



## Sustainability Report | 2017

**Arçelik**

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### About The Report

In line with its principles of transparency and accountability, Arçelik presents its policies, performance results and targets in social, environmental, ethical, and economic fields to the views of its stakeholders with “Arçelik Sustainability Report 2017”, which constitutes the 10<sup>th</sup> sustainability reporting practice carried out by the Company.

“Arçelik Sustainability Report 2017”, which predicates on the sustainability performance of the Company between January 1<sup>st</sup> and December 31<sup>st</sup>. 2017, was expanded, as committed in the previous period, to include operations in Sweden, China and Australia alongside Turkey, Romania, United Kingdom, Russia, and France.

While the financial indicators included in the report are based on the consolidated performance results of the Company to be consistent with the “Annual Report”, practices and performance results from Turkey, Romania, China, and Russia were emphasized in relation to environmental indicators.

The report is prepared in accordance with the GRI Standards core option as in the previous year. Stakeholder feedbacks and materiality studies led by Arçelik Sustainability Report Working Group and the senior management, detailed in the “Identification of Material Aspects” section, were evaluated as the primary inputs establishing the content of the report. UN Global Compact and UN Sustainable Development Goals (SDG), constitutes the other references for the reporting practice.

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## Message From the CEO



As we move forward with the aim of global leadership and sustainable, profitable growth, we focus on creating long-term, added value for all our stakeholders.

## Esteemed Stakeholders,

It is our responsibility, to you and the wider world, to help create sustainable living. This responsibility shapes our work. During this reporting period, we continued to take innovative and successful steps on our sustainability journey - in accordance with United Nations Sustainable Development Goals.

In this – our tenth – Sustainability Report, we present our goals, our priorities and the results we have achieved. We analyse the social and environmental impact of our business alongside broader trends, from climate change to digitalization, from urbanized population growth to increasing automation. With this understanding, we have reviewed our sustainability priorities this year. All the steps we have taken to be a digital solution partner for households have been based upon these sustainability priorities.

In 2017, we continued to develop new products and services. One very important project in the circular economy was our use of a new tub for washing machines. This is made of plastics containing recycled PET bottles. This project has so far seen 12 million PET bottles recycled, and our aim for 2018 is reaching 25 million. This has led to energy savings equivalent to the annual consumption of 1,700 households.

Our sustainability practices are integrated with our business strategy; thus, we have become the only industrial company from Turkey to be included in the Dow Jones Sustainability Index (DJSI) this year. By being among the five largest additions to the DJSI Emerging Markets we proved once more our strong position in the field of sustainability. In 2017, we were also included in the Emerging Markets Index of FTSE4Good, a responsible investment index compiled by FTSE Russel (part of the London Stock Exchange), which evaluates companies that show strong environmental, social, and governmental performance. We were selected as one of best nine companies in the world and entitled to the "Ökoviision Sustainability Leadership Award" by ÖkoWorld, which is among the most respectable funds in Europe investing only in sustainable operations.

We reinforced our industry leadership in combating climate change by receiving "A performance grade" from the Carbon Disclosure Project (CDP) in their CDP Climate and CDP Water programs. CDP is one of the biggest climate change initiatives, and we are among the 25 companies in their Global "A List".

Companies that adopt the green economy, find solutions in the field of circular economy, and make a difference in resource efficiency, are leaders for change. Together with our energy efficient and environmentally-friendly manufacturing practices, our aim is to be a carbon neutral company. We will continue to improve our sustainability performance because our innovative solutions inspire change in more households and our initiatives help address global problems.

As Arçelik forges ahead in global sustainability, we believe that these developments will increase our corporate reputation, respectability in the capital markets and investment appeal. Our success encourages us to keep on moving further. In this way, we can expand both our focus and our sphere of influence.

I would like to share two recent developments of which I am very proud and will help us move towards achieving our sustainability goals. Firstly, we expanded the scope of our sustainability report in accordance with the Global Reporting Initiative (GRI) guideline, to include our Chinese, Australian and Swedish operations and bring our sustainability vision to our global operations.

Secondly, we believe that an important part of the solution ensuring gender equality comes from the language we use. We are one of the signatories of UN Women Empowerment Principles in 2017. In addition to promoting equality and diversity of opportunity, we have taken an important step by leveraging technology to avoid gender discourse. We introduced our social innovation project, "Equal Dictionary", with the motto of "tongue slips, dictionary equals". Our project consists of a website, mobile and desktop application. Not only does it raise awareness of gender equality, but it also offers a technological solution.

As we move forward with the aim of global leadership and sustainable, profitable growth, we focus on creating long-term, added value for all our stakeholders. I would like to thank all our stakeholders who encourage us along our journey towards sustainability and higher objectives.

**Hakan BULGURLU**  
Arçelik  
CEO



# Sustainability Journey

## 2003

- We adopted the Corporate Governance Principles (CGP) established by the Capital Markets Board of Turkey.

## 2004

- We started to publish our CGP Compliance Report both within our Annual Report and on our website.
- Our Turkish operations were compliant with packaging regulations prior to their publication.

## 2005

- We signed the Code of Conduct issued by the European Committee of Domestic Equipment Manufacturers (APPLiA/CECED).

## 2006

- We redefined our HR policy and procedures according to the United Nations Global Compact (UNGC).
- We published our Arçelik HR Policy, Code of Ethics and Business Conduct Guidelines and shared them with our employees.

## 2007

- We conducted "Work-Life Evaluation and Improvement" surveys to our manufacturing sites outside of Turkey.

## 2008

- We published our first Sustainability Report.
- We complied with the Full Restriction of Hazardous Substances (RoHS) in Turkey before regulations were officially instated.

## 2009

- We published our "Arçelik Disclosure Policy."
- Our first corporate governance rating was 8.21 out of 10 and we started to be listed on IMKB Corporate Governance Index.

## 2010

- Our corporate governance rating rose to 8.55 out of 10.
- We started calculating our greenhouse gas emissions in accordance with the ISO 14064-1 standard, receiving a verification certificate from an independent internationally accredited organization.

## 2011

- Our corporate governance rating was raised to 8.59 out of 10.
- As a member and a term spokesperson of Turkish Climate Platform Corporate Leaders Group, we signed "The 2°C Challenge Communiqué".
- We represented Turkey as the Turkish Climate Platform term spokesperson at the Durban Climate Conference.

## 2012

- Our corporate governance rating rose to 9.11 out of 10.
- We represented Turkey as the Turkey's Climate Platform term spokesperson at the Doha Climate Conference.
- We were named "Turkish Carbon Disclosure Leader" by the Carbon Disclosure Project (CDP) thanks to our strategies tackling climate change and our management approach.
- We ranked among Best Country Practices and represented Turkey in Brazil at Rio+20 United Nations Sustainable Development Conference with our Cactus Dishwasher.

## 2013

- Our corporate governance rating rose to 9.28 out of 10.

## 2014

- Our corporate governance rating rose to 9.41 out of 10.
- We joined the Borsa Istanbul (BIST) Sustainability Index.
- We were the first Turkish Company in our sector to be included in "The Global A List: CDP Climate Performance Leadership Index 2014."
- We carried out Efficient Appliances and Equipment Global Partnership Program in collaboration with the United Nations Environment Program (UNEP).

## 2015

- Our corporate governance rating rose to 9.48 out of 10.
- We signed the "Principles of Dialogue for Climate Action".
- We supported Koç Holding's social responsibility program, "For My Country: I Support Gender Equality".
- We opened 10<sup>th</sup>. R&D Center at Cambridge University Science Park in UK.

## 2016

- Our corporate governance rating rose to 9.52 out of 10.
- "We initiated "Global Ethics and Compliance System Project."
- We were listed in "A List: CDP Climate Performance Leadership Index" for the 2<sup>nd</sup> time.
- We represented Turkey in the Conference of the Parties to the UNFCCC (COP21).
- We established two R&D Centers and a Design Center in Turkey and an R&D Liaison Office in Boston, Massachusetts (USA)

# 2017



The only Turkish industrial company that was listed in the category of Emerging Markets of the **Dow Jones Sustainability Indices**.



Listed in **MSCI Global Sustainability Index** for the **3<sup>rd</sup>** consecutive year and rated "**AAA**" the highest possible level.



Listed in **Borsa Istanbul Sustainability Index** for the **4<sup>th</sup>** consecutive year. Our Corporate Governance Rating updated as **9.52**

Entered in the **A List** in the **Climate and Water Programs** of **Carbon Disclosure Project (CDP)** to become one of the 25 companies in the world.

Allocated **58 million TL** for R&D studies on environmentally friendly products in Turkey.

Chosen as the **Most Successful** Industrial Company of Turkey as part of Horizon 2020 Program.

Signed **United Nations Women Empowerment Principles**.

**Female Manager Ratio** **↑16.5%** in Global Operations.

The recruitment rate of female employees rose to **39%** operations in Turkey.

Provided **3.840** employees with the Gender Equality Awareness Seminars and reached to **16.330** employees since 2015.



**2010 → 2017 Energy Consumption per Product** **↓40.7%** in Turkey, Romania, Russia and China operations.

**2012 → 2017 Water Withdrawal per Product** **↓36%** in Turkey, Romania, Russia and China operations.



**2012 → 2017 Hazardous Waste per Product** **↓9%** in Turkey, Romania, Russia and China operations.



**2011 → 2017 Water Savings** **1.12 million m<sup>3</sup>** in Turkey operations.



Achieved **57,489** GJ of energy saving and reduced **5,131** tons of **CO<sub>2</sub>e** of greenhouse gas emissions thanks to the **170** energy efficiency projects conducted in Turkey operations.



**12,682** person\*hour **Environmental Training** to employees.

**253,368** person\*hour **OHS Training** to employees.

Carried out **156** efficiency projects, **238** sustainability projects **with the suppliers**.

Won the **Best Contribution to Corporate Responsibility** grand prix in Supply Management Awards with its Supplier Business Transparency Program (BTP).



# 2017 Results – Goals for 2020

At Arçelik, we have been disclosing our sustainability performance to the views of our stakeholders with the reports we prepare every year since 2007. In 2016, we aligned our strategies with the Sustainable Development Goals for 2030 and we set our 2020 objectives in relation to our material aspects. With this step we took in accordance with our principles of transparency and accountability, we plan to give opportunity to our stakeholders for monitoring our sustainability performance with concrete targets and carry out more responsible and efficient reporting practices.


## Management Approach

SDG Alignment	2020 Goals	2017 Results	2016 Results
	<p><b>Number of the Country Operations within the Scope of the Report: 7</b></p> <p>Increase the number of the country operations within the scope of the reporting practice to 7 by 2020; hence to expand its scope to 14 production facilities and 10 sales and marketing companies.</p>	In 8 countries, 11 production facilities and 4 sales and marketing companies	5 countries, 10 production facilities, 2 sales and marketing companies
	<p><b>To Build the Global Ethics and Compliance System</b></p> <p>Initiated a project for restructuring its existing "Ethical Rules of Conduct and Implementation Principles"</p>	The first phase of the project continues.	Initiation of the project
	<p><b>The Number of Country Operations where Ethics Hotline is Operating: 20</b></p> <p>Increase the number of country operations where Ethics Hotline, created within the scope of Ethics and Compliance System, is operating to 20 by 2020.</p>	The first phase of the project continues.	Initiation of the project

## Talent Management

SDG Alignment	2020 Goals	2017 Results	2016 Results
	<p><b>Female Manager Ratio: ↑24%</b></p> <p>Increase the ratio of female managers from 16% to 24% in global operations by 2020.</p>	Female Manager Ratio: <b>16.5%</b>	16%
	<p><b>Training Hours per Employee</b> Monthly waged: 48 hrs / Hourly waged: 27 hrs</p> <p>Increase the average training hours per employee to 48 for monthly waged and 27 for hourly waged employees in global operations by 2020.</p>	<p>Average Training Hours per Employee</p> <p>Monthly Wage: <b>46.7</b> - Hourly Wage: <b>25.7</b></p>	32.7 19.2
	<p><b>Employee Engagement Rate</b> Monthly Waged: 68% - Hourly Wage: 68%</p> <p>Increase the employee engagement rate to 68% for both monthly and hourly waged employees in all operations by 2020.</p>	<p>Monthly Wage Employee Engagement Rate: <b>61.7%</b></p> <p>Hourly Wage Employee Engagement Rate: <b>62.7%</b></p>	34.7% 60.9%

## Occupational Health and Safety

SDG Alignment	2020 Goals	2017 Results	2016 Results
	<p><b>Accident Frequency Rate / Accident Severity Rate ↓25%</b></p> <p>Reduce the Accident Frequency Rate and Accident Severity Rate indicators by 25% in Turkey until 2020. The occupational health and safety performance goals of the other countries covered in the report will be announced in the forthcoming periods due to the ongoing investments in related country operations.</p>	<p>Accident Frequency Rate <b>4.11%</b></p> <p>Accident Severity Rate <b>0.058%</b></p> <p>in Turkey operations</p>	3.2% 0.054% in Turkey operations

\*: In 2017, we reduced our water withdrawal per product by 36% and reached our goal for 2020, which was 35%. Hence, we updated our water withdrawal reduction per product goal as 38% as of 2020, in comparison with the base year of 2012. Realized and target rates comprise our Turkey, Romania, Russia and China operations.

\*\* : In 2017, we reduced our hazardous waste per product by 9% and reached our goal for 2020, which was 5%. Hence, we updated our hazardous waste reduction per product goal as 11% as of 2020, in comparison with the base year of 2012. Realized and target rates comprise our Turkey, Romania, Russia and China operations.

## Responsible Production and Consumption

SDG Alignment	2020 Goals	2017 Results	2016 Results
	<p><b>Energy Consumption per Product</b> ↓45%</p> <p>Reduce its energy consumption per product in Turkey, Romania, China and Russia operations by 45% in 2020, in comparison with the base year of 2010.</p>	<p><b>Energy Consumption per Product</b> ↓40.7%</p> <p>In comparison with the base year of 2010</p>	↓34%
	<p><b>Renewable Energy Investment</b></p> <p>Establish renewable power plants with a total capacity of 6 MWp, by the end of 2020.</p>	<p>No renewable power plant installed in 2017. 1.7 MW renewable energy investment has planned for 2018.</p>	Investment objective set.
	<p><b>Water Withdrawal per Product</b> ↓38%</p> <p>Reduce its average water withdrawal per product in its Turkey, Romania, China and Russia operations by 38% as of 2020, in comparison with the base year of 2012.</p>	<p><b>Water Withdrawal per Product</b> ↓36%</p> <p>In comparison with the base year of 2012</p>	↓31%
	<p><b>Hazardous Waste per Product</b> ↓11%</p> <p>Reduce its average hazardous waste per product in its Turkey, Romania, China and Russia operations by 11**% as of 2020, in comparison with the base year of 2012.</p>	<p><b>Hazardous Waste per Product</b> ↓9%</p> <p>In comparison with the base year of 2012</p>	↓2%
	<p><b>Waste Recycling Rate</b> ↑98%</p> <p>Increase its waste recycling rate in Turkey operations to 98% by 2020.</p>	<p><b>Waste Recycling Rate</b> ↑96.42%</p>	↑97%

## Research and Development, Innovation and Digitalization

SDG Alignment	2020 Goals	2017 Results	2016 Results
	<p><b>Increase the number of the R&amp;D and Innovation Projects and Collaborations</b></p> <p>Arçelik aims to increase the number of platforms where the Company will develop projects with different stakeholder groups in the field of innovation.</p>	<p>Represented Turkey in MIKTA Innovation Leaders Platform (Mexico, Indonesia, South Korea, Turkey and Australia) that aims to promote innovation and business alliance among members as well as the commercialization of new ideas and technologies.</p> <p>Supplier Innovation Program was realized to generate innovative product ideas. 2 workshops were held at Arçelik Garage with the cooperation of Arinkom TTO and Anadolu University.</p>	<p>Pre-studies completed</p> <p>Pre-studies completed</p>

## Sustainability Management in Value Chain

SDG Alignment	2020 Goals	2017 Results	2016 Results
	<p><b>Develop Supplier Sustainability Index</b></p> <p>Develop Global Supplier Sustainability Index to monitor its strategic suppliers and a build "Sustainable Supplier Category" by the year 2018, as well as setting numerical target for the year 2020.</p>	<p>Sustainable Supplier System project is initiated, where the suppliers constituting risks and high risks in terms sustainability will be identified and the Sustainable Supplier objective will be established. The Project is planned to be completed in 2018.</p>	Pre-studies completed

## Social Development

SDG Alignment	2020 Goals	2017 Results	2016 Results
	<p><b>Encourage Employee Volunteerism</b></p> <p>Improve and expand the employee volunteerism model until 2020.</p>	<p>Voluntary participation of employees in projects that contribute to social development is encouraged. Employees make contributions by collecting donations for non-governmental organizations through organizations and sports activities they hold.</p>	Employees were encouraged to participate and support social projects
	<p><b>Increase the Awareness on Gender Equality</b></p> <p>Conduct projects aiming to raise the awareness regarding "Gender Equality" in all its operations and cooperate with non-governmental organizations in order to be a part of the solution.</p>	<p>3,840 employees were reached by 88 Gender Equality Seminars at 8 campuses in Turkey. 509 people participated in trainings for Authorized Dealers and Services.</p> <p>Company signed the UN Women Empowerment Principles</p>	11,247 employees reached by 192 awareness seminars
	<p><b>Increase the Awareness on Food Waste</b></p> <p>Carry out projects aiming to raise awareness regarding food waste.</p>	<p>Grundig brand "Food for Soul" project was carried out worldwide and "Ruhun Doysun" project has launched in Turkey, as part of the Respect Food approach.</p>	"Food for Soul" launched by Grundig as part of "Respect Food" approach.
	<p><b>Increase the Awareness on Healthy Eating and Child Obesity</b></p> <p>Carry out projects to aiming to raise awareness on healthy eating and the child obesity.</p>	<p>Eat Like A Pro project has launched by Beko brand, a sponsor of FC Barcelona</p>	Pre-studies completed

## Special Report: Women Empowerment



Believing that increasing women's participation in the workforce will be the driving force of development in economies, Arçelik leads the way in empowering women in the business world.

Arçelik manages its business and sustainability strategies that are determined in line with its vision of "Respects the Globe, Respected Globally", in an integrated manner. Business world plays an important role in the realization of Sustainable Development Goals. Starting from this understanding, the Company has committed to contribute to the United Nations Sustainable Development Goals and has aligned its 2020 sustainability roadmap with these goals.

Arçelik is taking pioneering steps in the field of "Gender Equality", the 5<sup>th</sup> Global Goals of the United Nations. In the geography it operates, the company is leading the way in integrating women into the business world, providing equal opportunity in business life and strengthening women in corporate life.

In parallel with the principles of diversity, equality of opportunity and inclusion, the Company transforms its corporate culture, undertakes activities to create awareness in the society so that women get involved in social and economic life more effectively and put their signature under important success stories.

Consistent with its priorities in this area, the Company focuses on increasing women recruitment rate as well as the rate of women at managerial levels and the development of female employees. The Company also develops projects to contribute to the maintenance of work-life balance.

Arçelik aims to increase its female manager ratio from 16.5% in 2017 to 24% in 2020 as part of its sustainability goals. As one of the most fundamental steps in increasing the female managerial ratio, the Company is attentive to ensure that at least one of the three candidates is a female candidate while developing succession plans for management levels.

The company aims to hire one female employee for every three recruitments. In line with the objective set for 2017, Arçelik increased its female recruitment rate from 31% to 39% in Turkey operation.

The company gives priority to women in internship programs and carries out projects to increase women recruitment rate in its authorized dealers and services.

Arçelik initiated the Women Impact Program in 2017 to strengthen the role of female employees in business life and to support them in different fields throughout their careers and maintained its contributions in this area by signing the United Nations Women Empowerment Principles (WEP's - Women Empowerment Principles).



## Special Report: Women Empowerment

Arçelik signed the “United Nations Women Empowerment Principles (WEPs),” outlines the roadmap for companies to empower women’s position in corporate life and society.

Gender equality is among the most important headings of Arçelik’s sustainability strategy. The company regards the establishment of gender equality as a human right and considers it one of its most important goals. To ensure gender equality, the Company follows a policy that opposes discriminatory gender roles and structures, believing that employees can only realize their true potential in this way. The company conducts projects to transform the corporate culture and create a participatory business environment.



**Hasret Gürsoy**  
R&D Specialist  
System Design Team  
Dishwasher Plant

Our team is responsible of the washing and drying systems as well as the acoustic performance of the dishwashers. We are one of the teams having highest number of female employees. Even during my studies I was questioned if a woman can be a mechanical engineer. I have proved to be a succesful enginer by becoming the female patent leader at Arçelik with the highest number of applications. What women really need is not privilege but equality.

**Fatima Baloch**  
SR Marketing Officer  
Dawlance

I am working for Dawlance Marketing Team. I live in Pakistan. I want to tell all my female friends that they should seek and explore what makes them happy. What they can do the best. Then they’ll be succesful and happy.



Dawlance'in pazarlama biriminde çalışıyorum.



**Kübra Mesude Ergen**  
Spare Parts Planning Engineer  
Search and Resque Team Member

We proved that women are capable of every achievement. Woman can use their inner power and energy to succed in every post.

**Nomusa Mkhize**  
Forklift Operator

I am working for Defy since 2004. In 2006, I saw an advertisement post and I applied for female forklift operatör. When I have started this post, everyone said that this job is not proper for woman. However, I have been working successfully then.



2004 yılından bu yana Defy'da çalışıyorum.

### Women Employee Rate

2017	Arçelik Group Companies	Turkey Operations	International Operations
Montly Wage	29%	26%	33%
Hourly Wage	19%	10%	34%

## Special Report: Women Empowerment



### Woman Impact Program

Arçelik is taking decisive and solution-oriented steps to create a corporate culture where gender equality is supported. The company is developing projects to increase the number of female employees and strengthen their existence in business life. In 2017, Arçelik developed the Woman Impact Program to support female employees throughout their careers.

Women Impact Program is run by three subprojects: "Development Programs", "She Mate Mentorship Program" and "Women Connect".

- Development Programs, which are designed to support the development of female employees, are carried out through different training programs including Women in Leadership, Holistic Leadership Program and seminars.

Women in Leadership Program which is carried out to help women leaders recognize themselves, overcome their own obstacles in business life and strengthen their leadership competencies, 27 female managers were reached in 2017.

Holistic Leadership Program: Independent of gender concept, Program is designed for us to recognize our masculine and feminine leadership energies and make a balance between them, to be aware of different and strong leadership qualities and that we can exist in the business world with these qualities. The program is offered to all monthly paid female and male employees.

- Women Connect is established to strengthen the network among women and to inspire all female employees with different stories of women. Arçelik was ranked among the Inspirational Companies of Bin Yaprak, the digital sisterhood circle, where female employees share their experiences. Arçelik aims to guide and encourage women who are actively involved or who are taking a new step in business life, with different stories shared by hourly and monthly paid female employees.

- The She Mate Mentorship Program has been launched to ensure the return and adaptation of women on maternity leave to business life, to help them benefit from the knowledge of experienced mothers and overcome the challenges of this transition period together. In 2017, 41 voluntary mentors were matched with 27 volunteer mentees under the program. 29% of female employees who gave birth in 2017 participated in She-Mate Mentorship program.

#### Here are a few examples of Mentors' comments:

"It's a beautiful project. I would like to take part in facilitating the lives of people so they can easily overcome the difficulties we experienced before, by relying on our knowledge, experience and training."

#### Selda Ataş - Technician - R&D Structural Design - 3

"Providing this kind of motivation to overcome the worries mothers experience after maternity leave and supporting them when they return to work after their first child is born is a great thing to do. Upon returning to work, the mother feels in limbo. Such support will ensure her motivation to work. Thanks to all those who contributed."

#### Kadriye Uzuner Kiraz - R&D Technician, Testing, Approval

"I made my first visit. I met with my mentor yesterday. I wanted to share the photos with you. Our dialogue will continue. Thank you very much for the women's impact bracelet gifts."

#### Meltem Gülenç Çetek - Laboratory Technician - Quality Assurance

## Special Report: Women Empowerment



### Equalize with the Equal Dictionary!

Arçelik put into "Equalize with the Equal Dictionary" project into practice, taking advantage of the power of technology to ensure gender equality. Gender equality needs to be provided on an equal footing. In our everyday life, we use many gendered discourses in our conversations unwittingly. We aim to raise awareness about the gendered discourses in our daily lives and the end the use of these words and patterns with the Equivalent Dictionary.

We use the "The Equal Dictionary" application, which will be installed on computers or mobile devices, to send a warning when sexist discourses are used, and we suggest a substitute discourse. The application does not only increase the awareness of the sexist and the alienating expressions of the woman, but also takes action.



Arçelik continues contributing to Koç Holding's "I Support Gender Equality for my Country" project.

Koç Holding, leads the way in supporting "HeForShe" movement conducted by the United Nations Gender Equality and Women Empowerment Unit and signing UN Women Empowerment Principles (WEPs) and Equality at Work Platform in Turkey. As Arçelik, we support the "HeForShe" movement and the "I Support Gender Equality for my Country" project carried out by our Group, and engage in important works with our employees and dealers.

