



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



5 July 2024

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Rating and Executive Summary

ARÇELİK A.Ş.

 **SAHA**
Corporate Governance Rating:

9.70



MAIN SECTIONS : Ort. 97.02

Shareholders : 95.77



Public Disclosure & Transparency : 98.79



Stakeholders : 99.48



Board of Directors : 95.60



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

The Corporate Governance Rating of 9.69 that has been assigned to Arçelik A.Ş. (Arçelik) on July 7, 2023 is hereby revised as **9.70**. SAHA's rating methodology is based on the Capital Markets Board's (CMB) "Corporate Governance Principles" ("the Communiqué") released on January of 2014.

SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc. Arçelik is analyzed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on July 12, 2023 can be accessed at <http://www.saharating.com>.

Arçelik is rated with **9.58** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise

of these rights. The Company carries out its relations with shareholders through the Investor Relations Unit. Procedures prior to the General Assembly and the conduct of the General Assembly are in compliance with the legislation and regulations. The Company's Articles of Association contain a provision stipulating that General Assembly meetings are open to the public, including stakeholders and the media, without the right to speak. There are no privileges or upper limits on voting rights. The Company has a consistent publicly disclosed dividend distribution policy and donation policy. There are no restrictions on share transfers. On the other hand, there are areas for improvement, such as minority rights in the articles of association and the adoption of the same ratio (5%) as prescribed for public joint stock companies.

Arçelik attained **9.88** under the **Public Disclosure and Transparency** chapter. The Company maintains a comprehensive website that includes the information and documents specified in the "Public Disclosure" article of the CMB's Corporate Governance Principles. Important events and developments are disclosed to the public in accordance with CMB and Borsa Istanbul A.Ş. (BIST) legislation by using all means of communication. The annual report is also comprehensive and informative. Relations with the Independent Audit Company are conducted in accordance with the principles. On the other hand, benefits provided to the members of the Board of Directors and senior executives are disclosed collectively in the annual report and it is essential to disclose them on an individual basis.

On the topic of **Stakeholders**, Arçelik scored **9.95**. Arçelik guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. A written compensation policy for the employees is established and disclosed to the public on the corporate web site. Models have been partially developed to support the participation of stakeholders in management of the Company, but such incentives are not included in the Articles of Association. The Company has a written human resources policy and there is an active labor union within. Arçelik complies with quality standards concerning its goods and services and takes measures to ensure these standards. Specific guarantees are provided for this purpose. Code of ethics is publicly available through the Company's web site. During the rating period, the Company was not held liable by any public authorities for any sanctions, and was not subject to any adverse notice for any damage to the environment.

From the perspective of the principles regarding the **Board of Directors**, Arçelik's tally is **9.56**. There is a well communicated Company mission and vision, and the Board fulfills all duties regarding Company needs. Chairman of the Board of Directors and the CEO is not the same person. The board consists of twelve members, with four independent members, three female members and one executive member. The opinion of the Corporate Governance Committee was taken in determining the independent members and CMB criteria are complied with and they have written declarations of independence. Losses that may be caused by the board members due to their negligence during the execution of their duties are insured for an amount exceeding 25% of the Company's capital and the related PDP disclosure was made. Corporate Governance, Audit and Risk Management Committees are established within the board of directors. Working principles of the committees are disclosed to the public. Principles of remuneration of board members and senior executives are disclosed on the corporate web site. The Company does not lend any funds or extend any credits to board members or senior executives.

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Company's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the Company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.23).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**
Public Disclosure and Transparency: **25%**
Stakeholders: **15%**
Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

Arçelik A.Ş.	
	Chairman of the Board Rahmi M. Koç General Manager Hakan Hamdi Bulgurlu
Karaağaç Cad. No: 2-6 Sütlüce, 34445 Istanbul Tel: (0212) 314 34 34 www.arcelikglobal.com	Assistant General Manager, Finance and Accounting Özkan Çimen Tel: (0212) 314 31 00 ozkan.cimen@arcelik.com

Founded in 1955, Arçelik A.Ş. (Arçelik) is engaged in all commercial and industrial activities related to R&D, production, marketing, sales and after-sales customer services, export and import in the fields of consumer durables and consumer electronics. Arçelik is a global organization with 82 subsidiaries in 53 countries, 31 production facilities in 9 countries and over 40,000 employees. It operates globally with Altus, Arctic, Arçelik, Beko, Blomberg, Dawlance, Defy, Elektrabregenz, Flavel, Grundig, Hitachi, Leisure, Singer and Voltas Beko brands.

