

CLIMATE RISK AND OPPORTUNITY IDENTIFICATION GUIDE

March 2026

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1. Purpose and Scope

Climate change refers to long-term shifts in temperatures and weather patterns that, beyond natural causes, have been driven since the 1800s by the burning of fossil fuels such as coal, oil, and gas. Increased greenhouse gas emissions from these activities are causing rising temperatures and a surge in extreme weather events. Following the 2015 Paris Agreement, which set the goal of holding the increase in the global average temperature to well below 2°C above pre-industrial levels—and preferably limiting it to 1.5°C—legal regulations aimed at restricting emissions and mitigating climate impacts have begun to reshape the policies and operations of countries and the business world, particularly in the EU.

In this context, countries and the business world have integrated physical and transition risks into their risk management, and these risks have gained critical importance for sustainable governance.

Adaptation to climate change is possible by anticipating loss and damage and taking timely action. Long-term resilience can only be achieved by assessing climate risks, analyzing their impacts, and implementing strategic actions designed to mitigate those effects.

Through its specialized climate change risk and opportunity analysis methodology, CGE Evaluation assesses the magnitude of impacts on people, assets, settlements, (critical) infrastructure, value chains, and ecosystems, contributing to the identification of appropriate solutions. By linking these findings with corporate risk management processes and relevant committees, it ensures their integration into strategic decision-making. The methodology facilitates its integration into strategic decision-making processes by aligning it with enterprise risk management processes and relevant committees.



2. Climate Risk and Opportunity Assessment Methodology

For the CGE Climate Risk and Opportunity Assessment Model to function effectively, it is critical to evaluate whether organizations have integrated sustainability practices—specifically climate targets and risks—into their corporate strategies as a core component of their governance. In this context, the following elements are analyzed:

- **Corporate Vision, Mission, and Values:** The alignment of core principles with climate objectives.
- **Strategic Planning:** 3–5 year strategic plans, goals, objectives, and Key Performance Indicators (KPIs).
- **Strategic Integration:** The extent to which sustainability and climate targets are embedded within the corporate vision and strategy.
- **Scenario Analysis and Financial Linking:** Definition of risks and impacts based on short, medium, and long-term scenarios and specific locations; linking the impacts of climate risks to financial statements; and explaining gains from loss-mitigation action plans.
- **Policy Framework:** Presence of policies and procedures regarding sustainability, risk, compliance, and climate change.
- **Organizational Structure:** Integration of sustainability and climate-related duties into the roles and responsibilities of the Board of Directors, sub-committees, executive management, and employees.
- **Performance and Remuneration:** The degree to which sustainability and climate targets, risks, and indicators (KPIs, KRIs) are linked to performance appraisal systems and remuneration policies.
- **Audit and Control:** The responsibilities of internal audit and internal control functions regarding the audit of climate indicators and the reporting of implementation results.
- **Traceability:** System and application documents/data used to ensure traceability through integrated annual reports and/or sustainability reports, including historical trends and future targets.

Regarding Enterprise Risk Management (ERM):

To ensure a robust assessment, the following must be clearly defined:

- A structured and effectively implemented ERM organization (including the Board, committees, and operational management) with clear job descriptions.
- Internal control and internal audit responsibilities.
- ERM business processes, policies, and procedures.
- Risk Appetite definitions and risk parameters (impact and probability scales).
- Mechanisms for developing a corporate risk management policy and culture throughout the organization.
- Disclosures confirming that sustainability and climate risks are evaluated within the ERM framework.
- Defined processes for risk monitoring and reporting.

Furthermore, organizations are expected to provide documentary evidence (approved policies, job descriptions, risk inventories, critical risk assessments, committee evaluations, Board resolutions, etc.).

It is of critical importance that during the sustainability structuring phase, a risk management framework is established. The job descriptions of the Sustainability, ERM, Compliance, and Internal Audit committees (reporting to the Board) must include the monitoring of climate-related risks and reporting them to the Board. Coordination between these committees is essential, and this evidence will be a primary focus of the evaluation.

