

52%*

water withdrawal
reduction rate per product
in production

This is

Ethics Hotlines
is activated in

21*

countries

43.5%*

energy consumption
reduction rate per product
in production

Not a
business

Report

18.6%*

female manager
ratio



This is Not a Report

*or
business
report*

The world is changing at a dizzying pace. One of the most important experiences that this change has taught us is the inability to define companies or investments by focusing only on financial data. The figures and outcomes, of course, are very significant, but the world is now much more interested in how we achieve these outcomes, what resources we use in doing so, how we ensure the sustainability of these resources, what risks we manage and how we will do it in the future. And all these can be defined in one word: sustainability. Had we intended to just give answers to these questions, the report you are currently reviewing could only be described as a "sustainability report."

In a rapidly changing world, we, at Arçelik, can respond quickly to change, transform our processes and business methods quickly, and meet today's needs just as we did yesterday. More importantly, we are working on what tomorrow's needs will be to be ready to thrive in the future. That is why sustainability is a business model for us, going beyond just being a buzzword. Therefore, we focus on the future, the environment, and people. We are taking bold steps with this vision we have built on a solid sustainability culture.

In our 2019 Sustainability Report, we discuss the experiences that we have gained throughout the year and achievements that stood us out from the competition. In so doing, we draw attention to everything not only as it is, but also to the core, thanks to the spirit of innovation built into our DNA.

For all these reasons, the report that you are about to start reading is not only a report, but also the global sustainability journey of Arçelik.



CONTENTS



About the Report



The 12th edition of Arçelik Sustainability Report covers the strategy, performance, goals and progress made in social, environmental, governance and financial areas. It lays out our In Touch Technology approach, the short-medium-long term targets towards 2030 determined within this framework, and the progress made in achieving the targets for 2020.

This report has been prepared in accordance with the GRI Standards: Core option. In preparing this report, the United Nations Global Compact (UNGC), the UN Sustainable Development Goals (SDGs), and the Women Empowerment Principles (WEPs) were taken into consideration.

Covering the period between January 1–December 31, 2019, the report includes Turkey, Romania, Russia, China, South Africa and Thailand operations for the first time this year, where there are production plants and sales offices, and also the operations in the United Kingdom, France, Sweden, Norway, Finland and Denmark where there are sales offices. The report incorporates sustainability data and all the activities completed/targeted within the reporting period. The 15 of our 23 production plants and the 12 countries stated above are included in the report. Employees working in the countries covered by the report constitute 83% of our total employees.

You can send any questions, opinions, or suggestions about the report and our sustainability activities via our e-mail addresses: globalcommunications@arcelik.com and sustainability@arcelik.com



facebook.com/ArcelikGlobal



linkedin.com/company/arcelikglobal



twitter.com/ArcelikGlobal



instagram.com/arcelikglobal



youtube.com/arcelikglobal



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MESSAGE FROM THE CEO

Esteemed Stakeholders,

We have successfully completed another reporting year focusing on sustainable growth and value creation with the awareness of our responsibilities to society and the environment. With our business model that focuses on realizing our vision “Respecting the World, Respected Worldwide”, we continue to use resources in the most efficient way, and develop circular economy solutions and projects that add value to society.

The coronavirus outbreak has affected the whole world in a short period of time, and it has once again reminded us that our most important responsibility is to protect our environment, the ecosystem, biodiversity and natural resources. The increased threat to wildlife and the destruction of natural habitats increase the risk of new and more severe outbreaks in the future. We all have important responsibilities to reduce this risk and prevent future outbreaks.

In this reporting period, we have set our short-medium-long term targets towards 2030 according to our holistic approach we call In Touch Technology, based on our company's principles of sustainable growth and value creation. With our global reach and broad network of stakeholders, we strive to be a part of the solution in tackling environmental problems, particularly the climate crisis.





As to the human dimension of the outbreak, we have seen how solidarity and cooperation from the individual to the global scale can be effective in solving problems, and how joint action and human-oriented solutions accelerate these processes. This important response societies have demonstrated has also given us hope in tackling other environmental problems, particularly the climate crisis. It has shown us once again that a sustainable world is possible if we take the right steps today, and that a value-oriented approach to developing solutions that respond to society's needs is extremely substantial.

For the first time this year, the top five risks listed in the *Global Risks Report* published annually by the World Economic Forum (WEF) were related to the environment and climate change. Unless we fulfill our responsibility to our planet, these risks will continue to increase exponentially, and it will be no surprise to see human-induced natural disasters more frequently.

At Arçelik, in this reporting period, we have set our short-medium-long term targets towards 2030 according to our holistic approach we call In Touch Technology, based on our company's principles of sustainable growth and value creation.

With our global reach and broad network of stakeholders, we strive to be a part of the solution in tackling all environmental problems, particularly the climate crisis.

We focus on responsible production and consumption along with circular economy across our entire value chain. We are reducing our environmental footprint through our innovations and the improvements we make in our operations.

Over this reporting period, thanks to a total of 233 energy efficiency projects and different applications, we saved approximately 90,000 gigajoules (GJ) of energy, 64,000 in Turkey alone, and reduced our greenhouse gas emissions by 7,156 tons. Almost half of our sales revenue comes from sustainable and energy efficient products. To reduce the environmental impact of our supply chain, we completed 132 energy projects, saving a total of 42,000 GJ of energy, thus preventing 5,330 tons of carbon dioxide emissions.

At our Waste Electrical and Electronic Equipment (WEEE) plants in Bolu and Eskişehir, we saved a total of 299 GWh of energy since 2014 until the end of 2019, the equivalent amount of energy almost 36 million households would use in one day. Through recycling, we saved the same amount of energy as 46 wind turbines of 2.5 MW power would produce in one year. In addition, we prevented the release of approximately 143,000 tons of carbon dioxide through the recycling of waste products and saved 6.2 million tons of water by replacing old-tech products with new eco-friendly ones.

Our efforts in sustainability reinforce our leading position on national and global platforms. We achieved a first by being selected as the Household Appliances Industry Leader in the Dow Jones Sustainability Index (DJSI), one of the most respected sustainability indices in the world that evaluates the sustainability performance of the largest global companies. Being included in the DJSI Emerging Markets Category for three years in a row, our company is the only Turkish manufacturing company listed on the index. Also, we received the SAM Gold Class Award and were included in the 2020 Sustainability Yearbook, one of the world's most comprehensive publications in sustainability.

We have maintained our place on the Borsa Istanbul (BIST) Sustainability Index, the MSCI Sustainability Index, and the FTSE4Good Emerging Markets Index, all of which build on our success. In 2019, we also received the Republic of Turkey, Ministry of Environment and Urbanization Zero Waste Private Sector Award.

We have undertaken an important mission to develop innovative and sustainable technologies, so future generations have a world they can live in. We are expanding our eco-friendly innovations with examples such as the washing machine with the world's first synthetic microfiber filtration system that captures up to 90% of the microfibers that would otherwise end up

in the ocean, white goods produced with ghost fishing nets, washing machine and washer dryer tubs and air conditioners manufactured with recycled PET bottles. We continue to implement awareness raising campaigns to combat childhood obesity with our Beko brand and food waste with our Grundig brand.

As we are leaving behind another period of pioneering, innovative practices in sustainability, our main goal is to make our achievements continuous and even stronger thanks to the environmental, social, and economic value we create on this journey. I would like to thank all our stakeholders, especially my colleagues, who have given us support and strength on this journey.

Yours Sincerely,

Hakan Bulgurlu
CEO

[linkedin.com/in/hakanbulgurlu](https://www.linkedin.com/in/hakanbulgurlu)

twitter.com/h_bulgurlu

[instagram.com/h_bulgurlu](https://www.instagram.com/h_bulgurlu)



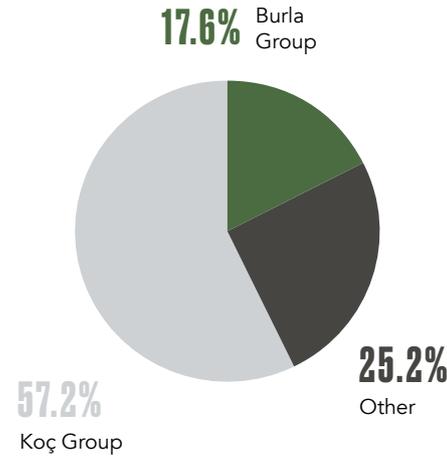
ABOUT ARÇELİK

Operating in the consumable durables and consumer electronics sectors and supported by production, marketing and after-sales services, Arçelik was founded in 1955 under its parent company Koç Group.

With over 30,000 employees around the world, Arçelik has 23 production plants in 9 countries – Turkey, Romania, Russia, China, South Africa, Thailand, India (co-investment), Pakistan and Bangladesh – and carries out sales and marketing operations in 34 countries while offering products and services to almost 150 countries with its 12 brands. The company has 15 R&D and Design Centers in Turkey, 5 overseas R&D Offices, and over 1,600 R&D employees who continue to develop products that will add value to the future.

With 15 R&D and Design Centers in Turkey, 5 overseas R&D Offices, and over 1,600 R&D employees, we are developing products that will add value to the future.

OWNERSHIP STRUCTURE



Net Sales



TRY

31,942
million

Consolidated Operating Profit



TRY

2,296
million

Net Profit



TRY

953
million

68%

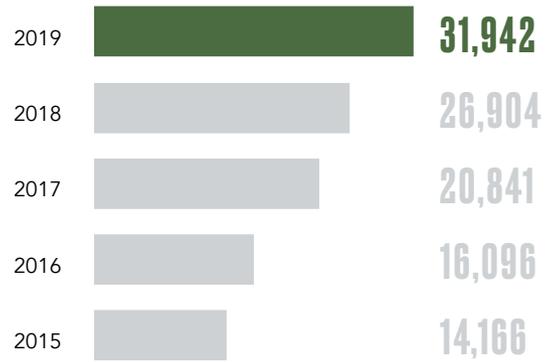
of consolidated sales are international sales

GRI 102-45

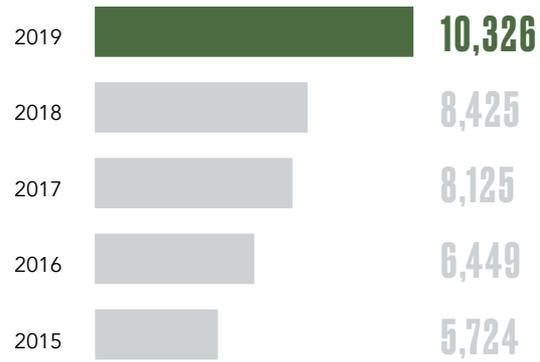




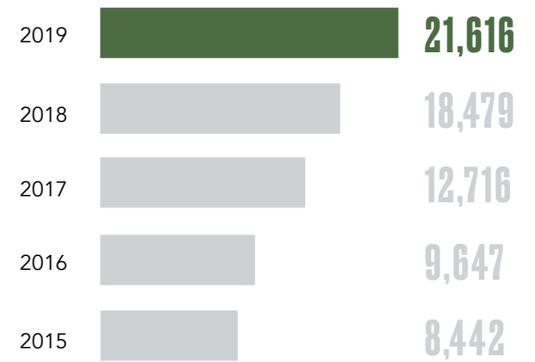
NET SALES TRY million



TURKEY

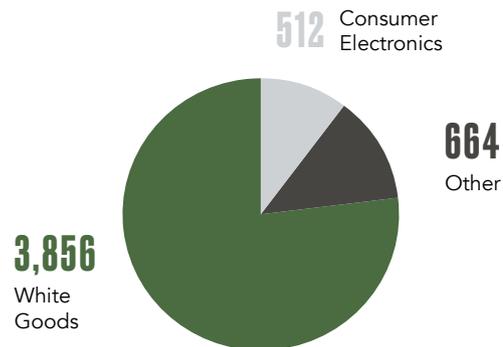


INTERNATIONAL



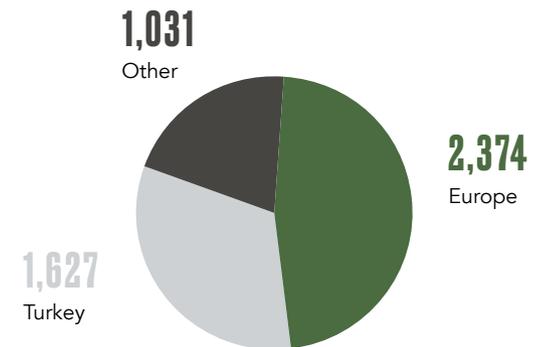
NET SALES BY PRODUCT GROUP

EUR million



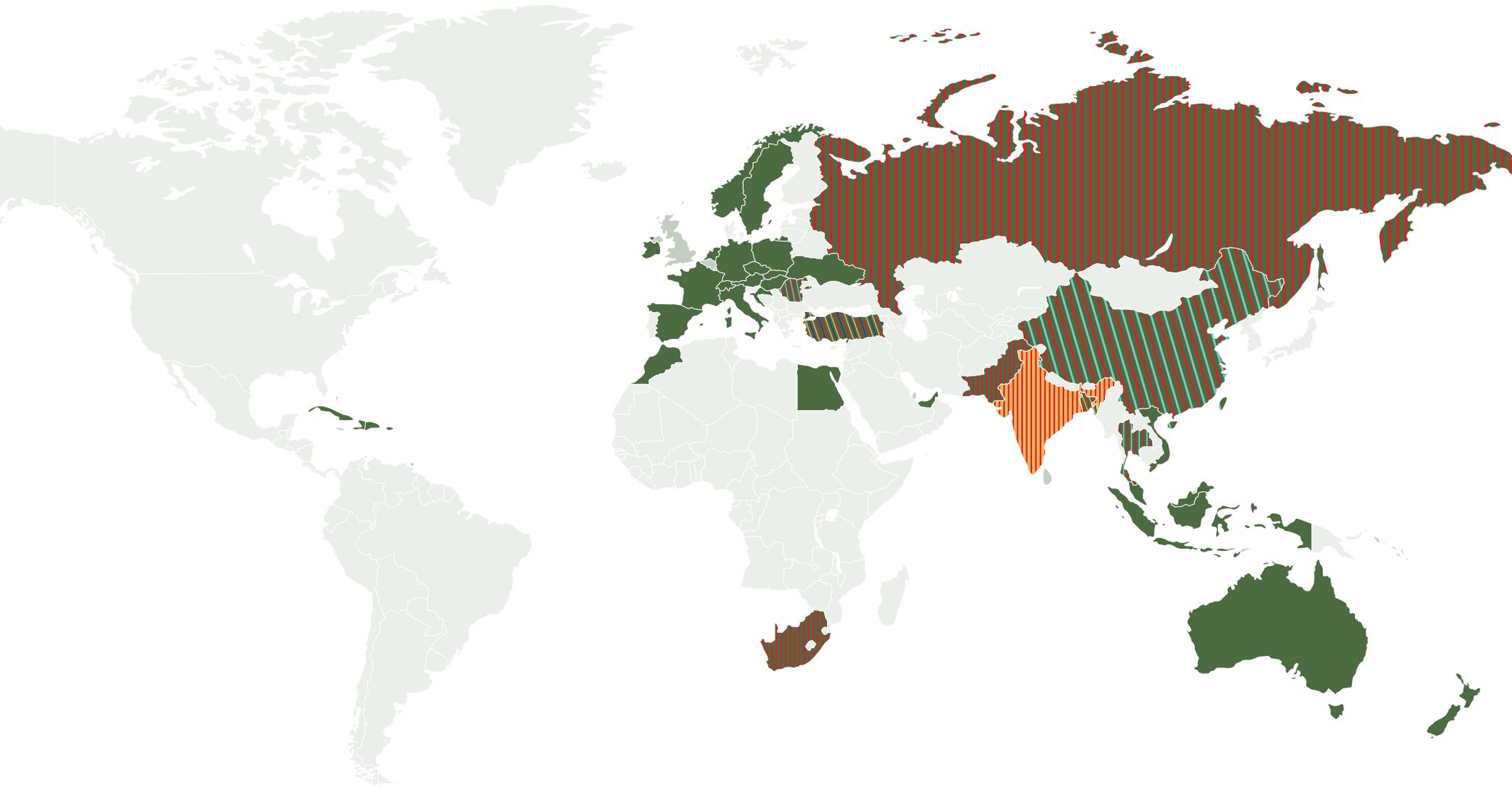
REGIONAL DISTRIBUTION OF NET SALES

EUR million





GLOBAL OPERATIONS NETWORK



You can click on the country to see the operation type.



This is Not a Statement



This is a sustainability approach

Along with the change we are facing, we put sustainability at the center of our business and incorporate it as part of our strategy. In line with our vision - Respecting the World, Respected Worldwide - we have adopted sustainability as our business model.

Within the framework of our sustainability approach, we focus on the future, the environment, and the needs of people and our business. We believe that we must go beyond our current habits and behavior models, the way we think now, and everything that is thought to be impossible today. We design, build and live the future, today. We design technologies that will improve the future.

In Touch Technology





STRATEGIC APPROACH

In Touch Technology

In Touch with Business

We transform our business together with our stakeholders and build the world of the future together. In order to become a brand preferred by employees, we focus on their needs, share our know-how and experience with our supply chain and dealers. Through the power we get from dynamic collaborations, we work to offer the best to our customers.

In Touch with Our Planet

With the innovative products we offer and the improvements we make in our operations, we strive to protect natural resources in the world and to reduce our environmental footprint. To produce solutions for global environmental problems such as the climate crisis, plastic pollution, and food waste, we cooperate with different stakeholders. We integrate sustainability into the products we develop and support all our stakeholders in the value chain, from our customers to suppliers, to help them reduce their environmental footprint.

In Touch with Human Needs

We design smart technologies that are inspired by the future and respond to the needs of society. We enlarge our impact area by developing products that remove barriers to society's progress. With a wide range of products, from solar refrigerators designed for areas without access to electricity, to other products that overcome barriers, we focus on improving people's lives.

The world is rapidly transforming. This fast-paced transformation and the global trends that we are witnessing show their impacts in many ways in how we live our daily lives, how we do business, and in our consumer habits.

We experience the repercussions of this transformation very deeply in our sector. The effects of the climate crisis is felt even stronger, and *it is estimated that there will be more plastic than fish in the oceans by 2050*. With world population and urbanization rates rapidly increasing, it is necessary to meet the diverse needs of societies such as food supply, in a sustainable way and to support socio-economic development. As we face this transformation, we put sustainability at the center of our business and incorporate it as part of our strategy. In line with our vision - "Respecting the World, Respected Worldwide" - we have adopted sustainability as our business model, and our target is to create value for all our stakeholders.

By saying that a sustainable world is possible with the steps we take to improve the future, we are taking concrete steps today to make the world sustainable tomorrow with the technology we develop to improve the planet, life, and our business. In line with our In Touch Technology framework, we have set our short-medium-long term targets towards 2030 which will ensure that we realize our commitments with the engagement of all our departments.



IN TOUCH WITH BUSINESS

BEING A PROGRESSIVE GLOBAL CITIZEN



Engage with partners, customers and retailers to create shared value across the value chain

Build a business that is responsive to the needs of our colleagues to optimize talent acquisition and management

Create value through open innovation and digitalization, advance digital competencies to better connect with customers

Respect human rights and business ethics

We are aware that one of the conditions for improving the planet and life in general is establishing systems that maintain simple, sustainable, digital and innovative operations. With this in mind, we work together with our employees and stakeholders to build an ethical and inspiring business world of the future that is focused on creating value. By using the power of innovation and digitalization and combining it with our employees' love of doing their jobs together with us, we strive to improve the lives of everyone who is part of our value chain.

In order to become a brand preferred by employees, we focus on their needs, share our know-how and experience with our supply chain and dealers to help them make better choices. Through the power we get from dynamic collaborations, we work to offer the best to all our stakeholders, and especially to our customers.

TARGET FOR 2030

TALENT ACQUISITION AND DEVELOPMENT

- Increase the average training hours per employee globally; **30 hours** for hourly-paid employees, **50 hours** for monthly-paid employees
- Convert **40%** of internal training activities to online platforms
- Ensure that **more than 50%** of the employees participate in a **minimum of one** volunteering activity and establish a corporate volunteering platform in each country where we operate

RESPONSIBLE SUPPLY CHAIN

- Increase Sustainability Supplier Index Response Rate to **70%**
- **Apply for all global suppliers exceeding 500 TEP to obtain the ISO 50001 certificate**

DECENT WORK AND DIVERSITY

- Increase the female manager ratio to **30%** (From 2019 baseline)
- Assign 3 female directors in departments related to Science, Technology, Mathematics and Engineering (STEM) (1 factory director, 2 technical department directors)

OCCUPATIONAL HEALTH AND SAFETY

- Organize seminars to raise awareness for **100 K** students in locations where our production facilities are located

Engage consumers in imaginative ways to create more choices and adopt sustainable lifestyles

Optimize organizational health and safety performance and management systems

Leverage Industry 4.0 operations, develop a next generation sustainable work environment and office





IN TOUCH WITH OUR PLANET

SHRINKING OUR FOOTPRINT TO PRESERVE VITAL RESOURCES

Improve product efficiency and eco-friendly product range by integrating sustainability into every product we make

Invest more in energy efficiency and renewable energy systems

Accelerate the transition to carbon-neutrality and zero-waste

Increase awareness on combating the climate crisis and provide leadership from top management

With the innovative products we offer and the improvements we make in our operations, we strive to protect natural resources in the world and to reduce our environmental footprint. To produce solutions for global environmental problems such as the climate crisis, plastic pollution, and food waste, we cooperate with different stakeholders. We integrate sustainability into the products we develop and support all our stakeholders in the value chain, from our customers to suppliers, to help them reduce their environmental footprint.

TARGET FOR 2030

CLIMATE CRISIS

In manufacturing:

- Establish renewable energy systems with **15 MW** capacity
- Purchase 100% green electricity in **global production plants**
- Reduce energy consumption per product by **45%*** (From 2015 baseline)

** in S. Africa, Russia, Turkey, Romania, China, Thailand and Pakistan operations*

New business area:

- Release a solar roof business model in Turkish market with **50 MW**

WASTE MANAGEMENT

In manufacturing:

- Increase the waste recycling rate to **99%** in global operations (From 2015 baseline)

PLASTICS

In products:

- Increase recycled plastic content in products to **40%**
- Increase bio-based material content in products to **5%**

Arçelik brand:
Use 100% recycled transportation belt

WATER MANAGEMENT

In manufacturing:

- Reduce water **withdrawal** per product by **45%*** (From 2015 baseline)

** in S. Africa, Russia, Turkey, Romania, China, Thailand and Pakistan operations*

GREEN CHEMISTRY

- Standardize the Arçelik Green Chemistry Management System in products & production globally

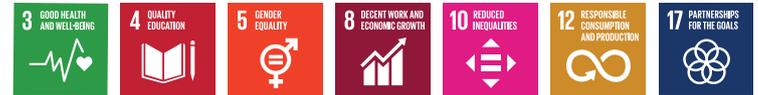
Develop circular business models and products by increasing the use of recycled and alternative raw materials, especially plastics

Minimize operational and supply chain environmental impacts





IN TOUCH WITH HUMAN NEEDS
IMPROVING THE LIVES OF PEOPLE



Build purpose-driven global brands that create positive impact on society and the environment

Develop more smart technologies that make it easier for people to live lightly and have healthier lifestyles

HEALTHY NEXT GENERATION WITH BEKO

COMBATING FOOD WASTE WITH GRUNDIG

SUPPORTING LOCAL COMMUNITIES

TARGET FOR 2030

- Raise awareness amongst 80M people about healthy living

- Serve 1M meals to 500K people in need
- Save 1,200 tons of food from being wasted
 - Raise awareness amongst 3.5M people on combating food waste

- Support local needs of communities with local hero brands in Turkey, Romania, South Africa and Pakistan

Differentiate our business with innovative, high quality, accessible and affordable products

Go beyond the industry, partner with stakeholders to expand our impact, endorse sustainability and social responsibility

Develop technologies and solutions that target specific needs and priorities in communities where we operate



Please see [HERE](#) our Corporate Citizenship Policy which guides our work within the scope of In Touch with Human Needs approach.



WHAT ISSUES DO WE FOCUS ON?

Material sustainability areas form the basis of our strategy. In order to identify the most important issues that impact our business and our stakeholders, once every two years we conduct a comprehensive materiality analysis to review the issues we focus on. In addition to stakeholder survey results, the analysis includes external trends, impact analysis, business strategy and executive views.

This year, we updated our long topic list and collected the opinions of our stakeholders. The results of the new analysis showed that material issues were similar to previous years, but occupational health and safety (OHS) and water management were among the issues which rise in importance. While "Very high priority" and "High priority" issues were the main topics we focused on in the report, we also included medium priority issues. These issues are presented in a more limited way in our report compared to the high-priority issues under the *In Touch with Human Needs* section.

GRI 102-42, GRI 102-43

Creating a Long List of Topics

1

We create a list of topics with a comprehensive literature review.

Identifying Stakeholder Priorities

2

To identify stakeholder priorities, different stakeholder groups prioritize the long list of topics via online surveys. In addition to stakeholder priorities, we include global and sectoral trends, material issues of peers in the sector and the criteria of sustainability indices.

Identifying Company Priorities

3

Top management views, business strategy and Sustainability Accounting Standards Board (SASB) four-factor impact analysis are used as inputs in the process of determining company priorities. In the impact analysis, we evaluate financial, legal, innovation and competition related risks and opportunities.

Identifying Material Issues

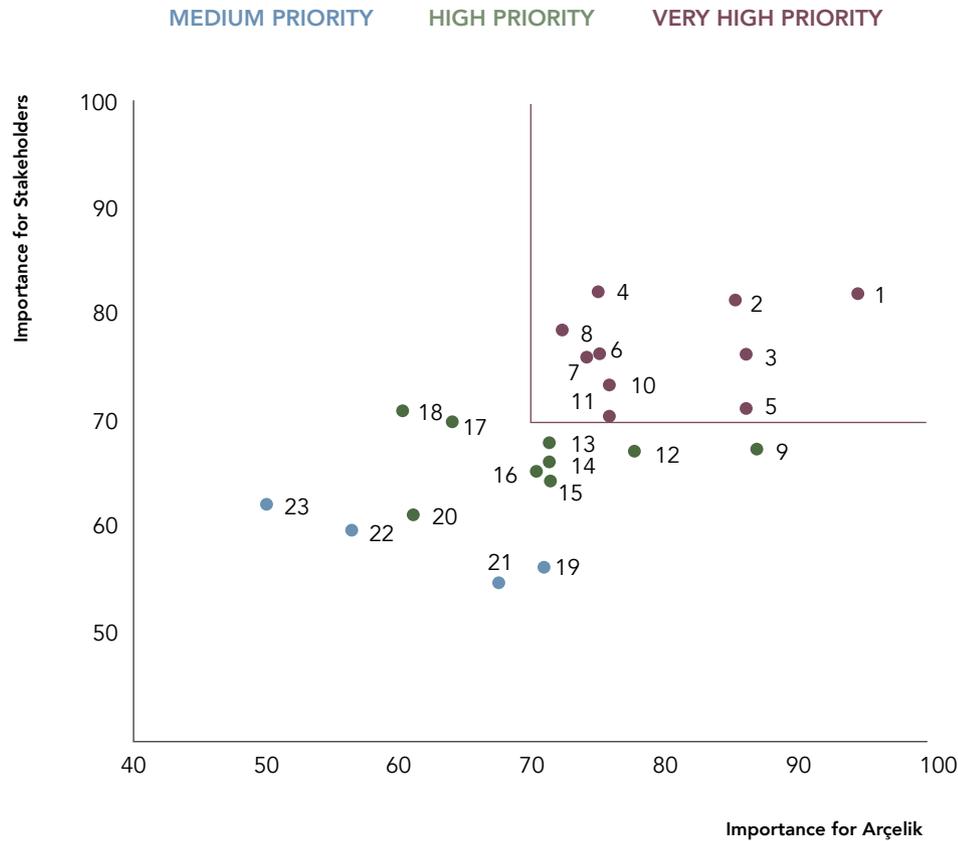
4

Arçelik focuses on very high-priority common topics identified by stakeholder priorities and external trend analysis, and company priorities as determined by business strategy, top management views and impact analysis.



OUR MATERIAL ISSUES

GRI 102-44, GRI 102-47



VERY HIGH PRIORITY*

- 1 R&D and Innovation
- 2 Products that Create Environmental and Social Value
- 3 Digitalization and Consumer Experience
- 4 Climate Change
- 5 Customer Satisfaction and Communication
- 6 Energy Efficiency in Production
- 7 Occupational Health and Safety
- 8 Water Management
- 10 Data Security and Consumer Privacy
- 11 Product Quality and Safety

HIGH PRIORITY

- 9 Talent Management
- 12 Waste Management
- 13 Circular Economy
- 14 Ethics and Transparency
- 15 Corporate Governance
- 16 Next Generation Operations
- 17 Responsible Procurement and Supply Chain Management
- 18 Equal Opportunity and Diversity
- 20 Food Waste

MEDIUM PRIORITY

- 19 Healthy Living
- 21 Products for Disadvantaged Groups
- 22 Social Investment Programs
- 23 Biodiversity

* Numbers represent the order of the topic, not the order of priority.



HOW DO WE ENGAGE WITH OUR STAKEHOLDERS?

Regular two-way communication with our stakeholders is an important part of our sustainability journey and our pioneering role in the sector. Learning the expectations of our stakeholders and including them in the decision-making process helps us both improve our products and services and efficiently manage our risks and opportunities.

We work together with different non-governmental organizations (NGOs), public institutions, peers, opinion leaders, and business partners in multi-stakeholder initiatives to find solutions to global problems and develop the sector.

We think that maintaining a stance regarding sustainability and creating value for our world in the name of all stakeholders is a critical issue that needs to be taken seriously, and firmly believe that the way to win in the long term is to do the right thing for ourselves, our companies, our country, and our world. To this end, we provide training to our suppliers, offer planet-friendly products to our consumers

and try to implement sustainability in all our business processes with the future-friendly innovations we develop together with our business partners and employees while endeavoring to spread the same approach throughout the entire ecosystem.

STAKEHOLDER ANALYSIS

The stakeholder analyses we regularly conduct to identify material issues ensure that we understand our stakeholders' expectations regarding sustainability as well as how they evaluate our performance in this area.

As part of the analysis we repeated in 2019, we reached out to different stakeholder groups via online surveys and received feedback from a total of 1,061 people to identify what stakeholders view as material for Arçelik. According to the results, stakeholders think R&D and innovation, energy efficiency and OHS are among the "Very High Priority" and "High Priority" issues that are being well managed. On the other hand, they see circular economy and water management as issues that need improvement.

STAKEHOLDER OPINION

DR. UYGAR ÖZESMİ

ENVIRONMENTAL SCIENTIST AND SOCIAL ENTREPRENEUR, FOUNDER OF CHANGE.ORG TURKEY AND GOOD4TRUST.ORG

Arçelik is one of the companies that has taken sustainability seriously and embedded it deeply and systematically into its corporate structure. Recently, the brand has successfully communicated the importance of clean and local food to large groups through the Ruhun Doysun Project in Turkey. The solutions it has developed regarding the use of recycled materials, energy, and water efficiency are admirable. It is also promising that the brand has recently been working towards finding a solution to microplastic pollution.

What it needs to do now is to announce its total sales figures in different models, to set the goal of having all sales conducted in the most environmentally friendly way, using recyclable models that conserve energy and decrease waste.



*Please see our work in the areas of circular economy and water management, which we will continue to improve in the coming period and have set 2023, 2025 and 2030 targets accordingly, in the **IN TOUCH WITH OUR PLANET** section.*

*Please see our communication channels with different stakeholder groups in **ANNEX 3**.*



SECTOR LEADERSHIP

We know that we cannot realize our vision of playing a role in solving environmental and social problems and producing technologies of the future alone, so we believe in the importance of working together with our stakeholders. To be a role model for our sector, we implement best practices in sustainability and aim to include all the actors in our value chain, from suppliers to dealers, employees, and customers in our business processes, to inspire them, and expand our practices.

Through our “Our target market is the world” approach, we implement pioneering work in Turkey and in international markets with the awareness of being a global company with a large impact area. Our success is confirmed by inclusion in the global indices and the awards we receive.

SUSTAINABILITY INDICES

As the first and only industrial company from Turkey to be included in the **Dow Jones Sustainability Index (DJSI)** Emerging Markets category for three consecutive years, we were also selected as the **Industry Leader in the “Household Durables” category** in 2019.



We received the **SAM Gold Class Award** and were included in the Sustainability Yearbook 2020. In each sector covered in the DJSI, companies with a total score of at least 60 and whose score is within 1% of the best performing company in the industry are awarded the SAM Gold Class Award.



FTSE4Good

Since 2016, we have been included in the **FTSE4Good Emerging Market Index²** where companies that have strong environmental, social, and governance performance are measured by FTSE Russell of the London Stock Exchange.

