

Arçelik



Sustainability Report

2018



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 this report which constitutes the 11th sustainability reporting practice carried out by the Company.

The scope of this report which predicated on the sustainability performance of the Company between January 1st and December 31st 2018 was expanded, as committed in the previous period, to include operations in Norway, Finland and South Africa alongside Turkey, Romania, United Kingdom, Russia, France, Sweden and China.

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 projects labelled as “Project 2019” are included in the sustainability report as prominent projects even they actualized later than reporting period.

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 (SDGs), constitutes the other references for the reporting practice.

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MESSAGE FROM THE CEO

At Arçelik, we believe in the power of acting with a shared consciousness as individuals and institutions in order to minimize the damages caused by climate change. We support relevant initiatives, policies and commitments with our entire ecosystem. Our efforts to combat climate change will continue in the areas of responsible production and consumption and circular economy.

Esteemed Stakeholders,

We are pleased to close another reporting period with pioneering and innovative practices in regard to sustainability, a pillar of our strategy and business model, as defined by our vision “Respecting the World, Respected Worldwide”.

Arçelik has been focusing on efficient use of resources and circular economic solutions. We are aware of our responsibilities to the society and the environment, and endeavor to leave a habitable world for future generations. Our superior performance continues to create added value and positive impact for all our stakeholders.

As I have frequently expressed, technology rapidly transforms our lives and ways of doing business, pushing leading companies of the future to embrace green technology and invest in energy efficiency. Therefore, we implement business models that take into account economic, environmental and social development, and we focus on a wide range of activities that will reduce our carbon footprint from material selection to product design, and from manufacturing to recycling programs.

The most important risk factor for us in the medium term is climate change. According to the [Global Risk Report](#) published by the World Economic Forum (WEF), extreme weather events, inadequate efforts to mitigate climate change and natural disasters are the three biggest environmental risk factors facing our world.

[The report](#) published by the United Nations Intergovernmental Panel on Climate Change (IPCC) highlights that if greenhouse gas emissions continue to increase at current rates, the average temperature of our planet will increase up to 1.5°C by 2040. At first glance, a 1.5°C warming may not seem like a big deal, but experts predict its effects will be devastating. The rise of the sea levels, the disappearance of glaciers and coral reefs, the increase of ocean temperatures, migrations, the extinction of many species are all within the realm of possibility.

At Arçelik, we believe in the power of acting with a shared consciousness as individuals and institutions in order to minimize damages. We support relevant initiatives, policies and commitments with our entire ecosystem. Our efforts to combat climate change will continue in the areas of responsible production and consumption and circular economy. By offering environmentally friendly and energy-efficient products and services, we consider the environmental and social footprint of our products throughout their life cycles and strive to make our value chain fully sustainable by reducing these impacts. Additionally, we have participated in and shared our best practices at World Climate Conference panels since 2011.

Owing to our next generation sustainability-driven management approach, we maintain the strategic alignment of our activities with the Sustainable Development Goals (SDGs) published by the United Nations in 2015. By adopting sustainability both as our business model and lifestyle, we rigorously manage the risks and opportunities across our focus areas.

Our green and innovative technologies significantly contribute to a sustainable ecosystem. We develop projects that protect our environment. These include our technology to filter high incidence of the microfibers polluting the oceans and seas, recycled materials using ghost fishing nets, and washing machine tubs made of recycled PET bottles.

Thanks to the Great Renewal Campaign, we have accomplished a momentous transformation by collecting 300,000 units of white goods from around Turkey. The energy saved from the recycling works in 2014-2018 at our Waste Electric and Electronic Equipment recycling plants in Eskişehir and Bolu is equivalent to the annual energy production of 32 wind turbines of 2.5 MW power. And with the Carbon Financing Project for Energy Efficient Refrigerators, we are planning to introduce carbon credit certificates to the market, subject to the verification of the 258,000 tons of carbon dioxide reduction obtained by selling energy-efficient refrigerators between 2013–2018.

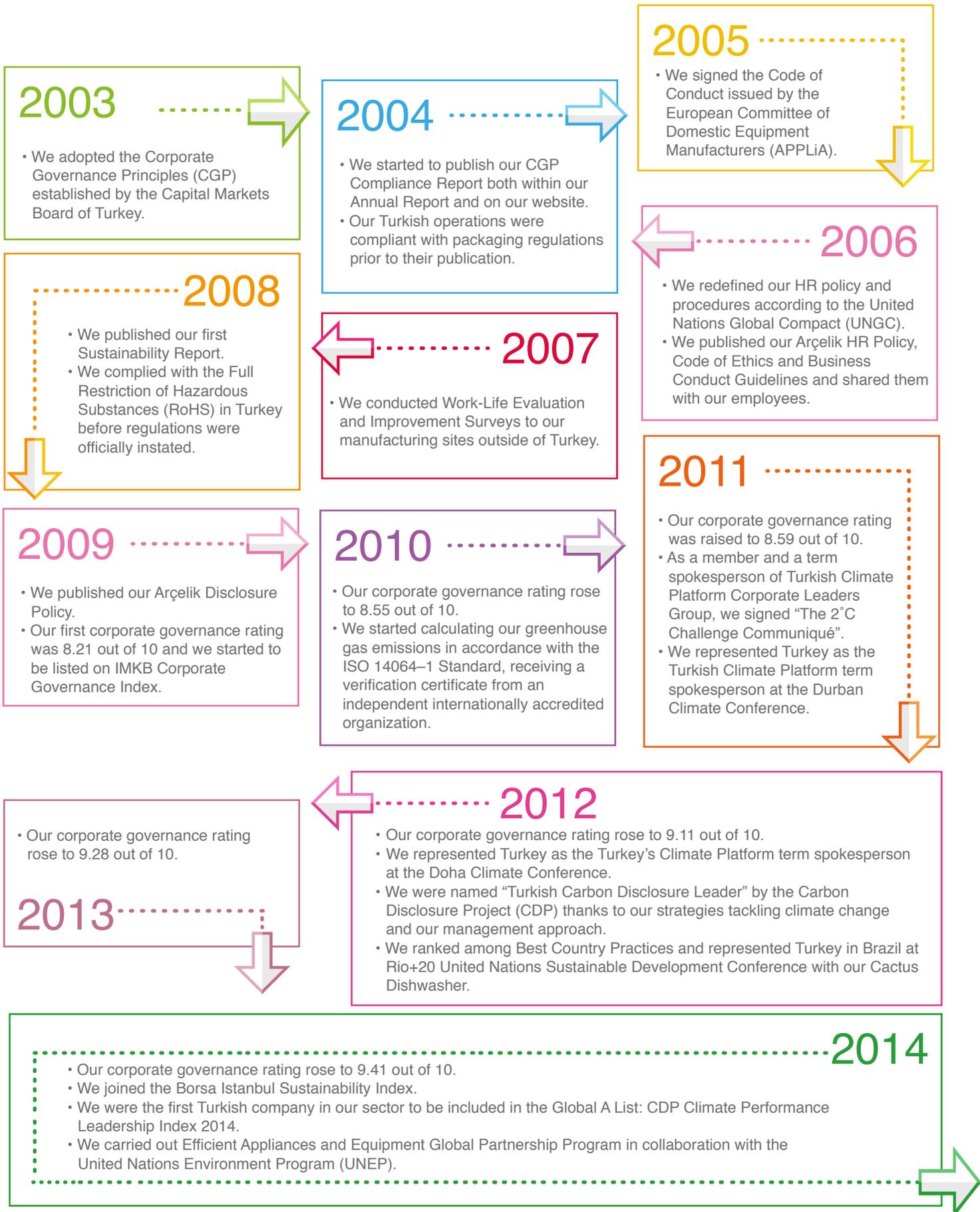
All these achievements in the field of sustainability were awarded by national and global organizations. Our company received the Turkey Climate Leadership Award in 2018 by the Carbon Disclosure Project, one of the world’s most important environmental initiatives. Last year we continued our success story by entering the Emerging Markets category of the Dow Jones Sustainability Index for the second time.

At the European Business Awards for the Environment (EBAE) organized by the European Commission, we were awarded the first prize in the Management category, becoming the first Turkish company to win this award in our industry. We were also listed in the BIST Sustainability Index for the fifth time in a row. Since 2015, our company has received the AAA grade, which is the highest grade, at the MSCI Sustainability Index. Furthermore, we have been listed in the FTSE4Good Emerging Markets Index by FTSE Russell at the London Stock Exchange since 2016.

I truly believe that Arçelik family will reach new heights leveraging the experience and knowledge we have gained during our sustainability journey. The economic and social values we have been creating will guide us toward future success stories. I would like to thank all our stakeholders for their support and encouragement.

Hakan BULGURLU | CEO





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.

2016

- Our corporate governance rating rose to 9.52 out of 10.
- We initiated Global Ethics and Compliance System Project.
- We were listed in the A List: CDP Climate Performance Leadership Index for the 2nd time.
- We represented Turkey in the twenty-second session of the Conference of the Parties (COP 22).
- We established two R&D Centers and a design center in Turkey and an R&D Liaison Office in Boston, Massachusetts (USA).

2017

- Our corporate governance rating was verified as 9.52 out of 10.
- Our 2016 Sustainability Report was awarded in two different categories in the International Annual Report Contest organized by the League of American Communications Professionals.
- We signed Science Based Targets Initiative.
- We were listed in the category of Emerging Markets of the Dow Jones Sustainability Indices (DJSI).
- We entered in the A List in the CDP Climate Change and Water Programs and became one of the 25 companies in the world.
- We were listed in Borsa Istanbul Sustainability Index for the 4th consecutive year.
- We received ÖkoVision Sustainability Leadership Award.
- We won the Best Contribution to Corporate Responsibility Grand Prix by Chartered Institute of Procurement & Supply (CIPS) with its Business Transparency Program (BTP).
- We were awarded with Certificate of Honor in the European Business Awards, Environmental and Corporate Sustainability category.
- We were listed in Morgan Stanley Capital International (MSCI) Global Sustainability Index and rated "AAA" the highest possible level.
- We signed United Nations Women's Empowerment Principles (WEPs).

2018

- Our corporate governance rating rose to 9.53 out of 10.
- We won Recycled Plastic Consumer Lifestyle Product of the Year in Europe with Grundig Recycled Vacuum Cleaner whose plastic materials were recycled by 90%.
- We were awarded with First Prize in "Management" category of European Business Awards for the Environment.
- We won Environmental Management and Corporate Social Responsibility Award in Water and Environment Conference.
- We became the only Turkish industrial company that was listed in the category of Emerging Markets of the Dow Jones Sustainability Indices for two consecutive years.
- We were listed once more in FTSE4Good Emerging Markets Index.
- We were listed in MSCI Global Sustainability Index for the 4th consecutive year and rated "AAA" the highest possible level.
- We were listed in BIST Sustainability Index for the 5th consecutive year.
- We became CDP Turkey 2018 Climate Leader.
- We were awarded with first prize in "Large-Scale Enterprise Innovative Environmentally-Friendly Product" category in Istanbul Chamber of Commerce (ISO) Environment Awards with our high-performance, innovative, and environmentally friendly washing machine and a washer dryer tub produced by recycled PET bottles.
- We were listed as "Industry Mover" in 2019 Sustainability Yearbook based on 2018 SAM Corporate Sustainability Assessment.

2018 Results - 2020 Targets

In 2016, we aligned our strategies with the Sustainable Development Goals (SDGs) 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.

SDG Alignment	2020 Goals	2018 Results	2017 Results
Management Approach			
	<p>Number of the Operations Within the Scope of Sustainability Report: 13</p> <p>Increase the number of the country operations within the scope of the reporting practice to 13 by 2020; hence to expand its scope to 18 production facilities and 6 sales and marketing companies.</p>	<p>Countries Within the Scope of Sustainability Report: 10</p> <p>In 10 countries, 14 production facilities and 4 sales and marketing companies</p>	<p>Countries Within the Scope of Sustainability Report: 6</p> <p>In 8 countries, 11 production facilities and 4 sales and marketing companies</p>
	<p>The Number of Country Operations where Ethics Hotline is Operating : 20</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>	In progress.	The first phase of the project continues.
	<p>To Build the Global Ethics and Compliance System</p> <p>Initiated a project for restructuring its existing Ethical Rules of Conduct and Implementation Principles.</p>	In progress.	The first phase of the project continues.
Talent Management			
	<p>Female Manager Ratio: 21%</p> <p>Increase the ratio of female managers from 16% to 21% in global operations by 2020.</p>	17%	16%
	<p>Training Hours per Employee: Hourly Waged: 28 / Monthly Waged: 42</p> <p>Increase the average training hours per employee to 42 for monthly waged and 28 for hourly waged employees in global operations by 2020.</p>	<p>Hourly Waged: 27.3 Monthly Waged: 39</p>	<p>Hourly Waged: 25.7 Monthly Waged: 46.7</p>
	<p>Employee Engagement Rate: Hourly Waged: 73% / Monthly Waged: 63%</p> <p>Increase the employee engagement rate to 69% for both monthly and hourly waged employees in all operations by 2020.</p>	<p>Hourly Waged: 69.9% Monthly Waged: 58.8%</p>	<p>Hourly Waged: 62.7% Monthly Waged: 61.7%</p>
	<p>Accident Frequency Rate / Accident Severity Rate: 25%</p> <p>Decrease 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: 2.98 Accident Severity Rate: 0.050 (in Turkey operations)</p>	<p>Accident Frequency Rate: 4.11 Accident Severity Rate: 0.058 (in Turkey operations)</p>
R&D, Innovation and Digitalization			
 	<p>Increase the number of the R&D and Innovation Projects and Collaborations</p> <p>Arçelik aims to increase the number of platforms where the Company will develop projects with different stakeholder groups.</p>	<p>24 H2020, 3 TÜBİTAK Industrial Innovation Network Mechanisms, 14 TÜBİTAK 2244 (Doctorate in Industry), 3 TÜBİTAK 1004 (Center of Excellence) and 9 EUREKA projects were implemented in 2018. The aim was to implement innovative and high-tech projects and provide information transfer. The outcome was 1,635 ideas from 21 workshops, 88 prototypes and 11 concepts. Within Supplier Innovation Program, 206 ideas were developed, and 6 ideas were targeted for concept approval (PoC - Proof of Concept) and kicked off with suppliers.</p>	<p>Represented Turkey in MIKTA (Mexico, Indonesia, South Korea, Turkey and Australia) Innovation Leaders Platform. Within the scope of Supplier Innovation Program 2 workshops were held at Arçelik Garage with Arinkom TTO and Anadolu University.</p>

SDG Alignment	2020 Goals	2018 Results	2017 Results
Responsible Production and Consumption			
	Energy Consumption per Product: 45% ↓ Reduce its energy consumption per product in Turkey, Romania, China, Russia and South Africa operations by 45% in 2020, in comparison with the base year of 2010.	40.22%* ↓ (In comparison with the base year of 2010)	40.7% ↓ (In comparison with the base year of 2010)
  	Renewable Energy Investment Establish renewable energy systems with a total capacity of 6 MWp, by the end of 2020.	In 2018, renewable energy systems with a total capacity of 1.63 MWp were installed.	No renewable energy systems installed in 2017. 1.7 MWp renewable energy investment has planned for 2018.
 	Water Withdrawal per Product: 52%** ↓ Reduce its average water withdrawal per product in its Turkey, Romania, China, Russia and South Africa operations by 52% as of 2020, in comparison with the base year of 2012.	48% ↓ (In comparison with the base year of 2012)	36% ↓ (In comparison with the base year of 2012)
	Hazardous Waste per Product: 11%*** ↓ Reduce its average hazardous waste per product in its Turkey, Romania, China, Russia and South Africa operations by 11% as of 2020, in comparison with the base year of 2012.	34% ↓ (In comparison with the base year of 2012)	9% ↓ (In comparison with the base year of 2012)
	Waste Recycling Rate: 98% Increase its waste recycling rate in Turkey operations to 98% by 2020.	96.35%	96.42%
Sustainability Management in the Value Chain			
	Develop Supplier Sustainability Index Reduce the rate of medium and high-risk suppliers to 8% by 2020.	Based on the Sustainable Supplier Index Project, 36% of the suppliers covered during the reporting period were evaluated among which 10% were included in the risky category.	Sustainable Supplier System Project is initiated to identify the suppliers constituting risks and high risks in terms of sustainability and to establish the sustainable supplier objective. The Project is planned to be completed in 2018.
Social Development			
	Encourage Employee Volunteerism Improve and expand the employee volunteerism model until 2020.	Voluntary participation of employees to social development project is encouraged.	Voluntary participation of employees in projects contributing to social development is encouraged. Employees collect donations for NGOs through events and sports activities they organize.
	Increase the Awareness on Gender Equality Conduct projects aiming to raise the awareness regarding Gender Equality in all its operations and cooperate with nongovernmental organizations (NGOs) in order to be a part of the solution.	Within the Equalize with Equal Dictionary Project, Equal Dictionary keyboard application is developed. The application is used by more than 20 thousand people in Turkey. 20 million people were reached with the awareness campaign.	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.
	Increase the Awareness on Food Waste Carry out projects aiming to raise awareness regarding food waste.	Respect Food (Global) and Ruhun Doysun (Turkey) Projects continue.	Grundig brand carried out Respect Food Project worldwide and launched Ruhun Doysun Project in Turkey.
	Increase the Awareness on Healthy Eating and Child Obesity Carry out projects to aiming to raise awareness on healthy eating and the child obesity.	Partnership agreement with FC Barcelona was extended for 3 more years and to expand the impact area of Eat Like A Pro Project, Beko became Fenerbahçe Men's Basketball Team's name partner in Turkey.	Eat Like A Pro Project was launched by Beko brand, a sponsor of FC Barcelona.

* By the end of 2018, the energy consumption per product in Turkey, Romania, Russia and China operations was reduced by 45.59% in comparison with the base year of 2010 and 2020 target was accomplished. This year, South Africa operations included into the scope of Sustainability Report as well as 2020 targets. Thus, 2018 performance result was announced as 40.22%. As of this year, realised and target rates comprise Turkey, Romania, Russia, China and South Africa operations and "2020 Energy Consumption per Product" target has not been changed.

** In 2018, water withdrawal per product was reduced by 48% and the goal for 2020 has been reached. Hence, the water withdrawal reduction per product goal was changed as 52% as of 2020, in comparison with the base year of 2012. Realized and target rates comprise the Turkey, Romania, Russia, China and South Africa operations.

*** By the end of 2018, hazardous waste per product in Turkey, Romania, Russia, China and South Africa operations was reduced by 34% and the target for 2020 was accomplished. the hazardous waste per product target was closed.

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. Koç Holding, the only Turkish company to be listed among the “World’s Largest 500 Companies” by Fortune, obtained leader positions both in national and international arena and operates in various sectors, primarily including energy, automotive, consumer durables and finance.

Today Arçelik offers products and services in 146 countries around the world, with its 30,000 employees, 23 production facilities in 9 countries (Turkey, Romania, Russia, China, South Africa, Thailand, Pakistan and Bangladesh), 35 sales and marketing offices around the world and its 12 brands (Arçelik, Beko, Grundig, Blomberg, Elektrabregenz, Arctic, Leisure, Flavel, Defy, Altus, Dawlance and Voltas Beko).



Arçelik is the R&D leader in its sector in Turkey with its 17 R&D and Design Centers and over 1,500 researchers. Arçelik is the only Turkish company ranked among the first 100 companies which have the highest number of International Patent applications at the World Intellectual Property Organization.

In line with its “Respecting the World, Respected Worldwide” vision, Arçelik continues to strengthen its global presence every day and put into practice environmentally-friendly, innovative technologies by utilizing every source in the most efficient manner; and acts with a high level of sustainability in all of its processes. The company has won many national and international awards thanks to its innovative vision, technology, design and production facilities. As a result of the technological level it achieved with 27 years of R&D studies, it continues to develop the best products of its class in energy and water efficiency and noise level.

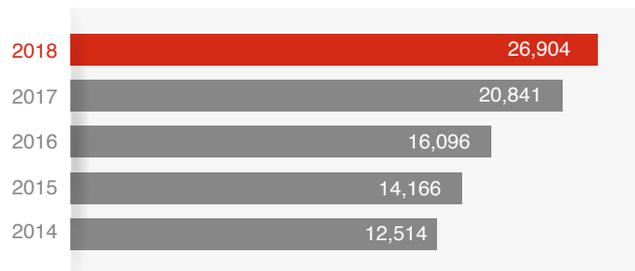
Arçelik, thanks to its 64 years of knowledge and experience, works for “sustainable development” with its leading activities in social and environmental subjects in addition to economic benefits it raises by creating employment, growth and added value in countries it operates.

