

2020
Annual
Report

ARÇELİK
IS ALWAYS
WITH YOU
IN THE

changing
world

Arcelik

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Almanac 2020

January-February-March

The white goods plant VoltBek Home Appliances has commenced its operations in Gujarat. The factory was established in partnership with Arçelik and Voltas, India's largest holding company and the principal shareholder of Tata. This achievement represents a milestone toward Arçelik's goal of creating a "Beko Road" between Turkey and Asia-Pacific. In the first stage, the facility will manufacture refrigerators.

Arçelik has been included in the FTSE4Good Index Series of the London Stock Exchange Group for the fourth consecutive time thanks to its successful applications on the environment, management, and ethics.

Offering the first domestically produced refrigerator to Turkish consumers, Arçelik has manufactured its 100 millionth refrigerator in the Eskişehir facility.

Arçelik has manufactured its 100 millionth

Beko advances its next-generation merchandising movement with its store in Bursa where it prioritizes the customer experience as part of the New 100 Women Dealer project.

The first group of students from the Gastronomy and Culinary Arts department have completed their trainings as part of the project run in cooperation with Arçelik's "The Kitchen", which offers hands-on cooking classes, and Bolu Abant İzzet Baysal University.

The year with awards

Beko introduced two new stores to consumers in Edirne and Kırklareli. These concept stores offered many opening promotions and highlighted Beko's approach to customer experience.

Beko Spain won the "2020 Product of the Year" Award for its AutoDose dishwasher and AquaTech washing machine technologies.

Arctic Ulmi washing machine plant received the "Innovator of the Year" award at the Business Review 2020 Awards.



April-May-June

5,000th mechanical ventilator

A ceremony was held to mark the production of the 5,000th domestic and national mechanical ventilator. These ventilators are developed by Biosys, and mass produced by Arçelik in cooperation with Aselsan and Baykar under the leadership of the Turkish Ministry of Industry and Technology and the Ministry of Health.

Arçelik has received A- in the 2019 Climate Program and B in the 2019 Water Program of the Carbon Disclosure Project (CDP) (the world's most respected environmental initiative with its campaigns against climate change) and became one of the highest-ranked Turkish companies.

To address the change and uncertainty brought by the pandemic, Arçelik released a new commercial with the message "There is Hope in Every Breath." Arçelik organized Turkey's largest corporate hackathon with "Hack the Normal" to develop and inspire solutions for post-COVID lifestyles and habits. In the online hackathon that attracted more than 1,000 applications, approximately 300 entrepreneurs from five countries and 34 cities turned their creative ideas into projects.



Seniors First

Prioritizing its customers aged 65 and over with the "Seniors First" campaign in the fight against COVID-19, Arçelik called its senior customers by phone or by video call during the Bairam festival. Arçelik managers, dealers, service organizations, and call center and other Company employees celebrated our senior citizens' festival and checked on their health. Company employees reached 1,000 customers through the call center with the slogan "We Are at the Service of Your Life Experience."

All businesses have received TSE COVID-19 Safe Production Certificate

Arçelik published its 12th Sustainability Report in which it announced its short, medium, and long term goals toward 2030.

Arçelik has developed the day cycle technology "VitaminZone" by calling on its expertise in the blue light technology used in refrigerators.

Beko has again become the main sponsor of the Beşiktaş Gymnastics Club Football Team until the end of the 2022 season.

All Arçelik businesses have received the "TSE COVID-19 Safe Production Certificate" by the Turkish Standards Institute in view of the thorough measures and precautions they took in all fields of activity since the beginning of the pandemic.



Beko's first online store was launched in Russia

Beko donated products to more than 20 countries as part of the "Best Team in the World" campaign.

Beko's first online store abroad was launched in Russia.

Beko Russia won two bronze awards at Silver Mercury with its "Wash Your Excuses Away" campaign.

Almanac 2020

July-August-September

Having signed a cooperation agreement with Ziraat Bank, VakıfBank and Halkbank, Arçelik participated in the Social Life Support loan application campaign launched by public banks. All Arçelik and Beko dealers in 81 Turkish provinces supported this initiative.

Beko manufactured Turkey's largest volume of refrigerators in the combi boiler segment.

Beko has launched freezers with many smart functionalities to meet consumer needs. These freezers can be used either as a cooler or as a freezer.