In 2019, we were rated AAA (AAA-CCC scale) on the **MSCI Sustainability Index³**.



By receiving an A- in the **Carbon Disclosure Project (CDP)** 2019 Climate Program, we became one of the Turkish companies to earn the highest score in this program.



We are listed in the **Borsa Istanbul Sustainability Index** for the 6th time in a row.

Our Arctic Ulmi washing machine factory was included in the **World Economic Forum (WEF) Global Lighthouse Network**.

We were awarded the **Zero Waste Private Sector Award** by the Republic of Turkey, Ministry of Environment and Urbanization.



Please see all our sustainability achievements and awards on our **WEBSITE**.

Click **HERE** to read the interview where Arçelik CEO Hakan Bulgurlu evaluates DJSI Industry Leadership and its link with 2030 goals.

² FTSE Russell (trading name FTSE International Limited and Frank Russell Company) confirms that Arçelik has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

³ The use by Arçelik of any MSCI ESG research or its affiliates (“MSCI”) data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Arçelik by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided ‘as-is’ and without warranty. MSCI names and logos are trademarks or service marks of MSCI.



CORPORATE GOVERNANCE

TARGET FOR 2020
set in 2016

Increase the number of country operations within the scope of the sustainability report to

13

Establish the Global Ethics and Compliance System

Increase the number of established Ethics Hotlines to

20

2019 PROGRESS

Including our operations in Thailand and Denmark, we expanded the scope of the report and reached 12 countries.

We launched the system in December 2019.

We activated the system in a total of 21 countries including Turkey, South Africa, Thailand and European countries.

Notifications for countries where there is no production are received via the website-based Ethics Hotline and e-mail. Countries with production receive notifications the same way, but with the addition of an Ethics phone line.

STATUS

In progress.

Target achieved.

In 2020, promotions were completed for all countries we operate in, and it will continue with training programs.

Target achieved.

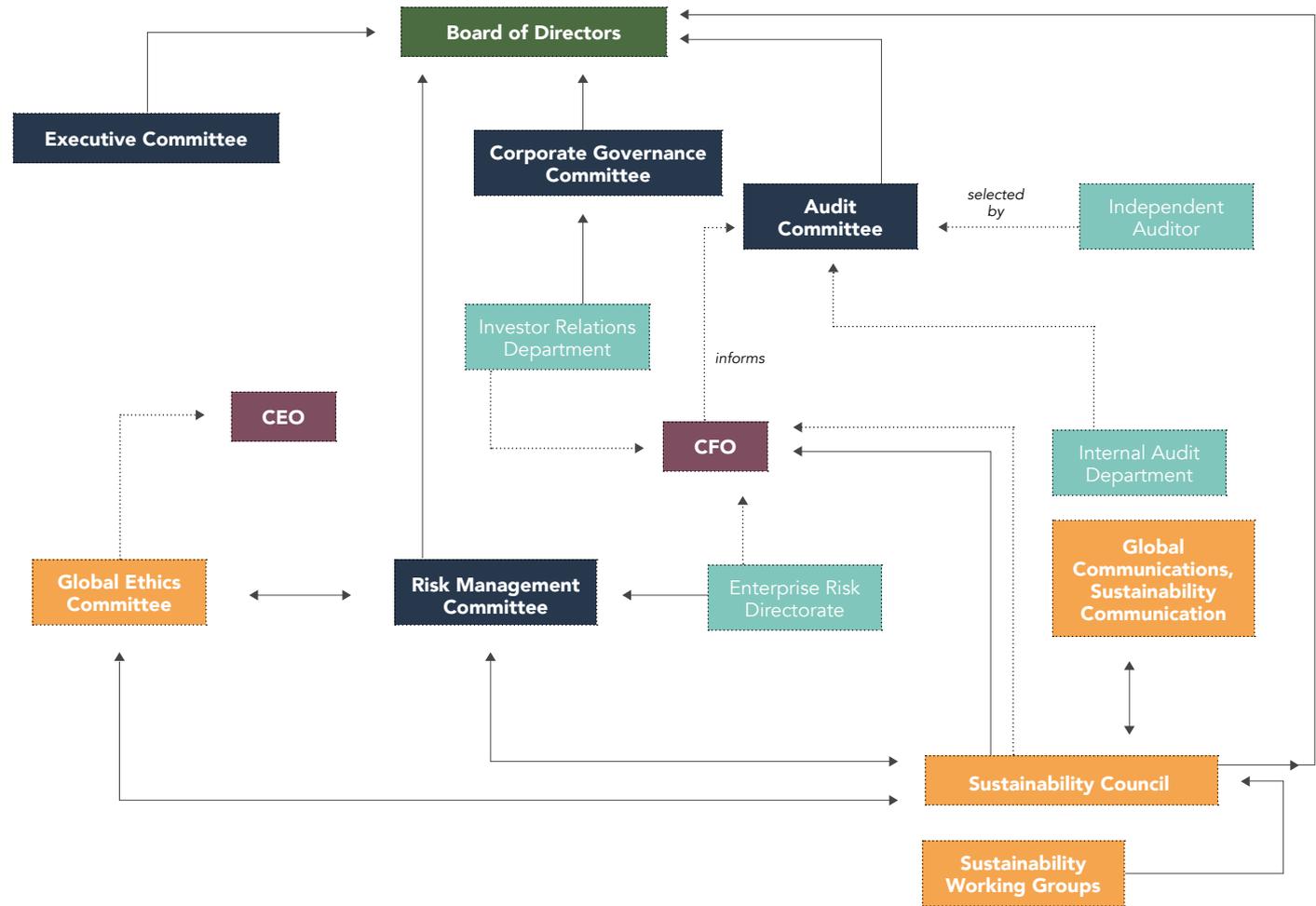
In 2020, Ethics Hotline promotions were completed in all the countries we operate in. We aim to raise awareness with the training programs.



Our Arçelik corporate governance approach is structured in line with the principles of international business standards, accountability, responsibility, fair treatment, openness and transparency. The transparent management approach that we follow in all our business processes forms the basis of our company's long-standing success.

Arçelik Corporate Governance Rating increased from 9.53 to 9.58 in 2019.

The highest management body at Arçelik, the Board of Directors, consists of a total of 12 members, with four independent members. There are two female members on the board. According to the Corporate Governance Principles, the Chairman of the Board and the CEO must be different individuals. The Audit Committee, the Corporate Governance Committee, the Risk Management Committee and the Executive Committee operate under the Board of Directors.



Sustainability Management consolidates outputs of working groups quarterly and reports them to Sustainability Council.



For detailed information on the number of members and the responsibilities of the Board and the Committees, please see the **2019 ANNUAL REPORT** and the **CORPORATE GOVERNANCE COMPLIANCE REPORT**.

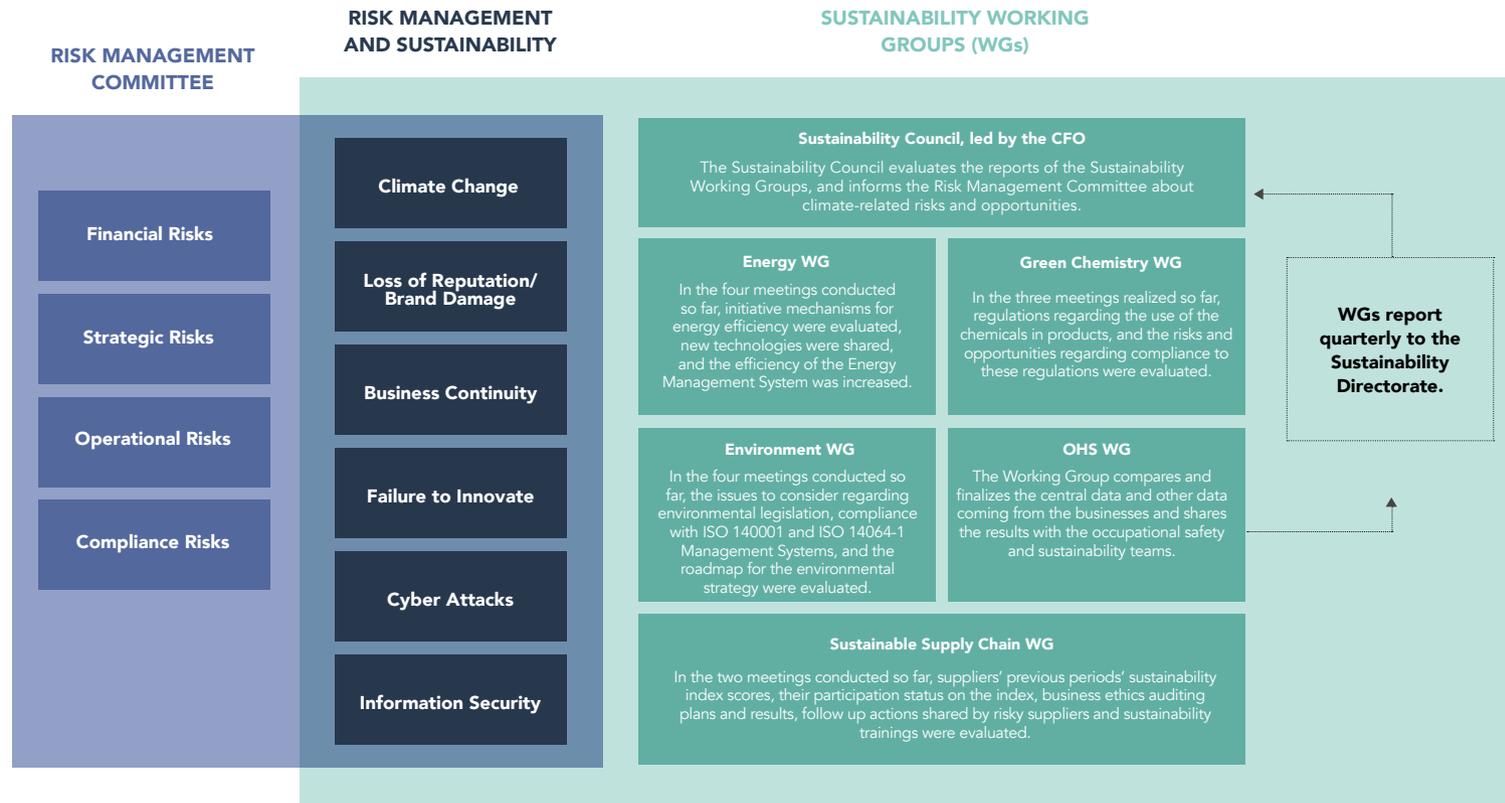
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-> Led by, if not specified
- ====> Reports to each other



SUSTAINABILITY MANAGEMENT

We develop sustainable business models to leave future generations a more habitable world, and as a global organization, we integrate our sustainability approach into our business methods throughout the entire value chain. With our effective in-house sustainability program, we ensure that policies in these areas extend throughout the organization and in the value chain from the management level to the lowest levels. Chaired by the CFO, the Sustainability Council is responsible for the management of sustainability issues, determining climate crisis policies and strategies according to risks and opportunities, integration of sustainability into business processes, and following sustainability performance. Consisting of the Arçelik Senior Management, the council members control and coordinate their sustainability activities in their areas of responsibility and chair the Sustainability Working Groups. Risk and opportunity studies resulting from the outputs of the Sustainability Working Groups and submitted to the Sustainability Council are reported to the Risk Management Committee twice a year.

To ensure that sustainability is integrated into our company's strategies at the highest level, the President of Consumer Durables Group of Koç Holding, one of the members of the Board of Directors, and the Director of Quality, Sustainability and Corporate Affairs, report quarterly to the Board of



Directors on the activities carried out in the field of sustainability and ensure that sustainability strategies are realized. In March 2019, the Sustainability Management team was established under the Quality, Sustainability and Corporate Affairs Directorate in order to consolidate the implementation of sustainability strategies in all departments. The duties of the Sustainability Management team include determining the long-term sustainability strategy of the company, representing the company in local and international organizations, carrying out

projects with departments within the company, and ensuring the continuity of success on sustainability indexes.

The Corporate Brand and Projects team, established in 2019 under the Global Communications Directorate, Strategic Communications Group Management, coordinates sustainability communication which is the main focus of Arçelik's communication strategy.

The responsibilities of this team include creating a sustainability communication strategy, designing social responsibility programs that will create social value, preparing sustainability and annual reports, and facilitating communication among all stakeholders. It is our priority to share sustainability efforts and messages with the highest level of representation at the CEO level in all communication channels, and to communicate in a transparent way.



Please find detailed information about the responsibilities of the Sustainability Council and Sustainability Working Groups and the activities carried out in 2019 on our **WEBSITE**.



ETHICS AND COMPLIANCE

Arçelik's Ethical Code of Conduct and Implementation Principles are revised to respond to new needs emerging as Arçelik grows globally and the new code published in 2019 as the Global Code of Conduct and Related Code Policies. The Global Ethics Committee is responsible for the functions and smooth implementation of the Global Business Ethics Principles and Related Policies. Our CEO leads the reorganized Global Ethics Committee, reflecting how senior management's approach is directly related to our culture of ethics. The President of the Consumer Durables Group of Koç Holding, one of the members of the Board of Directors of our company, was appointed to inform the Board of Directors about the company's compliance with the Global Code of Conduct and Related Code Policies and about the activities of the Ethics Committee. The Legal & Compliance Director of our company reports to the President of the Consumer Durables Group of Koç Holding, every quarter, four times a year.

With our updated Business Ethics Principles, we are committed to act in compliance with the UN Global Compact, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the Universal Declaration of Human Rights in all countries we operate in, regardless of whether these principles are accepted in these countries or not.

The Global Code of Conduct shapes Arçelik's global activities. Therefore, the responsibility for the Global Code of Conduct and Related Policies arising from our daily business practices falls to each country manager and ultimately, this responsibility resides with our CEO. We expect all our stakeholders to comply with the Global Code of Conduct and Related Code Policies. There are sanctions to be applied as a result of violating the Global Code of Conduct and Related Code Policies which are declared in Global Code of Conduct Operation Policy.

In addition to basing our behavior standards on the Global Code of Conduct and Related Code Policies, we also describe the rules for combating corruption, guaranteeing that employees work in decent working environments, setting the standards for the protection of information and data, and guiding our behavior models that we adopt in our external relations. With these policies, we also commit to providing a work environment where human rights are respected, and employees work based on mutual trust without discrimination.

All of our employees and business partners, including our temporary employees and interns, are obliged to comply with the Global Code of Conduct and Related Code Policies, and we expect them to internalize and comply with these rules.

We have started to implement the Global Code of Conduct and Related Code Policies in Turkey, South Africa, Thailand, and European countries and we plan to expand their implementation through training programs.

Our employees sign that they have received the Global Code of Conduct and Related Code Policies on their start date of employment. In addition, we provide our employees with training on Global Code of Conduct and Related Code Policies,

including combating bribery and corruption, and we regularly check the completion status of these trainings. Notifications about actions that are incompatible with the Global Code of Conduct and Related Code Policies can be made via the website-based ethics hotline and e-mail. Producing countries receive notifications the same way, but with the addition of an ethics phone line. Arçelik is committed to protecting those who provide such information and handles all notifications confidentially.

NUMBER OF CASES DISCUSSED BY ARÇELİK ETHICS COMMITTEE

Year	Number of Cases	Number of Employees Involved	Number of Decisions Taken
2019	3	4	3
2018	5	15	5
2017	1	1	1

Please see the number of cases in the previous years [HERE](#).



For detailed information about the duties and responsibilities of the Global Ethics Committee, please see the [GLOBAL CODE OF CONDUCT OPERATIONS POLICY](#).

Please find the Global Code of Conduct and Related Code Policies [HERE](#).



As stated in Arçelik's Global Code of Conduct, the Company did not donate to political parties, politicians or political candidates, and did not allow activities to support demonstrations, propaganda and/or for similar reasons within the boundaries of the workplace during the reporting period. Moreover, the Company's resources and fixtures (tools, computers, e-mails, etc.) were not used for political activities and/or campaigns.

PROTECTION OF PERSONAL DATA

Arçelik is committed to the principle of protecting the confidentiality of all the stakeholders with which it has commercial business relations, including its affiliates and subsidiaries, customers, suppliers, employees, and sub-contractors.

The Company endeavors to process personal data in compliance with all applicable Data Protection Laws. In cases where the applicable Data Protection Law envisages a higher level of protection than the policies set by our company, the Company must comply with these laws and regulations. For more information, you can review the [Global Code of Conduct and Related Code Policies](#).

The General Data Protection Regulation (GDPR)/Personal Data Protection Law (KVKK) Maturity Test audit was completed in 2018. This audit will continue periodically in 2020.

The Global Compliance Manager is Arçelik's Data Protection Officer (DPO). A new function was created within the body of Arçelik to control all personal data processing activities at Arçelik and its affiliates, and to ensure that personal data are processed in accordance with the law.

Personal data cannot be used for any purpose other than the original purpose for which it was collected. In 2019, there was no personal data violation within Arçelik, and therefore, no complaints were received from the relevant people (customers, consumers, suppliers, business partners, employees) about the issue.

We completed the Global Cyber Security Policy, and we obtained the policy at the beginning of 2020. With this policy, we minimize our company risks related to personal data. The relevant people are informed on which personal data is processed, for which purpose it is used, for how long it is kept. Furthermore, we get their permission before entering them to our data base, give them the option to remove their personal information from our data base and not receive any communication, inform them about the personal data processed by our company, and with which companies and suppliers their data is shared, and also provide them with the option to change their personal data.

In addition, detailed information is provided on how long the personal data will be stored, the technical and administrative measures taken for personal data and in which cases it can be shared with the third parties.

ENTERPRISE RISK MANAGEMENT

We establish risk management and internal control systems to minimize the impacts and probability of risks that may affect our company, and regularly review the effectiveness of these systems. To this end, there is a Risk Management Committee within the body of the Board of Directors to identify risks early and take necessary actions to mitigate and manage those risks. The Enterprise Risk Management Directorate under the Assistant General Manager of Finance and Accounting ensures the management, coordination, and surveillance of risks that may affect the company by means of the risk management system it established and reports to the Risk Management Committee. We proactively follow developing risks, evaluate their financial/non-financial impacts on the company in the long-term, and inform Senior Management and the Risk Management Committee about any developments.

For the purpose of building a risk awareness culture throughout the entire organization, we provide enterprise risk management trainings to the Senior Management level directors, country managers in the group companies, and risk owners assigned in the company. By increasing the risk awareness of our employees, we encourage them to raise issues that may create risk by means of the Risk Proposal System.

In the field of global risk management, our most important growing non-financial risks were determined as the climate crisis and digitalization, cyber-attacks, information security risks, loss of reputation/brand damage, business interruption, failure to innovate, and risks related to talent acquisition and retention. We monitor all globally emerging risks and integrate them into our risk management structure/regularly updated risk analyses.



*For detailed information about our company's risk management organization, practices and financial, operational, compliance, and management of external risks, please see our **2019 ANNUAL REPORT**.*



ESG RELATED RISKS AND OPPORTUNITIES



Please click on the icon to review the related tables.

Climate Related Risks

Transition to Low Carbon Economy 2C/1.5C scenario

Company and Brand Reputation

Ethics and Human Rights

Technological Advancement and Digitalization

Raising the Next Generation Workforce and Attracting the Best Talent

Pressure on Resources and Circularity

Responsibility in the Supply Chain

Business Interruption Risks



Please see **HERE** for the complete list of ESG related risks and opportunities.

Please see the main institutions that guide our works in **ANNEX 4** and all our memberships in **ANNEX 5**.





In Touch with Business

We are aware that one of the conditions for improving the planet and life in general is establishing systems that maintain simple, sustainable, digital and innovative operations. With this in mind, we work together with our employees and stakeholders to build an ethical and inspiring business world of the future that is focused on creating value. By using the powers of innovation and digitalization and combining them with our employees' love of doing their job with us, we are striving to improve the lives of everyone who is a part of our value chain. We see sustainability as an integral part of our business model and as a lifestyle. As a responsible company, we work with our suppliers, business partners, employees, and consumers to design better solutions.

- 26 Next Generation Business Model
 - 27 R&D and Innovation
 - 37 Customer Experience
 - 39 Dealers
 - 40 Customer Care
 - 43 Consumer Safety and Quality Management
 - 44 Sustainable Supply Chain
 - 47 Talent Acquisition and Development
 - 53 Investment in Talent Management
 - 60 Occupational Health and Safety
-



NEXT GENERATION BUSINESS MODEL

New technologies are important to finding solutions to environmental problems such as water scarcity, the climate crisis, and plastics pollution, while also providing social benefits. At Arçelik, we strengthen our R&D and innovation competencies every day in order to adapt to the changing world conditions and to respond to them with new technologies. With our focus on innovation, we are transforming our operations so our products can add value to the lives of our customers. As the only Turkish company in the top 100 list of the “Companies with the Highest Number of International Patent Applications” in the last 5 years, published by the United Nations World Intellectual Property Organization (WIPO), we regard R&D and innovation as basic tools for maintaining our international competitive power and contributing to the development of the national economy.

Exponential technologies such as artificial intelligence, advanced robotics and cognitive automation, advanced analytics, and the Internet of Things (IoT) *are transforming businesses at an unprecedented rate*. The proliferation of artificial intelligence applications in the workforce increases productivity, while paving the way for the emergence of new business areas and supporting us in shaping the future.

CORPORATE ENVIRONMENTAL SOLUTIONS

We continue to develop solutions suited to our corporate customers that follow the guidelines of next generation business models. We provide services such as reconnaissance, installation, and maintenance for our corporate customers from 140 service points in the areas of central air conditioning (air conditioning plants, radiator assemblies, etc.), LED lighting, solar energy, and professional imaging.

NEW BUSINESS AREAS

SOLAR SYSTEMS

As Arçelik, we are accelerating our investments in the dissemination of renewable energy systems throughout Turkey. We established the Energy Management Department in April 2019, and Arçelik Pazarlama A.Ş. has started to operate in the fields of reconnaissance, engineering, selection of suitable systems, installation and follow up of the permit process, and system monitoring and maintenance (Engineering, Procurement, Construction-EPC) of solar systems generating energy as part of the solar panel project launched by Koç Holding in the past years.

The systems will be run by 44 dealers and service points that have received solar training. These dealers and service points first received their theoretical training, and they will complete their practical training in the Solar Training Hall, which will be opened in Çayırova in the coming period. In order to test the systems produced, we established test systems on the roofs of Arçelik’s Kadıköy and Söğütözü premises and started testing. In addition, Arçelik Pazarlama A.Ş. earned its Energy Efficiency Consulting Company status, which has been granted to very few companies in Turkey, from the Republic of Turkey Ministry of Energy and Natural Resources.

We are the only Turkish company in the top 100 list of the “Companies with the Highest Number of International Patent Applications” in the last 5 years, published by the United Nations World Intellectual Property Organization (WIPO).





R&D AND INNOVATION

TARGET FOR 2020

set in 2016

2019 PROGRESS

STATUS

Increase the number of collaborations and projects in R&D and innovation

Our cooperation with more than 500 universities, research institutes, and companies from more than 20 countries continues in 19 projects in different fields funded by the European Union.

In progress.

R&D offices in

5

different countries including the UK, China, Thailand, Romania and Taiwan

15

R&D and Design Centers in Turkey

Over

1,600

R&D employees

More than

3,000

inventions

All our operations, from production to sales, and from after-sales services to the supply chain, rely on using an innovative perspective to produce sustainable solutions. Thanks to the artificial intelligence models we developed with this approach, we look at our processes from an innovative perspective and produce more efficient solutions. We also develop innovative products that respond to the needs of digital homes thanks to our R&D, and we offer solutions to environmental and social problems.

Through our R&D investments, well-equipped R&D and design centers, and our qualified R&D staff, we are designing the future today, by designing smart, connected products at the intersection of artificial intelligence, software, and hardware. We build strategic collaborations

to develop innovative products and services that respond to the needs of the changing world. With our strategic partners and their special competencies worldwide, we develop service platforms that run on cloud infrastructure and are supported by machine and deep learning in the fields of audio, imaging, and healthcare.

In 2019, the focus of our R&D strategy was to develop innovative, eco-friendly, and sustainable products that consume less energy and water and add value to our customers' lives.

In the scope of product innovation, the ratio of turnover we provided in 2019 from newly commercialized and significantly improved products and services that we launched during the previous two years to our total turnover was 50.8%.



COLLABORATIONS

We develop strategic cooperations with stakeholders having diverse experience and infrastructures to design innovative products in many fields. The technologies we develop enable us to find solutions to environmental and social problems while increasing our market share and profitability. To strengthen our network of collaborations and secure our role on different platforms, we joined the European Union Framework Programme (Horizon 2020). We have established important collaborations in critical areas such as connectable products, cyber security, sensors, robotics, cyber physical systems, artificial intelligence, energy efficiency, circular economy, innovative material technologies, and food storage technologies.

PROJECTS WE REALIZED AS PART OF HORIZON 2020

VALUE GENERATED

Nanohybrids

We developed a new generation material with a high moisture retention capacity. We aim to reduce the energy consumed by heating dishwashers for the drying cycle by keeping the material moist.

BIO4SELF

Instead of petroleum-based plastics, we developed environment-friendly plastics, composed completely of bioproducts and that are very strong. For detailed information about the project, please see the [In Touch with Planet](#) section.

C-SERVEES

Our washing machine and television plants have been involved in a Project aiming to support the circular economy with a focus on resource efficiency in the electric and electronics industry. By establishing strategic collaborations within the scope of the project, we will produce 100 promotional televisions and washing machines with a focus on the circular economy. These promotional products will be leased to users for a year, collected when their leases expire, renewed and provided to users as new products with the same quality standards. With the contribution of our business partners, we plan to monitor the recycled materials in the products using information and communication technology tools. Circularise, our business partner in this field, will provide users with the necessary tools to help them learn about recycled materials in the products. We are providing a solution to the challenge of waste with strong partnerships and circular economy models based on leasing instead of selling.

MAESDOSO

We developed multi-layer conductive surfaces where electrochromic coatings are applied to glass to control heat transfer. Used as oven glass, we aim to reduce energy consumption as it will reduce heat loss in the cooking device.

SafeConsumE

Every year in Europe, there are 23 million cases of illness and over 5,000 deaths caused by bacteria, parasites, allergens, and toxins in food. This project develops solutions through R&D to reduce food-borne diseases through collaborations with universities and different companies in the food supply chain. For other projects on healthy living, please see the [In Touch with Human Needs](#) section.

Form Planet

We aim to prevent manufacturing defects by increasing the production and performance efficiency in sheet metal forming with the help of new experimental and modeling methodologies.

PROMETHEUS

We aim to reduce energy consumption during the drying cycle in dishwashers and dryers by introducing a new feature that will prevent water retention by changing the morphology of the dishwasher's inner case and dryer fan surfaces with lasers.

FIT4FoF

With the Making our Workforce Fit for the Factory of the Future Project, realized in our facility in Romania, we are aiming to raise a well-equipped workforce for the factories of the future. We are also developing methods that will enable the next generation to work effectively in the smart factories of the future.



Please see the main institutions that guide our works in **ANNEX 4**.



Our collaborations continue with more than 500 universities, research institutes, and companies from more than 20 countries through 19 funded projects in different areas.

We have carried out many projects in Eureka and Eurostars and taken an active role in national programs including The Scientific and Technological Research Council of Turkey (TÜBİTAK), Industrial Innovation Network Mechanism (SAYEM), 1004 Center of Excellence Support Program, 2244 Industrial PhD Program, 2232 The International Fellowship for Outstanding Researchers Program, and increased our collaborations.

In 2019, we applied for 47 international projects including Horizon 2020, Erasmus+, TÜBİTAK 1509 (International Industrial R&D Projects Grant Program) and EUREKA. In Turkey, we applied for five TÜBİTAK 2232 (The International Fellowship for Outstanding Researchers Program), 11 TÜBİTAK 1501 (Industrial R&D Projects Grant Program) and two TÜBİTAK 1505 (University-Industry Collaboration Grant Program) projects.

We firmly believe in the power of university-industry collaboration. In collaboration with Koç University, Sabancı University, Middle East Technical University, and Istanbul Technical University, we plan to recruit 36 PhD students through the TÜBİTAK 2244 Industrial PhD Program.

Our newly developed products have taken a share of international markets, and we are leading the world-wide change. We respond to important global challenges with our innovative products. We have over 3,000 registered patents, and one-third of the international patent applications from Turkey to the World Intellectual Property Organization (WIPO) were submitted by Arçelik.

STAKEHOLDER OPINION

BLANCA VEGA

EMAÚS

Arçelik contributes to maximize the social impact of its activities, generating employment for people at risk of social exclusion around the world. In pursuing this goal, the company has strengthened collaboration with social organizations dedicated to reuse of waste electrical and electronic equipment (WEEE), providing technical support and training to extend the product life cycle of its products.

PASCAL LEROY

WEEE FORUM

Arçelik's commitment to boosting a resource-efficient circular economy in the sector of household appliances through C-SERVEES – a project funded by the European Union that seeks to develop, test, validate and transfer new circular economic business models based on eco-innovative services – is very commendable.

ANA ISABEL DÍAZ

GAIKER

Through its participation in the C-SERVEES Project, Arçelik is demonstrating its commitment to sustainability by activating and validating new circular economy strategies.

DR. MOHAMED OSMANI

LOUGHBOROUGH UNIVERSITY

Arçelik is dedicated to raising and advancing awareness about circular economy principles and benefits across their suppliers and clients.



This is Not a Dream



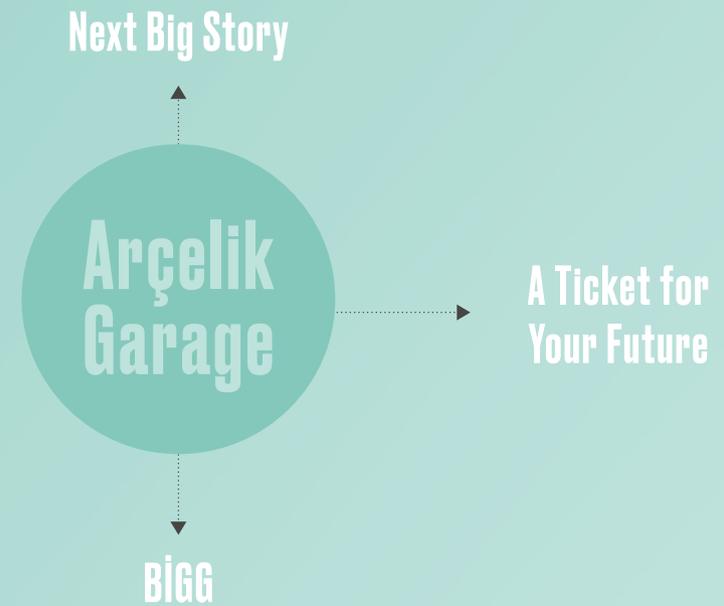
These are projects that are implemented

Through the Next Big Story, A Ticket for Your Future and the Supplier Innovation Program which we continued in 2019, as well as the daily workshops at Garage, 1,205 ideas were developed, 93 prototypes were manufactured, and 3 out of 11 product concepts turned into real products.

1,205
ideas

93
prototypes

11
product concepts





OPEN INNOVATION

Working with our stakeholders increases our innovation capacity. We accelerate our innovative work by coming together with a wide network of stakeholders, including organizations, universities, companies, and suppliers. At Arçelik, where different ideas are always regarded as assets, we create value through the contribution of our deep-rooted intellectual capital and our stakeholders, who have diverse infrastructures and knowledge.

ARÇELIK GARAGE

Arçelik Garage, which we launched to keep tabs on new technologies and transform ideas into prototypes and products, is now Turkey's largest open innovation platform. We evaluate the applications of entrepreneurs of all professions from all age groups. We expect the startups we aim to work together with to have the competencies to develop their own technology, exhibit their first working samples, and offer solutions in the thematic areas we set; thereafter, we invite the selected projects to the Acceleration Program.

We provide R&D and mentoring support to the startups participating in our Acceleration Program. The products of successful startups are sold by Arçelik dealers, giving them access to the global market, covering nearly 150 countries where we offer products and services.

Arçelik Garage serves as a rapid prototyping center with its technology infrastructure. Offering the opportunity to manufacture real product-quality prototypes with a much lower investment and in a much shorter time compared to serial manufacturing methods, the center can manufacture up to 50-100 products. With Turkey's largest Makerspace infrastructure, Arçelik Garage enables entrepreneurs to rapidly test their first samples and receive customer feedback at an early stage. Academicians from Turkey's prestigious universities, students, sub-industry representatives, consumers, service point and dealer employees all gather at the innovative idea development workshops and develop ideas on new products and features that add value to the lives of our customers. In addition, we organize monthly trainings open to everyone at Makerspace.