16,330 employees have been reached to date with "Knowledge Mill" trainings, organized to raise awareness of gender equality. Gender equality trainings have been included in company's orientation program and became a part of the corporate culture.



# About Arçelik

Arçelik, was established in 1955 within the body of Koç Holding and operates in the sectors of consumer durables and consumer electronics supported with its production, marketing and after sale support services. Today Arçelik offers products and services in 145 countries around the world, with its 30,000 employees, 18 production facilities in 7 countries (Turkey, Romania, Russia, China, South Africa, Thailand and Pakistan), 35 sales and marketing offices in 33 countries and its 11 brands (Arçelik, Beko, Grundig, Blomberg, Elektrabregenz, Arctic, Leisure, Flavel, Defy, Altus and Dawlance).

Achieving 29% of growth in 2017, the net sales of Arçelik amounted to 20,841 TL. As a leader in the categories of white goods, built-in products, air conditioners, small home appliances, Arçelik continues to grow fast in the global market. Arçelik is the third largest company of white goods sector in Europe. Arçelik is in the leading position in the market with the Arctic brand in Romania, Defy brand in South Africa, Dawlance brand in Pakistan.

Beko, the global for the last 17 years white goods brand of Arçelik, has been one of the fastest growing player in Europe's white goods sector and is the leader in the European solo white goods market.



Operating Profit

**1,406**  
TRY Million

Net Profit

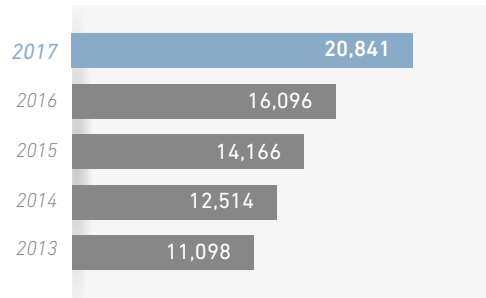
**845**  
TRY Million

Net Sales

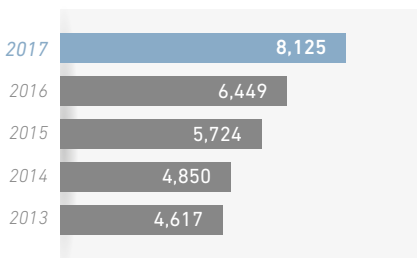
**20,841**  
TRY Million

Net Sales Consolidated 2017

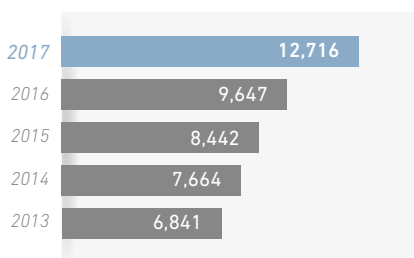
**20,841**  
TRY Million



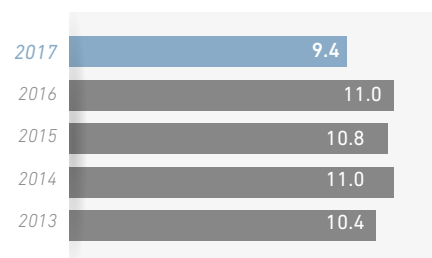
Net Sales - Turkey (TRY Million) 2017



Net Sales - International (TRY Million) 2017

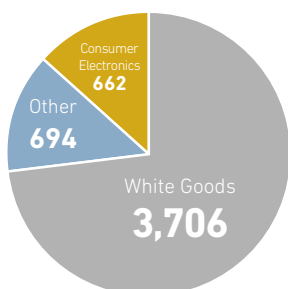


Earnings before interest, tax, depreciation and amortization (\*)



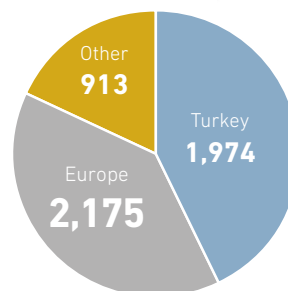
Net Sales by Product Group Million Euro

2017

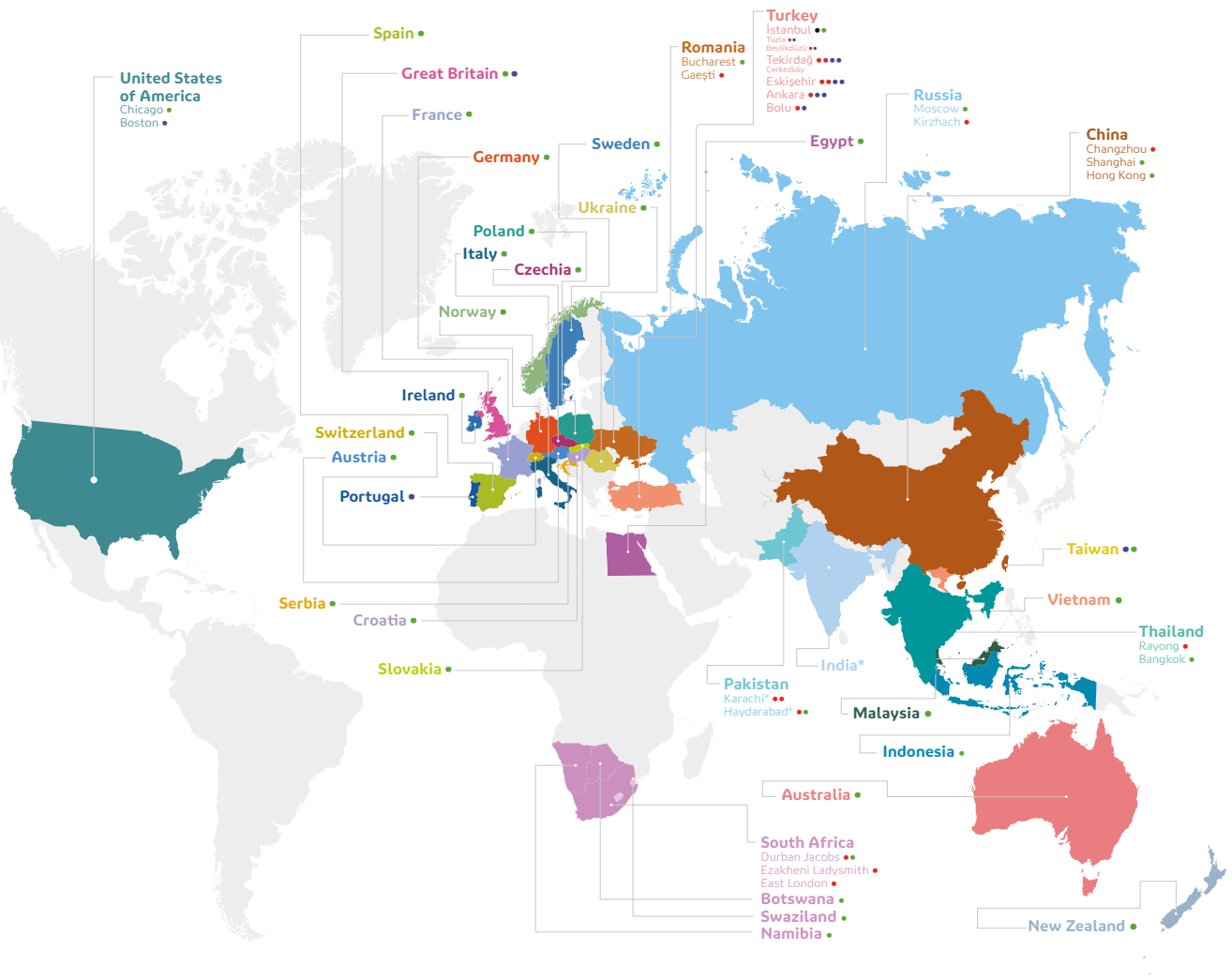


Regional Distribution of Net Sales Million Euro

2017



# Global Operational Network



**Headquarters**

**Production Plants**

**Production Plants - R&D Centers**

**Sales & Marketing and R&D Offices**

Turkey / Istanbul

Refrigerator Plant - Eskisehir, Turkey  
 Cooking Appliances Plant - Bolu, Turkey  
 Dishwasher Plant - Ankara, Turkey  
 Washing Machine Plant - Tuzla/Istanbul, Turkey  
 Electronics Plant - Beylikduzu/Istanbul, Turkey  
 Compressor Plant - Eskisehir, Turkey  
 Electric Motor Plant - Cerkezkoy / Tekirdag, Turkey  
 Tumble Dryer Plant - Cerkezkoy / Tekirdag, Turkey  
 Arctic Refrigerating Appliances Plant - Gaesti, Romania  
 Refrigerator and Washing Machine Plant - Kirzhach, Russia  
 Refrigerator Plant - East London, S. Africa  
 Cooking Appliances and Tumble Dryer Plant - Jacobs, S. Africa  
 Refrigerating Appliances Plant - Ezakheni, Ladysmith, S. Africa  
 Washing Machine Plant - Changzou, China  
 Refrigerator Plant - Thailand, Rayong  
 Refrigerator Plant - Hyderabad, Pakistan  
 Washing Machine and Refrigerator Plant - Karachi, Pakistan  
 Cooking Appliances and A/C Plant - Karachi, Pakistan

Arçelik Pazarlama A.Ş. Istanbul, Turkey  
 Ardutch B.V. Taiwan Branch Taiwan  
 Beko A and NZ Pty Ltd. Australia, New Zealand  
 Beko Appliances Malaysia Sdn. Bhd Malaysia  
 Beko Appliances Indonesia, PT Indonesia  
 Beko Balkans D.O.O Serbia  
 Beko Deutschland GmbH Germany  
 Beko Egypt Trading LLC Egypt  
 Beko Electronics España S.L. Spain  
 Beko France S.A.S. France  
 Beko Hong Kong Ltd. Hong Kong, China  
 Beko Italy SRL Italy  
 Beko LLC. Russia  
 Beko Plc. UK, Republic of Ireland  
 Beko Slovakia S.R.O. Slovakia  
 Beko S.A. Poland, Czechia  
 Beko Shanghai Trading Company Ltd. China  
 Beko Thai Co., Ltd. Thailand

Beko Ukraine LLC. Ukraine  
 Beko US Inc. USA  
 Changzhou Beko Electrical Appliances Co. Ltd. China  
 Computer Vision Interaction S.A Portugal  
 Dawlance Electronics (Pvt.) Ltd. Pakistan  
 Defy Appliances Ltd. Republic of South Africa  
 Defy (Botswana)(Proprietary) Ltd. Botswana  
 Defy (Namibia)(Proprietary)Ltd. Namibia  
 Defy (Swaziland) (Proprietary)Ltd. Swaziland  
 Elektra Bregenz AG Austria  
 Grundig Multimedia A.G. Switzerland  
 Grundig Intermedia GmbH Germany, Croatia  
 Grundig Nordic No AS Norway  
 Grundig Nordic AB. Sweden  
 SC Arctic SA Romania  
 Vietbeko Limited Liability Company Vietnam  
 Beko R&D Office Taiwan  
 Beko Plc, R&D Center Cambridge Science Park UK  
 METU Technopolis R&D Center Ankara, Turkey  
 Beko R&D Liaison Office Boston USA

\* Following the agreement between Arçelik A.Ş. and Voltas, main shareholder of which is Tata, the name of the manufacturing and sales company in India was registered as "Voltbek Home Appliances Private Limited".



## MANAGEMENT APPROACH

The governance structure at Arçelik is one of the main determinants of the company's successful performance in economic, social and environmental areas. Arçelik's strong governance approach is one of its most important instruments in achieving business goals and in effectively managing the value chain. While managerial practices are supported by modern systems and standards, business and sustainability strategies are carried out in an integrated manner. The Company works with effective risk management practices in order to turn operational, financial and environmental risks facing the company and its value chain into opportunities. Full compliance with ethical principles is ensured in all Arçelik operations to guarantee trust and long-term relationships with stakeholders. Through the participatory approach adopted, stakeholders are included in the company's operations and decision-making processes.

2020 Goals	2017 Results	2016 Results
<p><b>Number of the Country Operations within the Scope of the Report: 7</b></p> <p><i>Increase the number of the country operations within the scope of the reporting practice to 7 by 2020; hence to expand its scope to 14 production facilities and 10 sales and marketing companies.</i></p>	<p><i>In 8 countries, 11 production facilities and 4 sales and marketing companies</i></p>	<p><i>5 countries, 10 production facilities, 2 sales and marketing companies</i></p>
<p><b>To Build the Global Ethics and Compliance System</b></p> <p><i>Initiated a project for restructuring its existing "Ethical Rules of Conduct and Implementation Principles".</i></p>	<p><i>The first phase of the project continues.</i></p>	<p><i>Initiation of the project</i></p>
<p><b>The Number of Country Operations where Ethics Hotline is Operating: 20</b></p> <p><i>Increase the number of country operations where Ethics Hotline, created within the scope of Ethics and Compliance System, is operating to 20 by 2020.</i></p>	<p><i>The first phase of the project continues.</i></p>	<p><i>Initiation of the project</i></p>

### Corporate Governance

At Arçelik, corporate governance is shaped around the principles of accountability, responsibility, openness and transparency and fair behavior. Corporate governance practices based on effective stakeholder participation, effective audit mechanisms and transparent reporting practices are supported by top-end systems and standards.

The management structure of Arçelik consists of a single-stage system of the Board of Directors elected by the General Assembly. The Board of Directors consists of 12 members, of whom 4 are independent members and one of them has executive status (General Manager). All members of the Board of Directors are responsible for the economic performance of Arçelik, while the General Manager also assumes executive responsibility for the social and environmental performance of the company. The office of the General Manager, who is at the top of the executive body and the Chairman of the Board of Directors, are held by separate individuals. While fulfilling its duties and responsibilities, Arçelik benefits from various corporate governance tools and effective organization structure. The Board receives assistance from specialist councils and committees, particularly in the areas of risk management, auditing, corporate governance, executive and sustainability.

Company's corporate governance performance is constantly being improved. Arçelik steadily increases the corporate governance rating, which is the basic indicator of corporate compliance with the Capital Markets Board (CMB) Corporate Governance Principles and measured through independent evaluations. The corporate governance rating, which was 85.53% in 2010, increased to 95.23% in 2017 as a result of positive developments in this area over the years. This steady development of Arçelik in the field of corporate governance forms the basis of trust it inspires among all of its stakeholders, primarily shareholders.

You can find detailed information regarding Arçelik's corporate governance structure, members of the board of directors and top management under the tabs "About Arçelik" and "Investor Relations" at [www.arcelikas.com](http://www.arcelikas.com).



## Ethics and Compliance System

Arçelik established "Ethical Rules of Conduct and Implementation Principles" in order to promote ethical values among its employees and to pass on to future generations. "Ethical Rules of Conduct and Implementation Principles" booklets are handed to the employees by signature upon their recruitment. Moreover, Ethical Rules of Conduct is assigned to all newly recruited employees as electronic training and its completion is checked regularly.

The Board of Ethical Behavior, established within the body of Arçelik, carries out the operation and the implementation of ethical rules in a healthy manner. The Board of Ethical Behavior consists of General Manager, Assistant General Manager, Human Resources Director and Legal Adviser. The Human Resources Director is responsible for organizing and implementing human rights principles.

All stakeholders are expected to comply with the rules of business ethics and all the implementation principles that support these rules.

The project of restructuring the Ethical Code of Conduct and Implementation Principles is initiated, based upon Arçelik's development and growth trend on a global scale, its objective to improve its sustainability performance and to protect its structure as a global player in the field, in harmony with human rights principles.

Within the scope of the project, studies were continued to be carried out in 2017 regarding the establishment of the Ethics Committee structure at global level, the determination of functioning and reporting mechanisms and their structuring within the organization, the revision of policies in this direction, the reexamination of training contents, and the establishment of Ethics Hotline structure. Project studies are in progress.

The new Arçelik Global Code of Business Ethics commits to comply with UN Global Compact, OECD Guidelines for Multinational Enterprises and Universal Declaration of Human Rights under all circumstances whether or not the relevant documents are accepted in countries of operation. With the code, it is aimed to put forward an exemplary corporate citizenship with Company's employees, dealers, suppliers and authorized services.

*Arçelik Ethical Code of Conduct and Implementation Principles came into effect in 2010 in Turkey and it was extended to other countries of operation, namely Germany, Czech Republic, China, South Africa, United Kingdom, Spain, Italy, Egypt, Poland, Russia and Ukraine by preparing the document in the relevant language. You can access the versions of Ethical Rules of Conduct and Implementation Principles prepared in 11 different languages at the Human Resources/Ethical Rules of Conduct section on our corporate website (<http://www.arcelikas.com/page/1052/globalethical>).*

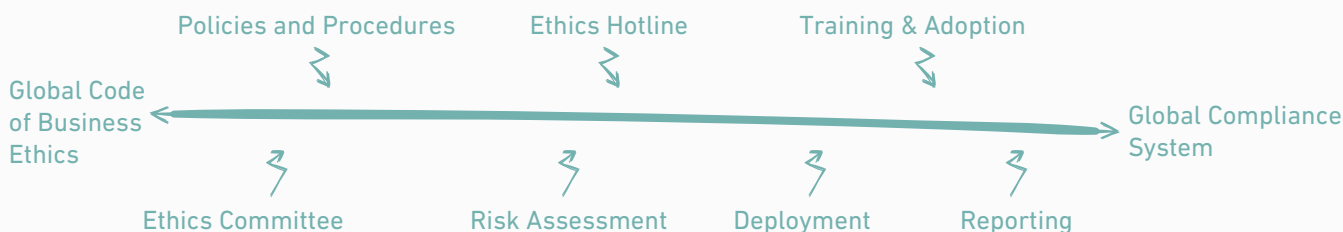
## Risk Management

Arçelik establishes risk management and internal control systems to minimize the impact of the risks that may affect the company. There is a Risk Committee within the body of the Board of Directors to carry out studies on the early detection of risks that may jeopardize the existence, development, continuity of the company and its value chain, application of relevant actions concerning identified risks and managing risks. Risks that are defined in five main categories as strategic, compliance, external based, financial and operational risks are managed in an integrated manner with the business processes and new values are created for stakeholders while the company's existing values are preserved. It is aimed to ensure business continuity and create global competitive advantage through processes carried out in accordance with human resources, knowledge and technology.

The Risk Management Committee's task is offering recommendations and proposals to the Board of Directors on early detection and evaluation of risks which may affect the company, calculation of their impacts and probabilities, managing and reporting these risks in accordance with the company's risk-taking profile and appetite, taking necessary measures against detected risks and establishing effective internal control systems.

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### Road to Arçelik Global Ethics and Compliance System



As part of Functional Risk Management, directors and country managers of Senior Management are responsible for the management of risks associated with their organizations and execution of tasks assigned to their organizations for the mitigation of risks associated with other organizations.

Enterprise Risk Management Directorate established under Assistant General Manager of Finance and Accounting provides Risk Management System to manage, coordinate and monitor the risks which may affect the Company and reports to Risk Management Committee. Enterprise Risk Management operates on the framework of ensuring consistency between company risks, corporate goals and strategies, and matches strategies and goals with risks. In this process, global best practices are taken into account.

Directors, country managers of group companies of Senior Management and Risk Responsibles in all organizations are trained in terms of enterprise risk management in order to generalize risk culture and awareness within the organization. The employees' risk awareness is increased and they are encouraged to suggest on potential risk topics through risk suggestion system.

Audits and controls are the principal risk management tools at Arçelik A.Ş. and are conducted through multi-stakeholder actions in which independent audit institutions, Koç Holding and internal audit units participate. Internal Audit Management regularly conveys results and analyses of significant issues to the Audit Committee in consequence of internal audits it undertakes. This Committee monitors the effectiveness of systems and conveys problems and solution suggestions about risk management and internal control mechanisms to the Board of Directors.

As part of Enterprise Risk Management, Business Continuity Management Project is conducted in order to ensure that Head Office and initially selected plants and subsidiary locations can maintain their products and services at an acceptable level after an interruption. In this context, Crisis Management and Business Recovery Plans are created and Emergency Response Plans are revised. Project is aimed at swift and effective management of unexpected business interruptions and crises; and ensuring business continuity by eliminating impacts of an incident on company plants, operations, financials, reputation and stakeholders. In this context, it is aimed to use resources efficient and timely in addition to effective internal and external stakeholder communications in the event of a crisis.

Emerging risks are monitored proactively, their potential long-term impact on the company is evaluated, and Senior Management and Risk Management Committee are informed on the subject. In this context, regulation changes, climate change risks, potential destructive effects of rapidly developing technologies, cyberattacks and information security risks are considered as global prominent risks.

Energy effectiveness, nanotechnology and emission plan applications are developed on production in order to manage climate change risks, which are among the emerging global risks. In addition, participation in international organizations and events related to climate change is provided. For cyber-attacks and information security risks, measures are taken at all levels of information technologies and operational processes, strategic cyber security collaborations are established, information security awareness trainings are delivered and periodical tests/controls are implemented.

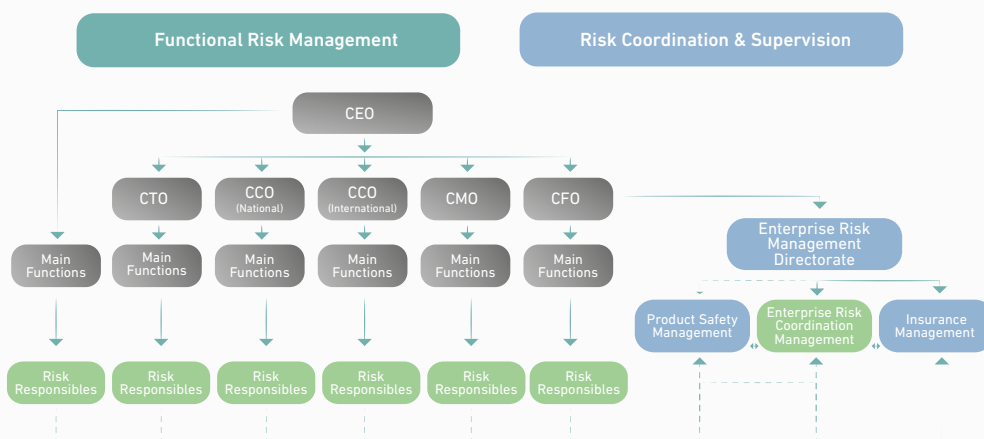
*You can find the detailed information on Risk Management structure and activities in Arçelik 2017 Annual Report.*

Arçelik risk management organization is shown in the table below.



### Arçelik Board of Directors Risk Committee

Head: Independent Board Member  
Member: Board Member





## Sustainability Management

Arçelik acts with the aim of managing its social, environmental and economic spheres of influence in its operational geography with a responsible and effective sustainability approach. Arçelik, a company that respects nature and society in all its activities, regards stakeholder expectations as its primary guide. Operating in a continuously changing, dynamic and competitive sector, Arçelik believes that financial success can only become permanent through a sustainable business model and thus it integrates sustainability goals into its business strategies. Arçelik, which manages its material aspects in line with the principles of "Inclusive", "Responsible", "Innovative" and "Leader", seeks ways to turn the risks of sustainability into opportunities.

Arçelik extends its sustainability policies to the whole organization from the senior management to the lowest levels and to the value chain, and considers sustainability performance of value chain elements as binding. Sustainability performance is continuously improved with concrete objectives, strong communication and effective control mechanisms.

At Arçelik, the Sustainability Council is responsible for the management of sustainability issues, established to determine corporate sustainability and climate change policies and strategies, to ensure their integration into corporate business processes and to monitor sustainability performance. The members of the Council, formed with the participation of Arçelik Senior Management, control and coordinate sustainability activities in their areas of responsibility and preside over the Sustainability Working Groups. The Sustainability Working Groups, formed by executive and experts, are responsible for the implementation and dissemination of decisions taken in the Sustainability Board and for reporting performance and developments in their areas to the Council. The director responsible for sustainability leads Sustainability Working Groups. The Sustainability Council reports critical issues that it deems necessary to the Board of Directors. In 2017, a Board Member of the company was commissioned to inform the Board of Directors regarding the company's sustainability efforts.

## Arçelik is in the Dow Jones Sustainability Indices

Arçelik, a company that has shaped all its business processes on the basis of sustainability in order to leave behind a more livable world for future generations, has made a significant success in the international arena with these efforts.

Arçelik became the only industrial company from Turkey to enter the Dow Jones Sustainability Indices in 2017 in the category of "Emerging Markets". This category aims to represent companies in the top 10% in economic, environmental and social areas among the biggest 800 companies in 23 different countries. The index follows companies under the headings such as management, financing activities, ethical issues, environmental and social performance in the value chain, risk management, climate change measures, transparency, supply chain and human and employee rights.

Arçelik is committed to act in accordance with the United Nations' Sustainable Development Goals (SDG) published in September 2015. As part of these goals that constitute a guideline for companies, Arçelik aims to support 9 global goals. These goals are Quality Education, Gender Equality, Clean Water and Sanitation, Affordable and Clean Energy, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, Responsible Consumption and Production, Climate Action, and Partnership for the Goals. The practices we carried out are covered extensively in the report.



