12,700 tonnes of CO₂e were Scope 2 (location-based) emissions. Approximately 40% of total emissions originated from direct emissions (Scope 1), while 60% resulted from indirect energy-related emissions (Scope 2). Compared to 2024, total emissions increased by 1%. Scope 1 and Scope 2 emissions remained broadly in line with the previous year.

Greenhouse Gas Emissions as of the 2025 Reporting Period:

	Scope 1	Scope 2 (Location-Based)	Scope 2 (Market-Based)	Total GHG Emissions (tCO ₂ e)*
Karsan	8,489	12,553	186	22,081
Consolidated Subsidiaries	18	27	27	48
Affiliates	81	120	120	211
Total	8,588	12,700	333	21,288

*Total greenhouse gas emissions include Scope 2 (location-based) emissions.

Energy Consumption (GJ)*	2024	2025
Total	265,965	266,418

*As part of a methodological improvement in 2025, stationary and mobile fuel consumption has been included in the energy consumption calculation. To ensure comparability, 2024 data has also been restated in line with this scope.

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Water Efficiency Performance

Within the scope of our physical climate risk assessments, access to water resources and water stress have been identified as priority risk areas in terms of operational continuity. In this context, in addition to greenhouse gas emissions, indicators related to water withdrawal, discharge, and consumption are regularly monitored and integrated into our risk management processes.

Water use performance is monitored to manage physical risk factors such as resource availability, cost increases, and potential regulatory constraints, and the relevant data are presented below.

Water Withdrawal by Source	Unit	2024	2025
Mains water withdrawal	m ³	82,614	135,394
Groundwater withdrawal	m ³	268,212	138,460
Total water withdrawal	m ³	350,826	273,854

Water Discharge by Destination	Unit	2024	2025
Water discharged to third parties	m ³	195,390	173,387
Total water discharge	m ³	195,390	173,387

Water Consumption	Unit	2024	2025
Water consumption*	m ³	155,436	100,467

Water Consumption = Total Water Withdrawal - Total Water Discharge

Water Recycled / Reused	Unit	2024	2025
Water recycled / reused	m ³	0	0

Water Intensity Indicators	Unit	2024	2025
Water consumption per vehicle produced	m ³ /vehicle	3.4	1.9
Water withdrawal per vehicle produced	m ³ /vehicle	7.7	5.3



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Internal Carbon Pricing

Within the scope of our internal carbon pricing system, a shadow price of EUR 72 per tonne of CO₂ was applied in 2025 to integrate carbon emissions arising from our production processes into decision-making processes. Internal carbon costs are incorporated into investment evaluation processes by being considered in the financial feasibility analyses of energy efficiency and emission reduction projects. In 2025, various projects were implemented to improve energy efficiency and reduce carbon emissions. Within this scope, the use of renewable energy was increased through solar power plant (SPP) applications, while electricity and natural gas consumption were optimised through waste heat recovery, boiler return water heating systems, and heat pump projects. In addition, energy consumption from lighting was reduced through LED conversion projects. The implemented projects were evaluated within the framework of the internal carbon pricing model, and their emission reduction impacts were monitored together with financial analyses.

Vulnerability and Compliance Assessment

As a result of the current assessments made in relation to climate-related transition risks and physical risks, no vulnerability has been detected in the company assets. However, analyses on this subject are planned to be developed with more comprehensive studies in the coming periods

Karsan positions transformation opportunities in the field of low-carbon transportation among its main strategic priorities. As of 2025, electric vehicles account for approximately 71% of total revenue, while this ratio reaches 96% for Karsan-branded vehicles. These figures indicate that the Company's operations and revenue structure are largely based on a product portfolio aligned with climate-related opportunities.

RELEVANT CLIMATE-RELATED TARGETS

The climate targets set by Karsan cover all operational activities in line with the company's sustainability strategy. Targets holistically address areas such as production processes, energy use, supply chain management and product life cycle and impact all of Karsan's activities, including both the direct and indirect management of greenhouse gas emissions. The established climate objectives and the methodology for these objectives have not yet been validated by a third party. However, greenhouse gas emission data has been verified and reported by an independent third-party organization every year since 2023.

Karsan's climate-related goals are shaped in line with both international climate policies and sectoral transformation dynamics. Short, medium and long-term emission reduction targets have been determined in line with the 1.5 °C temperature increase limit set in the Paris Agreement and Türkiye's 2053 net zero emission target. When setting the targets, the

decarbonisation trends of the automotive sector, the regulations within the scope of the European Green Deal, customer expectations and investor demands were also taken into account.