At Garage, a leading application of the open innovation approach, we have created a space where our employees can experience the latest examples of digital transformation in their production processes. We offer our employees a creative environment to encourage intrapreneurship and design thinking, and to accelerate the transition from idea to product, and from product to market with an advanced digital prototyping infrastructure. At Garage, we provide our employees with the infrastructure and expertise they need to make their ideas a reality.



STAKEHOLDER OPINION

MEHMET UZUN
BEEMIND

Just knowing that Arçelik is with us for the long haul has been a source of motivation for us. The fact that Arçelik has taken place in the entrepreneurship ecosystem as one of Turkey's largest brands and its support provides new opportunities for both sides. Particularly the full-time support of someone who follows and improves the work of startups clearly demonstrates the importance Arçelik attributes to our efforts.

**NEXT BIG STORY**

Multidisciplinary teams consisting of our employees and external stakeholders in the Next Big Story Program develop innovative product concepts in special product categories based on customer needs. Through this program, we aim to eliminate risks early, by developing different competencies in project processes, and to develop products that will provide the highest benefit to the company.

Our teams studied the needs and expectations of refrigerator users and evaluated the opportunities to develop new ideas with the Next Big Story Cooling Project. With teams consisting of representatives from different disciplines and Arçelik employees, 114 new ideas and a large number of innovative product concepts were developed for the specific product category of refrigerators. In addition, ideas were tested in target countries and potential future risks were eliminated. HarvestFresh, the product concept presented at the end of the study, was introduced at the 2019 IFA Consumer Electronics Trade Show. We support healthy living with our products resulting from the combination of different competencies.

**BİGG ARÇELİK GARAGE**

Springing from our vision of being a game changer and a support organization in the world of entrepreneurship and innovation, BİGG Arçelik Garage contributes to the expansion of our innovation ecosystem. With this Program, we aim to closely follow new technologies that may affect Arçelik, to recognize and support planned activities at an early stage, and to establish strategic partnerships.

The entrepreneurs selected for BİGG Arçelik Garage Program, the hardware acceleration program for entrepreneurs, can test their technologies by producing prototypes with the support of up to two months of mentoring, the Arçelik Garage infrastructure, and up to TRY 5,000 grant. Entrepreneurs who successfully complete the program can participate in the second phase of the TÜBİTAK BİGG Program.

Over the first two terms of the Program, carried out with the main target of promoting a culture of cooperation and collaboration within the company, 112 applications were submitted. In addition, training and mentoring support was provided to 13 entrepreneurs, from which two entrepreneurs later established their companies with the support of TÜBİTAK grants. In the third term, 74 of the 103 applications were accepted into the Program for training and mentoring support.



For more information on our work on healthy living, please see **IN TOUCH WITH HUMAN NEEDS** section.



NEXT GENERATION OPERATIONS

The way of doing business around the world is changing rapidly with Industry 4.0. *The effects of digitalization are seen in every area*, from customer relations management to agility in the workforce, from optimization of production processes to the transformation of products and services. We are transforming our operations in line with the changing trends in digitalization. This approach increases efficiency in our business, therefore we gain competitive advantage by meeting the expectations and needs of a new generation. We make our facilities smart, aligned with the Industry 4.0. As a result, we ensure that our workforce on the production line works more efficiently, and smart equipment prevents errors and losses.

Following our smart electronics plant established in 2018 in Çerkezköy, Turkey, our new washing machine plant in Ulmi, Romania, which was established entirely in accordance with the Industry 4.0 requirements, is equipped with automation, cyber-physical systems, and Internet of Things (IoT). **The facility, where all the machines are connected to each other and to the cloud, has Europe's highest**

level of automation. Operational costs have decreased by 11% thanks to its production processes, which are twice as fast. As one of the most advanced production centers in the world, our factory has joined in the Global Lighthouse Network, the initiative of the World Economic Forum (WEF) that aims to spread the best Industry 4.0 practices.

Our plant in Ulmi is designed to consume an average of 28% less electricity per product compared to traditional production technologies. And the smart lighting system installed in the factory is 70% more energy efficient. The factory has an advanced Energy Monitoring and Building Management System. Data is collected and analyzed from 15,000 points throughout the plant. Different electromechanical systems, including heating and cooling, are controlled, monitored, and reported from a single center. Production lines are supported by artificial intelligence and analytical applications, and thanks to advanced data analytics, consumption input and output can be matched with production data, and energy consumption can be monitored instantly. By this means, key performance indicators are tracked online, and energy consumption is predicted according to production.

Environment Friendly Ulmi Factory



With the highest automation level in Europe, our factory in Ulmi, Romania ensures efficiency in production to reduce its environmental impact.

Through energy efficiency, energy management practices and the use of renewable energy, 540 tons of carbon emissions will be prevented annually. The factory's wastewater treatment plant and rainwater collection system will recycle approximately the amount of water one household would consume over 30 years.



For detailed information about our efforts on energy efficiency in production, please see **IN TOUCH WITH OUR PLANET** section.



ATÖLYE 4.0

Established for the purpose of creating flexible, smart, and sustainable production systems, Atölye 4.0 reveals our vision of digital transformation in production. With Atölye 4.0, our employees specialize in different fields to advance their current level of knowledge and develop projects that support digital transformation in the ecosystem consisting of universities, institutes, and industry.

Our employees have the opportunity to experience a wide range of technologies, from three-dimensional image processing to mobile and co-operative robots and automation systems designed in Atölye 4.0. By developing their own software codes, they design projects with machine learning, data analytics, IoT, augmented reality (AR), and virtual reality (VR) tools.

We are working to expand our leadership in digital transformation to the world and integrate it in our processes.



DIGITAL TRANSFORMATION

We manage digital transformation in four different focus areas: Customers, products and services, processes and systems, and people. Data analytics, education and awareness, open innovation, and collaboration are facilitators in the field of digitalization. We approach digitalization from a wide perspective that covers working conditions, digital skills of employees, digitalization of production plants and digital control of products as we integrate digitalization into all of our business processes.

Improving the digital skills of our employees is key to ensuring digital transformation. Starting from this point, we aim to provide easy access to data for all employees, both domestic and international, to make Arçelik data-literate. We develop data democratization – which means that employees can make business decisions with data support and access the data with the right infrastructure, methods, and rules – and artificial intelligence practices, while we ensure its dissemination within the company at all levels. We are also continuing our efforts to provide training to increase data literacy within the organization and to determine the rules of data governance and make them applicable within our business processes.



In 2019, we established the Data and Artificial Intelligence Management team under the Strategy and Digital Directorate. The team's core duties include developing an end-to-end company data strategy, choosing the technology and tools for data platforms and infrastructure, and creating a data management model.

Robotic Process Automation

We plan to switch to technologies that save time and resources with Robotic Process Automation (RPA) instead of the manual processes that require a large labor force. This way, we aim to reduce risks and costs while increasing employee productivity and satisfaction. In 2019, the learning and start year, we developed eight processes for the robot to work and thus, increased the number of automated business processes with RPA to 10 and saved more than 13,000 hours by the end of the year.

Also, we put 87 robots into operation in the projects we implemented with 21 suppliers, aimed at increasing both the automation rate and employee efficiency.

Digital Office

We increase productivity at work by ensuring digital transformation in our offices. In addition, we make our processes flexible and easy to manage by creating an agile workforce. In 2019, we started using Microsoft Teams, an interactive communication platform that enables

teams to work remotely from different locations in an effective manner. Employee approval processes and workflows can be completed on the digital platform, Connecta, as of 2019. Approval processes of more than 5,000 leave requests, more than 300 advance payment requests, and more than 2,500 invoices have been managed through the system. In 2020, we aim to reduce paper consumption by digitally confirming 1,560,000 invoices and forms.

DATA SECURITY

An increasing number of our smart products are tested at the IoT Security Test and Evaluation Center (ISTEC) where cyber security tests of IoT devices are performed. We are also the main supporter of this center, which enables information transfer to the ecosystem on the topics of secure software development and cyber security testing techniques.

We are the first and only home appliance manufacturer to add a hardware security module (HSM) to Bluetooth-connected products and Wi-Fi-connected wireless connection modules.

In 2018, we were declared *Security Champion* by the members of the IoT Security Foundation. We follow the most up-to-date IoT Security Compliance Framework, and thus we can use the Best Practice User stamp on our products. We

have the internationally recognized VDE Certificate and Common Criteria Certificate in HomeWhiz devices.

We attach great importance to receiving feedback from researchers working in the field of data security to improve the security of our products and services.

We receive notifications about security concerns via our e-mail address alert@homewhiz.com. After notifications about security concerns are accepted, we provide feedback to the notifier about how much time it will take to solve the problem. After the work is completed, we again contact the notifier and show our appreciation for their efforts [on our website](#).

As a result of the workshops that were held over the last two years focusing on measures to be taken against cyber security risks, as well as modeling and studies completed in cooperation with AON and its group subsidiary Stroz Friedberg, we completed our preparations to apply for the Cyber Security Policy in 2019, and received the approval. A comprehensive policy covering the risk of business interruption, has been approved by the cyber risk policy company.



Please see the Common Criteria Certificate [HERE](#).

Please see our EAL2-level Common Criteria Certificate [HERE](#).

Please see [HERE](#) the conferences organized in the field of data security where Arçelik participated.

We established a committee for data security and cyber security in 2019, and identified committee members, including senior management.

This is Not a Venue



This is an innovation center for product *exhibition and experience*

Located in the Arçelik Cooking Devices Plant in Bolu, Turkey, The Kitchen, where selected products of Arçelik's global brands are exhibited and can be used, was established with the purpose of collecting feedback and insight about cooking experiences and products. In 2019, this center opened its doors to 72 events that welcomed 1,502 visitors to see and test the best cooking products released throughout the year, and experience how digital transformation affects the kitchen. At the same time, they helped support nine different local food suppliers. Since its opening in 2018, The Kitchen has hosted a total of 118 events, and 2,344 stakeholders consisting of employees, current/potential business partners, sub dealers, and customers. With the feedback and insights from users/chefs about the cooking experience in our full-fledged kitchen, we:

- Develop new product ideas centered on consumer needs and contribute to innovation processes.
- Provide input for brand and product mapping with consumer insights and research.
- Detect areas that need improvement and discover additional features for new versions of existing products.
- Test new products through the eyes of users before we launch them on the market.





CUSTOMER EXPERIENCE



in Turkey with Arçelik and Beko brands



Consumer loyalty score above the industry average in Turkey at



NEXT GENERATION MERCHANDISING MODEL

Consumer habits are changing rapidly. Leading trends such as digitalization, connected products, personalized and eco-friendly products are transforming our sector. Increased access to the Internet through digitalization and new mobile solutions provide companies with new opportunities for customer experience and relations. At the same time, digitalization offers our sector great opportunities in connected and personalized products. Our aim is to reshape customer experience and our products according to the expectations of more knowledgeable customers from a new generation who actively use and want the latest technology. We prioritize product quality perception and customer satisfaction.

At Arçelik, we continue to enhance customer experience with the motto "Customers are the heart of our business!" With our products and services, we aim to be a solution partner to make our customers' lives easier. We offer our customers an uninterrupted unique experience with our next generation merchandising model, which focuses on an excellent customer experience in the

changing retail world and presents all the opportunities brought by the digital world as part of the shopping experience. Moreover, by integrating digital technologies into the store experience, we aim to increase customers' interaction with products, make sure they learn how to choose the right product, and have fun while doing this. We create this next generation transformation through our Customer Experience Directorate, which aims to set suitable corporate standards and offer a reliable service experience according to these standards.

Our customers enjoy their time exploring the features of our products with the help of smart screens in living spaces designed according to the digital retail transformation process. High quality digital content helps us provide real-time customized services. We create spaces called Hero, where we exhibit our products that stand out in product groups, to ensure that our customers learn about the features of our products in detail by physically interacting with them before they make their purchasing decision. We digitalize customer experience in our stores where we have initiated the commercial transformation called Omnichannel, by using new generation technologies



including virtual reality (VR), photo booths, and facial recognition. We both promote our products and ensure that our customers have an innovative store experience thanks to the events we organize in special experience-focused design kitchens. We reach our customers with custom-designed high-quality content and strengthen our brand image by focusing on innovation and technology.

Today, digitalization has brought us to a point that creates new opportunities for the retail sector. As the use of the Internet and online shopping increases day by day, we are working to both increase online presence and to digitalize our sales channels. Thanks to our quality customer experience services on social media and our website, we are increasing the number of visits to our stores, both online and offline, thus increasing our sales.

The number of customers shopping online increased by 43% compared to last year, reaching 30,000.

ONLINE ORDER ASSIGNMENT SYSTEM (OOAS)

We launched OOAS to deliver online orders through the dealers closest to our customers to provide the fastest, most reliable, and best shopping experience and to turn the online market into an opportunity for our dealers. In 2019, we delivered nearly 2,000 products ordered through OOAS. We used the system, reaching a fastest delivery time of 26 minutes, with 21 dealers and 43 stores. Our goal is to include 2,000 more dealers in the system in 2020 and to bring the power of our extensive distribution network to its highest level for e-commerce as well.





DEALERS

Our 2,205 dealers and 2,793 Arçelik and Beko stores throughout Turkey are the most important contact points with our customers. Thanks to the next generation merchandising model we developed, we aim to provide the best service together with our dealers. Our goal with this model is to ensure that customers have an efficient experience with our dealerships, and we prioritize customer satisfaction with our well-equipped employees as we value competence in providing higher quality and professional services.

We hold dealer meetings throughout the year to be able to respond faster to customer expectations and changing habits with developing technologies and digitalization. In these meetings, we inform dealers about applications and campaigns, company policies, targets, and economic developments, while listening to dealers' expectations of Arçelik and the challenges they face. We developed the Assist Program software used by Arçelik's dealers for communicating with customers in order to instantly follow their stock, account activity, customer information, and assembly assignment to service points, among many other issues. We provide uninterrupted services to our dealers with

this Assist Program. In addition, we are developing solutions through our Assist Support Line with our customer services team.

We design our trainings based on digitalization and customer focus, provide welcoming and sales trainings tailored to each customer profile, taking changing sales channels into account. In 2019, we provided nearly 58,800 hours of training to our dealers on various topics, especially product features, online product information and sales, personal awareness, and effective communication.

STOCK MANAGEMENT

Thanks to digitalization, we provide our dealers with innovative solutions so that they offer our customers better and higher quality services. One such solution is the barcode system, which is used in stores to instantly follow and manage their stock movements. Another solution we provide to our dealers consists of the e-commerce and Customer Relations Management (CRM) projects run via the dealer management system supported by cloud technology, and we enhance customer data with this solution. Through this, we can

foresee customer needs in advance and offer our customers products and services that address them.

ARÇELİK RETAIL ACADEMY

We established the Arçelik Retail Academy to strengthen our position in sales points in Turkey, convey modern retail approaches and practices to dealers and sales points in line with the brand strategies, and ensure the continuity of improvements in dealers' performance. We provide face-to-face and remote training on these topics and increase the motivation of store sales teams, ensuring continuity in dealers' training and performance improvements by matching today's retail dynamics with its needs. In 2019, we provided a total of 58,800 person-hours of training, about nearly 12 hours per person, with 15 internal trainers. The Academy has 135 different training modules and had 5,120 active users as of the end of 2019.

Retail TV was launched as a close circuit broadcast in 2016 with the purpose of increasing communication between

the company and dealers, serving to disseminate dealers' best practices while rapidly informing them about Arçelik's announcements, launch events, and campaigns. Access to these broadcasts was granted to authorized service holders and employees in 2019 to ensure improvement in the fields of brand loyalty, sales-marketing support, and internal communication. So far, we have reached a total of 27,400 people with 171 different contents, 95 of which were our own production.



CUSTOMER CARE

11,200

authorized service employees at

600

points

5,900

service technicians and nearly

15

million service activities

In addition to the professional and quality service we provide in our stores, we prioritize customer satisfaction in our customers' homes as well. With our vision "Unique customer experience and reliable service", we provided services in 2019 from over 6,000 service points at all our subsidiaries in 81 cities and 227 districts in Turkey, and in nearly 150 countries within the framework of the ISO 10002 Quality Management-Customer Satisfaction System. As a result of our quality services, 42 Arçelik authorized service shops were granted the Customer Friendly Organization Certificate (MDK) by the Turkish Standards Institute (TSE) following the relevant audits. As a result of subsequent audits, Arçelik and Beko brands also received the Customer Friendly Brand (MDM) Certificate.

With the participation of regional managers, we organize **service workshops** in each Regional Management unit with representatives of authorized service shops. We exchange views and evaluate their current status and future goals as well as their performance, and assess improvement areas and suggestions. We also expand our training programs in order to increase the technical knowledge of our service personnel. Launched online for the



use of our employees in 2019, the **Global Service Academy** will soon be operational on a global scale as well. The adaptation process and content enrichment are planned to be completed in 2020.

We organized the **Global Customer Care Summit** to discuss the performances of the previous year and to share quality and service targets for the next year. In total, 94 employees from 20 countries attended the Summit in 2019. We plan to hold the Summit every year, with the participation of representatives from nine different departments including the Customer Relations, Global Quality and Education, and IT Business Process Development.

We launched the new **Customer Relationship Management (CRM) Program** in order to shorten both customer representative training times and the direction of incoming calls to the right contact points. In this context, we ensure excellence in our call centers by automating the processes and displaying the necessary texts on the screens of customer representatives so that they take the proper steps according to customers' demands. By using the software, we have significantly reduced the rate of wrong addressing (one in 100,000), while increasing the rate of solving customers' problems on the phone to 83%. This project is planned to be activated in all subsidiaries in the coming period.

**Agile and Quality Intelligence Projects**

are also among the next generation applications developed for customers. We implemented the Agile Project in Turkey Customer Services as an artificial intelligence module that suggests solutions about any malfunction and the use of spare parts without sending a technician into the field. The Quality Intelligence Project that we have expanded to all categories starting from the washing machine and cooking appliances categories, is an artificial intelligence application that allows for automatic categorization of notes taken by technicians in the field using Natural Language Processing (NLP).

APPOINTMENT AND ROUTING PROGRAM (ROTAM)

It is critical for our service points to manage their efficiency to always provide the best service in the most ideal way, even in challenging geographies and crowded cities. For this reason, we launched the ROTAM Program in authorized service shops across Turkey as well as in our call centers, providing service 24/7. This Program plans the use of resources for hundreds of service points every day as well as meeting the demands of thousands of Arçelik customers of authorized service shops by appointing two hours for each customer and allowing service shops to see the status of the entire field force instantly.

Customers can track their service with instant SMS notifications, and they can also see their technicians and follow them on a map as they come to provide assistance. This project eliminates the uncertainties caused by appointments, while reducing the rate of information requests about appointments made to the call center by 10%.

With this increased efficiency, we have saved approximately 38.4 million Turkish Liras in authorized service expenses. In 2020, we plan to implement this program for our technicians in the UK and Romania and decrease expenses and greenhouse gas emissions at the same rates. We expect an annual saving of 260,000 Euros in the UK and Romania as a result of using the Appointment and Routing Program to increase technician efficiency and optimize transportation costs.

CUSTOMER AND DEALER SATISFACTION

At Arçelik, we follow the impact of our products and services and conduct customer satisfaction and customer loyalty surveys every year. The Koç Holding Dealer Satisfaction survey was conducted in Turkey in 2019 for 1,685 Arçelik and Beko dealers in total, and our average score was measured at 83.5. Additionally, we completed secret shopper surveys at 1,164 dealers, while our Regional Retail experts audited a total of 1,513 stores.

In addition to this, we conducted customer loyalty surveys in Turkey with a total of 13,360 people in the white goods, television and air conditioning categories, and performed 2.3% better performance compared to the previous year. Furthermore, we scored 82,8 on the Koç Holding Consumer Satisfaction Survey, where the scores range between -66 and +134. Our after-sales services are managed according to the ISO 10002 Quality Management - Customer Satisfaction Management System, and the quality of our services are regularly measured by the Net Promoter Score (NPS). We take corrective and preventive actions according to the feedback received from these programs. In 2019, our NPS score in Turkey was measured at 80.16.

In coordination with country directors, we follow the NPS results on a daily and weekly basis in each country where we operate. According to the global research conducted in 2019, the satisfaction level was highest in technician behaviors, quick repair and call center assistance in almost all countries. To increase the NPS score, we first set the targets and identify the areas of improvement to achieve these targets.

In 2019, we launched 20 different projects for process improvement to offer a better customer experience. We determined the areas of focus for 2020 as repair time, technician competence and product

quality. Planned for these focus areas, projects such as the ROTAM, CRM, Global Service Academy and Quality Notification and Tracking System are becoming more and more important. We believe that our projects that contribute to improving the spare parts supply process for quicker repair will have a positive effect on the NPS score, and we foresee that the increasing trend in our NPS score will continue in 2020.

With the Arçelik Customer Contact Center, we offer tailor-made, high value-added solutions to our customers. The Center serves to convey customer feedback about our brands' services and products to the relevant department and to contribute to the design of new products with the help of this feedback, while providing the best service experience. Customers can send their requests and suggestions to the Contact Center in all our subsidiaries via phone, e-mail and social media, and via WhatsApp, or even chat in some countries.

We launched the **Voice of Customer Project** to respond to our customers' feedback quicker and to start measuring customer experience. With this project, initially started in 12 countries in 2019, we aim to establish the hot alert system for negative customer feedback and ensure that the relevant departments take instant



action. In addition, our goal with this project is to raise NPS scores, standardize our service quality, and provide a service that goes beyond customer expectations.

SERVICE ACADEMY

In order to meet the training needs in Turkey that emerge with developing technology and the expanding product range of authorized dealers, we provide short and long-term training to all of our authorized service employees.

We first determine the needs for training in improving managerial skills in the fields of law, finance, human resources and economy for service shop owners and executives; and the needs for improving behavioral and communication skills for customer advisors, and then receive support from professional firms who provide such training.

With our vision to create unique customer experiences in after-sales services, we established the Learning Management System (LMS) to follow the technical and behavioral development of our authorized dealer employees and to ensure continuity in training and personal development via new training technologies. We record all the data about training (person, type of training, status of achievement, trainer, etc.) and report it on the LMS system. We

identify assessment methods to measure the rates of reaching targets in learning and coordinate and report examinations.

In 2019, we provided nearly 350,000 person-hours training to 11,200 authorized dealers.



CONSUMER SAFETY AND QUALITY MANAGEMENT

At Arçelik, we pay attention to consumer safety and quality assurance throughout the life cycle of our products. Accordingly, we test our products at the design, materials selection, and performance evaluation stages. We take international product safety standards and Arçelik's Product Safety Design Criteria as bases for product safety. We conduct Failure Mode and Effects Analysis (FMEA) studies during the product design process in order to identify and prevent possible failures that may occur. Following this step, we conduct risk assessments in accordance with local, national, and international standards and regulations, while systematically monitoring identified risks and corrective actions. In addition to the tests prescribed by standards, we confirm our product safety by means of specially designed forced failure tests.

We conduct audits on product safety in production and design processes once a year in our Turkey plants and once every two years in our plants abroad. We also audit new product projects during the prototype and trial production stages, and take corrective actions and necessary measures according to audit results.

We provide product safety training to our employees in the R&D, Production, and Quality departments in all our plants. In 2019, we provided product safety training to 459 employees in nine locations, six in Turkey and three abroad.

As part of how we manage chemicals in products, we manufacture them in compliance with legal regulations such as the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS), and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). We perform the RoHS tests during the incoming quality control process via our analysis devices in our locations, while also requiring test reports from third party organizations.

We deliver eco-friendly products to our customers, and we expect our suppliers to comply with the the Arçelik Chemical Compliance Specifications Banned/ Restricted Chemical Substances, which is shared on the [Arçelik Supplier Portal](#). To increase the level of awareness in this regard, we provided training on the management of chemicals to our domestic suppliers in 2019.



Please see the **ANNEX 2** for detailed information about the management systems we apply.

RELIABILITY DAY

We organize this event every year to share and disseminate new technical knowledge throughout the company in order to be able to design and produce safe and reliable products, keep awareness in this area at a high level, create a culture of product safety, ensure a reduction in service failure rates and product safety related incidents, and reward successful work. In 2019, we held the third Reliability Day in the Çayırova Campus in Turkey. Top management participated in the event and results are included the development of new methods and tools for failure tests, data analytics studies, and reliability analyses.

PRODUCT SAFETY RISK COMMITTEE

After products are sold, we analyze consumer complaints, service records, and feedback. The Product Safety Risk Committee assesses the risks regarding product safety and identifies risk levels. We take corrective actions and measures to prevent and manage potential risks by ensuring cooperation between parties inside and outside the company.

RECALL

The health and safety of our customers are among our top priorities. For this reason, when a recall is required, we make announcements to our consumers using the most effective communication channels in accordance with local legislation. In order to eliminate customers' concerns over product safety, we publish product safety alerts on our website and provide free call center services for recalls.





SUSTAINABLE SUPPLY CHAIN

TARGET FOR 2020
set in 2016

2019 PROGRESS

STATUS



Considering that our supply chain extends worldwide, we have a significant impact area. To ensure the continuity in the supply of products and improve our suppliers' environmental and social performances, we work together to create value for all our stakeholders in our value chain. We make our purchasing operations sustainable using risk management processes, sustainable supplier indexes, supplier audits, communication events and supplier training. We have been organizing Supplier Days since 2011 to strengthen communication with our suppliers and to share our strategy, purchasing policies, and expectations.

Structured in parallel with global needs and the expansion of Arçelik's production network, Arçelik's Procurement Department has a dynamic organizational structure with purchasing offices and 200 personnel in 8 different countries. Arçelik's Procurement Department can supply materials from 1,900 (direct) sources in 55 countries, and its purchasing volume in 2019 reached 3 billion Euros in total including direct, indirect, and investment purchases.

Our sustainability approach in the supply chain is based on international commitments. Arçelik was one of the first companies to sign the Code of Conduct published by the Home Appliance Europe (APPLiA). In 2019, we revised our Global Responsible Purchasing Policy within the scope of the Global Code of Conduct to inform our suppliers about our expectations regarding compliance with laws, working conditions, human rights, occupational health and safety, the environment, etc.



Please see our Global Responsible Purchasing Policy [HERE](#).



SUPPLIER SUSTAINABILITY INDEX AND CODE OF CONDUCT AUDITS, SUPPLIER EVALUATION PROCESS

At Arçelik, we use certain methods to identify the social, economic, and environmental risks in our value chain. First, we identify the critical suppliers that make up 80% of our purchasing turnover using the Kraljic Analysis Method. Then, we evaluate these critical suppliers in terms of risks within the scope of the Sustainable Supplier Index followed by Code of Conduct Audits. For details about supplier risk categorization as part of the Supplier Sustainability Index and Code of Conduct Audits, [visit our website](#).

SUPPLIER AUDITS

As per our Global Responsible Purchasing Policy, we audit our suppliers in terms of compliance with the Code of Conduct. Audits check whether our suppliers comply with Arçelik's expectations in areas including compliance with laws, working conditions, human rights, occupational health and safety, and the environment. We plan corrective actions for non-compliance identified in these audits and, in subsequent audits, we check whether the required actions have been taken. We require full compliance with the laws in these audits and terminate contracts with

any supplier in cases where child labor, forced labor, bribery, or incidences of corruption are detected.

We require new suppliers to conduct self-evaluation audits on quality, the environment, and business ethics. And we audit critical suppliers using independent auditing companies in these areas. In 2019, 28 critical suppliers were audited by independent auditing companies in business ethics and operating safety, and as a result of the audits, 464 areas open to improvement were detected. We plan to audit approximately 30 suppliers in 2020.

Non-compliance

The most common non-compliance areas found in business ethics audits were occupational health and safety, working hours, and the environment. In the audits:

- There were no cases of child labor or forced labor.
- Business relations were terminated with a supplier who discriminated against an employee by requesting a pregnancy test during recruitment.

Our stakeholders can inform us about suspicious behavior or supplier violations of business ethics via the e-mail address arcelikas@ethicsline.net, our web site www.ethicsline.net or the telephone numbers given in our Global Responsible Purchasing Policy. Arçelik undertakes to handle all notifications about suspicious

behavior and violations confidentially, protects those who provide such notifications, and does not tolerate retaliation.

SUPPLIER TRAININGS

We see supplier training as one of the most important areas in the development of our suppliers. Therefore, we established the Supplier Training Platform to inform our suppliers about sustainability practices, and to provide details on national and international regulations. We provided training to a total of 300 suppliers in 2019 in sustainability, environmental management and environmental legislation, chemicals management, zero waste management, business ethics, and working conditions, as well as occupational safety. A total of 83 suppliers participated in the training on business ethics.

SUPPLIER DEVELOPMENT PROGRAMS

We care about our suppliers' development. By doing so, we do not only obtain competitive advantage but also reduce costs and increase quality. With our Procurement Department, we have created a supplier portfolio consisting of suppliers who are engaged in continuous improvement efforts to manufacture better quality products, shorten operational production time, and increase efficiency, and we cooperate with suppliers based on common targets within the framework of mutual trust. As part of this, our Side Industry Development Department visited

Conflict Minerals Management

The 3TG (tin, tantalum, tungsten and gold) minerals that we use in the production of electronics and durable home appliances are extracted in high-risk conflict zones around the world. As per the UN's guidelines and restrictions on these minerals, we do not purchase these essential raw materials from high-risk conflict zones or in a way that will financially support the conflict. In compliance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas, we launched the Conflict Minerals Project in 2016 and established the Arçelik Conflict Minerals Management System to evaluate our suppliers at risk in terms of 3TG usage.



Please see our [Conflict Minerals Policy](#) **HERE**.



a total of 1,161 suppliers in 2019 to improve their infrastructure and technical competencies. We determine which suppliers we will cooperate with on this topic according to the infrastructure needs as determined during these visits, and organize workshops accordingly. In this regard, we held 161 workshops in 2019 with our suppliers with the purpose of improving their processes, increasing their efficiency, and reducing their costs. Process improvements and different process applications were discussed in these workshops, where 235 different projects were determined, and preliminary studies were started. Our joint efficiency projects result in mutual gains and contribute to increasing our suppliers' quality performance.

Within this scope, in 2019:

- We completed 143 projects with 62 suppliers on energy efficiency and efficiency in production.
- We provided 1,874 person-hours of training to 502 suppliers in energy efficiency, energy management, strategic applications in energy supply, governmental incentives and aid, casting mold maintenance and polishing, plastic injection, coating, welding, quality, production technologies, and production efficiency.

Within the scope of the Supply Chain Directorate Supplier Development Action Plan, we completed 15 supplier process audits and 213 product audits. In addition, we completed 78 quality improvement, 167 design change, and 56 cost reduction projects. We helped our business partners gain production competencies so that they could start manufacturing products they had not manufactured before in order to increase their business volume and ensure more sustainable, quality, and cost-efficient production processes.

SUPPLIER INNOVATION PROGRAM

We carry out joint R&D studies with our suppliers as part of the Supplier Innovation Program. Within this framework, we held an Innovation Workshop with our suppliers in the next generation R&D center Arçelik Garage in 2019. A total of 160 participants and 70 suppliers produced more than 400 ideas and delivered 49 presentations. We will continue this program in the coming years in order to strengthen our suppliers' innovation competencies and to develop a joint innovation culture based on cooperation.

SUPPLY CHAIN IMPROVEMENT PRACTICES

For exports from Turkey's Çayırova Warehouse to the UK, we changed the design of the supporting Styrofoam we use to prevent damage when loading

products, switching from a square form to an oval form. Thanks to this design change, we reduced the styrofoam weight by 24% (by reducing the unit weight from 118 g to 90 g) and use 6.1 tons less polystyrene styrofoam per year.

We also changed the size of the polypropylene air bags we use in-between products to ensure product safety during shipment from 90x240 cm and 90x180 cm to 60x240 cm and 60x180 cm, respectively. We were using 13,000 90x240 cm and 40,000 90x180 cm airbags per year.