The ventilator produced by Arçelik's South African company Defy was awarded the "Special Award for Pandemic Service" by the Royal Academy of Engineering. The award-winning ventilator was developed by the "Open Ventilator System Initiative", an incubation center established in England by Cambridge University and supported by Arçelik with Defy and Beko UK companies. The project's aim was to equip low-income countries with necessary resources to produce these ventilators.

Becoming carbon neutral in global production

Arçelik has taken another important step toward combating climate change and succeeded in becoming carbon neutral in global production with the carbon credit it obtained from its own project.

Arçelik launched a new wireless and rechargeable vertical vacuum cleaner, "Imperium Go."

the Best Manufacturing Employer

Eight entrepreneurs, who have been successful as part of the Hardware Oriented Start-Up Acceleration Program "BIGG Arçelik Garage" have won a grant of TL 1.6 million. This program has been managed by Arçelik in collaboration with TUBITAK since 2018.

Arotic has been named as the Best Manufacturing Employer in the Randstad Employer Brand Research 2020.

Arotic ranked first among the Top 50 Strong Romanian Brands.



October-November-December

Arçelik blazed another trail and designed the Ultra Hygiene Series, a Home Protection Technology, to quickly respond to consumer needs.

Beko received a total of six awards, three gold and three bronze, from two different award programs with its sponsorship of Fenerbahçe Men's Basketball Team and League of Legends European Championship.

Ultra Hygiene Series launched

Beko started a new era in kitchens with built-in cookers produced with three different color options: white, gray, and black. The products, where flat grills were used for the first time in glass furnaces, appeal to consumers with their innovative designs.

Arçelik was selected as the "Industry Leader" in the Durable Household Appliances Category for the second time this year in the Dow Jones Sustainability Index, which evaluates the sustainability performance of the world's largest companies. Arçelik has been the first and only Turkish industrial company to succeed in entering the Emerging Markets category of the Dow Jones Sustainability Index for four years in a row.



BiGG3 Program launched

Arçelik, Koç University Entrepreneurship Research Center Kworks, and METU Teknokent joined forces and launched TUBITAK-supported BiGG3 Program to support entrepreneurs to realize their creative business ideas.



Arçelik and Turkish Coffee Culture and Research Association brought all Turkish coffee enthusiasts together on December 5 Turkish Coffee Day in an online meeting with the slogan "We Have Too Many Excuses for a Coffee." The "Future of Turkish Coffee Meeting," which was broadcast on Arçelik Retail TV, hosted many industry leaders along with intriguing commentary by Aret Vartanyan, Saffet Emre Tonguç and Cenk Girginol.

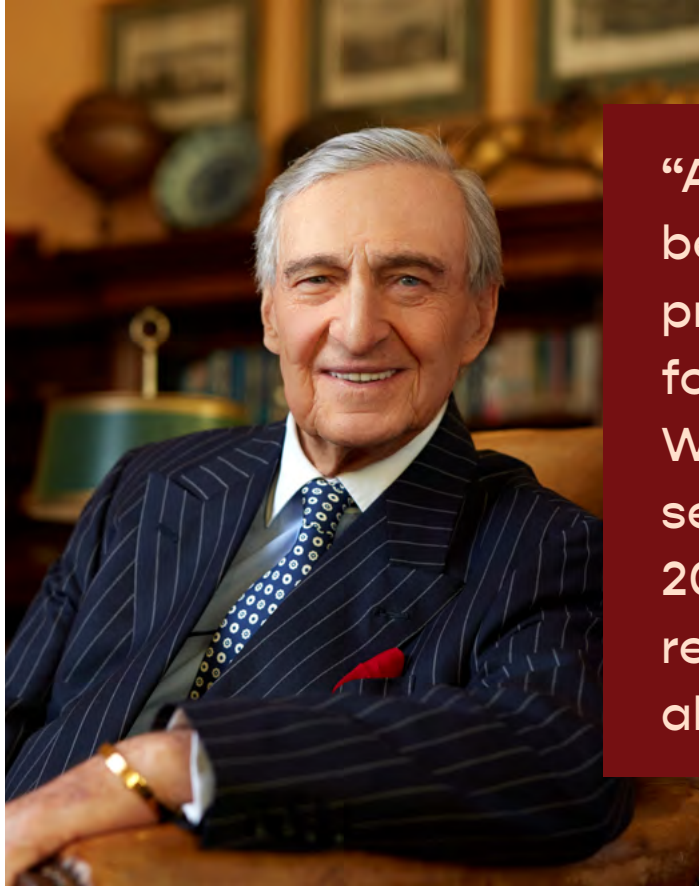
To meet the needs of consumers during the pandemic, Beko drew inspiration from nature and developed the Active Hygiene series that kill 99.9% of viruses and bacteria on surfaces.

