



ENVIRONMENTAL RISKS AND OPPORTUNITIES REPORT - 2025

Prepared in accordance with

- Taskforce on Climate-related Financial Disclosures
- Taskforce on Nature-related Financial Disclosures



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1. Executive Summary

This report provides the methodology, results and implications of RE&UP's first climate- and nature-related risk and opportunity assessment, prepared in alignment with the recommendations of the TCFD and TNFD. The assessment evaluates how climate change and nature-related pressures may affect RE&UP's operations, strategy, and financial performance over time, and supports informed decision-making regarding resilience and long-term value creation.

While RE&UP's circular business model contributes to reducing the environmental footprint of the textile industry compared to conventional production pathways, this assessment helps identify where its remaining exposure to climate- and nature-related risks lies. By systematically identifying and evaluating these risks and opportunities across its operations and value chain, RE&UP strengthens its ability to anticipate potential impacts, inform strategic decision-making, and enhance the resilience of its business over time.

The assessment of physical risks covers RE&UP's four operational sites located in the provinces of Bursa and Gaziantep, Türkiye, while the assessment of transition risks and opportunities extends the scope to include downstream activities. Both assessments are based on financial year 2025 data. It evaluates both physical risks arising from climate change and nature pressures, and transition risks and opportunities linked to the global shift towards a low-carbon, climate-resilient and nature-positive economy. The analysis was conducted across two future scenarios (SSP1-RCP2.6 and SSP5-RCP8.5) and three time horizons (current conditions, 2030 and 2050) to assess how risks and opportunities may evolve under different plausible futures.

The physical risk assessment identifies wildfires (for all sites) and water stress (for Repet 1) as the most material risks for RE&UP's operations. Heat stress also emerges as a relevant operational hazard, with projections indicating increasing exposure to high-temperature days across all sites by 2050.

The transition risk and opportunity analysis indicates that existing European Union (EU) regulatory commitments and evolving market expectations, which are expected to be deployed beyond the EU, will play a key role in shaping RE&UP's future strategic environment. The Ecodesign for Sustainable Products Regulation (ESPR) and EU Textiles Extended Producer Responsibility (EPR) are identified as potential drivers of revenue growth and market access for RE&UP due to their capabilities of providing fully traceable circular solutions. At the same time, stricter chemicals regulation such as the EU Regulation (EC) No 1907/2006 on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and increasing competition in textile-to-textile recycling technologies could represent important risks that require continued investment in compliance, innovation and technological differentiation.

To better understand the potential financial implications of these developments, selected risks and opportunities were quantified using economic sensitivity analysis and hazard-based damage functions. This analysis represents a subsequent step following the identification and assessment of risks and opportunities, supporting the prioritization and implementation of mitigation and adaptation measures. It helps identify areas where climate- and nature-related factors may influence capital expenditure, operating costs, or revenue generation over time. Based on RE&UP's sustainability drive and the results of this analysis, adaptation actions have and will be put in place to strengthen resilience.

2. Purpose of the Document

This report presents RE&UP's climate- and nature-related risks and opportunities in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD). It is intended to demonstrate RE&UP's understanding of its risks and opportunities and preparedness to respond, or leverage those. In that, it aims to provide relevant and decision-useful information to investors, business partners and other stakeholders regarding RE&UP's exposure and response to climate- and nature-related risks and opportunities.

The TCFD, established by the Financial Stability Board, developed a globally recognized framework to guide organizations in reporting climate-related governance, strategy, risk management, metrics and targets, with a focus on financially material risks and long-term resilience. Building on this approach, the TNFD is a market-led global initiative that provides guidance for identifying, assessing, managing and reporting nature-related dependencies, impacts, risks and opportunities. Together, these frameworks support consistent, decision-useful climate- and nature-related reporting, enabling companies to enhance transparency, strengthen risk management practices, and provide relevant information to investors and other stakeholders.

While the application of these frameworks remains voluntary, as a scale-up, RE&UP has chosen to disclose this report in line with TCFD and TNFD recommendations as part of its commitment to transparency and proactive integration of climate and nature considerations into its strategic and operational decision-making.

Unless otherwise stated, the information presented in this report presents the best available data at the time of publication and includes forward-looking statements subject to inherent uncertainties.