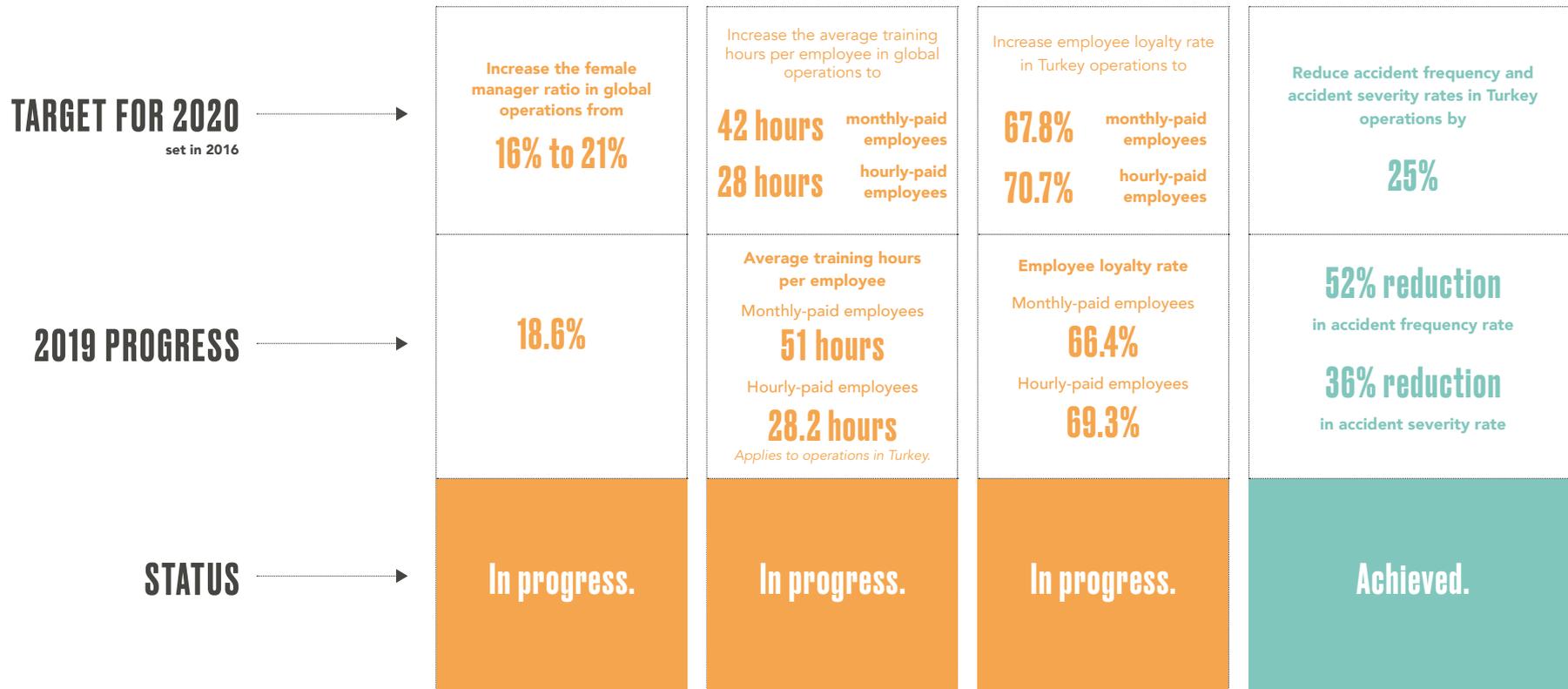
STAKEHOLDER OPINION

EKİNOKS KİMYA

We are proud to be an Arçelik supplier and our whole team as well as all our technologies and services are committed to supporting the company's sustainability efforts through our joint projects to tackle global warming. We see two particular opportunities at Arçelik. The first is to complete projects abroad similar to the ones we have performed in operations in Turkey by means of investments. The second is to set new targets with Industry 4.0 projects in our digitalizing world.



TALENT ACQUISITION AND DEVELOPMENT



Our employees are the most important force behind our global success and in achieving our sustainability targets. Our understanding of talent management and acquisition is centered on an approach that responds to employee needs.

Our fundamental objective is to acquire the best human resources for Arçelik to obtain competitive advantage via the talent management approach, and we enable continuous development by offering innovative training and applications

to all our employees. In line with this objective, we continuously invest in human resources and design the business environment of the future by differentiating employee experiences and development opportunities according to changing

trends. Through effective communication with our employees, we ensure that they internalize this innovative and creative corporate culture.



EMPLOYEE AND HUMAN RIGHTS

At Arçelik, we provide our employees with a safe working environment with decent conditions based on human rights. We fulfill the requirements of the international initiatives we voluntarily take part in such as the UN Global Compact (UNGC) and International Labor Organization (ILO). In addition, Arçelik was one of the first companies to sign the Code of Conduct published by APPLiA. We transparently report all our activities that we develop in accordance with international principles.

At the same time, we are subject to several audits as a member of the Business Social Compliance Initiative (BSCI) and Suppliers Ethical Data Exchange (SEDEX).

As a member of BSCI, we are audited in social management systems, employee engagement, freedom of association and collective bargaining, prevention of discrimination, fair remuneration, OHS, prevention of precarious employment, prevention of forced and child labor, environmental protection, and ethical behavior. We fulfill these requirements in all the locations we operate in according to local needs and legal regulations. In

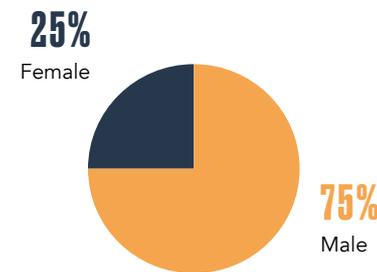
addition, we audit our suppliers in order to ensure that the relevant principles are implemented throughout the entire value chain. The principles of "The right person for the right job", "Equal pay for equal work" and "Merit based on success and equal opportunities for all" are non-negotiable for us. From recruitment to remuneration, we act according to these principles in human resources processes and evaluate only qualification criteria such as educational background, knowledge, skills, competence, and experience.

We do not discriminate against people based on their ethnic origin, religion, language, race, age, gender, sexual orientation, nationality, disability or cultural differences, and we abide by the rules of fair treatment and merit in all our human resources processes. In this context, there were no cases of discrimination in our operations in 2019. As of the end of 2019, the total number of disabled employees in our domestic and international operations is 551.

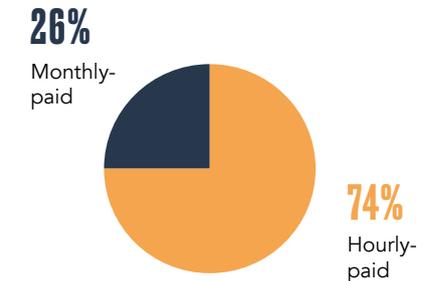
NUMBER OF EMPLOYEES



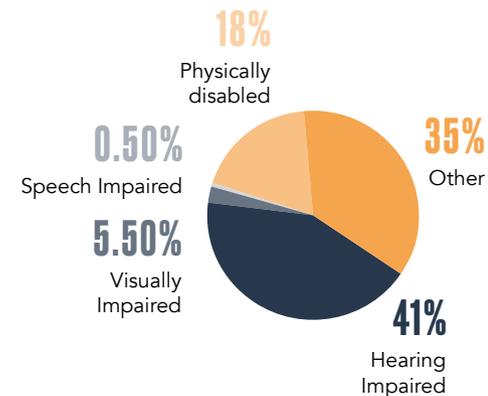
EMPLOYEE DISTRIBUTION BY GENDER



EMPLOYEE DISTRIBUTION BY CATEGORY



EMPLOYEES WITH DISABILITIES BY TYPE OF DISABILITY



Please see **ANNEX 7** for the complete list of Social Performance Indicators.



In its locations in Turkey, Arçelik is a member of the Turkish Employers' Association of Metal Industries (MESS), which is the authorized labor union representing workers. A collective labor agreement was signed between MESS and the Turkish Metal Union covering the period from September 1, 2019 to August 31, 2021.

In addition to this, the Solidaritatea Union in Romania, Numsa, Uasa and SAWU in South Africa, and Unionen in Sweden are authorized labor unions.

Over the reporting period, 209 Arçelik employees served in labor unions, while 2 employers represented their group in employer's unions. Our total number of employees and employers who are members of labor and employers' unions is 252. All of our hourly-paid employees in Turkey are included in the scope of the collective labor agreement.

In countries where there is unionization, 65.1% of the total number of employees were union members during the reporting period.

A Working Environment That Respects Employee and Human Rights

Equal opportunities underlie our understanding of a working environment that respects employee and human rights. We launched the Flexible Working Hours Program for all our monthly-paid employees in all our locations in Turkey in January 2019. Provided that our employees are present at the workplace between 10.00 a.m. - 16.00 p.m. and work a minimum of 45 hours per week, they can determine their arrival and departure times on their own. With this practice, we aim to establish a work-private life balance in our corporate culture and thus, increase our employees' motivation and happiness.

In addition, we have carried out Home Agent Overcoming Disabilities Project since 2011 to increase the employment rate of disadvantaged people who have difficulty arriving/ departing the workplace due to physical health issues. We enable disadvantaged people to work from home and ensure their active participation in the labor force. To this end, 14 disadvantaged people were recruited to our Call Center organization. Our achievements in this project also encourage the dissemination of flexible working conditions throughout the company.



Please see **ANNEX 9** for the list of union memberships in all our operations.



This is Not a Women's Issue



This is a Gender Equality perspective

We conduct programs and projects to disseminate the idea of gender equality among all our employees, increase awareness in this area, support women throughout their careers, increase the rate of women's employment, strengthen the bond and support system between women employees, and develop leadership models.

→ Kizcode

→ SheMate

→ Father Support



Gender equality is the most important prerequisite of a creative, value creating, and successful working environment. A research proves that increasing female representation rates in the workplace and having women in leadership positions improves company performance and culture, while having a significant effect on company profitability and business achievements. Therefore, we interpret all our projects, operations, and practices through the lens of gender equality in order to close the gender gap. We signed the UN Women's Empowerment Principles (WEPs) in 2017.

We conduct programs and projects to disseminate the idea of gender equality among all our employees, increase awareness in this area, support women throughout their careers, increase the rate of women's employment, strengthen the bond and support system between women employees, and develop leadership models.

All of our efforts pave the way for an increase in women's employment. By the end of 2019, the total⁵ rate of hourly-paid women employees in Turkey and in international markets was 24%, while the rate of monthly-paid women employees was 28% and the rate of women managers was 18.6%.

The ratio of women in management positions in revenue generating functions (e.g. sales) to all managers (i.e. excluding support functions such as HR, IT, Legal, etc.) is 18.4%.

Arçelik supports and applies the equal pay for equal work policy. Please see the salary index of our female and male employees in the table below:

We design our programs in three different areas: Working life and parenting; raising awareness in discourse, behavior etc., and leadership development. We increase the impact of these programs by opening them to the families of employees. We provide nursery benefits to employees with children between 0-72 months old in order to establish a balanced work-private life.

EMPLOYEE LEVEL	AVERAGE FEMALE SALARY	AVERAGE MALE SALARY	RATIO (AVERAGE FEMALE/MALE SALARY)
Executive Level (Base salary only)	18.78X	20.04X	93.7%
Management Level (Base salary only)	7.48X	7.85X	95.3%
Management Level (Base salary + Other cash incentives)	8.86X	9.42X	94%
Non-Management Level	3.43X	3.25X	105.5%

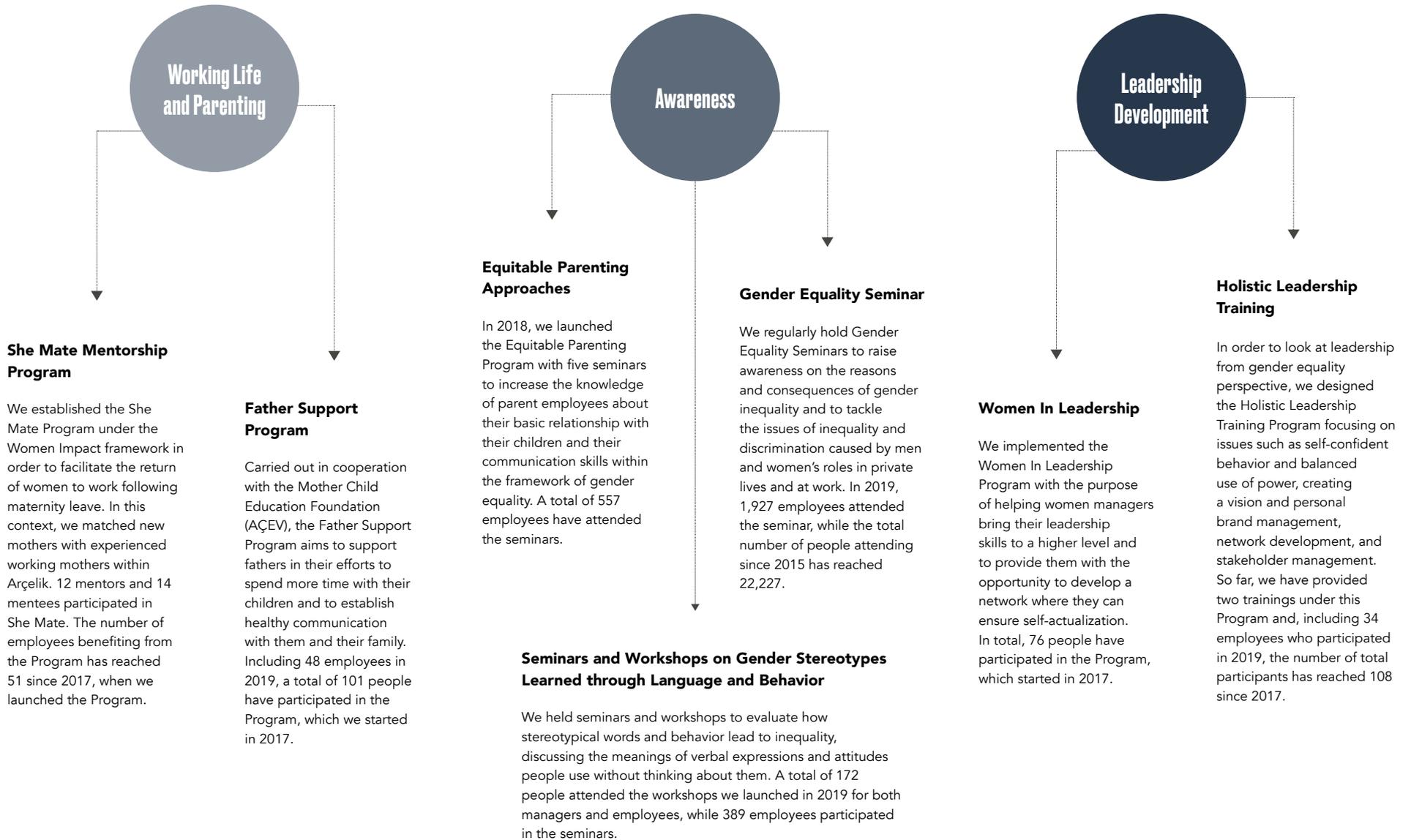
Note: We strictly follow the equal pay for equal work policy at Arçelik without gender discrimination. The change in rates arises from the average ratio of females-to-males and we always pay equal wages for equal jobs.

	MALE	FEMALE	TOTAL
Managers in Revenue Generating Functions	436	98	534 (18.4%)
Excluded	780	210	990
Total	1,216	308	1,524

⁵ The data refers to all Arçelik operations.



GENDER EQUALITY FOCUSED PROGRAMS





INVESTMENT IN TALENT MANAGEMENT

Our priority is to recruit experts, experienced professionals, and qualified and successful people in their fields to our company. We are aware that every investment we make in talent differentiates and moves our business forward. Our talent management approach is based on recruiting the right person for the right job, objectively evaluating performance and providing training to improve skills. To complete the talent assessment process objectively, we benefit from digitalization and improve Arçelik's Leadership Profile using the competencies defined as Grow, Respect, Lead.

DIGITALIZATION IN RECRUITMENT

Instead of written studies, we prefer to use online platforms and take advantage of the benefits of the digital world in the recruitment processes. In candidate interviews, we utilize the robot Cubby, which has comprehension abilities. In interviews, we test the decision-making skills and performance of candidates using realistic and interactive simulations in order to measure their competencies.

GROW	RESPECT	LEAD
Think globally	Listen closely and understand	Inspire and empower
Shape the market with innovation	Welcome diversity	Promote high performance and accountability
Focus on the customer	Earn trust	Develop skills
Execute with excellence	Build collaboration	Work for shared success

We offer young talents, who follow global developments and carry creativity and productivity as their life philosophy, the opportunity to move their careers forward at Arçelik.

Human Resources in Mobile Media

Mobile applications have an important place in the HR Digital Transformation Program, and we use them to create organizational charts, view schedules, plan personal development activities, ensure participation in online training, and manage performances.



PERFORMANCE MANAGEMENT AND DEVELOPMENT PLANNING

In talent management, we prioritize the digitalization of our human resources processes including performance, development, and so on. We incorporate our employees in 360-degree evaluation programs to support their development and performance. Within this scope, of the 2,994 employees in Turkey, 1,272 have completed their development plans, and 704 employees have participated in the 360-degree evaluations and received feedback from approximately 4,250 evaluators. Our performance management system, based on development and feedback, was expanded to be used in seven countries in 2019. Currently, 957 new employees from around the world are included in the process.

With the introduction of development planning and 360-degree evaluation systems in the same countries, the development planning usage rates in these countries reached 67% and the rate of using 360-degree evaluation reached 31%. We plan to expand the performance system in

2020 and to implement it in 15 additional countries.

To support our employees' career development, we manage Human Resources planning processes and prepare career plans for our employees. Every year, we include our employees who we want to prepare for leadership roles in the Evaluation Center practices and closely follow their progress. In 2019, 335 employees were supported to complete this process and to prepare for their new roles. To provide career opportunities supporting personal development, 8% of our employees went through an appointment, promotion, and rotation process. Additional efforts will be made in 2020 to increase and follow career opportunities and we will implement the action plan in 2021.





TRAININGS

We design training and development programs according to Arçelik's vision and business objectives and the principle of continuous development in order to improve performance. We prepare plans to meet our employees' current and future needs as per the requirements of our business and different job positions.

In 2019, we provided 569,585 hours of training to our employees in Turkey. The average training duration per person was 33.6 hours.

Trainings are categorized under three categories; Talent in You focuses on our employees' personal and professional development, Future in You focuses on career and potential leadership development, and Leader in You focuses on the development of leadership skills.

Talent in You

In 2019, in the scope of Talent in You, we provided all our employees with training in the development of technical, functional, and professional skills and knowledge; orientation programs focusing on new employees' compliance with corporate policies; development programs consisting of technical and professional training; common competence training; foreign language training; online training, programs with special social responsibility themes, and hobby training. In total, we provided 18,082 people with 547,180 hours of training.

We prioritized technical competencies required for global competitiveness, improving digital and next generation competencies as well as critical expertise areas, and improving the competencies of technicians and operators in manufacturing technologies in line with Industry 4.0.

Future in You

We develop programs to enable potential managers to prepare for their future roles according to their abilities and personal development. Developed to prepare potential employees for their new roles, the Future in You Program helps us support our employees' development in their career journeys. As part of this program, we provided 7,332 hours of training. Under the umbrella of the Future in You Program, we created Leadership Insight which provided 47 employees with seven days of classroom training and 118 hours of coaching over the course of a year to prepare them for management positions. We organized department presentations and meetings with leaders so that the trainees had the opportunity to take a closer look at Arçelik's global organization.

113 employees preparing for senior management positions participated in Koç Holding Development Programs, which offer different trainings according to development needs and the roles of the employee and team manager. In 2019, 25 employees benefited from the Global Manager Program which was established in 2018 in cooperation with Koç University. They completed the program with 11 days of in-class training.

Leader in You

We provide various trainings under the Leader in You Program in order to strengthen the business and leadership skills of all levels of managers according to their needs. We support mid-level and senior level executives in their development by providing opportunities to participate in the online programs of many world-renowned universities.

A total of 105 staff members who were newly promoted to management started their executive journey with the Leadership Journey Program as part of Leader in You. Arçelik managers from 13 different countries attended the Program and received 419 hours of coaching interviews and 6,615 hours of training in seven classes. In addition, we included 25 of our newly appointed managers in the mentorship program where they were matched with mentors and received leadership development support.

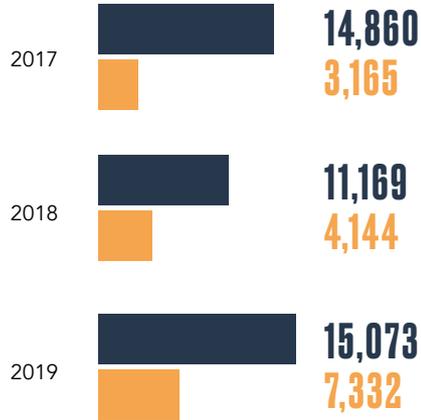
In the catalogue training we provide to all our managers to support their professional development, we focus on coaching skills, strategic communication, visionary leadership, transformation-change, management of differences, and cooperation skills that are compatible with company strategies. In 2019, 420 managers took part in the training in 39 classes on 20 different topics.

After being evaluated at the Evaluation Center, we provided one-year development consultancies to managers preparing for senior management positions. Managers benefited from approximately 65 hours of Development Coaching support in 2019.

We provide managers with the opportunity to participate in respected programs around the world to improve their leadership qualities. In this context, a manager from Arçelik attended Harvard University's Advanced Management Program on leadership development, two managers attended the PLD Program (Program for Leadership Development), and one manager attended the Creating Shared Value Program. Eight employees benefited from the Prosci Transformation Management Certificate Program, which was carried out in cooperation with Koç University, and 61 managers were involved in different programs at Harvard Business School in line with their personal development needs.

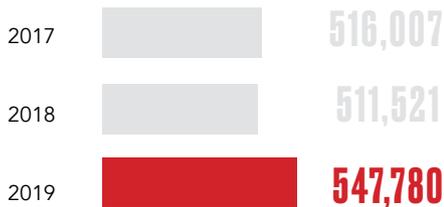


LEADER IN YOU FUTURE IN YOU



We also strengthen professional development and expertise at Arçelik with the following training programs.

TALENT IN YOU



Technical Academy 4.0	<p>Technical Academy 4.0 increases the competencies of technicians and operators in line with Industry 4.0 as well as their engagement and satisfaction with Arçelik, while increasing their awareness and trust. At the Academy, we focus on lean and agile manufacturing, automation, programming, digital transformation, data analytics and security. In 2019, 198 automation, maintenance, and process technicians and operators received more than 9,000 hours of training within the Academy.</p>
Tech Pro Academy	<p>We established the Tech Pro Academy for all engineers, specialists, and senior experts working in production and the technology groups. The Academy aims to improve the competencies of employees in their fields in order to increase the company's global competitiveness. In 2019, more than 250 engineers received more than 30,000 person-days of training at Tech Pro Academy in collaboration with Koç University, while we also provided more than 3,000 hours of training for 79 technicians.</p>
Critical Expertise Project	<p>The Critical Expertise Project within the R&D Department aims to reveal the potential of employees who want to advance on their path of expertise. This project has been implemented in R&D departments since 2018, as we have undergone the transition to an expertise-based organization, thereby reducing the levels of R&D management in the company. Critical experts up to a certain level of seniority are included in the Tech Pro Academy trainings, and for more advanced experts, we allocate special budgets so they can manage their own development.</p>
Digital Competency Focused Trainings	<p>We care about providing our employees with opportunities to gain competencies that match the company's digital transformation policy and roadmap. In 2019, we provided 10,195 hours of training to ensure that our employees gain digital competencies.</p>
Promoting Online Platforms	<p>We encourage employees to take advantage of online training platforms to gain different competencies. More than 1,000 employees promoted to attend different programs such as Udacity, Coursera, Online Data Science, MIT, London School of Economics, and HBX. A total of 504 employees completed 1,465 trainings.</p>



Designing the Future for My Country

With the seminars provided under the Designing the Future for My Country Project, we aim to ensure that our employees structure their relationship with technology, take steps for a fair, equal and inclusive future, and design the future they dream of using the possibilities offered by technology. We work in partnership with employees and dealers in the project, where the number of participants reached 4,223 as of the year-end.



We design training and development programs according to Arçelik's vision and business objectives and the principle of continuous development in order to improve performance.

Arçelik Purchasing Academy



With the Purchasing Academy, which has been active since 2013, we aim to equip Purchasing Department employees with the knowledge and skills they need, and increase their awareness levels. We run the program with Chartered Institute of Procurement and Supply (CIPS), an accredited international organization that specializes in purchasing. In 2019, a total of 66 domestic and international purchasing employees received training and 12 people graduated, completing the Purchasing Academy Program.



YOUNG TALENTS

Innovative perspectives and the dynamism of young people give them significant advantages in the business environment. We believe that a working environment that supports diversity with the inclusion of different generations provides a competitive advantage. We think it is important to attract talent to the company and ensure that young people develop their skills through cooperation and internship programs with universities.

Fresh Start Internship Program

We developed the Fresh Start Internship Program to help university students prepare for the business world and gain experiences that will guide students with high achievement potential on their career paths. Throughout the year, we promote the program with nearly 30 experience-oriented events such as idea camps, career cafes, yoga classes, case studies, and sailing, enabling students to get to know Arçelik. In 2019, 364 interns participated in the Program, including 27 foreign students, and the number of applications increased by 66% compared to the previous year, reaching 18,200.

A Ticket for Your Future

We care about our Turkey's greatest strength, its young population and potential of future. We bring students studying abroad to realize their potential and contribute to Arçelik and to Turkey. For this reason, we launched the A Ticket for Your Future Program to bring university students studying in fields of innovation and creativity in different parts of the world to Arçelik, and to contribute to Arçelik's position as an innovative, technology-oriented employer brand. This program is open to junior and senior undergraduate, graduate or doctorate level students. In 2019, 20 students selected from among 300 applicants studied at Arçelik Garage for three weeks, gained corporate experience, and developed projects by meeting with experts. Three of the students who participated in the program returned to Turkey and now work at Arçelik.

University-Industry Cooperation Program

Through our University-Industry Cooperation (UIC) Program we have agreements to help university students apply the theoretical knowledge they acquire during their education, acquaint themselves with business life, gain work experience, and prepare for life in general. About 150 students are working at Arçelik while continuing their higher educations at these schools.

EU Business Schools and Global Alliance in Management Education (CEMS schools) Program

In 2010, we cooperated with the Koç University Business Institute and became the first international company from Turkey to join the EU Business Schools and Global Alliance in Management Education (CEMS) Program, a global strategic network of business schools and multinational companies. In 2019, we continued to provide mentoring support to students who are continuing their master's degree studies in CEMS MIM (International Business Degree) and Koç University MIM programs and offer them the opportunity to participate in events such as GNAM Week (Global Network for Advanced Management).



EMPLOYEE ENGAGEMENT AND VOLUNTEERING

We are aware that employee commitment is one of the defining factors of work life satisfaction. Through an independent HR consulting company, we conduct employee engagement surveys every year in Turkey operations, and every two years in global operations. In 2019, 92% of our employees participated in the survey. The overall engagement index result was the highest achieved in the last five years, at 68.5%. The engagement rate of our female employees was 69% and our male employees was 68%.

According to the results of the Employee Engagement survey, we prepare action plans and develop projects to increase employee engagement for departments. As a result of the survey in 2019:

- To achieve the necessary Industry 4.0 competency transformation of our maintenance automation and process operators/technicians in production, we carried out the Technical Academy 4.0 that we designed in 2018. In addition, we began to include our experts who wish to further develop their technical expertise in the advanced programs of the Tech Pro Academy we had designed for our engineers and experts.
- We carried out projects to promote a feedback culture among our

employees. We launched the Reverse Mentorship Program. In addition, we provided team coaching opportunities for our departments where we had observed low cooperation.

- We started leadership projects focusing on engagement.
- We moved our training centers to Europe and the Asia-Pacific (APAC) regions by enriching our global education catalog with both online and regional education solutions. We continued to enrich our educational solutions and provide the best learning opportunities for our employees by developing cooperation with world-famous schools.
- We structured our leadership programs specifically for Turkey, Europe and the APAC regions.
- As part of our Gender Equality Programs, we continued our Kızcode Program at our Eskişehir and Çerkezköy locations this year, teaching programming to girls between the ages of 11 and 15. We also gave coding training to our employees' children in high school.

In 2020 and beyond, we will continue to create projects and follow action proposals that will enhance engagement by giving more voice to employees. By 2021, we will measure the rate



of employee engagement in global operations to determine our 2022 targets and track global employee engagement scores in the future.

One of the most important factors affecting employee engagement is volunteering. In 2019, we established the Arçelik Volunteers Club under the supervision of Social Clubs Management team, and set the volunteering framework as "This is Us". In scope of this concept, Arçelik volunteers supported social responsibility projects such as environmental cleanup events, creating libraries, raising climate crisis awareness, supporting animal shelters, providing educational materials to schools, and running in the name of charity in many countries around the world. In 2019, we carried out a total of 5,822 person-hours of voluntary activities with the participation of 2,028 employees, dealers, and service shops in

Turkey and around the world. In our Turkey, Romania and South Africa operations, the total cost of the time our employees allocated to volunteering activities during working hours to Arçelik was 144,279 Turkish Liras. Also, we spent TRY 195,000 for the organization of the volunteering activities, thus allocated 339,279 Turkish Liras in total for all volunteering activities in 2019.

Furthermore, we carry out activities with the voluntary participation of employees in athletics/running, badminton, basketball, cycling, football, rowing, table tennis, volleyball, sailing, and swimming. The volunteer teams also participate in official leagues, other leagues where company teams can participate, and the Koç Group Sports League and/or Sports Festival.



For the team achievements of different branches, please see our **2019 ANNUAL REPORT**.



This is Not an Option



This is the principle of zero accident

At Arçelik, our occupational health and safety (OHS) efforts are always based on the principle of zero accident. Among the very high priority sustainability areas, OHS plays an important role in Arçelik's competitive advantage, differentiation in the sector, and being a preferred workplace.





We use technology and digitalization to ensure the safest possible working environment to reach our zero occupational accident and zero occupational disease targets. We conduct risk analyses, provide training and awareness raising programs to change behavior, and audits to ensure that rules are followed. We manage occupational health and safety with an integrated approach, using quality and environmental management systems.

We do not only follow employee safety practices in our own operations and workforce. Our management targets high OHS performance across the entire value chain. Our OHS approach integrated in our business is a role model for the geographies we operate in and is guided by the [Occupational Health and Safety Policy](#). We guarantee to fulfill all our obligations beyond legal rules and regulations in this regard in accordance with both international commitments and the collective bargaining agreement. In order to achieve our goals, we take actions according to the Arçelik Occupational Health and Safety Action Plan.

We ensure the participation of our employees in the OHS management by OHS committees consisting of employee representatives and a suggestion system. Committees support and advise on OHS. Employees represent their region's entire workforce. There are 413 members in 25

We Received ISO 45001 Certificate

In 2019, we received Arçelik's first global management system certificate that covers headquarters and all our production facilities following the ISO 45001 Occupational Health and Safety Management System Standard audits carried out in our foreign and domestic operations.

Occupational Health and Safety Committees in Turkey, and 46 representatives of the Occupational Health and Safety Committees represent all employees.

We set common indicators and concrete goals in all geographies to manage a large network of operations with the same principles and successful OHS performance goals. We have established a common language that makes integration management easier. At the same time, we include the Performance Management System in all departments and employee targets in order to ensure that OHS performance is internalized and managed as a success factor.

The accident frequency rate, as the indicator showing how many accidents occurred per 1 million working hours, was reduced by 48% in 2019 compared to 2018 and was determined as 1.55, while the accident severity rate which shows the

number of workdays lost as a result of work accidents compared to total actual working time, decreased by 31% to 0.034.

In global operations⁶, the accident frequency rate for employees was 1.21 with a 41% decrease compared to 2018. This rate was 4.64 for sub-contractors. The rate of occupational disease for employees in global operations was 0.18.

OHS TRAININGS

OHS training is important to raise awareness about unsafe behavior in working areas and to promote a common safety culture. We prioritize awareness activities in OHS. In this context, we seek to trigger behavior change within the company with the training and drills we perform. To this end, we launched the Occupational Health and Safety Communication Management System to improve the perspective and

communication language of OHS, using videos and images.

In 2019, we provided a total of 141,865 person-hours of occupational health and safety training. We included not only employees, but also their families in the OHS culture change, and we provided occupational health and safety training to our business partners and suppliers. We provided a total of 5,867 person-hours of training to our suppliers.



Please see **ANNEX 8** for the complete list of OHS Performance Indicators in the countries covered in the report.

⁶ Global operations include Turkey operations and all other affiliated businesses globally.



In Touch with Our Planet

With our innovative products and improved operations, we make a positive impact by reducing our carbon footprint and preserving vital resources. By designing circular and regenerative business models, we offer solutions that work towards solving the climate crisis, plastic pollution, food waste, water and energy resources. We have set ambitious targets for zero waste and carbon neutral operations and are obtaining concrete results. We are becoming stronger together by encouraging our partners and stakeholders to adopt our sustainability principles into their operations, and we are driving positive change throughout our supply chain.

- 64** Combating Climate Crisis
 - 71** Water Management
 - 73** Waste Management
 - 77** Combating Plastic Crisis
-



TARGET FOR 2020

set in 2016

2019 PROGRESS

STATUS

	In production, reduce energy consumption per product* by	Reduce water withdrawal per product in production* by	Increase renewable energy investments to	Reduce the amount of hazardous waste created per product* by	Increase the waste recycling rate to
TARGET FOR 2020 set in 2016	45% <small>* Reduce average energy consumption per product in operations in Turkey, Romania, China, Russia and South Africa as compared to base year 2010.</small>	52% <small>*Reduce average water withdrawal per product in operations in Turkey, Romania, China, Russia and South Africa as compared to base year 2012.</small>	6 MW	11% <small>* Reduce the amount of hazardous waste created per product in Turkey, Romania, China, Russia, and South Africa operations.</small>	%98 in Turkey operations
2019 PROGRESS	43.5%	52%	2 MW	34%	98%
STATUS	In Progress.	Achieved.	Fell behind target.*	Achieved.	