Partnership with Hitachi

Arçelik signed a partnership agreement with Hitachi GLS, a major player in Southeast Asia, to unite all white-goods related activities of Hitachi outside Japan under one company and to acquire 60% of shares in this new company.

Beko has shown its support to Beşiktaş with Turkey's first Reels campaign, which includes a commercial film, all shot with a mobile device and edited on Instagram Reels.

Chairman's Message



“At Arçelik, we have been aiding the progress of our country for the past 65 years. We will continue to serve our country in 2021 with a sense of responsibility, as we always have done so.”

Dear shareholders,

I greet you with respect ahead of this year's meeting, where you will be discussing the events of a very difficult year - 2020.

We have left behind a year where the impact of the coronavirus pandemic was felt deeply nationally and globally. The pandemic caused millions of deaths, and transformed the way we live and work.

All the advanced and emerging economies suffered heavily from the effects of the pandemic. In addition to the pressure of the coronavirus, the US elections, ongoing trade tensions and the painful Brexit process further strained global economy's financial actors. As the pandemic brought on significant changes, we witnessed the delay of important investment decisions.

Governments struggling against global recession took some unprecedented financial steps. Central banks announced relief efforts, one after the other, to provide support to frail economies. Nations employed subsidies to various industries; and provided support to citizens to relieve the pressure on the economy.

We are still experiencing the impacts of the pandemic, and there is no telling what the near future will bring. State officials around the world are struggling to balance public health concerns with economic woes. The speed and scope of vaccination schemes carry great value for the normalization of economies. Still, these ongoing uncertainties are putting pressure on global growth numbers.

Turkey experienced the economic and social consequences of the pandemic as well. The effects of COVID-19 on our economy placed many sectors in a difficult situation. The fluctuations in exchange rates strained predictability. We must monitor the upcoming changes closely and adapt ourselves accordingly; and prioritize making decisions at the right time. Global trade will be reshaped in the post-COVID era, and this new model of business will be directing our economy.

With the right policies, the proper management of political and economic risks, and a healthy structuring of support efforts, 2021 may be a much more positive year for Turkey.

At Arçelik, we have been aiding the progress of our country for the past 65 years. We will continue to serve our country in 2021 with a sense of responsibility, as we always have done so.

Dear shareholders,

Even through a year like 2020, with its challenges, we have succeeded in sustaining our strong financial structure and increasing our revenues. We achieved a steady growth rate with the confidence that our financial discipline provides. Our revenues jumped by 28% annually in 2020, and reached TRY 40.9 billion. Our company reached its strategic targets in 2020, and maintained its solid performance in all our markets. We continued with our expansion strategy in the Asia-Pacific region, and our Voltbek plant in India began production. With our Voltbek plant, we aim to increase our share in this high-potential market.

We have also finalized another significant investment in Asia. We signed on a joint venture agreement with Hitachi, a leading global player based in Japan. Asian countries serve as the driving force for growth, and we believe that our efforts in the region will enable us to progress significantly on our journey of growth.

In addition to these efforts, I deeply appreciate the role Arçelik played in the fight against COVID-19. With our mechanical ventilator project, we have extended a helping hand to those in Turkey, and to many others in need of this critical technology for treatment. This project, made possible by the combined efforts of various actors, gained global respect.

Our company is a source of pride both for Turkey and the Koç Group; and continues to be so with its respect towards nature and society. Global organizations have recognized the steps taken by Arçelik on its sustainability journey. We are proud of the recognition we received on a global scale. These prestigious ratings serve as

another driving force for our corporate integrity and reputation. With its healthy growth, contribution to Turkey's labor market, high export revenues, constant value-creation for shareholders, awareness of social issues, and the leading position it holds in technological advancements, Arçelik plays a key role in Turkey's progress. I sincerely believe that we will consolidate our global presence with these principles and the strength of our financial structure.

I would like to express my gratitude to our founder, the late Vehbi Koç; to our esteemed business partners, devoted colleagues, unions, dealers and services; to our customers who have always stood by us, and to you, our esteemed shareholders.