CGE Evaluation presents its methodology for identifying and managing climate-related risks and opportunities as follows:



The analysis of climate risks and opportunities is an integral part of organizations' existing risk management processes. Sustainability and climate risks are also risk and opportunity areas that must be addressed within the scope of corporate risk management. The monitoring of critical risks by both sustainability and risk management committees, along with their integration into the board of directors' decision-making processes, constitutes one of the most important aspects of corporate governance. In corporate risk management, the objective is to analyze the impact of identified risks on corporate strategies and the value chain, to prevent or mitigate risks by proactively taking necessary actions, and to seize opportunities.

The CGE Evaluation climate risk and opportunity assessment process is defined as follows:



Climate Risk and Opportunity Analysis Guide

1

Objective Setting

- **Definition:** Define the scope of the analysis. For which sector, project, or organization is it being conducted?
- **Objective:** To understand the opportunities and risks associated with climate change.

2

Data Collection

- **Internal data sources:** strategic plan, risk inventory, business continuity records, operational incident logs, energy–water–raw material consumption, production, sales, asset and location data.
- **External data sources:** climate projections, sectoral studies, legislative and policy developments, customer and financial institution expectations, insurance and supply chain data.

3

Identification of Climate Risks

- **Physical Risks (Acute):** Impacts of sudden events such as floods, storms, hail, wildfires, and extreme heat.
- **Physical Risks (Chronic):** Long-term impacts such as temperature increase, water stress, drought, and sea-level rise.
- **Transition Risks and Impact Areas:** Consequences of regulatory, carbon pricing, technology, market, and reputation-driven impacts across strategic, operational, financial, and compliance dimensions.

4

Identification of Opportunities

- **New Market Opportunities:** Development of climate-friendly products and services and access to new customer segments.
- **Efficiency Opportunities:** Cost savings and operational resilience through energy, water, and resource efficiency.
- **Financing and Adaptation Opportunities:** Renewable energy, adaptation investments, and sustainable financing opportunities.

5

Impact Assessment

- **Risk Assessment Matrices:** Creating a matrix by considering the likelihood and impact of each risk.
- **Opportunity Assessment:** Evaluating the potential impact of opportunities in terms of revenue growth, cost savings, investment requirements, and implementation lead time.

6

Strategy Development

- **Risk Management Strategies:** Identification of methods for risk mitigation.
- **Opportunity Utilization Plans:** Creating action plans that include responsibilities, timelines, and resources regarding how to capitalize on opportunities.

7

Monitoring and Evaluation

- **Performance Indicators:** Establishing indicators for the management of climate risks and the evaluation of opportunities.
- **Regular Review:** Regularly reviewing the analyses to ensure they remain up-to-date.

8

Communication and Reporting

- **Communication with Stakeholders:** Share the analysis findings and recommendations by communicating with relevant stakeholders.
- **Report Preparation:** Compile the analysis results and proposed strategies into a comprehensive report.

Conclusion: Climate risk and opportunity analysis enables organizations to take an important step toward a more sustainable future by enhancing their ability to cope with climate change. Ensuring the participation of relevant stakeholders at every stage will increase the effectiveness of the analysis process.

2.1. Analysis of Current Situation, Practices, and Trends

For the CGE Climate Risk and Opportunity Assessment Model to function effectively, organizations must conduct the following:

Through internal analysis:

- a) Understanding the organization's current strategies and goals, value chain, and value creation model,
- b) Analysis of the organization's corporate risk management, business continuity management, sustainability management, internal audit, and internal control functions, as well as job descriptions, related policies, procedures, and practices,
- c) Analysis of the organization's human resources management, policies and procedures, occupational safety policies and procedures, performance and remuneration model, training and competency development model, and practices,
- d) Analysis of the organization's supply chain management processes, policies, procedures, and practices,
- e) Analysis of the organization's financial statements,
- f) Identification of material topics: Identifying and prioritizing factors that could disrupt company operations, prevent compliance with regulations, and negatively impact competitiveness, along with general and sector-specific material topics, is crucial for linking material topics with risks. The activities to be conducted in this scope include:
 - Determining the material topics for the company, taking into account the material issues specified in sector guides according to standards such as SASB, GRI, etc.
 - Evaluating the material topics in terms of company activities and current practices.
- g) Identification of strengths and weaknesses.

