

ZORLU ENERJİ ENTERPRISE RISK MANAGEMENT

Zorlu Enerji has adopted an integrated and centralized enterprise risk management system to identify risks that could pose a threat. This approach allows for a more comprehensive, effective, and cost-efficient way to identify, assess, and manage risks. In this process, a risk management system has been established in accordance with COSO's Internal Control Integrated Framework and ISO 31000 Risk Management Standards. In line with these steps, ISO 9001 and 14001 Management System procedures based on ISO 31000 have also been implemented. With this system, risks and opportunities are reviewed annually as part of daily operations. This management strategy facilitates the analysis, prioritization, and tracking of risks. Additionally, the Corporate Risk Management and Finance Departments calculate the financial impacts based on scenarios and share these results with the Sustainability Committee to integrate risks. The Committee analyzes all sustainability-related risks and presents the most critical ones to the senior management board to determine management strategies. At this point, the Board of Directors reassesses the risk levels and determines the necessary measures. The Board of Directors shares these decisions with the CEO, and the recommendations are implemented with the approval of the Board of Directors and the CEO.

To ensure effective evaluation and management, an Early Risk Detection Committee has been established within the Corporate Risk Management department. The Committee is responsible for implementing risk reduction strategies and managing risks. The Early Risk Detection Committee, consisting of 2 independent board members, meets at least 3 times a year, as deemed necessary and as specified in its working principles, to ensure the effectiveness of its activities. In 2023, the Early Risk Detection Committee met 6 times to accurately and timely identify risks that could harm business operations and submitted 6 risk reports to the Board of Directors. The reports of the Early Detection of Risk Committee are reviewed annually by an external auditor. Various factors are considered in the risk assessment process, including legal sanctions, probability, frequency, relevance, the number of affected businesses, time constraints, and impact intensity. Pre-established risk inventories are used in risk mapping. Economic, environmental, and social impacts are examined, and a SWOT analysis is performed in line with the inventory, thereby highlighting potential opportunities. Subsequently, the results of all these studies are presented to the Sustainability Committee.

The Zorlu Holding Corporate Risk Management Department continues its activities to ensure the early identification of risks that could endanger the existence, development, and continuation of

Zorlu Enerji Group companies, to implement the necessary measures related to identified risks, and to manage risks in a centralized structure.

Within this scope, the Zorlu Holding Risk Policy and Procedure and the Enterprise Risk Management Framework have been prepared to apply to all related companies operating under Zorlu Holding.

The Zorlu Holding Enterprise Risk Management framework consists of the following key elements:



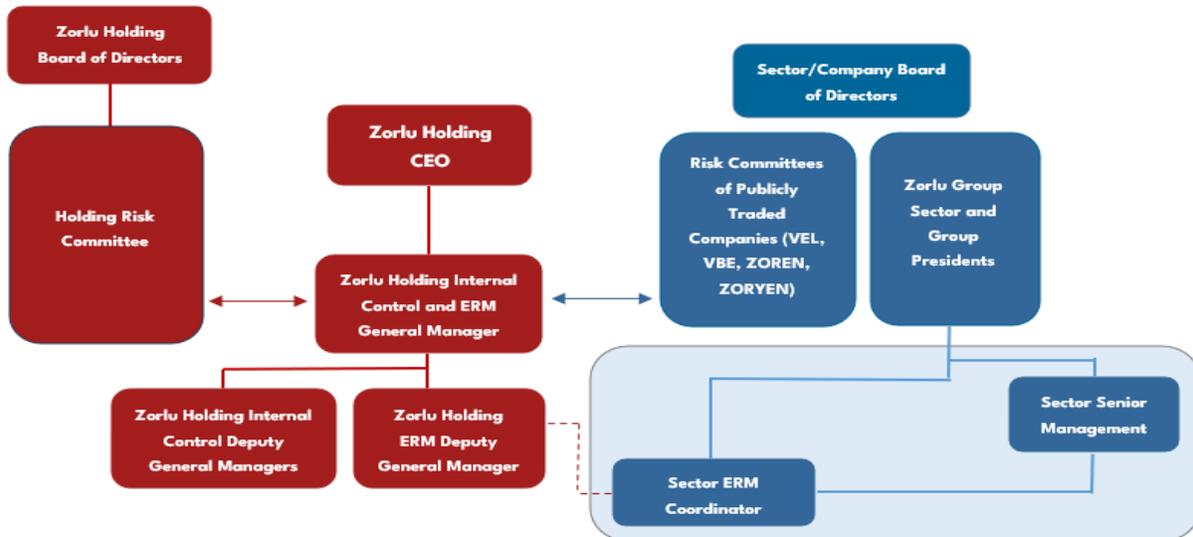
1. Enterprise Risk Management Model
2. Risk Assessment
3. Risk Management Strategies
4. Communication and Consultation
5. Monitoring and Review
6. Reporting

The Enterprise Risk Management (ERM) Department is established within the Holding and serves the entire Group centrally. ERM department is responsible for designing the risk management framework appropriately and guiding management for operating its effectively.

The Holding ERM Department reports to the Holding Internal Control and Enterprise Risk Management General Manager, who, in turn, reports to the Holding CEO. The department conducts its duties by communicating the outcomes of its work to the Holding CEO, the Risk Committees within the Holding and Group companies, the Sector Boards of Directors, and the relevant management teams of the Holding and Group companies.

The Enterprise Risk Management Department has the authority to access all the records, personnel, assets, and operations it needs within the framework of confidentiality while conducting its activities. The outputs from Enterprise Risk Management activities within the Group are reported to various levels, taking into account their significance and associated risk levels.

The organizational chart below illustrates the relationships between the Sector/Company and Holding managerial functions and the "Internal Control and Enterprise Risk Management Department."