The company manufactures globally with 31 production facilities in Turkey, Romania, Republic of South Africa, Pakistan, Pakistan, India, Bangladesh, Russia, China and Thailand. In 2022, Arçelik broke ground for a new production facility in Egypt. The facility is planned to be completed in 2024.

The Company is controlled by its main shareholder Koç Holding A.Ş. and companies owned by the Koç Family.

The Company shares are traded under "ARCLK" code at BIST and is a constituent of BIST METAL PRODUCTS, MACHINERY / BIST DIVIDEND / BIST STAR / BIST SUSTAINABILITY 25 / BIST 50 / BIST INDUSTRIAL / BIST 100-30 / BIST ISTANBUL / BIST DIVIDEND 25 / BIST ALL / BIST 100 / BIST CORPORATE GOVERNANCE / BIST 500 / BIST SUSTAINABILITY indices.

As of the date of the report, the capital structure is as follows:

Capital Structure of the Company		
Shareholders	Share Value (TL)	Share %
Koç Holding A.Ş.	279.928.625,03	41,43
Koç Family	58.590.764,33	8,67
Koç Holding Pension and Assistance Fund Foundation	28.862.920,21	4,27
Temel Ticaret ve Yatırım A.Ş.	18.576.870,00	2,75
Vehbi Koç Foundation	808.976,88	0,12
Teknosan Büro Makine ve Levazımı Tic.ve San. A.Ş.	81.428.336,95	12,05
Burla Ticaret ve Yatırım A.Ş.	37,571,663.05	5.56
Arçelik A.Ş.*	68.876.288,02	10,19
Publicly Traded Shares	101.083.760,54	14,96
	675,728,205.00	100.00

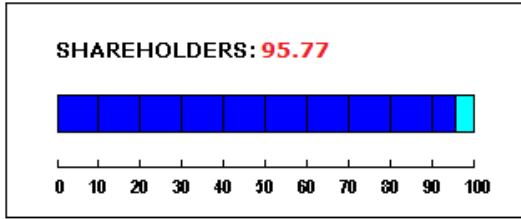
* Represents shares repurchased by Arçelik A.Ş.

As of the date of the report, the Board of Directors is composed as follows:

BOARD of DIRECTORS of ARÇELİK	
Name	Title
Mustafa Rahmi Koç	Chairman of the Board
Mehmet Ömer Koç	Vice-chairman
Semahat Sevim Arsel	Board Member
Yıldırım Ali Koç	Board Member
Levent Çakıroğlu	Board Member and Corporate Governance Committee Member
Robert Sonman	Board Member
Fatih Kemal Ebiçlioğlu	Board Member and Risk Management Committee Member
Hakan Hamdi Bulgurlu	Board Member & General Manager
Ahmet Turul	Independent Board Member / Corporate Governance Committee Chairman / Audit Committee Chairman
Galya Frayman Molinas	Independent Board Member and Risk Management Committee Chairwoman
Ayşe Canan Edipoğlu	Independent Board Member and Audit Committee Member
Tuğrul Fadilloğlu	Independent Board Member

The 12-member Board of Directors includes 4 independent and 3 female members

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	No upper limits or privileges on voting rights
+	Voting rights are facilitated
+	General shareholders' meetings are conducted in compliance with the legislation
+	No restrictions on transfer of shares
+	Detailed dividend distribution policy
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The tasks of the Investor Relations Department regarding the communication between the Company and investors are carried out by Mr. Özkan Çimen, Assistant General Manager of Finance and Accounting.