Through external analysis:

- a) Understanding the political, economic, social, technological, legal, and environmental (PESTLE) environment and trends, and analyzing their impacts,
- b) Collection of Climate Data:
 - Local and global climate data, historical climate conditions, and forecasts.
 - Data related to relevant sectors, national and international regulations.
 - Assessments of society's resilience and adaptive capacity to climate change at local and global levels.
 - Analysis of impacts regarding the company's location and value chain in line with local and global climate data.
- c) Analysis of customer profile and expectations:
 - Analyzing sustainability and climate-related regulations and standards that customers expect compliance with, considering the company's local and international customers and target markets, and evaluating the level of compliance,
 - Evaluating climate risks and impacts based on customer locations,
 - Determining customer expectations regarding sustainability and climate dimensions through surveys.
- d) Identification and mapping of stakeholders:
 - Identifying stakeholders with environmental-social-economic impacts on the sustainability of company activities, and creating a stakeholder map by evaluating the impact of stakeholders on company operations and the company's impact on stakeholder activities.
- e) Ensuring stakeholder engagement:
 - Administering surveys to the identified stakeholders to determine the position and importance of material topics in the value chain, and prioritizing material topics based on stakeholder opinions.
- f) Identification of opportunities and threats.

2.2. Scenario Analysis

Scenario analysis is a structured method used to manage climate-related uncertainties and evaluate an organization's exposure under various future conditions. This analysis examines the impacts of physical risks, transition risks, and climate opportunities on operations, assets, and the value chain under different temperature increase and policy pathways. In this method, various scenarios are developed to assess the risks that may be encountered in each. It is conducted by considering alternatives such as "best-case" and "worst-case" scenarios.

Based on the internationally recognized best, average, and worst-case scenarios developed by climate-related financial regulators or policy institutions (such as the IPCC, IEA, NGFS), short, medium, and long-term local impacts are analyzed. This analysis takes into account the impact of the scenarios on the geographies where the businesses operate, as well as trends, statistics, and climate action plans. Regarding climate events, data is analyzed across all operating locations and locations where critical suppliers and customers are situated to evaluate the frequency and impacts of these events in the short, medium, and long term. This analysis will provide input for the financial impact analysis.

Scenario Definition	Scenario Type	Reference	Explanation of Impact on Organizational Activities						Impact on Value Chain		
			Short Term	Frequency of Occurrence	Medium Term	Frequency of Occurrence	Long Term	Frequency of Occurrence	Short Term	Medium Term	Long Term
Definition	Pessimistic										
Definition	Moderate										
Definition	Optimistic										

2.3. Risk and Opportunity Assessment

2.3.1. Risk and Opportunity Identification

The identification of risks and opportunities involves identifying risks that could prevent, set back, delay, or reduce the success of the company's strategies and goals in line with the defined scenarios, and determining the possible causes and potential consequences of the identified risks. It consists of the following steps:

- Risk lists and risk definitions are created by identifying issues that have positive or negative impacts on achieving the company's goals in line with the scenarios; these are categorized by risk type (physical acute, physical chronic, transition) and impact area (strategic, operational, financial, compliance/reputation).
- The maximum damage (impact) that the identified risks could cause is analyzed and specified.
- The opportunities that the identified risks could provide, considering their current status and the actions to be taken, are also determined and added to the risk and opportunity inventory.
- The identified risks are approved by the risk owners (the relevant manager(s) who are directly involved in managing the risk).

When determining climate risks and opportunities, the company's approved risk policy, definition of risk appetite, previous year's climate risk and opportunity inventory, strategic plan, company goals, legal and regulatory changes, technological developments, scenarios, past operational incidents, and sector developments are taken into account.

At the end of the risk identification phase, a climate risk and opportunity inventory with established organizational unit ownership and a consolidated Company risk inventory are created. The listed risks form the input for the next risk analysis and risk evaluation process to be analyzed.