### Arçelik Board of Directors

#### Sustainability Council

*Chairman*  
*Chief Financial Officer*

*General Secretary*  
*Sustainability and Corporate Affairs Director*

*Assistant General Manager-Production and Technology*

*Assistant General Manager-Trade Turkey*

*Finance Director*

*Strategic Planning Director*

*Human Resources Director*

*Customer Services Director*

*Innovation Director*

*Corporate Communications Directorate*

#### Sustainability Working Groups

*Environmental Coordination*

*Energy Coordination*

*Climate Change Coordination*

*Green Chemistry Coordination*

*Occupational Health and Safety*

*Human Rights and Business Ethics*

*Value Chain Management*

*Sustainability Reporting*

### Identification of Material Aspects

In order to achieve its leadership goal in sustainability management, Arçelik reassessed its material aspects in 2017. In the process of identifying material aspects the Company conducted a series of studies to ensure the participation of internal and external stakeholders in decision-making.

Material aspects that have an impact on the Company’s sustainability performance have been redefined with the study of Identification of Material Aspects. The study was conducted in accordance with the principles of comprehensiveness, sustainability context, materiality and stakeholder inclusiveness, as outlined by GRI G4 Sustainability Reporting Guidelines and entailed a prioritization process consisting of three main stages.

In the first stage of the study that took place in July 21st of 2017, “Material Aspect Management and Stakeholder Participation Workshop” was organized. In the workshop, Arçelik’s material aspects for sustainability were redefined along with the related risks and opportunities, in the light of global and sectoral trends and the United Nations Sustainable Development Goals. With the Sustainability Reporting Working Group, material aspect universe consisting of potential material aspects befitting sectoral, operational and geographical characteristics of the Company was redefined.

### Primary Mega Trends Affecting Business Processes of Arçelik

<p><b>Climate Change</b></p>	<p>Climate change is a phenomenon that the entire world, independent of the industry, must combat with. In line with our approach to responsible production, as Arçelik we continue our operations with the awareness of our responsibility to reduce the effects of climate change to a minimum level. We are working to reduce our environmental impacts throughout the product lifecycle, and we realize pioneering practices in our industry to combat climate change by taking an active role in international initiatives.</p>
<p><b>Contribution to Circular Economy</b></p>	<p>It is becoming increasingly important to make economic gains by consuming less natural resources. As Arçelik, on our way to become a pioneer company to implement circular economy, we are giving a second life chance to products that completed their life time.</p>
<p><b>Technological Developments and Digitalization</b></p>	<p>The preferences and needs of customers are being reshaped due to the ongoing digitalization trend all over the world. As Arçelik, we are refining our business processes and models according to this change, developing technological and innovative solutions based on experience. We are working to design products and services that can guide the future world by making digital transformation a part of corporate culture.</p>
<p><b>Population Growth and Urbanization</b></p>	<p>World population growth and urbanization change consumer needs. This process also brings about adverse effects of population on natural resources. At Arçelik, we continue our operations by developing environmentally friendly products that meet the needs of the changing population.</p>



In the second stage, the "Sustainability Roadmap Workshop" took place in September 13<sup>th</sup> of 2017. In this meeting, where the senior management of Arçelik and its organizational structure represented extensively, outputs of the workshop held in July were evaluated and an action plan for the sustainability journey was worked out. At the meeting, the company's risks and opportunities in sustainability in the light of global trends were reassessed and material aspects were redefined in line with sustainability strategies.

In the third stage, stakeholder analysis was carried out to ensure the participation of all stakeholders in decision-making mechanisms in the process of determining the company's material aspects for sustainability. Sectoral material aspects in the context of sustainability, issues that should be prioritized within Arçelik's sustainability framework, sectoral trends, stakeholders' perceptions and expectations of Arçelik and its stakeholders regarding

the development of communication and business cooperation were evaluated. In the study, conducted with reference to the international AccountAbility AA1000SE Standard, stakeholder opinions were collected through surveys, interviews and meetings.

Finally in the last stage, the survey responses were presented to the consideration of expert representatives in the Sustainability Reporting Working Group and the prioritization process ended after stakeholder feedback was taken into account.

The material aspects identified after this study constitute the content of the sustainability report. The management approach, policy, performance results and targets regarding the material aspects, which are of equivalent importance, are presented in detail to the view of stakeholders.



Materiality Matrix

Importance to Stakeholders	<p><b>Important</b></p> <ul style="list-style-type: none"> <li>• Water risks and stewardship</li> <li>• Logistics and operational efficiency</li> <li>• Supply chain that respects environmental, social, and ethical conditions</li> <li>• Financial Performance</li> <li>• Occupational health and safety</li> <li>• Human rights</li> <li>• Ethics and transparency</li> <li>• Conflict minerals management <b>ΔNew</b></li> <li>• Equal opportunity and diversity <b>ΔNew</b></li> <li>• Customer/Consumer satisfaction</li> <li>• Healthy lifestyle <b>ΔNew</b></li> <li>• Products and services for disadvantaged groups <b>ΔNew</b></li> <li>• Food waste <b>ΔNew</b></li> </ul>	<p><b>Very Important</b></p> <ul style="list-style-type: none"> <li>• Combating climate change</li> <li>• Product quality and safety</li> <li>• Community investment programs that create shared value <b>ΔNew</b></li> <li>• Good corporate governance, fairness and accountability</li> <li>• Transforming the sector by leading multi stakeholder initiatives <b>ΔNew</b></li> <li>• Stakeholder Dialogue <b>ΔNew</b></li> </ul>	<p><b>Extremely Important</b></p> <ul style="list-style-type: none"> <li>• Resource efficiency in production</li> <li>• Energy efficient, environmentally friendly products</li> <li>• Open innovation <b>ΔNew</b></li> <li>• Becoming a digital solution partner for homes <b>ΔNew</b></li> <li>• Recycling</li> <li>• Employee development and acquire new skills</li> <li>• Consumer experience <b>ΔNew</b></li> </ul>
	<b>Arçelik Strategic Objectives / Sustainability Goals / Executive Feedback / 4-step Impact Analysis</b>		

Material Aspects	Business Processes				
	Supply	Production	Distribution	Marketing and Sales	After Sales
1 Combating climate change	x	x	x	x	x
2 Resource efficiency in production	x	x			
3 Recycling	x	x	x	x	x
4 Energy efficient environmentally friendly products		x	x	x	
5 Product quality and safety	x	x	x	x	x
6 Water risks and stewardship	x	x		x	x
7 Logistics and operational efficiency		x	x	x	x
8 Supply chain that respects environmental, social and ethical conditions	x	x	x		
9 Financial Performance	x	x	x	x	x
10 Occupational health and safety	x	x	x	x	x
11 Human rights	x	x	x	x	x
12 Ethics and transparency	x	x	x	x	x
13 Good corporate governance, fairness and accountability	x	x	x	x	x
14 Conflict minerals management	x	x		x	
15 Employee development and acquire new skills		x		x	x
16 Equal opportunity and diversity	x	x	x	x	x
17 Customer/consumer satisfaction				x	x
18 Consumer experience		x	x	x	x
19 Products and services for disadvantaged groups		x		x	x
20 Becoming a digital solution partner for homes		x		x	x
21 Open innovation		x		x	x
22 Food waste		x		x	x
23 Healthy lifestyle		x		x	x
24 Community investment programs that create shared value	x	x	x	x	x
25 Transforming the sector by leading multi stakeholder initiatives	x	x	x	x	x
26 Stakeholder Dialogue	x	x	x	x	x



## Stakeholder Management

All individuals and institutions influenced by or have an impact on corporate operations are defined as stakeholders of Arçelik Local communities, consumers, employees, shareholders, suppliers, authorized dealers, services and retailers, trade unions, public institutions, sector institutions and nongovernmental organizations are defined as the main stakeholders of Arçelik.

Arçelik adopts an effective, transparent and bidirectional approach in relating to its stakeholders. In this direction, the Company develops tools to enable stakeholders to participate in corporate decision-making. Arçelik develops collaborations and joint projects with its stakeholders. For these collaborations, a priority is given to the stakeholders who adopt common ethical principles with Arçelik and can create permanent values together with the Company. Arçelik A.Ş continuously improves the participation mechanisms developed for these stakeholders.

Stakeholders are communicated at varying frequencies through stakeholder-specific communication channels formed by taking into consideration the characteristics of each stakeholder group and its position within Arçelik's operations. The practices, which are part of a specific system or process, such as survey, research and application, are carried out at least annually; public disclosures are made quarterly or annually. Other participatory practices are instantly realized as required, and instant communication tools are used in special occasions.

Arçelik considers leading multi-stakeholder initiatives to be an important part of its sustainability approach on a global scale. In this respect, it supports these initiatives by developing collaborations with the national and international parties of the relevant material aspects. Arçelik Suppliers Business Transparency Project (BTP) with the Global Reporting Initiative, UN Environment Program led by World Bank, Sustainable Energy for All (SEforALL) and its sub-initiative United for Efficiency Initiative (U4E), The Global Alliance in Management Education and Koç University Business Schools are some of primary examples to this.

### Stakeholder Groups and Dialogue Methods

#### *Local Communities*

In order to learn the expectations of local communities, Arçelik makes use of various research and survey studies; it responds to these expectations through its products and services, as well as training practices and social projects in social and environmental areas. Corporate web pages, TV, newspaper, radio broadcast and annual and sustainability reports are among the primary communication practices.

#### *Consumers*

Arçelik conduct surveys, meetings, face to face dialogues and focus group studies to respond to the expectations of its consumers and meet the demands of consumers such as technical support and complaints notice via support lines. To inform our consumers regarding our activities, products and services, the Company makes use of annual and sustainability reporting along with marketing communication tools.

#### *Employees*

Active participation of Arçelik employees in company's decision-making processes is encouraged and communication mechanisms that have proven effective over the years are utilized. Suggestion systems and employee surveys encourage employees to share their views and suggestions, and annual employee satisfaction survey provides important input to make improvements for a better working environment. In addition to the intranet, which enables employees to communicate with each other and to keep them informed of company's operations as quickly as possible, Arçelik also benefits from communication tools such as corporate website, corporate television channel, bulletins, internal publications, trainings, annual and sustainability reports.

#### *Shareholders*

The main dialog channel of Arçelik with its shareholders is General Assembly Meetings. All the shareholders use their right to express opinions and obtain information within the limits of relevant regulations. Annual and sustainability reports, Internet, material disclosure, roadshow and investor presentations are among other tools the Company employs.

#### *Authorized Dealers, Services and Retailers*

As one of most important components of the Arçelik's supply chain, Authorized Dealers, Services and Retailers are continuously informed about the company' operations, products and services. The Company conducts studies to enhance knowledge and talent necessary for them to carry out their operations efficiently and sustainably. Annual meetings, face-to-face interviews, websites, corporate TV channels, trainings and seminars are among the primary communication tools used in this regard.

#### *Suppliers*

Online portal, visits and audits are among primary channels Arçelik utilizes in its dialogue with suppliers. Stakeholdership and continuity of common targets are ensured through Supplier Days, Innovation and Technology Days and Business Transparency Project. Other informative tools the Company employs are annual and sustainability reports.

#### *Trade Unions*

The participation of trade unions, with which a constructive dialogue based on mutual goodwill is formed, in the decision-making processes of Arçelik is heeded, their advice is sought about decisions regarding employees. Collective bargaining agreement processes are the periods when union relations are at their peak.

#### *Public Institutions*

Arçelik contributes to public institutions' regulation studies, meets their information demands regarding industry through industry-specific channels, supports projects and initiatives aimed at national and social development.

### Sector Institutions and Nongovernmental Organizations (NGOs)

Arçelik is a member of various organizations, such as associations, foundations, research institutions, institutes, unions and sectoral organizations. Active participation based on membership, joint works and projects being conducted are at the basis of the company's dialogue with these stakeholder groups. The Company, which comes together with stakeholders on various platforms for the development of the industry, particularly in Turkey and Europe for the development of commerce and economy and the solution of problems in environmental and social areas, also makes use of one-to-one meetings and annual and sustainability reports as efficient communication tools.




Participation in Nongovernmental Organizations	Level of Participation
European Committee of Domestic Equipment Manufacturers (APPLIA/ CECED)	Board of Directors and working group memberships
White Goods Suppliers Association	High Level Representation
Various Chambers of Industry and Commerce	Membership to Assembly, to Professional Committee, Various Technical Board Memberships and High Level Representation
Foreign Economic Relations Board (DEİK)	Membership to Board of Directors and Founding Presidency (Chairmanship), Vice Presidency, Business Council Delegation in various business councils
Electronic Equipment Manufacturers' Association (ECİD)	Vice Presidency
Electrical Electronics Services Exporters' Association (Turkish Electro Technology - TET)	Chairman of the Board
Ethics and Reputation Society (TEİD)	High Level Representation
Heating and Cooling Air Conditioner Research and Training Foundation (İSKAV)	Membership to Board of Trustees
Air Conditioning & Refrigeration Manufacturers' Association (İSKİD)	Membership to Board of Directors, General Assembly and Working Committees memberships
Istanbul Foundation for Culture and Arts (İKSV)	Membership to Board of Trustees and Audit
Turkish Electronic Industrialists Association (TESİD)	High Level Representation
Turkish Industry & Business Association (TÜSİAD)	High Level Representation and Memberships to several Working Groups and Commissions
White Goods Manufacturers' Association of Turkey (TÜRKBESD)	Vice Presidency, Memberships to Board of Directors, Membership to Technical and Marketing Committees
Turkish Informatics Foundation (TBV)	High Level Representation
Foreign Trade Association of Turkey (TURKTRADE)	Member of the Board, Memberships to Working Groups
Turkish Exporters Assembly (TİM)	Associate Membership to Electrical Electronics and Service Sector Council Chairman of Electrical Electronics and Service Sector Assembly
Electrical Electronics and Service Sector Associate Member	High Level Representation
The Union of Chambers and Commodity Exchanges of Turkey (TOBB)	Chairman of the Board of Consumer Durables Sector Council, Patent and Brand Management Sector Council Membership
Turkish Investor Relations Society (TÜYİD)	High Level Representation
People Management Association of Turkey (PERYÖN)	Membership to Board of Directors and High Level Representation
Turkish Employers' Association of Metal Industries (MESS)	Membership to Board of Directors, Chairman of the Auditing Board, Membership to Occupational Health Commission and Other Memberships
MESS Foundation of Education	Chairman of the Auditing Board, Membership to Board of Trustees
Corporate Governance Association of Turkey (TKYD)	High Level Representation
Scientific and Technological Research Council of Turkey - Turkish Management Sciences Institute (TÜBİTAK- TUSSİDE)	Membership to Advisory Committee
Association for the Protection of Intellectual Property of Turkey	Membership to Board of Directors, Membership to Board of Supervisors and Other Working Group Memberships
Groupement Interprofessionnel des Fabricants d'Appareils d'équipement Ménager (GIFAM)	Membership to Board of Directors
Russian-Turkish Businessmen Association (RTİB)	Membership
The Association of Trading Companies and Manufacturers of Electrical Household and Computer Equipment, Russia (RATEK)	Membership
China Household Electrical Appliances Association (CHEAA)	Membership
Romania APPLIA (CECED)	Membership
The Association of Manufacturers of Domestic Appliances, UK (AMDEA)	Membership
Sweden EHL (Elektriska Hushållsapparat Leverantörer)	Membership





## TALENT MANAGEMENT

Arçelik is committed to provide employees a fair, safe, supportive, and decent working environment. The Company takes steps to shape the future by going beyond employees' expectations through talent management policies that support its global organization. To, attract, develop, and retain talented employees, Arçelik conducts performance and career management practices, training and development activities that are fair and in line with changing trends, and creates communication tools that will encourage employees to participate in decision-making processes.

2020 Goals	2017 Results	2016 Results
 <b>Female Manager Ratio: ↑24%</b> Increase the ratio of female managers from 16% to 24% in global operations by 2020.	Female Manager Ratio: <b>16.5%</b>	16%
 <b>Training Hours per Employee</b> Monthly waged: 48 hrs / Hourly waged: 27 hrs Increase the average training hours per employee to 48 for monthly waged and 27 for hourly waged employees in global operations by 2020.	Average Training Hours per Employee Monthly Wage: <b>46.7</b> - Hourly Wage: <b>25.7</b>	32.7 19.2
 <b>Employee Engagement Rate</b> Monthly Waged: 68% - Hourly Wage: 68% Increase the employee engagement rate to 68% for both monthly and hourly waged employees in all operations by 2020.	Monthly Wage Employee Engagement Rate: <b>61.7%</b> Hourly Wage Employee Engagement Rate: <b>62.7%</b>	34.7% 60.9%

### Employee Rights

Being an employer that respects human and employee rights is among the main sustainability priorities of Arçelik The Company defines its human and employee rights policies in line with the requirements of international initiatives such as Global Compact and ILO. in which the Company participates voluntarily, reports its approach, and practices in a transparent manner and ensures that they are audited by independent institutions.

Arçelik is among the signatories of the Code of Conduct on Corporate Responsibility prepared by the European Committee of Domestic Equipment Manufacturers (APPLiA/CECED). All production facilities of Arçelik A.Ş, which is also a member of the Business Social Compliance Initiative (BSCI), are audited in line with the commitments set forth by the initiative. Compliance with legal regulations, freedom of unionization and collective bargaining, prevention of discrimination, fair remuneration, working hours, occupational health and safety, prevention of child labor, management systems and other related social responsibility principles are evaluated within this scope.

At Arçelik a fair and anti-discriminatory approach is taken as basis while defining human resources policies. Equal opportunities are provided to all candidates, who has the training, knowledge, skills, competence, and experience, during the recruitment processes; practices based on merit are conducted regarding remuneration, fringe benefits and promotion. All employees are considered equal without any discrimination based on ethnic origin, religion, language, race, age, gender, sexual orientation, nationality, disability, or cultural difference. The principle of "right person for right job, equal pay for equal work, success based on merit and equal opportunities for all" is adopted in all human resources processes. The freedom of association and collective bargaining rights of employees are observed within the framework of the relevant legal regulations in all operational geographies of Arçelik, the requirements of the principle of opposing "Child Labor" and "Forced or Involuntary Labor" are fulfilled both by Arçelik and by its suppliers. As a result of the anti-discrimination practices of Arçelik, there has been no discrimination within its operations during the reporting period.



102-41

Country	Total Number of Employees	Number of Union Member Employees	Rate of Union Member Employees
Turkey	16,619	12,685	76%
Romania	2,936	2,401	82%
United Kingdom	347	0	0%
Russia	1,036	0	0%
France	84	0	0%
China	526	0	0%
Australia	47	0	0%
Other	5,865	2,276	39%
<b>Total</b>	<b>27,360</b>	<b>17,362</b>	<b>63%</b>

Considering unions as “social stakeholder” in line with its Industrial Relations Policy, Arçelik adopts the basic principle of preserving workplace peace with the trust relationship it establishes with employees and unions. The collective bargaining agreements involve issues such as better working conditions, occupational health and safety, birth, death, education and marriage support, and the practices are monitored. Arçelik is a member of Turkish Employers’ Association of Metal Industries (MESS), and is the authorized employee union of Turkish Metal Union to represent our employees in Turkey operations. On January 30th, 2018, the Collective Labor Agreement, covering the period between 01.09.2017 and 31.08.2019, was signed between MESS and Turkish Metal Union. In the reporting period, 164 Arçelik employees were assigned in employee unions while 5 employees took office in the employer union. As of the reporting period, 63% of the total number of employees in the countries where Arçelik operates are union members.

With the opportunities it provides the company ensures that having a child, which is one of the most influential reasons for female employees to quit business life, does not become a career obstacle. In this context, nursery assistance is provided to female employees with children between 0-72 months old and male employees who are obliged to look after their children in this age range by themselves. During the reporting period, return to work rate after birth in Turkey operations is 79%.

The “Women Impact” program was launched during the reporting period to strengthen the role of female employees in their work life, to increase women employment, to retain female employees, to support their development throughout their careers, and to strengthen the ties between female employees.

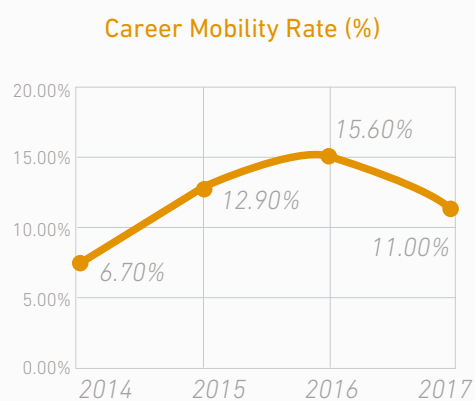
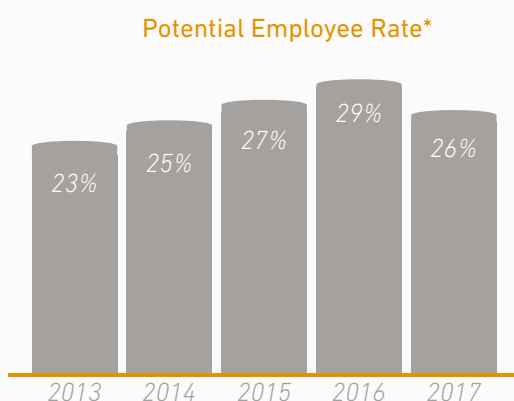
### Talent Acquisition and Employee Development

Arçelik strives to incorporate highly qualified and successful youth as well as expert and experienced professionals. Competency evaluations in the recruitment process are conducted through the competency model called the Arçelik Leadership Profile. The objectivity of the talent evaluation process is guaranteed by the use of digital tools and practices of evaluation centers within the scope of talent evaluation process.

As a part of Arçelik’s talent acquisition approach, university-industry collaborations that create added value for the company, universities and students, were carried out within the framework of protocols made with the universities during the period. In addition, 19 different events were organized under the Fresh Start Internship Program, aimed at preparing university students for the business world and providing high-potential students with experience that would steer their career plans. Approximately 6,000 applications were received for the program.

Arçelik helps employees to identify and develop their talents in different areas. With the Human Resources Planning process, the Company reviews career development of all employees each year and prepares plans in accordance with the goals of the global organization. In this process, which is initiated simultaneously in all countries of operation, all strategic and managerial positions are reviewed and talent pools are created for employees with leadership potential and technical expertise. Short and long-term succession plans are designed and the succession fulfillment rates are monitored to carry the organizational structure to the future in a sustainable way. Each year, approximately 100-120 employees are included in evaluation centers and are prepared for a higher role. As a result, 11% of employees in 2017 were included in appointment, promotion and rotation processes.

Arçelik also offers various career alternatives to its hourly wage employees with the opportunity to achieve Shift Officer and Master Operator positions at plants, ware-houses, and R&D organizations. Candidates who fulfill pre-assessment criteria are observed in evaluation centers through personality inventory, numerical and verbal tests and simulations from business life, and assignment plans are implemented accordingly.



\*Potential Employee Rate; The number of employees identified as potential / total number of monthly wage employees.

Believing that individual development underlies organizational success, Arçelik designs training and development programs that enable employees to achieve their career goals. Programs aiming to support employees in their technical and behavioral developments are designed in line with Company strategies and goals.

Arçelik expects and encourages employees to claim their own development, based on the principle of high performance and learning culture. In this context, through a development platform first implemented in Turkey in 2017, 44% of the development plans were completed, 1,211 employees followed their development throughout the year and completed their action plans. Within 360° competency evaluation framework carried out in line with Arçelik Leadership Competencies, 142 employees -with 1366 evaluators and 14,700 evaluations- received a 360° report again through this platform.

534,066 total hours of training were given through the training programs that the Company manages under three main categories in order to support employees' expertise and/or leadership development.

**Total Hours of Employee Training**

	2013	2014	2015	2016	2017
Monthly Wage	82,983	92,456	93,987	84,315	171,491
Hourly Wage	227,991	362,845	304,996	302,272	362,575

**Leader in You:** Leadership development programs that are designed to develop effective leaders in the global organization are carried out under this category. In 2017, 102 managers, who are assigned to the role of managing teams for the first time, began their leadership journeys with Leadership Journey Program. 40 senior managers took Leadership Impact, Team Activity and Visionary Leadership trainings within the Leadership Impact program that have been implemented to support the role of senior management in creating leadership cultures. In order to empower women leaders, 28 female leaders were included in the Women Leadership Program, which was launched in 2017. 346 executives benefited from Managing Diversity and Collaboration/Change/ Visionary Leadership and Coaching trainings.

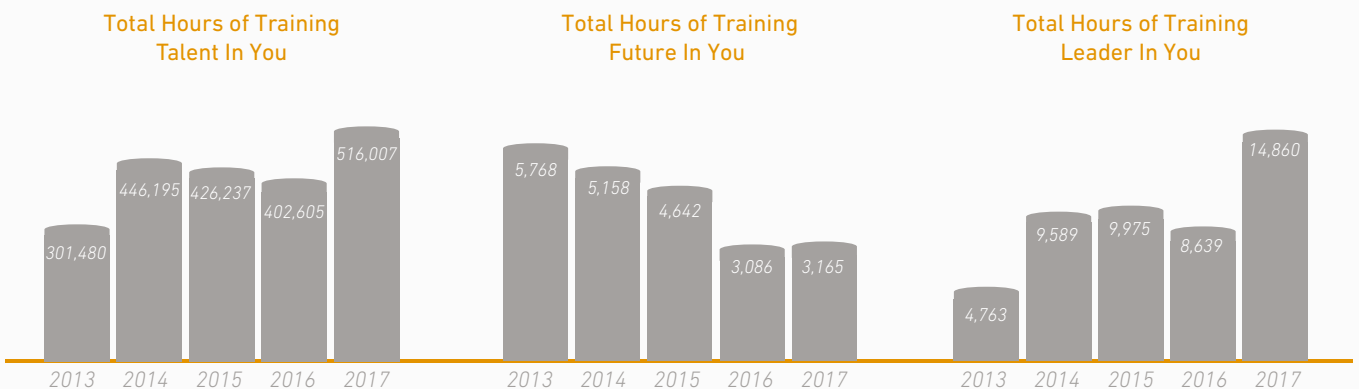
Managers also have the opportunity to participate in leadership development programs organized by Koç Holding. In 2017, 4 senior managers participated in the Be Global Silicon Valley program and 2 senior managers participated in Harvard University's Leadership Development Programs (AMP/PLD). With the cooperation of Koç Holding, 43 managers were included in Harvard Business School Online trainings. 28 managers participated in the Prosci Exchange Management certification program, held in partnership with Koç University.