* Despite the increase in the technological advancements in renewable energy coupled with increased efficiencies and decreased costs, the pay back period of renewable energy investments is still considerably long. The fact that FX rates increased in countries we operate also affected the long pay back period for renewable energy investments. Therefore, although we continue to invest in renewable energy in different technologies and capacities as pilot investment projects, our focus is more concentrated on energy efficiency projects with a shorter pay back period.



COMBATING CLIMATE CRISIS

The effects of the climate crisis are being felt faster and are more serious than predicted. In recent years, temperatures have reached record levels, while environmental pollution and loss of biodiversity are about to become irreversible. Every year, natural disasters become more frequent and destructive. Should the goal set by the Paris Agreement to keep global warming below 2 degrees not be achieved, it will become even more difficult to predict the economic, social and environmental consequences of the climate crisis. Analyzing the probability and impact dimensions of the [Global Risks Report](#) published by World Economic Forum (WEF) in 2020, one can see that eight out of 10 risks are related to the environment and climate crisis for the first time in the history of the report.

Considering the current effects and future scenarios, it is clear that all sectors, particularly the public and private sectors, need to act quickly and effectively to tackle the climate crisis. In particular, urgent measures such as increasing renewable energy production and energy efficiency are needed to mitigate the effects of the climate crisis. Even in the best-case scenario projecting 1.5 degrees of global warming, we will need to adapt to a world where the

effects of extreme weather events, such as extreme temperatures, precipitation imbalance, and higher sea levels will be seen more often and on a larger scale. There is a need to both take measures swiftly and to develop action plans to adapt to the world predicted in the best-case scenario.

HOW DO WE CONTRIBUTE TO COMBATING CLIMATE CRISIS?

Given our ecosystem, we have set the reduction of greenhouse gases and increasing the awareness of all stakeholders across the entire value chain, starting with local operations, as our top priorities to help solve the climate crisis. Our carbon neutral roadmap is based on the Science-Based Targets. We have committed to Science-Based Targets. We are developing energy efficiency projects and investing in renewable energy systems to contribute the fight against the climate crisis. With our energy efficient products, we contribute to reducing our customers' carbon footprints as well.

Collaborations

We have joined local and global multi-stakeholder collaborations and support global initiatives to tackle the climate crisis. Since 2012, we have been regularly reporting to the Carbon Disclosure Project (CDP). In 2018, we were among the highest-rated companies in Turkey in both the Climate Change and Water Programs of the CDP, and awarded the 2018 Turkish Climate Leadership Award. In 2019, we became one of the companies to receive the highest degree in the Climate Program in Turkey by getting an A-degree. Since 2011, we have shared our good practices at the World Climate Conference. In 2017, we became party to the Science Based Targets Initiative, and committed to calculating and reducing greenhouse gas emissions in production based on scientific data. We cooperate with the Carbon Pricing Leadership Coalition (CPLC), which serves to accelerate the carbon pricing mechanisms around the world; Sustainable Energy for Everyone (SE4ALL), a multi-stakeholder initiative that works for access to energy; the UN Environment Programme (UNEP), serving to ensure energy efficiency in products; and the United for Efficiency (U4E) Cool Coalition run under the leadership of the Global Environment Facility (GEF).



Please see for the Operational eco-efficiency: Climate change performance indicators [HERE](#).

Please see [ANNEX 6](#) for detailed information about the certificates we have in environment and energy management.



Arçelik's Sustainability Council and the Climate Change Coordination Working Group identify policies and strategies regarding sustainability and the climate crisis, from which we establish collaborations, ensure that decisions taken are implemented, and track performances to make sure targets are met. All work carried out in sustainability is regularly reported to the member of Board of Directors, Koç Holding A.Ş. Head of Durable Consumer Goods Group, who gives a report to the Board of Directors every four months. These reports are discussed and finalized by the Board of Directors.

The most important guidelines regarding environmental impacts and successful performances achieved in this context are the Environmental and Energy Policies.

In 2019, we contributed to drafting United for Efficiency's (U4E) new Model Regulation Guidelines for Energy-Efficient and Climate-Friendly Air Conditioners and Refrigerating Appliances. Based on energy efficiency and product standards, the Guidelines are used to advise governments of countries that do not have regulations and standards. The Guidelines will allow for the energy-efficient design of *air conditioners* and *refrigerators* that would otherwise consume more energy in homes, and we hope that their use will spread to countries which do not have regulations in this field and contribute to the worldwide reduction of CO₂e emissions that have direct and indirect impacts on climate change.

Our work continues with the Republic of Turkey, Ministry of Industry and Technology and TÜRKESD (White Goods Manufacturers' Association of Turkey) in order to implement new eco-design regulations in Turkey concurrently with the EU. With simultaneous application, more efficient products will come onto the market in Turkey much earlier and will contribute to the reduction of electricity consumption in households. The regulations also direct governments and manufacturers to work on the global need to reduce the production and consumption of fluorinated gases (F-Gas).

LEADERSHIP FOR CLIMATE

Arçelik teams have been climbing the highest mountains in the world for many years to raise awareness about the climate crisis. We climbed Africa's highest mountain Kilimanjaro, Europe's highest mountain Elbrus and the Americas' highest mountain Aconcagua. As the final step of our mission to raise awareness in this area, our CEO climbed Everest in May 2019. At the end of the nearly four-week climb, from the summit of Everest, CEO Hakan Bulgurlu called on individuals, companies, governments, and business leaders to take more decisive steps, saying, "If we move together quickly in tackling the climate crisis, we still have time to change the future!".

About Climate Crisis with Atlas and Rüya

In September 2019, our CEO met young climate activists Rüya and Atlas, and had a short conversation about climate crisis awareness, activism, and measures to be taken.



STAKEHOLDER OPINION

KORRINA HEGARTY

ENVIRONMENT POLICY DIRECTOR
APPLIA

Many of the aspects of clean and circular economy are already in place within Arçelik's manufacturing model such as ecodesign, lifecycle approach, and some aspects of recyclability. A stronger emphasis could be done on recycled content, environmental footprint and the performance throughout a product's lifecycle. The issue of repair, among the new ecodesign requirements, could be more prominent as part of its sustainability approach.



Please see our [Environmental Policy](#) **HERE**.

Please see our [Strategy to Combat Climate Crisis](#) **HERE**.

Please see our [Energy Policy](#) **HERE**.



RENEWABLE ENERGY

Renewable energy plays an important role in tackling the climate crisis. For this reason, we continue to implement new projects to increase the rate of renewable energy we use in production. In addition to the 930 kWp photovoltaic (PV) and 700 Concentrated Solar Power (CSP) plants installed in 2018, we established a Solar Wall in the Washing Machine Plant in Çayırova, Turkey in 2019, and to a certain extent, we have started to meet the need for space heating from solar energy. With the project, we aim to prevent 97 tons of CO₂ emissions while saving 50,000 m³ of natural gas annually. We produced 2,732 GJ of electricity in 2019 with the installation of 930 kWp of photovoltaic solar panels in the Washing Machine Plant in Romania, preventing 270 tons of CO₂ emissions.

ENERGY EFFICIENCY

Energy efficiency has a major impact on saving energy, reducing greenhouse gas emissions, and reducing the environmental impacts of production processes, as well as an important role in combating the climate crisis. We focus on increasing efficiency with operational improvements and maintenance of production equipment, and especially by investing in innovative energy-efficient technologies.

We track energy efficiency in production by setting targets. We identify areas that require improvement with effective audit mechanisms, and in parallel with this, we increase productivity with projects that reorganize production processes. Within this scope, we have implemented a total of 233 energy efficiency projects in different subjects such as compressed air, energy efficiency in HVAC systems and lighting systems, insulation, heat recovery, energy-efficient motor transformation, and process optimization in operations in Turkey, Romania, Russia, China, South Africa and Thailand. Thanks to these projects and improvements, **we have saved approximately 90,000 GJ of energy, 64,000 in Turkey alone, while reducing greenhouse gas emissions by 7,156 tons. In addition, we saved 1.03 million Euros in 2019 with our energy efficiency projects.**



2019 PROJECTS	NUMBER OF PROJECTS	tCO ₂ e	GJ
Arçelik Turkey	160	4,818	64,666
Arctic Romania	10	470	5,528
Beko LLC Russia	25	331	5,170
Beko China	1	25	188
Defy South Africa	29	724	7,922
Beko Thailand	8	788	6,081
TOTAL	233	7,156	89,555

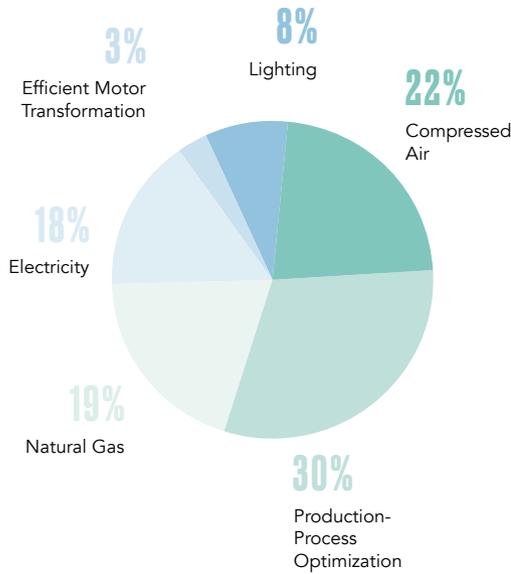


Please see our Energy Policy [HERE](#).

Please see our Operational Eco-Efficiency: Energy consumption table [HERE](#).



ARÇELIK GLOBAL – ENERGY EFFICIENCY PROJECTS



We earned the honor of being the first and only LEED Platinum certified production plant in Romania.

Built as a low-cost building with renewable energy usage, internal air quality control, material selection, and energy and water savings, our Washing Machine Plant in Romania has been awarded the Platinum Certificate, which is the highest level in the LEED green building rating system, after evaluation by the US Green Buildings Council (USGBC). With this award, we earned the honor of being the first and only LEED Platinum certified production plant in Romania.

ARÇELIK INTERNAL CARBON PRICING: IMPLICIT CARBON PRICE MODEL

As Arçelik, we have been using the Implicit Carbon Price Model since 2010 to measure the low-carbon transition impact of applied energy efficiency projects and investments. We are allocating budgets every year for our energy efficiency projects and investments and we are reducing our energy consumptions as well as greenhouse gas emissions by applying energy efficiency projects with allocated budget. In the Implicit Carbon Price Model, the total investment amount of energy efficiency projects are divided by the reduced total greenhouse gas emissions in same period as tonnes of CO₂ equivalent. With this model, we measure the impact of completed projects and made investments. Starting in 2020, we have completed all

necessary preparations to implement the Shadow Price Model, which supports the decisions on invest in low-carbon emission technology during the investments' decision phase.

STAKEHOLDER OPINION

UNITED FOR EFFICIENCY INITIATIVE (U4E), UN ENVIRONMENT PROGRAMME (UNEP)

Arçelik has been a dedicated partner of the United Nations Environment Programme's United for Efficiency (U4E) Initiative for many years, and 2019 was another great example of this collaboration. The company was a key contributor to the development of U4E's new Model Regulation Guidelines for Refrigerating Appliances and Air Conditioners. The Guidelines are used to advise governments around the world on establishing energy efficiency standards for these products.



ENERGY EFFICIENT PRODUCTS

We use R&D to increase efficiency in production and focus on products that use energy efficiently. We increase the energy efficiency of consumers by means of our products and we ensure financial savings while reducing greenhouse gas emissions.

In addition to this, 48% of our turnover was from our energy-efficient products

that are preferred more by consumers. In 2019, we improved the average energy consumption of all cooking devices in all our businesses in Turkey by 1.6% compared to 2018, thanks to our efforts to make them more energy efficient. We also improved energy efficiency in all TVs, washing machines, and refrigerators by 7.7%, 5.8%, and 2.8%, respectively. The same level was maintained in all dishwashers and drying machines. We saved a total of 277,813 GJ

in annual energy consumption compared to the previous reporting period by the products manufactured in our businesses in Turkey.

The European Commission's Energy-Using Products (EuP) Directive aims to improve energy and environmental performance throughout the entire lifecycle of products by the systematic integration of efficiency characteristics starting from the design

stage. At Arçelik, we develop our products in accordance with this directive. Moreover, we partner with the U4E Initiative, which plays a major role in changing the efficient products market, and we support the development of efficient products, the implementation of energy policies, and the application of standards and regulations in testing products.



Please see all our eco-friendly products, including our energy-efficient products, in our **2019 ANNUAL REPORT**.

STAKEHOLDER OPINION

DR. OĞUZ CAN

DIRECTOR OF ENERGY EFFICIENCY AND THE ENVIRONMENT DEPARTMENT, REPUBLIC OF TURKEY, MINISTRY OF ENERGY AND NATURAL RESOURCES

Recently, we have seen what happens when ecology deteriorates in the whole chain of Ecology, Economy and Energy due to the COVID-19 pandemic. As Yunus Emre described in his poetry, we understand more deeply that the concept of "Sustainability" is a very important area of success. The resource efficiency and especially the energy efficiency activities of Arçelik, our global brand that has always attracted attention with its sustainability efforts and pioneered with its innovations, will make our world more livable.





GREENHOUSE GAS EMISSIONS IN THE VALUE CHAIN

EFFICIENCY IN THE SUPPLY CHAIN

In addition to our operations, we also manage the environmental impact of our supply chain, which we reduce by cooperating with our suppliers in different fields, especially energy and waste. As part of our energy efficiency efforts, we completed 132 energy projects, saving approximately 42,000 GJ of energy and reducing 5,330 tons of CO₂ emissions.

GREENHOUSE GAS EMISSIONS FROM LOGISTICS

We are working to reduce the greenhouse gas emissions from logistics to help tackle the climate crisis. In this context, we reduced the number of LPG forklifts by 12% compared to the previous year. In our exports, we aim to reduce greenhouse gas emissions from transportation by increasing the use of marine and railways instead of highway transportation. We increased the rate of marine transportation use from 83% to 85% in 2019, and we have set our 2020 target as 87%. In addition to marine transportation, we aim to increase the rate

of railway transportation use from 3.5% to 4.5% in 2020.

Based on this, we calculate the greenhouse gas emissions of our products resulting from domestic, import, and export logistical activities in accordance with the ISO 14064-1 Standard, and verify the results with an independent accredited institution. In this context, emissions from our domestic, export, and import logistical activities in 2018 decreased to 132,828 tons of CO₂e, an 18% reduction compared to the previous year.

With the energy projects in our supply chain, we save approximately 42,000 GJ of energy and reducing 5,330 tons of CO₂ emissions.

Energy-Efficient Refrigerators Carbon Financing Project

As part of our Energy-Efficient Refrigerators Carbon Financing Project in Turkey, verification of approximately 305,000 tons of CO₂e emissions reduction thanks to the sales of energy efficient refrigerators to the Turkish market between 2013 and 2019 was completed. With this unique project, we plan to introduce this verified CO₂e reduction amount into the market.



This is

Not?

Precaution

This is the goal of protecting water resources

Efforts to increase water efficiency and reuse contribute to protecting our rapidly depleting freshwater resources. In addition to new investments in R&D and innovative technologies, it is necessary to develop water policies and adopt a good and effective form of management.

Water Efficiency Projects

Approximately

159,000

m³
of water saved in operations in Turkey

1.58

million m³
water saved with the water efficiency projects in the last 10 years

400,000

Euros
saved with the water efficiency and waste reduction projects



WATER MANAGEMENT

We reduced water withdrawal by

6%

in Romania

7%

in Russia

16%

in China

The increase in human population and urbanization causes water usage to increase in all sectors, especially in agriculture and industry. As a result of the climate crisis, global rainfall is declining or changing patterns and water scarcity threatens a large part of the world's population. Global water use has increased by 15% in the last hundred years, and this usage rate continues to increase by 1% each year.

Due to the climate crisis, it is predicted that water use will increase, worsening the situation in areas where water stress is observed, and water stress will emerge in areas where water is abundant.

With the projects we carried out in 2019, we saved approximately 159,000 m³ of water in our operations in Turkey:

- The recycling and reuse of 107,636 m³ of wastewater from the function test system on the assembly line and the final rinse wastewater in the paint shop of the Çayırova Washing Machine Plant, as well as the recycling and reuse of effluent water and rainwater from the biological wastewater treatment plant,

- Saving 4,635 m³ of water at the Ankara Dishwasher Plant through our water efficiency projects,
- Recycling and reusing 38,000 m³ of water through water efficiency projects at the Eskişehir Refrigerator Plant,
- Saving 2,250 m³ of water through water saving efforts at the Eskişehir Compressor Plant,
- And saving 6,068 m³ of water through the recycling of wastewater at the Çerkezköy Dryer Plant.

In the last 10 years, we have saved 1.58 million m³ of water with our water efficiency projects. This amount is equivalent to the daily water consumption of approximately 2 million households.

Through water efficiency projects in our global operations, we have achieved a 6% reduction in water withdrawal in Romania, 7% in Russia, and 16% in China operations compared to the previous reporting period. With the efficiency projects we implemented in our Russia operations, we saved 5,971 m³ of water, and a total of 6,366 m³ of water in our South Africa operations thanks to the rainwater recycling and other water efficiency projects.

We used advanced water treatment technologies at the Washing Machine Plant in Romania, which started production in 2019. With the recycling of rainwater and wastewater, we aim to save the water equivalent of 30 years of one household's water consumption.

We saved approximately 400,000 Euros with our water efficiency and waste reduction projects in all our plants.

In addition to water usage, we treat discharged water according to its characteristics in chemical and biological treatment plants in all the regions where we operate, ensuring that discharged wastewater remains below legal discharge limits in order to protect water resources and biodiversity in the regions, and we periodically check compliance with these standards.



During the reporting period, we allocated 119 million Turkish Liras for Turkey operations, 1,037,000 Euros for Romania operations, and 642,000 Euros for South Africa operations towards R&D projects on eco-friendly products.

We use Internal Water Price (IWP) to determine the real price of water and encourage investments in water infrastructure. In the IWP calculation, we identified the water stress in the basins where we operate and completed three different scenario analyses and water stress projections for 2020-2030-2040.

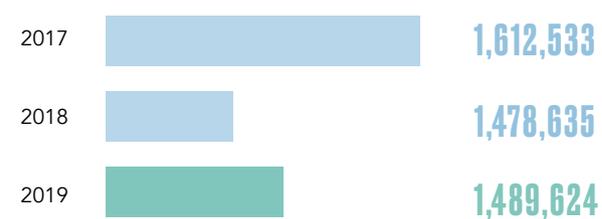
AMOUNT OF DISCHARGED WATER

(m³)



TOTAL WATER WITHDRAWAL*

(m³)



* Grundig Nordic AS (only Denmark) and Beko Thailand were included in 2019 in the scope of the report.

Water Efficiency Project with the International Finance Corporation (IFC)

Within the scope of our IFC Water Efficiency Project in 2019, our 18 production plants in Turkey, Romania, Russia, China, South Africa, Thailand and Pakistan were compared with the best practices of our sector in Europe as given in the IFC database. With IFC, we prepared the Water Efficiency Report for Arçelik production plants and identified areas for improvement in water efficiency. In line with the project's output, we set our water target for 2030.



Please see all our eco-friendly products, including our energy-efficient products, in our **2019 ANNUAL REPORT**.



WASTE MANAGEMENT

Waste management challenge as a result of rapid population growth and increasing industrialization has become one of the major crises in the world. We believe that this crisis should be managed responsibly through the collaboration of business, governments, and societies. We carry out waste management at Arçelik in a way that is a global role model for our sector. With innovative approaches, we reduce waste generation in production, and generate solutions for waste with our products. We manage our impact by focusing on tackling plastic pollution and food waste, which are important crises in the world, and reduce package waste as well as ensure recycling based on the circular economy.

ZERO WASTE

To meet the Zero Waste target, we use resources more efficiently, prevent and reduce waste resulting from our operations, and improve the effectiveness of separating waste at its source. We invest in technologies that consume fewer resources and reduce the amount of raw materials we use as well as our chemical consumption and waste generation by reconstructing product design and manufacturing

processes. We design recyclable products with reduced environmental impact. Thanks to these practices in line with the circular economy, we reduce waste generation and the amount of waste regularly sent to landfills or for incineration, excluding those sent for energy recovery, thus obtaining a cost advantage. We continue our training, information, and reward efforts to spread zero waste awareness in a sustainable way, and support the Zero Waste Project of the Republic of Turkey, Ministry of Environment and Urbanization.

We also make improvements in our operations to reduce the amount of waste. With our project to prevent waste sludge in production processes, we prevented approximately 24 tons of hazardous waste. With the improvement of the waste oil collection system in the dyehouse, we prevented 1.7 tons of waste hydraulic oil from being generated. **In 2019, we recycled 98% of our waste in Arçelik Turkey. Thus, we have already achieved our 2020 target of 98% in advance.**

Distribution of Materials from our WEEE Recycling Plants

41%

Metal

35%

Plastic

4%

Glass

20%

Other

RECYCLING PLANTS

As part of the Expanded Producer Responsibility, we established the Waste Electrical and Electronic Equipment (WEEE) recycling plants in Eskişehir and Bolu in 2014 to reuse products as resources or return them to nature. By recycling refrigerators in Eskişehir, and other white goods and small domestic appliances in Bolu, we minimize the environmental impact of the products throughout their life cycle.

Our plant in Eskişehir is the first recycling plant in Turkey where chlorofluorocarbon (CFC) gases, which were used in old refrigerators and are harmful to the ozone layer, are collected in a closed system. Materials such as plastic, iron, copper, and aluminum obtained from recycled WEEEs in the plants are returned to the economy in accordance with resource efficiency policy. WEEEs collected in other categories are sent to our contracted recycling plants that have environmental permits and licenses.



In 2014, we started Turkey's largest recycling movement with the motto "Let's Return to Nature". Through this campaign, we have been replacing our customers' old products with newer, more efficient Arçelik products regardless of their brands and reevaluating the collected WEEEs in the economy thanks to our widespread network of authorized dealers and service shops.

Since 2014, when our plants started their operations, to 2019, we have saved a total of 299 GWh of energy, or in other words, the daily electricity consumption of about 36 million households, by preventing old products from consuming high levels of energy from the grid. This amount is equivalent to the annual energy production of 46 wind turbines each with 2.5 MW capacity. In addition, we have prevented approximately 143,000 tons of CO₂ emissions by recycling waste products. Furthermore, we have saved 6.2 million tons of water by replacing old-tech products with new eco-friendly ones. This amount is equivalent to the daily water consumption of approximately 7.6 million households. We recycled approximately 1.2 million WEEE units between 2014 and 2019 in our WEEE recycling plants in Eskişehir and Bolu.

In addition to Turkey, we also fulfill our responsibilities as a manufacturer under the WEEE management in other countries where we operate as required by authorized organizations in which we are a member.

Zero Waste Private Sector Award

Our achievements in Waste Electrical and Electronic Equipment (WEEE) management and the Zero Waste Project were awarded the Zero Waste Private Sector Award by the Republic of Turkey, Ministry of Environment and Urbanization.





PACKAGING MANAGEMENT

We focus on consuming fewer resources and using recycled/recyclable materials in our packaging processes. We design our products' packaging volume and weight to produce minimum waste, and we carry out reuse and recycling projects to reduce the environmental impacts caused by our packaging processes.

- We prevented the cutting of 270,748 trees by using approximately 77% recycled materials in the 15,878 tons of boxes produced for product packaging in our plants in Turkey. In addition, we ceased the use of cellophane, a protective coating material on cardboard boxes of small domestic appliances of our Arçelik brand, thereby reducing our use of plastics.
- In the last decade, with our oven packaging project, we have reduced the use of timber by 85%, and cardboard by 60%, preventing the cutting of approximately 1,650 trees.
- As a result of our packaging improvement efforts with our suppliers, we have prevented the use of 365 tons of cardboard and 238 tons of plastic bags.
- We have reduced our production plastic waste by 20 tons and cardboard waste by 168 tons per year by switching to reusable boxes for shipments of materials with our suppliers.

RECYCLABILITY RATES OF RAW MATERIALS AND OTHER MATERIALS USED IN ARÇELİK PRODUCTS

MATERIAL	STATUS
Metal	100%
Plastic	100%
Glass	100%
Chemicals*	Non-recyclable
Rubber	100%
Others	81%
Components	80%

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

ARÇELİK PRODUCT RECYCLABILITY RATES

PRODUCTS	STATUS
Washing Machines	99%
Condenser Tumbler Dryers	98%
Refrigerators	99%
Dishwashers	84%
Electronic Devices	88-92%
Ovens	91%

STAKEHOLDER OPINION

CUSTOMER

We all have our duty to leave a more livable world for future generations. As a global company, Arçelik has been implementing recycling plans and programs for several years in order to fulfill its duties in this regard. We also expect the brand to establish a system where product packaging will not be left to the consumer after the assembly of the product but will instead be recycled.

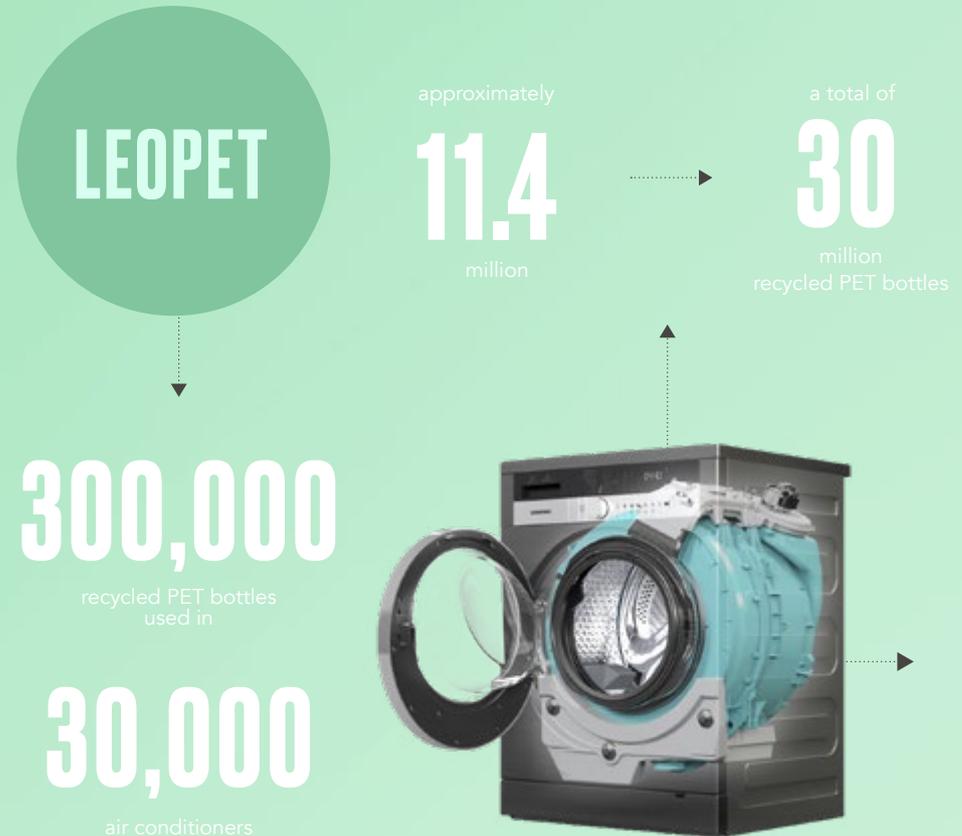


This is Not Waste



This is an innovative product

We believe that sustainability is both a lifestyle and a profitable business model. We see sustainability as a pathway that we need to follow resolutely as responsible leaders and companies to tackle global challenges with the products we develop. Plastic pollution is one of the biggest problems in our world. We focused on global issues such as plastic pollution, and we concentrated all our efforts and R&D on these areas.





COMBATING PLASTIC CRISIS

75% of the plastics produced worldwide end up in landfills. It is predicted that by 2030, approximately 104 million plastic waste will be mixed into ecosystems unless a solution to the global plastic crisis is found. Plastic pollution significantly harms marine species, and affects fishing, marine transportation, and tourism activities, resulting in negative economic consequences.

To fight the plastic crisis, we conduct R&D to reduce our plastic use and develop alternative raw materials. We contribute to the circular economy with our innovative products and materials and aim to increase the use of alternative materials.

We support the commitment to “end the consumption of disposable plastics by the end of 2020”, as announced in late 2019 by Koç Holding, and our work continues to fulfill this commitment at Arçelik and to extend it to our suppliers. Due to the pandemic (COVID-19) that started at the end of 2019, we will work again on this target.

We recycled 7 tons of waste fishing nets and textile waste. In 2019, we used plastics made from recycled fishing nets in more than 200,000 products.

Leopet

In 2019, we used approximately 11.4 million recycled PET bottles in our production of washing machine and washer-dryer tubs. Thanks to the Arçelik-LG cooperation to spread good practices throughout our subsidiaries, we used 300,000 recycled PET bottles in 30,000 air conditioners. Of the plastic parts in all split air conditioners produced by Arçelik brands, 20% are made of recycled PET bottles. The Leopet plastic raw material developed by Arçelik’s R&D Center and patented by Arçelik is used in air conditioners produced by Arçelik-LG. Up to 15 recycled PET bottles are used in each air conditioner. With this project, we plan to use a total of 3 million recycled PET bottles in 250,000 products in 2020. By the end of 2020, our goal is to increase the recycled plastic rate in air conditioners to 36%.

Reuse

We are conducting a project to reduce the use of petroleum-based raw materials and prevent petroleum-based waste through the reuse of rubber waste as a pure polymer. This will give us a cost advantage on the basis of circular economy.

Champagne

Champagne is another project aimed at reducing the use of plastic in white goods. Using foaming agents, we provide energy efficiency and reduce carbon emissions by reducing weight and cycle times. Using less plastic for the internal parts of different white goods ensures a 5-7% reduction in machine weight and shortens the plastic production cycle time by 20-30%. Thanks to the innovative foaming technologies we’ve been using in mass production since 2018, we reduced our use of plastic materials by 350 tons in 2019.

This is Not Waste

This is an innovative product

Microfibers in petroleum-based textile materials are released to the seas by washing the textile products in washing machines. These substances are categorized as microplastics, and they reach the seas through wastewater pipes in washing machines, threatening the lives of marine species, but also human health by entering the food chain. We respond to the plastic crisis with our innovative products that minimize the impact on the environment. With a pioneering approach, we develop solutions to the microfiber issue, which is one of the critical environmental impacts of the textile industry.

Microfiber Filtration

Filters out microfibers at a rate up to

90%

100%

Recyclability rate of the filter material



Microfiber Filtration System

Microfibers in petroleum-based textile materials are released to the seas by washing the textile products in washing machines. These substances are categorized as microplastics, and they reach the seas through wastewater pipes in washing machines, threatening the lives of marine species, but also human health by entering the food chain. We respond to the plastic crisis with our innovative products that minimize the impact on the environment. With a pioneering approach, we develop solutions to the microfiber issue, which is one of the critical environmental impacts of the textile industry.

To do this, we produced a washing machine with a filtration system that is itself produced from 100% recyclable material, and that filters out microfibers at a rate up to 90%. At IFA 2019, where our CEO Hakan Bulgurlu was one of the keynote speakers, we emphasized that we were keen on working together with companies, NGOs, universities, and all stakeholders in and out of the sector to develop the technology together.

In order to increase our contribution to the circular economy, we continue to work on next generation filter solutions that will reduce the use of raw materials, ensure filters have a longer life, and enable the reuse of waste.



STAKEHOLDER OPINION

JAMES PENNINGTON

CIRCULAR ECONOMY INITIATIVE, WORLD ECONOMIC FORUM (WEF)

Arcelik's circular economy strategy remains strong, making them a deservedly recognized leader in sustainability, particularly in emerging markets. A key next step will be scaling the learnings from these innovative products across all product categories.

Zero Waste Blue

Implemented by the Republic of Turkey, Ministry of Environment and Urbanization, the Zero Waste Blue Project aims to prevent waste polluting the seas to protect the seas and marine species. With our environmental and innovative technologies, we contribute significantly to the sustainable ecosystem, also supporting and contributing to the Zero Waste Blue Project with our initiatives including the use of our microfiber filtration system, the use of waste fishing nets in oven plastics, and so on.



For all our products that create positive environmental and social impacts, please see our **2019 ANNUAL REPORT**.