Employees of the Department are active and willing on exercise of corporate governance principles at the Company.

Along with other units of the Company, the "Investor Relations Department" plays an active role in protecting and facilitating

shareholders' rights and in particular the right to obtain and review information, and its duties are as follows;

- To ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- To respond to the queries of the shareholders requesting written information on the Company.
- To ensure the general shareholders' meeting is held in compliance with the applicable legislation, Articles of Association and other Company by-laws.
- To prepare the documents that might be used by shareholders in the general shareholders' meeting.
- To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

Investor Relations Department submits a report to the Board of Directors at least once a year on its conducted activities.

Information and explanations that may affect use of shareholders' rights is available up to date on the corporate web site.

Additionally, the manager of the Investor Relations Department is holder of licenses stated in the Corporate Governance Principles Communiqué.

1.2. Shareholders' Right to Obtain and Evaluate Information:

We did not come across to any hindering process or application within the rating period regarding the appointment of a special auditor at the request of shareholders.

All kinds of information about the Company are provided in a complete, timely, honest, and diligent manner and there is no fine/warning received in this regard.

The Company has established a disclosure policy and submitted to the general shareholders' meeting and disclosed it to the public on its corporate web site.

1.3 Minority Rights:

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the Company has adopted exactly the rate foreseen in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the Company.

1.4. General Shareholders' Meeting:

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the ordinary general shareholders' meeting held on April 4, 2024 is performed through all means of communication available to the Company in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time

of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

Furthermore, the Company has prepared a descriptive disclosure document on agenda items.

Commencing from the date of announcement of invitation for the general shareholders' meeting;

- a. the Annual Report,
- b. financial statements and reports,
- c. all other related documents pertaining to the agenda items

are made available to all shareholders for examination purposes in convenient locations including the headquarters or branches of the Company, and the electronic media.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the corporate web site;

- a. The total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure, that there are no privileged share groups within the Company capital,
- b. Grounds for dismissal and replacement of Board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of the relationship of the Company and related parties, whether it has the quality of independence and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

We have observed that the chairman of the general shareholders' meeting takes care to convey the agenda items in an impartial, detailed, clear and understandable manner, that shareholders are given equal opportunity to express their opinions and ask questions, and that the chairman of the meeting ensures that all questions asked by the shareholders at the general shareholders' meeting and not covered by trade secrets are answered directly at the general shareholders' meeting.

Agenda of the general shareholders' meeting included the proposal for the permission to be granted to shareholders who have control of the management, members of the Board of Directors, managers with administrative responsibility, their spouses and up to second degree blood relatives to execute transactions and compete with the Company and/or its affiliates, to make a commercial business transaction for himself or on behalf of others or to join to another company dealing with the same type of commercial business as a partner with unlimited responsibility.

The members of the Board of Directors related with the issues of a special nature on the agenda, other related personality, authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions at the general shareholders' meeting.

A Donation & Sponsorship Policy has been prepared and submitted for approval to the general shareholders' meeting. In addition, shareholders are informed, with a separate agenda item, on all donations effectuated during the period with total benefits and beneficiaries.

The provisions of the Articles of Association of the Company allow the attendance to the general shareholders' meetings of those including stakeholders and media with no voting rights.

General shareholders' meeting is attended by the representative of the independent auditor.

1.5. Voting Rights:

At Arçelik, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately. There are no voting privileges and the Company avoids applications that make it difficult to exercise voting rights.

