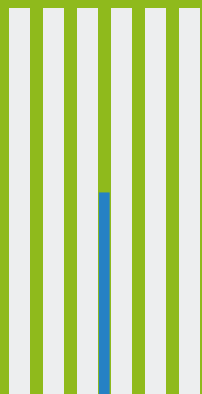



BORDERING ON GREEN



THE IMPACT AND IMPORTANCE OF CARBON BORDER ADJUSTMENT
MANAGEMENT AT SENSAC





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SAVE
NATURE
THINK
GREEN



ŞENSAC

The Journey to Sustainability: A Background of Şensac

Our journey began in 1966 when Şensac was founded as a subsidiary to fulfill the increasing raw material demands of ŞENEL's furniture hinge production. Starting in the vibrant city of Istanbul, Turkey, we ventured into a promising yet challenging industry. Our mission, however, wasn't just to be another run-of-the-mill metal company. We aspired to be a forward-thinking establishment that prioritized sustainability and efficiency.

Our initial operations centered on the processing and utilization of recycled steel in our production lines. This innovative approach served dual purposes - conserving resources while simultaneously reducing environmental impact, an issue typically associated with mining and processing virgin materials.

The choice of recycled steel as a primary raw material set us apart. It allowed us to indirectly reduce CO2 emissions and conserve energy, making our operations more sustainable compared to traditional steel manufacturers who rely heavily on virgin materials.



With time, we carved out a niche in the global metal market. Our unwavering emphasis on quality and sustainability garnered us respect and recognition, from peers to customers alike. It was this steadfast commitment to sustainable practices that propelled us forward amidst ever-changing industry dynamics.

Our journey thus far has led us to a significant turning point. The European Union's introduction of the Carbon Border Adjustment Mechanism (CBAM) presents both new opportunities and challenges. As we adjust our operations to align with CBAM regulations - specifically focusing on Scope 1 and Scope 2 emissions for this initial year - we see this as a key milestone on our path to a greener future.

The Global Climate Challenge and the Role of the Steel Industry

The effects of climate change are no longer a distant threat but a tangible reality. Rising global temperatures, intensifying weather patterns, melting ice caps - the signs are all around us. Amid these dire circumstances, global action is needed. Industries across the board, including the steel sector, must play a significant role in curbing these adverse effects.

As an industry, steel contributes to around 7-9% of global CO₂ emissions. These emissions stem from the inherent nature of steel production, which involves energy-intensive processes. While the steel industry is integral to the global economy, its carbon footprint can't be overlooked. But there's room for change. The introduction of Carbon Border Adjustment Mechanism (CBAM) by the European Union (EU) is one such initiative that seeks to transform industries and steer them towards a low-carbon future.

Here at Şensac, we understand and acknowledge our role within the industry. Even before the introduction of CBAM, we made the conscious choice to use recycled steel in our production lines. This practice allowed us to limit our direct CO₂ emissions.



However, with CBAM, we see an opportunity to do more - to improve our operations further and make a tangible contribution to combating climate change.

As a member of the steel industry, we believe it's our responsibility to lead the way, demonstrating how steel production can align with global sustainability goals. As we journey through this new era of carbon accounting, we remain dedicated to reducing our carbon footprint and playing our part in mitigating climate change.

Carbon Border Adjustment Management

CBAM: An Overview

In recent years, the emphasis on reducing the carbon footprint and the commitment to sustainable practices has gained unprecedented momentum. Key players on the global stage, like the European Union, have championed this cause, leading to groundbreaking measures like the Carbon Border Adjustment Management (CBAM).

The Mechanism Unfolded

CBAM is an initiative that seeks to level the playing field for goods entering the European Union. At its core, this mechanism evaluates the carbon emissions linked with imported goods and adjusts tariffs accordingly. This process ensures that businesses, regardless of where they operate, adhere to a universal standard of sustainability when targeting the EU market.

Şensac's Standpoint

Our philosophy at Şensac has always centered on sustainability, even before global regulations necessitated it. Our choice of using recycled steel for products such as Cold Rolled Slitted Coils, Cold Rolled Coils, and Cut-to-length Coils was a testament to our dedication. CBAM, in essence, validates the path we've chosen.

With CBAM in action, our inherent sustainable approach stands further emphasized. It serves as an assurance to our partners and clients that Şensac is not only compliant with global standards but also a pioneer in sustainable steel production.



Chapter 1

UNRAVELING THE CBAM

The Core Principles of CBAM

At the heart of the European Union's ambition to lead a carbon-neutral transition at least 55% by 2030, and 100% by 2050, lies a tool poised to revolutionize how businesses approach carbon emissions: the Carbon Border Adjustment Mechanism or CBAM.

CBAM has emerged as an economic tool designed to protect EU businesses against competition from nations where regulations on carbon emissions might be less stringent. But it's more than just a protective shield; CBAM embodies the EU's drive to ensure global industries reckon with their environmental footprints.