This is an innovative *product*

We develop bio-parts using bio-materials such as sugar cane, corn, soybean, and eggshell in refrigerators. We have developed a bio-based hard polyurethane foam insulation material, Bio-Cool, for home-type refrigerators.

**Bio
Fridge**

15%

The ratio of organic materials such as soy and castor oil in Bio-Cool insulation material

Prevention of

6 kg

of CO₂ emissions with bioplastics and Bio-Cool





Bioplastics

We develop bio-parts using bio-materials such as sugar cane, corn, soybean, and eggshell in refrigerators. Through the BIO4SELF Project we carry out as part of EU Horizon 2020, we have been developing all-biological Polylactic Acid (PLA) plastics with hardnesses that have never before been obtained. These plastics have high temperature and degradation resistance, extending the product's life and preventing waste.

We produced the world's first all-biological eggcups for refrigerators using bio-plastics and waste eggshells. We aim to reduce waste generation and increase consumers' awareness of sustainable products with this project, which is based on circular economy.

We also continue working on using bioplastic raw materials combined with organic waste such as tomato pulp and coffee grounds instead of petroleum-based raw materials in small domestic appliances, and to use raw materials obtained from starch in the plastic casing of products.

Bio-Cool

As a global first, we have developed a bio-based hard polyurethane foam insulation material for home-type refrigerators. The raw material for this insulation, polyol, was produced from 45% soybean-based natural oils, and 15% of the total polyurethane foam material was made of natural oils. For the selected refrigerator, 5.4 kg less CO₂ emissions were released per cabin during production. Bio-polyurethane insulation materials which contain at least 15% organic materials such as soy and castor oil are classified as sustainable and durable materials.

Eco-Sustain: High Performance Recycled Plastic Materials

With our project promoting the use of recycled polypropylene (PP) for the detergent drawers and pump filters in washing machines, we aim to reduce the use of new plastic materials and increase the use of recycled plastics. Mass production has started on the two parts designed in 2019, and in 2020 we plan to start production on large detergent drawers made from recycled PP. During this project, the formula for the Eco PP Static material was developed exclusively by us.



In 2019, we launched our project to use recycled and improved plastic raw materials in vacuum cleaners, and we completed the necessary tests. We will produce the first model in the first quarter of 2020, and our goal is to recycle 106 tons of plastic per year in this model alone.

Oven Parts Produced from Waste Fishing Nets and Synthetic Yarn

Waste fishing nets threaten the lives of marine species. Thanks to their high mechanical and thermal properties, fishing nets can be used instead of polyamide, which is the type of plastic most used in oven products. We obtain high performance recycled polyamide compounds from waste nets by means of innovative recycling technologies. We recycled 7 tons of waste fishing nets, textile waste, and synthetic yarn to make oven parts. In 2019, we used plastics made from recycled fishing nets in more than 200,000 products.



For all our products that create positive environmental and social impacts, please see our **2019 ANNUAL REPORT**.



In Touch with Human Needs

We design smart technologies that are inspired by the future and respond to the needs of society. We enlarge our impact area by developing products that remove barriers to society's progress. With a wide range of products, from solar refrigerators designed for areas without access to electricity, to other products that overcome barriers, we focus on improving people's lives.

- 84** Healthy Living
 - 90** Combating Food Waste
 - 93** Smart Solutions
 - 95** Equal Opportunity and Inclusion
 - 98** Young Generation Empowerment
 - 100** Supporting Local Communities
-



TARGET FOR 2020
set in 2016



Raising awareness on healthy nutrition and childhood obesity

Raising awareness on combating food waste

Raising awareness on gender equality

2019 PROGRESS



Beko - Eat Like A Pro

- FC Barcelona Official Training Partner
- Collaboration with League of Legends European Championship (LEC)
- "4-3-3" #LiveLikeAPro social media campaign
- 1 million Euros donated to UNICEF

One Healthy Movement Project

- Employees lost a total of 1 ton of weight and achieved healthy living habits.

Grundig - Respect Food

Food For Soul

- A total of 5 Refettorios*
- Preventing more than 200 tons of food from being wasted through the contributions of more than 15,000 volunteers, to support over 80,000 people in need

Ruhun Doysun

- Reaching over 60 million people
- Over 600,000 followers on online platforms
- Collaboration with Academy of Culinary Arts (MSA)
- First periodical-book named Respect Food

You are an Engineer, You are with Us

- 628 applications
- Two workshops with 60 students from 29 universities

Beko – 100 Women Dealers

- Contracts with 18 women entrepreneurs for 22 stores
- 19 stores in operation

Kizcode

- Trainings for the children of 96 employees

STATUS



In progress.

* Social restaurants that make delicious and healthy meals from waste food.



Please see [HERE](#) our Corporate Citizenship Policy which guides our work within the scope of In Touch with Human Needs approach.



HEALTHY LIVING

According to the World Health Organization (WHO), more than 1.9 billion adults worldwide are overweight and *about 650 million adults are obese*. Statistical data shows that the situation for children is not very different; *the number of obese children in the world is estimated to reach 70 million by 2025 if diets are not changed*.

Almost 25% of the world's population consumes much more than they need or eats unhealthy food. We conduct joint projects with various NGOs and institutions operating nationally and internationally in the fields of balanced nutrition, food waste, healthy living, and sports. We strive to improve public health, especially the health of children and young people.

EAT LIKE A PRO

Our Beko brand offers innovative product solutions to give families access to fresh, delicious, and healthy meals, and in cooperation with FC Barcelona, it has implemented the Eat Like A Pro Program. A global initiative, this Program aims to teach children healthy eating habits by showing how their role models -FC Barcelona's star players- feed themselves to achieve their best performances, thus fighting against

the important global problem of childhood obesity.

In cooperation with FC Barcelona, the Fenerbahçe Men's Basketball Team, and Esports LEC, the campaign philosophy of Eat Like A Pro promotes healthy nutrition by showing how heroes eat.

As a result of the survey conducted with 13,500 children from 18 countries, 80% of the children said they would eat healthy food if their favorite stars did.

In 2019, as part of Eat Like A Pro, we donated 1 million Euros *through collaboration with UNICEF*, to create positive impact on the lives of over 500,000 children in Latin America, where 23% of primary school-age children are obese. Our cooperation was referred to in UNICEF's *2019 State of the World's Children Report*.

STAKEHOLDER OPINION

ANNABELLE MCDUGALL

**CORPORATE PARTNERSHIP MANAGER,
UNICEF**

Eat Like A Pro online and on-jersey initiative is an excellent concept – appealing to Beko consumers, sports fans and their children, and the general public. It's simple message – to eat healthy food, like football heroes - has been implemented well to work as a behavior change tool, and is something that children understand and like. With childhood obesity emerging as a major public health concern, preventative measures are essential – and required now. The campaign is therefore highly relevant and timely.





Implemented in Costa Rica, Cuba, Mexico, Ecuador, Colombia, and Brazil, the Program is UNICEF's first partnership with a brand fighting against the problem of obesity. In 2019:

- Teachers, parents and children were encouraged to develop healthy habits and healthy food was sold in schools.

- In **Mexico**, 1,336,000 students participated in the healthy nutrition program.

- In **Ecuador**, we reached more than 180,000 people with our project on food labels at traffic lights. In 2020, we plan to reach 6,000 children and 250 teachers in 180 schools to implement a project that uses games to emphasize the importance of personal hygiene, healthy nutrition, food safety, and getting enough sleep.

- In **Colombia**, we distributed healthy lunch boxes to more than 194,000 people. In cooperation with the Ministry of National Education, we trained children about healthy nutrition, physical activity, and hygiene. We taught healthy lifestyle strategy to more than 3,000 students in 24 schools. The Program's goal is to teach the habits of a healthy lifestyle to a total of 18,000 children by June 2020.



- In **Cuba**, we reached a total of 1,731 people including children aged 6-11 (835 girls) and 369 teachers from 19 schools (4 in the city, 15 in the countryside) between July-December 2019 to raise awareness about preventing excessive weight and obesity in primary school children.

- In **Costa Rica**, our research and survey results on obesity revealed the problems children and young adults have on this topic. We encouraged children to eat healthy and get physically active with our video prepared for World Children's Day.

- The cookbook, *The Taste of Healthy Growth (El Sabor del Crecer Sano)* has been downloaded 24 times, and its social media page was opened 287 times.

- In **Brazil**, we provided healthy nutritional information to more than 2,000 teachers through online toolkits. Through 46 workshops, we informed 3,339 municipal employees from 1,924 municipalities about healthy food and healthy growth.



STAKEHOLDER OPINION

ORIOL TOMÀS

VICE PRESIDENT OF THE COMMERCIAL AREA, FC BARCELONA AND DIRECTOR OF BARÇA FOUNDATION

Here at FC Barcelona we firmly believe in the power of sport to bring about change. And at the Barça Foundation we honour the 'More than a Club' motto by making real changes possible in the lives of vulnerable children, precisely through the values of sport. We are therefore proud to be part of a project like Eat Like A Pro, together with our partner Beko. It is a campaign that works globally, encouraging children around the world to follow a similar healthy lifestyle to their sporting heroes, namely the Barça players, in order to help reverse such a worrying modern trend as the rising presence of overweightness and obesity among boys and girls around the world. This is undoubtedly an innovative 360° program involving different actions that have raised awareness among these children and their families of the importance of a healthy, active lifestyle and a proper diet.



COLLABORATION WITH FC BARCELONA

Beko's Premium Partner sponsorship with FC Barcelona (FCB) ran from the beginning of the 2014–15 season until the end of the 2017–18 season. As part of the sponsorship agreement, the Beko logo was emblazoned on the left arm of FC Barcelona players' uniforms and on the back of their training kits.

We have been FC Barcelona's Official Training Partner and one of the team's main sponsors since the 2018–19 season, along with Rakuten and Nike. FC Barcelona's defensive player Gerard Piqué has been named the global ambassador of Eat Like A Pro. As a result of our communication efforts with FCB, we increased our FCB sponsorship awareness by 5%.

As part of our annual brand value surveys, we increased Beko's top-of-mind awareness score by 4% compared to last year with our campaigns Eat Like A Pro and Wash Your Excuses Away. We also maintained our total brand awareness score in 2019. Thanks to the communication efforts we carried out in the same period, we increased our consideration set by 4% compared to last year. Meanwhile, with our brand aim of promoting healthy living, we rose 5% in the Brand Power Index (BPI), which is a very important indicator of total brand value.

"4-3-3" #LIVELIKEAPRO

In 2019, as another part of the Eat Like A Pro Program we organized the social media campaign 4-3-3 #LiveLikeAPro based on FCB's famous 4-3-3 game formation, asking families to share how they eat their four fruits and vegetables, three proteins a day, and do three exercises using the healthy 4-3-3 practices with emojis. Barcelona stars Gerard Piqué and Ivan Rakitic also supported the campaign, sharing their own 4-3-3's. At the end of the campaign, selected participants were invited to Eat Like A Pro activities like watching games at the Nou Camp, training at Ciutat Esportiva, and meeting Barça's legend Juliano Belletti.

In Serbia, our Beko brand continued to support and direct young talents to the sport through the Eat Like a Pro Program in 2019, and we sponsored six talented young people to join FC Barcelona's football camp with their families. During the camp, chef Jovica Jovičić delivered a presentation on the importance of healthy nutrition for young athletes.



For the details of the Eat Like A Pro Program, please see our [WEBSITE](#).



#ProsBehindThePros



This four-episode series explaining the elements of FC Barcelona's healthy living, as well as the staff behind the scenes, aired in September-October 2019.

One Healthy Movement

We implement different projects that promote employees' health. We launched the One Healthy Movement Project in 2019 to promote quality, healthy living habits among our employees. The project aimed to increase employees' awareness of healthy nutrition and an active life through content and one-on-one interviews with nutrition consultants, sports trainers, and healthcare professionals. During the first six months of the project, our employees managed to lose a total of 1,000 kgs as they stepped into a healthy life.

LEAGUE OF LEGENDS EUROPEAN CHAMPIONSHIP (LEC) COLLABORATION

Our Beko brand entered the esports industry for the first time in 2019, signing a one-year sponsorship agreement with the League of Legends European Championship (LEC), Europe's largest esports league. Thus, we were able to include esports in our Eat Like A Pro Program that started with Barcelona and the Fenerbahçe Men's Basketball Team. As part of this, we produce special content and events that inspire esports players to practice healthy nutrition and encourage new generations to eat well and be healthy.





CORENSIS HEALTH KIOSK

Serving as a healthcare platform aimed at increasing access to healthcare services in hospitals, medical centers, and public institutions through the automation of medical measurements and the digitalization of medical records, this product is scheduled to be launched on the market in 2020 to bring innovative technologies such as smart algorithms to the healthcare sector.

The Platform will:

- Develop a technology that will allow vital signs such as body temperature, blood oxygen levels, respiratory rates, ECG, blood pressure, weight and height to be measured on a single device,
- Store patients' medical records integrated with the cloud system,
- Help physicians evaluate medical results more accurately thanks to smart algorithms.

We aim to install Corensis in hospitals, workplaces, supermarkets, pharmacies, etc. and provide live physician support.

COMBI STEAM, STEAM POWER TECHNOLOGY

We have introduced a new solution for preparing fast and healthy food with the Combi Steam technology used in Beko's Combi Steam oven model. We combined a steam convection oven with a classical oven in a single design. The technology allows the cook to choose the best cooking method for each meal, offering our consumers the option of steaming, which is a healthier cooking method.

HARVESTFRESH TECHNOLOGY

Focusing on a healthy lifestyle, HarvestFresh is an innovative lighting technology Beko developed to keep food fresh for longer. HarvestFresh technology keeps fruit and vegetables and the vitamins they contain. This innovative technology helps our consumers eat healthy, reduces their frequency of shopping, and helps them to save time. By imitating the 24-hour light/dark cycle, we ensure that fruit and vegetables can be kept fresh and preserve the vitamins they contain for a longer time.

**COMBI
STEAM**





This is Not a Trend

This is the Respect Food philosophy

Sustainability is the focus of our Grundig brand's updated motto Grundig: It Starts At Home. We are not just at the forefront of the fight against food waste; from production to packaging, at every stage of the value chain, we're also offering an alternative sustainable life to consumers.

5

refettorios

Prevent more than

200

tons of food from being wasted



Food for Soul

3,000

copies of the first periodical-book, named Respect Food



reached over

60

million people



COMBATING FOOD WASTE

Every year *around 1/3 of the world's food is lost or wasted*; resulting in a *financial loss of about 750 billion dollars a year*. In a world where *almost 820 million people are malnourished* we consider it our responsibility to be part of the fight against food waste.

Sustainability is the focus of Grundig's updated brand narrative, Grundig: It Starts At Home. We are not just at the forefront of the fight against food waste; from production to packaging, at every stage of the value chain, we're also offering an alternative sustainable life to consumers. The ad recall scores of the video we prepared as part of the It Starts At Home Campaign increased 3.2% and 2.3% in Spain and Romania, respectively. With our new brand narrative, Grundig's brand awareness increased by 2.11% in Norway and 1.26% in Romania. With Grundig, we know that every step, whether it is big or small, for a better future is very valuable and we invite our consumers to take the first step together, starting from our homes.



RESPECT FOOD

Grundig is sensitive about conscious consumption, so we've adopted the Respect Food philosophy to support the fight against rapidly increasing food waste in the world.

As part of this, we cooperate with the Food for Soul Initiative, a non-profit organization in different countries, and we work to increase all our stakeholders' and especially consumers' knowledge and awareness of how to fight food waste through our Ruhun Doysun platform in Turkey. We offer recipes that minimize food waste, as well as informative visual and written content to prevent excessive consumption. In addition, we develop new technologies by carrying out a large number of joint projects with local and global NGOs and organizations.



FOOD FOR SOUL

To solve global issues, we put cooperation and multi-stakeholder initiatives at the heart of our brand story. Food for Soul is a non-profit organization founded by chef Massimo Bottura to encourage communities to tackle food waste, highlighting a series of initiatives in collaboration with chefs, artists, food suppliers, designers, and institutions. Food for Soul plans its projects on the basis of arts and design to present a holistic approach to nutrition that feeds both the body and the soul. Thanks to our partnership with Food for Soul, 5 refettorios were opened in Rio, London, Paris, Milan, and Naples, preventing the waste of more than 200 tons of food which reached over 80,000 people in need with the contributions of more than 15,000 volunteers from around the world.

We support the refettorios not only with kitchen products, but also with all our products that are equipped with sustainable technologies, thus increasing the awareness of both volunteers and visitors, as well as our social platform followers, about food waste and respect for the environment. Our efforts as part of the Respect Food philosophy continue to have a positive impact on Grundig's brand scores. Compared to 2018, our Consideration Set rose by 11%, the Brand Performance score by 3% and our Brand Power Index by 7% in 2019 in Europe.

Grundig and Food for Soul continue to support the Respect Food ecosystem by opening new Refettorios, with plans for the United States, Australia and Canada in 2020.

STAKEHOLDER OPINION

FOOD FOR SOUL COMMUNITY

Grundig's ongoing commitment to Food for Soul's mission and corporate dedication to sustainability is testament to our shared belief in culture to celebrate the value and potential of what is often unheeded and discarded. Grundig is not only a Food for Soul Legacy Partner and donor to help build community, Grundig is a change-maker.





RUHUN DOYSUN

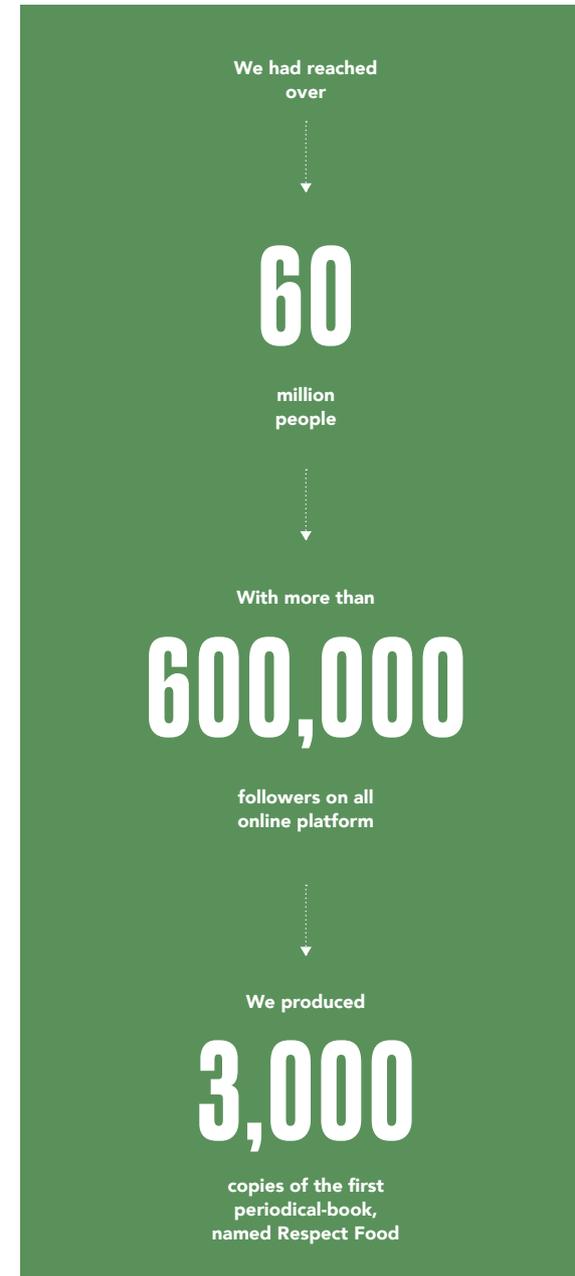
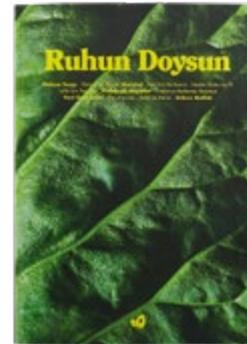
We continued our Grundig brand’s awareness-raising efforts against food waste with the philosophy “Respect Food” around the world in 2019, combining it with the inspiration we received from Koç Holding’s vision of sustainability and the philosophy “A Brand with a Purpose” as well as the awareness movement Food for Soul, which we started in the last quarter of 2017, saying “Explore: Explore life, starting with the kitchen”.

Ruhun Doysun has become an awareness movement with a YouTube series, a website, and social media accounts communicating its platforms “A Lifestyle” in 2017 and “Respect Food” in 2018. In 2019, we added a new communication channel with two different periodicals-books that we published. We produced 3,000 copies of the first periodical-book, named Respect Food, and sold it on leading e-commerce websites and in well-known bookstores as well as at grundig.com.tr. In December, the new periodical-book written with the theme “Explore” was released with the same number of copies.

By the end of the Explore communication season, we had reached over 60 million people in over 3 years. With more than 600,000 followers on all online platforms, we have become an opinion leader in the field, spreading our philosophy to a wider audience, observing their adoption of the philosophy, and how they change as a

result. In addition, we aired the episodes on NTV between May and October in 2019 and continued to provide a support platform that reached a wide audience.

In 2020, our goal is to spread the philosophy of Ruhun Doysun to a wider audience through Grundig’s cooperation with the Academy of Culinary Arts (MSA). Furthermore, one of our social responsibility projects in our 2020 plans will bring MSA chefs together with young people in MSA kitchens to spread the Ruhun Doysun philosophy of respecting food to new generations.





SMART SOLUTIONS

New technologies play a major role in improving efficiency in both production and operational activities, as well as responding to social challenges. The principles of Responsibility and Innovation are at the heart of the way we do business. With our innovative product portfolio, from our intercommunicating smart home systems to our products with minor environmental impacts, we produce sustainable solutions that respond to the needs of the digitalizing world.

SMART HOME

As homes are digitalizing, we are developing smart home solutions that use our innovative products and make life easier for our customers. Our HomeWhiz Platform allows you to remotely control different electronic home appliances such as your refrigerator, washing machine, dryer, dishwasher, oven, stove, ventilation hood, small domestic appliances, air-cleaning appliances, and air conditioners as well as smart devices such as your TV, telephone, and tablet. We also offer users innovative features and practical solutions such as remote controls, software updates, program downloads and instant notifications.

In addition to smart home appliances, the HomeWhiz application will introduce energy management for the home using smart sockets, smart bulbs, and smart thermostats and radiator valves; home safety and comfort thanks to door and window sensors, motion sensors, and security cameras; and air quality solutions via air quality measurement devices and cleaners, all of which is accessible on a single interface whose application we will introduce in the second quarter of 2020.

We offer an ecosystem that automatically updates and refreshes itself with Alexa cloud technology, allowing you to control the entire HomeWhiz-compatible smart home ecosystem by voice command via the Grundig Fire TV Edition and Amazon Echo device.

ENERGY MANAGEMENT

Our Smart Home product range includes devices such as central heating controls, smart valves, and IR Common Controls, to help save energy by optimizing heating and cooling processes. In addition, the HomeWhiz mobile application for air conditioners increases energy efficiency by minimizing energy consumption through the smart energy management function.

CARE PLUS

With Care Plus, we analyze usage habits and guide users via the HomeWhiz mobile app, so their products last longer and perform better. In addition, we inform users in case of error or failure, so they can act at the right time. In the third quarter of 2020, an update to the app will help users find solutions to some problems themselves without the need to call technical services.

[CLICK&DOWNLOAD](#)

You can scan the QR code or click the link above to download the HomeWhiz mobile





This is Not a Choice of Words

This is an equality perspective

We are working on creating a language of equality for an equal society by removing discrimination and sexism from our language through awareness-raising activities. To bring equality to our language, we have developed a dictionary and keyboard that stemmed from Arçelik's culture of improving lives with technology. For use on mobile devices and computers, the Equal Dictionary keyboard alerts the user when it detects discriminatory expressions during texting and offers alternative suggestions.

The Equal Dictionary was awarded the bronze medal at the 2019 MIXX Awards Turkey in the "Mobile Applications" category.



Driver

~~Woman Driver~~

Businessperson

~~Businessman~~

Scientist

~~Scienceman~~





EQUAL OPPORTUNITY AND INCLUSION

Equal opportunity, gender equality, women's empowerment, and inclusiveness are among the top priorities on the global agenda and are also recognized as important components of socio-economic development. At Arçelik, we believe that sustainable development cannot be fully achieved unless all disadvantaged groups, including individuals with disabilities, women, and girls can contribute equally to society and economic life.

GENDER EQUALITY AND WOMEN'S EMPOWERMENT

According to Equal Measures 2030, *the Sustainable Development Goals Gender Index 2019 report*, which measure steps and progress in gender equality, efforts to prevent gender discrimination around the world are not yet sufficient. The index is prepared based on the SDGs of the Global Compact 2030, which is managed by the UN and was signed by 193 countries in 2015. The report reveals that if current trends continue, *by 2030, 2.1 billion women and girls will live in countries where gender equality will not have been achieved.*

The World Economic Forum publishes its Gender Equality Report annually, based on criteria such as women's participation in the economy, equal opportunity, educational opportunities, health, and the political empowerment of women, and in 2019, *Turkey* ranked 130th out of 153 countries. Women's participation in the workforce stands at **33.46%** in Turkey, but we are striving to increase the number of female workers, whether in our offices or production plants, or in places where we have direct influence such as our suppliers, authorized services, dealers, and stores, and we are continuing to raise awareness about gender equality all around Turkey.

100 WOMEN DEALERS

According to Turkish Statistical Institute (TÜİK) data for 2018, the rate of women employers is only 9%. With Beko, one of the leading brands in home technologies, we have launched the 100 Women Dealers Project to raise awareness about developing the entrepreneurship ecosystem in Turkey. While encouraging women to become entrepreneurs, the project also aims to invite women who are considering entrepreneurship to consider the option of becoming a Beko dealer. This

project supports women entrepreneurs who wish to become dealers at every stage of the process, starting from the application. We contribute to the development of female leaders by providing educational and mentoring opportunities.

A total of 1,058 people applied to the project, launched under the HeForShe

Initiative sponsored primarily by the Koç Group in Turkey and managed by the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) across the world. The project was launched in March and agreements were reached with 18 women entrepreneurs at the end of 2019 regarding 22 stores. Of these stores, 19 have opened for business.



**YOU ARE AN ENGINEER, YOU ARE WITH US**

With You are an Engineer, You are with Us Project we aim to encourage younger generations in Turkey, especially women, to work in engineering and new generation R&D areas, and to underline the importance of R&D and innovation for Turkey. To do this, the website muhendissin.com was created with the goal of raising awareness, and so far, 4,021 people have visited the website and we have received 628 applications for registration to the program.

We conducted two workshops, selecting a total of 60 students from the top 29

universities as determined by TÜBİTAK's Entrepreneurial and Innovative University Index. We provided three days of training to introduce Arçelik and explain the dynamic structure of the next generation R&D areas to young talents. The training also provided information on different topics ranging from machine learning to data analytics. We matched 60 students with 47 role models and mentors working in Arçelik to give students R&D experience during the 22 hours of training. For one year, the students will work on the sustainable programs they chose with their mentors that contribute to their individual and personal development.

**STAKEHOLDER OPINION****CANSEL CANAZ**

BOĞAZIÇI UNIVERSITY, MECHANICAL ENGINEERING, 3RD YEAR

I think the Project You are an Engineer, You are with Us is an important incentive for female students studying in STEM fields to build their careers in these areas. The project introduced me to the next generation R&D environment, different technical equipment that I can use, and leading female role models in the field of engineering. I believe the project will encourage young generations to build a career in this field and show female students that by overcoming certain barriers, they can succeed. They can also pave the way for new approaches by achieving gender balance in product design and development. The project will be much more effective if the technical content of the workshops is intensified and students can observe the process of product development on a campus visit.



You can access our projects supporting gender equality for employees through the **TALENT ACQUISITION AND DEVELOPMENT** section.

**KIZCODE**

We have implemented the Kizcode Program for the daughters of our employees between the ages of 11 and 15 in order to ensure that girls are included in technology and digitalization processes, to raise awareness against discrimination in the choice of profession, to reveal girls' abilities, and to evaluate their projects on different platforms. The program provides training in coding and animation as well as mentoring, and in 2019, 75 girls developed creative and innovative projects that make life easier, such as the Smart Helmet for work safety, the Fintech Digital Money Box, the Smart Trash Can and the Smart Feedbox for street animals. We started the program in 2018, and the children of 96 employees have benefited from it so far. We provide mentoring services to help the girls in the program produce their projects.

INCLUSION**HEARING-IMPAIRED DESIGNER TRAINING PROGRAM**

With the goal of creating a model to contribute to the education and employment of disabled individuals, we organized a Designer Training Program for the Hearing-Impaired in partnership with Anadolu University and İŞKUR (Turkish Employment Agency). Through this program, five hearing-impaired students received 140 hours of courses between January and May 2019 in 18 different areas including design processes, technical drawing, and plastic and metal parts design. To apply what they have learned, the students were employed by Arçelik's R&D Department to design 100 parts, complete 16 assemblies, learn 120 new technical terms, prepare four projects for problem solving, and audit reports for 40 parts.

PRODUCTS WITHOUT BARRIERS PROJECT

We launched a project in 2016 to find solutions to the problems visually impaired individuals experience when using home appliances such as refrigerators, washing machines, dishwashers, dryers, ovens, stoves, TVs, and irons. We held meetings with the Six Points Association for the Blind and Boğaziçi University, Assistive Technology and Education Laboratory for Individuals with Visual Disabilities (GETEM). For the product categories mentioned, we developed additional features to make certain models easier for our visually impaired consumers to use, such as:

- Audible user manuals
- Solutions that make life easier
 - Braille embossed inlay solutions
 - Braille embossed and audible warning temperature adjustment button (Refrigerator)
 - Irons that do not require heat adjustment
- Technological/Smart Solutions
 - Voice-over compatible HomeWhiz app
 - Smart TV remote control app
 - Voice description support for TVs
- Producing a microsite for Arçelik products for individuals with disabilities

SOLAR REFRIGERATOR

With our Defy brand, we developed a solar panel refrigerator to respond to the needs of people who live far away from power grids and cities. Between its storage battery, inverter, solar panel installation, and the refrigerator itself, the cost of a solar panel refrigerator can run high, so we launched an innovative application to solve the problem for this product, which has been on the market for some time. By eliminating the need for batteries and inverters, we made the solar refrigerator available for a much lower price. This project primarily targets the Sub-Saharan Africa, in addition to other regions where there are often power-cuts due to poor power grid conditions and markets where energy is expensive. We aim to benefit from solar power as much as possible in such regions and prefer to use the grid only when additional energy is needed for better performance, thus supporting users in saving energy.

We plan to launch the serial production of solar panel refrigerator in the second half of 2020. In addition to storing food, these refrigerators will allow storage of vaccines and medicine for emergencies. Moreover, we continue to work on integrated solutions such as a USB port on the refrigerator for charging mobile phones or LED lighting feed to respond to different needs of users.

STAKEHOLDER OPINION**MİRA KÜÇÜK**

I have learned to create projects that address a problem as a team. I have learned the difference between analog and digital, as well as output and input. I have learned what we would need and what kinds of problems we would have if we were to live on Mars. Most importantly, I have learned that girls and women can be very successful when they are given the opportunity. I want to be a scientist in the future.



YOUNG GENERATION EMPOWERMENT

According to UN data, the world's population of young people is about 1.2 billion. In other words, one out of every six people is between the ages of 15 and 24. *Research indicates that the global youth population is expected to peak at nearly 1.4 billion persons around 2065.* About 13 million young people between the ages of 15 and 24 live in Turkey. This is about 16% of the country's population. According to Turkish Statistical Institute data for 2018, 20.3% of the young population between the ages of 15 and 24 cannot be employed.

We develop projects and programs for young people from middle school on, to equip them with the competencies required in the 21st century, and we grow together. We believe that environmental awareness should start at a young age, so we reach out to children in Turkey through digital platforms and help develop their awareness of sustainability through entertaining content.

DIGITAL WINGS

We started the Digital Wings Project in 2019 to create a self-confident young generation with 21st century

competencies, who closely follows and produces technological developments, and to prepare young people for the digital future. The project, which includes robotics, coding, and product design processes, will be implemented with our Arçelik and Beko brands in 100 schools in 81 cities of Turkey, through cooperation with the Republic of Turkey, Ministry of National Education and the technological partnership of Bilkom.

Through the protocol signed with the Ministry, we developed content to support the curricula of the 5th and 6th grade Information Technologies and Software course and the 7th and 8th grade Technology Design course. We donated educational tools such as tablets, computers, 3D printers, and coding sets to schools to help apply the knowledge students are taught in these courses. In 2019, we had our first teacher training in which 40 teachers from 20 schools participated. We completed the second teacher training early in 2020 and delivered the necessary equipment to the schools. In September 2020, teachers will be able to start classes with the prepared content and with this equipment. Throughout the project which is planned to last three years,

we will conduct social impact assessments to measure any changes in the project beneficiaries and share the social impact report with the public at the end of each year.