Operating Profit (*) | **2,107** TRY million

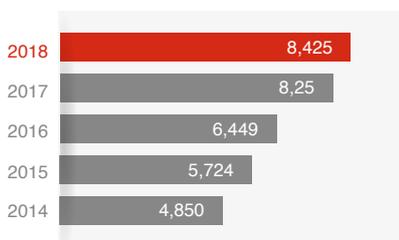
Net Profit | **856** TRY million

Net Sales | **26,904** TRY million

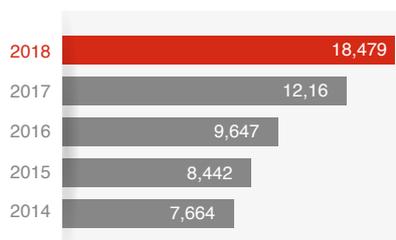
Net Sales 2018 | **26.904** TRY million



Net Sales - Turkey 2018



Net Sales - International 2018



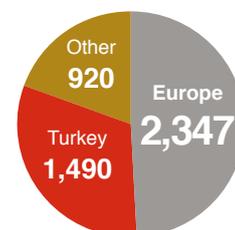
Earnings Before Interest, Tax, Depreciation and Amortization (%)



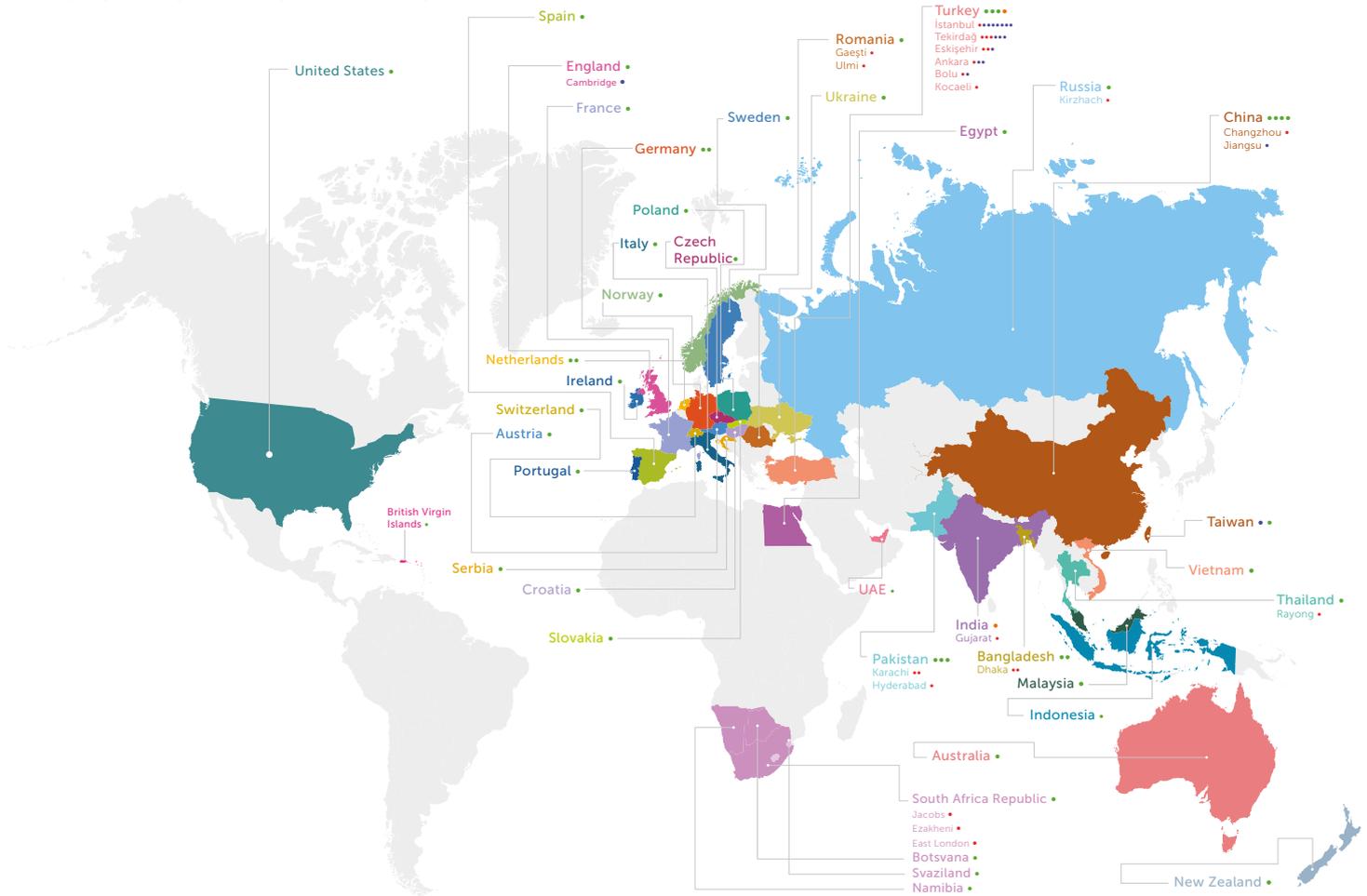
2018 Net Sales by Product Group EUR million



2018 Regional Distribution of Net Sales EUR million



GLOBAL OPERATIONAL NETWORK



● Production Plants

1. Refrigerator Plant – Eskişehir, Turkey
2. Compressor Plant – Eskişehir, Turkey
3. Cooking Appliances Plant – Bolu, Turkey
4. Dishwasher Plant – Ankara, Turkey
5. Washing Machine Plant – Istanbul, Turkey
6. Electronics Plant – Tekirdag, Turkey
7. Tumble Dryer Plant – Tekirdag, Turkey
8. Electric Motor Plant – Tekirdag, Turkey
9. Arctic Refrigerating Appliances Plant – Gaesti, Romania
10. Washing Machine Plant – Ulmi, Romania
11. Refrigerator and Washing Machine Plant – Kirzhach, Russia
12. Refrigerator Plant – East London, S. Africa
13. Cooking Appliances, Tumble Dryer and Washing Machine Plant – Jacobs, S. Africa
14. Refrigerating Appliances Plant - Ezakheni, S. Africa
15. Washing Machine Plant – Changzhou, China
16. Refrigerator Plant – Rayong, Thailand
17. Refrigerator Plant – Hyderabad, Pakistan
18. Washing Machine and Refrigerator Plant – Karachi, Pakistan
19. Cooking Appliances and A/C Plant – Karachi, Pakistan
20. Refrigerator Plant- Dhaka, Bangladesh
21. TV and AC Plant - Dhaka, Bangladesh
22. Voltbek Refrigerator Plant - Gujarat, India*
23. Arçelik-LG A/C Plant – Kocaeli, Turkey*

● R&D Centers

1. R&D Directorate- Istanbul, Turkey
2. Refrigerator and Compressor Plant-Eskişehir, Turkey
3. Washing Machine Plant – Istanbul, Turkey
4. Tumble Dryer Plant – Tekirdag, Turkey
5. Cooking Appliances Plant – Bolu, Turkey
6. Dishwasher Plant – Ankara, Turkey
7. Electronics Plant – Tekirdag, Turkey
8. ODTU Teknokent – Ankara, Turkey
9. ITU An Teknokent – Istanbul, Turkey
10. Design Center – Istanbul, Turkey
11. Beylikduzu R&D Center – Istanbul, Turkey
12. Small Home Appliances R&D Center – Istanbul, Turkey
13. WAT Motor R&D Center - Tekirdag, Turkey
14. TOKEN Financial Technologies R&D Center – Istanbul, Turkey
15. Smart Product Technologies, Enhanced Materials Advanced Production Center – Cambridge, Britain
16. Beko Wuxi R&D Center- Jiangsu, China
17. Electronic and Optic Applications Center – Taiwan

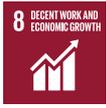
● Subsidiaries and Branches

1. Arçelik Pazarlama A.S.- Turkey
2. Wat Motor San. ve Tic. A.S.- Turkey
3. Token Finansal Teknolojiler A.S.- Turkey
4. Ardutch B.V.- Netherlands
5. Ardutch B.V. Taiwan
6. Arch R&D Co. Ltd.- China
7. Beko A&NZ Pty Ltd.- Australia, New Zealand
8. Beko Appliances Malaysia Sdn. Bhd.- Malesia
9. Beko Appliances Indonesia, PT- Indonesia
10. Beko Balkans D.O.O - Serbia
11. Beko Deutschland GmbH- Germany
12. Beko Egypt Trading LLC- Egypt
13. Beko Electronics España S.L.- Spain
14. Beko France S.A.S.- France
15. Beko Gulf FZE- United Arab Emirates
16. Beko Hong Kong Ltd.- Hong Kong, China
17. Beko Italy SRL- Italy
18. Beko LLC.- Russia
19. Beko Plc.- UK, Republic of Ireland
20. Beko Slovakia S.R.O.- Slovakia
21. Beko S.A.- Poland, Czechia
22. Beko Shanghai Trading Company Ltd.- China
23. Beko Thai Co.- Thailand
24. Beko Ukraine LLC.- Ukraine
25. Beko US INC.- USA
26. Changzhou Beko Electrical Appliances Co. Ltd.- China
27. Computer Vision Interaction S.A.- Portugal
28. Dawlance Electronics (Pvt.) Ltd.- Pakistan
29. Dawlance (Private) Ltd.- Pakistan
30. Defy Appliances (Proprietary) Ltd.- Republic of South Africa
31. Defy (Botswana)(Proprietary) Ltd.- Botswana
32. Defy (Namibia)(Proprietary)Ltd.- Namibia
33. Defy (Swaziland) (Proprietary)Ltd.- Swaziland
34. Elektra Bregenz AG- Austria
35. Grundig Multimedia A.G.- Switzerland
36. Grundig Multimedia B.V.- Netherlands
37. Grundig Intermedia GmbH Germany, Croatia
38. Grundig Nordic No AS- Norway
39. Grundig Nordic AB.- Sweden
40. SC Arctic SA- Romania
41. United Refrigeration Industries Ltd.- Pakistan
42. Pan Asia Private Equity Ltd.- British Virgin Islands
43. Vietbeko Limited Liability Company- Vietnam
44. Retail Holding Bhold B.V.- Netherlands
45. Singer Bangladesh Ltd- Bangladesh
46. International Appliances Ltd- Bangladesh

● Associates and Joint Ventures

1. Arçelik-LG Klima Sanayi ve Ticaret A.Ş.- Turkey
2. VoltBek Home Appliances Private Limited- India

* A plant of an associate or joint venture.



CORPORATE GOVERNANCE

In addition to the studies focusing on technology, quality and social benefit, our powerful corporate governance practices that steer these studies lay on the ground of our sustainable success.

2020 Goals	2018 Results	2017 Results
<p>Number of the Operations Within the Scope of Sustainability Report: 13</p> <p>Increase the number of the country operations within the scope of the reporting practice to 13 by 2020; hence to expand its scope to 18 production facilities and 6 sales and marketing companies.</p>	<p>Countries within the scope of sustainability report: 10</p> <p>In 10 countries, 14 production facilities and 4 sales and marketing companies</p>	<p>Countries within the scope of sustainability report: 6</p> <p>In 8 countries, 11 production facilities and 4 sales and marketing companies</p>
<p>The Number of Country Operations where Ethics Hotline is Operating: 20</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>	<p>In progress.</p>	<p>The first phase of the project continues.</p>
<p>To Build the Global Ethics and Compliance System</p> <p>Initiate the project for restructuring its existing Ethical Rules of Conduct and Implementation Principles.</p>	<p>In progress.</p>	<p>The first phase of the project continues.</p>

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.

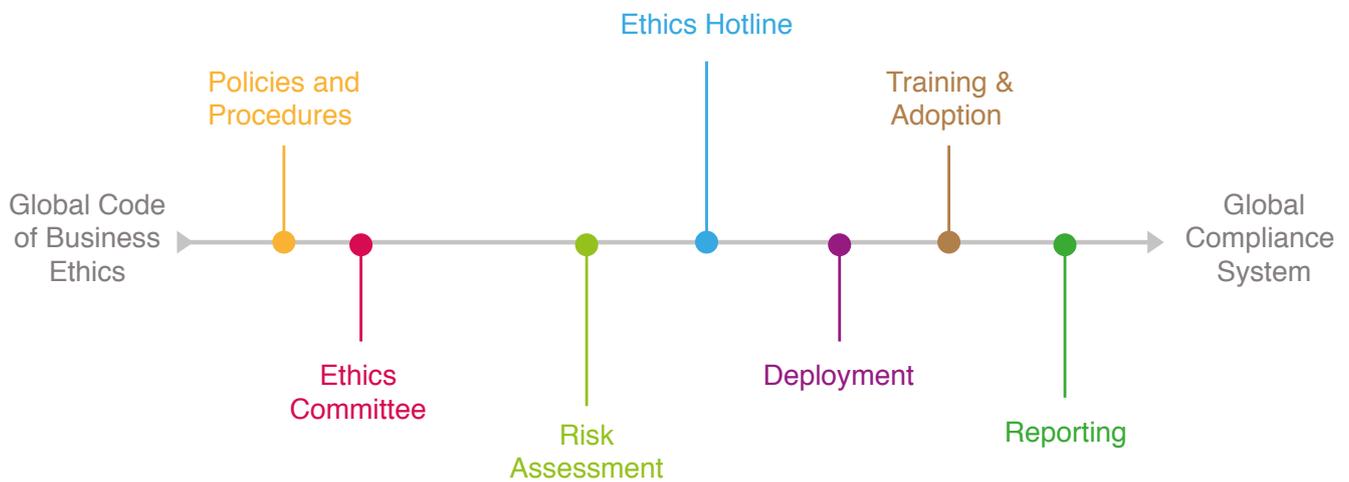
While fulfilling its duties and responsibilities, Arçelik benefits from various corporate governance tools and effective organization structure. The Board receives assistance from specialist councils and committees, particularly in the areas of risk management, auditing, corporate governance, executive 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 95.35% in 2018 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.

Information

You can find detailed information regarding Arçelik's corporate governance structure, members of the board of directors and top management under the tabs "[About Us](#)" and "[Investor Relations](#)" on our website.

Road to Arçelik Global Ethics and Compliance System



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 2018 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.

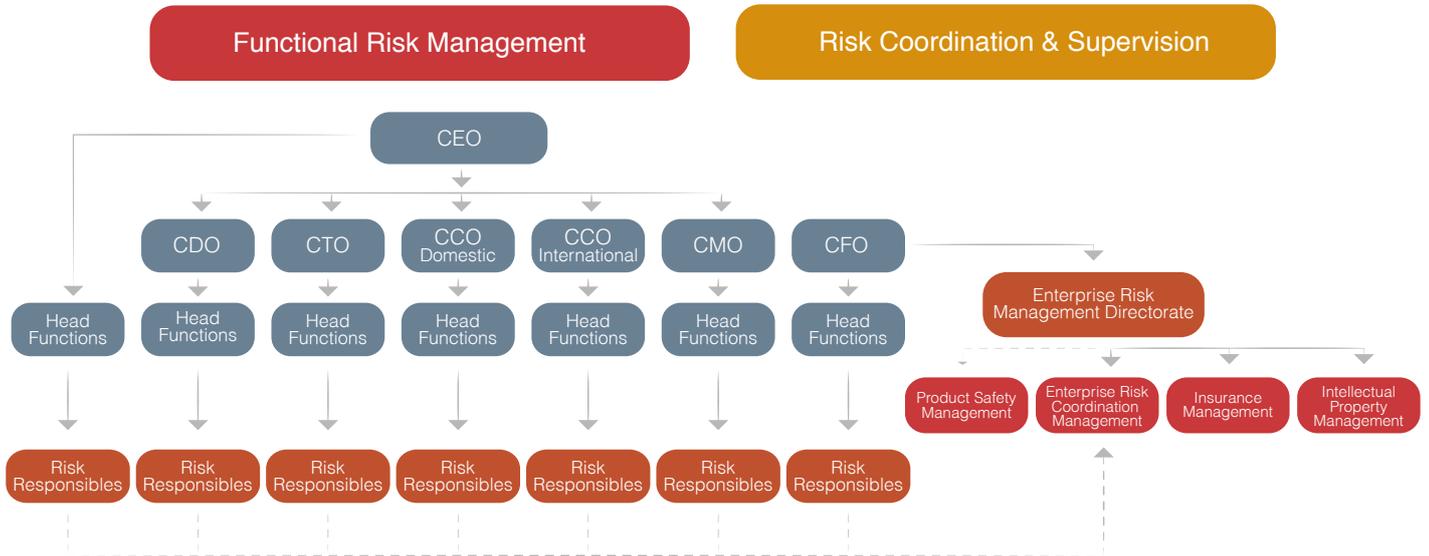
The new Arçelik Global Code of Business Ethics commits to comply with UN Global Compact, OECD Guidelines for Multinational Enterprises and Universal Declaration of Human Rights under all circumstances whether or not the relevant documents are accepted in countries of operation. With the code, it is aimed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

Information

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 website.

Arçelik A.Ş. Board of Directors Risk Committee

Head: Independent Board Member
Member: Board Member



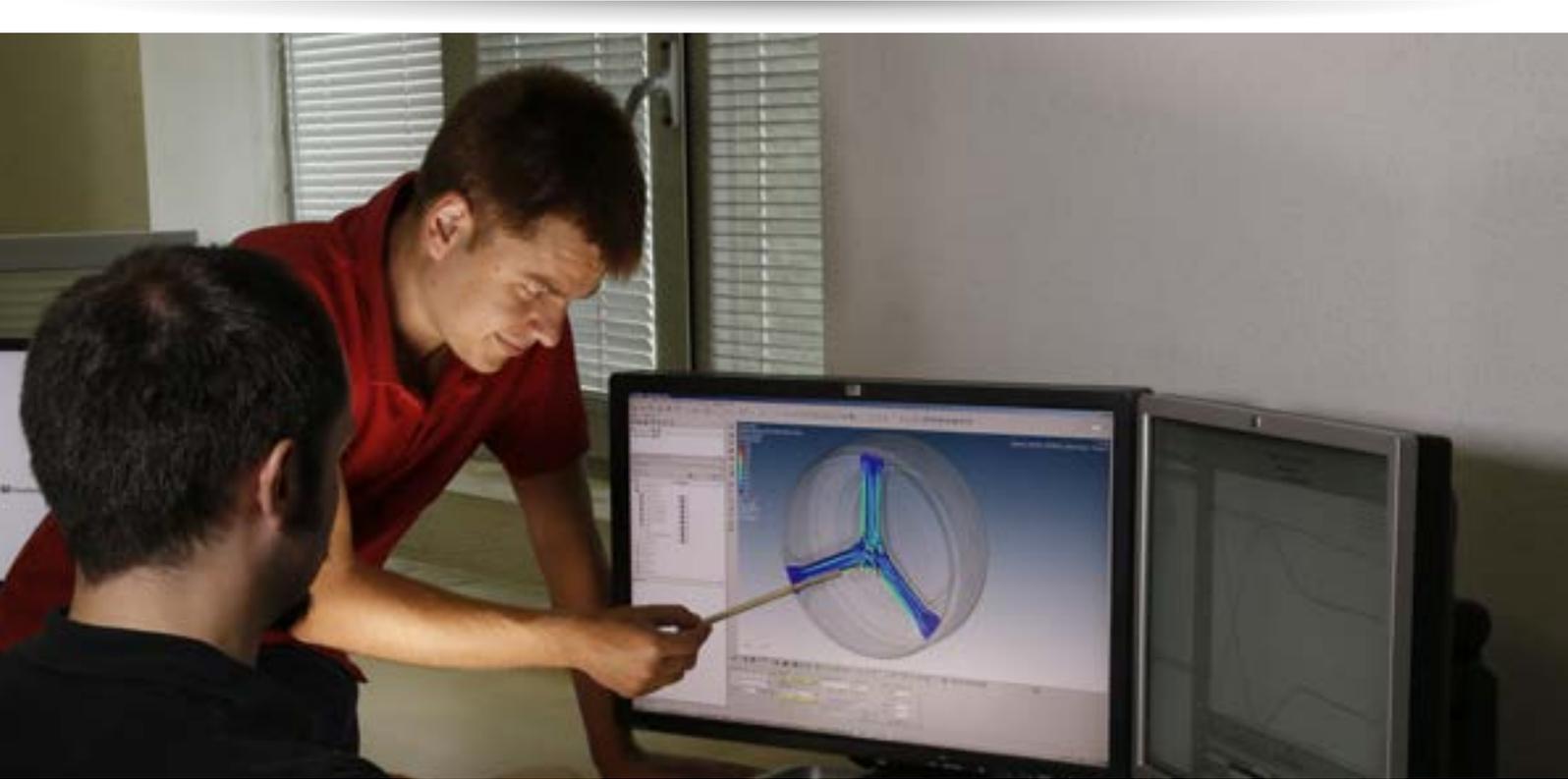
Risk Management

Arçelik establishes risk management and internal control systems to mitigate the impact and probability of the risks that may affect the company and reviews their effectiveness regularly. 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, taking the relevant actions concerning identified risks and managing risks. Risks that are defined in five main categories as financial, strategic, operational, compliance, external based 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 offers recommendations and proposals to the Board of Directors on early detection and evaluation of risks which may affect the company, calculates their impacts and probabilities, manages and reports these risks in accordance with the company's risk appetite, takes necessary measures against identified risks and establishes effective internal control systems.

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, primarily including ISO 31000 Risk Management Standard and COSO Enterprise Risk Management Framework are considered.

Directors, country managers of group companies of Senior Management and risk responsables assigned in all organizations are trained in terms of enterprise risk management in order to generalize risk culture and awareness within the organization. In addition, risk management operations are in the performance evaluation process of risk responsables. The employees' risk awareness is increased and they are encouraged to suggest on potential risk topics through risk proposal 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.



Audits and controls are the principal risk management tools are conducted through multi-stakeholder actions in which independent audit institutions, Koç Holding and internal audit units participate. Internal Audit Management regularly conveys outcomes and analysis 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 conducted at first step according to ISO 22301 Standard, 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 is being expanded. In this context, Crisis Management and Business Recovery Plans are created and Emergency Response Plans are revised in various locations. 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, climate change risks become prominent both for their impacts and the probabilities. In addition, cyber attacks and information security risks caused by the increase in connected devices due to the expansion of Industry 4.0 and Internet of Things (IoT) and the engagement of new technol-

ogies in production are considered as global prominent risks. Considering environmental, social and governance risks; Enterprise Risk Management pays regard to climate change, occupational health and safety and expansion of company culture to all employees and join the ongoing projects by exchanging information regularly with the relevant business units of the company in monitoring these 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. In order to prevent reputation, revenue, market share and brand value loss arising from 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.

Information

You can find the detailed information on Risk Management structure and activities in [Arçelik 2018 Annual Report](#).

Sustainability Management

Arçelik, which works to turn the risks of sustainability into opportunities in line with the principles of “Inclusiveness”, “Responsibility”, “Innovation” and “Leadership”, believes that the key to success is the sustainable business model. In this context, sustainability goals are integrated into business strategies, and all activities are based on respect for nature and society. As a result of this approach, we are executing practices that enhance social, economic and environmental values and meet stakeholder expectations.

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 Fatih Kemal Ebiçlioğlu, the President of Consumer Durables Group in Koç Holding, was commissioned to inform the Board of Directors regarding the company's sustainability efforts.

In 2019, it is planned to appoint Fatih Kemal Ebiçlioğlu, the President of Consumer Durables Group in Koç Holding and Fatih Özkadı, the Sustainability and Corporate Affairs Director of Arçelik responsible for reporting to the Board of Directors about the activities of the Company's Sustainability Working Group.

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 \(DJSI\)](#) in 2018 again after 2017, in the category of “Emerging Markets”. 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. With its yearly updated methodology and with updated questions taking into account new risks and opportunities and challenging criteria, DJSI represents the gold standard of corporate sustainability.

Arçelik was also listed as ‘Industry Mover’ in [2019 Sustainability Yearbook](#) based on 2018 SAM Corporate Sustainability Assessment.



Arçelik is committed to act in accordance with the United Nations' Sustainable Development Goals (SDGs) 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.

Arçelik Board of Directors

Sustainability Council

Chairman Chief Financial Officer

Assistant General Manager-Production and Technology	Assistant General Manager-Trade Turkey	Finance Director	Strategic Planning Director
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General Secretary Sustainability and Corporate Affairs Director

Human Resources Director	Customer Services Director	Innovation Director	Global Communications Director
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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
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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 Standards 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 SDGs. 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.

In the second stage, the Sustainability Roadmap Workshop took place in September 13th 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 considered. 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

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

Arçelik Strategic Objectives / Sustainability Goals / Executive Feedback / 4-Step Impact Analysis

Material Aspects	Business Processes				
	Marketing 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 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.

Information

Detailed information on stakeholder groups and communication methods, sector organizations and non-governmental organizations can be found in the [Appendix](#) section of the report.



TALENT MANAGEMENT

In order to reach our sustainability objectives, our most important asset is our employees. At Arçelik, our aim is to create difference in the sector by signing under new generation training activities in order to contribute to the personal and professional development of interrogative, creative and entrepreneur human resource that indigenized corporate culture.



2020 Goals	2018 Results	2017 Results
<p>Female Manager Ratio: 21%</p> <p>Increase the ratio of female managers from 16% to 21% in global operations by 2020.</p>	17%	16%
<p>Training Hours per Employee: Monthly waged: 42 / Hourly waged: 28</p> <p>Increase the average training hours per employee to 42 for monthly waged and 28 for hourly waged employees in global operations by 2020.</p>	<p>Monthly Waged: 39 hours</p> <p>Hourly Waged: 27.3 hours</p>	<p>Monthly Waged: 46.7</p> <p>Hourly Waged: 25.7</p>
<p>Employee Engagement Rate: Monthly waged: 63% / Hourly waged: 73%</p> <p>Increase the employee engagement rate to 69% for both monthly and hourly waged employees in all operations by 2020.</p>	<p>Monthly Waged: 58.8%</p> <p>Hourly Waged: 69.9%</p>	<p>Monthly Waged: 61.7%</p> <p>Hourly Waged: 62.7%</p>
<p>Accident Frequency Rate / Accident Severity Rate: 25%</p> <p>Decrease 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: 2.98</p> <p>Accident Severity Rate: 0.050</p> <p>(in Turkey operations)</p>	<p>Accident Frequency Rate: 4.11</p> <p>Accident Severity Rate: 0.058</p> <p>(in Turkey operations)</p>

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 International Labour Organization (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). All production facilities of Arçelik, 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.