1.6. Dividend Rights:

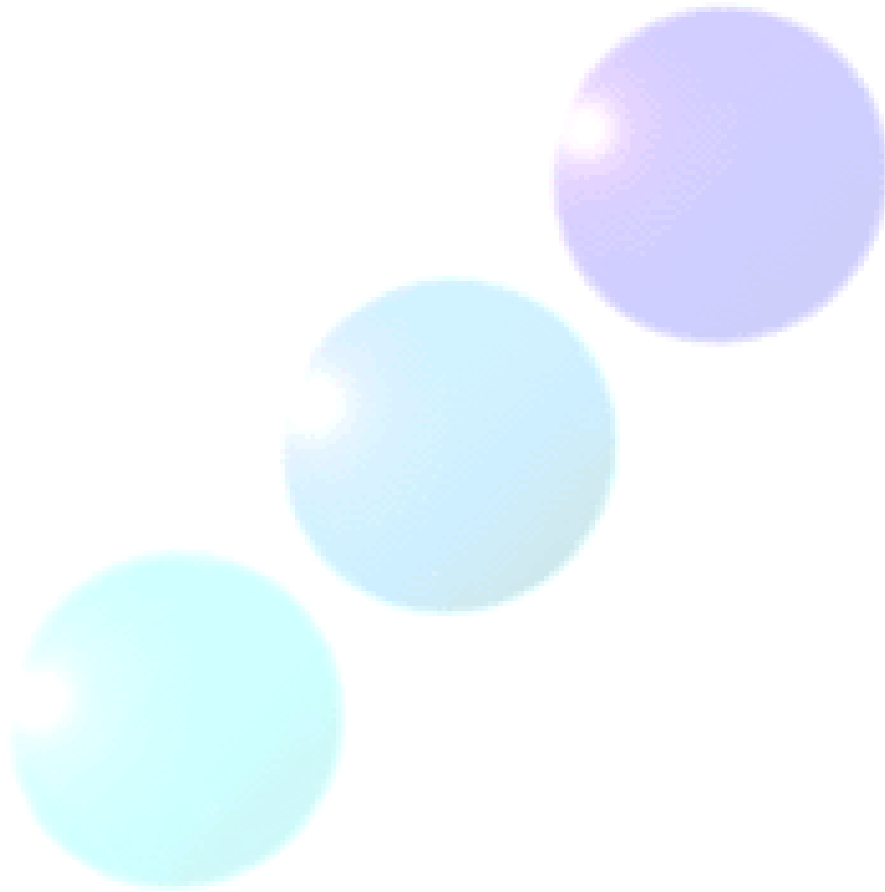
The dividend policy of Arçelik is clearly defined and disclosed to the public on the Company's web site. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the Annual Report.

The Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and that of the Company.

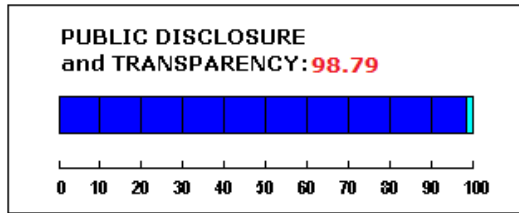
Besides, the Articles of Association contain a provision on advance dividend payments.

1.7. Transfer of Shares:

Neither the Articles of Association of the Company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded.



SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	There is an Investor Relations Department
+	Adequate Disclosure Policy
+	The comprehensive website is actively used for public disclosure.
+	Annual Report complies with the legislation, comprehensive and informative
+	List of insiders disclosed to the public
+	Important events and developments disclosed in accordance with the legislation
+	English version of the web site for international investors
+	List of ultimate controlling individual shareholders are disclosed to the public
-	Benefits provided to Board members and senior executives not listed on individual basis in the Annual Report

2.1. Corporate Web Site:

Company's web site is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the Company's web site includes; trade register information, information about latest shareholder and management structure, detailed

information on privileged shares, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Company's Articles of Association, publicly disclosed material information, annual reports, periodical financial statements, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, policy on donations, ethical rules of the Company, frequently asked questions including requests for information, questions and notices, and responses thereof.

In this context, information on at least the last 5 years can be reached on the web site.

The Company's shareholding structure; the names, amount and rate of the shares held by the Company's ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public along with the privileges they hold and updated every 6 months as per minimum requirement.

With the exception of material disclosures and footnotes, in accordance with the Capital Markets

legislation, the Company also discloses financial statements on the Public Disclosure Platform (PDP), and simultaneously in English.

The information contained on the web site exists also in English (exactly same with Turkish content) for the benefit of international investors.