Methods that can be used in identifying risks are as follows:

- a) Face-to-face communication through meetings or workshops (brainstorming): Meetings and workshops can be organized with company teams.
- b) Communication via interviews or surveys: To benefit from changing perspectives and knowledge among multiple different parties, a series of prepared questions can be sent or directed to Company managers and employees.
- c) SWOT (Strengths-Weaknesses-Opportunities-Threats) analysis: Risks are identified by taking into account the internal dynamics (strengths and weaknesses) and external factors (opportunities and threats) of the company. A SWOT analysis is often conducted as part of other risk identification techniques. The identified opportunities are recorded in the opportunity analysis column of the ROP (Risk and Opportunity Profile), and threats are recorded in the maximum potential impact analysis column. Strengths are addressed in determining our existing controls, while weaknesses are addressed in determining additional improvement actions and measures to mitigate the impact of the risk.
- d) Value Creation Model Analysis: In line with the defined scenarios, the impact on the company's main and core processes is examined, and risks are identified.
- e) Historical Data Analysis: The risk events and losses experienced by the company in the past are analyzed. Trends, patterns, and recurring risks are identified.
- f) PESTLE Analysis: These are strategy frameworks used to analyze the advantages or disadvantages of the company. In this analysis, risks and opportunities are analyzed within the framework of:
 - Political: Laws, regulations
 - Economic: Market fluctuations, interest rates
 - Social: Society and customer behaviors
 - Technological: Innovations and technological risks
 - Legal: Juridical risks
 - Environmental: Natural disasters, sustainability issues.
- g) Business Intelligence and Data Analytics: By using big data and analytical tools, risk indicators inside and outside the company are examined. Potential risks are identified in advance through predictive modeling.
- h) Benchmarking: The risk management practices of other companies in the sector are examined. How similar risks and practices can be used within the company is analyzed.
- i) Post-Event and Incident Evaluation: By analyzing the results of a realized risk or a completed event, risk management processes can be improved and used to prevent similar events in the future. This method can provide particularly valuable insights for understanding the causes and effects of a specific event, as well as deficiencies in management processes. It helps in identifying which areas need improvement in operational processes, procedures, or strategies. It contributes to preventing similar situations from reoccurring or ensuring they are managed more effectively.
- j) Fishbone Diagram: It can allow us to analyze by visualizing all possible causes of a problem or situation. When a problem is encountered, this diagram can be used effectively to determine the causes of that problem and generate solutions. It can be applied as a useful method for finding the root causes of problems, focusing on the underlying factors of the issues, and producing effective solutions.

2.3.2. Evaluation of Risks

Risk analysis involves detailing the risks identified during the risk identification phase to achieve a deeper understanding. During this stage, the root causes, conditions for occurrence, positive or negative consequences, existing controls, and management needs of the risk are evaluated.

The risk analysis and assessment phases take into account the company's strategic plan and objectives, risk impact and probability parameters, the approved risk inventory, and risk definitions. The risk analysis study is conducted via the EYS (Integrated Management System) using the Risk Assessment Form (RDF). Risk analysis enables the prioritization of risks through a scoring methodology.

It is determined which areas will be affected should the risk materialize. The possibility that a single risk may have multiple impacts across various areas is also considered. If the risk in question has multiple impacts, a separate assessment is conducted for each impact area during risk scoring, taking into account the existing controls for each specific area. The maximum impact score is then used in calculating the overall risk score.

The emergence of climate risks (physical risks—acute/chronic, transition risks/opportunities) can generate impacts across different risk categories and classes throughout organizations and their value chains. Risk/Opportunity categories and classes may be as follows, varying depending on the company's sector, structure, and similar factors:

Strategic Impact Areas:

- Compliance with regulations
- Company strategies
- Brand/Company reputation
- Increase/decrease in assets

Financial Impact Areas:

- Increase/decrease in revenues
- Increase/decrease in costs
- Budget deviation
- Deviation in cash flow (positive/negative)

Operational Impact Areas:

- Value creation model (operational processes)
- Value chain (downstream and upstream stakeholders, supply chain, customers, etc.)
- Technology
- Human resources

The impact and probability criteria to be used in the evaluation of risks and the risk appetite policy of the companies are taken into account. In risk evaluation, if the organization does not have a defined risk scale, the following definitions are customized for the organization:

Probability - Frequency Scale		
Probability Score	Probability	Frequencies
1	Very Low	Risk is not expected, the probability of occurrence is very low; it may be encountered once every 10 years or rarely.
2	Low	Risk probability is low. It may be encountered approximately once every 5 years.
3	Medium	Risk probability is moderate. It may be encountered approximately once every 2-3 years.
4	High	Risk probability is high. It may be encountered at least once a year.
5	Very High	Risk probability is very high. It may be encountered several times a year or more frequently.