Country	Total Number of Employees	Number of Union Member Employees	Rate of Union Member Employees
Turkey	15,618	11,702	75%
Romania	3,327	2,670	80%
U.K.	279	0	0%
Russia	1,306	0	0%
France	90	0	0%
China	652	0	0%
South Africa	2,686	2,225	83%
Other	4,161	218	5%
Total	28,119	16,815	60%

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.

Considering unions as “social stakeholders” 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, 189 Arçelik employees were assigned in employee unions while 5 employees took office in the employer union. As of the reporting period, 60% of the total number of employees in the countries where Arçelik operates are union members.

Arçelik has started many studies in order to increase the roles of women in work life, to support them during their careers, to increase their employment and to strengthen the support and connection among woman employees working in Arçelik. We support our woman employees with Women Impact Program. In this context, we started the She Mate Mentorship Program to help woman employees' coming back to work life and adaptation after their maternity leave. On the other hand, Arçelik provides nursery assistance 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. In addition, to support the leadership development of woman employees we have introduced Women in Leadership and Holistic Leadership improvement programs. With fatherhood support program we aimed to improve communication inside families and we organized training in order to minimize domestic violence. In line with our gender equality vision we have also started a new project that will increase the awareness against sexual discrimination during career choice. In cooperation with GirlCode Platform (KızCode) a coding training was provided for the children of our employees and by extension plans of this program in the following years we aim to increase awareness against sexual discrimination starting with our own 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.

With the new Fresh Start Internship Program Arçelik aims to prepare college students for the work life and let high potential students to gain experiences that will shape their careers. During 2018 many college campuses were visited in scope of Fresh Start Internship Program and new graduate hiring. During this process over twenty activities were organized and approximately 12,000 applications were received. In 2018 all recruiting of first internship process was done with digitally. In addition to this, Arçelik continued its work on university-industry collaboration with the new protocols signed with universities.

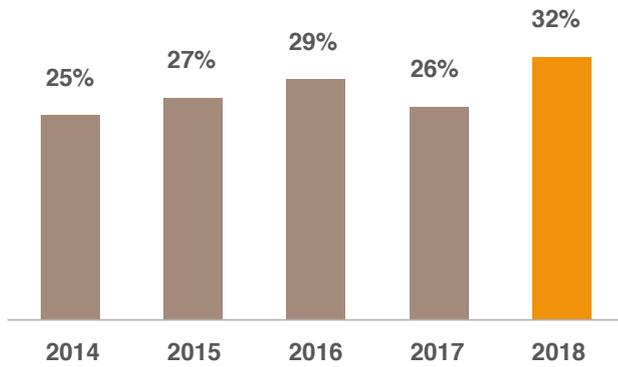
A Ticket for Your Future

A leader in innovation and creativity, Arçelik is gathering the students of major universities across the world around A Ticket for Your Future (Reverse Brain Drain) Project. The project has two main objectives that can be described as bringing students studying abroad back to be employed in available positions in Arçelik and to reflect Arçelik's innovative and technology-oriented employer brand effectively.

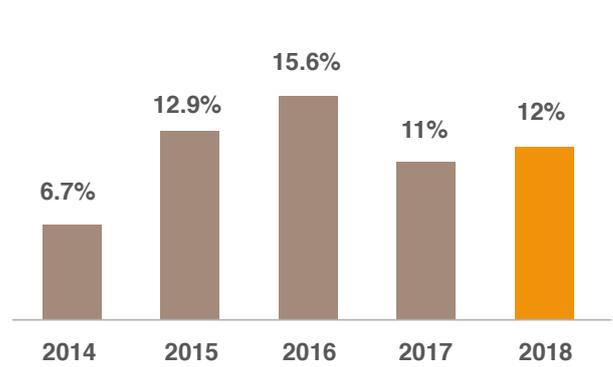
In 2018, 26 Turkish students who joined the project had the opportunity to gain corporate life experience by meeting with experts in their fields in Arçelik's new generation R&D Center Garage and developing new ideas and projects with them.

At the end of the project, 3 of the 26 Turkish students hosted in Turkey returned to Turkey and started their jobs in Production, Digital Transformation, and Consumer Training Departments. This program that will continue its communication with students who are going to graduate in the following years aims to bring back talents who study abroad to Arçelik and Turkey to utilize the nation's biggest assets which are its young population and potential.

Potential Employee Rate



Career Mobility Rate



	2014	2015	2016	2017	2018
Monthly Waged	92,456	93,987	84,315	171,491	161,217
Hourly Waged	362,845	304,996	302,272	362,575	365,617

During the summer of 2018 with the intent of creating global talent pools and increasing foreign born employee number Arçelik hired 50 foreign interns and carried out several projects with them. Besides that, the company organized many activities in collaboration with CEMS schools which is a venture of Arçelik and Koç University in order to promote Arçelik and its brands in global platforms. During the summer the company sent 7 Turkish students to its subsidiaries in Europe as interns for 2-month and 6-month periods. Finally, by adding two foreign born candidates to its force for a year using the AIESEC Program it reinforced its image as a global employer.

Using 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. Each year, approximately 100-120 employees are included in evaluation centers and are prepared for a higher role. As a result, 12% of employees in 2018 were included in appointment, promotion and rotation processes.

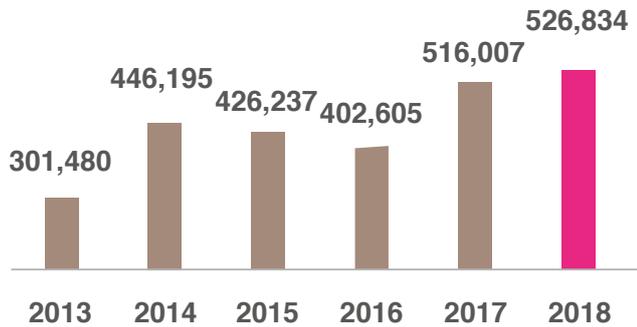
Arçelik expects and encourages employees to claim their own development, while it provides the needed support for their development based on the principle of high performance and learning culture. In order to support the employees in this process a development planning system is used. 44% of employees determined their development plans and tracked their targets and action plans through this system. In addition, 478 employees, using the 360° competency evaluation tool developed for supporting employees in their development track, received feedback from 4,614 employees which then served as input in their development planning process.

During 2018 in order to support employees' expertise and/or leadership development, 526,834 total hours of training were provided through the training programs that were managed under three main categories.

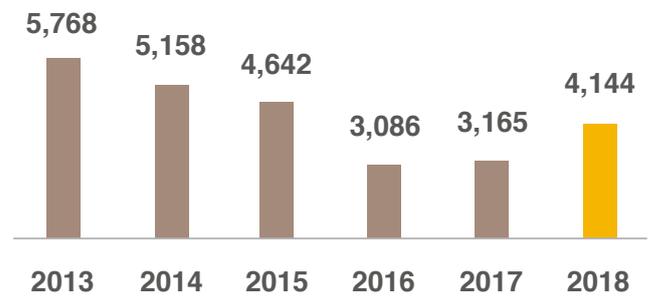
Future in You:

4,305 hours of training were provided in 2018 under the Future in You Program, which aims to enhance the potential of employees in their pursuit of higher positions in their career journeys. Within the scope of Leadership Insight, a development program designed for potential employees to take part in management positions in the future, 67 employees with future potential were supported in their career development with a process that was spread in a year. The participants, who benefited from six-day long in-class training and 116-hour coaching process, also attended Koç Holding Potential Development Programs and competence trainings that were integrated with their development plans. Moreover, in order to acquaint the participants with the Arçelik global organization departmental presentations and meetings with leaders were arranged.

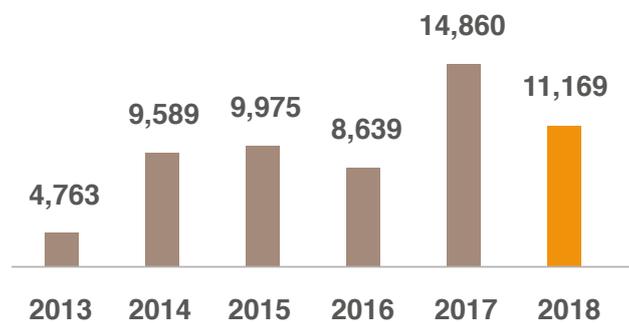
Talent In You Total Training Hours



Future In You Total Training Hours



Leader In You Total Training Hours



Talent in You:

Under this category 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, and various hobby and social responsibility trainings are provided. In 2018, 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.

Leader in You:

Empowering leadership is among top priorities of Arçelik. Trainings and programs organized for Arçelik managers at every level, are monitored within Leader in You Program. In this context, 83 executives, who are assigned to managing positions for the first time, started their leadership journey with Leadership Journey Program. Within the Program 415-hour coaching sessions and 5229-hour training was given. The program organized for managers from 10 different countries is completed in 5 classes; 2 global and 3 local.

With the mentorship program which aims to support the development of managers who are assigned to managing positions for the first time, 25 mentees are matched with their mentors and received leadership development support.

In Management Catalogue Trainings, 38 class trainings for 19 various subjects provided, 649 managers participated in these trainings. The main subjects of Catalogue Trainings, in accordance with company strategies are: coaching skills, strategic communication, visionary leadership, transformation, managing differences & collaboration.

Within the Leadership Impact Program which aims to support the role of senior management in creating leadership culture, 23 senior managers completed survey and feedback processes based on leadership styles and organization climates. 31 managers participated in the Women Leadership Program which is launched to strengthen women leaders.

Managers are also supported by various training programs organized by Koç Holding. In this context, 24 senior managers participated in Personal Development Program (PDP), which aims to support senior management in their journeys. In this program, which is a first in Turkey in terms of content, executives are supported by online trainings, individual coaching and training camps. In addition, during 2018, 1 senior manager attended Advanced Management Program which is one of the leadership development programs in Harvard University, 2 attended The Innovative Technology Leader Program organized by Stanford Business of School, 15 managers attended Harvard Business School online courses. 9 managers attended Prosci Change Management Certificate Program designed together with Koç University.



Digital Transformation and Globalization

In its global journey to be a reliable solution partner for the life styles of digitalized households Arçelik keeps digitalization in its internal processes and globalization at its focus. Regarding this focus studies were made in order to digitalize and increase the efficiency of the organization structure and business processes and systems.

At the beginning of 2018 the company started a regional reorganization process after evaluating the worldwide markets and current capabilities of the organization.

In order to respond to the needs of the local markets faster, to manage the growth effectively and to initialize the new organizational model that was targeted with the recent organizational change actualizing a management culture that strengthens participation and cooperation has become vital. To create a work environment that is cooperative, fast, plain, and supportive of a fast cycle a new program, which defined the principles and values of Arçelik culture and supported and extended this culture in the global organization, was established. This organizational and cultural transformation is carried out in the following dimensions:

- Establishing Arçelik standards in business models and project management methodologies
- Scaling the decision-making mechanisms that are formed using the data-based decision-making approach and extending these mechanisms in the organization network
- Reevaluating the decision and authority matrixes
- Defining the cultural values that support change
- Realizing the developmental activities required to make all employees and management teams embrace these values and put them in practice
- Supporting the change and development with different HR programs

The performance of these change and development programs were reviewed with periodic evaluations and actions for improvement are planned and implemented.

To attract the best possible talent Arçelik aims to follow the best hiring tools and channels and use them in its hiring applications. During 2018 the number of followers on LinkedIn increased to 123,000 with an increase of 44%. The Talent Brand Index score on LinkedIn which reflects quality score shows that the interest of potential candidates who are in target segment of the Company is gradually increasing toward Arçelik. This score increased 22% in 2018 compared with the one in prior year.

The competency evaluations during the hiring process is done with a competency model named as Arçelik Leadership Profile. During the common competency evaluation process that was developed for Arçelik the use of digital tools and evaluation center applications guarantees the objectivity of the competency evaluation processes. Within this framework most of the hiring processes have been digitized in 2018.

In accordance with the Company's digital transformation strategy a new road map was created intended to improve the employees' digital proficiencies. To prepare, strengthen or transform these proficiencies 1,370 person/day training was given in 2018 under different functional programs. In 2018 under the scope of LMS Project the standardization and digitization of training processes were started to be disseminated in the global Blink Training Module in which training processes were managed with the intention to be able to report training-hour indexes globally.

The Mentoring Program, which is one of several programs that are in use to improve the managerial skills of entry level managers, was started to be tracked on a system in 2018 in accordance with the digitization objective. In the mentor and mentee pools that were created in the digital medium, profiles of the participants were created using information such as their work experiences, organizational knowledge and mentees were given the option to request for mentorship from the people whom they see more suitable for them over the system and the system matched them.

In the scope of the digitization of talent management processes, during 2018, the process was carried out more effectively under the integrated talent management framework by moving performance management, development planning, 360 degrees competency evaluation, training and human resources to the same infrastructure with the other talent management processes such as planning. At Arçelik, 2,800 and in Turkey 4,000 monthly waged personnel manage their performance processes on the new system. This transformation is projected to expand to APAC-PISSA region during 2019 and Europe & MENA region during 2020.

In order to accomplish standardization and efficiency in the Human Resources processes, to create a qualified employee experience using the right solutions in the shortest time, to design agile processes and to support human resources processes with digital solutions Human Resources Shared Services Center Project was initialized in 2018. After the its completion the Shared Services Center is expected to serve all Arçelik affiliations in Turkey in their human resources processes. The Project, which started in 2018, is focused on studies that will enable detailed analysis and definition of processes and more efficient, digital and faster application of them. It is been planned to be active in the second half of 2019 following the pilot runs.

Employee Engagement and Participation

Being aware of the fact that loyalty of an individual to the organization is a determining factor of happiness as well as stimulating competitiveness, Arçelik employs Aon Hewitt, an independent employee loyalty research company, to carry out an Employee Loyalty Survey every year.

In 2018, 86% of Arçelik employees responded to the Employee Loyalty Survey. The survey indicated that Arçelik Loyalty Index has increased by 4.6 points to 67 compared to 2017. The Loyalty Index has increased by 7.2 points to 69.9 percent for hourly-paid employees and by 2.9 points to 58.8 for monthly-paid employees. It has been observed that the loyalty index of female and male employees is the same within the reporting period. Compared to the previous year, the loyalty index of female employees increased by 1 point, while the male employee's loyalty index increased by 5 points. These figures are the highest in the last five years.

Arçelik focuses on implementing new projects and developing practices that create satisfaction in accordance with the feedback from its employees for increasing employee satisfaction and loyalty every year. With this perspective, in 2018 the company launched KoçHub as a social platform allowing interactive communication for the employees. The Platform which can also be downloaded as an app to mobile phones, is open for all Koç subsidiaries. Via KoçHub, employees can follow other companies and be informed about intercompany publications. Congratulations Reward Management Program, which recognizes achievements and projects of the employees continued in 2018. Within the scope of the Program, 8,237 employees were rewarded in 2018.

In 2018, many internal communication activities were conducted to increase the level of loyalty of hourly-paid employees. Senior managers regularly visited plants within the scope of communication activities. The questions that employees ask during the meetings held with employee groups in the visits are answered by the General Manager/Assistant General Manager.

The best practices put into operation in previous years continued in 2018 and projects for improvement areas were launched and implemented. In 2018, the Company focused on diversifying employee benefits and increasing employee engagement. The Blink Training Module was developed in accordance with the results of the previous year's research, and the new development opportunities were provided by enriching the online educational content. A new performance system focusing on employee performance, development and feedback has been implemented. The reverse mentorship practice brought a breath of fresh air to mentorship programs.

In 2018, employees were able to participate in many entertaining events from concerts to competitions, animations and children's games. The eye screening event carried out for school-aged children, provided them the opportunity to make a healthier start to the education live.

The award categories and the number of employees awarded in 2018 are as follows:

In Service Award category: **1,859 employees**

In Bright People category: **2,523 employees**

In Period Stars category: **2,585 employees**

In People Enlarging Our Success and People

Running to the Top categories: **1,270 employees**



Occupational Health and Safety

Arçelik manages occupational health and safety (OHS) within the frame of its OHS Policy. Arçelik is following the latest technology and applications and integrating them in business processes to continuously improve its OHS 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.

OHS topic is included in the employee targets and related sections in the Company Performance Management System and is followed periodically. At Arçelik, OHS 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 OHS 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.

OHS 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 OHS are conducted; OHS trainings are organized for subcontractor employees beside employees. In the same way, OHS 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.

Having determined "zero work related accident and zero occupational disease" as an objective and being aware that this objective can only be achieved with team work, Arçelik continues to work towards providing the necessary resources and the participation of employees in all levels in the company for this objective. OHS trainings and practices are organized periodically to provide a safe working environment for the employees and to raise awareness about OHS. In 2018, 146,079 person*hour of OHS training was provided to employees in Arçelik Turkey operations, while 2,292 person*hour training was provided to subcontractor company employees.

In the same period, we provided employees in Romania operation with 26,333 person*hour training, employees in the Russia operation with 24,391 person*hour training, employees in the France operation 236 person*hour training and employees in the United Kingdom operation 295 person*hour training on occupational health and safety.





In the reporting period, the accident frequency rate was 2.98 in Turkey operations, 0.89 in Russia operation while it was 2.0 in United Kingdom and 1.54 in South Africa operations. There was no accident in China, Romania, France, Norway operations. On the other hand, the accident severity rate was 0.050 in Turkey operations, 0.014 in Russia operation, 0.002 in United Kingdom operation and 0.006 in South Africa operation. 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 and make recommendations.

Employee representatives cover the entire workforce in relevant countries. 356 members participate in 23 committees in Turkey operations and 35 employee representatives assigned in these committees represent all Arçelik employees. One committee at the Romania operation includes 14 members, 6 of which are employee representatives, 4 committees at the United Kingdom operation include 22 members, one committee at France operation includes 7 members, 5 of which are employee representatives, one committee at China operation include 29 members, 9 of which are employee representatives, one committee at Russia operation include 12 members, 4 of which are employee representatives and 4 committees at South Africa operation include 27 members, 16 of which are employee representatives.

With the studies carried under the scope of Arçelik Occupational Health and Safety Communication Management System Project video and visual tools that were prepared with the participation of employees were shared with all employees in order to develop a new approach and communication language regarding OHS issues.

With the theatrical trainings participated by our employees we aim to increase awareness about unsafe behaviors in work areas and to support work safety culture.

Awards

In 2018, the Forklift Safety Systems Project that was developed in Supply Chain Department received an award in the "Recommended Application" category of Turkey Metal Industry Union (MESS) Golden Glove Contest, in which the most successful occupational health and safety applications are recognized, while the Door/Panel Carrier Rollover Prevention Safety Tool Proposal that was developed in Refrigerator Product Department received an award in MESS Golden Proposal Contest.

You can find Occupational Health and Safety Policy in the "[Human Resources](#)" tab of the website.



RESPONSIBLE PRODUCTION AND CONSUMPTION

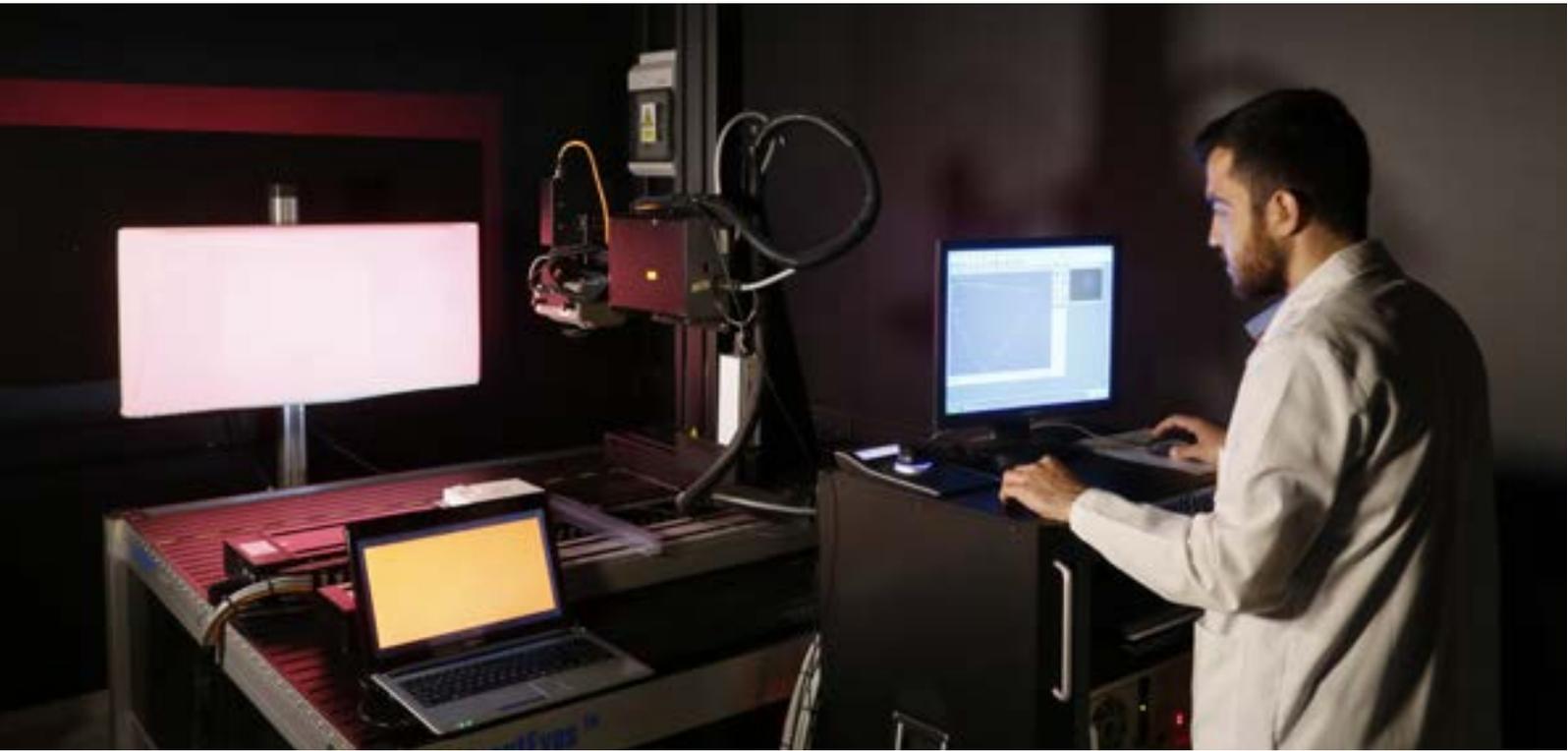
In line with its sustainability approach and commitment to tackle climate change, Arçelik works to minimize the environmental impacts of its products throughout their lifecycle thanks to new generation practices, and to reduce its environmental footprint by effectively managing all stages of value chain.