Rahmi M. Koç
Chairman of the Board

CEO's Message



“Arçelik performed strongly in global markets, despite pressure put on supply chain with restrictions and closures.”

Dear Shareholders, Partners and Colleagues,

We have left behind 2020, a year where global economy was tested to its limit under the pressure of a pandemic. The COVID pandemic forced global supply chains, production capacities and economic actors into a challenging process of transformation. Governments and central banks have announced relief packages one after the other, employing liquidity instruments to counter the recession threat against all conventional systems.

Even with all these precautions, the outbreak's devastating impact on economies could not be avoided. The International Monetary Fund (IMF) estimates that the world economy contracted 3.5% in 2020 due to COVID pressure. The severity of contraction was worse in the European economies, where a relatively higher

number of cases were recorded. In 2020, the Eurozone economy is estimated to have contracted by 7.2%, and that number is even higher in countries such as Italy and Spain. The UK economy, under pressure both from COVID and the uncertainties of Brexit, shrunk by 10% in the same period.

As COVID raged on, the global economy felt the impact of geopolitical uncertainties as well. The lengthy US elections and Joe Biden's consequent win, coupled with the ongoing tensions with China, continued to dominate the economic agenda.

The Brexit process in the United Kingdom was finalized in the closing days of 2020. Following the finalization of the exit, Turkey signed a Free Trade Agreement with the UK that launched a new era for bilateral relations. The administration of vaccination schemes

pushed recovery forecasts towards more optimistic numbers, but there are still uncertainties with regards to the timeline. It remains challenging to forecast when world economy will return to pre-pandemic trajectory. The OECD forecasts global growth to jump 4.2% in 2021, and the IMF expects it to reach 5.5%. Global growth is expected to take momentum particularly in Asian countries—a region that has quite the significance for our overall targets as well.

GLOBAL WHITE GOODS SECTOR GROWS DESPITE COVID IMPACT

Despite COVID disruption on global supply chains, the white goods sector continued to grow throughout 2020. The sector, through a rapid adaptation process particularly in production capacities and supply chains, grew by 4% in revenues, and reached \$215 billion in 2020.

Despite the rapid increase in infection numbers, the European market recorded a growth in units of 8.2% in 2020. Markets like the UK and Germany maintained their strong position; the UK closed the year with nearly 10% growth, even with the troubling Brexit process, while Germany, the region's largest market, grew by 9.0%. Eastern Europe showed a stronger performance compared to the western Europe, and recorded a double-digit growth of 13.4%. The market grew nearly 20% in Russia, the largest in the region; and 12.6% in Poland.

The Turkish market also succeeded in overcoming the challenges of COVID. In 2020, production in the sector grew by 3% and export figures moved parallel to that. Domestic sales, supported by food safety needs, hygiene concerns and a rise in house sales, increased 16% compared to last year.

COVID PRESSURE FELT IN GLOBAL CHAINS

Arçelik performed strongly in global markets, despite pressure put on supply chain with restrictions and closures. We maintained our leading position in several markets, and made an intense effort to respond to the strong demand at home and abroad.

With rapidly increasing cases, European countries felt the impact of the outbreak more than others. When these economies were shut down in March, we quickly adapted to the new conditions with a quick shift to online sales channels. Despite the restrictions that came into effect particularly in the second quarter, we closed the year with growth in both Eastern and Western European

markets. France was the only country that stayed behind in terms of recovery, while we recorded double-digit growth in Italy and the United Kingdom in the last quarter.

We managed to maintain our position in terms of revenues in the African market, where growth momentum picked up in the last quarter of the year. Our effective cost control mechanisms, price adjustments and the cheaper credit costs in the region allowed us to make progress in annual profit margins.

2020 was a difficult year in Pakistan and Bangladesh. The conditions brought on by COVID put pressure on these markets. Our capability for quick adaptation and proper risk management allowed us to minimize losses in these markets, and maintain our revenues in Bangladesh.

WE HAVE PRESERVED OUR HEALTHY FINANCIAL STRUCTURE

We held up the sustainable and healthy structure in our balance sheet even through the COVID period. As we worked on the appropriate response to the pandemic, we also ensured a healthy outlook in financials. Our annual consolidated revenues reached TRY 40.9 billion, recording an annual growth of 28% in 2020. More than 65% of our sales came from our overseas markets. We tripled our net profit compared to the previous year and reached 2.85 billion TRY. Our EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) margin saw 13.7%.