**Future in You:** 6,858 hours of training was provided in 2017 under the Future in You Program, which aims to enhance the potential of employees to enable them achieving higher positions in their career journeys. In 2017, 49 employees from the global organizations participated in the Global Manager Program, which was designed in collaboration with Koç University to support the development of employees who are candidates for international assignments and to prepare them for their new roles. Within the scope of Leadership Insight, a development program designed for potential employees to take part in management positions in the future, 37 employees benefited from 118-hour development coaching.

**Talent in You:** Functional and professional development trainings that will contribute to personal development and professional careers of the employees, competency and individual development trainings, orientation programs to help newcomers quickly adapt to work, foreign language trainings, various hobby and social responsibility trainings are presented under this category. In 2017, the Program focused primarily on the development of competencies compatible with Industry 4.0 in production technologies, development of sales and marketing competencies, digital and new generation competencies for the entire organization and the programs that would strengthen digital and next-generation competencies and critical expertise lines.

**Digital Transformation Competency Studies**

In line with the company's digital transformation strategy, a roadmap has been developed to improve the digital competencies of the employees. A total of 1,200 person\*day training sessions were held under different functional programs to prepare, strengthen or transform these competencies.





**400 engineers received a total of 4,000 days of training held in partnership with Koç University. Employee engagement in the target group increased 5 points compared to the previous year.**

### TechPro Academy

TechPro Academy aims to offer competencies of the future to all engineers, experts and senior experts working in the Production and Technology Group, to carry these competencies to a level that will compete with the world and to support multi-disciplinary working environment. In 2017, 400 engineers received a total of 4,000 days of training held in partnership with Koç University.

The TechPro Academy includes modular programs designed in collaboration with Koç University, on-site and off-site trainings and specialization trainings. It is aimed that the Academy, whose educators are chosen from the leading universities and institutions of Turkey, has a structure that develops itself continuously and is updated to catch the technological trends. TechPro Academy will bring the competencies of the employees to a level that will compete with the world and play an important role in bringing Arçelik one step further in the sector.

According to the assessment made in 2017, employee engagement in the Production and Technology Group that participated in the TechPro trainings, increased 5 points compared to the previous year.

#### Production and Technology Group training hours for monthly wage employee

Year	Hours
2017	55.9 hrs
2016	45.1 hrs

↑ 24% increase

In 2017, besides Turkey operations, 20 employees from Romania and Russia operations received training within the scope of the program. By 2018, TechPro Academy will meet employees from Russia, Romania, Pakistan, and South Africa operations.

Designed as a program that constantly develops and improves itself, overseas expansion is aimed with enriched new training content.

### Employee Messages

"I gained abstract vision besides technical and analytical thinking. In particular, Data-Based Decision Making training was very useful. Although I am not a six-sigma leader, I had additional statistical gains." **Önder Süneci - Senior Specialist, R&D Directorate**

"It was useful to gain a different perspective and I use it affluently while searching for new ideas in my work." **Can Sar - Technical Leader, DP R&D**

"We realized that what we do is actually a small piece within an ecosystem and that there are many other processes, jobs, components, and so on. I was able to see our small place in the big picture we are in." **Turgay Kale - Specialist, EP R&D**

"In the R&D module contributed greatly to the development of personal and professional competencies. Innovative approach in "Design Thinking" training design process allowed us to adopt competencies such as customer-focused thinking. The greatest contribution was obviously to remove the word "but" from my vocabulary during these processes. I realized not to kill ideas at the first step, that I can gain different perspectives, each idea is valuable, and more innovative ideas can come out when they collide. User and customer experience training also helped me adopt not only a future-oriented approach but also one that focus on solving customer's problems." **Abdullah Sert - Senior Specialist, R&D Directorate**

"Getting together with people from different teams and working on common assignments with them is very useful in terms of internal communication." **Ceren Öney - Specialist, WMP R&D.**



## Employee Engagement and Participation

In order to increase satisfaction and engagement of its employees, Arçelik realizes new projects and practices that create satisfaction, in line with employee feedbacks. During the reporting period, Yammer, a social networking platform that all employees can access and also download as a mobile application, was established to provide interactive communication for employees.

Arçelik annually carries out Employee Engagement Survey conducted by an independent consulting institution. General trends in the company, successful practices and improvement areas are identified from the employee perspective through the survey and the Company defines the primary focus areas considering the results of the survey. According to the results of the survey in Turkey operation conducted during the reporting period, the engagement results reached 62.4 with an increase of 23.3% points compared to 2016. The hourly wage employee engagement index increased by 27.9 points to 62.7 points while the monthly wage employee's engagement index increased by 0.7 points to 61.7 points. The results are the highest in the last 5 years.

On the other hand, by showing an effective increase compared to last year, the engagement rate reached 66% for our female employees and 62% for our male employees in 2017. In 2016 the engagement rate was 51% for our female employees and 38% for our male employees.

### Employee Engagement Survey - Turkey

Various communication studies were carried out in 2017 to increase hourly wage employee commitment. Within this scope, meetings are organized with employee groups during business visits regularly carried out by the senior management. In the meetings, General Manager/Assistant General Manager answers the questions directed by the employee in person and employees' feedbacks, concerns, requests are assessed, prioritized, and then realized.

Arçelik organizes events that enable employees to socialize. During the reporting period, employee picnics were transformed into family days with a festive atmosphere. The event is planned to address adults, young people, and children. More than 45,000 people benefited from various activities such as concerts, competitions, animation shows, children's games and street vendors.

"Congratulations Awards", an award management system where employee successes and projects are rewarded, continued in 2017 as well. 6.252 employees were awarded in different categories in this regard. Moreover, employees contributing to Arçelik's technological knowledge with their inventions are awarded with "Invention Day" held every year. In 2017, 506 inventors were rewarded within this scope.

Arçelik A.Ş. carries out Flextra Program, which is a fringe benefit model aiming to meet the varying needs of employees through flexible solutions. Program offers individual solutions and options for employees. The program presents 67 different product options in 7 main product groups for Arçelik A.Ş. employees, who are not union members. The participation rate of employees benefiting from Flextra increased to 87% in 2017. Studies to deploy the program in other countries where Arçelik A.Ş. operates are in progress.



2020 Goals	2017 Results	2016 Results
<p><b>Accident Frequency Rate / Accident Severity Rate ↓ 25%</b></p> <p><i>Reduce the Accident Frequency Rate and Accident Severity Rate indicators by 25% in Turkey until 2020. The occupational health and safety performance goals of the other countries covered in the report will be announced in the forthcoming periods due to the ongoing investments in related country operations.</i></p>	<p><b>Accident Frequency Rate 4.11%</b></p> <p><b>Accident Severity Rate 0.058%</b></p> <p><i>in Turkey operations</i></p>	<p><b>3.2%</b></p> <p><b>0.054%</b></p> <p><i>in Turkey operations</i></p>

## Occupational Health and Safety

Arçelik manages occupational health and safety within the frame of its OHS policy. Arçelik is working towards continuously improve its occupational health and safety performance in line with zero work-related accident and zero occupational disease objectives. To ensure continuous improvement, common indicators and concrete targets are determined in all the operational geography and risk analysis, awareness trainings and audits are carried out. Occupational health and safety is included and monitored as part of relevant department and employee objectives within the scope of Company Performance Management System.

At Arçelik, occupational health and safety practices are managed in integration with Quality and Environmental Management Systems. Processes that constitute an example for the sector and operational geography are realized through practices that go beyond legal rules and regulations. The company manages its occupational health and safety performance within the common language constituted in its global organization, ensuring best practices in specific regions of operation are deployed in all regions of operation.

Occupational health and safety practices are not limited to Arçelik operations, as communication and audit practices devoted to value chain are actualized. Audits for active suppliers that also involve the headings of occupational health and safety are conducted; occupational health and safety trainings are organized for subcontractor employees beside employees. In the same way, health and safety training programs intended for employee families are also conducted. Employers' obligations regarding occupational health and safety are secured by specifying them under the collective bargaining agreement.

Occupational health and safety trainings and practices are organized periodically to provide a safe working environment for our employees and to raise awareness of our employees about occupational health and safety. These trainings are offered to employees by job security specialists and workplace doctors. In the reporting period, 253,368 person\*hour of occupational health and safety training was provided to employees in Arçelik Turkey operations, while 6,720 person\*hour training was provided to subcontractor company employees. In the same period, we provided employees in Romania operation with 23,933 person\*hour training, employees in the Russia operation with 23,673 person\*hour training, employees in the United Kingdom operation 400 person\*hour training and employees in the France operation 252 person\*hour training on occupational health and safety.





In the reporting period, the accident frequency rate was 4.11 in Turkey operations, 0.29 in Romania operation, and 2.08 in Russia operation while it was 2.30 in United Kingdom operation and 11.19 in France operations. The accident frequency rate was improved by 77% achieving the level of 0.75 in China operation.

The accident severity rate was 0.058 in Turkey operations, 0.011 in Romania operation, 0.070 in Russia operation, 0.002 in United Kingdom operation and 0.076 in France operation. The accident severity rate in China operation was improved by 32%, achieving 0.015.

New projects of educational and communication activities were initiated to prevent the uptrend of the rates, especially due to the increase in accidents caused by insecure movement. Studies and projects are carried out to reach the targets of 2020 for all the indicators, with the participation of all the relevant departments within the scope of Arçelik Occupational Health and Safety Action Plan.

Consisting of employee representatives, OHS committees ensure the participation of employees in the occupational health and safety process. The committees support the process of monitoring occupational health and safety programs. Employee representatives cover the entire workforce in relevant countries. 231 members participate in 21 committees in Turkey operations and 25 employee representatives assigned in these committees represent all Arçelik employees. 1 committee at the Romania operation includes 12 members, of which 7 are employee representatives, 3 committees at the United Kingdom operation includes 13 members all of which are employee representatives, 1 committee at France operation includes 8 members, of which 3 are employee representatives, 1 committee at China operation include 31 members, of which 14 are employee representatives.

Arçelik's "Ergonomics Projects-Ergonomics System Software and Application" studies that were carried out in the washing machine plant, was chosen as Distinguishing HR Project and awarded with "First Prize" at People Management Awards Competition organized by People Management Association of Turkey PERYÖN in 2017.

*You can find Arçelik's Occupational Health and Safety Policy in the "Human Resources" tab of the corporate website.*







## RESPONSIBLE PRODUCTION AND CONSUMPTION

Arçelik makes superior efforts to minimize the environmental impacts caused by its production processes and the use of its products, in accordance with its commitment to combating climate change. Company consistently reduced its energy consumption and greenhouse gas emissions with the energy efficiency projects it conducts.

Arçelik, which considers the areas of environmental impact arising throughout the lifecycle of its products to be part of its environmental responsibility, constantly reduced its environmental footprint by effectively managing all the stages of its value chain.

2020 Goals	2017 Results	2016 Results
 <p><b>Energy Consumption per Product</b> ↓45%</p> <p>Reduce its energy consumption per product in Turkey, Romania, China and Russia operations by 45% in 2020, in comparison with the base year of 2010.</p>	<p><b>Energy Consumption per Product</b> ↓40.7%</p> <p>In comparison with the base year of 2010</p>	<p>↓34%</p>
 <p><b>Renewable Energy Investment</b></p> <p>Establish renewable power plants with a total capacity of 6 MWp, by the end of 2020.</p>	<p>No renewable power plant installed in 2017. 1.7 MW renewable energy investment has planned for 2018.</p>	<p>Investment objective set.</p>

## Environmental and Energy Management Approach

Arçelik aims to continuously improve its environmental sustainability performance in line with its vision of "Respects the Globe, Respected Globally". For this purpose, the principle of "environmentally friendly approach throughout product lifecycle" lies at the basis of Arçelik's responsible production approach.

Arçelik designs all business processes within the framework of international product and management standards including ISO 14001 Environmental Management System and ISO 50001 Energy Management System which are integrated with ISO 9001 Quality Management System. The effectiveness of Arçelik A.Ş management systems is ensured through audits carried out by independent organizations with international accreditation and periodic Internal System Audits.

With the results obtained from its practices as part of its environmental management practices, Arçelik aims to "contribute to a sustainable world by protecting the environment and natural resources" by steadily reducing its environmental impact. Its environmental policy is the most important guide for successful outcomes.

You can access Arçelik's Environmental Policy in the "Sustainability" tab of the corporate website: [www.arcelikas.com](http://www.arcelikas.com).

Arçelik provides periodical environmental trainings for its employees and employees of subcontractor companies it works with in order to generalize its environmental sustainability approach within its organization and its value chain.

In this scope, 6,670 employees in Turkey operations were offered a total of 12,682 person\*hour, and 325 subcontractor employees a total of 432 person\*hour of environmental training. In the same period, 2,146 person\*hour of environmental training was provided to 2,862 employees and 1,380 person\*hour of environmental training to 1,840 subcontractor employees, within the scope of the Romania operation. Also, 124 person\*hour of environmental training was provided to 109 employees at our Russia operation and 487 person\*hour of environmental training was provided to 487 employees and 13 person\*hours training to 26 subcontractors in China operation.

Arçelik allocates significant amount of resources to environmental protection and investment expenditures to minimize its environmental impacts. In this regard, 16.8 million TRY in Turkey operations, nearly 1 million euros in Romania operations, 158,000 euros in Russia operations and 154,000 euros in China operations were allocated to environmental protection and investment expenditures in 2017.



## Environmental Awards – Achievements

- Arçelik was included in A List both in the climate and water programs of Carbon Disclosure Project (CDP) to become one of the 25 companies in the world achieving this success.
- Arçelik was awarded in 1<sup>st</sup> place prize by the Ministry of Environment and Urbanization in 2017 for its contribution to the collection Waste of Electrical and Electronic Equipment (WEEE) in 2016.
- Arçelik became the only industrial company from Turkey to enter the Dow Jones Sustainability Indices in 2017.
- Arçelik entered in the "Emerging Markets Index" of FTSE4Good.
- Arçelik was rated AAA by MSCI Global Sustainability Index.
- Arçelik received award under the "Improving Energy Efficiency in Industry" project supported by YEGM, UNIDO and UNDP.
- Arçelik was selected as one of best nine companies among 350 companies that ÖkoWorld, which is considered one of the most well-established and respectable funds in Europe, invests and was awarded with "Sustainability Leadership Award" given every five years.
- Arçelik Bolu Cooking Appliances Plant was awarded with first prize in SEVAP-2 category (Industrial Energy Efficiency Improvement Projects)
- Arçelik was ranked within the BIST Sustainability Index 2016-2017 companies.
- Arçelik was awarded with Certificate of Honor in the European Business Awards, Environmental and Corporate Sustainability category.





## Combating Climate Change

Arçelik considers climate change as a fundamental risk for the sustainability of its activities. In this context, Arçelik makes utmost efforts to minimize environmental impacts throughout the product life cycle in line with its commitment to combat climate change.

Arçelik provides the implementation and spread of the climate change decisions taken by the Sustainability Council and the affiliated Climate Change Coordination Working Group established to determine corporate sustainability and climate change policies and strategies, to ensure that the strategies are integrated with the company's business processes and to monitor sustainability performance.

Arçelik participates in national and international initiatives to combat climate change and achieves practices that set an example for all of its stakeholders, especially regarding the value chain. Pioneering its sector on a global scale in combating against climate change, Arçelik participates in climate conferences and shares its experiences since COP17. Arçelik also participated in the last Climate Change Conference (COP23) at several panels.

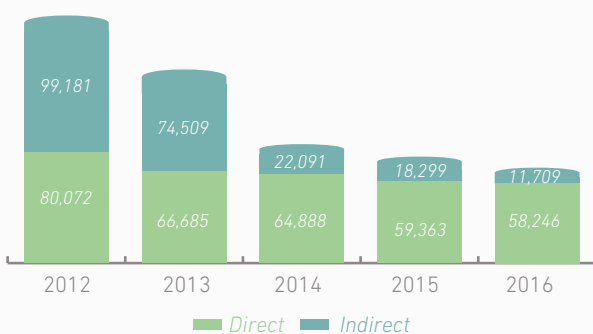


Greenhouse gas emissions generated by the production operations of Arçelik have been calculated and verified by an independent accredited institution in accordance with ISO 14064-1 Standard since 2010 in Turkey operations, since 2015 in Romania operation and since 2016 in Russia operation. By means of the energy efficiency projects carried out in Turkey in 2016, greenhouse gas emissions were reduced by 56%, as against the base year of 2010. Arçelik's goal is to become completely carbon neutral in production by 2025.

Arçelik, a signatory of the Science Based Targets initiative jointly launched by the Carbon Disclosure Project (CDP), United Nations Global Compact (UNGC), World Resources Institute (WRI), and World Wildlife Foundation (WWF), is committed to determine targets for greenhouse gas emission reduction based on scientific evidence and to reduce emissions.

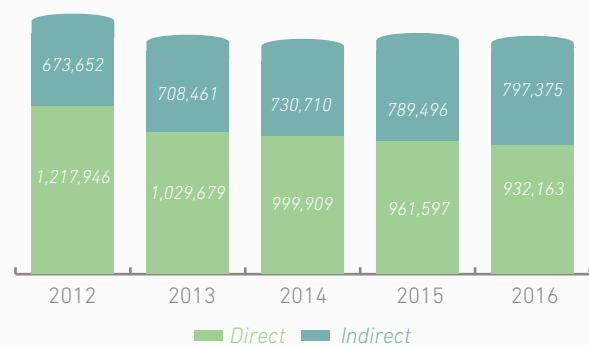
Arçelik considers all stages of value chain in combating climate change. In this context, greenhouse gas emissions generated by domestic, import and export logistics operations of Arçelik products are calculated in accordance with ISO 14064-1 standard, and verified by an independent accredited institution. The greenhouse gas emissions generated in 2016 by domestic, export and import logistics operations amounted to 134,574 CO<sub>2</sub>e. Although the distance covered by logistics operations increased by 4.16%, greenhouse gas emissions in 2016 decreased by 0.32% compared to the year 2015 (base year) thanks to the improvement activities carried out within the scope of product logistics.

Greenhouse Gas Emissions (ton CO<sub>2</sub>e)\*



\*Represents figures for Turkey operations.

Energy Consumption (GJ/Year)\*



\*Represents figures for Turkey operations.

**Arçelik, in both CDP Climate and CDP Water Global A List**

Arçelik has been participating in CDP, the largest climate change initiative in the world since 2012, and has received top awards every year from CDP as a result of its success in combating climate change. In 2012, 2013, and 2015 the Company received CDP Turkey disclosure and performance leadership awards, and in 2014 and 2016, was listed in the CDP Climate Global A List involving companies with the best performance regarding climate change. In 2017, Arçelik received the "A performance score" in both CDP Climate and CDP Water and entered in the Global A List in both programs, and become one of the 25 companies in the world that achieved this success.

**Invest in Renewable Energy**

Arçelik has started to work on establishing solar energy plants with different technologies in its domestic and overseas operations as part of its 2020 energy targets. The first power plants with 1,7 MW of total installed capacity, are planned to be commissioned in 2018.

**A Message from Dr. Oğuz Can, General Manager of Renewable Energy, Ministry of Energy and Natural Resources**

Arçelik is one of the exemplary companies that focus on sustainability, process and resource efficiency in all business processes with its environmentally compatible and innovative technologies. Acting with the responsibility of being one of the first brands that come to mind regarding energy efficient white goods and consumer electronics, Arçelik has achieved high level of energy savings thanks to its energy efficiency projects in production carried out in its plants that has ISO 50001 Energy Management Standard and awarded for their energy efficiency. Arçelik was awarded by the Ministry of Energy and Natural Resources in 2017 as part of "Industrial Energy Efficiency Improvement Projects." Arçelik draws attention in many national and international platforms, with its business excellence, lean production techniques, TPM, best practices and sustainability management in the value chain. I congratulate Arçelik who has reinforced its energy efficiency with natural resources and waste management, for their pioneering sustainability practices that contribute to the society and environment and wish them continued success.

**Energy Efficiency in Production**

Arçelik, with its energy efficiency projects and practices it has implemented in its production processes, minimizes environmental impacts resulting from these processes and achieves significant savings in energy costs. The company manages its performance in this area through concrete targets and effective audit mechanisms, and identifies areas open to improvement through periodical analyses it conducts, and carries out energy efficiency projects.

Thanks to 170 energy efficiency projects realized within the scope of Turkey operations in 2017, 57,489 GJ of energy saving was achieved, while a reduction of 5,131 ton CO<sub>2</sub>e in greenhouse gas emissions was ensured. Also in the reporting period, by means of 11 energy efficiency projects realized within the scope of Romania operation, 8,846 GJ of energy saving and 910ton CO<sub>2</sub>e of emission reduction was ensured.

In the same period, 17 energy efficiency projects were realized in the Russia operation, ensuring 11,595 GJ of energy saving and 1,135ton CO<sub>2</sub>e of emission reduction. With the energy efficiency projects that were realized in the China operation, 665 GJ of energy saving and 82 ton CO<sub>2</sub>e of emission reduction was ensured.

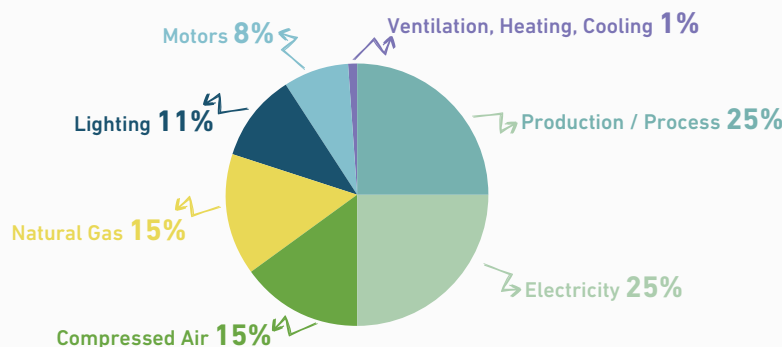
**Plus Wet Project**

With the Plus Wet project implemented in Arçelik Refrigerator Plant, the amount of water on the surface of parts was reduced before entering the drying oven by adding a chemical in the DI rinse tank, which allows easier and faster separation of water from the surface. As a result, water savings were achieved and up to 24% of natural gas was saved via reducing drying oven's temperature. With this project, 137,000 m<sup>3</sup> natural gas saving was provided annually and 265 tons of CO<sub>2</sub>e greenhouse gas emissions prevented yearly

**Recuperator Project in Dye House Furnaces**

In the Arçelik Washing Machine Plant, natural gas saving was achieved by heating the burner intake air with the recuperator project applied in powder coating and cataphoresis furnaces. The project made a 77,000 m<sup>3</sup> natural gas saving and prevented 149 tons of CO<sub>2</sub>e greenhouse gas emissions annually.

The projects realized within the Turkey operations by scope is as follows:





## Energy Efficient Environmentally Friendly Products

Arçelik aims to contribute to a sustainable future with its environmentally friendly, innovative and distinguishing products. The Company also reduces the environmental impact of its products through R&D studies in order to carry this contribution to higher levels. In this context, resources worth 57,878,122 TL in Turkey operations, 2,424,000 Euros in Romania operations and 339,920 Euros in Russia were allocated to the environmentally friendly products research and development studies in the reporting period.

Improvement of %10 was achieved in the average energy consumption of all driers in Turkey operations in 2017, thanks to the energy efficiency studies for products. In the same period, an average improvement of 1.3% was achieved in all refrigerators and the same level in all cooking appliances, dishwashers and washing machines was maintained. In all televisions produced, the average energy consumption increased by 17.9% as the average screen size was increased. During the period, 68,336 GJ of energy savings was achieved in the annual energy consumption of products manufactured in all Turkey operations compared to the previous period.

### Dishwasher at 40dB Sound Level with Prosmart Inverter Motor Technology

- The use of BLDC (ProSmart inverter) motor technology, commonly used as a circulation motor in dishwashers, in the drain motors
- 40 dB audio level thanks to BLDC drain motors
- A +++ high energy efficiency
- Capacity of 15 people
- Standard & Talltub - Solo/semi built-in/under-counter/full built-in range product range

### Side by Side Refrigerator with A +++ Energy Level

- Net interior volume of 523 lt
- FullFresh + feature to store fruit and vegetables for three times longer
- Cooling technology that provides long-lasting freshness with ideal air flow, preventing the mix of odors in the cooler and freezer sections
- Blue light technology to help preserve vitamin C in fruits and vegetables
- Odor filter system that prevents odor formation
- Removal of bad smells in the refrigerator with Ionizer technology that provides negative ions
- Automatic ice machine



## Global Support to Energy Efficiency for Combating Climate Change

In emerging markets, Arçelik increases its support for transitioning to energy-efficient products and bring consumers together with energy-efficient products.