Let's delve deeper into the foundational principles of CBAM:

1. Leveling the Playing Field:

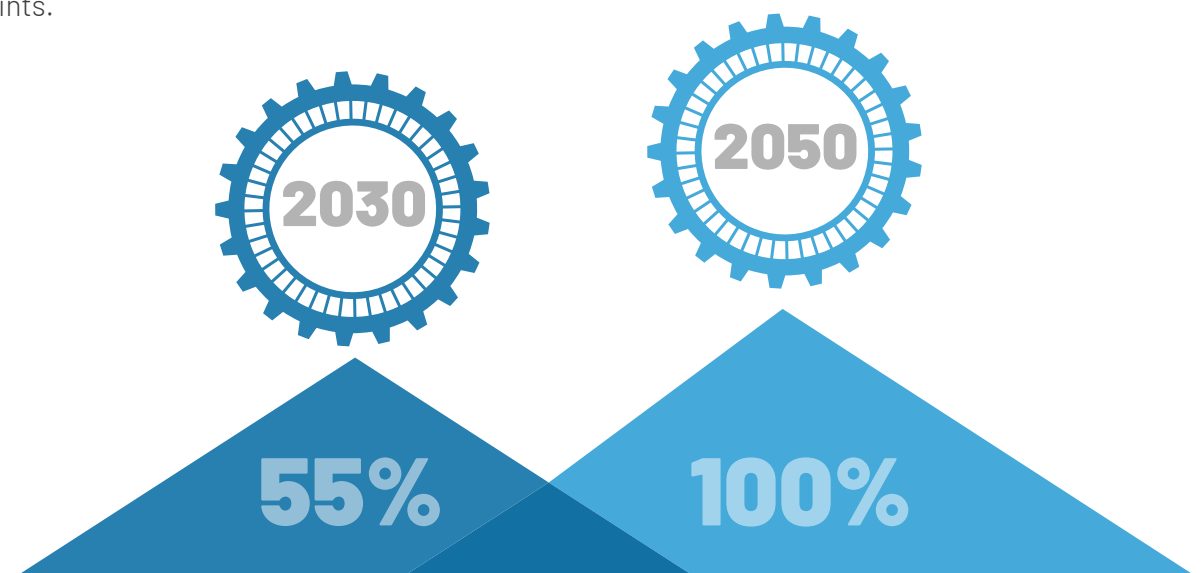
CBAM's primary objective is to prevent 'carbon leakage'. Carbon leakage occurs when businesses move their operations to countries with more relaxed carbon emission standards. By imposing a carbon cost on imports from countries without stringent emissions targets, CBAM ensures European industries remain competitive without compromising on sustainability goals.

2. Promoting Global Climate Ambition:

While designed for Europe, CBAM carries a global message. It prompts countries worldwide to rethink their carbon pricing and environmental strategies, nudging them towards more sustainable practices.

3. Aligning with International Standards:

The CBAM is constructed to be compatible with World Trade Organization (WTO) rules. This means it doesn't discriminate against imports, but instead focuses on the carbon content of products, regardless of their origin.



4.Revenue Generation and Reinvestment:

Funds generated from CBAM will be directed towards the European Green Deal, financing green initiatives and innovations. This ensures a circular approach where funds derived from carbon pricing directly support further sustainability efforts.

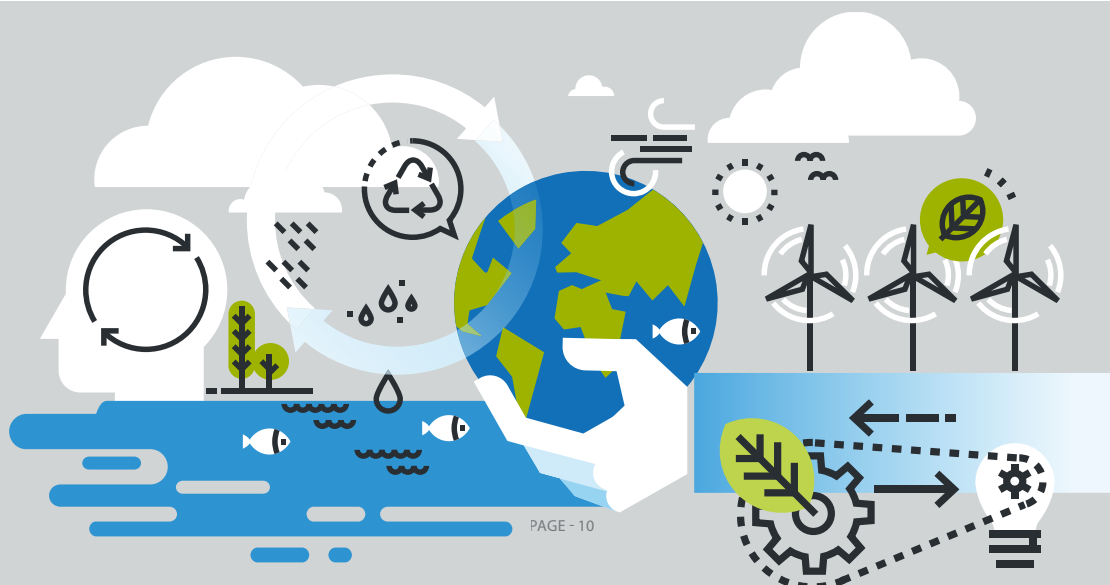
5.Dynamic Adjustment:

CBAM isn't a static mechanism. As global environmental dynamics change and countries adopt new sustainability practices, CBAM will adapt. It will be reviewed and adjusted to reflect the evolving landscape of global climate action.

For Şensac, understanding and integrating these principles is vital. While our practices have always leaned towards sustainability, CBAM introduces a structured framework that refines our approach, ensuring we're not just compliant, but also at the forefront of sustainable steel production in this new era.

Why CBAM Matters in the Global Fight Against Climate Change

The increasingly visible and dire consequences of global warming underscore the urgency for proactive strategies to mitigate climate change. The CBAM, while fundamentally an economic tool, holds much more profound implications in the global fight against this existential threat.