2020 Goals	2018 Results	2017 Results
<p>Energy Consumption per Product: 45% ↘</p> <p>Reduce its energy consumption per product in Turkey, Romania, China, Russia and South Africa operations by 45% in 2020, in comparison with the base year of 2010.</p>	<p>40.22%* ↘ (In comparison with the base year of 2010)</p>	<p>40.7% ↘ (In comparison with the base year of 2010)</p>
<p>Renewable Energy Investment</p> <p>Establish renewable energy systems with a total capacity of 6 MWp, by the end of 2020.</p>	<p>In 2018, renewable energy systems with a total capacity of 1.63 MWp were installed.</p>	<p>No renewable energy systems installed in 2017. 1.7 MWp renewable energy investment has planned for 2018.</p>
<p>Water Withdrawal per Product: 52%** ↘</p> <p>Reduce its average water withdrawal per product in its Turkey, Romania, China, Russia and South Africa operations by 52% as of 2020, in comparison with the base year of 2012.</p>	<p>48% ↘ (In comparison with the base year of 2012)</p>	<p>36% ↘ (In comparison with the base year of 2012)</p>
<p>Hazardous Waste per Product: 11%*** ↘</p> <p>Reduce its average hazardous waste per product in its Turkey, Romania, China, Russia and South Africa operations by 11% as of 2020, in comparison with the base year of 2012.</p>	<p>34% ↘ (In comparison with the base year of 2012)</p>	<p>9% ↘ (In comparison with the base year of 2012)</p>
<p>Waste Recycling Rate: 98%</p> <p>Increase its waste recycling rate in Turkey operations to 98% by 2020.</p>	<p>96.35%</p>	<p>96.42%</p>

* By the end of 2018, the energy consumption per product in Turkey, Romania, Russia and China operations was reduced by 45.59% in comparison with the base year of 2010 and 2020 target was accomplished. This year, South Africa operations included into the scope of Sustainability Report as well as 2020 targets. Thus, 2018 performance result was announced as 40.22%. As of this year, realised and target rates comprise Turkey, Romania, Russia, China and South Africa operations and "2020 Energy Consumption per Product" target has not been changed.

** China and South Africa operations and "2020 Energy Consumption per Product" target has not been changed. In 2018, water withdrawal per product was reduced by 48% and the goal for 2020 has been reached. Hence, the water withdrawal reduction per product goal was changed as 52% as of 2020, in comparison with the base year of 2012. Realized and target rates comprise the Turkey, Romania, Russia, China and South Africa operations.

*** By the end of 2018, hazardous waste per product in Turkey, Romania, Russia, China and South Africa operations was reduced by 34% and the target for 2020 was accomplished. Therefore, the hazardous waste per product target was closed.



Environmental and Energy Management 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 management systems is ensured by audits conducted by independent institutions which have international accreditation and periodic Internal System Audits. All locations of Arçelik in Turkey, Romania Arctic Refrigerator Plant, Russia, China, South Africa, Pakistan and Thailand operations have ISO 14001 Environmental Management System certificate. The key guide for environmental impacts that are managed, and the successful performance is Environmental Policy.

Information

You can access Arçelik's Environmental, Energy and Water Policy under the "[Sustainability](#)" tab on our website.

Arçelik works intensely to reduce environmental impacts by expanding its competency not only in its own organization but also in its value chain. In this scope, 4,436 employees in Turkey operations were offered a total of 7,628 person*hour, and 849 subcontractor employees a total of 1,156 person*hour of environmental training. In the same period, 1,632 person*hour of environmental training was provided to 2,176 employees and 2,028 person*hour of environmental training to 2,704 subcontractor employees, within the scope of the Romania operation. Also, 69 person*hour of environmental training was provided to 59 employees at the Russia operation, 284 person*hour of environmental training was provided to 284 employees, 2,445 person*hour of environmental training was provided to 2,269 employees and 442 person*hours training to 324 subcontractors in China operation.

The importance Arçelik attaches to environmental management is supported with investments on the relevant subjects in the term of employment. In this regard, TRY 22.75 million in Turkey operations, nearly 224,000 Euros in Romania operations, 207,000 Euros in Russia operations, 214,000 Euros in China operations and 432,500 Euros in South Africa operations were allocated to environmental protection and investment expenditures in 2018.

New Generation Production Facilities

Romania Arctic Washing Machine Plant

This new investment which represents a key step towards accomplishing the strategy of transforming Romania into a production base for Europe, is a milestone for Arçelik and Arctic. This new facility constructed according to Industry 4.0 standards will enable digital integration of employees into the production line through wireless communication. This facility will also be integrated with facilities operating under Arçelik brand. This new facility constructed in Romania will create new areas of employment in Dâmbovița till 2024 and contribute positively to the professional development of local workforce. This facility will be the first smart building of Arctic in Romania.

Arçelik Çerkezköy Electronics Plant

Çerkezköy Electronics Plant which represents the new generation technology in Turkey initiated its operations. 65% of the production in this smart plant which was put into practice with a total of TRY 500 million investment is exported to 48 different countries. The production process is executed on a single line integrated with 107 robots that support human power through digital technologies. A total of 15,000-person ecosystem is supported with auxiliary industry investments and employment of 700 people from the region.

Environmental Awards - Achievements

During the reporting period, Arçelik;

- received the first prize in “Management” category of the European Business Awards for the Environment (EBAE).
- was awarded the 2018 Turkey Climate Leadership prize by CDP Turkey.
- became the only industrial company from Turkey to enter the Emerging Markets Category of DJSI second time in a row.
- entered the Emerging Markets Index of FTSE4Good once again.
- was rated AAA by MSCI Global Sustainability Index fourth time in a row.
- was ranked within the BIST Sustainability Index fifth time in a row.
- won Recycled Plastic Consumer Lifestyle Product of the Year Award in Europe with Grundig Recycled Vacuum Cleaner whose plastic materials were recycled by 90%.
- won the first prize in “Innovative Environmentally-friendly Product” category of İstanbul Chamber of Industry (İSO) Environment Awards.
- received Environment Management and Corporate Social Responsibility Awards in Water and Environment Conference.
- was listed as Industry Mover in 2019 Sustainability Yearbook based on 2018 SAM Corporate Sustainability Assessment.

Combating Climate Change

Today, climate change is one of the key issues that the whole world should act together. As explicitly stated in [2019 Global Risks Report](#) of World Economic Forum (WEF), environmental issues rank among the top for the evaluated risks. Considering the probability and impact size, tackling climate change and compliance works rank among the top rows in both evaluations. In this regard, all stakeholder groups will play critical roles in solution suggestions and practices for the relevant risks. Arçelik continues its operations with the awareness that it's a responsibility to tackle this global risk.

Aconcagua Climb

A team of Arçelik employees climbed Mt. Aconcagua which is one of the highest peaks of the world, following their expeditions to Mt. Elbrus, the highest mountain in Europe and Mt. Kilimanjaro, the highest peak of Africa, with the aim to draw attention to global warming. Mt. Aconcagua, standing at 6,962 meters is located on the Argentina-Chili border and has 5 glaciers which go up to 10 kilometers.

The challenging climb of this team consisting of 6 people including Fatih K. Ebiçlioğlu, President of Koç Holding Consumer Durables Group, Hakan H. Bulgurlu, Arçelik CEO, Oğuzhan Öztürk, Arçelik CTO and Alp Karahansanoğlu, Arçelik Product Director for Dryers and Electric Motors, lasted in almost 15 days.

The documentary videos for the climb are available on [the website](#).

The Sustainability Council (the Council), which was established for the management of sustainability issues to determine corporate sustainability and climate change policies and strategies, to ensure their integration into corporate business processes and to monitor sustainability performance, and the Climate Change Coordination Working Group which reports to the Council to apply and expand the decisions taken for climate change.

Developing solution-oriented international collaborations in line with combating climate change, Arçelik supports steps taken, policies and commitments on this issue. Arçelik has been participating in CDP, the largest climate change initiative in the world since 2012 and shares examples of good practices by attending World Climate Conference regularly since 2011. Finally, Arçelik attended UN Climate Change Conference COP24 and represented Turkey.



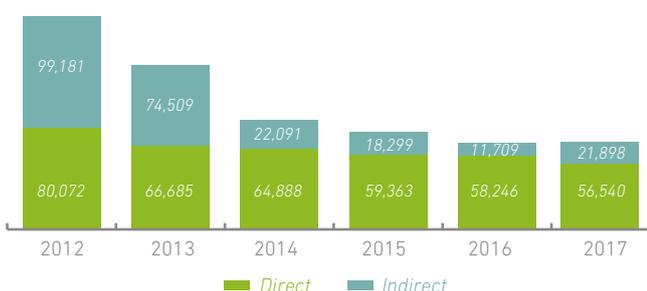
Project 2019: Everest Climb

Starting by the end of April 2019, Arçelik CEO Hakan Bulgurlu will attempt to climb Mountain Everest, the highest mountain on Earth standing at 8,848 meters, to raise awareness on climate change risks. Bulgurlu will try to reach the summit around three weeks using the northern route together with a team of five from different countries. Mount Everest is one of the globally known geographies hit hardest by global warming.

"It is not climate change; it is, in fact, a climate catastrophe. Since 2011, we, the Arçelik leadership have ascended Elbrus, Aconcagua and Kilimanjaro the highest peaks in their respective continents to draw attention to climate catastrophe and we're not stopping here! This time I embark on an expedition that will attempt summiting Everest. We still have time to change the future; let's act together and fast."

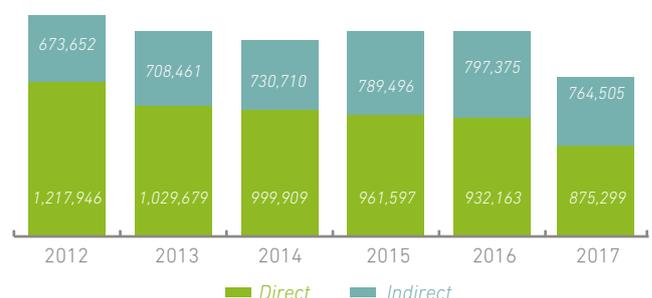
Hakan Bulgurlu

Greenhouse Gas Emissions (ton CO₂e)*



*Represents figures for Turkey operations.

Energy Consumption (GJ/Year)*



*Represents figures for Turkey operations.

Arçelik, a signatory to the Science Based Targets Initiative launched jointly 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.

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 operations, since 2016 in Russia operations and since 2017 in China operations. By means of the energy efficiency projects carried out in Turkey in 2017, greenhouse gas emissions were reduced by 50%, as against the base year of 2010. Arçelik's aim is to be a carbon neutral company in production in Turkey by 2025.

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 2017 by domestic, export and import logistics operations amounted to 163,859 tonnes of CO₂e.

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 Change and Water Program, entered in the Global A List in both programs and become one of the 25 companies in the world that achieved this success. In 2018, Arçelik ranked among the companies with the highest score in Turkey in both CDP Climate Change and Water Programs and was awarded with CDP Turkey 2018 Climate Leadership.

Global Support to Energy Efficiency for Combating Climate Change

In emerging markets, Arçelik increases its support for transition to energy-efficient products and brings 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 of the SDGs; "Accessible and Clean Energy". With this new partnership, Arçelik committed itself to increase its support for transition 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.

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 SDGs. 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 Program 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).

Following the verification of 258,000-ton CO₂e reduction obtained with the sales of high energy-efficient refrigerators between 2013 and 2018 in line with Energy-Efficient Refrigerators Carbon Finance Project carried out in Turkey, Arçelik is planning to launch this to the market.

Air emission management studies are carried out to protect air quality and measurement results of important air emission parameters such as CO, VOC and dust prepared by independent accredited laboratories measuring the level of compliance with the legislation are shared with official institutions. The emission values of all operations are below the legal limits.

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.

82,981 GJ energy is saved through a total of 148 energy efficiency projects while a reduction of 7,966 tonnes of CO₂e is obtained in greenhouse gas emissions in Turkey, Romania, Russia, China and South Africa operations during the reporting period.

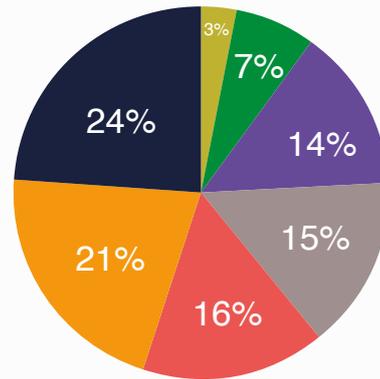
Pressure 5.0 Project: The project of reducing air compressor pressure set value in a controlled manner is applied at Arçelik Washing Machine Plant. After all the revisions, while compressor discharge pressure is reduced from 6.4 Bar to 5.0 Bar, the pressure loss between compressor discharge and line end is reduced to 0.2 Bar. With this project, **1 M kWh** electricity saving is obtained and **470 tonnes of CO₂e** greenhouse gas release is prevented annually.

LED Lighting Transformation Project with Government Incentive: 720 fluorescent, 215 metal halide and 25 sodium vapor high ceiling type conventional lighting have been changed with LED lightings in Eskişehir Compressor Plant; and DALI lighting automation works with daylight sensors has been implemented. With this Project, **500 MWh** electricity saving is obtained and **220 tonnes of CO₂e** greenhouse gas release is prevented annually.

Reducing Burning Periods of Hangers with New Design: In Arçelik Tumble Dryer Plant, the current design of hangers used in paintshop process is revised and burning periods of the dried residual dyes on hangers are shortened. With this Project, **20,000 m³** natural gas saving is obtained and **40 tonnes of CO₂e** greenhouse gas release is prevented annually.

	Number of Projects	tCO ₂ e	GJ
ARÇELİK TURKEY	120	6,252	65,788
ARCTIC ROMANIA	10	1,053	10,347
BEKO LLC RUSSIA	8	547	5,689
BEKO CHINA	1	35	285
DEFY SOUTH AFRICA	9	79	872

The distribution of energy efficiency projects conducted in Turkey operations in the reporting period is given on the right.



■ Lighting ■ Compressed Air ■ Natural Gas ■ Electricity ■ Production-Process ■ Electric Motors ■ HVAC

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 TRY 76.3 million in Turkey operations and 1,650,500 Euros in Romania operations were allocated to the research and development studies for environmentally friendly products in the reporting period.

Improvement of 4.7% was achieved in the average energy consumption of all cooking appliances in Turkey operations in 2018, thanks to the energy efficiency studies for products.

In the same period, improvement of 3.8% was achieved in the energy consumption of all televisions. The energy consumption levels in all dryers, dishwashers and refrigerators produced in the plants in Turkey were maintained as previous year. As a result of the increase in the share of high-capacity washing machines, the average energy consumption increased by 1.9% in all the washing machines produced. During the reporting period, total savings of 75,743 GJ are achieved in annual energy consumption of the products produced in all plants in Turkey compared to the previous reporting year.

Arçelik continuously produces appliances with higher energy efficiency classes and aims to increase the percentage of energy efficient products' turnover in its total revenue. In 2018, 53% of Arçelik's revenue was generated through the sale of energy efficient products.





60cm & 70cm High Energy Efficient Deep Combi Refrigerator

- A+++ energy performance
- Greater capacity access
 - 70 cm: 501 liters net volume
 - 60 cm: 362 liters net volume (203x60 cm in product) & 324 liters net volume (186x60 cm in product)
- SmoothFit technology: Easy to pull drawers to the end with 90-degree door opening
- FullFresh+ feature: Up to 3 times longer storage of fruits and vegetables
- FreshGuard technology: Eliminates bad odors in the refrigerator up to 90%
- Duo Cooling No Frost Technology ensures that the odors of the coolers and freezer compartments are not mixed and that the foods in the cooler compartment are protected from freezing



Washing Machine / Washer Dryer

- Contribution to nature by using recycled PET bottles as plastic raw materials in washing machines and washer dryers' tubs



Tumble Dryers

- Contribution to the protection of the environment by providing A+++ energy level in a smaller volume using less plastic material
- Contribution to combatting climate change with the use of refrigerants with a value of 3 for Global Warming Potential instead of the existing refrigerants that have the value of 1,300



Dishwashers

AutoDose

- AutoDose technology automatically releases the right amount of liquid detergent according to the selected programme
- No need to load detergent for up to one month
- No risk of any detergent remaining on the dishes during shorter programmes
- When the detergent is about to run out, Auto Replenishment technology allows user to reorder detergent via HomeWhiz application

New Performance Level

- A+++ energy level
- Low water consumption in high capacity products with 7 L water consumption, optimum performance and efficiency
- 15 place settings capacity

Project 2019: Sustainable Products

Grundig produces high performance plastic materials by recycling polyamide based plastic wastes including ghost fishing nets, which constitute a major threat to marine life. These high performance plastic materials are being used in oven productions since December 2018.

Air Conditioning

- Production with R32 refrigerant among all the house split type air-conditioning products in Turkey in the range of 9,000 and 18,000 BTU / h capacity
- Maximum contribution to the environment by reducing the refrigerant used in air conditioners by 25%

5A Power Level Vacuum Cleaner with Bags

- First 5A product in Arçelik's portfolio of products with bags
- A Class noise quality certified by German SLG agency
- Suction power exceeding 250 watts in the A energy class with the efficient flow system design
- The most efficient air flow system design (38%) in its class



Quiet Mark Certified* Most Silent Bagless Vacuum Cleaner

- Most silent in its class (63 dBA)
- Quiet Mark Certified*
- A++ energy level
- 3L broad capacity
- TrayClean easily cleanable next generation dust chamber
- 99.98% dust holding capacity with the HEPA13 filter
- Up to 12 meters of access with its long cable

*UK Noise Association, international approval award program



Quiet Mark Certified* Ultra-Silent Hairdryer

- Ultra-silent (66 dBA)
- Quiet Mark Certified*
- 2 speed levels
- 3 temperature levels
- Ionic function and cold air blow option

*UK Noise Association, international approval award program



Zio+ Vacuum Cleaner with Bags, Produced from Recycled Materials

- Use of 100% recycled polypropylene
- Ecology-friendly renewable material
- Environmentally-friendly and ensures sustainable raw material/material flow



Resource Efficiency in Production

Arçelik, acting as the pioneer of the sector with its ever-growing and environment-friendly technologies, gives priority to the circular economy in its operations. In line with circular economy principles, Arçelik makes major contributions to gaining recycled materials to economy and efficient use of limited natural resources of the world.

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 non-hazardous waste reduced approximately by 0.5%, while the amount of hazardous waste reduced by approximately 19%. In the reporting period, the hazardous waste recycling rate was 97.46%, the non-hazardous waste recycling rate was 96.32% and total waste recycling rate was 96.35%.

In 2018, the use of self-oiled gasket was started in Ankara Dishwasher Plant by cancelling the gasket lubrication process and the production of 1.4 tons of hazardous waste per year was prevented. In Bolu Cooking Appliances Plant, a shaking system was installed to collect enamel powders which move on the line by accumulating on trays. Thus, annually 27 tons of enamel waste has been reduced. With the improvements made in the product transportation system from the services in the Electronics Plant, 48 tons of waste panels and 20 tons of packaging waste were prevented. Dye consumption decreased by 7.7% on average compared to 2017 thanks to the dyeing plant efficiency in the Tumble Dryer Plant. 14 tons of hazardous waste reduction was realized thanks to oil separation plant efficiency studies in the Eskişehir Compressor Plant.

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

Support for Zero Waste



Arçelik supports and conducts 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, terminals, educational institutions, shopping malls, hospitals, entertainment and recreation facilities, big workplaces in Turkey. Arçelik aims to reach the zero-waste goal by focusing on the following activities:

- Transition to processes / products which do not produce waste in any occasions by process-based focus on waste. If not possible, focusing on the principle of producing the least waste,
- 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.

Turkey	Recovery (ton)	Disposal (ton)	Recycling Rate (%)
Hazardous Waste	2,202	57.41	97.46%
Nonhazardous Waste	82,539	3,156	96.32%
Total	84,741	3,213	96.35%

Performing the new project in sustainability, Foaming Technology in Plastic Injection Process, Arçelik develops innovative foaming methods for plastic injection process. Controlled gas bubbles are generated in polymer matrix as a result of developing of the formulation, process parameters, part and mold designs. Thanks to this study, Arçelik decreased the consumption of 150 tons of plastic raw material from the beginning of the Project until 2018 year-end by this foaming effect. As the Project expands, the target is to save 500 tons of plastic raw material and 5.6 million kWh energy equivalent to the annual electricity consumption of 1,600 households and to prevent 750 tons of carbon dioxide emissions. Arçelik owns intellectual property rights of foaming themed project and invention prize of the year was in 2017 given for it.



Green Purchasing Movement

In line with Green Purchasing Movement initiated, Arçelik established Green Purchasing Principles, policies and procedures. With this movement, Arçelik aims to 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 all agendas and calendars of all brands were provided with Forest Stewardship Council (FSC) certificate. Efforts to increase FSC-certified print works continue in new business programs.
- 83% of product packaging is supplied from FSC-certified sources and consists of 100% recyclable cardboard, recyclable plastic and ISPM certified wooden pallets. The cardboard packaging of the Eskişehir Refrigerator Plant resulted in the saving of 1,300 tons of paper by using 275 gr craft carton instead of 186 gr craft carton.
- A total of 30 million A4 pages have been saved through simplification efforts for product instruction booklets.
- To purchase office furniture for the new investment projects, environmentally friendly supplier terms are determined and applied that are highly adapted to international standards.
- 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	2018
Plastic	108,076	107,600	82,935	200,878	139,907	95,400	83,651
Metal	290,929	304,061	239,209	267,509	306,573	291,439	303,642
Other Materials*	354,080	407,147	400,544	244,077	320,375	297,353	316,812
Chemicals**	8,136	74,583	79,128	79,067	11,060	8,732	9,236
Total	761,221	893,391	801,816	791,531	777,914	692,924	713,341

* 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

Water resources are at major threat in its current use; this makes it compulsory to put into practice more effective studies for water which is a basic natural source. Arçelik’s integrated water management comprise of targets such as developing intelligent and holistic water strategy, promoting innovation, strengthening cooperation and supporting campaigns that raise awareness of conscious consumption.

In 2018, the total amount of water withdrawal was reduced by approximately 19% in Turkey operations, 4% in Romania operations, 7% in China 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 235,000 m³ in Turkey operations, 2,548 m³ in Russia operations and 7,197 m³ in China operations in 2018.

In the reporting period, 11,345 m³ water as wastewater resulting from the functional test system available in assembly lines and a total of 88,425 m³ water were recycled and reused in Çayirova Washing Machine Plant. Water was reused in salt box station conducted in Ankara Dishwasher Plant; conditioned water requirement was reduced in dyeing and auxiliary plants to achieve 12,557 m³ water saving. 7,409 m³ of water was recycled in Bolu Cooking Appliances Plant through domestic and industrial wastewater recycling studies, 5,530 m³ of water was recycled in Çerkezköy Tumble Dryer Plant thanks to water saving studies. 16,875 m³ of water was recycled in Eskişehir Refrigerator Plant through minimizing the use of chemicals with the automatic measurement of pH and conductivity; and a total of 50,000 m³ water was saved through efficiency projects in dyeing plants. 7,197 m³ 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 efficiency studies.

Arçelik performs superior performance in order to protect water resources and biodiversity in the operation regions and ensures that the discharge water is managed in such a way that it is below the water discharge standards stipulated by the laws. 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, Chemical Oxygen Demand (COD) values of water discharged from Arçelik Plants in Turkey, Romania, Russia and China were well below the legal limit values.

International Success of Arçelik

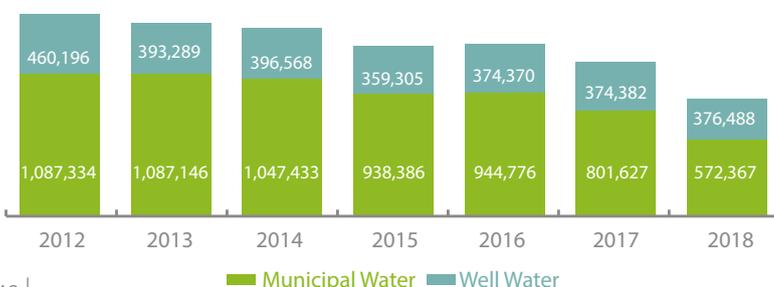
In 2018, Arçelik was rated with B performance in the CDP Water Program, one of the most important and most widespread environmental initiatives in the world.