3. Overview of RE&UP's Business

3.1 Business Context

RE&UP is a textile-to-textile recycling company established as part of the SANKO Group, a diversified industrial conglomerate with activities including textile manufacturing. RE&UP operates industrial-scale recycling facilities that transform pre- and post-consumer textile waste into recycled fibers. Through its proprietary recycling technologies, colored and mixed poly-elastane textiles are transformed into Next Generation Polyester, and polycotton textiles into Next Generation Cotton, which can be integrated into existing spinning and manufacturing processes as substitutes for virgin materials. Since 2023, RE&UP has recycled over 400 million pieces of textile waste and currently has an annual production capacity of 80,000 tons. Through these activities, RE&UP contributes to reducing the environmental footprint of the textile industry, which is widely recognized as being greenhouse gas-intensive, generating around 4% of global greenhouse gas emissions¹, as well as resource-intensive. For example, cotton production is highly water-intensive, requiring around 10,000 liters of water per kilogram of fiber². As part of its strategic focus on sustainability (see [RE&UP's Impact Assessments](#)), RE&UP has voluntarily applied the recommendations of the TCFD and TNFD to conduct a climate and nature risk and opportunity assessment aimed at strengthening the resilience and future readiness of its business.

3.2 Governance and Risk Management

Climate- and nature-related risks and opportunities are integrated into RE&UP's enterprise risk management (ERM) framework and addressed within core business decision-making processes. Oversight rests with the Board of Directors (or relevant Board Committee), while Executive Management (CFO, CSO, CCO, COO, CHRO) is responsible for the identification, assessment and response implementation.

Continuous monitoring is performed by designated Risk Owners, with the ERM function ensuring methodological consistency, consolidation, and escalation where required. Newly identified risks and opportunities are incorporated into the existing ERM system and subject to the same evaluation, prioritization, and decision-making processes as other enterprise risks, ensuring alignment with management reviews, resource allocation, and performance oversight.

RE&UP applies a structured likelihood-impact methodology within its ERM to support decision-making and resource allocation. Risk assessments consider inherent exposure, the effectiveness

¹ IEA (2022), *The Future of Textiles*; Quantis (2018), *Measuring Fashion*

² WWF; Textile Exchange (2023/2024)

of existing controls, and resulting residual risk, using quantitative data where available and expert judgement within defined governance parameters where necessary.

Impacts are evaluated across operational, financial, regulatory, health, safety and environmental, and reputational dimensions, with differentiated risk tolerance levels depending on the nature of the exposure. The ERM framework maintains a dynamic risk register, supports prioritization and reporting to Executive Management and the Board, and integrates forward-looking analyses. RE&UP's CapEx investment decisions are assessed through both industrial and sustainability criteria, ensuring alignment with RE&UP's business strategy and risk appetite.

3.3 RE&UP's Impact Assessments

Through its circular business model, RE&UP supports sustainability outcomes by way of its operations. In parallel, RE&UP is actively working on the management of its environmental footprint.

As part of this commitment, RE&UP quantifies its greenhouse gas (GHG) emissions on an annual basis, with Scope 1, 2 and 3 emissions calculated in accordance with the GHG Protocol, ensuring a consistent and robust emissions inventory.

Table 1: RE&UP's GHG emissions inventory for year 2025 & 2024

Emissions (kton CO ₂ e)	2025	2024
Scope 1	10,397 (9%)	1,722 (1%)
Scope 2 (market-based)	2,243 (2%)	1,393 (1%)
Scope 3	106,731 (89%)	160,545 (98%)
Total	119,371	163,660

In addition to GHG accounting, RE&UP identifies areas to mitigate its environmental footprint and compare the impact of its products to the ones of virgin alternatives through targeted Life Cycle Assessments (LCAs) and a dedicated circularity indicator analysis.

- Three different LCAs have been performed to quantify the environmental performance of RE&UP's recycling technologies and identify improvement levers. For Next-Gen Cotton, a PEF-aligned screening LCA and an ISO 14040/14044 comparative LCA benchmarked recycled cotton against virgin cotton using primary operational data. Results indicate materially lower impacts across key nature and climate indicators, including approximately 50-53% lower climate change impacts, around 85% lower freshwater eutrophication, nearly 90% lower water and land use, and up to 30% lower fossil resource use depending on the feedstock scenario, while highlighting operational hotspots such as energy use, chemical inputs, and by-product management. For textile-to-textile PET chips, an ISO-compliant comparative LCA quantifies lower impacts compared to virgin PET and

conventional recycling routes, with electricity sourcing and feedstock preparation identified as key drivers of that lower impact.

- In parallel, RE&UP has assessed the circularity performance of its textile-to-textile rPET chips, produced through a purification process that allows the recycling of post-consumer polyester textiles by removing dyes and elastane impurities. Using recognized metrics - including closed-loop displacement, the Material Circularity Indicator (MCI), and solvent circularity - the analysis demonstrates high virgin PET displacement potential, significant improvements in garment-level circularity, and near closed-loop solvent recovery rates.

These assessments support RE&UP's ability to manage climate- and nature-related impacts and risks by providing the analytical foundation for targeted mitigation and resilience actions. Building on its impact reduction efforts, RE&UP aims to further enhance resilience by proactively assessing forward-looking environmental risks and opportunities and taking action accordingly.