The Company's web site also includes; investor presentations, working principles of the Committees, the donation policy, important Board decisions under the heading of material disclosures, the vision/mission of the Company established by the Board of Directors, information on capital increases, news, general shareholders' meeting internal guidelines, social responsibility activities, information on senior management, financial data, main ratio analysis, timetable on events/developments which considers investments, and the human resources policy.

2.2. Annual Report:

Annual Report is prepared in detail by the Board of Directors to provide public access to complete and accurate information on the Company and covers information such as;

- a. Period covered by the Report, the title of the Company, trade register number, contact information.
- b. The names and surnames of the chairman, members and executive members involved in the management and supervisory boards during the covered period, their limits of authority, tenure of office (with start and end dates).
- c. The sector in which the entity operates and information on its position in the sector.
- d. Qualifications of the production units, capacity utilization rates,

explanations related to sales volume and price, sales conditions and yearly developments, productivity rates and causes of significant changes compared to previous years.

- e. Progress on investments, the eligibility status on incentives, and to what extent.
- f. The Corporate Governance Principles Compliance Report.
- g. Information on related party transactions.
- h. Other issues not included in the financial statements, but are beneficial for users.
- i. The Company's organization, capital and ownership structure and any changes in the related accounting period.
- j. All benefits provided to staff and workers, information on number of personnel.
- k. Explanation on privileged shares and their amount.
- l. Information on Board members' transactions with the Company on their behalf or someone else within the framework of permission granted by general shareholders' meeting along with their activities within the scope of restraint of trade.
- m. Research and development activities.
- n. The dividend distribution policy.
- o. Basic ratios on the financial position, profitability and solvency.
- p. Company's financing resources and risk management policies.
- q. Information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the matters specified in the legislation, following issues also took place in the Annual Report:

- a. External duties of Board members and executives.
- b. Members of the Committees within the Board.
- c. The number of Board meetings held within the year.
- d. Changes in legislation which could significantly affect the Company's operations.
- e. Major court cases against the Company and possible consequences.
- f. Information on direct contributions to capital ratio with cross shareholding investments in excess of 5%.
- g. Benefits and vocational training of employees, and other Company activities that give rise to social and environmental results.
- h. Rating results.

On the other hand, benefits provided to Board members and senior executives are mentioned collectively, but best application of Corporate Governance Principles dictate that this information is given on an individual basis.

2.3. External Audit:

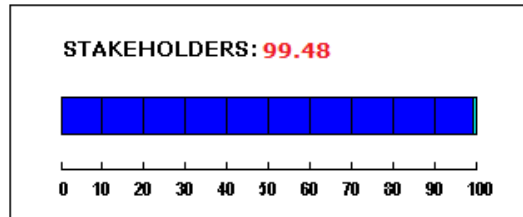
The external audit of the Company is conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi.

There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared that there has been no legal conflict between the Company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting

services for a price or free of charge during the audit period. No consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient Human Resources Policy
+	Strict quality standards for goods and services
+	Stakeholders' views are taken on important decisions
+	Code of ethics disclosed to the public
+	Measures are taken to ensure customer satisfaction on sale of goods/services
+	Company is socially and environmentally sensitive and respectful
+	Existence of a labor union
=	No provision in the Articles of Association regarding the participation of stakeholders in the management of the Company despite the existence of certain incentive models

3.1. Company Policy Regarding Stakeholders:

Arçelik recognizes the rights of stakeholders established by law or through any other mutual agreements. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the Company protects the interest of stakeholders under good faith principles and within the capabilities of the Company. Effective and

expeditious compensation is provided in case of violation of the rights.

The web site of the Company is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

The corporate governance structure of the Company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions.

3.2. Stakeholders' Participation in the Company Management:

Arçelik has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the Company and they are stated in the Corporate Governance Compliance Report. However, these models and mechanisms are not included in the Articles of Association.

3.3. Company Policy on Human Resources:

Arçelik Human Resources Policies are documented and shared with all global employees. The Assistant General Manager of Human Resources is responsible for determining and managing the principles of the Company's Human Resources Policy and conducting relations with employees.