Arçelik made a new Delivery Partnership Agreement with SE4ALL (Sustainable Energy for All), which has been working to double the increase rate of energy efficiency in the world by 2030 to reach the 7th, "Accessible and Clean Energy" goal of the United Nations Sustainable Development Goals.

With this new partnership, Arçelik committed itself to increase its support for transitioning to energy efficient products. Within the framework of this agreement, Arçelik will cooperate with relevant stakeholders to improve energy efficiency especially in developing countries, to establish legislation for energy labeling and to provide market control.

Emerging economies can reduce their annual carbon dioxide emissions by 570 million tons until 2030 by using climate-friendly refrigerators and air conditioners. This means that these economies would reduce annual electricity demand for air conditioners by 30% and for the refrigerator by 60%.

Arçelik continues full blast to invest in energy efficient products, and develops climate-friendly products that use fewer resources that everyone can access, in accordance with the United Nations 2030 Development Goals. The company continues to support global initiatives to reduce climate change impacts while working with NGOs and government agencies in emerging markets to support the formation of energy efficiency standards and regulations in home appliances.

In this context, Arçelik, as a partner of the United for Efficiency (U4E) project led by UN Environment and GEF, supports the transition to energy-efficient refrigerators in the households and participates regularly at the International Climate Conference. The U4E project is helping governments develop and implement energy efficiency policies in more than 30 countries in Africa, Asia, and Latin America, working together with the world's leading companies and financial organizations.

This project strongly supports the implementation of "Kigali Amendment" in the Montreal Protocol made in 2016. This leads governments and producers to work on the global need to reduce the production and consumption of fluorine gases (f-gas).





2020 Goals	2017 Results	2016 Results
<p><b>Water Withdrawal per Product ↓38%</b>                      Reduce its average water withdrawal per product in its Turkey, Romania, China and Russia operations by 38**% as of 2020, in comparison with the base year of 2012.</p>	<p>Water Withdrawal per Product ↓36%                      In comparison with the base year of 2012</p>	<p>↓31%</p>
<p><b>Hazardous Waste per Product ↓11%</b>                      Reduce its average hazardous waste per product in its Turkey, Romania, China and Russia operations by 11***% as of 2020, in comparison with the base year of 2012.</p>	<p>Hazardous Waste per Product ↓9%                      In comparison with the base year of 2012</p>	<p>↓2%</p>
<p><b>Waste Recycling Rate ↑98%</b>                      Increase its waste recycling rate in Turkey operations to 98% by 2020.</p>	<p>Waste Recycling Rate ↑96.42%</p>	<p>↑97%</p>

## Resource Efficiency in Production

Reducing production-related effects is one of Arçelik’s constant sustainability goals. In this context, material efficiency studies are carried out, use of recycled materials in production is increased, and water efficiency studies are carried out and Arçelik products that have completed their life cycle are recycled.

During the reporting period, with the studies on resource efficiency, raw material and material consumption was reduced by 10.9% in Turkey operations.

Reducing wastes generated by production processes at the source and recovering generated wastes constitute the primary components of the integrated waste management approach of Arçelik. Wastes generated in all plants are categorized, collected separately at the source in accordance with waste type and legal regulations and recovered or disposed pursuant to waste type.

In the reporting period, as a result of waste reduction studies in Turkey operations the amount of nonhazardous waste reduced approximately by 3%, while the amount of hazardous waste by approximately 21%. The hazardous waste recycling rate, which was 96.72% in the previous period, was increased to 97.46% and the nonhazardous waste and total waste recycling rates were realized at around the same levels as the previous period.

In 2017, Çerkezköy Tumble Dryer Plant reduced the pollution load in the water by using iron filters in the paint shop and reduced the formation of waste sludge. With the project, waste sludge formation is reduced by 2.7 tons, treatment chemical consumption by 6.38 tons. In addition, cardboard waste was reduced by 86.3 tons through using recyclable polypropylene separator at Çerkezköy Electric Motors Plant.

50 tons of cardboard waste was reduced via using returnable packaging cardboards in Ankara Dishwasher Plant. In addition, during the leakage control of the manufactured parts, the use of a light bench instead of a penetrant chemical prevented the use of 0.5 ton of chemicals and the formation of hazardous waste. During the same period, by investing in Sludge Drying Machine at Bolu Cooking Appliances Plant, treatment sludge was reduced by 57%.

Arçelik focuses on less resource consumption and more recycled/recyclable material use in its packaging processes, which constitute a significant aspect of its integrated waste management practices. The Company designs the volume and weight of its products’ packaging to generate minimum waste, conducts works to increase reuse and recycling, and consistently reduces the environmental impacts generated by its packaging processes.

The plastic packaging used in the vacuum cleaner product group has been canceled in order to reduce the amount of packaging. In the Small Home Appliances product group, packaging sizes were reduced and it was switched to packaging materials with higher recyclability rates.

With the packaging improvement studies, the use of 375 kg plastic packaging material in the fume hood category, 776 kg plastic packaging material and 120 kg cardboard packaging material in the vacuum cleaner category, 2,877 kg plastic and 1,398 kg cardboard packaging material in the SDA kitchen group were eliminated. In 2017, QR barcode system was installed in the catalogs of the products introduced into the market, reducing the number of pages of catalogs and reducing total paper consumption by 26 tons.

All Arçelik product packages are recyclable and 70% of the cardboard packaging used during the reporting period contains recycled materials.

Turkey	Recycling	Disposal	Recycling rate (%)
Hazardous Waste	2,730	71	97.46%
Nonhazardous Waste	82,988	3,115*	96.38%
Total	85,718	3,186	96.42%

\* Mainly domestic waste that cannot be recycled.

\*: In 2017, we reduced our water withdrawal per product by 36% and reached our goal for 2020, which was 35%. Hence, we updated our water withdrawal reduction per product goal as 38% as of 2020, in comparison with the base year of 2012. Realized and target rates comprise our Turkey, Romania, Russia and China operations.

\*\*: In 2017, we reduced our hazardous waste per product by 9% and reached our goal for 2020, which was 5%. Hence, we updated our hazardous waste reduction per product goal as 11% as of 2020, in comparison with the base year of 2012. Realized and target rates comprise our Turkey, Romania, Russia and China operations.





## Support for Zero Waste

As Arçelik, we support and conduct required studies on Zero Waste Project, launched by the Ministry of Environment and Urbanization to be implemented gradually between 2018 and 2023 in all public institutions in Turkey, terminals, educational institutions, shopping malls, hospitals, entertainment and recreation facilities, big workplaces. We aim to reach our zero-waste goal by focusing on the following activities:

- Transitioning to processes/materials that do not generate waste where possible, focusing on the principle of minimizing waste generation where not possible,
- Identifying opportunities for reuse by adopting the principle of using waste as a resource,
- Reducing the waste sent to landfill or incineration except energy recovery,
- Investigating the possibility of the sorting food wastes that can be considered among domestic wastes,
- Improving the performance of waste sorting at its source,
- Focus on reducing raw material/material/chemical consumption,
- Promoting zero waste awareness sustainably by continuing the activities of education, information and rewarding.



## Green Purchasing Movement

Arçelik has initiated the Green Purchasing Movement in order to purchase environmentally friendly products, materials and services with the principle of being a responsible manufacturer. In this regard, Green Purchasing principles, policies, and procedures have been established. With this movement, Arçelik aims act responsibly in all purchasing processes, make supply chain environmentally conscious, having environmentally friendly products and production processes, work with suppliers that implement green purchasing principles and evaluate them periodically, and contribute to their development to ensure that compliance with these principles is sustainable. Within the scope of Green Purchasing Movement;

- The purchasing of 2017 agendas and primary print works were certified by Forest Stewardship Council (FSC). Efforts to increase FSC-certified print works continue in new business programs.
- The Green Purchasing Movement has been initiated in the office environment and the conditions of the suppliers that are environmentally friendly and highly adapted to international standards have been determined and applied in the purchasing of office furniture for new investment projects.
- 83% of product packaging is purchased from FSC-certified sources and consists of 100% recyclable cardboard, recyclable plastic and ISPM-certified wooden pallets. Also, for the packaging of the products carried out by the Green Purchasing Movement in Turkey, studies are underway to ensure the use of recyclable strips at the Cooking Appliances Plant and the investments in new factories.
- For textile products for employees, alternative products containing organic cotton provided by sustainable agricultural resources are prioritized



## Raw Material and Material Consumption by Type (ton)\*\*\*

	2012	2013	2014	2015	2016	2017
Plastic	108,076	107,600	82,935	200,878	139,907	95,400
Metal	290,929	304,061	239,209	267,509	306,573	291,439
Other Materials*	354,080	407,147	400,544	244,077	320,375	297,353
Chemicals**	8,136	74,583	79,128	79,067	11,060	8,732
<b>Total</b>	<b>761,221</b>	<b>893,391</b>	<b>801,816</b>	<b>791,531</b>	<b>777,914</b>	<b>692,924</b>

\* The disclosed figures include all kinds of materials that are part of the end product, such as semi-processed materials and insulating materials.

\*\* The disclosed figures include adhesives, oils, enamel, operational and all other chemicals. In addition, treatment chemicals, boiler chemicals, liquid seal and similar chemicals were also included.

\*\*\* The figures represent the operations in Turkey.

## Water Risks and Management

Every drop of water is precious for the future of our planet. Today, 2.1 billion people do not have access to safe drinking water at home. With campaigns that raise awareness for conscious consumption, it is possible to develop an intelligent and holistic water strategy, to promote innovation, to strengthen cooperation, to give the world's most valuable resources the respect that it deserves and to guarantee the future of water. As Arçelik, we integrate sustainability into every segment of our value chain with the responsibility of being a global company and ensure that environmentally friendly products are widespread in all our operational geography.

With water efficiency studies carried out in the last six years (2011-2017) in Turkey operations, Arçelik achieved 1.12 million m<sup>3</sup> of water savings. This amount is equivalent to the daily water consumption of 1.4 million households.

In 2017, the total amount of water withdrawal was reduced by approximately 11% in Turkey operations, 25% in Romania operations, 14% in Russia operations, compared to the previous reporting period. The efficiency studies have a significant impact in this reduction. Annual infrastructure investments and water efficiency studies ensure continuous improvement of performance in this area. The total amount of water saved, recycled and recovered is to 160,285 m<sup>3</sup> in Turkey operations, 1,238 m<sup>3</sup> in Russia operations and 15,531 m<sup>3</sup> in China operations in 2017.

During the reporting period, 17,490 m<sup>3</sup> of water was recycled in Bolu Cooking Appliances Plant through domestic and industrial waste recycling studies, 27,000 m<sup>3</sup> of water was recycled in Eskişehir Refrigerator Plant through minimizing the use of chemicals with the automatic measurement of pH and conductivity, 19,313 m<sup>3</sup> of water was recycled in Çerkezköy Tumble Dryer Plant and Çayırova Washing Machine Plant thanks to reuse studies. 1,238 m<sup>3</sup> of water saving was achieved by means of chemical alteration at the dyeing cabins of Washing Machine Plant in Russia. 15,531 m<sup>3</sup> of water savings was achieved in China Washing Machine Plant by way of reusing and recycling water used in life-tests.

Arçelik focuses on the reuse of water in the production processes, and significant improvements are recorded in the amount of water discharged every year thanks to the infrastructural studies. An improvement of 14.4 % was achieved in the amount of water discharged in Turkey operations.

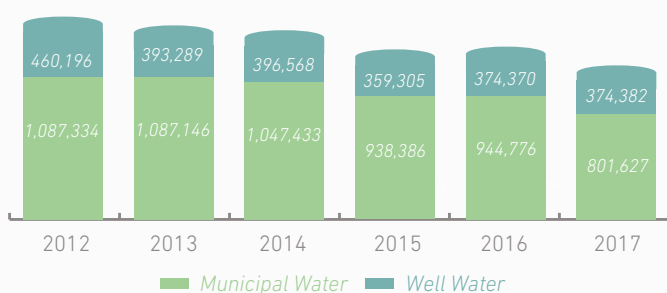
In order to protect the water resources and biodiversity in its operational geography, Arçelik pays attention to perform above the water discharge standards laid down by law. The amount of water discharged as a result of operations, are treated in chemical and biological treatment plants which are formed in accordance with the characteristics of the water coming from the related production facilities, and the compliance with the standards is periodically checked. According to periodic audits carried out during the reporting period, COD (Chemical Oxygen Demand) values of water discharged from Arçelik Plants in Turkey, Romania, Russia and China were well below the legal limit values.

### Arçelik's International Success

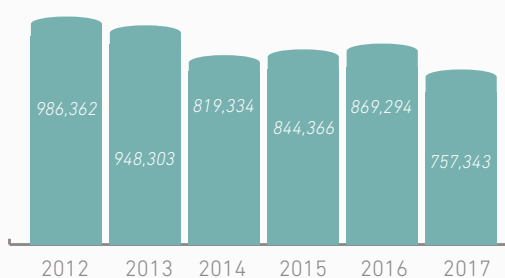
Arçelik entered in the A List of Carbon Disclosure Project (CDP), both Water and Climate Programs one of the most important and widespread environmental initiatives in the world, and became one of the 25 companies achieving this success.



Total Water Withdrawal by Source\* (m<sup>3</sup>)



Discharged Water Amount\* (m<sup>3</sup>)



\*Figures belong to Turkey operations.

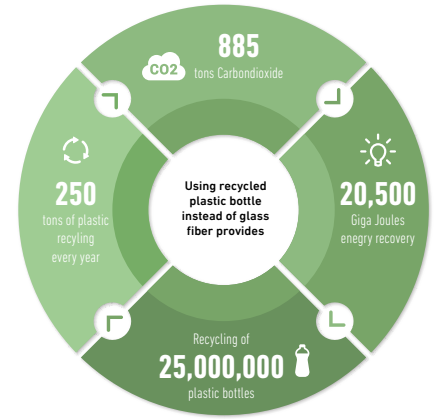
## Reuse, Recycling and Disposal of Products

Arçelik manufactures products with high recyclability rates and carries out sector-leading projects on recycling of products that complete their life cycle.

The company, which benefits from its extensive authorized dealer and service network for recycling products that are no longer used by consumers, achieves the reuse, recycle and disposal of products at its own recycling facilities. Fulfilling the requirements of ISO 14001 Environmental Management Standard, Arçelik plays a pioneering role in the national and international initiatives operating in the field of product recycling.

Acting with extended producer responsibility, Arçelik established waste electrical and electronic equipment (WEEE) recycling facility in Bolu and Eskişehir for the first time in the sector in 2014. Thus, Arçelik became the only Turkish manufacturer with recycling facilities. The energy gain by recycling at these two facilities since their establishment is equivalent to the annual energy production of 24 wind turbines with 2.5 MW capacity. With the replacement of old technology products with new technology environmentally friendly ones, since 2014, savings equivalent to the daily energy consumption of 19 million households and daily water consumption of 3.4 million households were achieved. Thus, a reduction of 75,000 CO<sub>2</sub>e of greenhouse gas emissions was ensured.

The waste sheet metal generated by production activities and the waste sheet metal obtained by recycling waste electrical and electronic equipment (WEEE) in our own facilities are gained to economy, and 17.8% of the sheet metal we use in our production are manufactured from recycled sheet metal.



### High-performance, innovative, and environmentally friendly washing machine and a washer dryer tub produced by recycled PET bottles.

Arçelik gives a second life chance to products on its way to be a pioneer company in the establishment of circular economy.

By integrating plastic flakes recycled from the waste of water bottles into the plastic laundry tub in an innovative way, a high performance and environmentally friendly product has been developed. Thanks to the patented technology developed in Arçelik Central R&D material laboratories, the plastic flakes were converted to plastic bottle fibers to reduce the amount of glass fibers in the composite. Thus, while the use of recycled raw materials was achieved without compromising performance, the reduction in the amount of glass fiber that requires high-energy consumption was ensured.

Environmentally friendly products favorable to Arçelik's "Respects the Globe, Respected Globally" vision were developed without sacrificing technology and quality. Thanks to this product, 60 PET bottles are recycled per product. The project, which went in mass production in August 2017, will recycle 12 million PET bottles with production to be made in 2018 with the project expansion 25 million of PET bottles will be recycled.

With this groundbreaking new technology, a total energy savings of 5.7 million kWh is planned each year. Today an average household consumes about 3,353 kWh of energy annually. This means that, at the first stage, energy saving provided by the tub made from recycled PET bottles is equivalent to an annual energy consumption of about 1,700 households. By recycling PET bottles, carbon dioxide emissions can also be reduced by up to 885 ton per year.

### Recyclability Rates of Raw Materials and Other Materials Used in Products

Material	Status
Metals	100% recyclable
Plastic	100% recyclable
Glass	100% recyclable
Chemicals*	Non-recyclable
Rubber	100% recyclable
Others	81% recyclable
Components	80% recyclable

\*Chemicals do not include oils. 78% of oils can be recycled.

### Recyclability Rates of Products

Product	Status
Washing Machines	99% recyclable
Condenser Tumbler Dryers	98% recyclable
Refrigerators	99% recyclable
Dishwashers	84% recyclable
Electronic Devices	88-92% recyclable
Ovens	91% recyclable



## RESEARCH AND DEVELOPMENT, INNOVATION AND DIGITALIZATION

One of the most important driving force behind Arçelik's success to deliver products in 145 countries as a global player is its R&D power and experience. Innovation, an integral part of Arçelik's corporate culture and business style, is at the same time one of the building blocks of a sustainable management approach, brand, and customer-focused business model. Shaping business processes around the concept of innovation lies at the heart of Arçelik's success in the global markets. At the same time, Arçelik continues to work with the vision of being one of the leading companies in digital transformation.



2020 Goals	2017 Results	2016 Results
<p><b>Increase the number of the R&amp;D and Innovation Projects and Collaborations</b></p> <p><i>Arçelik aims to increase the number of platforms where the Company will develop projects with different stakeholder groups in the field of innovation.</i></p>	<p><i>Represented Turkey in MIKTA Innovation Leaders Platform (Mexico, Indonesia, South Korea, Turkey and Australia) that aims to promote innovation and business alliance among members as well as the commercialization of new ideas and technologies.</i></p> <p><i>Supplier Innovation Program was realized to generate innovative product ideas. 2 workshops were held at Arçelik Garage with the cooperation of Arinkom TTO and Anadolu University.</i></p>	<p><i>Pre-studies completed</i></p> <p><i>Pre-studies completed</i></p>

## Research and Development

With 14 R&D and Design Centers worldwide, Arçelik has the most private sector R&D centers of Turkey in quantity. In addition to its own R&D resources, Arçelik can act versatile and achieve faster results thanks to its technological development studies and intensive cooperation with universities and research institutions. Arçelik is involved in many important technology and innovation events in Turkey and abroad. Being the performance leader of Turkish private sector, Arçelik has 12 ongoing projects at European Union Horizon 2020 program. Through its projects in Horizon 2020, Arçelik has more than 500 academic, research institutes and company partners from more than 20 countries of Europe. Arçelik also actively involves in the Eureka R&D platform with 7 ongoing projects besides 13 completed projects.

## New Business Fields

As currently innovation is reshaping the industries, Arçelik restructures its business processes and models in accordance with this change. "Turning Technology into Business" program, where Arçelik employees from different disciplines work on innovative ideas, provide support for employees with their innovative ideas and fund innovative product projects and new business models. In 2017, 4 out of 18 initiatives presented their ideas to senior management and 1 project was funded. In addition, through platforms such as Ecosystem Meetings with business partners, and Venture House, new business ideas are acquired and open innovation culture is supported.

As a new business field, innovation studies in health care were carried out in 2017. The digital capabilities of Arçelik and its experience in the Internet of things were combined to design Beyondcare, a Mobile ECG Tracking System. With Beyondcare, which is a new generation smart tracking system, vital data such as heart rhythm, activity, respiration, and body temperature can be tracked and analyzed. The system, which enables the patient to be monitored by the doctor without leaving home, provides easy use for both the patient and the healthcare worker. With Beyondcare product, Arçelik aims to support people to live a healthier life and to create value for people.

Arçelik performs various studies based on the fact that communication between human and machines is becoming common. In this context, Arçelik developed Smart Home Assistant. Thanks to automatic voice recognition, native language comprehension and processing technology Smart Home Assistant answers back the questions in Turkish. Through this system, users can have access to various information meet their urgent needs such as online shopping, food order, bill payment, banking transactions, pharmacy on duty, nearest hospital to facilitate daily life.



## 2017 Awards and Achievements

- As part of the ranking made on the basis of patent applications in 2016, Arçelik was deemed worthy of "Turkey Patent League Champion" by Turkish Patent Institute with its 3000 inventions. The company was also entitled to "Patents Leadership Special Award" at the Innovation Week organized by Turkish Exporters Assembly. Moreover, Arçelik was ranked 74<sup>th</sup> in the World Intellectual Property Organization (WIPO)'s list of companies that have the highest number of international patent applications.
- Arçelik increased its R&D expenditure in 2017 and become one of the six companies from Turkey that entered the 2017 list of the World's top 2,500 companies sorted according to R&D expenditure.
- Arçelik was awarded "1<sup>st</sup> in Turkey" as the Most Successful R&D Center and "1<sup>st</sup> in the sector" of durable goods in consequence of the performance assessment conducted by the Science, Industry and Technology Ministry for all R&D Centers across Turkey, by considering various parameters.
- Arçelik ranked as first in the list of Turkey's Performance Leader in private sector at the Horizon 2020 program according to TUBITAK (The Scientific and Technological Research Council of Turkey) report in 2017.
- Arçelik was awarded the Innovation Honor Award at CES 2017, one of the leading technology fairs in the USA.



**In 2017,  
5664 ideas,  
123 prototypes  
and  
6 projects  
were realized in  
Arçelik Garage.**

**maker**



## Open Innovation

Arçelik believes in a vision of innovation that can be shaped together with its stakeholders to develop pioneering technologies. Arçelik Garage, is established with the concept of open innovation aims to host entrepreneurs to realize their ideas. Bringing together employees and all stakeholders, Arçelik Garage is a place where prototypes in real product quality are produced by means of innovative ideas and technologies are developed in accordance with customer needs. Garage aims to expand the maker culture and entrepreneurial spirit within the company., It provides the required infrastructure and expertise needed to turn employees' ideas into reality. In 2017, 5,664 ideas, 123 prototypes and 6 projects launched at IFA world's leading trade show for consumer electronics and home appliances in Berlin.

Arçelik is expanding its collaboration network to develop its own technologies on a global scale. With R&D centers established in different countries, the Company aims to reach leading talents of the world and catch the emerging technologies at early stages. Cooperation with highly reputable universities and research institutes are carried out in Taiwan, the United Kingdom, and the United States where offshore R&D offices are located. For instance, the cooperation with MIT Media Lab, one of the leading universities in the USA aims studies on human-oriented products that might trigger radical innovation. One of the projects completed in success with MIT Media Lab was about controlling the devices with augmented.

Turkey's first Android TV was released to the market with the collaboration of Google as a result of studies for developing an Android TV with wide content infrastructure, applications and Internet services.

## MIKTA

Arçelik A.Ş, represented Turkey at the kick-off meeting of MIKTA Innovation Leadership Platform held in Australia. In 2017, Turkey assumed the presidency of MIKTA, which was established in 2013 as a collaboration initiative of 5 countries (Mexico, Indonesia, Korea, Turkey, Australia) within the G20 group countries. MIKTA is an informal consultation platform based on common values and interests, such as security, trade, economy, gender equality, sustainable development, and energy. The goals of MIKTA are to create dynamic, collaborative, and inclusive ecosystems of innovation, to increase productivity, to overcome global challenges, to create a cleaner environment, to encourage participation in the workforce, to reduce inequalities, to improve people's lives and to overcome poverty. The aim of the MIKTA Innovation Leaders Platform is to promote innovation and business alliance among MIKTA members and to promote the commercialization of new technologies and creative ideas.



## Supplier Innovation Program

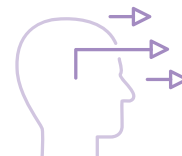
Innovation Program Workshop was organized two times in 2017 as part of Arçelik and Arinkom TTO joint organization in partnership with Arçelik-Supplier-Anadolu University, and Arçelik Garage. Arçelik Purchasing unit, Supplier representatives, Anadolu University academicians, Arçelik R&D employees, and officials and ARINKOM TTO team participated in the program. The event was organized to strengthen the innovation capabilities of suppliers and to develop projects in the "Arçelik-Supplier-Researcher" triangle. With a total of 160 participants, more than 400 ideas and 28 presentations were exhibited. Innovation and technology days are also organized for suppliers to share their recommendations, new ideas and product road maps with the Company.