4. Climate- and Nature-Related Risks and Opportunities

4.1 Scope of the Assessment

Aligned with the TCFD and TNFD recommendations, both physical and transition risks are included in the assessment:

- **Physical risks** arise from the direct impacts of climate change and from the degradation or disruption of natural systems on which operations depend. They are categorized as either acute or chronic. Acute physical risks occur suddenly, within a short timeframe and are driven by specific events, such as flooding, storms, wildfires or heatwaves. Chronic physical risks refer to gradual shifts over a longer period, including rising average temperatures, water stress, sea-level rise, ecosystem degradation or the long-term decline of natural resources and ecosystem services.
- **Transition risks and opportunities:**
 - **Transition risks:** arise from the transition to a low-carbon, climate-resilient and nature-positive economy and are classified into four sub-categories: policy & legal, technology, market, and reputational.
 - **Transition opportunities:** transition opportunities may arise from resource efficiency improvements, circular innovation, enhanced resilience, development of lower-impact products and services, or strengthened market positioning in response to increasing demand for sustainable and nature-positive solutions.

As the first climate and nature risk and opportunity assessment, the scope covers RE&UP's most material activities: its four wholly owned operational sites, located in the two provinces of Bursa and Gaziantep. Please see the [Appendix](#) for a description of the four operational sites. For the

identification of transition risks, the scope is broader and includes downstream activities given that market-wide shifts are critical in shaping these risks and opportunities.

The environmental risk and opportunity assessment was conducted across three time horizons: a baseline reflecting current conditions, 2030 representing the short- to medium-term outlook, and 2050 representing a long-term horizon. These time horizons are aligned with widely recognized global targets, such as Net Zero by 2050.

In line with the TCFD and TNFD, the assessment considers two reference scenarios to evaluate the resilience of RE&UP's strategy and operations across different plausible climate futures:

- An "optimistic" scenario (SSP1-RCP2.6) reflecting a low-emissions pathway characterized by rapid decarbonization and policy alignment consistent with limiting global warming to below 2°C by 2100. This scenario is recommended to stress test the preparedness of businesses to respond to, and comply with, aggressive regulatory and market shifts, and is particularly relevant for transition risks, as it reflects early and coordinated regulatory tightening, accelerated technology shifts, and changing market expectations, all of which increase pressure on businesses to adapt and comply with the low-carbon transition.
- An "extreme" scenario (SSP5-RCP8.5) representing a high-emissions, fossil fuel-intensive development pathway with limited climate policy, leading to approximately 4°C or more of global warming by 2100. This scenario is used primarily to stress-test exposure to severe physical risks, such as heat stress, water scarcity and extreme weather events, which are expected to increase in intensity and frequency under higher emission pathways, while also capturing delayed and potentially abrupt transition responses.

These Intergovernmental Panel on Climate Change (IPCC) scenarios were selected both for their representation of different transition and warming pathways and for the availability of robust, spatially resolved physical risk indicators across relevant hazards and time horizons for both nature and climate. In addition, they align with the recommendations of the TCFD and requirements of the Corporate Sustainability Reporting Directive (CSRD).

4.2 Methodology of the Climate and Nature Assessments

For the risk and opportunities assessment, physical and transition risks are evaluated using separate methodologies.

4.2.1 Physical Risks

As defined by the IPCC³, physical risks are assessed through three variables, which have been combined for this assessment in the following formula:

³ IPCC AR6 WGII, Annex I – Glossary

Figure 1: Formula for the assessment of physical risks

$$\text{Hazard} \times \text{Exposure} \times \text{Vulnerability}$$

- **Hazard:** The potential occurrence of a natural- or human-induced physical event or trend that may cause loss of life, injury or other health impacts, as well as damages and loss to property, infrastructure, livelihoods, service provision, ecosystems and environmental resources. After screening a dozen potential physical risk indicators, four were prioritized based on their geographical materiality for RE&UP's sites presented in [Table 2: Prioritized list of physical risk indicators used in the environmental assessment](#).
- **Exposure:** The presence of people, livelihoods, environmental services and resources, infrastructure, or economic, social or cultural assets in places that could be adversely affected. Exposure is evaluated for each physical risk indicator across the four sites, independently of scenarios and time horizons. It reflects the value and relative importance of assets that could be affected by a hazard, using site-specific proxies (e.g., number of personnel on site when scoring exposure to heat stress).
- **Vulnerability:** The propensity or predisposition to be adversely affected by a hazard, as well as the adaptive capacity to adapt to or recover from it. For example, sensitivity may relate to water-intensive processes, while adaptive capacity may include closed-loop water use. A vulnerability score is allocated per hazard and site type, independently of scenarios and time horizons. It is then adjusted to reflect the site's adaptive capacity based on existing measures that reduce asset sensitivity – i.e., the extent to which assets are affected by a given hazard – and/or enhance adaptive capacity, thereby mitigating the impacts of the hazard. For example, a closed loop system was taken into consideration and contributed to lowering the site's water stress vulnerability score.