Karsan, which adopts an integrated approach to its short-, medium-, and long-term climate strategies, plans to complete its preparation and feasibility processes by obtaining SBTi consultancy as of 2026, with the aim of aligning its target architecture with international methodologies. Within this process, it is aimed to assess the alignment of current targets with a science-based approach, structure interim (milestone) targets, and clarify scope-based emission reduction pathways. In this context, the current target set has been established in line with the transition expectations of the sector, and it is expected that its methodological depth and interim monitoring structure will be strengthened through the SBTi process. Climate targets cover all subsidiaries within the scope of financial consolidation and are determined based on the operational control approach.

Climate-Related Target Table

Target	Scope	Term	Base Year	Target Type	Target Performance	Target Status
Achieving net zero gross Scope 1 and Scope 2 greenhouse gas emissions (2030)	Scope 1-2	Medium	2024	Absolute Reduction	Total Scope 1 Emissions: 8,588 tCO ₂ e Total Scope 2 Emissions: 12,700 tCO ₂ e Total Scope 1 and Scope 2 emissions increased by 1% compared to 2024.	2024 reporting period target
Achieving net zero across all emissions (gross Scope 1, 2, 3) (2050)	Scope 1-2-3	Long	2024	Absolute Reduction	SBTi process will start in 2026.	2024 reporting period target
Increasing the recycling/secondary life rate in products to 20% (2030)	Scope 3	Medium	2024	-	In 2025, the EPD process for 4 electric vehicles was completed and product-based environmental impact analyses were deepened. Data infrastructure for systematic measurement of the current recycling rate is being developed.	2024 reporting period target
Meeting 100% of electricity used in Karsan-branded vehicle production from own renewable energy generation (2026)	Scope 2	Short-Medium	2025	-	A rooftop solar power plant with a capacity of 3,524 kWp was completed in 2025. It is planned to be commissioned in 2026, with the aim of supplying electricity consumption from renewable sources.	New Target (2025)
Assessing 50% of critical suppliers and 30% of all suppliers through ESG evaluation (2035)	Scope 3 (Supply Chain Risk)	Long	2025	-	Risk-based mapping studies for critical suppliers were initiated in 2025.	New Target (2025)
Recycling 20% of wastewater (2030)	Physical Climate Risk	Medium	2025	-	As of 2025, a feasibility assessment is underway for a project to treat wastewater through HOSAB and reuse it as process water. No wastewater was recycled in 2025.	New Target (2025)

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Explanation on Targets Reassessed in 2025

Within the scope of the sustainability strategy review and target architecture update conducted in 2025, certain targets disclosed in the 2024 reporting period were reassessed. This reassessment was carried out based on criteria such as measurability, data maturity, governance capacity, operational control boundaries, and the ability of targets to be supported by interim performance indicators.

Particularly for absolute emission reduction commitments related to the supply chain, factors such as the geographical and sectoral diversity of suppliers, differences in scale, and emission reduction processes outside the scope of direct operational control were taken into account. In this context, it was assessed that long-term absolute targets not supported by interim indicators may create limitations in terms of implementation and monitoring under the current data infrastructure and monitoring mechanisms.

Accordingly, these targets have not been abandoned; rather, they have been repositioned within a more feasible and monitorable framework. As of 2025, the priority in supply chain management has been defined as increasing the share of primary emissions data collection, expanding the scope of ESG assessments, structuring phased transition programmes for critical suppliers, and addressing Scope 3 emissions in a holistic manner within the net zero (2050) roadmap.

This update does not represent a weakening of emission reduction ambition; instead, it reflects the restructuring of targets in line with the principles of

measurability, transparency, and feasibility. The target set will be reassessed within the scope of the SBTi methodological alignment process planned for 2026, and interim milestones will be clarified accordingly. Within the SBTi process, it is planned to establish science-based emission reduction pathways for Scope 1, Scope 2, and material Scope 3 categories.

Determining Climate Targets

Karsan's climate-related targets are structured in an integrated manner with the Company's strategic planning cycle. In setting these targets, operational boundaries, the scope of financial consolidation, emission inventory results, sectoral transition scenarios, and regulatory trends are jointly considered.