RISK SCORE COLOR SCALE						
Between 1-9 (Low)			Between 10-14 (Intermediate)	15-19 (High)	Between 20-25 (Critical)	
1	5	9	10	15	20	25

RISK IMPACT LEVELS	
Level	Description
Criticism	The realization of risk has a critical impact on the Company's goals
High	The realization of risk has a high level of impact on the Company's goals
Medium	The realization of the risk has a moderate impact on the Company's goals
Low	The realization of risk has a low impact on the Company's goals
Trivial	The realization of the risk has an insignificant impact on the Company's goals

Risk factor/root cause: This is the identification of all internal and/or external issues associated with the risk and the root causes that lead to the risk event. It is carried out through a detailed inquiry of all root causes that could lead to the occurrence of the risk—whose impacts were identified and specified in this phase—and that could have an impact on the company's strategic objectives. It is one of the most critical stages in terms of preventing and mitigating the risk. The factors causing this risk to occur are explained. It is determined whether the causes are of internal or external origin, and the source is explained. Many reasons can be effective in the occurrence of the identified risk. The root cause (reason), on the other hand, is defined as the most effective cause in the occurrence of the risk. While root causes for some risks may be limited to a few, others may have a large number of root causes. What matters more than the number of root causes is that the identified root causes explain a major part of the variation in the risk.

Existing controls/measures: It is explained what practices and activities are carried out, and what tools/applications are used, which provide control over the risks identified in the risk evaluation study and which will mitigate the impact of the risk or prevent the risk. Whether these activities and methods are systematic and their implementation effectiveness are also rated, thereby identifying areas open to improvement and strengths. All existing controls that are not optimal in terms of system and/or application are addressed in improvement actions. Existing (currently implemented) risk controls/measures, which are key components of risk management and ensure the reduction of the risk frequency and/or mitigate its impact if the risk occurs, are defined. Controls can be defined as any management action or intervention that ensures the reduction of the risk frequency and/or mitigates its impact if the risk occurs. Existing controls are evaluated in terms of their system and operational effectiveness. System effectiveness is an assessment of how important and effective the existing control action is in terms of managing the identified risk. This assessment determines the adequacy level based on whether it relies on a systematic and defined process. Operational effectiveness, on the other hand, indicates how effectively the existing control activity is implemented.

The level of system and operational effectiveness is determined by selecting one of the options: 1 – Very Weak, 2 – Weak, 3 – Moderate, 4 – Good, and 5 – Very Good. This phase is important for the effective management of risks and has critical importance in determining managerial and operational responsibilities, as well as identifying additional actions aimed at preventing/mitigating the risk. Whether the control is critical or not must be stated. Specifying which root cause the existing control is related to and which root cause it controls is important in terms of whether root causes are effectively managed. In this way, the opportunity impact of the risk can also be managed. Each of the existing controls is associated with risk root causes. A control can be associated with more than one root cause.

Key Risk Indicators (KRIs): Key risk indicators that will enable an advance understanding of whether the risk identified during the risk analysis phase will occur and allow for precautions to be taken are determined. Key Risk Indicators are the most meaningful indicators that ensure the identified risk can be monitored, measured, and reported; an adequate number of indicators must be defined for sound measurement and reporting. The objective is to develop high-quality KRIs rather than a high quantity of KRIs.

The ten fundamental characteristics of effective key risk indicators are as follows:

- Based on consistent methodologies and standards.
- Covers risk root causes: exposure, probability, severity, and correlation.
- Quantifiable: TRY, %, etc.
- Trackable over time through standards or levels.
- Aligned with objectives, risk owners, and standard risk categories.
- Balances lagging and leading indicators (e.g., the number of occupational accidents is a lagging indicator, whereas the number of near-misses is a leading indicator).
- Useful in supporting management decisions and actions.
- Can be accepted as standard internally and externally.
- Time and cost-effective.
- Simplifies the risk without oversimplifying it.