Our revenue growth was largely driven by a strong demand in international markets. Increasing demand allowed our plants to work at full capacity, and the US dollar weakening against the Euro, were behind the strong performance. Due to our long-term contracts, we were minimally affected by the sudden spike in raw material prices in the final quarter.

WE DID NOT SLOW DOWN INVESTMENTS

Even as COVID dominated the markets and brought on many challenges, we did not cease or slow down our investment plans. This was crucial for the kind of healthy growth story we are always committed to.

We seized new investment opportunities particularly in Asia-Pacific countries, where we continuously push our boundaries. These countries are integral to success in our sector and will be the

driving force of recovery in the post-pandemic era. The Voltbek plant for manufacturing refrigerators in Gujarat, India; for which the foundation was laid in 2018, started production in 2020. Our Voltbek plant plays an important role as a production hub for India. The factory will reach a production capacity of 2.5 million units in the next 5 years. The amount of investment that will be made will reach 180 million dollars in the next decade.

In line with our growth strategies, we have signed on an important joint venture in Asia-Pacific. We have signed a deal with Hitachi Global Life Solutions, an important player in the region in durable goods, to establish a joint venture company that will operate outside Japan and provide production, marketing, sales, distribution and after-sales services. The company will have the best of both worlds in Arçelik's global experience and Hitachi's regional and brand power; and will be overseeing 3,800 employees with Hitachi GLS's two production facilities in China and Thailand, and 10 sales companies, most of which are located in Asia. We aim that the new company, manufacturing under the Hitachi brand, will foster our global ambitions - and become one of the leading players in the Asia Pacific region.

WE TOOK PART IN THE FIGHT AGAINST THE EPIDEMIC

As Turkey struggled with the outbreak, Arçelik undertook the mass production of life-saving mechanical ventilators used in the treatment of COVID-19. Under the leadership of the Ministry of Health and the Ministry of Industry and Technology, and in cooperation with Aselsan, Baykar and Biosys, we designed the first prototype of the device. We donated the entirety of the "design improvement", "industrialization" and "domestication" know-how of the device, which we took to mass production on a not for profit basis, to the Ministry of Industry and Technology. We completed the mass production process in three months and shipped the devices where they were direly needed.

With our Defy brand in South Africa and Beko Plc in the UK, we have developed a cost-effective ventilator in support of the "Open Ventilator System Initiative", an initiative led by the Cambridge University.

To support health care professionals on the front lines in the fight against COVID, we compiled lists of needs in more than 20 countries including UK, Italy, France, Germany, Romania, Pakistan, and Bangladesh; and donated white goods and small appliances to more than 600 hospitals in accordance with their needs.

Thanks to our strong R&D skills, we responded quickly to the changing consumer habits during the pandemic, and designed innovative products suitable to those needs. We responded to the rising concerns of hygiene and introduced a new range of hygiene products.

WE KEPT OUR FOCUS ON SUSTAINABILITY

Through 2020, we continued to step up our efforts on sustainability, and we managed to become carbon neutral in our global productions in 2019 and 2020.

We were named the "Industry Leader" in the Dow Jones Sustainable Index in the Durable Household Appliances Category for the second year in a row. We are also the first and only Turkish company to succeed in being on the list of Emerging Markets of the Dow Jones Sustainable Index for four consecutive years.

We continue to honor our commitment to our approved set of science-based goals. We are taking strategic steps towards reducing our Scope 1 and Scope 2 emissions by 30% by the year of 2030, compared to the base year of 2018; and reducing our Scope 3 emissions that are generated from the user phase of our products by 15% within the same timeline. We are also planning to make an additional investment of \$50 million in clean energy and energy efficiency.

Our commitment to sustainability and our innovative strategies are gaining global recognition. We won several international awards for our sustainability journey, and became the more sustainable white goods company by taking the 34th spot in Corporate Knights Global 100 Most Sustainable Companies ranking.

Dear Shareholders,

We have left behind this difficult year with an impressive performance. As global recovery picks up with vaccinations, we aim to sustain this success and strengthen our position in 2021. Maintaining a healthy balance sheet is one of our primary goals. We will continue to strengthen our profitability by keeping our operating expenses at low levels. We will continue to search for opportunities that will support sustainable growth - an evergreen priority for us. We will aim to further strengthen the momentum we have already achieved through our investments in Asia-Pacific and increase our share in these markets.