Reuse, Recycling and Disposal of Products

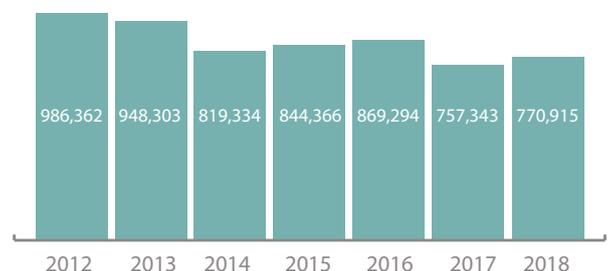
Arçelik manufactures products with high recyclability rates and carries out sector-leading projects on recycling of products that complete their lifecycle.

Arçelik, through its widespread authorized dealer and service network, carries out the reuse, recycling and disposal of its end-of-life products in its waste electrical and electronic goods (WEEE) recycling facilities. In accordance with ISO 14001 Environmental Management Standard, Arçelik fulfills the legal requirements by considering all the environmental impacts of its products throughout its lifecycle and plays a leading role in national and international initiatives operating in the field of recycling of products.

Total Water Withdrawal by Source* (m³)



Discharged Water Amount* (m³)



*Represents figures for Turkey operations.

Arçelik and Circular Economy

In 2014, acting with extended producer responsibility, Arçelik established waste electrical and electronic equipment (WEEE) recycling facilities in Bolu and Eskişehir in order to regain its products in nature and to encourage the evaluation of its products as a resource.

While refrigerators are recycled in Eskişehir, other white goods and small home appliances are recycled in Bolu. The recycling plant in Eskişehir is the first recycling plant in Turkey capable to collect the CFC (chlorofluorocarbon) gases harmful to the ozone layer that exist in old refrigerators through closed system. Materials such as plastics, iron, copper and aluminum obtained from WEEE recycling plants are gained for the economy in compliance with resource efficiency.

In 2014, Arçelik initiated Turkey's greatest recycling movement with the motto "Let's Return to Nature." In the campaign, all old white goods and televisions, regardless of their brands, were changed with the new and efficient Arçelik products. As a white goods manufacturer in Turkey, Arçelik, the first and only company to set up its own recycling plant, also initiated Great Renewal Movement in 2018 and took used white goods regardless of their brand from end-users' and replaced them with new environmentally friendly products. Between the years of 2014-2018, the energy saving as a result of the recycling processes within the two plants is 202.1 GWh. This amount is equivalent to the annual energy production of 32 wind turbines with a capacity of 2.5 MW. Between the years of 2014-2018, approximately 100,000 tons of CO₂e emission was prevented and 3.6 million tons of water was saved by replacing the old technology with new environmentally friendly products. The total amount of water saved is equivalent to the daily water consumption of about 4.5 million households.

Another successful work of Arçelik in recovering wastes to economy is the recently produced electric vacuum cleaner. Grundig electric vacuum cleaners with 90% recycled plastic rate were produced using plastic materials obtained in Arçelik's WEEE recycling plants to raise awareness on recycling of white goods completed their lifecycle. With this product, Arçelik was awarded as Recycled Plastic Consumer Lifestyle Product of the Year by the Plastics Recycling Show (PRS) Europe organized in Amsterdam in April 25th, 2018.

Prioritizing the preservation of natural resources for the sake of the Earth's future, Arçelik develops projects to recycle wastes that cause pollution via the innovative technologies it develops. Thanks to patented technology, by using recycled PET bottles inside the plastics in the tubs of washing machines, Arçelik recycled 15 million PET bottles from the beginning of the project until 2018 year-end. As the project expands, the target is to recycle 25 million PET bottles; thus, to save 5.7 million kWh energy equivalent to 1,700 households annual electricity consumption and to prevent 885 tons of carbon dioxide emissions. Arçelik won the first prize in the "Innovative Environment Friendly Product" category of the Environment Awards organized by Istanbul Chamber of Industry with its high-performance, innovative, and environmentally friendly washing machine and a washer dryer tub produced by recycled PET bottles.

To increase awareness of waste fishnets which constitute a significant risk for marine life and to create added value to the waste materials to recover them to the economy, Arçelik used waste fishnets within the plastics that require high performance. The developed product was exhibited in white goods and recycling fairs to raise awareness.

Plastic parts used in industries such as white goods, automotive and construction are made of oil-based resources. During the manufacturing process of these plastics, limited sources are used, and high amount of carbon dioxide emissions occur. Arçelik has developed bioplastics using plastics produced from natural sources such as corn starch, creating alternatives to petroleum-based plastics. In addition to expanding the lifecycle of bioplastics, Arçelik obtained major improvements in their mechanical durability and endurance. In developing bio-based plastics, Arçelik is in cooperation with partners from different EU countries in the scope of BIO4SELF Project under EU Horizon 2020.

In 2018, Arçelik was awarded with first price in "Management" category in EBAAE through its successful studies in sustainability and projects in circular economy.

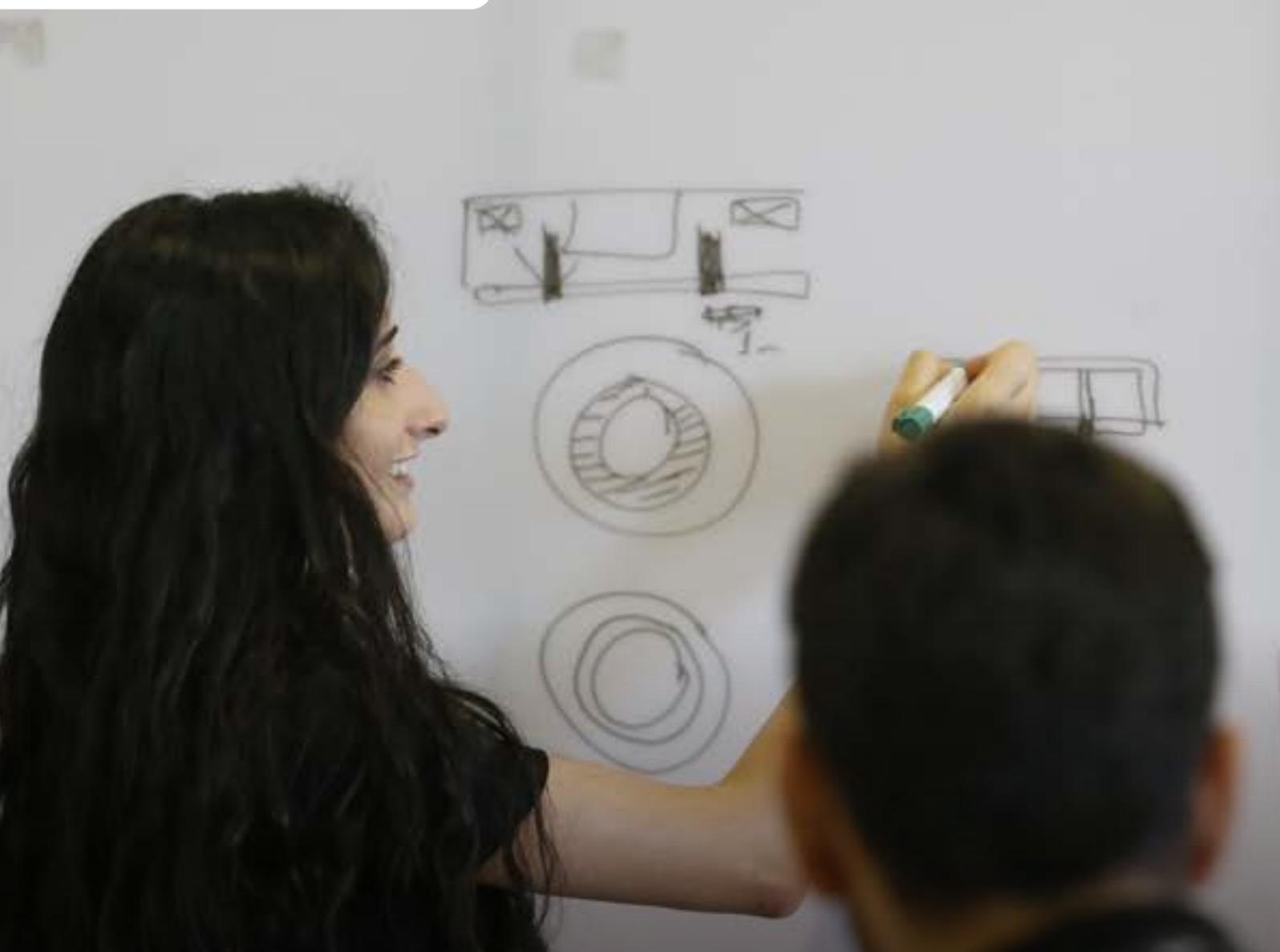
Recyclability Rates of Raw Materials and Other Materials Used in Arçelik Products

Material	Status
Metal	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.

Arçelik Products Recyclability Rates

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



R&D, INNOVATION AND DIGITALIZATION

Our sustainability approach brings together new generation products and services which are among the most important pieces of our business structure. In the direction of our company's global vision and by closely following the development in the modern world, we develop products, services and processes that will provide global competitive advantage to our company.

2020 Goals	2018 Results	2017 Results
<p>Increase the number of the R&D and Innovation Projects and Collaborations</p> <hr/> <p>Increase the number of platforms where the Company will develop projects with different stakeholder groups in the field of innovation.</p>	<p>24 H2020, 3 TÜBİTAK Industrial Innovation Network Mechanisms, 14 TÜBİTAK 2244 (Doctorate in Industry), 3 TÜBİTAK 1004 (Center of Excellence) and 9 EUREKA projects were implemented in 2018. The aim was to implement innovative and high-tech projects and provide information transfer. The outcome was 1,635 ideas from 21 workshops, 88 prototypes and 11 concepts. Within Supplier Innovation Program, 206 ideas were developed, and 6 ideas were targeted for concept approval (PoC - Proof of Concept) and kicked off with suppliers.</p>	<p>Represented Turkey in MIKTA (Mexico, Indonesia, South Korea, Turkey and Australia) Innovation Leaders Platform. Within the scope of Supplier Innovation Program 2 workshops were held at Arçelik Garage with Arinkom TTO and Anadolu University.</p>

Research and Development

With its 27 years of R&D experience, 17 R&D and Design centers in Turkey and around the world, more than 1500 researchers and international R&D cooperation network, Arçelik continues to add value to the lives of humans in six continents. As it is mentioned in the company vision statement, developing products that are respectful to the Earth is the most important aspect of Arçelik R&D's strategy and it continues its work towards products with minimum energy, water consumption and noise level that are produced with recyclable and environmentally friendly materials with full speed. In addition, the innovation concept in the Company's genes manifests itself with products that are user-focused, that ease users' lives and exceed expectations. The technologies of the digital transformation age become influential in increasing number of products every day. They provide the functions like remote control, energy and water consumption tracking and other functional features.

With 14 R&D and Design Centers in Turkey, Arçelik has the highest number of R&D centers among Turkish private sector players. In 2018, WAT, TOKEN, Beylikdüzü R&D Center and Small Home Appliances R&D Center got their certifications per the law numbered 5746. With the newly established R&D office in Wuxi, China the number of R&D offices abroad increased to three. Arçelik arranges many multi-faceted innovative technology development activities in collaborations it established with domestic and foreign large companies, small and medium-sized establishments, universities and research institutes. With its 16 ongoing projects at European Union Horizon 2020 Program, Arçelik has the most project among Turkish private sector companies and has more than 500 universities, research institutes and company partners from more than 20 countries in Europe. Arçelik also involves in 16 completed Eureka projects, four Eureka and three Eurostars ongoing projects. In 2018, Arçelik applied for many joint projects with universities in Turkey in 2,244 Industries in line with Doctorate and 1004 Center of Excellence Programs.



In addition to developing new technologies at R&D, Arçelik is also making great effort to protect these technologies. More than one third of the patent applications to World Intellectual Property Organization (WIPO) from Turkey are by Arçelik. Arçelik achieved a major success by rising to the 67th place in WIPO's list of "Companies with highest number of international patent applications". Arçelik is thus rightfully the only Turkish company in this list.



Arçelik continued to increase its R&D expenditure in 2018. It became one of the four Turkish companies that were included in the "2018 EU R&D Scoreboard" that lists 2,500 companies around the world with the most R&D expenditure.*



Arçelik is the Most Successful Turkish Private Sector Company in the EU Horizon 2020 Program.**



Arçelik was awarded the first prize in the 2018 Plastics Recycling Awards Europe with its Vacuum Cleaner Produced from Recycled Plastic Material Project.



Arçelik was declared the champion by IoT Security Foundation in November 2018 in the TechWorks Award Ceremony.

* Acc. to 2018 R&D Scoreboard study of the European Commission (<http://iri.jrc.ec.europa.eu/scoreboard18.html>)

** Acc. to EU Horizon 2020 Program and data on TUBITAK website (www.h2020.org.tr)

New Business Fields

In 2018, in order to support the entrepreneurs and open doors to new technologies, Arçelik initialized hardware-focused acceleration project, BIGG, with the 1601 support it received from TUBITAK (Scientific and Technological Research Council of Turkey). The entrepreneurs, who were selected among the people who applied to the program via BIGG Arçelik Garage Program, develop their own prototypes using Arçelik Garage Infrastructure in a one-month long expedited entrepreneurship program and can also benefit from mentorship of experts. At the end of the expedited program, 8 of the 47 entrepreneurs that applied to the program were directed to the second stage to receive 200,000 TRY grant from TUBITAK.

With the new Smart Asistant, Asista, developed with the Turkish natural language comprehension technology during 2018, users will be able to cook using interactive cooking recipes, follow the markets, play games, listen to podcasts and music services, find the nearest hospital and reach many information that can ease their daily lives. They can also voice-control the supported devices such as TV, A/C, smart bulbs in their homes. In the cooperation Divan Hotels by adding English and Arabic support to Asista smart hotel applications and room automation were developed.

Work for the Smart Health Terminal (Health Kiosk) has started. Health Kiosk which aims to automatize medical measurements and is supported with voice and visual assistants will help manage the traffic in hospitals, increase the flow of current patients, standardize the measurements, digitize patient records and setup the TeleMedicine infrastructure.

In 2018, Arçelik added studies for personal identification, emotion analysis, vehicle counting, product perception and individual tracking to the already initialized studies for tag and vehicle identification. The services such as automatic payment systems that will enable to make payments in gas stations without leaving the vehicle and analyzing the most demanded products on the shelves of shopping sector by tracking people will also be provided.

Open Innovation

The new generation R&D Center Arçelik Garage, which carries on the studies to develop customer-focused concepts and has competency top develop prototypes in real product quality, was founded with open innovation approach. Arçelik Garage, which provides a common creative work place to encourage entrepreneurship and speed up the process of transition from idea-to-product and from product-to-market using the design-oriented thinking technique and advanced digital prototype platform, provides the necessary infrastructure and expert support to all Arçelik employees who want to turn their ideas into reality. In this context, in 2018, 1,635 ideas, 88 prototypes and 11 concepts were introduced in 21 workshops.

Cooperation with highly reputable universities and research institutes are carried out in Taiwan, China and the United Kingdom, where offshore R&D offices are located. Just under the European Union Horizon 2020 Program there are more than 50 projects carried out together with international universities and research institutes.

In the extend of Next Big Story Project which is one of the best examples for engagement of different stakeholders in Arçelik, the multidiscipline teams formed of members from Central R&D, CMI, Product Management, Brand, Marketing, Consumer Tendencies and Industrial Design came together to develop an idea that could be presented in 2018 IFA. During the four-month long project the teams produced new ideas generated from customer needs. They tried to understand consumer needs by arranging home visits, teleconferences with target markets, development studies with users, meetings with unconventional personnel of textile firms and fashion designers. 152 new ideas, 17 prototype and 3 NBS candidate concept were produced. Among these concepts, AquaTech was presented in 2018 IFA expo.

In order to enrich the Smart TV platforms with artificial intelligence, by establishing cooperation with Amazon in studies to develop Alexa built-in TV in which Amazon Alexa services that have interactive voice and visual assistance features would be embedded, the first Amazon built-in TV in Europe was designed, readied for production and put on the market.

Supplier Innovation Program

Arçelik R&D employees and managers and Arçelik Suppliers' representatives attended to the Supplier Innovation Program that was initiated with the collaboration of Arçelik Procurement Department, Arçelik Cooking Appliances Establishment R&D units and Garage. This event that was performed in September 2018 was organized to strengthen the suppliers' innovation capabilities and to develop Arçelik-Supplier common innovation cooperation. The workshop work was done with Design Thinking innovation method and at the end of the work teams presented their projects. The event ended with presenting certificates to the attendants. 206 ideas were introduced and Proof of Concept (PoC) for six ideas were planned and studies for this objective were started with the suppliers.



Smart Home Solutions

Working to ease the daily lives of users in their houses, Arçelik brings together smart home technologies with the consumers. Company's smart home technologies enables to control home appliances such as refrigerators, washing machines, dryers, dishwashers, built-in ovens, built-in hobs, built-in hoods and Air Conditions in integrated platform via smart phone, tablet, and smart TV using remote control as well as voice command. Our HomeWhiz Platform that combines Wi-Fi/BLE connection technologies and Mobile/Cloud technologies under one frame provides users new features such as remote control, software update, application download, instant notification.

Developing technologies that enable all devices communicating with each other and easing the consumers' lives are among the top strategic items in Arçelik R&D and Product technology agenda.

AutoDose dishwashers that automatically place order upon depletion of detergent have started being offered for sale. Offering comfort to daily life, with this feature depletion of detergent is no longer a problem and users are never left without detergent.



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.

At Arçelik, the digital transformation is managed by central units and work units that are connected to Strategy and Digital Deputy General Manager, working in coordination in three-year-long roadmaps.

The duty of the Strategy and Digital Deputy General Manager is to ensure the adaptation of the changes in the company's ecosystem together with the developing technology to the expectations and needs of the customers that turn from the product use to product experience.

Arçelik digital transformation studies are carried out in four main topics such as customer, product and services, processes/systems, intra-company focused studies.

Customer-Oriented Studies:

These have been carried out for a long time both in Turkey and other major markets including all digital channels. Our objective is to manage the customer purchase and ownership experience at top level using digital technologies. The target is to improve the customers' journey in digital and offline channels from beginning to the end. From our brands' internet sites to our dealer and service network in Turkey there is a deep and radical digital transformation occurring in every point where there is customer contact. For instance, while we steer service to the customer from our service centers, we can create new value in both productivity and capability using new generation integration.



Digital Transformation in Products and Services:

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.

Internal Studies:

The Global Process Owners (GPO) 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 will be combined in the same application; thus, improving employee efficiency and internal communication.

Digital Transformation in Processes and Systems:

All processes of the company are examined from a to z and the opportunities for digitalization are detected. For instance, automation in processes is obtained through Robotics Process Automation (RPA) in procurement and supply chain processes, and by digitalizing routine manual works in which employees do not create value, we helped employees spare more time to works with high added value. The target is to take the most critical steps towards paperless office.

As of 2019, we gave pace to digital transformation approach by including Data Analytics and Artificial Intelligence. Arçelik establishes central units that support the four main branches and aims to create value out of data.

Atölye 4.0



Research and Experience Center for Advanced Production Technologies: Atölye 4.0

In 2018 Arçelik performed successful works on designing next generation agile production models that can respond to customer demands as soon as possible and creating smart digital factories that are monitored from end-to-end and which create value from data.

Designed and constructed with digital and robotic technologies from the planning stage to carry out product with maximum efficiency using the latest technology, the Çerkezköy Electronics Factory started operating in 2018. It is aimed to double production efficiency at the factory where the production processes are controlled with software-based fully-automatic systems and managed with an environmentally-sensitive and sustainable business model.



With the Atölye 4.0, established to continuously develop the Industry 4.0 capabilities of the factory, it is aimed to develop specialization in the fields of process modeling and optimization, smart automation systems and decision-making systems based on data. Many successful projects were also performed with companies at the Atölye 4.0.

There are two prominent national and international projects that were implemented with private sector, start-ups, technology suppliers and universities within the framework of the innovation ecosystem created at the Atölye 4.0 Center. Innovative models were developed for increasing efficiency in digital factories with the Improve Project put into force within Horizon 2020 project in August 2018; and the problem recommendation by Arçelik under ESMERA Project, a HUB funding supporting SME's creating robotic solutions achieved the success of ranking in the top four among all the applications throughout Europe.



SUSTANABILITY MANAGEMENT IN THE VALUE CHAIN

Our sustainability approach aims to support stakeholders in the value chain with new generation projects, to add different experiences and to extend the value created together to different stakeholder groups by expanding it.

2020 Goals

Develop Supplier Sustainability Index

Reduce the rate of medium and high-risk suppliers to 8% by 2020.

2018 Results

Based on the Sustainable Supplier Index Project, **36%** of the suppliers covered during the reporting period were evaluated among which **10%** were included in the risky category.

2017 Results

Sustainable Supplier System Project is initiated to identify the suppliers constituting risks and high risks in terms of sustainability and to establish the sustainable supplier objective. The Project is planned to be completed in 2018.

Supply Chain

Extending the sustainability approach to all supply chain is of great importance for Arçelik. Thus, the Company supports sustainable business success of not only Arçelik but also its suppliers. Arçelik ensures the sustainability of the purchasing operations through risk management processes, supplier audits, communication activities and local purchasing practices. The Company manages its purchasing operations to meet the expectations of its customers and to provide lasting competitive advantage to the Company, creating added value for all the stakeholders in the value chain.

Arçelik is among the signatories of APPLiA's Corporate Social Responsibility Code of Ethics and 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 its supply chain. The purchasing activities are carried out in line with the Responsible Purchasing Policy established in 2016 in the light of these international initiatives and agreements.

All contracts signed with the suppliers indicate Arçelik's expectations and related conditions with reference to Arçelik Responsible Purchasing Policy. Within the scope of the policy, suppliers are provided with various trainings and audit their compliance with the supplier code of conduct, including legal practices, working conditions, ethical rules, occupational health and safety, and Arçelik's expectations in environmental areas. Corrective actions aimed at nonconformities that emerge in result of the audits are planned and actions taken in relation to these plans through follow-up audits are monitored. 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.

In 2018, 19 suppliers in total, of which 13 from Turkey and 6 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, 224 areas open for improvement were identified in total. Firms that completed follow-up audit in 2018 corrected 60% of the incompatibilities. Approximately 30 supplier audits are planned for 2019.

Information

You can find our expectations from our suppliers in the issues of legal practices, working conditions, ethical principles, occupational health and safety, and environment on our [website](#) and [supplier portal](#).



In the reporting period, the total number of suppliers that passed the business ethics evaluation was 279, which constitute 15% of the total number of suppliers. The Supplier Sustainability Index Project was launched in 2018 to subject all of the suppliers to this assessment. With this project, suppliers with risk and high risk will be determined in regard to sustainability. In the reporting period, 36% of the suppliers who are included in this scope were evaluated 10% of the suppliers that were evaluated are in the suppliers with risk category. These suppliers were included in the code of conduct audit plan for 2019. Moreover, the suppliers will receive trainings on environment, code of conduct and occupational health and safety in 2019.

Our stakeholders can notify the Purchasing unit about suspicious acts or violations of business conduct on part of our suppliers via purchasing@arcelik.com or by calling the numbers on our [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 2018 and performed a total of 1,167 supplier visits for support purposes.