Results of the assessment are presented in section [4.3.1 Results of the Physical Risk Assessment](#).

Table 2: Prioritized list of physical risk indicators used for the environmental assessment

Physical risk indicator	Physical risk category	Physical risk metric
Extreme Temperature	Acute	Days above 35°C (TX35) <i>Number of days per year where maximum temperature exceeds 35°C</i>
Wildfires	Acute	Fire Weather Index (FWI) <i>FWI estimates fire danger based on temperature, humidity, wind speed, and precipitation. It reflects conditions conducive to wildfire, not actual burned area</i>
Water Stress	Chronic	Baseline/Future water stress (FWISA)

		<i>Ratio of total water withdrawals to available renewable supply</i>
Extreme Precipitation	Acute	Maximum 5-day precipitation (RX5) <i>The 5-day accumulated (120h) extreme precipitation in mm</i>

4.2.2 Transition Risks and Opportunities

First, a long list of transition risks and opportunity themes is generated using the TCFD and TNFD frameworks, industry expertise and desk research as guidance. From this long list, the four themes most relevant to RE&UP are prioritized for further analysis, based on their expected magnitude of impact on strategy and operations and likelihood of occurrence:

- **Policy & Legal:**
 - **EU Textiles Extended Producer Responsibility (EPR):** EU Textiles EPR schemes aim to make textile producers responsible for the collection and recycling of textile products at the end of their life and are expected to be implemented across EU Member States by 2028.
 - **Stronger chemicals regulation (such as REACH):** Chemicals-related regulations aim to regulate the use of chemical substances to protect human health and the environment. For example, REACH, currently in force in the EU, is requiring companies to identify, assess and manage hazardous substances, including legacy substances, used in processes, including monitoring the presence of restricted substances in recycled inputs.
 - **Rising traceability and verification requirements through the EU Ecodesign Sustainable Products Regulation (ESPR):** An EU Regulation introducing requirements on product sustainability, including durability, recyclability, recycled content and traceability across the product lifecycle through Delegated Acts expected to come into force in the coming years. Product sustainability metrics, such as recycled content, have yet to be defined.
- **Technology:**
 - **Technology obsolescence:** Relates to companies entering the market with comparable technological capabilities.

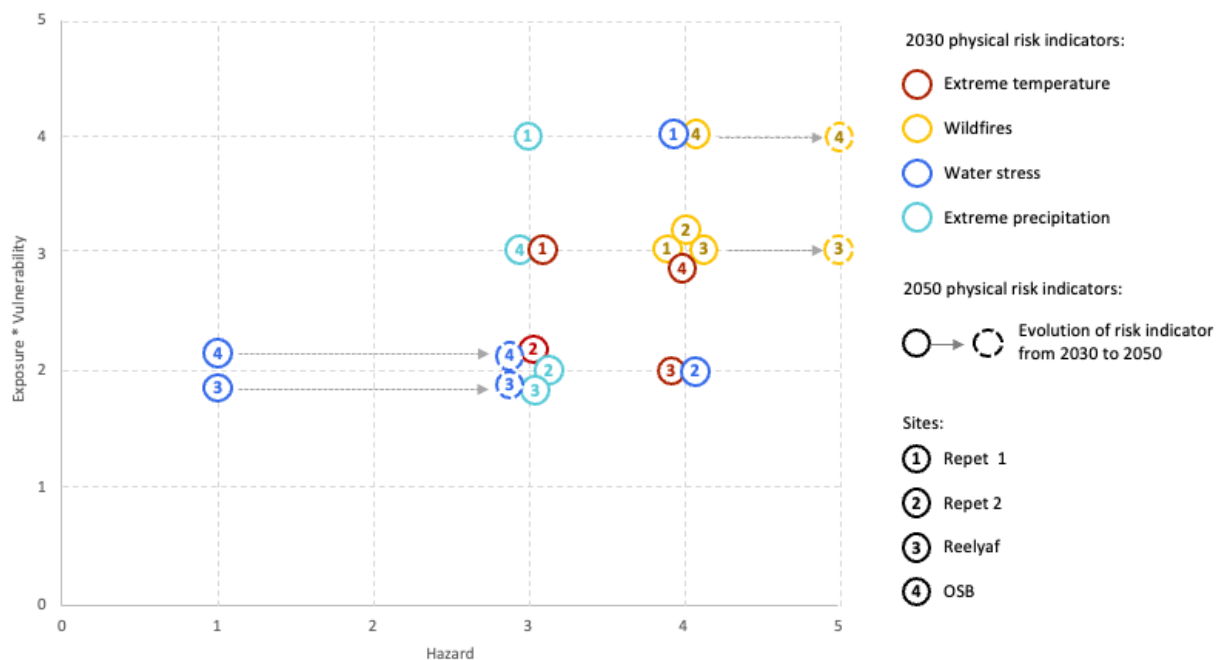
While the EU is widely considered the global leader in sustainability regulatory frameworks, other key regions, including Asia and North America, are incorporated within the scope of this assessment. EU regulations are used as a proxy given their current maturity and ambition, providing a forward-looking benchmark for potential regulatory developments across other markets. Results of the assessment are presented in section 4.3.2 [Results of Transition Risks and Opportunities Assessment](#).