The measurement and reporting periods, which are critical for monitoring the identified key risk indicator, are also specified.

Financial Impact Analysis: In this phase of the evaluation, the financial dimension of the short-, medium-, and long-term impacts that the risk may cause is analyzed, and the financial consequences of the opportunity impact are also calculated. The following method is followed in determining the financial consequences of the risks and the identified opportunities:

- First, the short-, medium-, and long-term effects of the risks are defined qualitatively, specific to the risk or opportunity. It is explained what kind of impact will be created on which items of the financial statements, and how the gross impact and the net impact after mitigation/compensation will be differentiated. The trend of the relevant items in the historical financial data over at least a three-year period is reviewed and selected for use in calculations. Relevant references used for data sourcing are specified. Furthermore, if available, the inclusion and explanation of any notes, documents, statistics, and research that may assist in the assessment process are important for comprehending the significance of the risk.
- The explanations are supported by quantitative data; the financial consequences of forward-looking risks and opportunities are defined quantitatively, along with the assumptions, datasets, and calculation methodology used.
 - In the event that the risk determined in line with the scenarios occurs without taking any precautions: the magnitude of the risk and how many times these risks may be encountered in the short, medium, and long term are calculated.
 - Taking into account the magnitude of the risk, the necessary revision/rehabilitation and restructuring items and their costs in the event of the risk occurring are determined.
 - These costs are matched with the relevant items in the balance sheet and income statements, and the short-, medium-, and long-term changes in the current financial outcome are determined.
 - The investment cost of risk-preventive activities is determined and correlated with the financial statements. The return on investment in case an investment is made and the transformation of long-term losses into opportunities are explained through financial statement impacts.
- These results are recorded in the climate risk and opportunity analysis table. The accounts, the financial statements on which the calculation is based, and the price research documents are filed as evidence for independent audit activities.

The methodology regarding the definition of financial impact as risk and opportunity is summarized in the following tables:

1) Risk definition and source

Risk/ scenario name	Impact item description	Type of risk	Location / facility	Geographic segment	Number of events in the base year (units /year)	Reference / outsourcing
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2) Current data and base effect

....Actual impact on the year (TL)	.. Actual impact on the year (TL)	Current (2025) year impact (TL)	Base year	Total underlying impact (TL)	Base impact per one event (TL)	Actual impact on the year (TL)
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3) Senaryodan olay adedine ve nicel etkiye

KV event count (pcs)	OV event quantity (units)	UV event quantity (pcs)	Total financial impact of KV (TL)	OV total financial impact (TL)	UV total financial impact (TL)	KV event count (pcs)
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4) Risk skoru

UV probability score	Impact score (1-5)	Risk score
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5) Mali tablo ve aksiyon

Financial statement relationship	Impact direction	Risk-reducing activity	Investment cost (TL)	Calculated annual avoided loss / compensation (TL/year)	Return on investment (years)	Net UV effect (TL)
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Improvement Actions: In cases where existing controls are insufficient, improvement actions are defined. Improvement actions are defined in order to improve the risk level by evaluating the impact of risk on targets, the effectiveness of existing controls, the manageability of risk and possible alternatives. Improvement actions; It should be as specific, understandable and in the appropriate form for making a decision.

The following methods are applied in order to decide on the appropriate response to the risk in question, which is the most critical step of the risk improvement phase:

a) Risk acceptance: This is when the probability and impact of a specific risk are at an acceptable level within the organization's risk appetite. The risk is retained in accordance with the risk appetite levels and is monitored periodically. No additional risk control activities are implemented.

The opportunity aspect of the risk is recorded separately; however, the opportunity assessment must be executed as a business case separate from the risk acceptance decision.

b) Risk reduction: The impact and/or possibility of risk is prevented or tried to be reduced by the following controls:

- Preventive controls: These are controls that are proactively implemented to prevent the risk from occurring.
- Detectative controls: Detectative controls are those that come into play after a risk has occurred, detecting and reporting errors, violations, or anomalies. Instead of preventing risks, these controls enable rapid detection and intervention of any issues that occur.
- Corrective controls: These are the controls applied to mitigate the impact of undesirable consequences after the risk has occurred.
- Transfer of risk: Part or all of the risk is transferred to another party or parties (insurance or derivatives). By transferring some or all of the associated risks to another person or entity, the level of risk exposure to the company is reduced.
- Risk aversion: Activities that cause the emergence or increase of risk are not initiated or terminated.
- Which of the risk response methods will be applied is decided according to the risk scores.