A Push for Global Standards:

CBAM acts as a catalyst for nations to establish and enforce more stringent carbon regulations. By levying a charge on imports from countries without rigorous carbon standards, it encourages other nations to adopt more aggressive climate targets.

Stemming Carbon Leakage:

One of CBAM's primary goals is to prevent businesses from relocating to countries with lenient carbon regulations, a phenomenon known as carbon leakage. By doing so, CBAM ensures that companies don't sidestep the pivotal task of reducing carbon emissions.

Incentivizing Green Technology:

CBAM can potentially spur innovations in carbon capture, renewable energy, and other green technologies. As industries worldwide adjust to CBAM's standards, there will be a marked push for sustainable tech solutions.

Supporting the Paris Agreement:

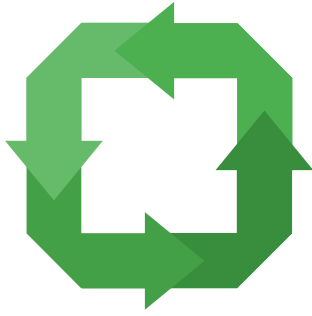
The Paris Agreement, ratified by 189 countries, seeks to limit global warming to below 2 degrees Celsius above pre-industrial levels. CBAM aligns with this ambition by pressuring industries to reduce their carbon footprints, contributing to global efforts to attain this target.

For industries like steel, which inherently have high carbon emissions, the introduction of CBAM emphasizes the need for innovation and the adoption of cleaner practices. This is not merely about adhering to a new regulation but about recognizing and fulfilling a larger role in the collective battle against climate change.

The Expected Impact of CBAM on the Global Steel Industry

The steel industry, as a cornerstone of modern civilization, has been both a benefactor of progress and, unfortunately, a significant contributor to global carbon emissions. The European Union's Carbon Border Adjustment Mechanism (CBAM) introduces a paradigm shift, with implications reverberating across the industry. Here's what the global steel sector can anticipate:

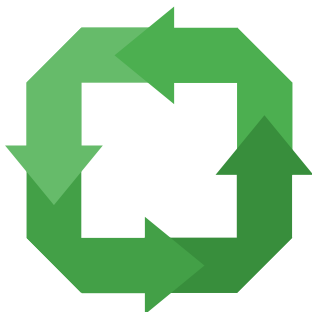




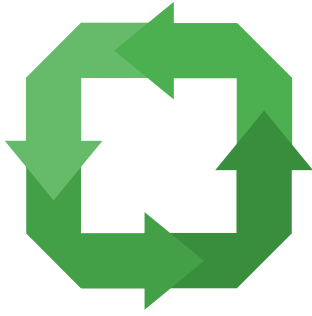
Shift in Market Dynamics: With the implementation of CBAM, countries that have not invested in green steel-making technologies or have lenient carbon standards might face challenges accessing the EU market. This could lead to a realignment of global trade routes, favoring those who are more aligned with CBAM standards.



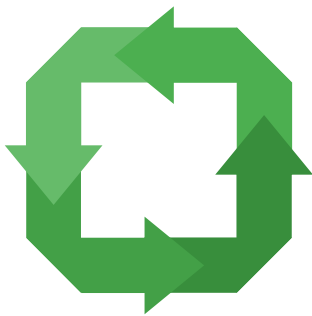
Increased Costs & Investments: In the short term, steel manufacturers may experience an uptick in operational costs as they adapt to CBAM. However, these initial costs can be seen as investments that pave the way for long-term profitability in an increasingly eco-conscious global market.



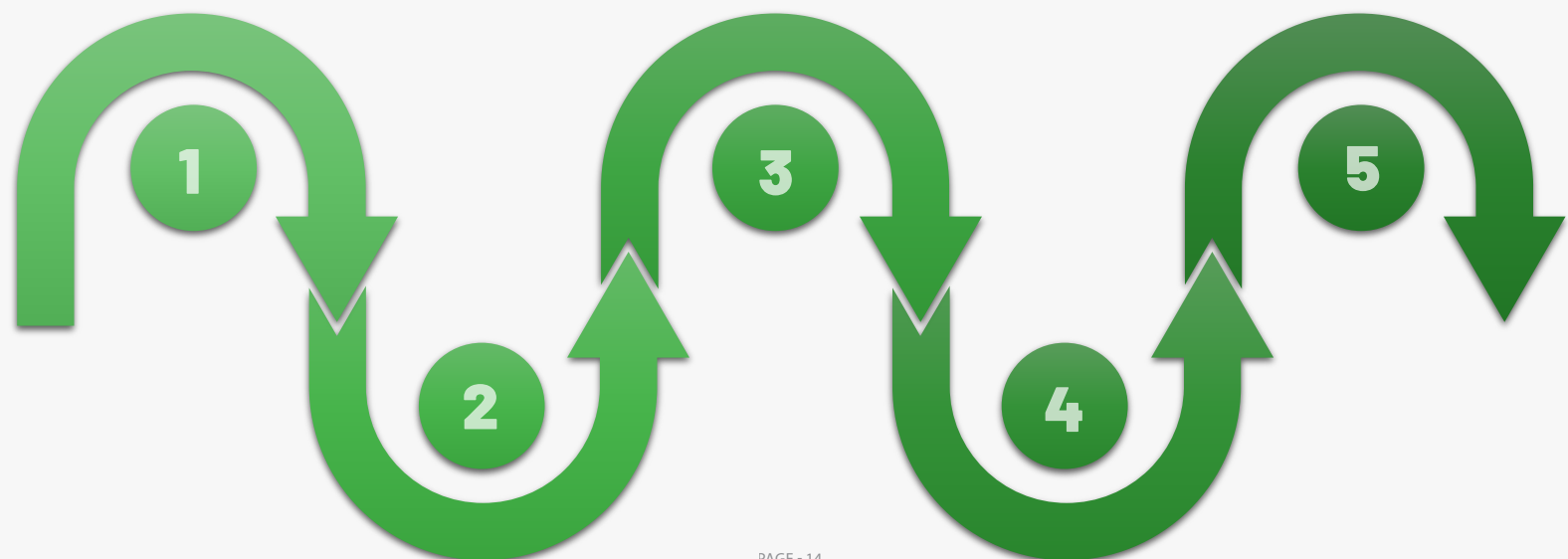
Proliferation of Green Technologies: CBAM can act as an impetus for steel companies to explore and invest in low-carbon and green technologies. Over time, methods such as hydrogen-based steel-making or the utilization of carbon capture might become more mainstream.