Arçelik considers supplier trainings as one of the most important components of supplier development studies. In 2017, Arçelik offered 12 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 1,536 person*hour of training to 291 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 2018, the Company carried out 136 projects with 60 suppliers. Out of these projects, 29 of them were aimed at automation and enhancing labor efficiency. And 82 robots were activated and labor savings equivalent to 41 operators were obtained.

Regarding sustainability, energy efficiency studies were put into force in addition to projects on Environment and Occupational Health and Safety in 2018. In this context, 87 energy projects were completed and a total of energy saving of 10.46 million kWh/year was achieved.



Conflict Minerals Management

Conflict Minerals Project was launched in 2016 in line with Arçelik responsible purchasing principles. In this project, Arçelik Conflict Minerals Management System 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. Arçelik Conflict Minerals Policy is available at [Arçelik's supplier website](#).

The Purchasing Academy Program, which first launched in 2013 and continues in 2018 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. 63 employees in total from our Turkey and international operations received training, while 9 employees completed the program and graduated in 2018.

In 2018, the Company put into force some studies with the management of the Assistant Industrial Development Department in order to raise awareness in Energy Efficiency in Assistant Industries. Suppliers who attracted attention with Energy and Environment projects received special prizes on Arçelik supplier day. Assistant Industries Energy Day events were organized to raise awareness in energy efficiency and energy management of assistant industries business partners in Eskişehir and Istanbul.

In collaboration with Bolu Chamber of Commerce and Industry, Arçelik organized 'Environmental Legislation, Environmental Management and Practices Training Seminar' for its suppliers in Bolu. The participants were presented with pencils with pine seeds prepared by Bolu Cooking Appliances Plant.

Supplier Innovation Program

Arçelik aims to conduct joint R&D activities with its suppliers through Supplier Innovation Program it put into practice and to design products, technological innovations and services that will carry institutions and the society further as a result of these activities. In this regard, Arçelik organized an innovation workshop in Arçelik Garage in its new generation R&D Center. Over 200 ideas emerged, and 14 presentations were submitted in this organization that hosted a total of 80 participants. This event which will continue in the years ahead aims to strengthen the innovation capabilities of suppliers and to improve Arçelik-Supplier joint innovation cooperation.



Customer Experience

New generation customers are more informed, more active and ask for more. Changing customer habits due to evolving technologies and digitalization require companies to be more proactive. Arçelik which desires to remain innovative and pioneering within its sector in the changing world of retail, takes consumer requirements in the center of its business. Starting off with the motto "We have customers in the heart of our business," Arçelik combines the powerful points of its authorized dealer and service network with the shopping journey of its customers through Financial Transformation Project, and transforms itself to a digitized, personalized, data-oriented, flexible and agile service brand to offer a seamless experience to its customers.

With a desire to carry out this transformation through the Customer Experience Directorate founded in 2017, Arçelik aims to be a technology and solution partner that accompanies its customers through its products and services and eases their lives. 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. Arçelik offered this model that will change the standards of retail in Turkey in 3 different concepts including Flagship, Concept Plus and Concept Stores. In 2017, the Company offered service in 4 Flagship Stores; and continues to offer service in its 80 Concept Plus and 1,200 Concept Stores.



İstinyePark Experience Store

The customers of 21st century desire not only to look at the products but also to touch them and to experience their technology. At Arçelik, we offer joyous living spaces for customers to help them experience the technology and have a joyful time. We developed new generation store model by taking customer experience in the center of our products and services. In line with this approach, we opened İstinyePark Store, the greatest experience store in Turkey.

İstinyePark store in which digital retail transformation takes place and which brings a new perspective to the sector is equipped with digital technologies suitable for new generation retail trends. This store offers its customers the opportunity to experience the products and have joyful time in a total of 3 isles: Main Experience Isle, Event Kitchen and TV Experience. In this store, there are digital screens for fast access to product info and the most innovative electronic products such as cell phones, tablets and digital toys in addition to Arçelik products.



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. Since the day of its foundation, the Company aims to create more improvement areas to its target audience through new generation technological training applications that will be available in the academy in this new digitalizing era in which the influence of technology is felt more, in addition to face-to-face trainings (in-class, in-store trainings, etc.) which prioritize interactive application it activated and remote training portal.

Arçelik provides traffic from online customers to stores through the experience it offers through social media and website. Offering a set of products and benefits that will satisfy the consumers by training qualified sales staff, Arçelik offers more professional and more qualified service to its customers at home and a different service that focuses on customer satisfaction. High quality digital content enables real-time and customized service. Thanks to having the qualification to offer campaigns to its customers at all contact points, potential customers visit stores due to new customer gain projects. Stores are able to spontaneously monitor their stocks via barcode system and offer a more manageable order/stock management. Thanks to singularization and amplification of customer data, Arçelik iden-

tifies customer requirements beforehand and offers products and services based on their real needs. In line with Dealer Management System supported with cloud technology, all customer data, e-trade and CRM projects can be managed from a single port systematically.

Project 2019: The Kitchen

The Kitchen, established near the Arçelik Cooking Appliances Plant, is the exposition and experience center of the leading products and solutions of Arçelik's global brands. The Kitchen has a showroom where the latest technology, creative design, and Arçelik cooking products in a glamorous style are displayed together with professional chefs and a cooking area, kitchen, where this product is experienced with unique tastes from the world cuisine. Since May 2018, 850 people have experienced The Kitchen during 40 events. Feedbacks from these people contributed to the new product development processes.



Customer Services

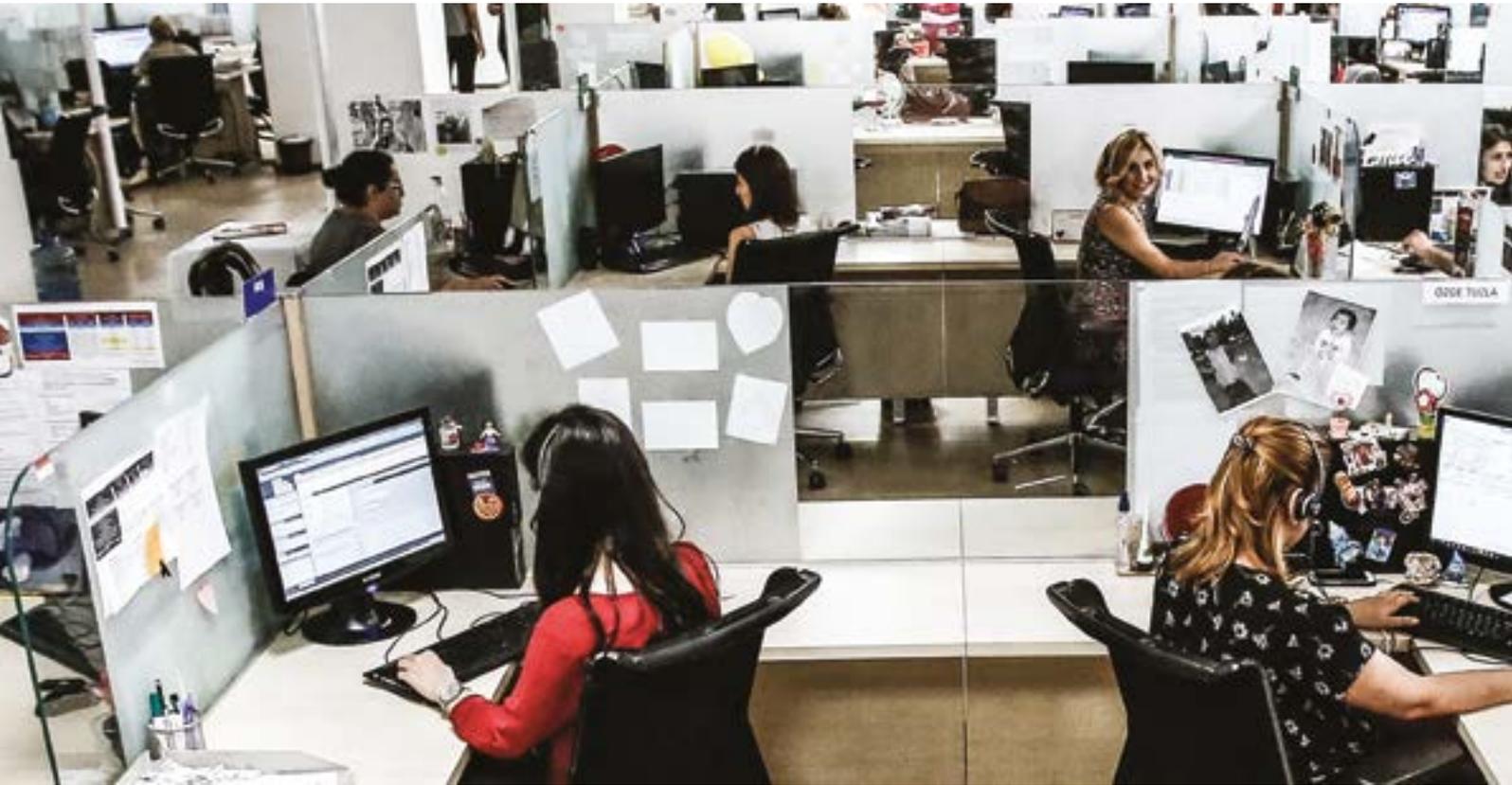
Arçelik's authorized dealer and call center processes, which are defined as "Aftersales", are of critical importance for the satisfaction of its customers and consumers. Arçelik continuously improves its performance in relation to these processes, with the extended service network, advanced technological infrastructure and innovative solutions. Arçelik executes practices creating high value added in the processes, which are managed in accordance with ISO 10002 Customer Satisfaction Quality Management System, thereby setting an example for the industry.

Arçelik Authorized Service Network provides approximately 12 million service runs annually through 619 authorized service shops under 12 regional managements with 11,400 staff, of which 5,900 are technical staff members, and a parking lot for 5,600 vehicles in 204 districts of 81 cities in Turkey. All of the 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. 23,000 model products sold within the local market in years are supported technically.

Operations carried out in 2018 were audited by the TSI and are crowned with the Customer Friendly Organization and Customer Friendly Brand Certificates. As a result of the audits, 43 Arçelik authorized services are entitled to receive the Customer Friendly Organization Certificate.

Trainings are provided to all of the technical staff within the body of the authorized dealers. In this regard, 325,000 person*hour of training is provided to 11,000 staff working at Turkey and overseas operations in 2018. 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.



As a result of the audits carried out by the Turkish Standards Institution (TSE) in 2018, 43 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, highly personalized and high added value solutions are offered to the 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. As part of Omnichannel, critical steps are taken in the digital transformation story by activating projects such as **Online Chat, WhatsApp-Corporate** and **managing Social Media Demands from the Call Center** in 2018.

ROTAM Project is designed to enable customers to make appointments through all channels, to monitor their appointments as well as to manage the workforce of the services effectively and efficiently and to provide route optimization. Customers who reach the Call Center can make their own appointment schedule at once and at first access thanks to the advanced digital infrastructure. Arçelik contributes to time planning of our customers thanks to this appointment system.

The quality of the service offered to customers is regularly measured by Net Promoter Score (NPS) method and corrective and preventive actions are carried out according to the feedback received. 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.

Arçelik continues to focus on digitalization and improving processes to offer seamless service in customer contact points in the international platform. 24 communication centers in 26 group companies abroad offer service with almost 35 million products through technicians in 6,330 service points. The main target is to make all customer service processes measurable and then developed and to offer a high-level customer experience as expected from a leader brand.

In this regard, the results of customer satisfaction studies conducted via NPS method were collected systematically throughout 2018 and then evaluated. The general NPS result in 2018 was calculated as 49.7 and the target for 2019 is to score 53 with an improvement of 3.3. These results were examined carefully with country managers and preliminary corrective actions were taken. The target is to conduct a customer satisfaction survey (NPS measurement) after each contact for all communication centers available in group companies in 2019.



In the reporting period, Arçelik initiated Customer's Voice Project which can collect the feedbacks of customers from every channel and then systematically direct them to relevant departments to support their decision making through regular reports. In 2019, the aim is to expand these studies and make customer data and feedbacks more usable. In addition to this application, Arçelik started to collect feedbacks of customers from countries who perform direct sales through B2B Portal Project in 2018. The aim is to initiate this program which is currently used in 4 countries to 15 countries in 2019.

In regard to trainings consisting of 63 training sessions Arçelik offered to 1,704 technicians in a total of 40 countries in 2018 and aims to increase this to 2,550 technicians with the support of online training platform. Our purpose is to solve 10% more problems at the first visit in 2019 through Mobile Malfunctions Definition Program whose preparations were completed in 2018; the technicians can use this program while detecting the malfunctions.

To increase the sustainability by making customers experience the same experience at the same standards at the same consistency, Arçelik continues to establish service organizations in markets we enter. In 2018, Arçelik supported the establishment of service organizations in countries including Indonesia, Dubai, Morocco and India.

With a purpose to increase customer satisfaction and engagement and to more effectively manage operations on site, Arçelik established its own technician organizations in countries such as the UK and Romania, and is working with special technicians for Beko in countries such as Poland and Czech Republic.



SOCIAL DEVELOPMENT

Arçelik puts into practice various social projects to expand the value it creates in locations it operates to a wider stakeholder group with the purpose of leaving a better world to new generations thanks to its sustainability approach.

2020 Goals	2018 Results	2017 Results
<p>Encourage Employee Volunteerism</p> <p>Improve and expand the employee volunteerism model until 2020.</p>	<p>Voluntary participation of employees to social development projects is encouraged.</p>	<p>Voluntary participation of employees in projects contributing to social development is encouraged. Employees collect donations for NGOs through events and sports activities they organize.</p>
<p>Increase the Awareness on Gender Equality</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>Within the Equalize with Equal Dictionary Project, Equal Dictionary keyboard application is developed. The application is used by more than 20 thousand people in Turkey. 20 million people were reached with the awareness campaign.</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>Increase the Awareness on Food Waste</p> <p>Carry out projects aiming to raise awareness regarding food waste.</p>	<p>Respect Food (Global) and Ruhun Doysun (Turkey) Projects continue.</p>	<p>Grundig brand carried out Respect Food Project worldwide and launched Ruhun Doysun Project in Turkey.</p>
<p>Increase the Awareness on Healthy Eating and Child Obesity</p> <p>Carry out projects to aiming to raise awareness on healthy eating and the child obesity.</p>	<p>Partnership agreement with FC Barcelona was extended for 3 more years and to expand the impact area of Eat Like A Pro Project, Beko became Fenerbahçe Men's Basketball Team's name partner in Turkey.</p>	<p>Eat Like A Pro Project was launched by Beko brand, a sponsor of FC Barcelona</p>

Arçelik commits to act in line with the SDGs. In accordance with the “Partnerships for the Goals” objective, Arçelik forms long-term co-operations with public institutions and NGOs in its operational network and adopts a multi-stakeholder model in every stage of social development project from designing to practices. The Company focuses primarily on the goals of “Gender Equality”, “Quality Education” and “Responsible Consumption and Production”.



Education and Development

With a faith in education as the propellant behind social development, Arçelik makes key contributions to the enlightened future of our country through high value-added activities it executed.

Arçelik

Arçelik attaches importance to consolidating the relation between vocational training and employment. Arçelik developed Arçelik Electrical Household Appliances Technical Service Program in order to reinforce the connection between professional training and employment, and to raise manpower with knowledge about the most recent developments and emerging technologies in Turkey's electrical household appliance industry.

For this, the Company has implemented an industry-first in Turkey under Electrical Household Appliances Technical Service Staff category for establishing and maintaining training - employment relationship. In this program, the aim is to educate the students to a level that enables them to serve as technicians under white goods and air conditioner product groups with the knowledge they obtain in Arçelik Laboratories.

Within the scope of the program implemented in collaboration with the Ministry of Education, Professional and Technical Education General Directorate, Arçelik Laboratories were established equipped with state-of-the-art measurement devices and equipment related to electrical household appliances technical service. The first phase of the program was completed between 2011-2014 and the second phase covers 2015 to 2019.

As of the end of 2017-2018 school year, the total number of graduates reached 1,076 and 105 of them were employed by Arçelik Authorized Services based on their requests. In 2018-2019, 239 students are being educated in these departments including 100 11th graders and 139 12th graders.

Trainer and student trainings within the scope of the program are managed by Arçelik Retail Development Directorate, Consumer Services Technical Training Turkey Department in line with the contents of Arçelik Academy Training Program.

At Arçelik Electrical Household Appliances Technical Service department, 65 technical trainers received 21,280 person/hours of technical training since 2011.



Project 2019: Our Power is Imagination

With mini Dream Workshops that will be conducted across Turkey, Arçelik and Beko aim to equip middle school students with the hardware and competencies they need in the areas of coding, programming, robotic, electronic circuit design, product design and production processes, which allow them to realize their dreams and create the products they imagine. The objectives of the Project are as follows:

- Preventing the tendency of children towards harmful habits and encouraging them to participate in different activities during adolescence
- Increasing the sense of self-esteem
- Increasing the potential workforce in the sector with the stimulation of coding / production
- Supporting personal, mental and psychological development
- Increasing creativity through production with 3D printers



Arctic Romania

In 2018, Arctic continued to be engaged in many educational projects, as well as social responsibility activities meant to support social improvement. Arctic is actively involved in educational projects dedicated to the local community. In 2017, the company announced supporting the first dual education classes in Dâmbovița county, contributing to the professional development of the future generation of technical workers. The project started with 56 students who have enrolled in the program, which is planned to expand significantly in the following years. The graduates of the Arctic classes will be familiar with operating Industry 4.0 intelligent technologic equipment and by the end of the training period, will have priority to be hired at the new Washing Machine Plant in Ulmi. Besides theoretical and practical knowledge, Arctic offers monthly scholarships, merit scholarships and other forms of material support. In 2018, Arctic extended the program with 3 new classes for operators for numerical control machines & electronics for devices and equipment. Arctic offers students not only theoretical and practical information but also training support through scholarships.

On the other hand, in the 2018 - 2019 academic year, Arctic has continued the program of private scholarships aiming to support technical specialty students from Politehnica University and Valahia University in Târgoviște and intends to expand the program to BSC and PhD students with major in Data Analytics from the University of Bucharest.



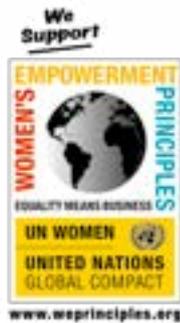
Gender Equality

Arçelik works for raising awareness of gender inequality and developing an equitable approach in business and social life. Goal 5 of the SDGs, which calls for gender equality and empowerment of women and girls, defines gender equality as a basic human right.

Arçelik family supports Koç Holding's I Support Gender Equality for My Country Project in the scope of For My Country Program developed with an approach of global citizenship to act in cooperation and collaboration to create solutions to social issues. The purpose of the project is to create awareness on the reasons and consequences of gender inequality and develop an equitable approach in culture and social life as a role model.

Signatory to Women's Empowerment Principles (WEPs)

Aligned its sustainability roadmap with the SDGs, Arçelik signed [WEPs](#) in 2017. WEPs, which was formed by the UN Global Compact and The United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), define a roadmap for the companies to support the position of women in business life and the society. So far, 1,661 leading international companies signed WEPs. As a signatory of WEPs, Arçelik continued in 2018 to develop specific projects to raise public awareness on the issue.





Equalise with Equal Dictionary

In order to ensure gender equality, Arçelik implemented Equal Dictionary Project by leveraging the power of technology. The Equal Dictionary Keyboard used in mobile devices and computers warns about sexist words and expressions and suggests words as substitutes.

As part of Arçelik's gender equality efforts, Equal Dictionary Project, which was launched on the International Women's Day in order to prevent sexist expressions, had two important achievements in the international arena even before completing its first year. Equal Dictionary received the Golden Globe Award in the "Corporate Responsibility" category by the International Public Relations Association (IPRA). The IPRA Golden Globe Awards are recognized as one of the world's most prestigious awards in the field of public relations. The project won Silver Award in the category of "Best Corporate Social Responsibility Program of the Year in Europe" at Stevie Awards 2018, one of the most prestigious awards in the business world.

KızCode Platform

Qualified individuals are needed to steer technology in future and fulfill the requirements of digitalizing world. Although the number of women working in this field has been rising, still men tend to prefer mathematics and engineering fields more. In order to solve this issue, KızCode Platform was established as a social initiative with a purpose to steer girls in disadvantaged regions from the edge of life to the center of life through coding, science and technology. Working on social gender, Arçelik put this project into practice to contribute to "Quality Education" and "Gender Equality" targets of the SDGs initiated by the Platform with an aim to encourage girls to work on STEM and raise awareness in this regard.

35 children at the age of 11 - 15 out of 300 applicants were enrolled to the training. In Arçelik's new generation R&D Center Garage, the Company offered trainings such as maker, coding, robotics, design-oriented product development techniques within the frame of a training program that lasted for 15 days; students developed some projects such as a walking stick for visually impaired people and a game for children with dyslexia (learning disorder).

This project will continue by assigning a mentor for students eager to learn and by supporting their participation to national and international projects.



She Mate Mentorship Program

The 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. The studies which started in 2017 continued in 2018 and within the scope of the program, including 39 volunteer mentors, 23 volunteer mentees were matched with their mentors. 26% of female employees who gave birth in 2018 participated in She Mate Mentorship Program.

Project 2019: Beko to Give Female-Owned Dealership

Conducting many studies on female empowerment in economic and social life, Arçelik initiated a new project in 2019 to increase the representation of females in the authorized dealers ecosystem of the Beko brand. Female entrepreneurs who want to take part in the project are encouraged in all stages starting from the application period. The development of female leadership is aimed by offering training and mentoring opportunities. The project which starts its journey with the motto of "Beko to Give Female-Owned Dealership" receives applications through [the website](#).



Responsible Consumption and Combating Food Waste

Grundig

Grundig, which has pioneered the fight against the ever-increasing food waste around the world with the philosophy of “Respect Food”, conducts several projects in cooperation with national and global organizations in order to raise conscience for a sustainable life integrated with nature and to contribute to public awareness. Working with the mission of developing new technologies that will contribute to the fight against increasing food waste, Grundig, as a global brand with strong environmental awareness, invites everyone to fight against food waste through Respect Food Initiative.

In line with its vision, Grundig has been supporting the non-profit Food for Soul Initiative, which was founded by the well-known Michelin Star Chef Massimo Bottura, in order to expand the fight against food waste since 2016.

Having signed many partnerships with the awareness that grand missions require large collaborations, Grundig also believes that the fight against food waste starts at home with the support of innovation. With the partnership of Grundig and Food for Soul, which expanded the scope of the global struggle for food waste, 4 Refettorios were opened in Rio, London, Paris and Milan. Thanks to this cooperation, 45 tons of food has been saved and 450,000 meals were offered to people in need with the contribution of more than 800 volunteers and 300 chefs.

On the other hand, Grundig Turkey has taken its efforts to raise awareness on food waste to another level in Turkey with Feed Your Soul (Ruhun Doysun) Project. Focusing on food in 2018, Feed Your Soul Platform aims at inspiring a simple life and spreading respect for food and conscious consumption to life throughout the kitchen.

While YouTube continued to be the main platform, the video series which began with Feed Your Soul: A Life Style in October 2017, continued with the Feed Your Soul: Respect Food in October 2018. In the new video series, Grundig focused on food, and has thoroughly explored many subjects ranging from the right food to the right producer and the right production to the table, to the nature, to the soil, to the region and to the world. Thanks to the video series, the number of followers of Youtube channel exceeded 85 thousand and the total follow-up of the channel exceeded 35 million. The project has succeeded in having 400 thousand followers in social media which is the strongest supporting channel of the platform. In addition; Feed Your Soul Movement reinforced Grundig’s brand positioning with many awards.