Young generations' empowerment and contributing to the national economy are among the social investment areas we focus on.





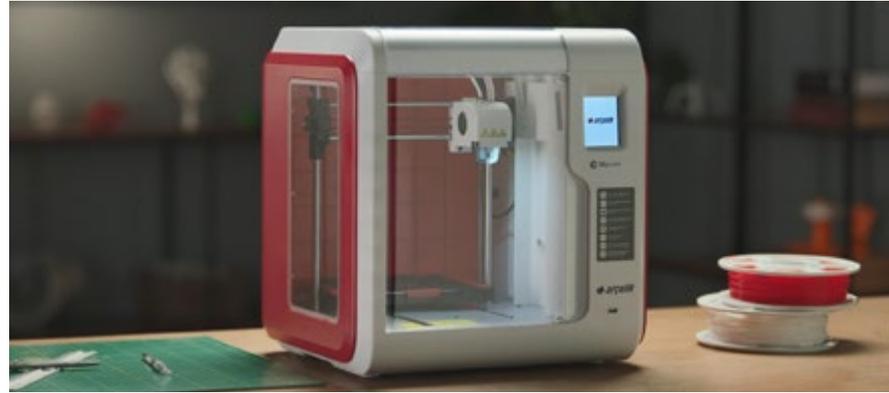
3D PRINTERS FOR TRAINING

In recent years, STEM training has been spreading rapidly in education, leading to the emergence of new technology needs. Three-dimensional (3D) thinking and design is provided to students within the scope of STEM education. The students, as a generation of the 21st century, are expected to produce solutions to daily problems using these principles. In this context, the 3D printers have become the basic tool for converting these solutions from design to reality. Therefore, to bring the 3D printer ecosystem component of digitalization in the education sector into schools in a way that would be easy to use, Arçelik developed a 3D printer with all the necessary modules that works on a desktop.

Through the tender opened by the Republic of Turkey, Ministry of National Education and the Digital Wings Project, 3D printer technologies have spread in schools throughout the country, and now the Arçelik 3D printer ecosystem is being used in at least one school in every city in Turkey. In addition to this, we also aim to display 3D printers in Arçelik's technology-oriented dealers.

SMART BOARD

In order to develop educational technologies, we produce innovative products. To better suit the times we're living in, we updated our Smart Board, originally designed and produced with the Fatih Project, to meet new demands, and to use newly patented solutions and



technological innovations. As part of the Fatih Project, we installed a total of 16,703 Interactive Boards in 951 schools directed by the Republic of Turkey, Ministry of National Education by winning the tender opened by the General Directorate of Innovation and Education Technologies of the Ministry of National Education in September 2019. We will be providing services to these schools for five years.

HOUSEHOLD ELECTRIC APPLIANCES TECHNICAL TRAINING PROGRAM – ARÇELİK LABORATORIES

Since 2006, Koç Group companies have been focusing on strengthening vocational education through the Vocational Education: A Crucial Matter for the Nation Program. We believe that education should be associated with industry and aim to raise talented generations who follow the sector closely and easily adapt to changing technologies. For this purpose, we established Arçelik Laboratories, equipped with measuring instruments and devices based on new technologies in

the field of technical service for electrical home appliances. Our aim with the Household Electrical Appliances Technical Service Program, which we carry out in cooperation with the Republic of Turkey Ministry of National Education, is to ensure that students participating in the program develop the skills necessary to become technicians in the white goods and air conditioner product groups by completing their education at Arçelik laboratories.

Since the launch of the program in 2011, we have provided a total of 22,500 person-hours of training with 65 technical teachers from different departments of the company. At the end of the 2019 academic year, a total of 1,243 students graduated from the Program and 148 students were hired by Arçelik Authorized Services.

PEPEE TV

As Arçelik, we cooperated with Düşyeri so that children can watch Pepee TV, Turkey's first digital children's television, on smart televisions. With the specially designed

Pepee TV remote control, children can watch cartoons safely in their homes. Pepee TV can be watched by downloading it onto smart phones, tablets, notebooks and smart TVs. Audited for safety by the USA-based auditing company KidSafe, Pepee TV features 30 different cartoons, more than 30,000 minutes of content, and more than 2,000 cartoon episodes.

This cooperation allowed us to implement a new project with Pepee TV to bring environmental awareness to children. We prepared 10 different educational cartoons and integrated them with educational films called "informational", with the support of our content consultant in the fields of climate crisis, soil, air, water, forest, conscious consumption, energy efficiency, recycling, clean transportation, and biodiversity. All of the content has been viewed 172,289 times.

NEXT GENERATION RETAIL LEADERS PROGRAM

As part of our retail transformation journey, we created a two-day training program for 60 junior and senior level university students with the goal of raising new generations who will shape the field of modern retail. We also organized a camp in İğneada, Turkey in September 2019 for the young people who attended the program and their parents (Arçelik dealers).



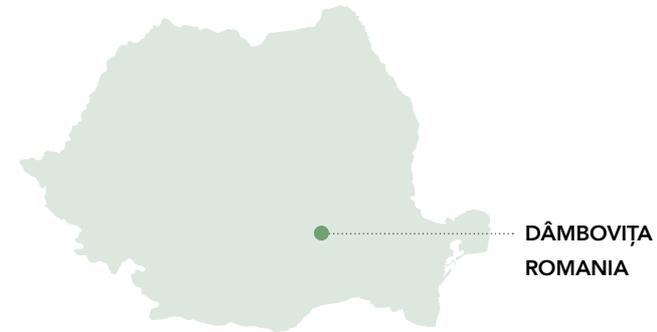
SUPPORTING LOCAL COMMUNITIES

At Arçelik, we conduct various research and surveys to understand the expectations of local communities where we operate and develop products oriented towards local needs. We do not only respond to expectations with products and services, but also carry out social projects in different fields such as education, the protection of street animals, and culture and the arts.

Support for Young People's Education



Our Dawlance brand sponsored the 2019 TEDx event themed "What If?", encouraging the imagination by going outside the daily routine, at the art department of Habib University in Karachi. We started the Dawlance Scholarship Fund in cooperation with Pakistan's National University of Sciences and Technology-NUST. The fund will provide financial support to eligible students in the form of grants and scholarships.



In Romania, we support education activities for local communities with our Arctic brand, in collaboration with Nicolae Ciorănescu Technological High School. Arctic first provided support to dual education classes in Dâmbovița in 2017, and we aim to expand the scope of the program – which started with 56 students – in the coming years to contribute to the development of technicians. The program helps students prepare for business by developing their technical skills. Two classes will celebrate their first graduates from Targoviste-Nicolae Cioranescu Technological High School in 2020.

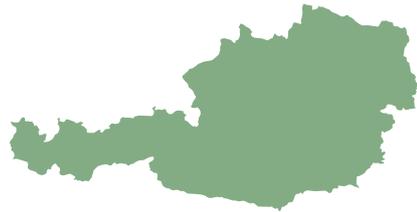
In addition to theoretical and practical knowledge, the program provides students with educational support such as monthly and achievement-based scholarships. After graduating from the program, attendees will not only easily adapt to next generation technologies with Industry 4.0 competencies, but will be also given preference for employment at our washing machine factory in Ulmi, Romania. The Program also supports pre-school educational institutions, kindergartens, technological high schools, and universities in the region.



Food Support

Support for Street Animals

AUSTRIA

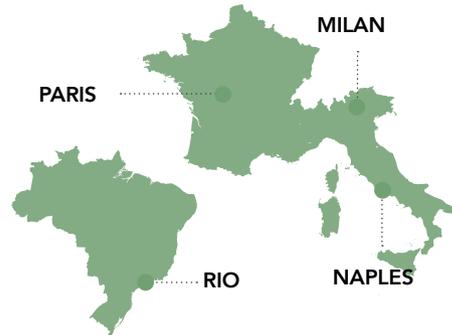


Our Elektrabrenz brand donated kitchen appliances to renovated orphanages for homeless and needy children in Austria.

SERBIA



Our Beko brand carries out projects in Serbia to help children grow up healthy and look to the future with hope. In cooperation with the Katarina Foundation, we donated home appliances to Jova Jovnović Zmaj Children's Shelter.



In cooperation with our Grundig brand, Food for Soul opened 5 refectorios in Rio, London, Paris, Milan, and Naples, preventing more than 200 tons of food waste and delivering meals to over 80,000 people in need with the contribution of over 15,000 volunteers from around the world in the last year.

Again, with our Grundig brand, we launched the GiveBack campaign in cooperation with Currys PC World, the UK'S largest electronic products retailer. We have donated and installed more than 190 brand new home appliances through the campaign, which calls for donations to local food charities selected by Currys PC World store employees. Our goal for 2020 is to expand and continue our campaign.

UNITED KINGDOM



GRUNDIG RESPECTS BRUSSELS SPROUTS

In the UK, people waste a lot of food especially at Christmas. According to reports, 4.2 million Christmas foods were wasted in the UK last year. Our research and surveys showed that Brussels sprouts have a special place in Christmas meals. However, Brussels sprouts are also one of the foods that go to waste the most at Christmas. We held a campaign to increase awareness about food waste by sharing videos with the hashtag #respectsprouts on Instagram and encouraged people to reuse the leftover Brussels sprouts at Christmas.

As part of our Respect Food vision, with the campaign we conducted during the Christmas period, we reached 12.8 million people. Our campaign awareness uplift rose by 2.8 points.

POLAND



We support street animals and shelters in Poland with our Beko brand. We donated the calendars we produced as part of the Calendar Project to the Allegro Charytatywni Platform, which works to collect donations to NGOs through online shopping. With the sale of calendars on the platform, we have collected a total of 35,000 Zloty for different NGOs. Beko's washing machines with the hair removal function took place in the shootings of the Project.



ANNEXES

ANNEX 1: ENVIRONMENTAL MANAGEMENT

The Sustainability Council is the highest unit responsible for all Environmental management issues. The Board's work is supported by the Environmental, Energy, Green Chemistry, Climate Change, OHS and Sustainable Supply Chain Working Groups. The strategies and goals of the Council are examined and implemented by the Climate Change Working Group which consists of the Director of Quality, Sustainability and Corporate Affairs, the Managers of the Environment and Energy, Environment and Energy Specialists and Production Managers. Responsible for integrating climate crisis efforts, the Group meets quarterly and ensures that all work complies with Arçelik's strategies, policies and legal regulations.

In addition to our stated policies, we base our environmental and energy management on international standards. We have been managing all our business processes with the help of international management systems since 1994, and we regularly check the efficiency and continuity of these systems through audits by independent institutions.

ENVIRONMENTAL INVESTMENTS AND EXPENDITURES

We consider environmental management extremely important in the fight against the climate crisis and environmental pollution, and every year we increase our investments and expenditures in this field. In 2019, we allocated 25.5 million Turkish Liras to our operations in Turkey for these expenditures and investments. For our foreign operations, we spent a total of 2.4 million Euros.

In order to increase our contribution to a sustainable future with our green, innovative products that make a difference, we are reducing our environmental impact through R&D studies. Over this reporting period, we allocated 119 million TL for Turkey operations, 1,037,000 Euros for Romania operations and 642,000 Euros for South Africa operations for the research and development of eco-friendly products.



Please see our Environmental Policy [HERE](#).

ENVIRONMENTAL TRAINING

We provide training for our employees to increase Arçelik's competence and spread sustainability across our value chain. In this context, we provide environmental training both in Turkey and our global operations. In 2019, 12,758 employees were given 18,505 person-hours, and 2,509 subcontracted company employees were given 4,592 person-hours of environmental training. On the topic of social responsibility, 81 people were given 234 person-hours of training. In addition to training, volunteer employees planted 455 saplings in Turkey and 100 in Thailand.

We celebrated National Arbor Week with students near our South African operations. We informed students about important environmental and botanical concepts such as the anatomy of trees, the food chain, root systems and transpiration, and planted trees together. We organized an environmental poster contest and rewarded the winning students.

**ANNEX 2: MANAGEMENT SYSTEMS PRODUCTION PLANTS & HQ COVERAGE RATE***

	YEAR OF CERTIFICATION	PLANT COVERAGE RATE (%)	COUNTRY/PLANT COVERAGE
ISO 9001	1992	100	Arçelik A.Ş., Arçelik Pazarlama A.Ş., Token A.Ş., Wat Motor A.Ş., Arctic, Beko LLC, Beko China, Defy, Beko Thai, Dawlance, Voltbek (Head office and production plants)
ISO 14001	1996	90	Arçelik A.Ş., WAT Motor A.Ş., Arctic, Beko LLC, Beko China, Defy, Beko Thai, Dawlance (Head office and production plants)
ISO 17025	2008	5	Arçelik A.Ş. Center Calibration and EMC Laboratories (Accredited Laboratories)
ISO 10002	2013	100	Arçelik Pazarlama A.Ş. (Customer services)
ISO 50001	2012	50	Arçelik A.Ş., Arctic, Beko LLC, Beko China (Head office-related units and production plants)
ISO 14064	2011	60	Arçelik A.Ş., Arctic, Beko LLC, Beko China, Defy (Head office-related units and production plants)
ISO 45001	2019	90	Arçelik A.Ş., WAT Motor A.Ş., Arctic, Beko LLC, Beko China, Defy, Beko Thai, Dawlance (Head office and production plants)
ISO 27001	2013	20	Arçelik A.Ş., Token A.Ş. (Related units)
ISO 20000	2015	50	Token A.Ş. (Related units)
ISO 22301	2015	50	Token A.Ş. (Related units)
PCI-DSS (Payment Card Industry - Data Security Standard)	2015	50	Token A.Ş. (Process specific certification)
TQM/GEN/T02 (Mastercard - Terminal Quality Management Compliance)	2019	100	Token A.Ş. (Process specific certification)
AA1000 (Assurance Standard)	2018	75	Arçelik A.Ş., Arctic, Beko LLC, Beko China, Defy, Beko Thai (Head office-related units and production plants)
BSCI (Business Social Compliance Initiative)	2010	75	Arçelik A.Ş., Arctic, Beko LLC, Beko China, Defy, Beko Thai (Production plants)
SEDEX (Suppliers Ethical Data Exchange)	2010	75	Arçelik A.Ş., Arctic, Beko LLC, Beko China, Defy, Beko Thai (Production plants)

* Based on number of production plants & HQ



ANNEX 3: COMMUNICATION CHANNELS WITH STAKEHOLDERS

Every year, we transparently share Arçelik's strategy and performance in our annual and sustainability reports. In addition, we also communicate regularly with all stakeholder groups through our social media channels and websites. We understand the expectations and needs of stakeholders through our Quality, Environmental, Energy, and OHS management systems, and we conduct risk and opportunity analyses and plan actions in these areas. We also focus on increasing engagement using different communication channels specific to each stakeholder group. Stakeholder analyses conducted while identifying material issues are another important method of communication.

GRI 102-40

<p>Dealers, authorized services and distributors</p>	<p>We carry out joint projects and trainings to improve the knowledge and skills of our dealers, authorized service shops, and distributors. The primary means of communication used for these purposes include annual meetings, face-to-face interviews, websites, corporate television channels, training and seminars.</p>
<p>Employees</p>	<p>The active participation of employees in all processes is achieved through a wide variety of communication channels. Employees share their opinions and suggestions via the suggestion system and employee satisfaction surveys. The Intranet, internal publications and newsletters, training, and seminars are some other channels that we use regularly to communicate throughout the year.</p>
<p>Associations, Initiatives and NGOs</p>	<p>We are a member of several associations and initiatives, and we actively participate in working groups, seminars, and conferences. We cooperate with NGOs and support different projects.</p>
<p>Investors</p>	<p>The main channel in which Arçelik communicates with its shareholders is the General Assembly Meeting. Other channels used in communication with shareholders are special circumstances disclosures, roadshows, and investor presentations.</p>
<p>Public Institutions</p>	<p>Arçelik supports the legislative work of public institutions and proposes new legislation, provides suggestions for new regulations, communicates requests for sectoral information through relevant channels, and supports various projects and initiatives in this area.</p>
<p>Suppliers</p>	<p>The main channels of communication with suppliers are online portals, visits, and audits. Several events are held including Supplier Days, Supplier Innovation Programs, Innovation and Technology Days, and Supplier Transparency Programs, where joint projects are developed with suppliers.</p>
<p>Consumers</p>	<p>Surveys, meetings, face-to-face interviews, and focus groups are conducted to understand consumer needs. Consumers can deliver all requests such as technical support, complaints, and suggestions using the 24/7 call center. In addition to this, consumers are also reached through different marketing activities.</p>



ANNEX 4: MAIN INSTITUTIONS GUIDING OUR WORK

INSTITUTIONS/ORGANIZATIONS	OUR CONTRIBUTION/GAIN	TOTAL PAYMENT (%)
Home Appliance Europe (APPLiA)	We follow the laws and regulations in Europe and contribute to the formation of association opinions about the developments by participating in the working groups of APPLiA with our technical teams. This allows us to adapt to legislative changes more quickly as well as comply with relevant changes in the market.	21.6
Turkish Employers' Association of Metal Industries (MESS)	Turkey operations of Arçelik is a member of the MESS, within the scope of the employers' union membership. MESS is the authorized labor union and represents employees. The organized trade unions in other countries are labor unions. Only in Turkey do we have membership in the employers' union, and therefore, we pay due to MESS only for operations in Turkey. The MESS Board Chairman also serves as Koç Holding Human Resources Director. Within the scope of our MESS membership, we engage in activities that ensure compliance with occupational health and safety standards, and protection of employee and company rights. In addition, our membership allows us to benefit from MESS's knowledge and support regarding the practices that regulate business life.	17.5
United Kingdom, Association of Manufacturers of Domestic Appliance (AMDEA)	Since 2018, we are a member of AMDEA, which, has been chaired by the Country Manager of Beko Plc, our UK subsidiary. AMDEA is the sister organization of the EU organization called APPLiA. Through this organization, we follow laws and regulations in the UK, contribute to the formation of association views about these regulations and closely follow legislation regarding the circular economy.	12.9
France White Goods Manufacturers Association (Groupement des marques d'appareils pour la maison-Gifam)	Beko France is a member of Gifam, which represents the white goods industry in France. The Beko France Country Manager has been the chair of Gifam for the last two years. Through this association, we follow laws and regulations in France, contribute to form association opinions on these laws and regulations, and closely follow regulations regarding the circular economy and carbon neutral targets.	5.8
White Goods Manufacturers' Association of Turkey (TÜRKBESD)	TÜRKBESD aims to develop the white goods industry in Turkey, increase exports, work on technical issues, energy efficiency, and environmental compliance regarding products and manufacturing processes, ensure the technological development of the sector, and share views that will benefit the country, sector, and consumers regarding drafts of future domestic legislation. We have taken an active role in TÜRKBESD for many years. In November 2020 and March 2021, devices compatible with new energy label sub-communiqués for home-type cooling devices, washing machines, dishwashers, and TV products in the European Union will be supplied to the market. In light of Turkey's Ministry of Industry and Technology's goal of transitioning to a new energy label simultaneously with the EU, the necessary work has been carried out with members of TÜRKBESD in coordination with the relevant units of the Ministry. With the new product communiqués, the supply of much more efficient home-type products to the market will become mandatory and sales of products with old energy labels will be limited. In this context, much more efficient products will enter Turkish houses, which constitute 22% of electricity consumption in Turkey, and this will contribute greatly to the efficiency of our country's future energy consumption.	4.7
DIGITAL EUROPE	We closely follow the legislative work, digital transformation policies, and joint ventures on digitalization (such as GAIA-X), which will greatly affect our rapidly digitalizing products in DIGITAL EUROPE representing the European digital technology industry and contribute by conveying our opinions on these. We specifically evaluate the details in discussions on Artificial Intelligence, Cyber Security, Privacy, Cloud Computing, Data Management, IoT (Internet of Things), Digital Production, Industry 4.0, TV/Display Technologies, post-Brexit UK Trading, EU H2020 and European Incentives and Chemicals to serve the development of company policies.	3.7
Turkish Industry and Business Association (TÜSİAD)	With strong representative power in terms of the added value created by member organizations in our country's economy, TÜSİAD is also a member of Business Europe, which is considered to represent the European private sector. As an umbrella NGO representing our country's business world, TÜSİAD is an institution that actively participates in forming opinions as a public authority on a wide range of topics from sectoral developments to other related areas. In addition, TÜSİAD can closely monitor legislative works in the EU which concern our sector, and form opinions at the level of EU institutions by means of the Business Europe channel of which it is a member. Our company actively participates in and contributes to many TÜSİAD working groups and task forces. In particular, our company leads the Working Group for the Environment and Climate Change and the EU Green Deal Task Force to actively work on the formation of country policies in these areas, announced by the EU as its new growth strategy.	3.5
Association of Home Appliance Manufacturers (AHAM)	Beko USA is a member of AHAM, the white goods manufacturers' association of the USA and Canada. Membership to this association helps Beko USA to develop standards, build relations with official institutions and communicate with chambers of commerce.	3.3



ANNEX 5: MEMBERSHIPS

ASSOCIATIONS AND NGOS	ACTIVITIES
Advertisers' Association (RVD)	Member
Air Conditioning and Refrigeration Manufacturers' Association (ISKİD)	Member, Board Member
Association of Category Merchandising (KMD)	Board Member
Association of E-Commerce Operators (ETİD)	Member
Association of Home Appliance Manufacturers (AHAM)	Member
Association of Private Sector Volunteers (ÖSGD)	Member
Association of Satellite & Electronic Communication (TUYAD)	Member, Board Member
Bolu Chamber of Commerce and Industry	Member
British Chamber of Commerce In Turkey (BCCT)	Member
Clean Sea Association (Turmepa)	Founding member
Confederation of Employer Associations of Turkey (TİSK)	Member
Corporate Management Association of Turkey (TKYD)	Member
DIGITAL EUROPE	Membership, participation in working groups, following European developments closely, providing the opportunity to quickly take necessary actions
Durban Chamber of Commerce and Industry NPC	Top level representation
Economic Development Foundation (IKV)	Member
Electronic Equipment Manufacturers' Association (ECİD)	Board Member and Vice President, active membership, agenda setting and orientation, effective at representing the sector in public institutions as TV producers
Energy Efficiency Association (ENVER)	Member
Ethics and Reputation Society (TEİD)	Member
European Cyber Security Organization (ECSO)	Member
European Factories of the Future Research Association (EFFRA)	Member
European Industrial Research Management Association (EIRMA)	Member
Foreign Economic Relations Board (DEİK)	Member of the Board of Directors of various business councils and Founding President, Vice President, Business Council Representative, membership since 1992
Foreign Trade Association of Turkey (TURKTRADE)	Member, Board Member, Working Group Member, Supervisory Board Member, Membership since 2001
France White Goods Manufacturers Association (Groupement Des Marques D'appareils Pour La Maison-Gifam)	Board Chair
German-Turkish Chamber of Commerce and Industry (AHK)	Member
Home Appliance Europe (APPLiA)	Board Member and members of working groups
Human Management Association of Turkey (PERYÖN)	Member, Board Member
IAB Turkey	Member

ASSOCIATIONS AND NGOS	ACTIVITIES
International Chamber of Commerce (ICC)	Member
International Competition Research Institution (URAK)	Member
Istanbul Chamber of Commerce (ITO)	Member, Member of the professional committee
Istanbul Chamber of Industry (ISO)	Member, Chairman of the professional committee
Istanbul Foundation for Culture and Arts (IKSV)	Member
Istanbul Minerals and Metals Exporters' Association (İMMİB)	Board Member, Vice President, referring relevant issues to public institutions
Kitchen and Bathroom Furniture Industrialists' and Importers' Association (MUDER)	Member, Board Member
Kocaeli Chamber of Industry (KSO)	Member, Member of the Professional Committee
MESS Educational Foundation	Auditing Board Chair, Board of Trustees Member
Natural Gas Industrialists and Business Association (DOSİDER)	Member
Portable Battery Manufacturers' and Importers' Association (TAP)	Member
Scientific and Technological Research Council Of Turkey (TÜBİTAK)	Board Member
Small Home Appliances Industrialists' Association (KESİD)	Member, Board Member
Technology and License Managers' Association (LES Turkey)	Member
Technology Development Foundation of Turkey (TTGV)	Member
The International Association for the Protection of Intellectual Property (AIPPI Turkey)	Member, Board Member, Disciplinary Board Member, Supervisory Board Member
Turkey Investor Relations Association (TÜYİD)	Senior representation
Turkish Electronic Industrialists' Association (TESİD)	Board Member
Turkish Employers' Association of Metal Industries (MESS)	Member
Turkish Exporters Assembly (TİM)	Board Member, TET (Electric and Electronic Exporters Association) Presidency, membership since 1991
Turkish Industry and Business Association (TÜSİAD)	Member, Roundtable Chair, Environment and Climate Change Working Group Chair
Turkish Informatics Foundation (TBV)	Member
Turkish Institute of Internal Audits (TİDE)	Member
Turkish Society of Quality (KALDER)	Member
Union of Chambers And Commodity Exchanges of Turkey (TOBB)	Chair of Durable Consumer Goods Industry Assembly, Member of Patent and Brand Managers Industry Assembly
White Goods Industrialists Association of Turkey (TÜRKİBESD)	Vice Chairman of the Board, Board Member, Technical and Marketing Committee Member
White Goods Suppliers Association (BEYSAD)	Founding member (Since 1993)



ANNEX 6: ENVIRONMENTAL PERFORMANCE INDICATORS

We measure air emissions to maintain air quality, and we share our results with the relevant official institutions. We also ensure that our performance is evaluated by independent and accredited laboratories that measure the level of compliance with regulations. Emission values for all our plants fell within legal limits.

According to the latest emission analysis reports on our operations in Turkey issued by an accredited laboratory, the highest SO₂ and TOC parameters measured are given below.

AIR EMISSIONS (KG/HOUR)

SO ₂	0.17
TOC	5.36

ENVIRONMENTAL FINES

During the reporting period, there were no significant* fines due to non-compliance with environmental legislations.

*Fines of 10,000 USD or above are considered significant.

	ARÇELİK TURKEY				ARCTIC ROMANIA				BEKO LLC RUSSIA			
	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
GREENHOUSE GAS EMISSIONS (TON CO₂e)												
Direct	58,246	56,540	55,236	47,900	13,879	10,023	8,015	8,257	7,383	7,069	8,305	9,049
Indirect - Energy	11,709	21,898	22,852	0	0	0	0	0	9,886	8,761	8,759	7,654
Total	69,955	78,438	78,088	47,900	13,879	10,023	8,015	8,257	17,269	15,830	17,064	16,753
ENERGY CONSUMPTION BY FUEL TYPE (GJ)												
Electricity	797,374	764,505	699,890	642,459	160,059	143,613	143,547	146,669	80,786	71,596	87,876	76,797
Natural Gas	835,780	797,066	651,164	595,167	197,324	124,559	107,919	114,087	120,940	115,833	135,415	149,092
LPG	21,359	16,923	13,924	11,092	15,576	16,258	12,747	12,482	6,208	6,381	7,965	6,940
Fuel-Oil	27,623	27,073	20,282	18,860	0	0	0	0	0	0	0	0
Diesel	30,248	22,660	24,173	25,345	5,826	7,544	9,208	11,084	310	274	686	826
Petrol	17,154	11,576	12,230	13,953	2,832	2,837	1,626	1,030	2,130	1,760	1,806	2,198
Propane	0	0	0	0	0	0	0	0	0	0	0	0
ENERGY SAVINGS												
Total Annual Energy Savings (GJ)	55,851	57,489	36,461	64,666	14,939	8,846	8,586	5,528	5,228	11,595	3,796	5,170
Total Annual Greenhouse Gas Emissions Reduction (tCO₂e)	4,385	5,132	3,459	4,818	1,273	911	919	470	394	1,136	360	331
Total Annual Financial Savings (in local currencies)	2,412,876	2,488,055	2,690,750	4,180,711	737,068	532,354	589,048	385,249	2,264,349	10,038,871	3,080,128	2,501,248
Total Annual Financial Savings (EUR)	722,418	605,366	472,891	657,345	164,158	116,489	126,677	81,105	30,521	152,012	41,606	34,490
WATER WITHDRAWAL BY SOURCE (M³)												
Municipal Water	944,776	801,627	572,367	505,329	0	0	0	0	0	0	0	0
Well Water	374,370	374,382	376,488	404,589	330,260	249,272	240,063	225,994	137,395	118,532	147,194	137,531
Rainwater	500	500	445	22,697	0	0	0	0	0	0	0	0
Total	1,319,646	1,176,509	949,387	932,615	330,260	249,272	240,063	225,994	137,395	118,532	147,194	137,531
AMOUNT OF WATER DISCHARGE (M³)												
Amount of Water Discharge	869,294	757,343	770,915	790,076	198,156	149,562	146,140	138,550	134,768	110,220	118,410	119,400
ENVIRONMENTAL TRAINING (EMPLOYEE HOUR)												
Environmental Training	12,688	12,682	8,784	11,530	2,418	2,146	3,660	7,576	334	124	69	32
AMOUNT AND TYPE OF RAW MATERIAL AND MATERIAL USED (TON)												
Plastic Raw Materials	139,907	95,400	83,651	89,371	16,432	15,997	14,490	15,789	8,113	8,176	10,744	8,820
Metal Raw Materials	306,573	291,439	303,642	289,748	61,599	61,018	59,500	62,890	1,618	1,864	2,232	1,770
Materials (4)	320,375	297,353	316,812	349,130	59,448	62,164	60,660	68,780	27,668	28,737	39,582	31,698
Chemicals (5)	11,060	8,732	9,236	7,630	4,159	2,301	2,123	2,621	1,121	1,003	1,575	1,431
Total	777,914	692,924	713,341	735,879	141,638	141,480	136,773	150,080	38,521	39,780	54,132	43,720
AMOUNT AND TYPE OF WASTE (TON)												
Hazardous Waste	3,552	2,801	2,259	2,419	14	55	31	15	99	100	105	126
Non-Hazardous Waste	88,600	86,103	85,695	87,443	14,043	14,041	12,704	11,857	2,991	3,258	3,803	3,257
Total	92,152	88,904	87,954	89,862	14,057	14,096	12,736	11,872	3,090	3,358	3,908	3,383



ANNEX 6: ENVIRONMENTAL PERFORMANCE INDICATORS

	BEKO CHINA				BEKO UK				BEKO FRANCE				DEFY SOUTH AFRICA				
	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	
GREENHOUSE GAS EMISSIONS (TON CO₂e)																	
Direct	NA	1,118	1,239	911	138	133	133	122	10	9	11	10				3,008	
Indirect - Energy	NA	6,104	6,246	4,333	696	757	515	546	121	125	121	108				25,890	
Total	NA	7,222	7,485	5,244	834	890	648	668	131	134	132	118				28,898	
ENERGY CONSUMPTION BY FUEL TYPE (GJ)																	
Electricity	NA	30,683	31,399	24,729	5,973	6,496	4,419	4,681	982	1,012	982	873				98,109	
Natural Gas	NA	12,672	15,242	10,908	135	143	203	91	188	165	217	183				25,421	
LPG	NA	2,009	2,182	1,769	0	0	0	0	0	0	0	0				11,457	
Fuel-Oil	NA		0	0	0	0	0	0	0	0	0	0				0	
Diesel	NA	134	226	127	0	0	0	0	0	0	0	0				5,804	
Petrol	NA	3,690	2,622	2,416	0	0	0	0	0	0	0	0				2,899	
Propane	NA		0	0	2,141	2,025	1,993	1,896	0	0	0	0				0	
ENERGY SAVINGS																	
Total Annual Energy Savings (GJ)	912	665	190	188	NA	NA	NA	NA	NA	NA	NA	NA	2,566	3,713	263	7,922	
Total Annual Greenhouse Gas Emissions Reduction (tCO₂e)	59	82	25	25	NA	NA	NA	NA	NA	NA	NA	NA	316	249	31	724	
Total Annual Financial Savings (in local currencies)	95,970	151,536	38,808	41,727	NA	NA	NA	NA	NA	NA	NA	NA	799,062	692,612	110,896	1,266,597	
Total Annual Financial Savings (EUR)	13,059	19,861	4,969	5,398									49,078	46,051	7,104	78,282	
WATER WITHDRAWAL BY SOURCE (M³)																	
Municipal Water		65,858	61,103	51,322	1,761	1,842	796	2,508	598	507	717	906				76,993	83,237
Well Water		0	0	0	0	0	0	0	0	0	0	0				0,14	0,00
Rainwater		0	0	0	0	0	0	0	0	0	0	0				1,440	6,246
Total		65,858	61,103	51,322	1,761	1,842	796	2,508	598	507	717	906				79,260	89,484
AMOUNT OF WATER DISCHARGE (M³)																	
Amount of Water Discharge		59,849	61,103	50,153	1,761	1,842	796	2,508	598	507	717	906				75,236	74,437
ENVIRONMENTAL TRAINING (EMPLOYEE*HOUR)																	
Environmental Training		487	284	316	0	0	0	0	0	0	0	0				2,886	3,294
AMOUNT AND TYPE OF RAW MATERIAL AND MATERIAL USED (TON)																	
Plastic Raw Materials		5,401	5,601	4,092	NA	NA	NA	NA	NA	NA	NA	NA				4,760	5,715
Metal Raw Materials		8,785	9,110	8,533	NA	NA	NA	NA	NA	NA	NA	NA				15,877	16,904
Materials (4)		8,237	8,635	6,649	NA	NA	NA	NA	NA	NA	NA	NA				17,681	11,477
Chemicals (5)		587	608	468	NA	NA	NA	NA	NA	NA	NA	NA				823	1,394
Total		23,100	23,954	19,742	NA	NA	NA	NA	NA	NA	NA	NA				39,141	35,489
AMOUNT AND TYPE OF WASTE (TON)																	
Hazardous Waste		31	30	15	NA	NA	NA	NA	NA	NA	NA	NA				176	182
Non-Hazardous Waste		1,886	2,301	2,080	NA	NA	NA	NA	NA	NA	NA	NA				4,685	4,928
Total		1,917	2,331	2,095	NA	NA	NA	NA	NA	NA	NA	NA				4,861	5,109