Enhanced Global Collaboration: As countries outside the EU realize the trade benefits of adhering to CBAM standards, there might be an increased push for international collaborations. These collaborations could range from knowledge sharing on green technologies to joint investment initiatives.



Competitive Edge for Pioneers: Steel companies that are already on the path of sustainability, like Şensac, have a distinct advantage. Their foresight into utilizing recycled steel and other sustainable practices places them ahead in the CBAM journey, potentially offering a competitive edge in the market.





The **CBAM** mechanism underscores a pivotal point in history. The steel industry, which once powered the industrial revolution, is now at a crossroads, steering toward a sustainable revolution. How the industry responds will significantly impact its future trajectory and the world's battle against climate change.

Chapter 2

CBAM AND SUSTAINABILITY

HOW CBAM PROMOTES SUSTAINABLE PRACTICES

SUSTAINABILITY HAS GROWN FROM A BUZZWORD TO AN IMPERATIVE, SHAPING BUSINESS STRATEGIES, POLICIES, AND PRACTICES WORLDWIDE. THE EUROPEAN UNION'S CARBON BORDER ADJUSTMENT MECHANISM (CBAM) IS A TESTAMENT TO THIS EVOLUTION. AS A TOOL ENGINEERED TO COUNTERACT CARBON LEAKAGE AND PROMOTE SUSTAINABILITY, THE CBAM'S INTEGRATION INTO THE BUSINESS LANDSCAPE IS TRANSFORMATIVE, PARTICULARLY FOR INDUSTRIES LIKE STEEL.

HERE'S HOW:

Leveling the Playing Field:

CBAM ensures that products entering the EU market have an equitable carbon cost. This neutralizes the competitive advantage that manufacturers from regions with lax environmental regulations might have had. Thus, it encourages businesses everywhere to adopt greener strategies.

Encouraging Accountability:

The mechanism is not just about penalties but transparency and responsibility. Companies must account for their carbon emissions, leading to greater self-awareness and proactive measures to reduce their carbon footprint.

Boosting Renewable Energy Utilization:

With CBAM, there's an economic incentive for industries to shift towards renewable energy sources. This transition could reduce the industry's dependence on fossil fuels significantly.

Fostering Innovation:

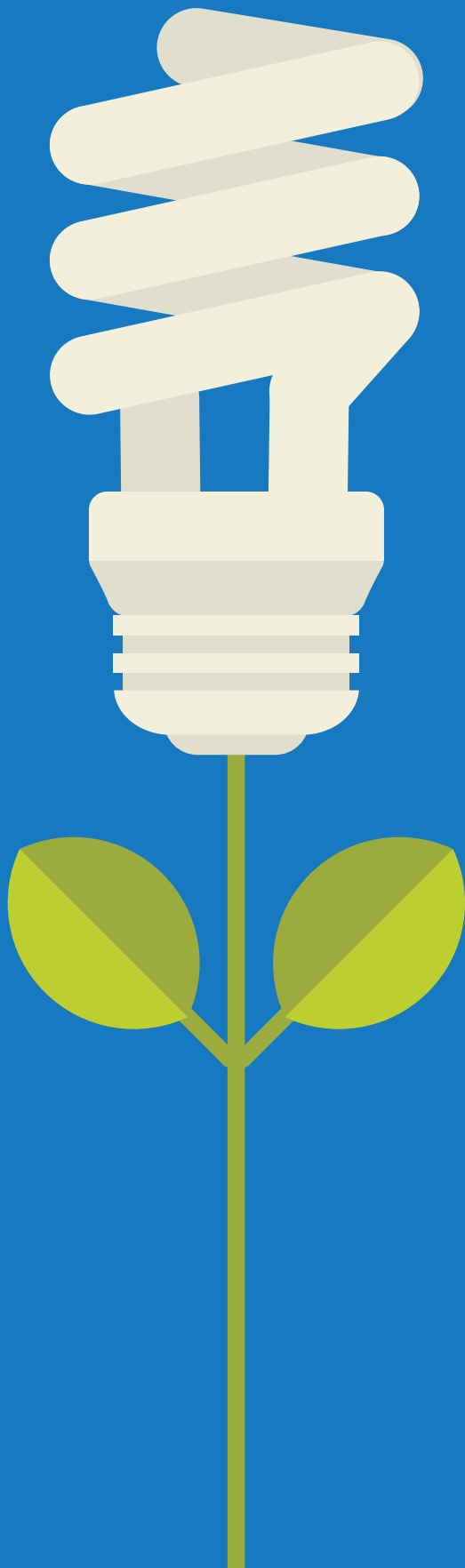
When faced with challenges, industries innovate. The CBAM, by imposing new standards, can lead to a surge in R&D aimed at discovering novel, sustainable methods of production. This could catalyze a renaissance of green technological advancements in the steel industry.