This year, we aim to grow our sales in Turkey by 15-20%, and our consolidated sales by 20%. We have an investment plan of approximately 220 million Euros for this period, and we aim to achieve an EBITDA margin of around 11%.

In uncertain times like these, where picturing what tomorrow will look like is a difficult task, we will continue with all our R&D power to respond to all the rapidly changing consumer demands.

And certainly, there will be more on the sustainability front. In 2021, we will continue to follow environmentally friendly, green policies in all our operations. As a new energy label scheme is implemented in the European Union, we will focus on strengthening our position in these countries with our new platforms and designs.

As we hope to see the light at the end of the tunnel, I would like to express my sincerest thanks and respect to you all-our shareholders, partners, 35,000 colleagues who have supported us even under the pressure pandemic, our business partners we have cooperated with during this difficult period, and our customers who stayed loyal our brand.

Hakan Bulgurlu
CEO

Independent Auditor’s Report Concerning the Annual Report

ARÇELİK IS
ALWAYS WITH
YOU IN THE
CHANGING
WORLD



The biggest
newness for Mert is

baking
bread

ARÇELİK
FOR
YOU

Carbon-neutral in global manufacturing

In 2019 and 2020, Arçelik balanced carbon emissions resulting from its global manufacturing operations and became carbon-neutral.

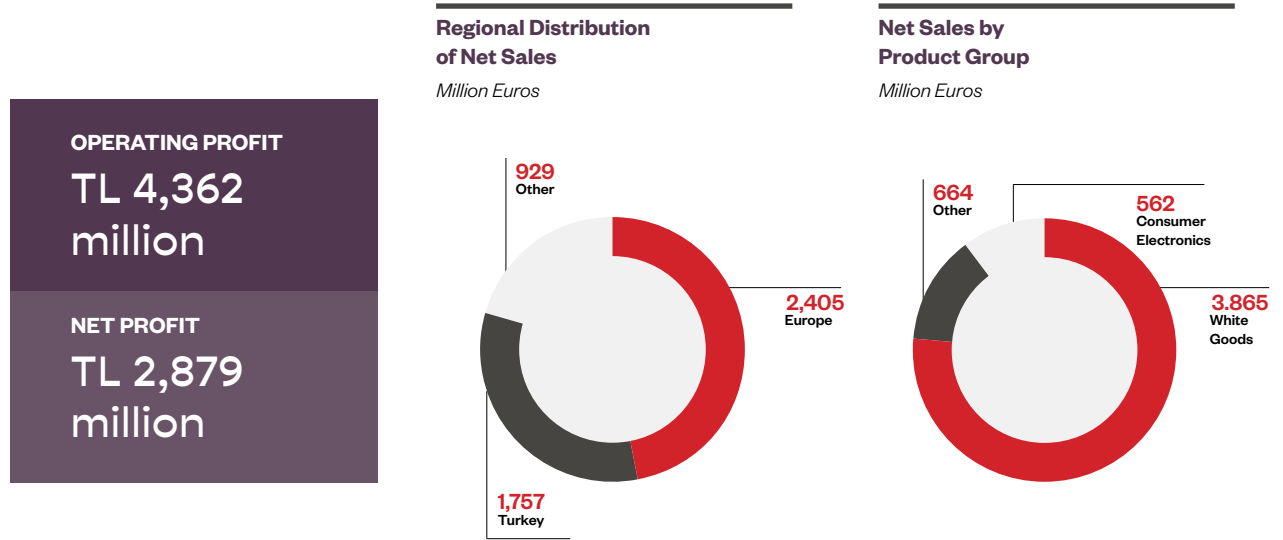
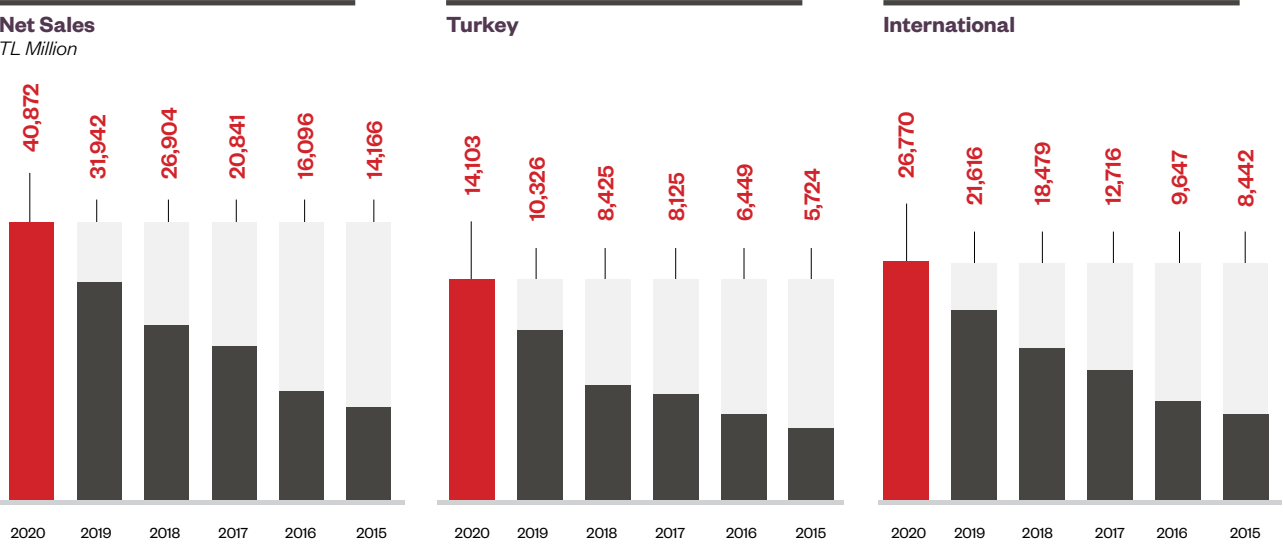
The world is ready for the “Green Deal”