ANNEX 6: ENVIRONMENTAL PERFORMANCE INDICATORS

	GRUNDIG NORDIC AB				GRUNDIG NORDIC AS				BEKO THAI			OFFICES			TOTAL			
	2016	2017	2018	2019	2016	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	
GREENHOUSE GAS EMISSIONS (TON CO₂e)																		
Direct	0	0	0	0	0							142	144	132	74,892	72,939	69,257	
Indirect - Energy	5	5	5	8	0	0	6	6				887	647	668	37,650	38,504	38,545	
Total	5	5	5	8	0	0	6	6				1,029	791	800	112,542	111,443	107,802	
ENERGY CONSUMPTION BY FUEL TYPE (GJ)																		
Electricity	43	39	41	65	0	0	43	43				7,547	5,485	5,662	1,017,944	968,197	994,425	
Natural Gas	0	0	0	0	0							309	420	273	1,050,439	910,160	894,948	
LPG	0	0	0	0	0							0	0	0	41,572	36,818	43,739	
Fuel-Oil	0	0	0	0	0							0	0	0	27,073	20,282	18,860	
Diesel	0	0	0	0	0							0	0	0	30,612	34,293	43,187	
Petrol	0	0	0	0	0							0	0	0	19,863	18,284	22,496	
Propane	0	0	0	0	0							2,025	1,993	1,896	2,025	1,993	1,896	
ENERGY SAVINGS																		
Total Annual Energy Savings (GJ)	NA	NA	NA	NA	NA	NA	NA	NA	NA	2,312	6,081	0	0	0	82,308	51,608	89,555	
Total Annual Greenhouse Gas Emissions Reduction (tCO₂e)	NA	NA	NA	NA	NA	NA	NA	NA	NA	300	788	0	0	0	7,510	5,094	7,156	
Total Annual Financial Savings (in local currencies)	NA	NA	NA	NA	NA	NA	NA	NA	NA	2,212,890	6,004,698	0	0	0				
Total Annual Financial Savings (EUR)									NA	57,975	172,648				939,779	711,222	1,029,268	
WATER WITHDRAWAL BY SOURCE (M³)																		
Municipal Water	NA	13	78	53				37	840			48,372	2,362	1,628	4,307	869,847	712,091	692,567
Well Water	NA	0	0	0				0	0			0	0	0	0	742,186	763,745	768,114
Rainwater	NA	0	0	0				0	0			0	0	0	500	1,885	28,943	
Total	NA	13	78	53				37	840			48,372	2,362	1,628	4,307	1,612,533	1,478,635	1,489,624
AMOUNT OF WATER DISCHARGE (M³)																		
Amount of Water Discharge	NA	13	78	53				37	840			48,372	2,362	1,628	4,307	1,079,336	1,173,431	1,225,295
ENVIRONMENTAL TRAINING (EMPLOYEE*HOUR)																		
Environmental Training	NA	NA	NA	NA				NA	NA			583	0	0	0	15,439	15,683	23,330
AMOUNT AND TYPE OF RAW MATERIAL AND MATERIAL USED (TON)																		
Plastic Raw Materials	NA	NA	NA	NA				NA	NA			3,492	0	0	0	124,974	119,245	127,278
Metal Raw Materials	NA	NA	NA	NA				NA	NA			6,617	0	0	0	363,106	390,361	386,462
Materials (4)	NA	NA	NA	NA				NA	NA			19,515	0	0	0	396,491	443,370	487,249
Chemicals (5)	NA	NA	NA	NA				NA	NA			1,508	0	0	0	12,623	14,366	15,053
Total	NA	NA	NA	NA				NA	NA			31,131	0	0	0	897,284	967,342	1,016,041
AMOUNT AND TYPE OF WASTE (TON)																		
Hazardous Waste	NA	NA	NA	NA				NA	NA			31	0	0	0	2,987	2,601	2,789
Non-Hazardous Waste	NA	NA	NA	NA				NA	NA			1,112	0	0	0	105,288	109,189	110,677
Total	NA	NA	NA	NA				NA	NA			1,143	0	0	0	108,275	111,789	113,465



ANNEX 7: SOCIAL PERFORMANCE INDICATORS

	TURKEY						ROMANIA					
	2017		2018		2019		2017		2018		2019	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of employees	2,191	14,428	2,123	13,495	2,384	13,488	1,517	1,305	1,607	1,427	1,845	1,659
Number of white-collar employees	1,045	2,885	1,078	2,810	1,146	2,873	134	209	128	230	152	245
Number of blue-collar employees	1,146	11,543	1,045	10,685	1,238	10,615	1,383	1,096	1,479	1,197	1,693	1,414
Total number of employees who are covered by collective bargaining agreements	1,146	11,543	1,068	11,046	1,261	10,940	1,238	1,065	1,311	1,156	1,494	1,344
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time
Number of employees by employment type	16,619	0	15,618	0	15,872	0	2,822	0	3,034	0	3,504	0
Number of white-collar employees	3,930	0	3,888	0	4,019	0	343	0	358	0	397	0
Number of blue-collar employees	12,689	0	11,730	0	11,853	0	2,479	0	2,676	0	3,107	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of new employee hires	304	850	363	934	330	502	142	168	355	432	257	333
Under 30 years old	193	606	207	618	225	351	60	79	88	110	77	139
30-50 years old (including 30 and 50 years old)	111	242	156	310	105	151	76	77	219	246	23	34
Over 50 years old	0	2	0	6	0	0	6	12	48	76	157	160
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
SUBCONTRACTORS												
Number of subcontracted employees by gender	289	763	309	816	308	814	499	349	370	280	413	348
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time
Number of subcontracted employees by employment type	848	0	650	0	761	0	164	0	119	0	33	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
EMPLOYEE TURNOVER												
Total number of employees who left work	919	4,731	792	3,548	551	3,487	54	92	120	140	99	191
Total number of employees who left work under 30 years old	521	2,850	471	2,129	365	2,264	12	32	41	63	24	66
Total number of employees who left work 30-50 years old (including 30 and 50 years old)	395	1,762	315	1,308	182	1,108	35	49	73	69	64	104
Total number of employees who left work over 50 years old	3	119	6	111	4	115	7	11	6	8	11	21
Voluntary employee turnover	4%	4%	6%	6%	4%	5%	30	35	34	30	34	64
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
EMPLOYEES BY YEARS WORKED												
Number of employees working for a period of 0-5 years	1,291	5,125	1,268	4,550	1,591	4,878	340	340	594	628	780	806
Number of employees working for a period of 5-10 years	440	3,348	409	2,646	444	2,993	380	271	251	199	221	175
Number of employees working for a period of more than 10 years	460	5,955	446	6,299	349	5,617	796	695	762	600	844	678
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
PARENTAL LEAVE												
Number of employees entitled to parental leave	121	0	113	0	100	0	38	0	40	0	59	1
Number of employees that returned to work after parental leave ended	95	0	90	0	92	0	12	0	16	0	38	0
Number of foreign employees	3	6	2	14	3	23	1	10	1	13	1	14
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
TRAINING HOURS												
Total training hours	362,575		534,066		567,111		27,767		14,822		33,008	
Training hours per employee	21.8		34.2		35.7		9.8		4.9		9.4	
Total training hours given to subcontractors	138,568		565,972		771,838		340		270		650	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees given regular performance and career development evaluation	2168	2168	2123	13492	2384	13488						
Number of employees covered under multidimensional performance appraisal	1045	1045	1078	2810	1146	2873						
Number of employees covered under formal comparative ranking of employees within one employee category	1045	1045	1078	2810	1146	2873						
Number of employees covered under management by objectives: systematic use of agreed measurable targets	1045	1045	1078	2810	1146	2873						
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees in management	0	0	0	0	0	0	1	3	2	5	3	0
Under 30 years old	0	0	0	0	0	0	1	3	2	5	3	0
30-50 years old (including 30-50 years old)	71	278	77	306	98	323	13	39	15	39	16	49
Over 50 years old	1	58	4	72	5	88	2	6	3	8	3	7



ANNEX 7: SOCIAL PERFORMANCE INDICATORS

	RUSSIA						THAILAND					
	2017		2018		2019		2017		2018		2019	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of employees	490	597	566	693	530	649	331	299	322	370	242	300
Number of white-collar employees	70	86	67	85	72	92	44	80	51	90	57	87
Number of blue-collar employees	420	511	499	608	458	557	287	219	271	280	185	213
Total number of employees who are covered by collective bargaining agreements	0	0	0	0	0	0	0	0	0	0	0	0
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time
Number of employees by employment type	1,087	0	1,259	0	1,179	0	630	0	692	0	542	0
Number of white-collar employees	156	0	150	0	164	0	124	0	141	0	144	0
Number of blue-collar employees	931	0	1,109	0	1,015	0	506	0	551	0	398	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of new employee hires	501	586	659	600	568	611	95	132	70	214	42	99
Under 30 years old	100	116	135	125	110	120	53	78	39	137	28	54
30-50 years old (including 30 and 50 years old)	281	370	400	355	358	380	42	54	30	75	14	45
Over 50 years old	120	100	124	120	100	111	0	0	1	2	0	0
	2017		2018		2019		2017		2018		2019	
SUBCONTRACTORS	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of subcontracted employees by gender	151	13	107	12	25	8	33	19	7	23	0	2
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time
Number of subcontracted employees by employment type	164	0	119	0	33	0	52	0	30	0	2	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
EMPLOYEE TURNOVER	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of employees who left work	99	168	72	95	85	118	82	86	66	133	44	95
Total number of employees who left work under 30 years old	14	57	18	21	22	42	48	50	28	71	27	43
Total number of employees who left work 30-50 years old (including 30 and 50 years old)	49	99	45	67	37	62	34	36	38	62	17	51
Total number of employees who left work over 50 years old	36	12	9	7	26	14	0	0	0	0	0	1
Voluntary employee turnover	36	57	12	16	20	24	0	1	3	0	70	59
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
EMPLOYEES BY YEARS WORKED	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees working for a period of 0-5 years	209	429	227	478	281	387	331	299	322	370	242	300
Number of employees working for a period of 5-10 years	108	117	188	119	127	160	0	0	0	0	0	0
Number of employees working for a period of more than 10 years	122	102	141	106	128	96	0	0	0	0	0	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
PARENTAL LEAVE	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees entitled to parental leave	59	0	50	0	48	1	27	2	23	8	22	6
Number of employees that returned to work after parental leave ended	21	0	25	1	15	0	14	2	15	8	20	6
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of foreign employees							331	299	322	370	242	300
	2017		2018		2019		2017		2018		2019	
TRAINING HOURS	2017		2018		2019		2017		2018		2019	
Total training hours	657		8,247		3,035		10,215		10,630		25,457	
Training hours per employee	0.6		6.6		2.6		16.2		15.4		47.0	
Total training hours given to subcontractors	0		0		0		312		180		1551,42	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees given regular performance and career development evaluation							327	297	325	372	245	301
Number of employees covered under multidimensional performance appraisal							-	-	-	-	48	77
Number of employees covered under formal comparative ranking of employees within one employee category							-	-	-	-	-	-
Number of employees covered under management by objectives: systematic use of agreed measurable targets							-	-	-	-	245	301
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees in management							182	132	166	172	103	118
Under 30 years old	0	0	0	0	0	0	145	164	157	196	140	177
30-50 years old (including 30-50 years old)	8	36	9	35	10	30	0	1	2	4	2	6
Over 50 years old	0	1	0	1	0	2	0	1	2	4	2	6



ANNEX 7: SOCIAL PERFORMANCE INDICATORS

	SOUTH AFRICA						CHINA					
	2017		2018		2019		2017		2018		2019	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of employees	689	1,817	722	1,902	806	1,872	240	468	214	416	217	439
Number of white-collar employees	185	280	190	285	192	305	110	155	94	158	88	160
Number of blue-collar employees	69	71	68	88	614	1,567	130	313	120	258	129	279
Total number of employees who are covered by collective bargaining agreements	435	1,466	464	1,529	545	1,503	0	0	0	0	0	0
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time
Number of employees by employment type	2,371	135	2,448	176	2,486	192	708	0	630	0	656	0
Number of white-collar employees	450	15	454	21	419	78	265	0	252	0	248	0
Number of blue-collar employees	1,921	120	1,994	155	2,067	114	443	0	378	0	408	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of new employee hires	90	133	111	207	94	152	57	93	31	71	28	57
Under 30 years old	39	74	56	107	38	72	83	224	71	156	73	172
30-50 years old (including 30 and 50 years old)	51	57	55	100	55	75	141	219	98	166	99	186
Over 50 years old	0	2	0	2	1	5	15	10	14	9	14	10
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
SUBCONTRACTORS	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of subcontracted employees by gender	15	58	19	63	19	63	20	242	4	103	13	123
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time
Number of subcontracted employees by employment type	73	0	82	0	82	0	262	0	107	0	136	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
EMPLOYEE TURNOVER	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of employees who left work	35	85	42	101	46	70	50	91	47	69	30	62
Total number of employees who left work under 30 years old	10	28	8	22	17	23	26	44	24	34	5	32
Total number of employees who left work 30-50 years old (including 30 and 50 years old)	16	47	24	47	25	39	22	45	18	29	22	26
Total number of employees who left work over 50 years old	0	19	10	32	4	8	2	1	5	6	3	4
Voluntary employee turnover	14	51	19	61	33	63	27	36	19	35	14	30
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
EMPLOYEES BY YEARS WORKED	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees working for a period of 0-5 years	220	422	236	466	237	412	70	337	65	264	65	65
Number of employees working for a period of 5-10 years	167	320	202	343	219	428	73	93	75	112	72	72
Number of employees working for a period of more than 10 years	260	981	257	944	258	899	97	38	74	40	80	80
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
PARENTAL LEAVE	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees entitled to parental leave	648	0	695	0	746	0	5	0	4	1	3	0
Number of employees that returned to work after parental leave ended	19	0	27	0	35	0	5	0	4	1	3	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of foreign employees	648	1723	695	1753	746	1740	2	9	3	10	2	9
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
TRAINING HOURS	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Total training hours	1,007	1,366	1,016	9,599	10,058	18,376	0	524	214	272	0	0
Training hours per employee	0.4	0.5	0.4	13.6	16.0	28.0	0	5.2	2.1	2.7	0	0
Total training hours given to subcontractors	0	0	0	524	214	272	0	524	214	272	0	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees given regular performance and career development evaluation	179	271	183	271	162	257	110	155	94	158	88	160
Number of employees covered under multidimensional performance appraisal	N/A	N/A	N/A	N/A	N/A	N/A	240	206	252	271	217	302
Number of employees covered under formal comparative ranking of employees within one employee category	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0	0	0
Number of employees covered under management by objectives: systematic use of agreed measurable targets	179	271	183	271	162	257	0	0	0	0	0	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees in management	3	5	1	3	2	4	0	0	0	0	0	0
Under 30 years old	13	63	14	55	12	54	8	44	8	38	8	33
30-50 years old (including 30-50 years old)	2	18	3	13	6	24	0	0	0	0	0	0
Over 50 years old												



ANNEX 7: SOCIAL PERFORMANCE INDICATORS

	OFFICES						TOTAL					
	2017		2018		2019		2017		2018		2019	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of employees	159	267	187	304	201	334	5,617	19,181	5,741	18,607	6,225	18,741
Number of white-collar employees	158	203	186	209	200	221	1,746	3,898	1,794	3,867	1,907	3,983
Number of blue-collar employees	1	64	1	96	1	113	3,436	13,817	3,483	13,212	4,318	14,758
Total number of employees who are covered by collective bargaining agreements	39	41	50	57	57	52	2,858	14,115	2,893	13,788	3,357	13,839
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time
Number of employees by employment type	405	21	470	21	512	23	24,642	156	24,151	197	24,751	215
Number of white-collar employees	340	21	374	20	396	22	5,608	36	5,617	41	5,787	100
Number of blue-collar employees	65	0	96	1	116	1	19,034	120	18,534	156	18,964	115
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of new employee hires	25	54	35	62	48	62	713	1,430	965	1,920	799	1,205
Under 30 years old	13	18	15	21	19	17	541	1,195	611	1,274	570	925
30-50 years old (including 30 and 50 years old)	12	26	18	28	20	35	714	1,045	976	1,280	674	906
Over 50 years old	0	10	3	13	9	10	141	136	190	228	281	296
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
SUBCONTRACTORS	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of subcontracted employees by gender	1	2	2	3	1	4	1,008	1,446	818	1,300	779	1,362
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time
Number of subcontracted employees by employment type	3	0	5	0	5	0	2454	0	2118	0	2141	0
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
EMPLOYEE TURNOVER	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Total number of employees who left work	15	28	18	30	32	53	1,254	5,281	1,157	4,116	887	4,076
Total number of employees who left work under 30 years old	4	10	12	7	10	16	635	3,071	602	2,347	470	2,486
Total number of employees who left work 30-50 years old (including 30 and 50 years old)	9	14	7	20	13	33	560	2,052	520	1,602	360	1,423
Total number of employees who left work over 50 years old	2	4	0	3	9	4	50	166	36	167	57	167
Voluntary employee turnover	9	15	13	18	24	33						
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
EMPLOYEES BY YEARS WORKED	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees working for a period of 0-5 years	89	143	101	161	123	123	2,550	7,095	2,813	6,917	3,351	3,351
Number of employees working for a period of 5-10 years	30	55	43	74	51	51	1,198	4,204	1,168	3,493	1,134	1,134
Number of employees working for a period of more than 10 years	39	67	39	73	39	39	1,774	7,838	1,719	8,062	1,698	1,698
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
PARENTAL LEAVE	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees entitled to parental leave	16	0	10	2	5	7	914	2	935	11	983	15
Number of employees that returned to work after parental leave ended	7	0	8	2	5	7	173	2	185	12	208	13
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of foreign employees	10	42	17	38	13	48	995	2089	1040	2198	1007	2134
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
TRAINING HOURS	3,887	5,222	7,104	442,093	608,656	669,303	9.1	10.6	13.3	17.8	25.0	26.8
Total training hours							0	0	0	139,744	566,636	774,311
Training hours per employee												
Total training hours given to subcontractors												
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees given regular performance and career development evaluation	120	226	137	247	144	282	2904	15146	2862	14540	3023	14488
Number of employees covered under multidimensional performance appraisal	2	23	4	23	4	21	1287	3114	1334	3104	1415	3273
Number of employees covered under formal comparative ranking of employees within one employee category	0	0	0	0	0	0	1045	2885	1078	2810	1146	2873
Number of employees covered under management by objectives: systematic use of agreed measurable targets	10	42	17	38	13	48	1234	3198	1278	3119	1566	3479
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees in management	0	2	0	0	1	0	186	142	169	180	109	122
Under 30 years old	16	37	22	53	23	46	274	661	302	722	307	712
30-50 years old (including 30-50 years old)	3	21	3	25	4	26	8	105	15	123	20	153
Over 50 years old												



ANNEX 8: ORGANIZATIONAL HEALTH AND SAFETY PERFORMANCE INDICATORS

		2017	2018	2019
Turkey	Injury Frequency Rate*	4.11	2.98	1.55
	Injury Severity Rate **	0.058	0.050	0.034
	Occupational Disease Rate***	0.04	0.05	0.06
	Safety Factor****	0.238	0.148	0.054
Russia	Injury Frequency Rate	2.08	0.89	0.46
	Injury Severity Rate	0.070	0.014	0.007
	Occupational Disease Rate	0.00	0.00	0.00
	Safety Factor	0.146	0.012	0.003
Romania	Injury Frequency Rate	0.29	0.00	0.36
	Injury Severity Rate	0.011	0.000	0.004
	Occupational Disease Rate	0.00	0.00	0.00
	Safety Factor	0.003	0.000	0.001
South Africa	Injury Frequency Rate	4.45	1.54	2.38
	Injury Severity Rate	0.050	0.006	0.017
	Occupational Disease Rate	0.00	0.00	0.00
	Safety Factor	0.223	0.009	0.041
China	Injury Frequency Rate	0.75	0.00	0.00
	Injury Severity Rate	0.015	0.00	0.00
	Occupational Disease Rate	0.00	0.00	0.00
	Safety Factor	0.011	0.00	0.00
Thailand	Injury Frequency Rate	0.00	1.20	0.00
	Injury Severity Rate	0.000	0.002	0.000
	Occupational Disease Rate	0.00	0.00	0.00
	Safety Factor	0.000	0.002	0.000
Offices*****	Injury Frequency Rate	0.76	0.36	0.18
	Injury Severity Rate	0.015	0.004	0.009
	Occupational Disease Rate	0.00	0.00	0.00
	Safety Factor	0.012	0.002	0.002
Total	Injury Frequency Rate	3.41	2.24	1.30
	Injury Severity Rate	0.048	0.034	0.025
	Occupational Disease Rate	0.03	0.03	0.04
	Safety Factor	0.162	0.075	0.032

Calculations are based on the following formulas:

* Injury Frequency Rate = (Number of injuries / Total official working hours) * 1,000,000

** Injury Severity Rate = (Number of lost days due to injuries / Total official working hours) * 1,000

*** Occupational Disease Rate = (Number of occupational diseases / Total official working hours) * 1,000,000

**** Safety factor = Injury frequency rate * Injury severity rate

***** The total official working hours for the offices are calculated as an average.

**ANNEX 9: UNION INFORMATION**

COUNTRY	TOTAL NUMBER OF EMPLOYEES	NUMBER OF UNION MEMBER EMPLOYEES
Turkey	16,411	12,201
Russia	1,224	0
Romania	4,259	2,706
South Africa	2,486	2,039
Sweden, Finland, Denmark, Norway	61	6
China	652	0
UK	302	0
France	94	0
Thailand	542	0
Total*	26,031	16,952

* Token A.Ş. and WAT Motor A.Ş. included.

**ANNEX 10: OPERATIONAL ECO-EFFICIENCY: WASTE AND WATER INDICATORS**

		2016	2017	2018	2019	2019 TARGET
Water	Total water withdrawal (m ³)*	1,787,301	1,610,171	1,477,008	1,485,317	1,547,320
	Intensity (m ³ /mio TRY)	148	104	72	64	
		2016	2017	2018	2019	
Waste	Total waste (ton)*	109,299	109,073	111,789	113,465	
	Intensity (ton/mio TL)	9.1	7.0	5.5	4.9	

* Calculated covering our production facilities included in the 2019 reporting period.



ANNEX 11: ASSURANCE REPORTS



BSI Group Eurasia Belgeleendirme Hizmetleri Ltd. Şti

**Assurance Report
to the Top Management of Arçelik****Executive Summary**

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

The Selected Data of the Carbon Emissions which refer to the year ended 31.12.2018, contained by the Arçelik A.Ş. Sustainability Report 2019 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 2019 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 ISO 14064-3:2006 Specification with Guidance for the Validation and the Verification of Greenhouse Gas Assertions published by the International Organization for Standardization.

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BSI Group Eurasia Belgeleendirme Hizmetleri Ltd. Şti

This report, including the Opinion Statement, has been prepared for the top managers of Arçelik A.Ş. to assist their Sustainability Report 2019 referring to the Arçelik'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 ISO 14064-3:2006 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's Scope 1 Greenhouse Gas assertion is materially correct under ISO 14064-3:2006. In a reasonable assurance work, duration and extent of the procedures for gathering sufficient appropriate evidence are reasonably more than a limited assurance engagement. To perform this assurance work, we have visited related locations and checked all information submitted by Arçelik.

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

- 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 1.

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ANNEX 11: ASSURANCE REPORTS



BSI Group Eurasia Belgelendirme Hizmetleri Ltd. Şti

Opinion Statement

Based on the results of the verification audit we delivered according to our procedures, the Greenhouse Gas assertion of Arçelik reported in their Sustainability Report 2019 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

Mehmet Kumru
Sustainability Team Manager

Istanbul, 11.02.2020

Annex 1 : Arçelik Scope 3 Greenhouse Gas Emissions Inventory Summary Report, 2018

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11/2020

Annex 1**Arçelik Scope 3 Greenhouse Gas Emissions Inventory Summary Report, 2018****General Principles and Scope**

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

This report is the summary of Arçelik's Scope 3 Greenhouse Gas (GHG) Emission Report, 2018, 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 01.01.2018 - 31.12.2018.

The basis year for Arçelik's Scope 3 Greenhouse Gas Emissions Inventory is updated as 2019 year.

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

Greenhouse Gas Emissions Inventory Boundaries

Arçelik adopted control approach into its Scope 3 Greenhouse Gas Emissions Inventory, 2018.

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

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

Greenhouse Gas Emissions and Activity Boundaries

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

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



ANNEX 11: ASSURANCE REPORTS

Greenhouse Gas Emissions Inventory Calculations

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

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

Management of Uncertainties and Materiality

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

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

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

Internal Audits and Control Methods

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

Opinion Reiteration

Arçelik's Scope 3 Greenhouse Gas Inventory 2018 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%.

Verified GHG Emissions Belonging 2018

Scope 3 greenhouse gas emissions of Arçelik's domestic, export and import product logistic activities were verified as follows:

Total Scope 3 GHG Emissions: 132.828 tons CO₂ equivalent

Materiality (%): 9.76

Independent Assurance Opinion Statement

To the Management of Arçelik A.Ş.

Scope and Objectives :

BSI was commissioned by Arçelik A.Ş. (hereinafter "Arçelik") to conduct independent assurance of its 2019 Sustainability Report ("the Report"), as published on the company's website at <https://www.arcelikglobal.com/sustainability/2019-sustainabilityreport.html> and to carry out an independent verification of total water withdrawal by source and waste, social and occupational health and safety indicators.

Our assurance engagement was planned and carried out in accordance with AA1000 Assurance Standard AA1000AS (2008).

BSI's approach

BSI's assurance engagements are carried out in accordance with our verification procedure. Reviewing the data collection and consolidation processes used to compile selected data, including assumptions made, and the data scope and reporting boundaries; We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We were engaged to provide Type 2 moderate level assurance, which covers:

• Evaluation of adherence to the AA1000AS (2008) principles of inclusivity, materiality and responsiveness (the Principles); and

• The reliability of specified sustainability performance information along with related claims in the report including:

- Desk review
- Site visit
- Data sampling
- Reporting

Inclusivity, Materiality and Responsiveness principles:

Arçelik has made a commitment to its stakeholders. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to CSR.

Arçelik publishes CSR information that enables its stakeholders to make informed judgments about the company's management and performance. In our professional opinion the report covers the Arçelik's materiality issues.

Arçelik has implemented the practice to respond to the expectations and perceptions of its stakeholders.



ANNEX 11: ASSURANCE REPORTS

Independence/Responsibilities of Arçelik and of the Assurance Providers

BSI was not involved in collecting and calculating data, or in the development of the Report. BSI's activities are independent from Arçelik. Arçelik has sole responsibility for preparation of the Report. In performing our assurance work, our responsibility is to the management of Arçelik.

The assurance team was composed of Lead auditors and Carbon footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, OHSAS 18001, and ISO 9001 EU ETS, GS, VCS, ISO 50001 etc. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI verification procedure. There is no limitation.

BSI's Opinion

Based on BSI's approach, we believe that Arçelik A.S. has:

- Met the requirements above
- Disclosed accurate and reliable water withdrawal data and information
- Social indicators
- Occupational health and safety indicators

Verified Data

Water withdrawal Turkey, Romania (Arçelik), Beko LLC Russia, Beko China, Dely South Africa, Beko Thailand.

Waste (hazardous waste, non-hazardous waste) Turkey

Arçelik Employee and Arçelik Contractor Global Accident Frequency Rate

Arçelik Employee and Arçelik Contractor Global Fatal Accident Number

Arçelik Employee Global Occupational Disease Frequency Rate

Arçelik Employee DHS Training Hour

A Ticket for Your Future, Next Big Story, Supplier Innovation Program, Consumer Loyalty Score, The Xor Holding Dealer Satisfaction Survey, Training to Arçelik's dealers on various topics, supply chain audits, You are an Engineer, You are with Us Projects, support street animals and shelters in Poland, Eat Like a Pro Project (donation), 360 degree evaluation programs, Digital Transformation & Robotic Process Automation, Digital Office, Secret Shopper Survey, NPS Score, ROTAM Project, Service Academy, Supplier Improvement Programs, Supplier Improvement Programs- Product Sourcing, Trainings (Kazcode, the Father Support Program, Shellmate Program, Equitable Parenting Program, Seminars and Workshops on Gender Stereotypes Learned through Language and Behavior, Gender Equality Seminars, Women in Leadership Program, Holistic Leadership Training Program, Talent in You, Future in You, Leader in You, Technical Academy 4.0, TechPro Academy, Digital Competency Focused Trainings, Promoting Online Platforms), Designing the Future for My Country, Volunteers

Activites (This is Us Program), One Healthy Movement, Digital Wings Project, 3D Printers For Training, Smart Board, Food for Soul, Give Back Campaign, Respect Strouts Campaign, Employee Engagement Surveys, Fresh Start Internship Program, Equal pay for equal work policy- salary index.

The opinion expressed is formed on the basis of a moderate level of assurance and at the materiality of the professional judgement of the verifier.

Mehmet Kumru
Sustainability Team Manager

Date: 14.07.2020



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GRI CONTENT INDEX



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	102-3	https://www.arcelikglobal.com/en/company/contact/
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GRI 102: General Disclosures 2016		

* 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. The service was performed on the Turkish version of the report.



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	102-49	There is no change.
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GRI 103: Management Approach 2016	103-1	73
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Water		
GRI 103: Management Approach 2016	103-1	71
	103-2	71, 72
	103-3	70, 71, 72
GRI 303: Water 2016	303-1	107, 108, 109
	303-2	Since most of the water is withdrawn from the municipal systems and no water bodies with RAMSAR or similar protection status are employed, Arçelik operations do not result in any stress on water bodies.
	303-3	71, 107, 108, 109
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GRI 103: Management Approach 2016	103-1	64
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GRI STANDARDS	DISCLOSURE	REFERENCES
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	103-3	72, 73, 74
GRI 306: Effluents and Waste 2016	306-1	72
	306-2	108
	306-5	Most of the wastewater is discharged to industrial sewage systems, while the remainder is discharged to the receiving environment. As the wastewater is discharged after treatment processes, it complies with the quality levels required by regulations and biodiversity is not impacted.
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GRI 103: Management Approach 2016	103-1	102
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GRI 307: Uyum 2016	307-1	During the reporting period, there were no significant* fines due to non-compliance with environmental legislations. *Fines of 10,000 USD or above are considered significant.
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GRI 402: Labor/Management Relations 2016	402-1	In case of collective and/or individual layoffs or changes in duties, Arçelik applies the relevant provisions stipulated in the labor legislation and collective agreements applicable in the countries of operation.
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GRI STANDARDS	DISCLOSURE	REFERENCES
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GRI 406: Non-discrimination 2016	406-1	48
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	103-2	51, 52
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GRI STANDARDS	DISCLOSURE	REFERENCES
GRI 410: Security Practices 2016	410-1	All security personnel in Arçelik operations are trained on professional procedures and legal requirements, including the rights of the person.
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GRI 414: Supplier Social Assessment 2016	414-1	45
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	103-3	43
GRI 416: Customer Health and Safety 2016	416-1	Arçelik complies with all international and local regulations concerning health and safety impacts of its products.
	416-2	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,
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GRI 103: Management Approach 2016	103-1	37, 38
	103-2	37, 38, 41
	103-3	37, 38, 41
GRI 417: Marketing and Labeling 2016	417-2	Arçelik complies with all international and local regulations concerning product information and labeling
	417-3	No incidents of non-compliance with regulations and voluntary codes concerning marketing communications have taken place during the reporting period,
Customer Privacy		
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GRI 418: Customer Privacy 2016	418-1	23



COMMUNICATION

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