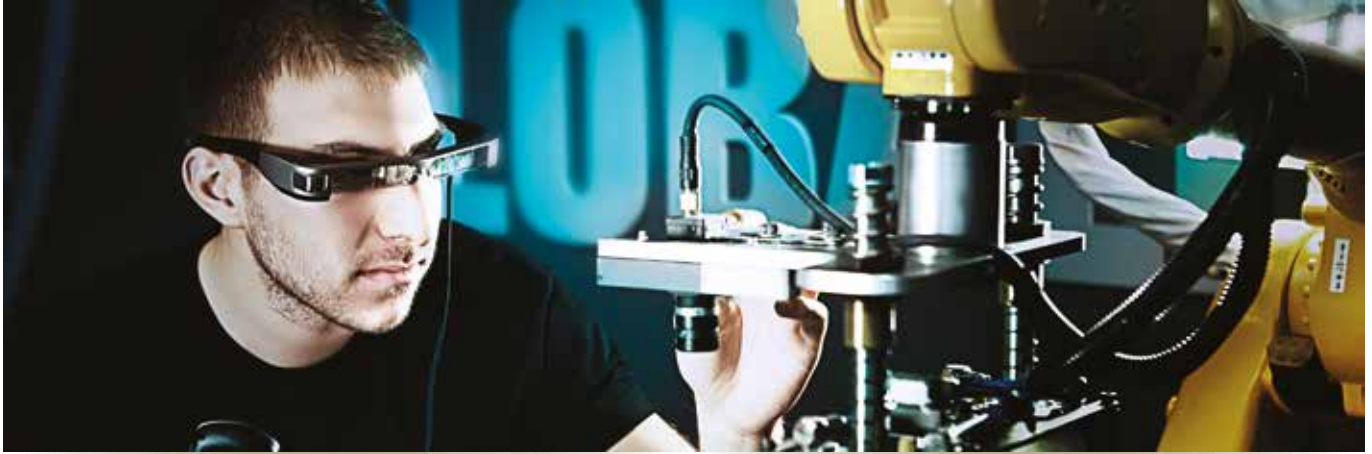
## Smart Home Solutions

Working to be the solution partner of the households, Arçelik brings together smart home technologies with the concept of "innovation at home". Company's smart home technologies are named as HomeWhiz that enables smart devices to communicate with white goods and other home appliances and customers to control home appliances such as refrigerators, washing machines, dryers, dishwashers and built-in ovens via smart phone, tablet, and smart TV.

Communicating devices under HomeWhiz platform which is also one of top items in Arçelik R&D agenda will make life easier for consumers. AirTherapy, the first washing machine in the world that benefits hot air circulation, the refrigerator with Fresh-meter technology that measures the freshness of the meat, MicroGarden that enables the user to produce fresh, healthy, and nutritious little plants in their own homes and to easily produce herbs, are among the other products that stand out in smart home technologies concept.







## Digitalization

Technology and digitalization offer new opportunities to reshape business processes, products and services, work patterns, jump ahead in competition and respond quickly to changing customer demands. Forging ahead with the goal of becoming a global player, Arçelik works with the vision of becoming one of the leading companies in digital transformation. In parallel with its sustainable and profitable growth strategy, the Company continues to create value for its stakeholders using digital transformation as leverage.

When customer expectations, production and other processes are taken into consideration, Arçelik is a long-standing process with activities in many different areas.

At Arçelik, the digital transformation is managed directly by the Directorate of Digital Transformation, which is affiliated to the General Manager. The Directorate of Digital Transformation is working to ensure change in the company's eco system, and adaptation to the expectations and needs of the customers that shifted from product to experience as a result of rapidly evolving technology.

In 2017, a process management program was launched that depicts all the processes of Arçelik in relation to one another in order to simplify the processes and decision-making mechanisms to create a more participative and cooperative management culture. With the digital twin to be created within the scope of the program, Arçelik will become an agile organization that can adapt rapidly to new business models, through institutionalization of information and operations, and transparent processes based on the database.

The digital transformation of Arçelik is carried out in four main areas: processes, employees, products and services, and data.



**Digitalization of Processes:** Various projects are realized in order to ensure productivity in business processes. In this regard, processes such as the digitalization of order and cost management have started. With the transfer of manual work to the digital center, pace of doing business was increased and the cost advantage was provided. One of the projects carried out to digitalize processes was the Recruitment Digitalization Project. In 2017, as a result of completed projects in Turkey, the operational efficiency and pace were increased, paper use was reduced, employee suggestion system was transferred to digital media, and candidate experience was digitalized at the application stage.

**Digitalization of People:** The GPO (Global Process Owners) teams, which are responsible for helping employees to embrace the digital transformation process and its outputs, consists of agents ranged in different units. By transferring digital transformation culture to employees and providing teams that spread this culture, the transformation process makes a progress in a controlled manner that is consistent with the company's strategies. Another study carried out under this category was the transfer of Human Resources processes to mobile media. Many functions such as social networks, news, third-party utilities are combined in the same application. This application, which engages employees in communication, is important for the employee mobilization.

**Digitalization of Products:** Arçelik designs smart production systems that quickly adapt to change in order to develop products and services that will guide tomorrow's world. Arçelik follows closely the demographic, technological and environmental developments to position its investments in digital products and focuses on energy and water efficient products that appeal to healthy lifestyles and stand out with their design and user interfaces. Working on the internet-enabled devices carried out as part of digital product studies will enable Arçelik to better understand its customers' needs and reach them easily.

**Data-Driven Digitalization:** Data that is being produced today dramatically increases, but the value and return of decisions based on these data also vary. The analysis of large data that is being produced is becoming increasingly difficult. With this point of view, centralization studies of data are carried out in order to facilitate the operation and to create valuable insights from data.



### Research and Experience Center for Advanced Production Technologies : Atölye 4.0

In 2017, Arçelik accelerated its studies to make production systems "smart", increasing the level of automation and developing human-robot interaction. The Company carried out successful projects in developing the infrastructure of information technologies that will enable these changes. Atölye 4.0, which was established in line with this vision, made improvements both in software and hardware as part of the projects carried out in partnership with the universities and the private sector. As a training, research and experience center that will contribute to Arçelik's goal of reaching digital factories that produce more efficient and higher quality products by increasing its existing expertise in advanced production technologies, Atölye 4.0 carries out its activities under three titles, including transformation of human resources, academia-industry partnerships and technological development aimed at digital transformation.

Arçelik also laid the foundation for its Romanian Arctic Washing Machine Plant, which is planned to be the first model production plant to carry Industry 4.0 standards. Model practices at this facility will be carried over in other production facilities.







## SUSTANABILITY MANAGEMENT IN THE VALUE CHAIN

Arçelik actualizes practices to improve the social, environmental and economic performances of its stakeholders with the aim of ensuring the sustainability of its broad value chain. The Company provides the continuity of sustainable business practices at all stages of its value chain, from purchasing to warehousing, from distribution to authorized dealer and service networks.

2020 Goals	2017 Results	2016 Results
 <p><b>Develop Supplier Sustainability Index</b></p> <p>Develop Global Supplier Sustainability Index to monitor its strategic suppliers and a build "Sustainable Supplier Category" by the year 2018, as well as setting numerical target for the year 2020.</p>	<p>Sustainable Supplier System project is initiated, where the suppliers constituting risks and high risks in terms sustainability will be identified and the Sustainable Supplier objective will be established. The Project is planned to be completed in 2018.</p>	<p>Pre-studies completed</p>

## Supply Chain

As we are working to extend our sustainability approach to all our suppliers, we support the sustainable development of our suppliers while contributing to the economic development of our operational geography through our broad supply chain. We ensure the sustainability of our purchasing operations through risk management processes, supplier audits, communication activities and local purchasing practices. We manage our purchasing operations to meet the expectations of our customers and to provide lasting competitive advantage to our company, creating added value for all the stakeholders in our value chain.

Arçelik is among the signatories of APPLiA/CECED's Corporate Social Responsibility Code of Ethics and we also abide by the UN Global Compact of which Koç Holding is a signatory and act with the awareness of our responsibilities that arise from the compact with regard to our supply chain. We carry out our purchasing activities in line with the Purchasing Policy we established in 2016 in the light of these international initiatives and agreements.

*You can find our expectations from our suppliers in the issues of legal practices, working conditions, ethical principles, occupational health and safety, and environment at our corporate website (<https://www.arcelikas.com>) and supplier portal (<https://supplier.arcelik.com>).*

All contracts signed with our suppliers indicate our expectations and related conditions with reference to Arçelik Responsible Purchasing Policy. Within the scope of the policy, we provide our suppliers with various trainings and audit their compliance with our supplier code of conduct, including legal practices, working conditions, ethical rules, occupational health and safety, and Arçelik's expectations in environmental areas. We plan corrective actions aimed at nonconformities that emerge in result of the audits and we monitor actions taken in relation to these plans through follow-up audits. Arçelik has the right to terminate the contract with any supplier or ask the supplier to terminate the contract with its employees that violate the laws. If any case of child labor, forced labor and bribery cases are detected during the audit, cooperation with the supplier in question is ceased. All recently engaged supplier companies at Arçelik make self evaluations under the headings of Quality, Environment and Code of Conduct. Moreover, Environmental, Occupational Health and Safety, and Code of Conduct issues are evaluated within the quality audits of our current companies.

## Supplier Business Transparency Project (BTP) Program

Business Transparency Project, which was conducted by Arçelik to raise awareness in suppliers about sustainability, was deemed worthy of the "Best Contribution to Corporate Responsibility" award at the Supply Management Awards organized by the Chartered Institute of Purchasing & Supply (CIPS), which assesses Europe's best procurement practices, and the ProcureCon in 2017. As part of the Business Transparency Project, which started with the support of GRI (Global Reporting Initiative) and completed in 2016, we accompanied 12 of our suppliers in preparing their sustainability reports in order to enhance the corporate sustainability performance of our suppliers, to ensure that they reach a level where they can conduct sustainability reporting practices and to help them achieve international recognition.



In 2017, 44 suppliers in total, of which 23 from Turkey and 21 from international operations, were audited for code of conduct and occupational safety through the agency of an independent institutions. As a result of the audits, 375 areas open for improvement were identified in total. Firms that completed follow-up audit in 2017 corrected 50% of the incompatibilities. Approximately 40 supplier audits are planned for 2018.



All recently engaged supplier companies at Arçelik make self-evaluations under the headings of Quality, Environment, and Code of Conduct. In 2017, a total of 144 companies were introduced. Moreover, Environmental, Occupational Health and Safety, and Code of Conduct issues are evaluated within the quality audits of our current companies. In the same period, quality audits were held for 157 suppliers, which constitute 15% of our total number of suppliers. In the reporting period, the total number of suppliers that passed the business ethics evaluation was 340, which constitute 20% of our total number of suppliers. The "Supplier Sustainability Index" project was launched in 2017 to subject all of our suppliers to this assessment. With this project, suppliers with risk and high risk will be determined, Sustainable Supplier targets will be set, and necessary actions will be taken in this direction. The project is planned to be completed by the end of 2018.

*Our stakeholders can notify the Purchasing unit about suspicious acts or violations of business conduct on part of our suppliers via [purchasing@arcelik.com](mailto:purchasing@arcelik.com) or by calling the numbers on our corporate website. The identities of people that report these suspicious acts or violations are kept confidential while no tolerance is shown against possible punishments or retaliations towards these people.*

Arçelik Procurement focuses on collaborating with suppliers within the framework of mutual trust based on common goals. In line with this vision, the Assistant Industrial Development Department continued its efforts to improve the suppliers' infrastructure and technical competencies in 2017 and performed a total of 1,082 supplier visits for support purposes.

Arçelik consider supplier trainings as one of the most important components of supplier development studies. In 2017, Arçelik offered 18 trainings in the subjects of TPM, energy efficiency, mould maintenance and polishing, plastic paint, water based paint, rubber and rubber derivatives, quality, production technologies and efficiency in production, providing 1,224 person\*hour of training to 232 participants.

Arçelik mutually benefits from the efficiency projects it conducts in cooperation with our suppliers, thereby contributing to the enhancement of their quality performance. In 2017, the Company carried out 156 projects, of which 35 were aimed at automation and enhancing labor efficiency, with 108 suppliers.

Regarding sustainability, 238 sustainability projects, of which 62 were energy projects, were realized with our suppliers in 2017. A total of energy saving of 600 TEP (tons of Equivalent Oil) was achieved.

In order to raise awareness in our subsidiary industries about energy efficiency, in 2017, certain studies were carried out with the Supplier Development Department. On Supplier Day, special award was given to our suppliers who stand out with their Energy and Environment projects. "Supplier Energy Day" events were organized in Eskişehir and Istanbul to raise awareness in business partners about energy efficiency and energy management. Questions on Energy and Environment have been added to SAD TUV audits.

The most important component of Arçelik Performance-Driven Supplier Management is the supplier reward system. In 2017, 10 suppliers were deemed worthy of performance awards and three suppliers were awarded with special prizes.





The Purchasing Academy program, which first launched in 2013 aims to equip Arçelik Purchasing employees with the knowledge and skills they need and to enhance their awareness level. The program is sustained with the supports of the Chartered Institute of Procurement and Supply (CIPS), a global institution specializing in purchasing, and Koç University. 81 employees in total from our Turkey and international operations received training, while 12 employees completed the program and graduated in 2017.

We aim to extend our sustainable growth understanding to all the stages of our value chain; we actualize practices to minimize the environmental and social impacts generated by our warehousing, distribution, and export operations. Some of the practices implemented in this regard in 2017 are the following:

- With the Ankara Warehouse Consolidation Project, 36.000 m<sup>2</sup> of warehouse area was concentrated in one center. In this way, the supply period was minimized while equipment and labor productivity was increased.
- “Export Logistics Control Tower” portals were created to provide simultaneous traceability of vehicles and products planned and shipped for overseas subsidiaries and customers.
- Loading, unloading and shipment periods were shortened thanks to “Automatic Loading and Unloading” systems installed between all plant and distribution warehouses of Arçelik

- With the establishment of China Available Product Consolidation Center, restrictions on production periods, mix loading and minimum production capacity have been removed for certain product ranges. During the period, shipments to 4 continents and 36 countries were achieved, ensuring both consolidated stock efficiency and global growth of the available product range.

### Conflict Minerals Management

“Conflict Minerals” project that was launched in 2016 in line with Arçelik responsible purchasing principles, continued in 2017. In the reporting period, ‘Arçelik Conflict Minerals Policy’ was formed and a survey regarding 3TG use was sent to suppliers and responses were subjected to evaluation. Besides, an independent institution audited five suppliers on-site.





## Customer Experience

Customer purchasing habits are changing in consequence of the developing technologies and digitalization. Consumers are able to shop using different channels such as Internet, mobile, phone and store, which are described as omni. Customers experience shopping in different channels at the same time and want to access more services. For this reason, it is not possible to reach customers only through stores; it is necessary to meet the multivariate demands of the consumers.

While Arçelik goes through with transformation to address this new crowd that it defines as "omni customer", it carries out studies by considering traditional customers as well. Arçelik, which set the principle of "We have customers in the heart of our business" in 2017, established the Customer Experience Directorate in order to realize this transformation within the company.

Arçelik aims to be a technology and solution partner accompanying its customers with products and services offered in all areas of home technology to make their life easier. The company took a very important step in the journey of customer-oriented, digital retail transformation by developing a new generation merchandising model in parallel with this strong current developing in the retailing world.

The new generation merchandising model focuses on the excellent customer experience and makes all the possibilities of the digital world a part of the shopping experience. With the digital retail transformation, it is aimed that the consumers are inspired by the different living spaces to dream, have fun in the experiential areas, learn, choose the right product by interacting with the product and feel the company's strong service concept. Thanks to this new platform, which deepens the customers' relationship with their brands, Arçelik gets to know the consumers better and establishes uninterrupted communication with them.

Arçelik presented this model, which will change the retailing standards, to its customers with 3 different concepts such as Flagship, Concept Plus and Concept Store. The Company, which put Flagship stores to service including Arçelik İzmir Asmaçatı, İstanbul İstinye Park, Marmara Forum and Beko Sultanbeyli, provides service with 52 Concept Plus and 1,200 Concept stores in 2017.

As an endpoint where customers meet with our products, our dealers constitute one of the most critical stages of customer experience. In this direction, we support both sustainable development and customer satisfaction with practices that will provide continuous development of our dealers. Through effective communication with our dealers, we learn customer expectations, increase their knowledge, skills and competencies through training and development programs, and secure the development of their performance with our audit activities.

### Retail Academy

Arçelik Retail Academy was established to strengthen the position of the Arçelik brands at the sales points, to communicate modern retailing approaches and practices in accordance with brand strategies and to ensure the continuity of performance development. In this regard, alongside the interactive application-oriented classroom training, a distance-learning site [www.arcelikperakendeakademisi.com](http://www.arcelikperakendeakademisi.com) was established, in which the most up-to-date digital learning tools are integrated in order to make the academy more accessible. We increase our total achievement by improving customer satisfaction with trainings that increase service quality and work efficiency of our dealers.





Our authorized dealer and call center processes, which we define as "Aftersales", are of critical importance for the satisfaction of our customers and consumers. We continuously improve our performance in relation to these processes, with our extended service network, advanced technological infrastructure, and innovative solutions. We actualize practices creating high value added in the processes, which we manage in accordance with ISO 10002 Customer Satisfaction Quality Management System, thereby setting an example for our industry.

Arçelik Authorized Service Network provides over 15 million service runs annually through 607 authorized service shops under 12 regional managements with 12,800 staff, of which 6,000 are technical staff members, and a fleet of 560 vehicles. All of our authorized service shops have tactful, experienced staff with the necessary technical infrastructure and equipment, who have received all the necessary trainings and comply with the related clothing, hygiene norms, in addition to being inspected at regular intervals. The delivery of purchased products is provided by the technical staff and all at once. Surveys are conducted to determine the level of customer satisfaction in relation to all aftersales services while corrective and preventive actions are taken in accordance with the received feedback.

We provide trainings to all of our technical staff within the body of our authorized dealers. In this regard, we have provided 335,000 person\*hour of training to 9,5000 staff working at Turkey and overseas operations. In the trainings, training modules based on on-the-job learning methods and personal measures were adopted, and subject-oriented education management system suitable for new educational science technologies was introduced.



The technical support and training activities, for all the countries in which Arçelik brands are sold, are carried out under the roof of Consumer Services. In 2017, technical support activities for 23,000 product models domestically and 47,000 product models internationally. At the "International Academy" established to realize overseas service trainings, technical training courses were given to 1,698 people in 36 countries.

As a result of the audits carried out by the Turkish Standards Institution (TSE) in 2017, 44 Arçelik authorized services are entitled to receive the "Customer Friendly Organization" (MDK) certificate. As part of the second phase of the work, Arçelik is entitled to receive "Customer Friendly Brand" (MDM) certificate with its "Arçelik" and "Beko" brands after the audits in the related departments.

With Arçelik Call Center, which leads the sector through innovative applications, we offer highly personalized and high added value solutions to our customers. Arçelik Call Center allows customers in Turkey to communicate their questions, problems, demands and expectations 24/7. The primary objective of the center, whose infrastructure is constantly updated in line with technological advancements, is to impeccably answer customer expectations as soon as possible. The "Consolidation of Authorized Service Calls" project was realized as part of Omnichannel Digital Transformation Project and calls of the authorized services were received at the Call Center. Within the framework of the project, 97% of the requests were met, exceeding the goal of 87%.

Customer satisfaction is measured by Customer Satisfaction Survey practices, which are regularly conducted every year at Turkey and overseas operations. The results from the surveys, one of the most important mechanisms of stakeholder communication, are integrated into business strategies. Customer feedback is evaluated as input for performance assessment and objective determination processes. As a result of the survey conducted during the reporting period, the Customer Satisfaction Score was measured as 73%.



## **SOCIAL DEVELOPMENT**

Arçelik contributes to the social development in the countries that it operates in, with the social, cultural, environmental and sportive projects. With the social development projects which are among the material aspects of the Company, Arçelik focuses on the solutions of the problems and implements long-termed practices.



2020 Goals	2017 Results	2016 Results
 <p><b>Encourage Employee Volunteerism</b> Improve and expand the employee volunteerism model until 2020.</p>	<p>Voluntary participation of employees in projects that contribute to social development is encouraged. Employees make contributions by collecting donations for non-governmental organizations through organizations and sports activities they hold.</p>	<p>Employees were encouraged to participate and support social projects</p>
 <p><b>Increase the Awareness on Gender Equality</b> Conduct projects aiming to raise the awareness regarding "Gender Equality" in all its operations and cooperate with non-governmental organizations in order to be a part of the solution.</p>	<p>3,840 employees were reached by 88 Gender Equality Seminars at 8 campuses in Turkey. 509 people participated in trainings for Authorized Dealers and Services.  Company signed the UN Women Empowerment Principles</p>	<p>11.247 employees reached by 192 awareness seminars</p>
 <p><b>Increase the Awareness on Food Waste</b> Carry out projects aiming to raise awareness regarding food waste.</p>	<p>Grundig brand "Food for Soul" project was carried out worldwide and "Ruhun Doysun" project has launched in Turkey, as part of the Respect Food approach.</p>	<p>"Food for Soul" launched by Grundig as part of "Respect Food" approach.</p>
 <p><b>Increase the Awareness on Healthy Eating and Child Obesity</b> Carry out projects to aiming to raise awareness on healthy eating and the child obesity.</p>	<p>Eat Like A Pro project has launched by Beko brand, a sponsor of FC Barcelona</p>	<p>Pre-studies completed</p>

Arçelik adopts an approach that is sensitive to the development of the society in its operational geography. In this regard, the Company carries out social responsibility studies that create value for society and focus on solving problems. In all the projects and practices conducted with aim of leaving a more livable world to the next generations, Arçelik adopts volunteerism approach and acts in cooperation with the broad stakeholder network.

Arçelik commits to act in line with United Nation's Sustainable Development Goals (SDG). In accordance with the "Partnership for Goals" objective, Arçelik forms long-term co-operations with public institutions and NGOs in its operational geography. The Company focuses on areas determined by Sustainable Development Goals, primarily the goals of "Gender Equality", "Quality Education" and "Responsible Consumption and Production". In addition, projects are being carried out in the fields of environment, health and sports.

### Education and Development

We believe that education generates highest added value to social development, and develop projects in this area.

### Turkey - Electrical Household Appliances Technical Training Program - Arçelik Laboratories

With the "Electrical Household Appliances Technical Training Program" that we developed in 2011 with the aim of consolidating the relation between vocational training and employment, we broke new ground both in our industry and country. In 2017, we continued with our project aiming to train labor force who is knowledgeable about developments and new technologies in the electrical household appliances industry in Turkey.

As part of the program, implemented in 4 vocational high schools in 2011-2012 academic year, 9 vocational high schools were reached in Istanbul, Diyarbakir, Trabzon, İzmir, Ankara, Bursa and Tatvan provinces as of 2015-2016 academic year. During the reporting period, 867 students were graduated, 157 students were employed at Arçelik AŞ. authorized service centers. "Technical Training Books" have been prepared for 3,500 students who are trained in the Electrical Appliances Department in Turkey to access current technical knowledge and skills to meet the needs of the industry. In these departments, 64 technical teachers who have been in office since 2011 were provided with 21,200 person\*hour technical training at Arçelik Academy.







### Turkey - Retail Personnel Training Project

Arçelik, in order to train qualified labor force in the retail field who will work in the authorized dealers in Turkey, cooperated with Istanbul Ataşehir Adıgüzel Vocational High School. Within the scope of the project initiated in 2017 in Adıgüzel Vocational High School, the contents of "Sales Management", "Merchandising and Retailing", "Practice" courses in the 1st. and 2nd. grade curriculums of two-year Public Relations Department were developed together with the teaching staff.

In addition to formal training curriculum, Arçelik managers and Retail Academy instructors organized practical courses and seminars for the students. The project offers students the opportunity to reinforce and experience the lessons they have learned with examples of field practice. The students who have successfully completed the courses they have taken in the second and third semesters and who want to continue their career in the field of sales and who are close to the Arçelik working culture are given the opportunity of internship in authorized dealers where Arçelik Retail Development Specialists are assigned within the scope of the internship lesson given in fourth semester. In 2017, 103 students were reached from 1st. and 2nd. grade within the scope of the project and 8 students out of 2nd. grade did internship in Arçelik authorized dealers. The project is planned to be continued with development.

### Arctic - Romania - Dual Training Classes

Arctic continued to actively support educational activities in Romania, contributing to the social development of the society. Arctic provided support for the first dual training classes in Dambovita in 2017. Within the scope of the project initiated with 56 students to support the development of next generation technical staff, Arctic provides students with theoretical and practical knowledge as well as scholarships. Graduates of the Arctic classes will have the priority to be employed in the new washing machine factory in Ulmi, and will easily adapt to the next generation technologies using their Industry 4.0 competency.

Students, who have the chance to intern in the factories and receive mentorship support from the specialists, will be qualified as an operator or electronic operator at the end of the program.



### Arctic - Romania - Cooling Systems Class

In addition to providing technical and educational material to many high schools and universities, Arctic also provides research and development support. Arctic continued to support the Cooling Systems Operator Class, which was opened in Gaesti Vocational High School in 2017.



## Gender Equality

We aim to raise awareness of gender inequality, and strives to develop an egalitarian approach in business culture and social life.