To enhance institutional capacity for the development of target sets, a Sustainability Workshop was held in 2025 with the participation of senior management. During this workshop, decisions were taken to break down targets into sub-components, support them with performance indicators, and establish traceable roadmaps up to the target year. In particular, the target of reducing Scope 1 and Scope 2 emissions to zero by 2030 contributes to accelerating Karsan's policies on energy efficiency, renewable energy investments, and reducing fossil fuel use. The investment in a solar power plant (SPP), aimed at meeting 100% of the electricity used in Karsan-branded vehicle production from own renewable energy generation as of 2026, has also been structured as a key component of the target set. Within the product life cycle, the metric targeting a 20% share of recycled or secondary materials by 2030 sheds light on the current situation, which is

not yet systematically measurable, and serves as a guiding element for the integration of circular design principles into corporate strategies. On the supply chain side, the target of including a certain proportion of critical suppliers and the overall supplier portfolio in ESG assessment processes has been defined to enable data-driven monitoring of Scope 3 emissions and to structure supplier transformation in a phased manner.

In addition to emission and energy targets, targets related to wastewater recovery and the assessment of alternative water sources have also been incorporated into the target architecture in response to water stress risks under physical climate risks. In this context, wastewater treatment and reuse projects are among the priority areas to improve resource efficiency in water-dependent production processes.

Climate targets are addressed in alignment with medium-term investment plans and budgeting processes, and investments related to energy and water efficiency are evaluated within the framework of relevant periodic investment assessment criteria.

Following and Monitoring Climate Targets

Responsibilities for the implementation and monitoring of Karsan's climate targets are assigned to the relevant sub-working groups and sustainability ambassadors established under the Sustainability Governance Structure. These groups serve as the main coordination units responsible for managing implementation processes and providing data for reporting. Senior executives leading the working groups are responsible for monitoring each target. Targets are monitored on

an annual basis. With the SBTi process, it is planned to expand the monitoring system through more detailed metrics supported by interim targets and to strengthen it with KPIs.

As of the reporting period, no carbon offsetting mechanism (e.g. carbon credit) towards the net-zero carbon emission target has been used. Karsan primarily relies on direct and absolute emission reduction in its emission reduction strategy. However, policy alternatives for the use of carbon credits can be considered in line with this strategy in the future.

Events After the Reporting Date

No events have occurred between the end of the reporting period and the approval date of this report that would materially affect our sustainability performance, risk and opportunity assessments, or the disclosed metrics and targets.

APPENDIX 1: SECTORAL METRICS

Based on the Guidelines for the Sector-Based Implementation of TSRS 2, sectoral indicators and certain activity metrics specific to Karsan's activities in the automotive sector are regularly monitored and reported.

Volume 63 – Automobiles

Subject	Metric	Category	Unit of Measurement	2025 Data	Code
Fuel Economy and Brifing Phase Emissions	Sales weighted average passenger fleet fuel economy by region	Quantitative	mpg, L/km, gCO ₂ /km, km/L	Refer to the table below for explanations related to this metric	TR-AU-410a.1
	Number of zero-emission vehicles (ZEV) sold	Quantitative	Number	417	TR-AU-410a.2

Activity Metric*	2024	2025
Number of commercial vehicles produced	45,764	51,569
Number of commercial vehicles sold	45,768	51,517

*Renault-branded vehicles are included

Average Passenger Fleet Fuel Economy of Vehicles Sold by Region	L/km	kwh/km
European Union		
Electric		e-JEST – 0.35 kwh/km e-ATAK – 0.59 kwh/km e-ATA 10 – 0.74 kwh/km e-ATA 12 – 0.78 kwh/km e-ATA 12 LE – 0.78 kwh/km e-ATA 18 – 1.2 kwh/km e-ATA 12 HYDROGEN – 8kg/100km
Non-EU		
Electric		e-JEST North America – 0.35 kWh/km e-JEST UK – 0.35 kWh/km e-JEST JAP – 0.35 kWh/km
Türkiye		
Internal Combustion	ATAK Diesel – 29 l/km	
Electric		e-JEST – 0.35 kwh/km e-ATAK – 0.59 kwh/km e-ATA 10 – 0.74 kwh/km e-ATA 12 – 0.78 kwh/km e-ATA 12 LE – 0.78 kwh/km e-ATA 18 – 1.2 kwh/km e-ATA 12 HYDROGEN – 8kg/100km



INDEPENDENT LIMITED ASSURANCE STATEMENT



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

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES SUSTAINABILITY INFORMATION IN ACCORDANCE WITH TURKISH SUSTAINABILITY REPORTING STANDARDS

To the General Assembly of Karsan Otomotiv Sanayii ve Ticaret A.Ş.

We have undertaken a limited assurance engagement on Karsan Otomotiv Sanayii ve Ticaret A.Ş. and its subsidiaries (collectively referred to as the "Group"), sustainability information for the year ended 31 December 2025 in accordance with Turkish Sustainability Reporting Standards 1 "General Requirements for Disclosure of Sustainability-related Financial Information" and Turkish Sustainability Reporting Standards 2 "Climate Related Disclosures" ("Sustainability Information").