All Human Resources processes and practices are in compliance with and support human rights, and these principles include non-discrimination and the Company's commitment to

equal opportunities within the company. Arçelik does not in any way discriminate on the basis of ethnic origin, race, race, language, religion, age, gender, sexual orientation, nationality, disability, cultural discrimination on the basis of diversity or political views. This principle is accepted throughout the Company and no official complaint of discrimination has been received from employees to date. Arçelik Global Code of Business Ethics and related policies, Arçelik Personnel Regulation and all related policies set binding rules and ensure the implementation of these rules in order to permanently prevent all kinds of discrimination and physical, mental and emotional mistreatment within the Company.

All Human Resources practices are based on fairness, consistency and reliability. In line with this principle, job descriptions, salary, performance and rewarding system criteria are announced in line with the calendar determined with the employees and it is ensured that they are equally known by all employees. In line with organizational competency needs and future-oriented development priorities, Arçelik develops monthly paid and hourly paid training programs that will address the needs of all employees and offers them to its employees starting from their recruitment.

Career plans are made for employees in line with their knowledge, skills and competencies. At the Human Resources planning meetings held every year, critical positions and the talents and competencies that will carry the Company into the future are identified, the performances of potential employees are monitored and their development is supported, thus preparing them for their possible future roles. Succession plans are created for all management positions and potential employees are placed in these plans. In this way, candidates

for management positions are trained and situations that may disrupt the Company's management in case of possible management changes are prevented.

While creating talent acquisition policies and career planning, the principle of providing equal opportunities to both internal and external candidates under equal conditions is adopted. An internal announcement system is implemented to provide internal candidates with priority opportunities.

In cases where it is foreseen that changes in managerial positions may cause disruptions in the Company's management, internal candidates in the succession plans are evaluated to determine the new managers to be appointed.

In order to keep employees constantly informed, regular informative meetings are organized for employees on the Company's financial status and issues such as wages, career, education and health. Prior to the decisions to be taken regarding Human Resources policy changes and system revisions concerning unionized employees at Arçelik, the opinion of the relevant union is sought and a consensus is reached. All unionized employees are informed about the changes made.

Relations with employees covered by collective bargaining agreements are carried out through union representatives. The Company is a member of MESS (Turkish Metal Industrialists' Union) as the employer's union and the Company's blue-collar employees are members of the Turkish Metal Union.

3.4. Relations with Customers and Suppliers:

Arçelik is taking all necessary precautions to attain customer satisfaction in the sales and marketing of its products and services. Among them are review and filing of suggestions and complaints from customers and suppliers, and organizing training programs and seminars.

Information exchange with customers and suppliers is ensured by periodic dealer meetings as well as on-site meetings held by individuals in charge in relevant locations. Furthermore, customers and suppliers are capable of transmitting their problems to Arçelik via the dealer meetings and through oral or verbal applications submitted to the management.

Primary and essential goal of the Company is the satisfaction of customers and suppliers. Customer satisfaction is monitored and reported on a regular basis.

Within the framework of protection of trade secrets, care is taken on the confidentiality of information about customers and suppliers.

3.5. Ethical Rules & Social Responsibility:

Ethical rules of Arçelik aims to ensure customer satisfaction, offer universal quality products and services by using limited natural resources efficiently, and contribute to economic and social development.

The Global Code of Business Ethics and related policies, which are based on the Corporate Governance Principles, are intended to guide the Company's employees and those acting on behalf of the Company in the decisions they will make and the behavior they will show while performing their duties.

The Company has not been subject to any sanctions during the course of last year by the public administrations. Relations with non-governmental organizations and social institutions are at a good level.

3.6. Sustainability:

At Arçelik, the Board of Directors is the highest level authorized to manage and monitor the sustainability strategy and to ensure that the relevant teams have the necessary competencies to manage risks and opportunities. Koç Holding Durable Consumption Group President, one of the members of the Board of Directors, is responsible for reporting sustainability-related issues to the Board of Directors. Sustainability-related activities are reported to the Board of Directors three times a year.