### Signatory to Women's Empowerment Principles (WEPs)

Arçelik, which aligns its sustainability roadmap with the United Nations 2030 Sustainable Development Goals, signed the United Nations Women Empowerment Principles in 2017. The Women Empowerment Principles outlines the roadmap for companies to empower women's position in corporate life and society. As a signatory of WEPs, Arçelik aims to develop special projects raise consciousness in public.

### Turkey – Equal Dictionary

Within the context of studies aimed at ensuring gender equality Arçelik implemented "Equalise with Equal Dictionary" project. Arçelik, with "Equal Dictionary" application, aims to create awareness by drawing attention to the discriminatory and sexist unwittingly used words and discourses.

The "Equal Dictionary" application, which can be used on mobile devices and computers, warns about sexist words and expressions and suggests words as substitutes. Keyboard in application guides the user to create an equitable language in response to sexist and discriminatory expressions. To use this solution-centric application, it is enough to download "Equal Dictionary" and "Equal Dictionary Keyboard" software to the desktop computer or IOS / Android based mobile devices.

The discourse suggested in the dictionary was developed with the support of Kadir Has University Research Center for Gender and Women's Studies and KOÇ-KAM Gender and Women's Studies Research and Application Center. The application was prepared by evaluating the suggested discourses in terms of sociology and linguistic awareness, taking into consideration gender equality approaches.

The "Equal Dictionary" application is free for everyone to use. Users who want to add a word in the dictionary will be able to click on the "Add Discourse" button at <http://esitsozluk.com/> web site or in the Microsoft Word and Outlook add-ons to communicate the sexist discourse and correct usage proposal. Following the academic evaluation, appropriate discourses will be added to the dictionary.

### Turkey - I Support Gender Equality for My Country

Koç Holding, which we are affiliated with, put into practice "I Support Gender Equality For My Country" program in order to promote joint action of the companies of the Group and stakeholders towards lasting solutions to social problems. As Arçelik, we support the projects implemented within the scope of the program.

During the reporting period, as part of the practice implemented in cooperation with The Mother & Child Education Foundation (AÇEV), "Knowledge Mill" seminars that will raise awareness of gender equality were organized. It was intended for volunteers who would qualify to become trainers at the end of the seminars to organize awareness trainings for all company employees. As a result of the seminars, 30 of the Arçelik employees became volunteer instructors. In 2017, the Company reached 3,840 employees in eight campuses with 88 awareness trainings. Moreover, 509 people were offered trainings within the scope of seminars organized for authorized dealers and services.





## Volunteerism

### Turkey - Voluntary Ambassador Dealers for Gender Equality

Authorized dealers of Arçelik continued to contribute to "I Support Gender Equality For My Country" project in 2017 as well. In the first stage of the application, Arçelik brought together all the dealers representing Koç brand and organized awareness trainings aimed at adoption of gender equality approach by the dealers. Volunteer ambassador dealers organized information seminars in 22 cities throughout Turkey. In the second stage of the application, once more with the leadership of the dealers and in cooperation with the Turkish Family Health and Planning Foundation (TAP), the Company organized information seminars for educational institutions. The dealers also carry out certain local projects.

### Arçelik Search & Rescue Team

Arçelik Search & Rescue Team has successfully finished 4-days long search and rescue training and drill between 27 and 30 of July 2017. 56 Volunteers from our Search & Rescue Team came together in the Turkey Disaster and Emergency Management Presidency Training Center located in Sakarya in order to make the planned training and drills.



### Arctic - Romania - Friends of the Environment Campaign

In the reporting period, Arctic Romania pursued its Friends of the Environment Campaign, which was launched in 2012 for the conservation of natural resources, waste management, energy savings and waste reduction.

### Turkey – Make a Step, Make a Difference for Social Issues

A team of 100 people, consisting of Arçelik employees, dealers and services, ran to make a difference for a better future and support a group of NGOs working for social issues in Runatolia Marathon which was organized for the 12<sup>th</sup> time in Antalya in 2017. Arçelik the team won the second prize in the Corporate Challenge category in the final.

### Climbing Against Global Warming

Arçelik employees actively support the company's efforts in fighting against global warming. In 2017, a team of 10 people, consisting of Arçelik employees, climbed Elbrus, the highest mountain in Europe. The team gave a message at 5,624 meters with a flag written with "Exit Against Global Warming".







## Responsible Consumption

### Fight Against Food Waste

In line with our responsible consumption and production goal, we are carrying out projects aimed at raising social awareness about "food waste".

### Grundig – Respect Food

Grundig, embracing the approach of "Respect Food", continued to contribute to the studies of struggle against food waste, and to conduct projects in cooperation with initiatives working on this area to raise awareness.

In May 2017, Grundig organized an event called "no waste week" at the Food Waste Prevention Week in Slovenia to draw attention to prevention of food waste. With the participation of Massimo Bottura, the famous chefs shared new recipes that can be used for expired foods. Grundig also supported the opening of Refettorio Felix as part of "London Food Month" in London in June 2017. The project in which Grundig products are used, contributed to the prevention of food waste and the delivery of excess food to people in need.

Grundig once more reiterated his commitment to combating global food waste by launching the second digital phase of the Food For Soul Initiative at World Food Day on October 16<sup>th</sup>. Grundig helped to save 25 tons of food over 1.5 years as part of the collaboration with "Food For Soul" initiative. During this period, Grundig, with more than 210 chefs, played an active role in serving more than 48 thousand plates with the help of more than 600 volunteers.







## Turkey – Ruhun Doysun

Grundig took its awareness raising activities against food waste, conducted as part of its “Respect Food” philosophy, one step forward with Grundig Turkey “Ruhun Doysun” project. The desire of many to be a part of a sustainable life nowadays lies at the basis of “Ruhun Doysun” movements’ mission to raise consumer awareness, to reduce waste and to inspire a sustainable life integrated with nature.

The movement was initiated first by the video series with Chief Mehmet Gürs. In this series, Mehmet Gürs discussed many different topics, from ideas on how to avoid waste in the kitchen, to the journey of food from farm to table, with special guests in a house made from a container in the middle of nature. Beside the video series, a web page with many inspiring articles and ideas, social media communication, the main sponsorship of the international food conference SEED constitutes some of short-term steps of the project.

## Healthy Living

We are conducting studies in the field of healthy living to raise awareness in the society and encourage healthy diet.

### Beko - Eat Like a Pro

Beko aims to raise awareness against rapidly increasing childhood obesity in the world with “Eat Like a Pro Initiative”, which was launched in partnership with FCB. Beko is working to develop innovative technologies that make healthy diet easier and more attractive, as part of an initiative aimed at helping children to play sports part of their lifestyle by taking the athletes they admire as an example.




**Sports** 

We support social development through sport sponsorship and we constantly add new ones to our current investments on this area.

**Beko - FC Barcelona**

Beko believes that sports, which represent values matching its dynamic and energetic structure, play a significant role in the development of the youth. Sports' power to reach large masses is in line with the Company's vision. With this understanding, Beko continued its sponsorship for FC Barcelona.

**Arçelik - Turkish Football Federation Sponsorship** 

In 2017, Arçelik became the main sponsor of Turkish Football Federation National Teams, a great collaboration that strengthened Arçelik's position as the national brand of Turkey.

**Beko – Beşiktaş Professional Football A Team**

Beko, who was the sponsor for Beşiktaş JK between 1988 and 2004, became the Back Sponsor for Beşiktaş Professional Football A Team, by signing the sponsorship agreement as of the start of the 2014-15 season.



## Performance Data

### ECONOMIC PERFORMANCE DATA

	2013	2014	2015	2016	2017
Net Sales (Million EURO)	4,395	4,307	4,692	4,819	5,062
By Region					
Turkey (Million EURO)	1,828	1,669	1,896	1,931	1,974
Europe (Million EURO)	1,735	2,014	2,126	2,153	2,175
Other (Million EURO)	832	624	670	735	913
By Product Group					
White Goods (Million EURO)	3,096	3,121	3,411	3,505	3,706
Consumer Electronics (Million EURO)	636	629	651	679	662
Other (Million EURO)	663	557	629	635	694
Gross Profit (Million EURO)	1,342	1,369	1,502	1,599	1,581
Operating Profit (Million EURO)	338	352	383	398	341
Income Before Tax (Million EURO)	295	252	260	360	199
Net Income (Million EURO)	247	220	296	390	205
Total Assets (Million EURO)	3,886	4,394	4,324	4,558	4,526
Total Current Liabilities (Million EURO)	1,393	1,571	1,648	1,781	1,861
Total Liabilities (Million EURO)	2,476	2,835	2,852	2,939	2,994
Total Equity (Million EURO)	1,409	1,559	1,471	1,619	1,531
Dividends Paid (Million EURO)	160	122	116	78	103
Capital Expenditures (Million EURO)	207	159	217	251	242
Dividend Per Share (EURO)	0.176	0.178	0.128	0.188	0.156
Year-End Share Price (EURO)	4.14	5.32	4.40	5.74	4.73
Year-End Market Value (Million EURO)	2,796	3,593	2,971	3,878	3,198
Corporate Governance Rating	9.28	9.41	9.48	9.52	9.52
Economic Value Generated ( Million TL)	12,005	13,231	15,454	17,903	22,496
"Revenues (Millions TL) "	12,005	13,231	15,454	17,903	22,496
"Economic Value Distributed (Million TL)"	11,941	13,030	15,382	17,447	22,667
"Operating Cost Total (Million TL)"	9,375	10,310	11,861	13,542	17,688
Personnel Expenses (Million TL)	1,136	1,346	1,531	1,793	2,264
"Payments to Providers of Funds (Million TL) "	1,355	1,283	1,865	1,962	2,539
Payments to Governments as Income Tax (Million TL)	67	82	115	135	164
Community Investments (Million TL)	8	9	10	15	12
Economic Value Retained (Million TL)	64	201	72	456	-171

Performance Data									
ENVIRONMENTAL PERFORMANCE DATA									
	Arçelik Turkey					Arctic Romania			
	2013	2014	2015	2016	2017	2014	2015	2016	2017
<b>GHG Emissions (ton CO<sub>2</sub>e)</b>									
Direct	66,685	64,888	59,363	58,246	**	NA	12,585	13,894	**
Indirect	74,509	22,091	18,299	11,709	**	NA	0	0	**
<b>Total</b>	<b>141,194</b>	<b>86,979</b>	<b>77,662</b>	<b>69,955</b>	<b>**</b>	<b>NA</b>	<b>12,585</b>	<b>13,894</b>	<b>**</b>
<b>Energy Consumption (GJ/year) (1)</b>									
Direct	1,029,679	999,909	961,597	932,163	**	NA	207,175	222,631	**
Indirect	708,461	730,710	789,496	797,375	**	NA	144,819	160,059	**
<b>Total</b>	<b>1,738,140</b>	<b>1,730,619</b>	<b>1,751,093</b>	<b>1,729,538</b>	<b>**</b>	<b>NA</b>	<b>351,994</b>	<b>382,690</b>	<b>**</b>
<b>Total Water Withdrawal by Source (m<sup>3</sup>)</b>									
Municipal Water	1,087,146	1,047,433	938,386	944,776	801,627	NA	0	0	0
Well Water	393,289	396,568	359,305	374,370	374,382	NA	268,948	330,260	249,272
Rain Water	0	1,000	500	500	500	NA	0	0	0
<b>Total</b>	<b>1,480,435</b>	<b>1,445,001</b>	<b>1,298,191</b>	<b>1,319,646</b>	<b>1,176,509</b>	<b>NA</b>	<b>268,948</b>	<b>330,260</b>	<b>249,272</b>
<b>Total Water Discharge (m<sup>3</sup>)</b>									
<b>Total Water Discharge</b>	<b>948,303</b>	<b>819,334</b>	<b>844,366</b>	<b>869,294</b>	<b>757,343</b>	<b>NA</b>	<b>161,369</b>	<b>198,156</b>	<b>149,562</b>
<b>Environmental Trainings Provided to Employees (person*hour)</b>									
Environmental Trainings	6,242	10,311	21,497	12,688	12,682	NA	1,376	2,418	2,146
<b>Use of Raw Materials and Materials at Product Facilities (ton)</b>									
Raw Materials - Plastics	107,600	82,935	200,878	139,907	95,400	NA	17,439	16,432	15,997
Raw Materials - Metals	304,061	239,209	267,509	306,573	291,439	NA	34,222	61,599	61,018
Materials	407,147	400,544	244,077	320,375	297,353	NA	49,374	59,448	62,164
Chemicals	74,583	79,128	79,067	11,060	8,732	NA	3,984	4,159	2,301
<b>Total</b>	<b>893,391</b>	<b>801,816</b>	<b>791,531</b>	<b>777,914</b>	<b>692,924</b>	<b>NA</b>	<b>105,019</b>	<b>141,638</b>	<b>141,480</b>
<b>Wastes by Type (ton)</b>									
Hazardous Waste	2,766	3,223	3,606	3,552	2,801	NA	22	14	55
Non-Hazardous Waste	85,645	115,715	94,298	88,600	86,103	NA	9,930	14,043	14,041
<b>Total</b>	<b>88,411</b>	<b>118,938</b>	<b>97,904</b>	<b>92,152</b>	<b>88,904</b>	<b>NA</b>	<b>9,952</b>	<b>14,057</b>	<b>14,096</b>

\*\* Figures are on assurance process and will be shared on our corporate website after assurance process.



## Performance Data

### ENVIRONMENTAL PERFORMANCE DATA

	Beko LLC Russia				Beko China				Beko UK			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
<b>GHG Emissions (ton CO<sub>2</sub>e)</b>												
Direct	NA	NA	6,849	**	NA	NA	NA	**	148	155	138	133
Indirect	NA	NA	9,914	**	NA	NA	NA	**	663	664	696	757
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>16,763</b>	<b>**</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>**</b>	<b>811</b>	<b>819</b>	<b>834</b>	<b>890</b>
<b>Energy Consumption (GJ/year)</b>												
Direct	NA	NA	129,582	**	NA	NA	NA	**	2,441	2,569	2,276	2,168
Indirect	NA	NA	80,937	**	NA	NA	NA	**	5,692	5,705	5,973	6,496
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>210,518</b>	<b>**</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>**</b>	<b>8,133</b>	<b>8,275</b>	<b>8,249</b>	<b>8,664</b>
<b>Total Water Withdrawal by Source (m<sup>3</sup>) *</b>												
Municipal Water	NA	NA	0	0	NA	NA	NA	65,858	NA	984	1,761	1,842
Well Water	NA	NA	137,395	118,532	NA	NA	NA	0	NA	0	0	0
Rain Water	NA	NA	0	0	NA	NA	NA	0	NA	0	0	0
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>137,395</b>	<b>118,532</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>65,858</b>	<b>NA</b>	<b>984</b>	<b>912</b>	<b>1,842</b>
<b>Total Water Discharge (m<sup>3</sup>)</b>												
Total Water Discharge	NA	NA	134,768	110,220	NA	NA	NA	59,849	NA	984	912	1,842
<b>Environmental Trainings Provided to Employees (person*hour)</b>												
Environmental Trainings	NA	NA	334	124	NA	NA	NA	487	NA	NA	0	0
<b>Use of Raw Materials and Materials at Product Facilities (ton)</b>												
Raw Materials - Plastics	NA	NA	8,113	8,176	NA	NA	NA	5,401	NA	NA	NA	NA
Raw Materials - Metals	NA	NA	1,618	1,864	NA	NA	NA	8,785	NA	NA	NA	NA
Materials	NA	NA	27,668	28,737	NA	NA	NA	8,237	NA	NA	NA	NA
Chemicals	NA	NA	1,121	1,003	NA	NA	NA	587	NA	NA	NA	NA
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>38,521</b>	<b>39,780</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>23,100</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Wastes by Type (ton)</b>												
Hazardous Waste	NA	NA	99	100	NA	NA	NA	31	NA	NA	NA	NA
Non-Hazardous Waste	NA	NA	2,991	3,258	NA	NA	NA	1,886	NA	NA	NA	NA
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>3,090</b>	<b>3,358</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1,917</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

Performance Data												
ENVIRONMENTAL PERFORMANCE DATA												
	Beko France				Beko A&NZ				Grundig Nordic AB			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
<b>GHG Emissions (ton CO<sub>2</sub>e)</b>												
Direct	9	9	10	9	NA	NA	25	24	NA	NA	0	0
Indirect	107	139	121	125	NA	NA	17	19	NA	NA	6	5
<b>Total</b>	<b>116</b>	<b>148</b>	<b>131</b>	<b>34</b>	<b>NA</b>	<b>NA</b>	<b>42</b>	<b>43</b>	<b>NA</b>	<b>NA</b>	<b>6</b>	<b>5</b>
<b>Energy Consumption (GJ/year)</b>												
Direct	174	172	188	165	NA	367	380	368	NA	NA	0	0
Indirect	866	1,123	982	1,012	NA	125	134	152	NA	NA	43	39
<b>Total</b>	<b>1,040</b>	<b>1,295</b>	<b>1,170</b>	<b>1,177</b>	<b>NA</b>	<b>492</b>	<b>514</b>	<b>520</b>	<b>NA</b>	<b>NA</b>	<b>43</b>	<b>39</b>
<b>Total Water Withdrawal by Source (m<sup>3</sup>) *</b>												
Municipal Water	685	747	598	507	NA	360	360	360	NA	NA	NA	13
Well Water	0	0	0	0	NA	0	0	0	NA	NA	NA	0
Rain Water	0	0	0	0	NA	0	0	0	NA	NA	NA	0
<b>Total</b>	<b>685</b>	<b>747</b>	<b>598</b>	<b>507</b>	<b>NA</b>	<b>360</b>	<b>360</b>	<b>360</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>13</b>
<b>Total Water Discharge (m<sup>3</sup>)</b>												
Total Water Discharge	685	747	598	507	NA	NA	NA	360	NA	NA	NA	13
<b>Environmental Trainings Provided to Employees (person*hour)</b>												
Environmental Trainings	NA	NA	0	0	NA	NA	NA	NA	NA	NA	NA	NA
<b>Use of Raw Materials and Materials at Product Facilities (ton)</b>												
Raw Materials - Plastics	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Raw Materials - Metals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Materials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Wastes by Type (ton)</b>												
Hazardous Waste	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Non-Hazardous Waste	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

**SOCIAL PERFORMANCE DATA**

	Arçelik Turkey				Arctic Romania				Beko UK				Beko France			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
<b>Employee Breakdown by Status</b>																
Hourly Paid	14,259	14,969	14,607	12,689	2,148	2,369	2,462	2,479	39	39	40	56	6	6	8	7
Monthly Paid	2,459	2,589	2,725	3,930	320	318	329	343	244	227	235	238	61	64	74	80
<b>Total</b>	<b>16,718</b>	<b>17,558</b>	<b>17,332</b>	<b>16,619</b>	<b>2,468</b>	<b>2,687</b>	<b>2,791</b>	<b>2,822</b>	<b>259</b>	<b>266</b>	<b>275</b>	<b>294</b>	<b>67</b>	<b>70</b>	<b>82</b>	<b>87</b>
<b>Employee Breakdown by Contract Type</b>																
Permanent	14,639	15,835	15,746	16,075	2,431	2,624	2,741	2,779	243	245	255	267	64	66	78	82
Temporary	2,079	1,723	1,586	544	37	63	50	43	16	21	20	27	3	4	4	5
<b>Total</b>	<b>16,718</b>	<b>17,558</b>	<b>17,332</b>	<b>16,619</b>	<b>2,468</b>	<b>2,687</b>	<b>2,791</b>	<b>2,822</b>	<b>259</b>	<b>266</b>	<b>275</b>	<b>294</b>	<b>67</b>	<b>70</b>	<b>82</b>	<b>87</b>
<b>Employee Breakdown by Gender</b>																
Male	14,890	15,552	15,193	14,428	1,164	1,258	1,301	1,306	151	157	161	184	38	40	45	45
Female	1,828	2,006	2,139	2,191	1,304	1,429	1,490	1,516	108	109	114	110	29	30	37	42
<b>Total</b>	<b>16,718</b>	<b>17,558</b>	<b>17,332</b>	<b>16,619</b>	<b>2,468</b>	<b>2,687</b>	<b>2,791</b>	<b>2,822</b>	<b>259</b>	<b>266</b>	<b>275</b>	<b>294</b>	<b>67</b>	<b>70</b>	<b>82</b>	<b>87</b>
<b>Employee Breakdown by Age</b>																
<30	5,872	6,260	6,593	4,951	466	510	503	423	48	55	57	49	7	7	11	15
30-50	10,660	11,070	10,526	11,517	1,671	1,722	1,849	1,789	150	152	160	164	49	52	60	62
50<	186	228	213	151	331	455	439	610	61	59	58	81	11	11	11	10
<b>Total</b>	<b>16,718</b>	<b>17,558</b>	<b>17,332</b>	<b>16,619</b>	<b>2,468</b>	<b>2,687</b>	<b>2,791</b>	<b>2,822</b>	<b>259</b>	<b>266</b>	<b>275</b>	<b>294</b>	<b>67</b>	<b>70</b>	<b>82</b>	<b>87</b>
<b>Employees by Local / Foreign Breakdown</b>																
Local	16,704	17,535	17,308	16,610	2,455	2,933	2,783	2,810	258	265	272	292	65	66	76	81
Foreign	14	23	24	9	8	9	8	12	1	1	3	2	2	4	6	6
<b>Total</b>	<b>16,718</b>	<b>17,558</b>	<b>17,332</b>	<b>16,619</b>	<b>2,468</b>	<b>2,687</b>	<b>2,791</b>	<b>2,822</b>	<b>259</b>	<b>266</b>	<b>275</b>	<b>294</b>	<b>67</b>	<b>70</b>	<b>82</b>	<b>87</b>
<b>Average Age by Employee Category</b>																
Top Management	48	47.5	48.2	48	42	42	43	44	NA	NA	49	51	47	47	48	49
Mid-Management	42	42.2	41.6	42	40	39	40	40	NA	NA	44	43	41	42	41	42
Experts & Staff	35	33.2	33.9	34	41	41	41	41	NA	NA	40	41	38	39	34	37
<b>Average Seniority by Employee Category</b>																
Top Management	16	16.6	16.3	16.0	2	7	7	8	NA	NA	5	7	7	5	6	7
Mid-Management	14	14.3	13.5	13.4	10	10	11	10	NA	NA	6	7	6	6	7	7
Experts & Staff	8	7.4	7.1	7.9	14	14	15	15	NA	NA	5	6	5	6	5	5
<b>Employee Trainings (total hours)</b>																
Blue Collar	362,845	304,996	302,272	362,575	32,005	70,122	11,893	17,705	NA	NA	0	800	3	216	30	143
White Collar	92,456	93,987	84,315	171,491	7,296	8,014	9,008	10,062	NA	NA	3,560	3,087	469	937	727	807
<b>Total</b>	<b>455,301</b>	<b>398,983</b>	<b>386,587</b>	<b>534,006</b>	<b>39,301</b>	<b>78,136</b>	<b>20,901</b>	<b>27,767</b>	<b>NA</b>	<b>3,516</b>	<b>3,560</b>	<b>3,887</b>	<b>472</b>	<b>1,153</b>	<b>757</b>	<b>950</b>
<b>Senior Management by Local / Foreign Breakdown</b>																
Local	35 (%97)	36 (%97)	34 (%94)	35 (%95)	11 (%61)	12 (%63)	12 (%63)	18 (%66)	43 (%98)	51 (%98)	56 (96.55%)	57(95%)	87.50%	80%	80%	80%
Foreign	1 (%3)	1 (%3)	2 (%6)	2 (%5)	7 (%39)	7 (%37)	7 (%37)	9 (33%)	1 (%2)	1 (%2)	2 (3.45%)	3(5%)	12.50%	20%	20%	20%
<b>Total</b>	<b>36 (%100)</b>	<b>37 (%100)</b>	<b>36 (%100)</b>	<b>37 (%100)</b>	<b>18 (%100)</b>	<b>19 (%100)</b>	<b>19 (%100)</b>	<b>27 (%100)</b>	<b>44 (%100)</b>	<b>52 (%100)</b>	<b>58 (100%)</b>	<b>60(100%)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Senior Management by Gender (%)</b>																
Female	11	10	15	14	22	21	26	5	25	29	34	32	25%	30%	30%	30%
Male	89	90	85	86	78	79	74	22	75	71	66	64	75%	70%	70%	70%
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>27</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>96</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Employee Turnover (%)</b>																
Employee Turnover (%)	16.0	18.5	21	34	4.6	9.3	5.3	5.32	10.8	13.5	13.5	10.9	9%	14%	12%	12%
<b>Employee Turnover by Gender (%)</b>																
Female	14.1	16.7	18.3	41.9	5.2	6.7	3.0	3.75	13.0	12.8	4.7	6.8	15%	15%	18%	8%
Male	16.2	18.7	21.4	32.8	3.9	12.2	7.9	7.19	9.3	14.0	8.7	4.1	5%	13%	7%	16%
<b>Employee Turnover by Age (%)</b>																
<30	74.0	84.2	64.9	59.7	5.36%	17.65%	13.32%	13.71%	NA	NA	43.2%	37.50%	NA	NA	NA	13%
30-50	24.2	36.1	31.6	38.2	1.26%	3.19%	3.14%	4.47%	NA	NA	40.5%	46.9%	NA	NA	NA	6%
50<	1.8	1.1	3.5	2.1	3.63%	3.52%	5.24%	1.96%	NA	NA	16.2%	15.6%	NA	NA	NA	30%
<b>OHS Indicators</b>																
Accident Frequency Rate (F)	6.69	3.71	3.21	4.11	0.36	0.32	0.00	0.29	3.80	2.40	1.90	2.30	0.00	28.75	7.07	11.19
Accident Gravity Rate (G)	0.088	0.040	0.054	0.058	0.004	0.011	0.00	0.011	0.000	0.003	0.00	0.002	0.000	0.000	0.04	0.076
Safety Factor	0.592	0.148	0.172	0.238	0.001	0.004	0.00	0.003	0.000	0.007	0.00	0.005	0.000	0.000	0.25	0.845