4.3 Results of the Climate and Nature Assessments and Current Adaptation Actions

4.3.1 Results of the Physical Risk Assessment

The physical risk assessment results presented in Figure 2 are displayed under the “extreme” scenario as it highlights the conditions under which physical risks are most pronounced, supporting more robust planning. The physical risk scores shown on Figure 2 are normalized scores (from 1 to 5), derived from absolute values, to ensure comparability across indicators. Small raw data variations are therefore not displayed.

Figure 2: RE&UP's physical risk scores - Extreme scenario, 2030-2050



Under the “extreme” scenario, the most significant physical risks are linked to wildfires and extreme temperatures, which show relatively elevated levels across sites, though with some variation. OSB stands out with higher exposure across multiple hazards, followed by Reelyaf. Water stress is more concentrated at Repet 1 and Repet 2 in 2030, whilst extreme precipitation remains relatively similar across sites.

From 2030 to 2050, the overall risk profile remains largely stable. Most hazards show limited change over time, with extreme temperature and precipitation remaining constant. However, OSB and Reelyaf experience an increase for water stress and, to a lesser extent, wildfires, while Repet 1 and Repet 2 remain unchanged.

A deep dive per indicator is provided in [Table 3: Results and interpretation of physical risks indicators](#) below.

Table 3: Results and interpretation of physical risks indicators

Indicator	Results interpretation	RE&UP actions
Extreme heat	Extreme heat is presently a material operational hazard across all four assessed sites, with OSB and Reelyaf currently experiencing the highest heat-related hazards. Repet 1 and Repet 2 are projected to observe the steepest increases in heat hazards between now and 2050 under the most “extreme” scenario. OSB and Reelyaf experience more moderate increases but remain the sites with the highest absolute heat burden, with projections reaching up to 84 days above 35°C per year by 2050. The risk is exacerbated at OSB due to high exposure and vulnerability, as it has one of the largest workforces, whose health, safety, and productivity may be impacted by heat stress. In addition, equipment overheating may lead to process disruptions and increased cooling demand.	Measures such as air conditioning (natural ventilation and mechanical) and operational cooling systems are implemented across sites to address extreme temperature risks, supporting workforce productivity and operational continuity under increasing heat stress conditions.
Wildfires	Wildfire exposure is currently very high across all assessed sites in the baseline year, consistent with regional conditions in the Southern Mediterranean. Given this high baseline hazard, risk levels remain broadly stable over time, with slight increases across scenarios and time horizons for OSB and Reelyaf, which reach higher risk levels by 2050. As OSB has the highest asset value at risk, it may face greater financial losses if the risk materializes. Vulnerability remains structurally high across all sites due to potential site access constraints, outages, smoke-related health impacts, and logistics disruptions.	Dust housekeeping limits, in line with international industrial safety guidance, are implemented to reduce wildfire-related risks. Additionally, manufacturing facilities are insured against wildfires, reducing financial exposure from asset damage and business interruption.
Water stress	The water stress indicator shows the clearest differentiation across sites. It is low to moderate in the baseline year and increases steadily over time, reaching very high levels at the most exposed locations, particularly Repet 1 and Repet 2, under the most “extreme” scenario. Although starting from a low baseline, OSB and Reelyaf experience the largest relative increases, highlighting the need for early preparedness. From an exposure and vulnerability perspective, Repet 1 is the priority site due to its high share of total water withdrawals.	The implementation of a closed-loop water system at OSB strengthens resilience to water stress, supports operational continuity under supply constraints and aids in reducing on the water basin.
Extreme precipitation	Extreme precipitation is the most stable indicator across sites and scenarios, with hazard levels remaining moderate through 2030 and 2050 and limited differentiation between locations. Despite limited increases, the risk remains relevant due to its potentially disruptive impacts, including localized	Precipitation mitigation systems are under development.

	flooding, infrastructure damage, and transport interruptions, particularly at high-activity sites such as Repet 1.	
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4.3.2 Results of Transition Risks and Opportunities Assessment

Overall, the analysis suggests that transition pressure is more immediate under the “optimistic” scenario given earlier and more consistent regulatory enforcement and market expectations. Under the “extreme scenario”, the short-term signal is often muted, but opportunities and risks strengthen over time as requirements tighten and buyer expectations evolve, rewarding early readiness and enabling competitive differentiation. By 2050, themes converge upward in materiality across scenarios, indicating that several transition drivers become structurally embedded in market access and customer requirements, particularly in advanced markets such as the EU.