Sustainability-related developments are regularly discussed more comprehensively in Board-level committees. In addition to the Global Ethics Committee and Human Rights Committee, the Sustainability Board, chaired by the Executive Vice President of Finance and Accounting, is the highest level unit responsible for all activities at the senior management level and convenes every quarter. All Assistant General Managers serve as natural members of the Sustainability Board. Other Senior Directors are also included in the Board depending on the issues to be discussed at Board meetings.

The Sustainability Board makes decisions on corporate sustainability and climate change strategies, integrates them into the Company's business processes and monitors their performance.

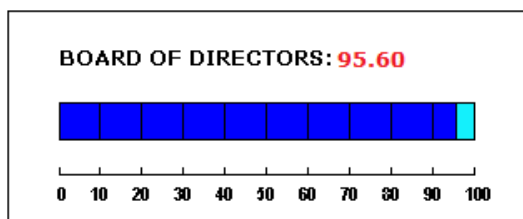
In addition, it is the responsibility of the members of the Board of Directors within the scope of the Risk Management Committee duties to

monitor the implementation and execution of strategic decisions and action plans to be taken regarding all ESG risks that may affect the Company's overall strategy and pose a risk factor. The topics to be discussed at the Risk Committee are determined by the joint efforts of the Sustainability and Corporate Risk Management Departments and reported to the Committee at least twice a year.

Departments under the Head Office, such as Sustainability, Environment, Energy and Sectoral Relations, work to integrate sustainability into business processes, monitor and report performance, track targets and develop new projects.

There are sustainability working groups formed to focus on different sustainability-related issues: Environment, Energy, Green Chemistry, Climate Change, Sustainable Supply Chain, Occupational Health and Safety, Occupational Health and Safety, Sustainable Packaging and Recycled Plastics.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The Company's vision, mission and strategic goals are defined
+	The Board works efficiently and staffed with qualified members
+	Board of Directors meeting and decision quorum is defined in the Articles of Association
+	Four independent members on the Board
+	Audit, Corporate Governance and Risk Management Committees established
+	Principles of remuneration of Board members and senior executives established and disclosed to public
+	There are three female members on the board of directors, representing 25% of the total
+	Any potential losses incurred by the Company and third parties as a result of misconduct by executives are insured
-	Remuneration and benefits provided to Board members and to managers with administrative responsibility is not explained on individual basis

4.1. Functions of the Board of Directors:

Strategic decisions of the Board of Directors aim to manage the Company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk

management approach with a view to the long-term interests of the Company. The Board administers and represents the Company within these parameters.

The Board of Directors has defined the Company's strategic goals and identified the needs in human and financial resources, and controls management's performance.

4.2. Principles of Activity of the Board of Directors:

Board of Directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the Board of Directors is explained in the Annual Report.

The Board of Directors established various internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees. In this context, the Board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the Annual Report.

Chairman of the Board and the CEO/general manager's executive powers are clearly separated and this separation is documented in the Articles of Association.

The Board of Directors plays a leading role in maintaining effective

communication between the Company and the shareholders and settling any disputes which may arise.

On the other hand, any losses incurred by the Company or third parties as a result of misconduct by Board members are insured with an amount exceeding 25% of the capital of the Company, and the details in this regard are provided on the PDP.

4.3. Structure of the Board of Directors:

The Company's Board of Directors is composed of twelve members, including one executive member. Among the non-executive Board members there are four independent members who have the ability to execute their duties without being influenced under any circumstances.

The Corporate Governance Committee have prepared a report on the candidates proposed by the Board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria and submitted this assessment as a report to the Board for its approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the Board of Directors have each signed a declaration of independence within the framework of the legislation, Articles of Association, and the CMB criteria.

There are three female members on the board of directors at a rate of 25%. In addition to this, a target rate and target time for the ratio of female members on the board of directors, which is recommended by the Corporate Governance Principles, to be not less than 25%, and a policy to achieve these targets have been established and disclosed to the public.

4.4. Conduct of the Meetings of the Board of Directors:

Ordinary Board meetings take place with sufficient frequency and members also convene upon any extraordinary situation and negotiate and render resolutions on critical agenda issues.