Reinforcing Circular Economy:

CBAM complements the principles of a circular economy. By making it financially viable for companies to adopt recycling and reduce wastage, the mechanism indirectly promotes a circular approach to resource utilization.

Incentivizing Global Adoption:

While initiated by the EU, the benefits and successes of CBAM could inspire its adoption by other regions. This global embrace would significantly enhance the collective push towards a sustainable future.



For businesses like Şensac, the CBAM is not viewed as a mere regulatory hurdle but an opportunity. By aligning with CBAM's tenets, we not only adhere to global standards but also fortify our commitment to a sustainable tomorrow.

THE INTERPLAY BETWEEN CBAM AND CIRCULAR ECONOMY PRINCIPLES



THE CIRCULAR ECONOMY IS A MODEL ROOTED IN THE IDEA OF REGENERATIVE AND RESTORATIVE DESIGN. IT CHAMPIONS THE NOTION THAT WASTE IS NOT THE END, BUT RATHER A NEW BEGINNING. MATERIALS, ONCE USED, AREN'T DISCARDED BUT REINTRODUCED INTO THE PRODUCTION CYCLE. IT'S A BEAUTIFUL, SYMBIOTIC RELATIONSHIP BETWEEN SUSTAINABILITY AND ECONOMICS. THE ADVENT OF CBAM AND ITS INTEGRATION WITH THIS MODEL FURTHER REINFORCES THE POTENTIAL OF A TRULY SUSTAINABLE INDUSTRIAL ECOSYSTEM.



Enhancing Resource Efficiency:

CBAM promotes the use of sustainable raw materials, aligning perfectly with the circular economy's goal of maximizing resource utilization. By doing so, we're not just conserving resources but ensuring their efficient utilization throughout their lifecycle.



Promoting Recycling:

Just as Şensac prioritizes the use of recycled steel, CBAM incentivizes industries to incorporate recycled materials into their production lines. This reduces the demand for virgin materials, cutting down on energy-intensive extraction processes and reducing carbon emissions.



Incentivizing Product Longevity:

A hallmark of the circular economy is the emphasis on the longevity of products. With CBAM, there's an indirect nudge towards designing products that last longer, thus reducing the frequency of recycling and the energy associated with it.



Encouraging Responsible Production:

CBAM ensures that companies are accountable for their emissions. This, coupled with the circular economy's focus on reducing waste, ensures that products are not only produced with a lesser carbon footprint but are also designed to generate minimal waste.



Integrating Supply Chain Sustainability:

Both CBAM and the circular economy stress the importance of a sustainable supply chain. From sourcing raw materials to delivering the final product, every stage should align with the principles of sustainability and reduced carbon emissions.



Fostering Collaborative Innovation:

To truly adopt a circular model and comply with CBAM, industries may need to collaborate. This collective effort can lead to shared innovations, driving the industry forward while maintaining ecological balance.

At Şensac, we see the alignment of CBAM with the principles of a circular economy not as a mere coincidence but as an affirmation. It's a nod to the fact that when environmental stewardship is combined with smart economic policies, the results can be revolutionary.

CBAM AS A DRIVER FOR INNOVATION AND CHANGE IN THE STEEL INDUSTRY

The introduction of the Carbon Border Adjustment Mechanism (CBAM) is more than just an environmental initiative; it's a catalyst for innovation. As industries grapple with new standards and requirements, the steel industry, which is traditionally energy-intensive, is poised for a transformative journey.



R&D Boost:

With CBAM's introduction, there's a new-found emphasis on research and development. Companies are investing in breakthrough technologies that can help reduce carbon emissions, improve energy efficiency, and even create alternative, greener production methods.



Process Optimization:

To meet the standards set by CBAM, steel producers are examining every step of their production process. This scrutiny is leading to the identification and rectification of inefficiencies, often resulting in cost savings alongside emission reductions.



Product Differentiation:

As sustainability becomes a key market differentiator, companies under CBAM's purview are looking to produce greener products. For the steel industry, this means steel variants that are produced with a reduced carbon footprint, catering to an increasingly eco-conscious market.



Collaboration Opportunities:

The race towards a greener future fosters collaboration. Steel producers, tech firms, researchers, and environmentalists are coming together to brainstorm and implement innovative solutions that meet CBAM requirements.