Across the four shortlisted themes, EU Textiles EPR and ESPR show the clearest pathway to opportunity under both “optimistic” and “extreme” scenarios, assuming that RE&UP positions itself as a trusted recycling partner on the market, while chemicals regulation and technology obsolescence could be persistent risks that require sustained compliance and investment. Given RE&UP’s EU exposure, these drivers are most relevant as they affect market access, credibility, contracting power and operating costs and complexity.

Rising traceability and verification requirements (ESPR direction)

Table 4: Scenario analysis of risks and opportunities related to ESPR requirements

Scenario	Driver	Description of risk/opportunity
Optimistic scenario	EU ESPR implemented with strong requirements on product traceability, composition disclosure and verified sustainability claims	Opportunity: Improved market access and potential premium pricing driven by ESPR traceability requirements, reinforced by increased scrutiny on non-T2T recycled textile sourcing while exposing non-traceable solutions to margin pressure and loss of credibility.
Extreme scenario	Brands initially apply traceability requirements selectively, focusing on high-risk products or markets	Opportunity: Under an "extreme scenario", ESPR could be perceived as a risk for RE&UP given uneven enforcement and selective uptake, leading to operational disruptions if traceability requirements tighten abruptly or inconsistently. However, given RE&UP has robust traceability and chain-of-custody models ready to be deployed, as well as production capacity, this scenario presents an opportunity for RE&UP in the form of increased demand (although latent compared to the Optimistic scenario).

Under the EU Ecodesign for Sustainable Products Regulation (ESPR) (Regulation (EU) 2024/1781), eco-design requirements (such as required recycled content) could be implemented, which are expected to increase demand for traceable recycled fibers and favor suppliers able to provide auditable chain-of-custody and verified claims. For RE&UP, this creates a clear commercial opportunity under the “optimistic” scenario as brands and retailers strengthen requirements for traceable recycled content, demand is likely to shift toward recyclers that can demonstrate credible, product-level traceability, helping reinforce existing offtake relationships and supporting potential revenue uplift. Under a more disruptive pathway characterized by the “extreme” scenario, uneven enforcement or sudden tightening of requirements could create short-term market uncertainty. In this context, RE&UP’s readiness may allow it to respond quickly capturing increasing demand as brands and retailers seek reliable, compliant supply partners, even if overall market uptake remains less pronounced than in a more “optimistic” scenario.

Given its existing traceability capabilities, RE&UP is presently positioned to leverage these opportunities under both scenarios, and support brands and retailers in meeting ESPR requirements. As a partner of Textile Exchange, RE&UP has established a robust and auditable traceability framework that ensures total transparency from feedstock sourcing to final product output. RE&UP’s system is structured to provide end-to-end visibility across the value chain, aligned with internationally recognized standards and best practices.

Traceability is maintained through a combination of chain-of-custody certifications, transaction certificates (TCs), and comprehensive digital documentation, enabling batch-level tracking and verification of material flows. Certifications, such as Global Recycled Standard (GRS) and Recycled Claim Standard (RCS) support this framework through independent third-party audits and strict compliance requirements. Transaction Certificates are systematically issued and managed to validate each transfer of certified materials, ensuring data integrity and eliminating risks such as double counting or misrepresentation. This structured approach provides stakeholders with reliable, verifiable information on recycled content, origin, and processing history, reinforcing RE&UP’s credibility within circular textile value chains and preparing effectively for ESPR-related traceability requirements.

Technology obsolescence and competitiveness of recycling technologies

Table 5: Scenario analysis of risks related to technology obsolescence and competitiveness

Scenario	Driver	Description of risk/opportunity
Optimistic scenario	Strong decarbonization and circularity targets accelerate textile-to-textile innovation and investment making it a high-growth, attractive market	Risk: Increased competitive pressure and erosion of market positioning due to entry of low-cost and weakly verified solutions (particularly outside the EU), heightening the risk of technology obsolescence unless RE&UP differentiates through verifiable

		performance and invests to diversify its technology portfolio.
Extreme scenario	Slower and less coordinated transition reduces near-term pressure to upgrade or diversify recycling technologies	Risk: Lower short-term pressure to innovate but higher long-term risk of abrupt technology obsolescence and costly catch-up (including mistimed capital allocation) if expectations or regulations shift quickly.

Technology obsolescence represents a relevant transition risk under both environmental scenarios as textile-to-textile recycling becomes a high-growth market. Increased demand could attract new entrants which compete on price or through newer technologies. This could erode margins and shift buyer preferences over time particularly in segments where competition already exists today. In parallel, RE&UP places a strong focus on maintaining the quality of its products and the reliability of its operations. Its market position is supported by capabilities such as defined quality standards and sustainability criteria, which contribute to its differentiation in the textile recycling market. However, RE&UP recognizes this risk and is prepared to address it by maintaining the strength of its intellectual property, monitoring fast-moving segments, and selectively investing in upgrades where needed to stay ahead of evolving buyer requirements.