While the ultimate responsibility for managing enterprise risks lies with the company's senior management and function managers for their respective areas, the enterprise risk management processes are conducted under the guidance and coordination of the Sector ERM Coordinators and the Holding ERM Deputy General Manager.

Enterprise risk management department operates in accordance with the principles and guidelines of international standards (IIA, COSO ERM Framework). It maintains continuous communication with first-line process and risk-bearing functions, providing guidance and coordination. Additionally, it collaborates closely with the Internal Control Department, also a second-line function, sharing information about the current and desired internal control designs concerning risks and the maturity levels of related processes. All the details are provided in the attached documents. (**Zorlu Holding ERM Policy** and **Zorlu Holding ERM Procedure**)

Internal Control

The internal control framework is designed to assist managers, Boards of Directors, relevant Committees, and stakeholders within the Zorlu Group in establishing, evaluating and enhancing internal control systems. The framework involves general principles oriented towards objectives, which Zorlu Group stakeholders can use as a reference while making judgement regarding the internal control system. While establishing the framework, "COSO Internal Control - Integrated Framework", the most used internal control framework in international standards, was drawn upon, appropriate arrangements were made for Zorlu Group.

The **Zorlu Group Internal Control Framework** is a reference policy document containing general principles to be followed while establishing internal controls at the enterprise (entity-level), business processes (process-level), and information technology (IT general controls) levels. The main objective of the internal control framework is to assist the employees of Zorlu Group companies to assess their risks on a process basis and to improve their internal control systems and activities. The framework sets out the principles of internal control necessary to provide reasonable assurance regarding the successful achievement of objectives in critical strategic, operations, financial & reporting and compliance areas.

Within this framework, the internal control department undertakes internal control assessments and enhancement projects across all Group companies and their core processes. These efforts are closely shared with the Enterprise Risk Management (ERM) function, ensuring that risk management principles are integrated and aligned. The collaboration between the internal control and ERM teams strengthens the overall risk mitigation strategies and enhances the effectiveness of internal controls.

Corporate Risk Management Educations

Zorlu Holding places importance on integrating corporate risk management (CRM) into its strategic management decisions and daily operations across the group's companies. This approach ensures that threats and opportunities are assessed in alignment with strategic goals and values at every level of decision-making. Employees are encouraged to adopt a perspective that considers risks, threats, and opportunities, aiming to contribute to sustainable growth.

All employees within Zorlu Group are responsible for early identification, measurement, and effective management of risks related to their activities, processes, and systems, in accordance with the group's risk principles. They are encouraged to address questions and share opinions regarding CRM with their respective managers or, when necessary, with colleagues responsible for sector-specific CRM activities or the Corporate Risk Management Department at Zorlu Holding. In this context, Corporate Risk Management training is provided to both employees and certain Board of Directors members.

Emerging Risks

Here are examples of emerging risks identified by Zorlu Energy. For detailed information on all risks, please refer to page 76 of the 2023 Integrated Annual Report.

Emerging Risk 1: Cyber Risk

Category: Strategic Risks

Description:

It refers to the risks associated with security vulnerabilities, threats, and dangers related to information technologies and digital systems. These risks can arise from various factors that have the potential to harm an organization's information assets, systems, and data integrity.

Impact:

Cyber risks can affect companies' operations, reputation, and financial situation in various ways:

- Financial Losses
- Reputation Damage
- Operational Disruptions
- Data Loss and Theft
- Legal and Regulatory Consequences
- High Security Costs
- Loss of Competitive Advantage

Mitigating actions:

Zorlu Enerji has high standards for policies and practices regarding the protection of customer data and cybersecurity. Our company holds the ISO 27001 Information Security Management System certification to protect the privacy and integrity of our customers and the general public. This certification demonstrates that Zorlu Enerji implements the necessary policies and security measures to protect against cyberattacks, unauthorized access, and data breaches.

Recognizing that cybersecurity threats are dynamic and continuously evolving, our company invests in comprehensive security initiatives to safeguard our systems, applications, and information repositories. These efforts include technology, processes, resources, training, disaster recovery plans, and ongoing testing and evaluation against best practices. The ISO 27001

certification documents that our company follows a continuous process for identifying, assessing, and mitigating risks within our information security management system, thereby providing protection against cyberattacks. (IAR, page 182)

- A network segmentation project was implemented to enhance the cybersecurity of the plant. (IAR, page 177)

Emerging Risk 2: Global Warming and Climate Change Risk

Category: Climate Related Risks

Description:

Climate-Related Risks are defined as the impacts of climate change and climate-related events (such as extreme weather conditions, temperature increases, and rising sea levels) on an organization's operations, assets, or business model. These risks can be divided into two main categories:

1. **Physical Risks:** Direct effects of climate change, such as natural disasters, floods, and droughts.
2. **Transition Risks:** Risks arising from changes in policies, technologies, and markets related to climate change; for example, carbon regulations or the transition to renewable energy.

These risks can affect businesses' financial performance, reputation, and long-term sustainability.

Impact:

Climate related risks can affect companies' operations, reputation, and financial situation in various ways:

- Financial Impacts
- Regulatory and Policy Changes
- Market Changes
- Operational Disruptions
- Reputation Management
- Investment and Financing Challenges
- Physical Infrastructure Impacts

These impacts may require energy companies to reassess their strategies and business models.

Mitigating actions:

A risk assessment has been conducted regarding climate change and water scarcity, examining both acute and long-term climate-related risks as addressed in TCFD reporting. The effects of these risks have been analyzed in detail, particularly in renewable energy plants that are dependent on water resources. Issues such as the inefficient operation of these energy sources, potential conflicts with local communities, and water sharing have also been included in the assessment process. Detailed information can be found on [Zorlu Enerji's TCFD Report](#), pages 16-26.