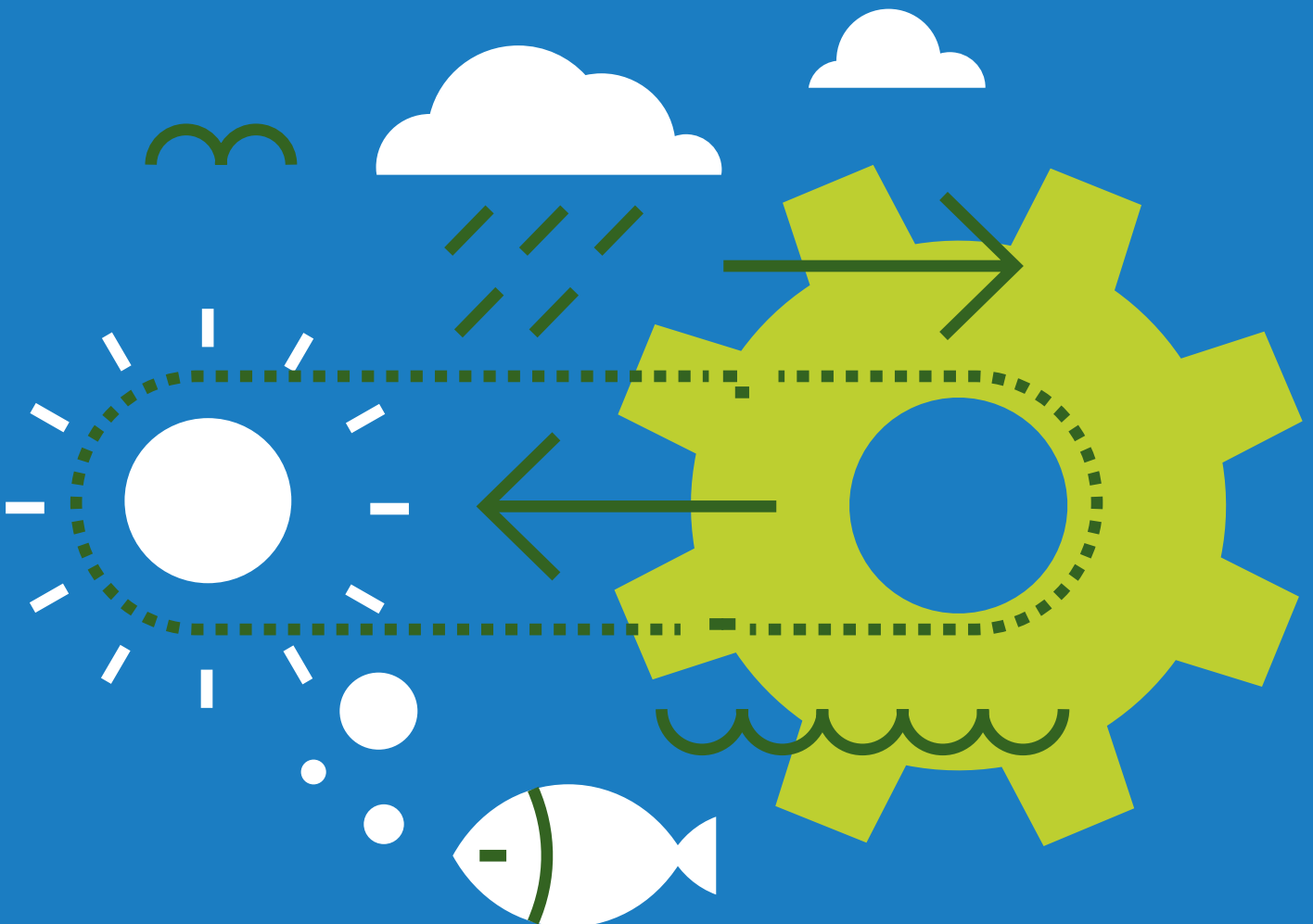
Transition to Alternative Energy Sources:

One of the most significant shifts propelled by CBAM is the move towards cleaner energy sources. While the use of recycled steel is a step in the right direction, the larger goal is the integration of renewable energy into production processes.



Supply Chain Revamp:

With carbon emissions becoming a critical factor, the steel industry is re-evaluating its supply chains. The aim is to collaborate with suppliers and partners that align with CBAM's ethos, ensuring a collective push towards sustainability.





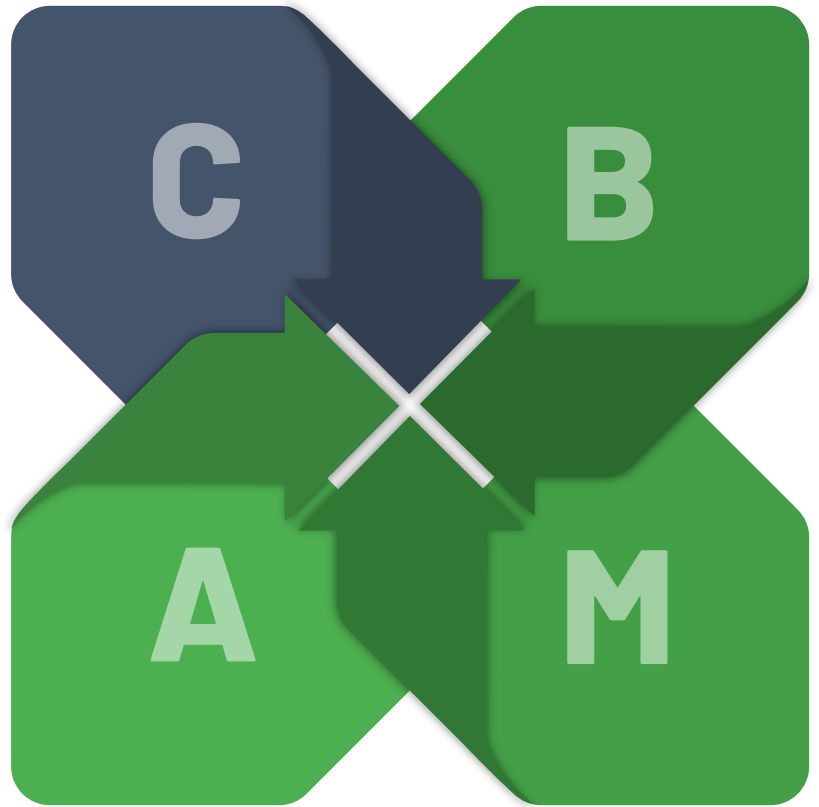
FOR ŞENSAC, CBAM IS NOT JUST A REGULATORY REQUIREMENT BUT AN OPPORTUNITY. WE VIEW IT AS A CHANCE TO REDEFINE OUR OPERATIONS, TO SPEARHEAD INNOVATION, AND TO FURTHER SOLIDIFY OUR COMMITMENT TO A SUSTAINABLE FUTURE. IT CHALLENGES US, BUT MORE IMPORTANTLY, IT INSPIRES US TO AIM HIGHER, TO DO BETTER, AND TO LEAD BY EXAMPLE IN THE STEEL INDUSTRY.