EU Textiles EPR (Extended Producer Responsibility)

Table 6: Scenario analysis of risks and opportunities related to EU Textiles EPR

Scenario	Driver	Description of risk/opportunity
Optimistic scenario	Mandatory EU Textiles EPR implemented with strict enforcement and eco-modulation	Opportunity: Revenue growth and long-term offtake security enabled by EU Textiles EPR scaling collection and recycling demand, subject to RE&UP's ability to maintain its competitive advantage in the recycling market.
Extreme scenario	EU Textiles EPR introduced unevenly across countries with limited global uptake	Opportunity: Textiles EPR could be enforced at a later date and in a fragmented way across countries. Nonetheless, RE&UP has the traceability and chain-of-custody systems that would enable it to answer the different requirements, leading to revenue growth.

Under the “optimistic” scenario, EU Textiles EPR primarily appears as an opportunity for RE&UP. As regulations get stronger and more consistently enforced in the EU, demand for verified recycling capacity increases which could support long-term offtake and revenue growth if RE&UP maintains its position as a fully traceable recycler. By 2050, Textiles EPR are expected to be more widely embedded in market rules, making structured contracting and strong positioning in the

recycling market a strategic advantage, all whilst traceability and audit expectations increase the compliance workload.

Under the “extreme” scenario, similarly as for the ESPR-related opportunities, RE&UP is positioned to leverage opportunities through its traceability capabilities and chain-of-custody certifications. In a more fragmented rollout, with different timelines across countries, demand for recycled textiles may emerge unevenly across markets. In this context, RE&UP could benefit from being able to supply markets where requirements are implemented earlier, supporting additional revenue opportunities even if overall progress remains slower and less coordinated.

RE&UP is continuously strengthening its capabilities to respond to both scenarios and is building further resilience by ensuring appropriate traceability as compliance requirements become more structural rather than episodic. Further information on RE&UP’s traceability capabilities can be found in the above paragraph on the ESPR-related risk and opportunity.

Stronger chemicals regulation (REACH tightening and restricted substances)

Table 7: Scenario analysis of risks related to chemicals regulation (REACH)

Scenario	Driver	Description of risk/opportunity
Optimistic scenario	Tightening REACH restrictions on hazardous substances, combined with increased scrutiny on chemicals present in recycled textiles, including legacy substances contained in post-consumer waste, may increase compliance requirements for recyclers	Risk: Increased operational burden and cost pressure from stricter chemical compliance requirements under REACH (requirements that go further than those set out today – which RE&UP complies with).
Extreme scenario	Slower evolution of chemical regulation in the short-term, with REACH tightening delayed and unevenly prioritized across EU countries	Risk: Lower short-term compliance pressure but higher risk of abrupt operational disruption and unplanned compliance costs due to delayed and disorderly REACH tightening.

Chemicals regulation is primarily a risk for RE&UP under both scenarios as it increases compliance and operational complexity requiring increased testing, documentation, audits, and potential substitution of restricted substances.

Under the “optimistic” scenario, similarly to other themes, pressure materializes earlier and more consistently particularly within the EU market, pushing expanded testing and audit requirements. Under the “extreme” scenario, near-term legislation application may be less uniform, but delayed uptake could lead to sharper disruption later through urgent substitutions

and process requalification. By 2050, requirements are expected to be fully integrated for EU-facing activity, but the risk persists if restrictions continue escalating and if compliance capabilities do not keep pace with customer expectations and scrutiny.

Given RE&UP's existing ZDHC program membership in facilities and Cradle-to-Cradle Circularity certification of products, the company is well positioned to meet evolving regulatory requirements and maintains a focus on chemical management, as well as water quantity and quality. At present, across RE&UP's four sites, the majority of chemicals are aligned with advanced sustainability and safety standards such as Bluesign, ZDHC level 3 and GOTS 7.0. Additionally, at the Repet 1 site, wastewater testing is conducted bi-annually by ZDHC-approved laboratories, and the results are uploaded in ZDHC's system. The Repet 1 site is also certified following the ZDHC "Recycled Polyester Guideline" module introduced in 2026. Lastly, the OSB site is classified under ZDHC Zero Liquid Discharge (ZLD) within the scope of wastewater management.

5. Financial Implications and Risks and Opportunities Management

5.1 Financial Estimation of Risks and Opportunities

Building on the assessment, priority risks and opportunities are financially quantified, in order to estimate the potential impacts of risks and opportunities on the organization's business, strategy and financial planning.