Healthy Living and Sports

Beko

Beko had been the Premium Partner of FC Barcelona from the beginning of 2014/15 season to the end of 2017/18 season. Bringing two global brands together, this sponsorship agreement resulted in featuring the Beko logo on the left arm of first team jerseys and back of training kits of FC Barcelona. In February 2018, Beko renewed its partnership for an additional 3 years and upgraded its position to a Main Partner alongside Rakuten and Nike whilst also becoming the exclusive Training Partner of FC Barcelona.

In the scope of Beko and FC Barcelona's joint "creating a difference in humans' life" vision Beko concentrates on increasing social value with its future projects. According to the World Health Organization, more than 70 million children will be obese by 2025 if current trends continue. Regarding the fact that childhood obesity is increasing fast globally, Beko signed an awareness campaign titled Eat Like a Pro in 2018 with an aim to encourage children to eat healthy. This global initiative aimed at tackling the global epidemic growth of childhood obesity via educating parents and children on the importance of healthy eating by showing what their heroes eat to perform at their best. In addition to the products and services that facilitate the daily life of families, Beko also makes a difference with its social responsibility activities. This global campaign implemented with FC Barcelona is an exact match for Beko's responsible brand identity.

In 2018, Beko also established a global partnership with UNICEF to directly contribute to preventing childhood obesity. As part of this cooperation Beko created programs to benefit more than 500,000 children with UNICEF in Latin America, where 23% of the children at primary school age are obese. The first step of this partnership was taken in May 2018 at the El Clasico (FC Barcelona-Real Madrid), known as the largest local football match. Beko contributed to raising awareness about the initiative by replacing the Beko logo on the arms of the FC Barcelona jersey with the #EatLikeAPro. Promising to donate 1 million Euros to the campaign until the end of 2019, Beko had also announced that it would donate 1 Euro to UNICEF for each social media post containing the hashtag #EatLikeAPro in order to support the struggle against obesity. 1 million posts with the hashtag #EatLikeAPro were shared in just 11 days as part of the campaign.

In December 2018, Beko became the naming partner of Fenerbahçe Men's Basketball Team for 2.5 years. Through this new partnership, Beko plans to expand the scope of the campaign to promote healthy eating habits among children by advertising their hero basketball players as role models. These studies aim to encourage children to have healthy eating habits.

Having been a sponsor of Beşiktaş JK between 1988 and 2004, Beko continued to be the Jersey Back Sponsor of Beşiktaş Professional Football A Team, within the scope of sponsorship agreement signed as of the beginning of 2014/2015 season with this club, with which the Company has special ties.



Arçelik

In 2017 Arçelik has become the main sponsor of National Football Teams by establishing a significant cooperation with Turkish Football Association. In 2018 Arçelik has continued its support and strengthened its position as the national brand of Turkey.

The Arçelik Sailing Team, which was established in 2012 with the initiative of the employees and the support of the senior management, has come in successful in many competitions in Turkey. The team was formed to strengthen team spirit among employees and eliminate all hierarchical barriers through collective struggle. Arçelik has provided sailing training to nearly 500 employees so far. In the last 6 race seasons, Arçelik and Beko boats have won six trophies in official league races as well as obtaining numerous podium degrees in different classes. Arçelik Sailing Team continues to participate in IRC0 class races with its race boats called Arçelik Papili.

Volunteerism

Arçelik supported many social responsibility activities in 2018 through voluntary efforts of its employees and product donations to support social development.

Arçelik

Arçelik Search & Rescue Team is well-trained and experienced in case of natural disasters, emergency and extraordinary situations. The experience of the team is increased day by day with the exercises organized in accordance with regions and conditions with employees and facilities in different geographies. Arçelik Search & Rescue Team is listed on front lines in the teams list that the Disaster and Emergency Management Authority of Turkey (AFAD) will ask official support from.

Arçelik Search & Rescue Team was among the teams that worked in Adapazarı and Düzce Earthquake in 1999, Van Earthquake in 2011 in Turkey which is situated on the earthquake zone.



Arctic Romania

The campaign started in 2012 and continued in 2018 to preserve natural resources, waste management, energy consumption and reducing waste.

Arctic partnered with Let's Do It Romania, a non-profit organization that encourage ecological behavior, enrolling 60 volunteers from Arctic who promoted the importance of leaving a clean environment ahead for the community, families and future generations.

Beko UK

Beko has had a partnership with Barnardo's which is an English charity organization that perform studies on children and young people for over 5 years. Beko partnered with Barnardo's as it shares Barnardo's ambition of helping vulnerable families and children in the UK, creating safe and loving home environments. In April 2018, a team of 7 staff members from Beko UK, along with 6 colleagues from Arçelik ran the London Marathon to raise funds and raise awareness of the charity work that Barnardo's does. From running the London Marathon £32,000 was raised. This money helped Barnardo's to continue to help some of the UK's most vulnerable children.

Beko Russia

Beko pays great attention to social responsibility and support of local authorities and people. On 29th of July 2018 Beko arranged Children's Day in Kirzhach city. In this holiday, more than 3,000 people participated, including 1,000 children. All Kirzhach citizens were invited. Special event program for children was created which consisted of different competitions, musical and dance performances, carousels, sweets. All children were very glad, and their positive emotions and smiling were very important.

Defy

Defy worked with Tutudesk to offer children in underprivileged primary schools around KwaZulu-Natal their very own workstation creating immediate, high impact and positive change in an instant, under their current learning conditions. The desk offers a unique and portable solution to the most disadvantaged children, offering a sense of worth, dignity and ownership over and above the literacy and academic improvements. The Tutudesk is designed to last the duration of a learner's school career, due to the robust child-friendly blend of polymers. To make learning fun for students, the Defy Tutudesk has elements such as the Big 5, multiplication table, South African map & Alphabets.



Support to Local Communities

Grundig UK

Aligned to the brand's Respect Food message, Grundig launched a Give Back Campaign in partnership with Currys PC World - the UK's largest electrical retailer. Grundig will be donating £200,000 worth of appliances by 2020 to local food related charities that have been nominated by Currys PC World store staff. By taking the Respect Food initiative to a nationwide level, Grundig will be able to help out hundreds of charities to store surplus food and offer more services to socially vulnerable people.

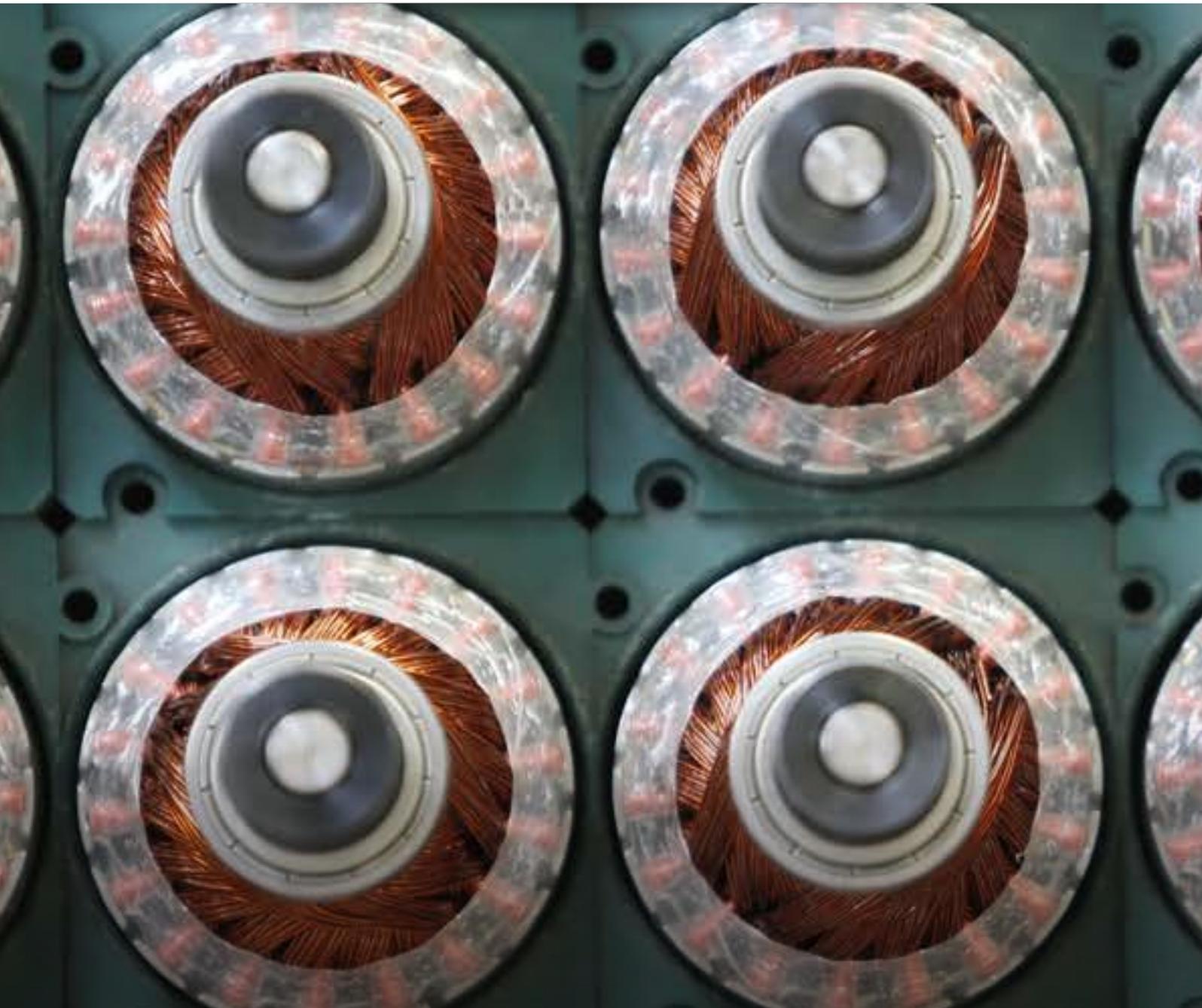
Every day in the UK, 500,000 children go to school on an empty stomach as their parents are unable to provide them with the meals they need, which influences their performance in school. Working in partnership with The Felix Project who are delivering surplus food to schools around London, Grundig has donated fridges to these schools so they can store even more of this surplus food to ensure all children are receiving a nutritious meal.



Arctic Romania

With the Arctic Helps You Organize Your Backpack Program, Arctic helps especially blue-collar workers gain more effective life skills. This campaign initiated in 2013 for the employees of the manufacturing plant later expanded as a support model covering all Arctic employees. The Company also conducted “You can help too” campaign to encourage its employees help those in need with toys, food and money. Arctic continued this campaign in 2018.

Arctic considers supporting local organizations as an important component of social responsibility. Arctic supports Gaești Hospital, a health institution serving the people in 16 settlements. Arctic helps the hospital with refrigerators, washing machines, dishwashers and tumble dryers to help the hospital and ensure hygiene conditions. Arctic continued this campaign in 2018.



APPENDIX



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)

In addition to being 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 Arçelik'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)	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)	Vice Presidency
Ethics and Reputation Association (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 (TÜRKBEŞD)	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)	Membership to Board of Directors, Memberships to Working Groups
Turkish Exporters Assembly (TİM)	TİM Board Membership Chairman of Electrical Electronics Sector

Participation in Nongovernmental Organizations	Level of Participation
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 and Safety Commission and Other Memberships
MESS Foundation of Education	Chairman of the Auditing Board, Membership to Board of Trustees
Turkish Corporate Governance Association (TKYD)	High Level Representation
Scientific and Technological Research Council of Turkey (TÜBİTAK)	High Level Representation
Association for the Protection of Intellectual Property of Turkey	Membership to Board of Directors
Groupement Interprofessionnel des Fabricants d'Appareils d'équipement Ménager (GIFAM)	Chairman of the Board of Directors
Russian-Turkish Businessmen Association (RTIB)	Membership to Board of Directors
The Association of Trading Companies and Manufacturers of Electrical Household and Computer Equipment (RATEK)	Membership
China Household Electrical Appliances Association (CHEAA) Romania APPLIA	Membership
The Association of Manufacturers of Domestic Appliances, UK (AMDEA)	Chairman of the Board of Directors
Sweden EHL (Elektriska Hushållsapparat Leverantörer)	Membership
The Steel and Engineering Industries Federation of Southern Africa (SEIFSA)	High Level Representation
Durban Chamber of Commerce and Industry	High Level Representation

ECONOMIC PERFORMANCE DATA					
	2014	2015	2016	2017	2018
Net Sales (EUR million)	4,307	4,692	4,819	5,062	4,757
By Region					
Turkey (EUR million)	1,669	1,896	1,931	1,974	1,490
Europe (EUR million)	2,014	2,126	2,153	2,175	2,347
Other (EUR million)	624	670	735	913	920
By Product Group					
White Goods (EUR million)	3,121	3,411	3,505	3,706	3,653
Consumer Electronics (EUR million)	629	651	679	662	496
Other (EUR million)	557	629	635	694	607
Gross Profit (EUR million)	1,369	1,502	1,599	1,581	1,511
Operating Profit (EUR million)	352	383	398	341	373
Income Before Tax (EUR million)	252	260	360	199	168
Net Income (EUR million)	220	296	390	205	151
Total Assets (EUR million)	4,394	4,324	4,558	4,526	4,706
Total Current Liabilities (EUR million)	1,571	1,648	1,781	1,861	2,073
Total Liabilities (EUR million)	2,835	2,852	2,939	2,994	3,343
Total Equity (EUR million)	1,559	1,471	1,619	1,531	1,363
Dividends Paid (EUR million)	122	116	78	103	77
Capital Expenditures (EUR million)	159	217	251	242	320
Dividend Per Share (EUR)	0,178	0,128	0,188	0,156	0
Year-End Share Price (EUR)	5,32	4,40	5,74	4,73	2,62
Year-End Market Value (EUR million)	3,593	2,971	3,878	3,198	1,770
Corporate Governance Rating	9,41	9,48	9,52	9,52	9,53
Economic Value Generated (TRY million)	13,231	15,454	17,903	22,496	31,206
Revenues (TRY million)	13,231	15,454	17,903	22,496	31,206
Economic Value Distributed (TRY million)	13,030	15,382	17,447	22,667	31,853
Operating Cost Total (TRY million)	10,310	11,861	13,542	17,688	23,110
Personnel Expenses (TRY million)	1,346	1,531	1,793	2,264	2,925
Payments to Providers of Funds (TRY million)	1,283	1,865	1,962	2,539	5,706
Payments to Governments as Income Tax (TRY million)	82	115	135	164	106
Community Investments (TRY million)	9	10	15	12	6
Economic Value Retained (TRY million)	201	72	456	-171	-647

ENVIRONMENTAL PERFORMANCE DATA									
	Arçelik Turkey					Arctic Romania			
	2014	2015	2016	2017	2018	2015	2016	2017	2018
GHG Emission (ton CO ₂ e)									
Direct	64,888	59,363	58,246	56,540	**	12,585	13,894	10,023	**
Indirect	22,091	18,299	11,709	21,898	**	0	0	0	**
Total	86,979	77,662	69,955	78,438	**	12,585	13,894	10,023	**
Energy Consumption (GJ/year) (1)									
Direct	999,909	961,597	932,163	875,299	**	207,175	222,631	151,198	**
Indirect	730,710	789,496	797,375	764,505	**	144,819	160,059	143,613	**
Total	1,730,619	1,751,093	1,729,538	1,639,804	**	351,994	382,690	294,811	**
Total Water Withdrawal by Source (m ³)									
Municipal Water	1,047,433	938,386	944,776	801,627	572,367	0	0	0	0
Well Water	396,568	359,305	374,370	374,382	376,488	268,948	330,260	249,272	240,063
Rain Water	1,000	500	500	500	445	0	0	0	0
Total	1,445,001	1,298,191	1,319,646	1,176,509	949,387	268,948	330,260	249,272	240,063
Total Water Withdrawal by Source (m ³)									
Total Water Discharge	819,334	844,366	869,294	757,343	770,915	161,369	198,156	149,562	146,140
Environmental Trainings Provided to Employees (person*hour)									
Environmental Trainings	10,311	21,497	12,688	12,682	8,784	1,376	2,418	2,146	3,660
Use of Raw Materials and Materials at Product Facilities (ton)									
Raw Materials - Plastics	82,935	200,878	139,907	95,400	83,651	17,439	16,432	15,997	14,490
Raw Materials - Metals	239,209	267,509	306,573	291,439	303,642	34,222	61,599	61,018	59,500
Materials (4)	400,544	244,077	320,375	297,353	316,812	49,374	59,448	62,164	60,660
Chemicals (5)	79,128	79,067	11,060	8,732	9,236	3,984	4,159	2,301	2,123
Total	801,816	791,531	777,914	692,924	713,341	105,019	141,638	141,480	136,773
Wastes by Type (ton)									
Hazardous Waste	3,223	3,606	3,552	2,801	2,259	22	14	55	31
Non-Hazardous Waste	115,715	94,298	88,600	86,103	85,695	9,930	14,043	14,041	12,704
Total	118,938	97,904	92,152	88,904	87,954	9,952	14,057	14,096	12,736

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

ENVIRONMENTAL PERFORMANCE DATA										
	Beko LLC Russia			Beko China		Beko UK				
	2016	2017	2018	2017	2018	2014	2015	2016	2017	2018
GHG Emissions (ton CO ₂ e)										
Direct	6,849	7,069	**	1,370	**	148	155	138	133	133
Indirect	9,914	8,761	**	5,389	**	663	664	696	757	515
Total	16,763	15,830	**	6,760	**	811	819	834	890	648
Energy Consumption (GJ/year) (1)										
Direct	129,582	124,249	**	17,974	**	2,441	2,569	2,276	2,168	2,196
Indirect	80,937	71,596	**	27,089	**	5,692	5,705	5,973	6,496	4,419
Total	210,518	195,845	**	45,064	**	8,133	8,275	8,249	8,664	6,615
Total Water Withdrawal by Source (m ³)										
Municipal Water	0	0	0	65,858	61,103	NA	984	1,761	1,842	796
Well Water	137,395	118,532	147,194	0	0	NA	0	0	0	0
Rain Water	0	0	0	0	0	NA	0	0	0	0
Total	137,395	118,532	147,194	65,858	61,103	NA	984	912	1,842	796
Total Water Discharge (m ³)										
Total Water Discharge	134,768	110,220	118,410	59,849	61,103	NA	984	912	1,842	796
Environmental Trainings Provided to Employees (person*hour)										
Environmental Trainings	334	124	69	487	284	NA	NA	0	0	0
Use of Raw Materials and Materials at Product Facilities (ton)										
Raw Materials - Plastics	8,113	8,176	10,744	5,401	5,601	NA	NA	NA	NA	NA
Raw Materials - Metals	1,618	1,864	2,232	8,785	9,110	NA	NA	NA	NA	NA
Materials (4)	27,668	28,737	39,582	8,237	8,635	NA	NA	NA	NA	NA
Chemicals (5)	1,121	1,003	1,575	587	608	NA	NA	NA	NA	NA
Total	38,521	39,780	54,132	23,100	23,954	NA	NA	NA	NA	NA
Wastes by Type (ton)										
Hazardous Waste	99	100	105	31	30	NA	NA	NA	NA	NA
Non-Hazardous Waste	2,991	3,258	3,803	1,886	2,301	NA	NA	NA	NA	NA
Total	3,090	3,358	3,908	1,917	2,331	NA	NA	NA	NA	NA

ENVIRONMENTAL PERFORMANCE DATA										
	Beko France					Defy South Africa	Grundig Nordic AB			Grundig Nordic AS
	2014	2015	2016	2017	2018	2018	2016	2017	2018	2018
GHG Emissions (ton CO ₂ e)										
Direct	9	9	10	9	11	**	0	0	0	**
Indirect	107	139	121	125	121	**	6	5	10	**
Total	116	148	131	134	132	**	6	5	10	**
Energy Consumption (GJ/year) (1)										
Direct	174	172	188	165	217	**	0	0	0	**
Indirect	866	1,123	982	1,012	982	**	43	39	85	**
Total	1,040	1,295	1,170	1,177	1,199	**	43	39	85	**
Total Water Withdrawal by Source (m ³)										
Municipal Water	685	747	598	507	717	76,993	NA	13	78	37
Well Water	0	0	0	0	0	0,14	NA	0	0	0
Rain Water	0	0	0	0		1,440	NA	0	0	0
Total	685	747	598	507	717	79,260	NA	13	78	37
Total Water Discharge (m ³)										
Total Water Discharge	685	747	598	507	717	75,236	NA	13	78	
Environmental Trainings Provided to Employees (person*hour)										
Environmental Trainings	NA	NA	0	0	0	2,886	NA	NA	NA	
Use of Raw Materials and Materials at Product Facilities (ton)										
Raw Materials - Plastics	NA	NA	NA	NA	NA	4,760	NA	NA	NA	
Raw Materials - Metals	NA	NA	NA	NA	NA	15,877	NA	NA	NA	
Materials (4)	NA	NA	NA	NA	NA	17,681	NA	NA	NA	
Chemicals (5)	NA	NA	NA	NA	NA	823	NA	NA	NA	
Total	NA	NA	NA	NA	NA	39,141	NA	NA	NA	
Wastes by Type (ton)										
Hazardous Waste	NA	NA	NA	NA	NA	176	NA	NA	NA	
Non-Hazardous Waste	NA	NA	NA	NA	NA	4,685	NA	NA	NA	
Total	NA	NA	NA	NA	NA	4,861	NA	NA	NA	