Chapter 3

**EMBRACING
CBAM:
ŞENSAC'S
COMMITMENT**

Why Şensac is Adopting CBAM

The environment's deteriorating state isn't just a global issue—it's a moral and ethical concern that resonates with every individual and organization, including Şensac. Our commitment to sustainability predates CBAM, but the mechanism provides a clear framework to further our environmental ambitions.



Ethical Responsibility:

As a significant player in the steel industry, Şensac recognizes its ethical obligation towards the environment and future generations. Adopting CBAM is a reflection of our commitment to reduce carbon footprints and contribute meaningfully to the global fight against climate change.

Market Adaptability:

The global market is rapidly evolving, with an increasing demand for environmentally responsible products. By aligning with CBAM, Şensac is positioning itself as a forerunner in producing sustainable steel products, catering to modern demands and solidifying its market position.

Financial Incentives:

Beyond the moral implications, CBAM offers tangible financial benefits. By decreasing carbon emissions, Şensac can avoid potential financial levies and benefit from emerging incentives designed to promote sustainable practices.



Stakeholder Expectations:

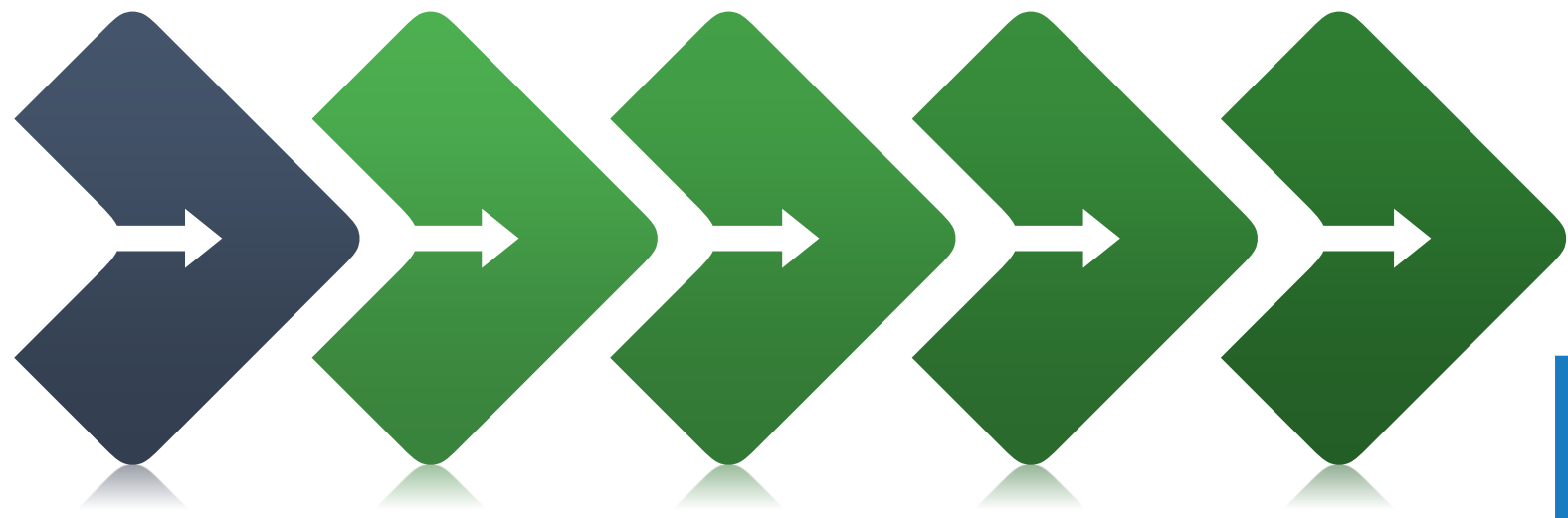
Our partners, customers, and shareholders expect progressive action towards sustainability. Embracing CBAM not only fulfills these expectations but strengthens the trust and loyalty of our stakeholders.

Long-term Vision:

Our vision for Şensac isn't confined to quarterly results. We have a long-term strategy focused on innovation, growth, and sustainability. CBAM aligns perfectly with this vision, allowing us to forge a path that promises not just success, but significance.



FOR ŞENSAC, CBAM IS MORE THAN COMPLIANCE—IT'S AN EMBODIMENT OF OUR PRINCIPLES, ASPIRATIONS, AND OUR PLEDGE TO A BRIGHTER, GREENER FUTURE. IT'S A STEP, ALBEIT SIGNIFICANT, IN OUR ONGOING JOURNEY TOWARDS UNPARALLELED SUSTAINABILITY AND INDUSTRY LEADERSHIP.