Physical risks are quantified by applying hazard-specific damage functions (economic models calculated for different climate and nature scenarios) to RE&UP's sites and activities to translate climate and nature data into estimated economic impacts. Transition risks and opportunities are evaluated through an economic sensitivity analysis which quantifies potential financial implications. For both physical and transition risks and opportunities, potential revenue loss or gain, capital expenditure (CapEx) and operating expenditure (OpEx) are estimated.

RE&UP appears well positioned to manage the prioritized physical risks, given their scale and RE&UP's mitigation and adaptation measures (already implemented or planned). The priority transition risks and opportunities could present a larger financial impact, with opportunities that can either be captured and/or risks to be managed.

5.2 Management of Climate and Nature Risks and Opportunities

The identification, assessment and financial quantification of climate- and nature-related risks and opportunities allows RE&UP to target their risk adaptation efforts where it is most impactful.

According to the IPCC's latest report on Impacts, Adaptation and Vulnerability⁴, adaptation refers to the process of adjustment to actual or expected climate impacts to moderate harm or exploit potential opportunities.

Based on the risks and opportunities, as well as their broader sustainability efforts, RE&UP has and will implement a number of operational measures that strengthen resilience.

Table 8: Summary of risks and opportunities and related adaptation measures

Category	Risks & opportunities	RE&UP adaptation actions
Physical	Extreme temperature	Current: Air conditioning (natural ventilation and mechanical) and operational cooling systems present on all sites. All sites are supplied with renewable electricity through monthly procurement of International Renewable Energy Certifications (I-RECs). Future: RE&UP are committed to meet the increased demand for air conditioning by purchasing renewable electricity across all sites under extreme temperatures. This increased OpEx has been financially quantified, with the goal of supporting workforce productivity, and operational continuity under increasing heat stress. Additionally, RE&UP is focusing on task automation as a way to adapt to increasing heat stress and ensure business continuity.
	Wildfires	Current: Dust housekeeping limits are applied, with the air conditioning system collecting dust debris, and insurance coverage is enforced. Facilities meet local fire-related regulations including EHS training and infrastructure fire standards. RE&UP processes also comply with the ARGUS standard.
	Water stress	Current: Closed loop water system running at OSB. Future: The closed-loop water system is planned to be rolled out to the Repet 1 site in the future, further reducing vulnerability to drought-related constraints and potential regulatory tightening on industrial water use.
	Extreme precipitation	Considering the low impact materiality of risks related to extreme precipitation, future adaptation efforts will focus on other physical risks.
Transition	ESPR	Current and future: RE&UP is already equipped to provide physical traceability requirements under ESPR, allowing it to seize the opportunity if presented. OpEx costs have also already been modelled.
	EU Textiles EPR	<i>Similar to ESPR mentioned above.</i>
	Chemicals regulation	Current: Compliant with local water regulations and aligned with leading standards (Bluesign, ZDHC Level 3, GOTS 7.0), supported by ZDHC and Cradle-to-Cradle certification programs.
	Technology obsolescence	Current: IP protection mechanisms are in place for all processes unique to RE&UP, e.g., Patented Next Generation Cotton recycling technology.

⁴ IPCC (2022). Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. – Glossary

Collectively, these measures will continue to enhance operational resilience to physical risks while reinforcing RE&UP's competitiveness under tightening regulatory and market conditions. Going forward, additional measures will be implemented based on the outcomes of the climate and nature risk analysis and in line with RE&UP's strategic ambition to maintain a leading position in sustainable textile-to-textile recycling.

6. Appendix

6.1 Operational Sites in Scope of the Assessment

RE&UP owns four manufacturing facilities wholly in which pre- and post-consumer textiles are processed into textile-to-textile Next Generation Polyester and Next Generation Cotton. The facilities are located in the provinces of Bursa and Gaziantep.

- Facilities in Bursa:
 - Repet 1 branch: produces textile-to-textile Next Generation Polyester chips
 - Repet 2 branch: eco-sorting
- Facilities in Gaziantep:
 - OSB branch: thermo-chemical recycling for Next Generation Cotton
 - Reelyaf branch: mechanical recycling for recycled cotton

6.2 Glossary of Acronyms

Table 8: Glossary of acronyms

Acronym	Definition
CapEx	Capital Expenditure
CSRD	Corporate Sustainability Reporting Directive
EPR	Extended Producer Responsibility
ERM	Enterprise Risk Management
ESPR	Ecodesign for Sustainable Products Regulation
GHG	Greenhouse Gas
IPCC	Intergovernmental Panel on Climate Change
LCA	Life Cycle Assessment
MCI	Material Circularity Indicator
OpEx	Operating Expenditure
RCP	Representative Concentration Pathways
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
SSP	Shared Socioeconomic Pathways
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Task Force on Nature-related Financial Disclosures
ZDHC	Zero Discharge of Hazardous Chemicals

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