SOCIAL PERFORMANCE DATA										
	Arçelik Turkey					Arctic Romania				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Employee Breakdown by Status										
Hourly Paid	14,259	14,969	14,607	12,689	11,730	2,148	2,369	2,462	2,479	2,676
Monthly Paid	2,459	2,589	2,725	3,930	3,888	320	318	329	343	358
Total	16,718	17,558	17,332	16,619	15,618	2,468	2,687	2,791	2,822	3,034
Employee Breakdown by Contract Type										
Permanent	14,639	15,835	15,746	16,075	15,088	2,431	2,624	2,741	2,779	2,999
Temporary	2,079	1,723	1,586	544	530	37	63	50	43	35
Total	16,718	17,558	17,332	16,619	15,618	2,468	2,687	2,791	2,822	3,034
Employee Breakdown by Gender										
Male	14,890	15,552	15,193	14,428	13,495	1,164	1,258	1,301	1,306	1,427
Female	1,828	2,006	2,139	2,191	2,123	1,304	1,429	1,490	1,516	1,607
Total	16,718	17,558	17,332	16,619	15,618	2,468	2,687	2,791	2,822	3,034
Employee Breakdown by Age										
<30	5,872	6,260	6,593	4,951	4,206	466	510	503	423	489
30-50	10,660	11,070	10,526	11,517	11,105	1,671	1,722	1,849	1,789	1,958
50<	186	228	213	151	307	331	455	439	610	587
Total	16,718	17,558	17,332	16,619	15,618	2,468	2,687	2,791	2,822	3,034
Employees by Local / Foreign Breakdown										
Local	16,704	17,535	17,308	16,610	15,602	2,455	2,933	2,783	2,810	3,020
Foreign	14	23	24	9	16	8	9	8	12	14
Total	16,718	17,558	17,332	16,619	15,618	2,468	2,687	2,791	2,822	3,034
Average Age by Employee Category										
Top Management	48	47.5	48.2	48	48.5	42	42	43	44	49
Mid-Management	42	42.2	41.6	42	41.9	40	39	40	40	41
Experts . Staff	35	33.2	33.9	34	35.1	41	41	41	41	41
Average Seniority by Employee Category										
Top Management	16	16.6	16.3	16.0	17.1	2	7	7	8	3.0
Mid-Management	14	14.3	13.5	13.4	13.3	10	10	11	10	6.0
Experts . Staff	8	7.4	7.1	7.9	8.8	14	14	15	15	14.0
Employee Trainings (total hours)										
Blue Collar	362,845	304,996	302,272	362,575	365,617	32,005	70,122	11,893	17,705	11,654
White Collar	92,456	93,987	84,315	171,491	161,217	7,296	8,014	9,008	10,062	3,168
Total	455,301	398,983	386,587	534,066	526,834	39,301	78,136	20,901	27,767	14,822
Senior Management by Local / Foreign Breakdown										
Local	35 (97%)	36 (97%)	34 (94%)	35 (95%)	36 (95%)	11 (61%)	12 (63%)	12 (63%)	18 (66%)	22 (71%)
Foreign	1 (3%)	1 (3%)	2 (6%)	2 (5%)	2 (5%)	7 (39%)	7 (37%)	7 (37%)	9 (33%)	9 (29%)
Total	36 (100%)	37 (100%)	36 (100%)	37 (100%)	38 (100%)	18 (100%)	19 (100%)	19 (100%)	27 (100%)	31 (100%)
Senior Management by Gender (%)										
Female	11	10	15	14	18	22	21	26	5	7
Male	89	90	85	86	82	78	79	74	22	24
Total	100	100	100	100	100	100	100	100	27	31
Employee Turnover (%)										
Employee Turnover (%)	16.0	18.5	21	34	28	4.6	9.3	5.3	5.32	9.09
Employee Turnover by Gender (%)										
Female	14.1	16.7	18.3	41.9	37	5.2	6.7	3.0	3.75	7.2
Male	16.2	18.7	21.4	32.8	26	3.9	12.2	7.9	7.19	11.4
Employee Turnover by Age (%)										
<30	74.0	84.2	64.9	59.7	59.9	5.36	17.65	13.32	13.71	21.88
30-50	24.2	36.1	31.6	38.2	37.4	1.26	3.19	3.14	4.47	6.18
50<	1.8	1.1	3.5	2.1	2.7	3.63	3.52	5.24	1.96	7.15
OHS Indicators										
Accident Frequency Rate (F) (2)	6.69	3.71	3.21	4.11	2.98	0.36	0.32	0.00	0.29	0.00
Accident Gravity Rate (G) (3)	0.088	0.040	0.054	0.058	0.050	0.004	0.011	0.00	0.011	0.00
Safety Factor (4)	0.592	0.148	0.172	0.238	0.148	0.001	0.004	0.00	0.003	0.00

SOCIAL PERFORMANCE DATA										
	Beko UK					Beko France				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Employee Breakdown by Status										
Hourly Paid	39	39	40	56	88	6	6	8	7	9
Monthly Paid	244	227	235	238	242	61	64	74	80	84
Total	259	266	275	294	330	67	70	82	87	93
Employee Breakdown by Contract Type										
Permanent	243	245	255	267	302	64	66	78	82	91
Temporary	16	21	20	27	28	3	4	4	5	2
Total	259	266	275	294	330	67	70	82	87	93
Employee Breakdown by Gender										
Male	151	157	161	184	210	38	40	45	45	48
Female	108	109	114	110	120	29	30	37	42	45
Total	259	266	275	294	330	67	70	82	87	93
Employee Breakdown by Age										
<30	48	55	57	49	49	7	7	11	15	11
30,50	150	152	160	164	185	49	52	60	62	71
50<	61	59	58	81	96	11	11	11	10	11
Total	259	266	275	294	330	67	70	82	87	93
Employees by Local / Foreign Breakdown										
Local	258	265	272	292	328	65	66	76	81	85
Foreign	1	1	3	2	2	2	4	6	6	8
Total	259	266	275	294	330	67	70	82	87	93
Average Age by Employee Category										
Top Management	NA	NA	49	51	50	47	47	48	49	48.20
Mid.Management	NA	NA	44	43	44	41	42	41	42	43.50
Experts & Staff	NA	NA	40	41	42	38	39	34	37	37.33
Average Seniority by Employee Category										
Top Management	NA	NA	5	7	9	7	5	6	7	6.5
Mid.Management	NA	NA	6	7	7	6	6	7	7	7
Experts & Staff	NA	NA	5	6	5	5	6	5	5	4.7
Employee Trainings (total hours)										
Blue Collar	NA	NA	0	800	2,713	3	216	30	143	85
White Collar	NA	NA	3,560	3,087	2,509	469	937	727	807	642
Total	NA	3,516	3,560	3,887	5,222	472	1,153	757	950	727
Senior Management by Local / Foreign Breakdown										
Local	43 (98%)	51 (98%)	56 (96.55%)	57 (95%)	59 (96.72%)	87,50%	80%	80%	80%	80%
Foreign	1 (2%)	1 (2%)	2 (3.45%)	3 (5%)	2 (3.28%)	12.50%	20%	20%	20%	20%
Total	44 (100%)	52 (100%)	58 (100%)	60 (100%)	61 (100%)	100%	100%	100%	100%	100%
Senior Management by Gender (%)										
Female	25	29	34	32	26	25	30	30	30	30
Male	75	71	66	64	73	75	70	70	70	70
Total	100	100	100	96	99	100	100	100	100	100
Employee Turnover (%)										
Employee Turnover	10.8	13.5	13.5	10.9	10.3	9	14	12	12	7
Employee Turnover by Gender (%)										
Female	13.0	12.8	4.7	6.8	4.2	15	15	18	8	5
Male	9.3	14.0	8.7	4.1	6.6	5	13	7	16	8
Employee Turnover by Age (%)										
<30	NA	NA	43.2%	37.50%	47.22%	NA	NA	NA	13%	18%
30,50	NA	NA	40.5%	46.9%	47.22%	NA	NA	NA	6%	3%
50<	NA	NA	16.2%	15.6%	5.56%	NA	NA	NA	30%	0%
OHS Indicators										
Accident Frequency Rate (F) (2)	3.80	2.40	1.90	2.30	2.00	0.00	28.75	7.07	11.19	0.00
Accident Gravity Rate (G) (3)	0.000	0.003	0.00	0.002	0.002	0.000	0.000	0.04	0.076	0.00
Safety Factor (4)	0.000	0.007	0.00	0.005	0.004	0.000	0.000	0.25	0.845	0.00

SOCIAL PERFORMANCE DATA										
	Beko LLC Russia					Beko China				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Employee Breakdown by Status										
Hourly Paid	964	966	925	837	1,006	334	336	408	443	378
Monthly Paid	171	188	229	250	253	232	229	254	265	252
Total	1,135	1,154	1,154	1,087	1,259	566	565	662	708	630
Employee Breakdown by Contract Type										
Permanent	1,134	1,149	1,101	1,063	1,112	NA	495	543	532	510
Temporary	1	5	53	24	147	NA	70	119	176	120
Total	1,135	1,154	1,154	1,087	1,259	566	565	662	708	630
Employee Breakdown by Gender										
Male	515	557	599	578	712	360	371	433	469	399
Female	620	597	555	509	547	206	194	229	239	231
Total	1,135	1,154	1,154	1,087	1,259	566	565	662	708	630
Employee Breakdown by Age										
<30	290	298	277	216	260	286	221	279	302	216
30-50	557	618	657	651	755	262	280	308	379	379
50<	288	238	220	220	244	18	64	75	27	35
Total	1,135	1,154	1,154	1,087	1,259	566	565	662	708	630
Employees by Local / Foreign Breakdown										
Local	1,084	1,015	1,007	959	1,117	554	555	644	688	615
Foreign	51	139	147	128	142	12	10	18	20	15
Total	1,135	1,154	1,154	1,087	1,259	566	565	662	708	630
Average Age by Employee Category										
Top Management	41	43	42	45	45	40	41	42	43	43
Mid-Management	37	39	38	39	39	38	39	38	39	40
Experts , Staff	36	37	37	38	38	36	37	37	36	37
Average Seniority by Employee Category										
Top Management	4	6	5	4	3	4	4	5	5	5
Mid-Management	5	7	6	5	6	5	4	5	5	6
Experts , Staff	5	6	6	6	4	4	4	4	6	5
Employee Trainings (total hours)										
Blue Collar	11,082	38,871	20,297	21,575	25,720	2,600	3,797	2,384	5,531	5,320
White Collar	4,776	6,141	5,177	5,468	6,772	3,705	3,500	3,910	4,068	4,128
Total	15,858	45,012	25,474	27,043	32,492	6,305	7,297	6,294	9,599	9,448
Senior Management by Local / Foreign Breakdown										
Local	22	23	23	23	23	NA	NA	7	6	4
Foreign	10	9	10	11	15	NA	NA	5	6	8
Total	32	32	33	34	38	NA	NA	12	12	12
Senior Management by Gender (%)										
Female	3	5	4	6	7	NA	NA	2	3	3
Male	29	27	29	28	31	NA	NA	10	9	9
Total	32	32	33	34	38	NA	NA	12	12	12
Employee Turnover (%)										
Employee Turnover	0.3	0.3	0.2	24.5	15.4	48	35	23	23	20
Employee Turnover by Gender (%)										
Female	0.5	0.4	0.4	39	42	45	53	49	39	32
Male	0.5	0.6	0.6	61	58	55	47	51	61	68
Employee Turnover by Age (%)										
<30	47.00	45.00	35.00	26	35	32	30	33	31	73
30-50	42.00	38.00	56.00	56	56	64	70	65	62	24
50<	11.00	17.00	9.00	18	9	4	0	2	7	3
OHS Indicators										
Accident Frequency Rate (F) (2)	2.81	3.88	1.08	2.08	0.89	10.95	5.55	3.46	0.75	0.00
Accident Gravity Rate (G) (3)	0.080	0.102	0.03	0.070	0.014	0.110	0.098	0.023	0.015	0.00
Safety Factor (4)	0.225	0.395	0.03	0.146	0.012	1.205	0.544	0.078	0.011	0.00

SOCIAL PERFORMANCE DATA				
	Defy South Africa	Grundig Nordic AB		Grundig Nordic AS
	2018	2017	2018	2018
Employee Breakdown by Status				
Hourly Paid	719	1	1	5
Monthly Paid	1,969	11	11	50
Total	2,688	12	12	55
Employee Breakdown by Contract Type				
Permanent	2,608	11	11	47
Temporary	80	1	1	8
Total	2,688	12	12	55
Employee Breakdown by Gender				
Male	1,916	9	9	38
Female	772	3	3	17
Total	2,688	12	12	55
Employee Breakdown by Age				
<30	387	0	1	10
30-50	1,767	8	7	35
50<	534	4	4	10
Total	2,688	12	12	55
Employees by Local / Foreign Breakdown				
Local	2,678	12	12	53
Foreign	10	0	0	2
Total	2,688	12	12	55
Average Age by Employee Category				
Top Management	49	0	0	46
Mid-Management	42	47	47	50
Experts , Staff	41	47.7	47.7	37.0
Average Seniority by Employee Category				
Top Management	13	0	0	2
Mid-Management	10	3	2	10
Experts , Staff	9	0	0	3
Employee Trainings (total hours)				
Blue Collar	5,172	0	0	0
White Collar	4,383	176	176	0
Total	9,555	176	176	0
Senior Management by Local / Foreign Breakdown				
Local	103	0	0	8
Foreign	11	0	0	2
Total	114	0	0	10
Senior Management by Gender (%)				
Female	22	0	0	1
Male	92	0	0	9
Total	114	0	0	10
Employee Turnover (%)				
Employee Turnover	6	8.3	8.3	1.8
Employee Turnover by Gender (%)				
Female	4	0.0	0.0	5.9
Male	2	8.3	8.3	2.6
Employee Turnover by Age (%)				
<30	1	0	0	10
30-50	3	0	0	3
50<	2	8.3	8.3	10
OHS Indicators				
Accident Frequency Rate (F) (2)	1.54	0.00	0.00	0.000
Accident Gravity Rate (G) (3)	0.006	0.000	0.00	0.000
Safety Factor (4)	0.009	0.000	0.00	0.000



BSI Group Eurasia Belgelendirme Hizmetleri Ltd. Şti

Assurance Report to the Top Management of Arçelik A.Ş.

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 31.12.2017, contained by the Arçelik A.Ş Sustainability Report 2018 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 2018 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.

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This report, including the Opinion Statement, has been prepared for the top managers of Arçelik A.Ş, to assist their Sustainability Report 2018 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 A.Ş.

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

- a) Inventory design, scope & boundary,
- b) Specific Greenhouse Gas (GHG) activity and technology,
- c) Identification and selection of GHG sources, sinks or reservoirs,
- d) Quantification, monitoring and reporting, including relevant technical and sector issues,
- e) 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 I.

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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 2018 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, 06.02.2019

Annex 1 : Arçelik A.Ş. Scope 3 Greenhouse Gas Emissions Inventory Summary Report, 2017

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Annex 1

Arçelik A.Ş. Scope 3 Greenhouse Gas Emissions Inventory Summary Report, 2017

General Principles and Scope

Arçelik A.Ş. 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 A.Ş.'s Scope 3 Greenhouse Gas (GHG) Emission Report 2017, 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 01.01.2017 - 31.12.2017.

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

Arçelik A.Ş. 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 A.Ş. adopted control approach into its Scope 3 Greenhouse Gas Emissions Inventory, 2017.

Within this scope, domestic, import and export product logistic activities (transportation) under financial and administrative control of Arçelik A.Ş. 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 A.Ş.'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 A.Ş.'s Scope 3 Greenhouse Gas Inventory 2017 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		
Indicators	Descriptions and Page Numbers	Omissions
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
Corporate Profile		
102-1	About Arçelik, pp,10-11	-
102-2	About Arçelik, pp,10-11	-
102-3	Contact, p,105	-
102-4	About Arçelik, pp,10-11	-
102-5	Arçelik A.Ş., Annual Report 2018, p,19	-
102-6	About Arçelik, pp,10-11	-
102-7	About Arçelik, pp,10-11	-
102-8	Social Performance Data, p,84	-
102-9	Sustainability Management in Valur Chain, pp,53-55	-
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 www, arcelikas,com	-
102-11	Risk Management, pp,15-16	-
102-12	Stakeholder Management, p,19	-
102-13	Sectoral Institutions and Non-governmental Organizations, pp,78-79	-
Strategy		
102-14	Message from CEO, pp, 4-5	-
Ethics and Integrity		
102-16	Ethics and Compliance System, p,14	-
Governance		
102-18	Management Approach, p,13	-

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report,

GRI CONTENT INDEX		
Indicators	Descriptions and Page Numbers	Omissions
Stakeholder Engagement		
102-40	Stakeholder Groups and ve Communication Methods p,77	-
102-41	Employee Rights pp,21-22	-
102-42	Stakeholder Management p,19	-
102-43	Stakeholder Groups and ve Communication Methods p,77	-
102-44	Employee Engagement and Participation, p,27; Stakeholder Groups and ve Communication Methods p,77	-
Reporting Practices		
102-45	About Arçelik, p,10-11	-
102-46	About the Report, p1; Determining Sustainability Material Issues pp,18-19	-
102-47	About the Report, p,1; Determining Sustainability Material Issues pp,18-19	-
102-48	Environmental Performance Data, p,80-83	-
102-49	GRI Content Index: There is no change,	-
102-50	About the Report, p,1	-
102-51	GRI Content Index: June 2018	-
102-52	GRI Content Index: Annual	-
102-53	Contact, p,105	-
102-54	GRI Content Index: This report has been prepared in accordance with the GRI Standards: Core option,	-
102-55	GRI Content Index, p,90-101	-
102-56	About the Report, p,1; Independent Assurance Report, p,88	-

GRI CONTENT INDEX			
Standart	Indicators	Descriptions and Page Numbers	Omissions
Economic Performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Message from CEO, pp,4-5	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	About Arçelik, pp,10-11; Economic Performance Data p,80	-
	201-2 Financial implications and other risks and opportunities due to climate change	Message from CEO, pp,4-5; Risk Management, pp,15-16 ; Combating Climate Chain,pp,34-35	-
	201-4 Financial assistance received from government	Arçelik A,Ş, 2018 Annual Report p, 152	-
Leading Multi-Stakeholder Initiatives To Transform The Sector			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Sectoral Institutions and Non-governmental Organizations, pp,78-79	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
Management of Conflict Minerals			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Conflict Minerals Management, p,55	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
Being a Digital Solution Partner for Households			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Open Innovation, p,47	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-

GRI CONTENT INDEX			
Standart	Indicators	Descriptions and Page Numbers	Omissions
Open Innovation			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19;; Sustainability Management, p,17; Open Innovation, p,47	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
Corporate Governance, Integrity and Accountability			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19;; Sustainability Management, p,17; Management Approach, p,13	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
Ethics and Transperency			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19;; Sustainability Management, p,17; Management Approach, p,13	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Risk Management pp,15-16; GRI Content Index: All Arçelik operations are assessed for risks related to corruption,	-
	205-3 Confirmed incidents of corruption and actions taken	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,	-

GRI CONTENT INDEX			
Standart	Indicators	Descriptions and Page Numbers	Omissions
Resource Efficiency in Production			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Responsible Production and Consumption, p,31 ; Resource Efficiency in Production, pp,40-41	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Resource Efficiency in Production, pp,40-41 ; Environmental Performance Data, p,81	-
	301-2 Recycled input materials used	Resource Efficiency in Production, pp,40-41	-
GRI 302: Energy 2016	302-3 Energy intensity	2018 Results– 2020 Goals, pp,8-9 ; Environment and Energy Manageent Approach, pp,32-36	-
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	Resource Efficiency in Production, pp,40-41	-
GRI307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	GRI Content Index: During the reporting period, no significant* fines were paid for non-compliance with environmental laws and regulations,	-
Combating Climate Change			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Combating Climate Change, pp,34-35; Energy Efficiency in Production, p,36	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Environmental Performance Data, pp,81-83	-
	302-2 Energy consumption outside of the organization	Environmental Performance Data, pp,81-83	-
	302-3 Energy intensity	2018 Results– 2020 Goals, pp,8-9	-
	302-4 Reduction of energy consumption	Energy Efficiency in Production, p,36	-
	302-5 Reductions in energy requirements of products and services	Energy Efficient Environmentally Friendly Products, pp,37-39	-

* Fines amounting to more than 10,000 USD are considered as significant,

GRI CONTENT INDEX			
Standart	Indicators	Descriptions and Page Numbers	Omissions
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Environmental Performance Data, pp,81-83	-
	305-2 Energy indirect (Scope 2) GHG emissions	Environmental Performance Data, pp,81-83	-
	305-5 Reduction of GHG emissions	Energy Efficiency in Production, p,36	-
Water Risks and Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Water Risks and Management, p,42	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 303: Water 2016	303-1 Water withdrawal by source	Water Risks and Management, p,42	-
	303-2 Water sources significantly affected by withdrawal of water	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 recycled and reused	Water Risks and Management, p,42	-
GRI 306: Effluents and Waste2016	306-1 Water discharge by quality and destination	Water Risks and Management, p,42	-
	306-5 Water bodies affected by water discharges and/or runoff	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,	-

GRI CONTENT INDEX			
Standart	Indicators	Descriptions and Page Numbers	Omissions
Energy Efficient Environmentally Friendly Products			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Energy Efficient Environmentally Friendly Products, pp,37-39	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
Recycling			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Reuse, Recycling and Disposal of Products, pp,42-43	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
Supply Chain that Respects Environmental, Social and Ethical Conditions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Sustainability Management at Value Chain, pp,53-55	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Supply Chain, s,54	-
	308-2 Negative environmental impacts in the supply chain and actions taken	Supply Chain, pp,53-55	-
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Supply Chain, p,54	-
	414-2 Negative social impacts in the supply chain and actions taken	Supply Chain, pp,53-55	-
Equality of Opportunity and Diversity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Employee Rights, pp,21-22	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-

GRI CONTENT INDEX			
Standart	Indicators	Descriptions and Page Numbers	Omissions
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Rights, pp,21-22	-
	401-3 Parental leave	Employee Rights, pp,21-22	-
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	GRI Content Index: In the case of collective and / or individual layoffs or changes in duties, Arçelik A,Ş, applies the relevant provisions stipulated in the labor legislation and collective agreements applicable in the countries of operation,	-
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Social Performance Data, p,86	-
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Employee Rights, pp,21-22	-
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Occupational Health and Safety, pp,28-29	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management–worker health and safety committees	Occupational Health and Safety, pp,28-29	-
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety, pp,28-29; Social Performance Data, pp,84-87	-
	403-3 Workers with high incidence or high risk of diseases related to their occupation	Occupational Health and Safety, pp,28-29	-
	403-4 Health and safety topics covered in formal agreements with trade unions	Employee Rights, pp,21-22	-

GRI CONTENT INDEX			
Standart	Indicators	Descriptions and Page Numbers	Omissions
Employee Development and Talent Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Talent Acquisition and Employee Development, pp,23-25	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Employee Rights, pp,21-22	-
	202-2 Proportion of senior management hired from the local community	Social Performance Data, pp,84-87; GRI Content Index: "Local" is defined on the basis of citizenship	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Social Performance Data, pp,84-87	-
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	2018 Results – 2020 Goals, pp,8-9; Environmental Performance Data, pp,81-83	-
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Acquisition and Employee Development, pp,23-25	-
	404-3 Percentage of employees receiving regular performance and career development reviews	GRI Content Index: Globally, monthly paid employees are interviewed for performance and career development,	-
Human Rights			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Employee Rights, pp,21-22	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 406: Non-discrimi- nation 2016	406-1 Incidents of discrimination and corrective actions taken	Employee Rights, pp,21-22	-
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Supply Chain, p,53	-
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Supply Chain, p,53	-

GRI CONTENT INDEX			
Standart	Indicators	Descriptions and Page Numbers	Omissions
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	GRI Content Index: All security personnel in Arçelik A.Ş., operations are trained on professional procedures and legal requirements, including the rights of the person,	-
GRI 412: Human Rights Assessment 2016	412-2 Employee training on human rights policies or procedures	Ethics and Compliance System, p,14	-
Customer Satisfaction			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Customer Experience, pp,56-58	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	GRI Content Index: Arçelik complies with all international and local regulations concerning product information and labeling,	-
	417-3 Incidents of non-compliance concerning marketing communications	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,	-
Product Quality and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	GRI Content Index: Arçelik complies with all international and local regulations concerning health and safety impacts of its products,	-
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	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,	-
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	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	-

GRI CONTENT INDEX			
Standart	Indicators	Descriptions and Page Numbers	Omissions
Food Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Responsible Consumption and Combating Food Waste, p,70	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
Products and Services for Disadvantaged Groups			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; New Business Areas, p,47	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
Logistics and Operational Efficiency			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Supply Chain, pp,53-55	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
Customer Experience			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Customer Experience, pp,56-58	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-

GRI CONTENT INDEX			
Standart	Indicators	Descriptions and Page Numbers	Omissions
Healthy Living			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; New Business Areas, p,47	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI Content Index: There were no substantiated complaints received concerning breaches of customer privacy during the reporting period,	-
Social Investment Programs that Create Shared Value			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Social Development, pp,62-75	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-
Stakeholder Dialogue			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Identification of Material Aspects, pp,18-19,; Sustainability Management, p,17; Stakeholder Management, p,19	-
	103-2 The management approach and its components	Sustainability Management, p,17	-
	103-3 Evaluation of the management approach	Sustainability Management, p,17	-

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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