- o 1–9 Low Risk Level and 10–14 Medium Risk Level: The method of responding to risk is decided at the level of middle management levels.

- o 15–19 High Risk Level: The method of responding to risk is decided at the General Manager level.

- o 20–25 Critical Risk Level: The method of responding to risk is decided at the Committee and Board of Directors level. Assessment results and KRI reports related to these risks are periodically reported to the relevant committees (such as risk management committee, sustainability committee, audit committee) and included in the board of directors' decision-making processes.

If there are opportunities identified during the risk identification phase, risk opportunity analysis is performed. The opportunity effect of the risk is assessed by the General Manager, the Committee and the Board of Directors and may decide whether to accept the risk. If the risk is to be accepted due to the opportunity effect, actions to seize the opportunity are also added as risk improvement actions.

2.3.3. Scoring of Risks

Defined definitions of risk impact, probability, and risk appetite are taken into consideration in the evaluation of the risk. These definitions are reviewed annually in line with Company strategies and market dynamics, and updated if necessary. In accordance with the updated indicators, the evaluation of all risks that are above the risk appetite level is reported.

While conducting the impact and probability analysis of the risk, the following are taken into consideration:

- a)** Current root causes
- b)** Current controls
- c)** Risk appetite level
- d)** Historical data, theoretical analyses, reliable opinions, expert recommendations, and developments in the sector and technology.
- e)** Experiences encountered domestically and internationally, within or outside the sector, and the nature of the risk.
- f)** The fact that the risk has never materialized before does not mean that its probability is very low.

The risk score is calculated by multiplying the probability value of the risk and the impact value that the risk will have if it occurs. A 5-indicator chart is taken as a basis to determine the risk, impact and probability values. The risk score takes a value between 1–25 points. Risk scores are classified as "low risk level" if they are between 1–9 points, "medium risk level" if they are between 10–14 points, "high risk level" if they are between 15–19 points, and "critical risk level" if they are between 20–25 points.

In the evaluations, even if the risk score is low or medium in line with the Company's risk appetite policy, it is reported to the Risk Management Committee according to the defined risk tolerance. Action is taken in order to reduce the risk to the appetite level.

The following evaluations are made in risk scoring:

- Calculation of the inherent risk level: The risk impact and probability that may occur when the risk occurs without taking into account the existing controls are defined.
- Determination of residual risk level: It is the determination of the level of risk that still remains after all the measures taken and controls applied in the current situation to manage a risk.
- Calculation of the targeted risk level: In case of improvement actions and actions, the risk level to which the residual risk will be reduced is defined as the target risk score.

2.4. Reporting and Traceability

By using the following format, climate risks and opportunities can be used in sustainability reports. This table can be formatted differently according to the preferences of the companies under the relevant headings. The main thing is that the explanations include all this information and ensure traceability.

Organizations can publish these disclosures as a separate climate risk and opportunities assessment report, or they can address them within the scope of the sustainability report every year. The main thing is to review and update it every year to shed light on the application.