Actions are taken in line with the “EU Green Deal” initiative launched by the EU with a focus on transforming economies for a sustainable future.

WORLD
FOR ALL
OF US

Arçelik in Figures

Arçelik's 2020 consolidated net sales revenues reached TRY 40,872 million.	Total consolidated sales increased by 28% compared to 2019.	In 2020, consolidated operating profit stood at TRY 4,362 million and net profit at TRY 2,879 million.	In 2020, 65% of the consolidated sales came from international sales.	Consolidated capacity use rate was 68.7%.
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OPERATING PROFIT

TL 4,362 million

NET PROFIT

TL 2,879 million



*Operating profit margin and EBITDA margin were calculated by deducting the impact of foreign exchange gains and losses arising from trade receivables and payables, credit finance income and charges and cash discount expense and adding income and expenses from sale of property plant and equipment in order to maintain consistency with the presentation of prior periods.

Five-Year Consolidated Financial Review

Million EURO	2020	2019	2018	2017	2016
INCOME STATEMENT					
Net sales	5,091	5,032	4,767	5,063	4,819
Gross profit	1,720	1,609	1,505	1,577	1,592
Operating profit	543	362	373	341	398
Profit before tax	436	176	168	199	360
Net profit	359	150	151	205	390
Effective tax rate	%17.7	%14.5	%9.9	%-3.0	%-8.5
Depreciation and amortization	152	166	122	133	131
BALANCE SHEET					
Period end cash and cash equivalents	1,332	1,043	886	572	658
Inventories	788	847	844	837	744
Current assets	3,670	3,486	3,184	2,990	2,961
Tangible assets	810	908	752	723	741
Total assets	5,168	5,222	4,706	4,526	4,558
Short term liabilities	2,645	2,213	2,073	1,861	1,781
Total liabilities	3,611	3,746	3,343	2,994	2,939
Minority shareholder	23	24	6	8	7
Shareholders equity	1,557	1,476	1,363	1,531	1,619
CASH FLOW					
Cash flows from operating activities	800	500	297	143	619
Cash flows from investing activities	-165	-301	-315	-260	-299
Cash flows before financing activities	635	199	-18	-117	320
Dividends paid	3	0	77	103	78
Investment expenditures	219	220	320	242	251
SHARE BASED DATA					
Dividends (Euro)	0,276	0	0	0,156	0,188
Year-end share price (Euro)	3.37	3,13	2,62	4,77	5,71
Price-earnings ratio	7.21	15,22	12,52	17,26	11,02
Dividends/net profit (%)	52,1	0	0	51,6	32,7
Year end market value	2.280	2.117	1.770	3.220	3.861
EMPLOYEE INFORMATION					
Number of employees	37,413	31,534	29,530	28,103	29,551
Blue-collar	29,382	23,530	22,658	21,447	24,048
White-collar	8,031	8,004	6,872	6,656	5,503

* To ensure the consistency of presentation from one period to the next, the operating profit is calculated by adding gains and losses from fixed asset sales and deducting foreign exchange gains and losses on accounts receivable and accounts payable, gains and losses from credit sales, and early payment discounts.