Aligning CBAM with Şensac's Existing Sustainability Goals

At Şensac, our sustainability initiatives have always been at the forefront of our operational strategy. The introduction of CBAM doesn't signal a departure from our existing goals but rather, reinforces and complements them. Here's how we're aligning CBAM with our ongoing sustainability objectives:



Resource Efficiency:

Our choice to utilize recycled steel epitomizes our dedication to resource conservation. With CBAM, we'll fine-tune our processes even further to optimize energy use, minimizing our carbon output and enhancing our efficiency.



Reducing Carbon Emissions:

While the use of recycled steel inherently contributes to lowered CO2 emissions, CBAM will drive us to adopt more innovative practices and technologies, amplifying our emission-reduction efforts.



Stakeholder Engagement:

CBAM encourages transparency and open dialogue. We'll bolster our communication strategies, keeping stakeholders informed about our sustainability efforts, CBAM compliance, and the benefits stemming from this alignment.



Continuous Improvement:

CBAM is not a static mechanism. As it evolves, we'll remain agile, adjusting our strategies and ensuring that our sustainability objectives remain in harmony with CBAM requirements.



R&D Investments:

To meet the demands of CBAM and our own sustainability targets, we are amplifying our investment in research and development. By fostering innovation, we aim to usher in technologies and practices that echo our commitment to the environment and our industry's evolution.



In essence, CBAM serves as a catalyst, propelling our existing sustainability initiatives to new heights. It's a synergy of global standards and Şensac's intrinsic values—coming together to create a brighter future for our industry, our stakeholders, and our planet.



Expectations and Potential Challenges in CBAM Adoption

The CBAM, while beneficial, is a new terrain for many industries, including ours. As we embark on this journey, we have set clear expectations and are well-aware of the potential challenges ahead.

EXPECTATIONS:

Transparent Operations:

CBAM will usher in more transparent operations across the board. As carbon accounting becomes paramount, stakeholders can expect a clearer picture of our carbon footprint and related initiatives.

Collaborative Partnerships:

CBAM will encourage companies to form new partnerships and alliances, aiming for shared sustainability objectives. We look forward to collaborating with like-minded organizations to further our mission.

Enhanced Competitive Edge:

By adopting CBAM early and aligning it with our sustainability goals, we anticipate a strategic advantage in the market, differentiating Şensac from competitors and presenting us as a front-runner in sustainability.



POTENTIAL CHALLENGES:

Initial Implementation Costs:

Like any significant shift, the onset of CBAM may bring along initial costs, from upgrading technologies to training staff. We're prepared for this investment, understanding its long-term value.

Evolving Regulations:

As the CBAM framework is still in its nascent stages, regulations might undergo changes. Staying updated and compliant will require agility and constant monitoring.



Stakeholder Alignment:

While we're committed to CBAM, it's essential to bring all stakeholders— from employees to suppliers—on board. Ensuring everyone understands and aligns with this new direction might present challenges, but we're dedicated to comprehensive engagement and education.

Incorporating CBAM into our operations is a significant move, one that we approach with optimism, armed with a comprehensive strategy. We're set on navigating the challenges, capitalizing on the opportunities, and ensuring that CBAM becomes a cornerstone of Şensac's growth and sustainability narrative.



CONCLUSION

From the historic journey of Şensac and our unwavering commitment to sustainability to the global climate challenges and the pivotal role of the steel industry, we have traversed a comprehensive overview of the current environmental milieu. The Carbon Border Adjustment Mechanism, or CBAM, stands out as a transformative initiative in this context. As detailed, its principles, global implications, and particular resonance with the steel industry are undeniable.



Why CBAM Matters for Şensac and the World

At the heart of our discussion is the undeniable connection between CBAM and the broader goals of global sustainability. For Şensac, CBAM isn't just a regulatory framework but a reflection of our long-standing commitment to the environment. By aligning with CBAM, we don't just fulfill our regulatory obligations – we actively contribute to a global effort to reduce carbon emissions and mitigate the catastrophic effects of climate change.

But the significance of CBAM stretches far beyond Şensac. It represents a collective endeavor of industries, especially carbon-intensive ones, to step up and play a decisive role in the fight against global warming. The impact of such collaborative efforts, if adopted globally, can be revolutionary, potentially altering the course of our environmental trajectory.

Looking Ahead: The CBAM Journey Begins

As we conclude, it's essential to emphasize that our CBAM journey is just beginning. While we've laid out our plans, expectations, and perceived challenges, the real test lies in the implementation and the tangible results we achieve. Şensac stands at the threshold of a new era, one marked by heightened responsibility and the promise of a greener, more sustainable future.



Our appeal to our stakeholders is simple – join us in this journey. Your support, understanding, and collaboration are invaluable as we navigate this transformative phase. Together, we can set benchmarks in sustainability, ensuring that our legacy is not just of steel production but of a future crafted with care, responsibility, and foresight.

BE RESPONSIBLE BE GREEN



Contact Information and Further Resources

For deeper insights into Şensac's journey with CBAM or for any queries related to our sustainable practices, please reach out to our dedicated team:

CBAM Compliance & Strategy Team

Email: cbamteam@sensac.com

Sustainability Department

Email: sustainability@sensac.com

Additionally, for comprehensive resources, whitepapers, and updates on CBAM and its global implications, visit our dedicated web portal: www.sensac.com/cbam-resources