In 2023, the Board of Directors held 15 actual meetings and the attendance rate was 95%. Except for those taken at the said meeting, all of the other decisions were taken by circulating method. In addition, members of the Board of Directors were regularly informed about the Company's performance and developments.

Information on the agenda items of the Board of Directors is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information. Each member of the Board has a right to one vote.

Board members allocate necessary time for Company affairs and there are no limitations taking on additional duties outside the Company. Especially since the business experiences and sector specific knowledge of independent members have a significant contribution to the Board of Directors, such a restriction is not deemed necessary.

4.5. Committees Established Within the Board of Directors:

Corporate Governance, Audit, and Risk Management Committees are established from within the Board of Directors in order to fulfill its duties and responsibilities.

Functions of the Committees, their working principles, and members are designated by the Board of Directors and disclosed to the public on the Company's web site.

All members of the Audit Committee are elected among the independent Board members. Also, the chairmen of the all three Committees are elected among the independent Board members. The chief executive officer/general manager is not on the Committees. There are no executive members on the Committees. Care is taken to avoid appointment of a Board member on multiple Committees.

All necessary resources and support needed to fulfill the tasks of the Committees are provided by the Board of Directors. Committees can invite any manager as they deem necessary to their meetings and obtain their views.

The frequency of Committee meetings is found sufficient.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the Board of Directors. In addition, it oversees the work of the Investor Relations Department.

The Audit Committee supervises the operation and efficiency of the Company's accounting system, public disclosure, external and internal audit systems.

The Audit Committee also reviews complaints that are received by the Company regarding Company accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and finalizes them.

In addition, the Committee immediately notifies the Board in writing on findings related to their duties and responsibilities and the related assessment and recommendations. Following taking the opinion of responsible managers of the Company and the external auditor, notifies the Board in writing on whether the annual and interim statements disclosed to the public is in accordance with the Company's accounting principles, true and accurate.

Furthermore, we have come to the conclusion that the members of the Audit Committee possess the qualifications stated in the Corporate Governance Principles Communiqué.

The Annual Report contains information on working principles of the Audit Committee and number of written notices given to the Board of Directors within the fiscal year. Also, the meeting resolutions are included in the Annual Report.

The external audit of the Company is conducted by Güney Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş. The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the Audit Committee to the Board and ends with the Board's choice being presented and approved at the general shareholders' meeting.

The Risk Management Committee reviews the risk management systems at least once a year. In addition, the Committee has submitted reports to the Board of Directors for the purposes of early identification of risks that jeopardize the existence and development of the Company, applying the necessary measures and remedies in this regard, and managing the risks.

The Corporate Governance Committee carries out the duties of the Nomination Committee and Remuneration Committee, since they are not established. It has made its proposal on suitable candidates for the Board of Directors, on creation of a transparent system of evaluation and training, on determination of the relevant policies and strategies, and remuneration principles of the senior executives.

4.6. Remuneration of the Board of Directors and Managers with Administrative Responsibility:

The principles of remuneration of Board members and senior executives has been documented in writing and submitted to the shareholders as a separate item at the general shareholders' meeting.

A remuneration policy prepared for this purpose can be found on the Company's web site. Stock options or performance-based payments are not included in the remuneration package of the independent Board members.

Arçelik does not lend any funds or extend any credits to a member of the Board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

We have come to conclusion that the executives have the required professional qualifications in order to perform the assigned duties.

The executives comply with the legislation, Articles of Association, and in-house regulations and policies in fulfilling their duties.

There have been no cases where the executives used confidential and non-public Company information in favor of themselves or others. There are no executives who accepted a gift or

favor directly or indirectly related to the Company's affairs, and provided unfair advantage. There is a regulation on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly.

Remuneration of the executives is based on market conditions and determined according to their qualifications, and proportional to their contributions to the performance of the Company.

The orientation process for newly appointed managers is documented in the Human Resources Policy of the Company which has been presented to us in its entirety.

Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
8	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6 - 7	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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