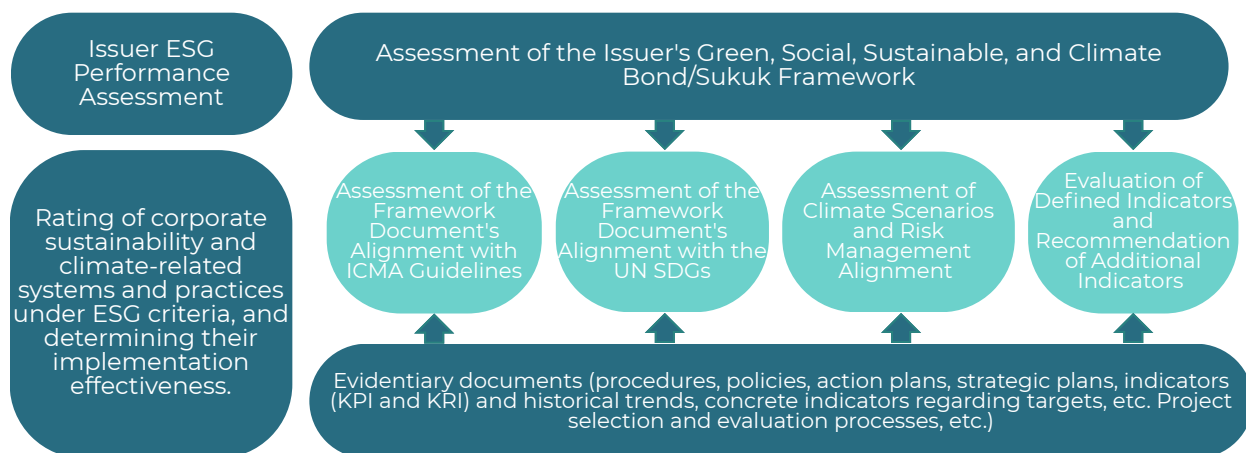
Risk Name				Risk Definition		
Scenario				Risk Severity/Level (Effect x Probability)	Term Definition (Short - Medium - Long)	Financial Materiality
Related Material Issues				20	Medium	High
Type of Risk						
Place in the Value Chain	Place in the Business Model	The Downstream Value Chain	Upstream Value Chain			
				Relevant Strategic Objectives		
Company Strategies Influenced						
Value Creation Model (Business Model) and Effects on the Value Chain		Short-Term Impact		Medium-Term Impact		Long-Term Impact
Financial Implications		Quantitative Analysis				Relevant Balance Sheet/Income Statement Item
Root Causes		Current Measures				App Effectiveness
Opportunity Effect of Risk		Quantitative Analysis				Relevant Balance Sheet/Income Statement Item
Available Indicators	Year 1	Year 2...	Targets	Target Year 1	Target Year 2...	Risk Mitigation and Adaptation Activities
Indicator 1 :			Indicator 1 :			
Indicator 2:			Indicator 2:			

The verbal reporting model will include the following headings:

- Risk assessment methodology description.
- Scenario definitions and effects.
- Name and definition of risk.
- The type of risk (transit risk, physical risks, etc.).
- Explaining the relationship of risk with material issues.
- Explanation of the impact of risk on the value chain.
- Explanation of strategic goals and objectives affecting risk.
- Analysis of the short-medium-long term effects of risk on the company's value creation model.
- Qualitative explanation of financial impacts
- Quantitative analysis results and explanation of the cost and opportunity of risk with its effect on financial statements
- Analysis of the root causes of risk
- Current measures and implementation effectiveness
- Opportunity effect of risk
- Making quantitative explanations about the opportunity and establishing the financial statement relationship
- Current indicator values,
- Goals and indicator values related to goals
- Explaining risk reduction and adaptation targets to achieve the targets

3. Investments and Financing Needs for Climate Risks and Opportunities

In the financing of the investments to be made by organizations in order to reduce the impact of climate risks, they may choose to issue sustainable or climate-related sustainably linked loans or green/sustainable/climate bonds or lease certificates. In this case, the second or third party opinion reporting processes of organizations with system and application effectiveness within the scope mentioned above can also be carried out successfully. As CGE Evaluation, the methodology we follow in bond or lease certificate issuances is as follows:



Evaluating the ESG performance of the relevant organization is considered important in terms of determining which company goals and sustainability goals the implementation of the project within the scope of the framework document will affect, which risks will be reduced or prevented, determining the effectiveness of governance and monitoring functions, and contributing to the success of the issuance. At the same time, measuring and confirming the reporting and monitoring effectiveness of all sustainability activities and indicators, including the project subject to issuance, will lay the groundwork for a successful issuance.

This document has been prepared by CGE Evaluation and is regularly reviewed and updated as a result of possible changes in methodology. The document is reviewed at least once a year and updated and published if necessary.

This document was published on: March 30, 2026

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