**SOCIAL PERFORMANCE DATA**

	Beko LLC Russia				Beko China				Beko A&NZ				Grundig Nordic AB			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
<b>Employee Breakdown by Status</b>																
Hourly Paid	964	966	925	837	334	336	408	443	NA	NA	NA	1	NA	NA	NA	1
Monthly Paid	171	188	229	250	232	229	254	265	NA	NA	NA	48	NA	NA	NA	11
<b>Total</b>	<b>1,135</b>	<b>1,154</b>	<b>1,154</b>	<b>1,087</b>	<b>566</b>	<b>565</b>	<b>662</b>	<b>708</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>49</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>12</b>
<b>Employee Breakdown by Contract Type</b>																
Permanent	1,134	1,149	1,101	1,063	NA	495	543	532	NA	NA	NA	49	NA	NA	NA	11
Temporary	1	5	53	24	NA	70	119	176	NA	NA	NA	0	NA	NA	NA	1
<b>Total</b>	<b>1,135</b>	<b>1,154</b>	<b>1,154</b>	<b>1,087</b>	<b>566</b>	<b>565</b>	<b>662</b>	<b>708</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>49</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>12</b>
<b>Employee Breakdown by Gender</b>																
Male	515	557	599	578	360	371	433	469	NA	NA	NA	30	NA	NA	NA	9
Female	620	597	555	509	206	194	229	239	NA	NA	NA	19	NA	NA	NA	3
<b>Total</b>	<b>1,135</b>	<b>1,154</b>	<b>1,154</b>	<b>1,087</b>	<b>566</b>	<b>565</b>	<b>662</b>	<b>708</b>				<b>49</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>12</b>
<b>Employee Breakdown by Age</b>																
<30	290	298	277	216	286	221	279	302	NA	NA	NA	4	NA	NA	NA	0
30-50	557	618	657	651	262	280	308	379	NA	NA	NA	32	NA	NA	NA	8
50<	288	238	220	220	18	64	75	27	NA	NA	NA	13	NA	NA	NA	4
<b>Total</b>	<b>1,135</b>	<b>1,154</b>	<b>1,154</b>	<b>1,087</b>	<b>566</b>	<b>565</b>	<b>662</b>	<b>708</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>49</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>12</b>
<b>Employees by Local / Foreign Breakdown</b>																
Local	1,084	1,015	1,007	959	554	555	644	688	NA	NA	NA	47	NA	NA	NA	12
Foreign	51	139	147	128	12	10	18	20	NA	NA	NA	2	NA	NA	NA	0
<b>Total</b>	<b>1,135</b>	<b>1,154</b>	<b>1,154</b>	<b>1,087</b>	<b>566</b>	<b>565</b>	<b>662</b>	<b>708</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>49</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>12</b>
<b>Average Age by Employee Category</b>																
Top Management	41	43	42	45	40	41	42	43	NA	NA	NA	8	NA	NA	NA	0
Mid-Management	37	39	38	39	38	39	38	39	NA	NA	NA	3	NA	NA	NA	47
Experts & Staff	36	37	37	38	36	37	37	36	NA	NA	NA	38	NA	NA	NA	47.7
<b>Average Seniority by Employee Category</b>																
Top Management	4	6	5	4	4	4	5	5	NA	NA	NA	NA	NA	NA	NA	0
Mid-Management	5	7	6	5	5	4	5	5	NA	NA	NA	NA	NA	NA	NA	3
Experts & Staff	5	6	6	6	4	4	4	6	NA	NA	NA	NA	NA	NA	NA	0
<b>Employee Trainings (total hours)</b>																
Blue Collar	11,082	38,871	20,297	21,575	2,600	3,797	2,384	5,531	NA	NA	NA	3	NA	NA	NA	0
White Collar	4,776	6,141	5,177	5,468	3,705	3,500	3,910	4,068	NA	NA	NA	46	NA	NA	NA	176
<b>Total</b>	<b>15,858</b>	<b>45,012</b>	<b>25,474</b>	<b>27,043</b>	<b>6,305</b>	<b>7,297</b>	<b>6,294</b>	<b>9,599</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>49</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>176</b>
<b>Senior Management by Local / Foreign Breakdown</b>																
Local	22	23	23	23	NA	NA	7	6	NA	NA	NA	6	NA	NA	NA	0
Foreign	10	9	10	11	NA	NA	5	6	NA	NA	NA	2	NA	NA	NA	0
<b>Total</b>	<b>32</b>	<b>32</b>	<b>33</b>	<b>34</b>	<b>NA</b>	<b>NA</b>	<b>12</b>	<b>12</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>0</b>
<b>Senior Management by Gender (%)</b>																
Female	3	5	4	6	NA	NA	2	3	NA	NA	NA	3	NA	NA	NA	0
Male	29	27	29	28	NA	NA	10	9	NA	NA	NA	5	NA	NA	NA	0
<b>Total</b>	<b>32</b>	<b>32</b>	<b>33</b>	<b>34</b>	<b>NA</b>	<b>NA</b>	<b>12</b>	<b>12</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>0</b>
<b>Employee Turnover (%)</b>																
Employee Turnover (%)	0.3	0.3	0.2	24.5%	48%	35%	23%	23%	NA	NA	NA	21.9	NA	NA	NA	8.3
<b>Employee Turnover by Gender (%)</b>																
Female	0.5	0.4	0.4	39%	45%	53%	49%	39%	NA	NA	NA	6.0	NA	NA	NA	0.0
Male	0.5	0.6	0.6	61%	55%	47%	51%	61%	NA	NA	NA	8.0	NA	NA	NA	8.3
<b>Employee Turnover by Age (%)</b>																
<30	47.00%	45.00%	35.00%	26%	32%	30%	33%	31%	NA	NA	NA	1	NA	NA	NA	0
30-50	42.00%	38.00%	56.00%	56%	64%	70%	65%	62%	NA	NA	NA	11	NA	NA	NA	0
50<	11.00%	17.00%	9.00%	18%	4%	0%	2%	7%	NA	NA	NA	2	NA	NA	NA	8.3
<b>OHS Indicators</b>																
Accident Frequency Rate (F)	2.81	3.88	1.08	2.08	10.95	5.55	3.46	0.75	NA	NA	NA	NA	NA	NA	NA	0.00
Accident Gravity Rate (G)	0.080	0.102	0.03	0.070	0.110	0.098	0.023	0.015	NA	NA	NA	NA	NA	NA	NA	0.000
Safety Factor	0.225	0.395	0.03	0.146	1.205	0.544	0.078	0.011	NA	NA	NA	NA	NA	NA	NA	0.000



## Assurance Report to the Top Management of Arçelik

### Executive Summary

We, as being a global independent business services organization providing standard-based solutions in more than 140 countries, have performed an independent verification audit in respect of Selected Data submitted by Arçelik A.Ş Sustainability & Corporate Affairs Directorate and Supply Chain Directorate in Turkey.

The Selected Data of the Carbon Emissions which refer to the year ended 31.12.2016, contained by the Arçelik A.Ş Sustainability Report 2017 and detailed in Annex 1 has been verified with limited assurance.

### Respective Responsibilities

It is the responsibility of the top management of Arçelik A.Ş to collect and prepare the necessary data for verification review with high accuracy. The top management of Arçelik A.Ş is also responsible for the content of the Sustainability Report 2017 which refers to the Selected Data in accordance with the criteria set out in Annex 1.

Principles of the verification service that we perform are as follows:

- Impartiality
- Competence
- Factual approach to decision making
- Openness
- Confidentiality

Our verification audit based on reasonable assurance procedures to check whether the Greenhouse Gas assertion is materially correct and the Greenhouse Gas data and information submitted to our verification team is prepared in all material respects in accordance with Annex 1.

The assurance engagement performed is fully in compliance with the applicable independence and competency requirements as laid down in ISO14064-3:2006 Specification with Guidance for the Validation and the Verification of Greenhouse Gas Assertions published by the International Organization for Standardization.

This report, including the Opinion Statement, has been prepared for the top managers of Arçelik A.Ş, to assist their Sustainability Report 2017 referring to the Arçelik A.Ş's carbon emission monitoring and control performance.

For the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the top managers of Arçelik A.Ş for our verification audit or this assurance report.

### Methodology Used for the Provision of Audit

We conducted this reasonable assurance engagement in accordance with ISO14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals published by ISO (International Organization for Standardization).

A reasonable assurance engagement provides a limited level of assurance that Arçelik A.Ş's Scope 3 Greenhouse Gas assertion is materially correct under ISO 14064-1:2006. In a reasonable assurance work, duration and extent of the procedures for gathering sufficient appropriate evidence are reasonably more than a limited assurance engagement.

To perform this assurance work, we have visited related locations and checked all information submitted by Arçelik

Our reasonable assurance procedures require from the verification team to assess the followings:

- Inventory design, scope & boundary,
- Specific Greenhouse Gas (GHG) activity and technology,
- Identification and selection of GHG sources, sinks or reservoirs,
- Quantification, monitoring and reporting, including relevant technical and sector issues,
- Situations that may affect the materiality of the GHG assertion, including typical and atypical operating conditions.

The verifier or verification team have expertise to evaluate the implications of financial, operational, contractual or other agreements that may affect organization boundaries, including any legal requirements related to the GHG assertion.

### Restrictions

The absence of a manual prepared by the national authority has lead both parties to have some assumptions especially related to the vehicle\*mile emission factors and some measurement and calculation techniques which can result in materially different calculations and can impact the comparability. Therefore the accuracy of different calculations may also vary from company to company in Turkey. Furthermore, the nature and the methods used to determine such information, as well as the measurement criteria and the accuracy thereof, may change overtime. The methodology and references given for the Selected Data are documented in the context of Annex 1.

### Opinion Statement

Based on the results of the verification audit we delivered according to our procedures, the Greenhouse Gas assertion of Arçelik AŞ, reported in their Sustainability Report 2017 is materially correct and is a fair representation of the data and information and is prepared in accordance with the related international standard on Greenhouse Gas quantification, monitoring and reporting and to relevant national standards or practices available at the time verification audit performed.

BSI (British Standards Institution)  
BSi Group Eurasia Belgelendirme Hizmetleri Ltd.Şti



Özlem Ünsal  
Managing Director

İstanbul, 06.02.2018

## Annex 1

### Arçelik Scope 3 Greenhouse Gas Emissions Inventory Summary Report, 2016

#### General Principles and Scope

Arçelik calculated the greenhouse gas emissions sourced by its activities according to "ISO 14064-1: 2006 Greenhouse Gases, Part 1 - Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals Standard" and shares with all its shareholders via this report.

This report is the summary of Arçelik's Scope 3 Greenhouse Gas (GHG) Emission Report 2016, including the general principles of the calculation methodologies and the GHG management.

This inventory includes greenhouse gas emissions sourced by domestic, export and import product logistic activities, between 01.01.2016 - 31.12.2016.

The basis year for Arçelik's Scope 3 Greenhouse Gas Emissions Inventory is updated as 2015 year.

Arçelik documented the Scope 3 greenhouse gas emission inventory management methodology into its "CP-16427: Arçelik Logistic Greenhouse Gas Management System Procedure (Scope 3)".

#### Greenhouse Gas Emissions Inventory Boundaries

Arçelik adopted control approach into its Scope 3 Greenhouse Gas Emissions Inventory, 2016.

Within this scope, domestic, import and export product logistic activities (transportation) under financial and administrative control of Arçelik have been included in the inventory.

In these activities; transportation of products to warehouses or dealers which are produced or sourced in Turkey is included if the cost of transport belongs to Arçelik. Otherwise it is excluded. In the same way, the transportation of products which are sourced from abroad and transported to warehouses and dealers in Turkey is included if the cost of transport belongs to Arçelik (this information is derived from agreements). Otherwise it is excluded. The transportation of products which are sourced from Turkey and exported to abroad is included. The international transportation of products realized in abroad (produced or sourced in abroad and transported to abroad) is excluded. The products sold via internet are excluded because they are transported by cargo company. Transportations of raw materials and spare parts are excluded. The products transported to authorized services and end customers are excluded.

#### Greenhouse Gas Emissions and Activity Boundaries

Domestic, export and import product logistic activities which is a part of downstream activities are included in Arçelik's Scope 3 Greenhouse Gas Inventory.

Emissions emitted from upstream activities and downstream activities excluding product logistic activities are not included in this inventory.

#### Greenhouse Gas Emissions Inventory Calculations

Arçelik's Scope 3 Greenhouse Gas Emissions Inventory calculations are based on mainly "EPA Center for Corporate Climate Leadership: GHG Emission Factors for Greenhouse Gas Inventories".

In addition to these calculations, the negligible emissions and acceptances are calculated and the assumptions are documented in the Scope 3 Greenhouse Gas Emission Inventory.

#### Management of Uncertainties and Materiality

The uncertainties sources caused by calculating greenhouse gas emissions emitted by product logistic activities are as follows:

- Distance (the distance (km) of departure and arrival point) (activity data)
- Emission factor

Materiality is the sum of Scope 3 GHG inventory uncertainties and negligibles, acceptances. The company materiality has been calculated accordingly.

#### Internal Audits and Control Methods

With data control purposes, internal audits are performed within the scope of ISO 14064-1 Standard and the finding are managed in accordance with the "GTP-16355 Corrective and Preventive Actions Procedure".

#### Opinion Restatement

Arçelik's Scope 3 Greenhouse Gas Inventory 2016 is materially correct and is a fair representation of the data and is prepared in accordance with the related international standard on greenhouse gas and to relevant national standards or practices available. It has been agreed that the materiality is above 5%.

## GRI Content Index

GRI Standard	Disclosure
<b>GRI 101: Foundation 2016</b>	
<b>GRI 102: General Disclosures 2016</b>	
<b>Organizational Profile</b>	
102-1	About Arçelik, p.14
102-2	About Arçelik, p.14
102-3	Contact, p.80
102-4	About Arçelik, p.14
102-5	Arçelik Annual Report 2017, p.19 ( <a href="http://www.arcelikas.com/UserFiles/file/FaaliyetRaporu_17_10mb.pdf">http://www.arcelikas.com/UserFiles/file/FaaliyetRaporu_17_10mb.pdf</a> )
102-6	About Arçelik, p.14
102-7	About Arçelik, p.14
102-8	Social Performance Data, p.68
102-9	Sustainability Management in Value Chain, pp.50-52
102-10	GRI Content Index: Detailed information about significant changes during the reporting period can be reached through Investor Relations/ Latest Full Developments section located at <a href="http://www.arcelikas.com">www.arcelikas.com</a> .
102-11	Risk Management, p.18
102-12	Participation in Nongovernmental Organizations, p.25
102-13	Stakeholder Management, p.24
<b>Strategy</b>	
102-14	Message from the CEO, p.4
<b>Ethics and Integrity</b>	
102-16	Ethics and Compliance System, p.18
<b>Governance</b>	
102-18	Corporate Governance, p.17
<b>Stakeholder Engagement</b>	
102-40	Stakeholder Management, p.24
102-41	Employee Rights, p.27
102-42	Stakeholder Management p.24
102-43	Stakeholder Management p.24
102-44	Employee Engagement and Participation p.31; Customer Experience, p.54; Arçelik Annual Report 2016, p.92 ( <a href="http://www.arcelikas.com/UserFiles/file/FaaliyetRaporu_17_10mb.pdf">http://www.arcelikas.com/UserFiles/file/FaaliyetRaporu_17_10mb.pdf</a> )
<b>Reporting Practice</b>	
102-45	About the Report, p.1; Arçelik Annual Report 2017, p.143 ( <a href="http://www.arcelikas.com/UserFiles/file/FaaliyetRaporu_17_10mb.pdf">http://www.arcelikas.com/UserFiles/file/FaaliyetRaporu_17_10mb.pdf</a> )
102-46	About the Report, p.1; Identification of Material Aspects, p.21
102-47	Identification of Material Aspects, p.21
102-48	Environmental Performance Data, p.65
102-49	GRI Content Index: There is no change.
102-50	About the Report, p.1
102-51	GRI Content Index: June, 2017
102-52	GRI Content Index: Annual
102-53	Contact, p.80
102-54	GRI Content Index: This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI Content Index, pp.72-78
102-56	About the Report, p.1; Independent Assurance Report, p.70

<b>Material Topics</b>	
<b>GRI 200 Economic Standard Series 2016</b>	
<b>Economic Performance</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Message from the CEO, pp.4-5
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
201-1	About Arçelik, p.13; Economic Performance Data, p.64
201-2	Message from the CEO, p.4; Risk Management, p.19; Combating Climate Change, p.36
201-4	Arçelik Annual Report 2017, p.142 ( <a href="http://www.arcelikas.com/User-Files/file/FaaliyetRaporu_17_10mb.pdf">http://www.arcelikas.com/User-Files/file/FaaliyetRaporu_17_10mb.pdf</a> )
<b>Indirect Economic Impacts (Not Material)</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Message from the CEO, pp.4-5
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
203-1	Social Development, pp.56-63
<b>Leading Multi-Stakeholder Initiatives To Transform The Sector</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Participation in Nongovernmental Organizations, pp.26-28
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
203-2	Responsible Purchasing, pp. 48-49; Distribution and Authorized Dealer Network, p.51
<b>Management of Conflict Minerals</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Conflict Minerals Management, p.53
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
205-1	Risk Management, p. 15; GRI Content Index: All Arçelik operations are assessed for risks related to corruption.
205-3	GRI Content Index: There has been no major incidents of corruption during the reporting period. In cases of minor incidents, related processes are analyzed thoroughly; process changes are conducted and control mechanisms are implemented in order to minimize the determined risks.
<b>Being a Digital Solution Partner for Households</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; R&D, Innovation and Digitalization, pp.44-49
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
<b>Open Innovation</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Open Innovation, p.47
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
<b>Corporate Governance, Integrity and Accountability</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Corporate Governance, pp.17-19
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20



<b>Material Topics</b>	
<b>GRI 200 Economic Standard Series 2016</b>	
<b>Ethics and Transparency</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Corporate Governance, pp.17-19
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
205-1	Risk Management, p.18; GRI Content Index: All Arçelik operations are assessed for risks related to corruption.
205-3	GRI Content Index: There has been no major incidents of corruption during the reporting period. In cases of minor incidents, related processes are analyzed thoroughly; process changes are conducted and control mechanisms are implemented in order to minimize the determined risks.

<b>GRI 300 Environmental Standards 2016</b>	
<b>Resource Efficiency in Production</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Responsible Production and Consumption, p.34; Resource Efficiency in Production, pp.42-44
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
301-1	Resource Efficiency in Production, p.40; Environmental Performance Data, p.65
301-2	Reuse, Recycling and Disposal of Products, p.43
306-2	Resource Efficiency in Production, p.40
307-1	GRI Content Index: During the reporting period, no significant* fines were paid for non-compliance with environmental laws and regulations.
302-3	2016 Results & 2020 Commitments, pp. 8-9; Environmental and Energy Management, pp. 32-37
307-1	"GRI Content Index: During the reporting period, no significant* fines were paid for non-compliance with environmental laws and regulations. "
306-2	Wastes from Production Processes, p.40; Environmental Performance Data, pp. 61-62
<b>Combating Climate Change</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Combating Climate Change, pp.36-37; Energy Efficiency in Production, pp.37-39
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
302-1	Energy Efficiency in Production, p.37; Environmental Performance Data, p.65
302-2	Energy Efficiency in Production, p.37; Environmental Performance Data, p.65
302-3	2017 Results – Goals for 2020, p.8
302-4	Energy Efficiency in Production, p.37
302-5	Energy Efficient Environmentally Friendly Products, p.38
305-1	Combating Climate Change, p.36; Environmental Performance Data, p.65
305-2	Combating Climate Change, p.36; Environmental Performance Data, p.65
305-3	Combating Climate Change, p.36
305-5	Energy Efficiency in Production, p.37

\* Fines amounting to more than 200,000 USD are considered as significant.

<b>GRI 300 Environmental Standards 2016</b>	
<b>Water Risks and Management</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Water Risks and Management, p.42
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
303-1	Water Risks and Management, p.42
303-2	GRI Content Index: Since the most of the water used is withdrawn from the municipal systems and no water bodies with RAMSAR or similar protection status are employed, Arçelik operations does not result in any stress on water bodies.
303-3	Water Risks and Management, p.42
306-1	Water Risks and Management, p.42
306-5	GRI Content Index: Most of the wastewater generated at Arçelik factories are discharged to industrial sewage systems, while the remainder is discharged to receiving environment. As the wastewater is discharged after treatment processes, it complies with the quality levels foreseen by the regulations and the biodiversity value is not effected.
<b>Energy Efficient Environmentally Friendly Products</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Energy Efficient Environmentally Friendly Products, p.38
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
<b>Recycling</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Reuse, Recycling and Disposal of Products, p.43
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
<b>Supply Chain that Respects Environmental, Social and Ethical Conditions</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Sustainability Management in the Value Chain, pp.50-52
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
308-1	Supply Chain, pp.51-52
308-2	Supply Chain, pp.51-52
414-1	Supply Chain, pp.51-52
414-2	Supply Chain, pp.51-52

<b>GRI 400 Social Standards Series 2016</b>	
<b>Equality of Opportunity and Diversity</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Employee Rights, p.27
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
401-2	Employee Rights, p.27
401-3	Employee Rights, p.27
402-1	GRI Content Index: In Arçelik, in cases of collective/individual dismissals or reassignments, labor regulations of the related countries and provisions stated in collective bargaining agreements are applied.
405-1	Social Performance Data, p.69
407-1	Employee Rights, p.27
<b>Occupational Health and Safety</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Occupational Health and Safety, pp.32-33
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
403-1	Occupational Health and Safety, p.33
403-2	Occupational Health and Safety, p.33; Environmental Performance Data, p.65
403-3	Occupational Health and Safety, p.33
403-4	Employee Rights, p.29
<b>Employee Development and Talent Management</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Talent Acquisition and Employee Development, pp.28-30
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
202-1	Employee Rights, p.29
202-2	Social Performance Data, p.69; GRI Content Index: "Local" is defined on the basis of citizenship
401-1	Social Performance Data, p.69
404-1	2017 Results – Goals for 2020, p.8; Environmental Performance Data, p.69
404-2	Talent Acquisition and Employee Development, pp.28-30
404-3	GRI Content Index: All employees in Turkey, Romania, Russia, UK and France operations are receiving regular performance and career development reviews.
<b>Human Rights</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Employee Rights, p.29
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
406-1	Employee Rights, p.29
408-1	Supply Chain, pp.51-52
409-1	Supply Chain, pp.51-52
410-1	GRI Content Index: All security personnel working in Arçelik operations receive trainings about policies, procedures and legally mandatory topics, including human rights.
412-2	Ethics and Compliance System, p.17

<b>GRI 400 Social Standards Series 2016</b>	
<b>Customer Experience</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Customer Experience, pp.54-55
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
<b>Customer Satisfaction</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Customer Experience, p.55
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
417-2	"GRI Content Index: Arçelik complies with all international and local regulations concerning product information and labeling."
417-3	GRI Content Index: No incidents of non-compliance with regulations and voluntary codes concerning Not Assured marketing communications have taken place during the reporting period.
<b>Product Quality and Safety</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
416-1	GRI Content Index: Arçelik complies with all international and local regulations concerning health and safety impacts of its products.
416-2	GRI Content Index: There were no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period.
419-1	GRI Content Index: During the reporting period, no significant fines were paid for non-compliance with laws and regulations in the social and economic area
<b>Logistics and Operational Efficiency</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Supply Chain, pp.51-52
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
<b>Products and Services for Disadvantaged Groups</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; New Business Fields, p.45
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
<b>Food Waste</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Fight Against Food Waste, p.61
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20



<b>GRI 400 Social Standards Series 2016</b>	
<b>Healthy Living</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; New Business Fields, p.45
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
418-1	GRI Content Index: There were no substantiated complaints received concerning breaches of customer privacy during the reporting period.
<b>Social Investment Programs that Create Shared Value</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Social Development, pp.56-63
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20
<b>Stakeholder Dialogue</b>	
103-1	Identification of Material Aspects, p.21; Sustainability Management, p.20; Stakeholder Management, p.24
103-2	Sustainability Management, p.20
103-3	Sustainability Management, p.20

**Note:** As stated in Arçelik A.Ş. Ethical Rules of Conduct and Implementation Principles, Company did not donate to political parties, politicians or candidates for political duties or posts. As well as, no demonstration, propaganda or similar deliberate activities for such motives will be permitted within the borders of our workplaces. Nor may the Company assets or resources (vehicles, computers, e-mail, etc.) be allocated to political activities during the reporting period.

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