Our assurance engagement does not extend to information in respect of earlier periods or other information linked to the Sustainability Information (including any images, audio files, document embedded in a website or embedded videos).

Our Limited Assurance Conclusion

Based on the procedures we have performed as described under the "Summary of the work we performed as the basis for our assurance conclusion" and the evidence we have obtained, nothing has come to our attention that causes us to believe that Group's Sustainability Information for the year ended 31 December 2025 is not prepared, in all material respects, in accordance with Turkish Sustainability Reporting Standards published in the Official Gazette dated 29 December 2023, and numbered 32414(M) and issued by Public Oversight Accounting and

www.pwc.com.tr

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kılıçlı Paşa Mah. Meclis-i Mebusan Cad. No: 8
Galataport İstanbul D Blok Beyoğlu/İstanbul
T: +90 (212) 326 6060 Mersis Numaramız: 0-1460-0224-0500015

Auditing Standards Authority (the "POA"). We do not express an assurance conclusion on information in respect of earlier periods.

Inherent Limitations in Preparing the Sustainability Information

As discussed in "Metrics and Targets" on pages 32 to 37 the Sustainability Information is subject to inherent uncertainty because of incomplete scientific and economic knowledge. Greenhouse gas emission quantification is subject to inherent uncertainty because of incomplete scientific knowledge. Additionally, the Sustainability Information includes information based on climate-related scenarios that is subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing or effect of possible future physical and transitional climate-related impacts.

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

Management of Group is responsible for:

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

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

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Practitioner's Responsibilities for the Limited Assurance on Sustainability Information

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the Directors of Group.
- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of the Group's internal control.
- Design and perform procedures responsive to where material misstatements are likely to arise in the sustainability information. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

As we are engaged to form an independent conclusion on the Sustainability Information as prepared by management, we are not permitted to be involved in the preparation of the Sustainability Information as doing so may compromise our independence.

Professional Standards Applied

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

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") issued by the POA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our work was carried out by an independent and multidisciplinary team including assurance practitioners, sustainability and risk experts. We used the work of experts, in particular, to assist with determining the reasonableness of Group's information and assumptions related to climate and sustainability risks and opportunities. We remain solely responsible for our assurance conclusion.

Summary of the Work we Performed as the Basis for our Assurance Conclusion

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

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

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

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

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Özgür Beşikcioğlu, SMMM
Independent Auditor

Istanbul, 16 March 2026



COMMUNICATION

Head Office

Hasanağa Organize Sanayi Bölgesi Sanayi Cad. No: 53, 16280 Nilüfer/Bursa
Tel: (224) 484 21 70 (25 hat) - 224 280 30 00
Fax: (224) 484 21 69

Istanbul Office

Ordu Cad. Emek Mah. No: 10, 34785 Sarıgazi/Sancaktepe/İstanbul
Tel: (216) 499 65 50
Fax: (216) 499 65 53

Organized Industrial Zone - Factory 1

Organize Sanayi Bölgesi Mavi Cad. No: 13, 16159 Nilüfer/Bursa
Tel: (224) 243 33 10
Fax: (224) 243 74 50

Organized Industrial Zone - Factory 2

Hasanağa Organize Sanayi Bölgesi Sanayi Cad. No: 40, 16280 Nilüfer/Bursa
Tel: (224) 484 21 70 97

www.karsan.com

Legal Disclaimer

The Board of Directors' Report, Auditor's Report, Consolidated Financial Statements, and Independent Audit Report regarding the Company's activities and accounts for 2025, as included in the 2025 Karsan Integrated Annual Report, have been prepared in accordance with the applicable legislation. This Report has been prepared for the purpose of informing shareholders and does not constitute a basis for any investment decision.

Forward-looking statements and projected figures included in the Report reflect the views of the Company's management regarding future conditions; actual results may differ depending on the variables and assumptions underlying such forward-looking projections.

Accordingly, Karsan Otomotiv Sanayii ve Ticaret A.Ş., its Board of Directors members, advisors, or employees shall not be held liable for any loss or damage that may be incurred directly or indirectly by any person as a result of any information or communication provided within the scope of this Report or based on the information contained herein or otherwise.

Credits:

Reporting Consultant

ZOA Sustainability Consulting
www.zoaconsulting.co
info@zoaconsulting.co

Design Consultant

www.greeagency.com

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2025 TSRS COMPLIANT SUSTAINABILITY REPORT