** Each subsidiary included in consolidation is taxed at the rates applicable in the relevant country of operation. The Company's effective tax rate varies according to the geographical distribution of pre-tax profit.

Shareholders

According to our financial statements from January 1, 2019, to December 31, 2019, the Board's proposal on 2019 dividend distribution was read at the Ordinary General Assembly of Shareholders on March 25, 2020. The pandemic has pushed companies to be more cautious in managing their finances and heightened the need for more liquid assets. Therefore, the dividend distribution proposal drafted by the Board of Directors one month before the impact of the pandemic become clearer on national and global economies was rejected due to the prevailing conditions. The new proposals included that no dividends will be distributed; 5-percent legal reserves required by Article 519 of the Turkish Commercial Code will not be reserved for 2019 as the current legal reserves registered at VUK as of December 31, 2019, has reached

the 20-percent limit; and the entire 2019 profit will be reserved as Extraordinary Reserves. Both proposals were voted separately. The Board's dividend distribution proposal was rejected. The proposal not to distribute dividends and add them to Extraordinary Reserves was accepted.

As of 2020, the fully paid-up issued capital of the Company is TRY 675,728,205, which is divided into 67,572,820,500 registered shares, each with a nominal value of 1 Kr. The registered capital of the Company is TRY 1,500,000,000.

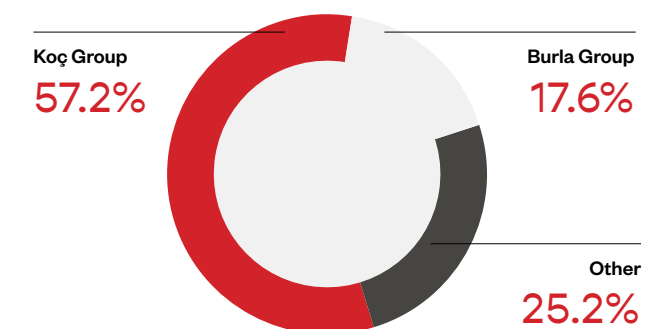
There are no preference shares. Each share with a nominal value of 1 Kr. is entitled to one vote in the General Assembly.

Shareholders	Share amount (TRY)	Share percentage (%)
Koç Holding A.Ş.	274,069,625	40.6
Other Koç Group	112,698,529	16.6
Koç Group Total	386,768,154	57.2
Teknosan Büro Makina ve Levazımı Tic. ve San. A.Ş.	81,428,337	12.0
Burla Ticaret ve Yatırım A.Ş.	37,571,663	5.6
Burla Group Total	119,000,000	17.6
Other Shareholders	169,960,051	25.2
TOTAL	675,728,205	100.0

Transactions by shareholders on non-public shares in 2020 are as follows:

On September 21, 2020, Koç Holding A.Ş. purchased Arçelik A.Ş. shares with a nominal value of TRY 327,598.01 from Vehbi Koç Foundation for TRY 7,416,819.

The shares of the late Mustafa Vehbi Koç, a shareholder of the Company, with a nominal value of TRY 6,177,178.50 were transferred to his legal heirs on February 11, 2020.



Dividends Paid

The amount of dividends paid from 2015 to 2019, the distributable profit during those years and their ratio to the capital are as follows:

Dividend Payment Year	Issued Capital (TRY Thousand)	Dividends Paid (TRY Thousand)	Gross Dividend per Nominal Share of TRY 1 (TRY)	Dividend Ratio (%)	Earnings pe Nominal Share of TRY 1 (TRY)
2015	675,728	262,000	0,38773	38,8	1,319
2016	675,728	425,000	0,62895	62,9	16,6
2017	675,728	435,000	0,64375	64,4	1,247
2018	675,728	0	0	0	1,261
2019	675,728	0	0	0	1,369

RATIO OF DIVIDEND TO CAPITAL OVER THE YEARS

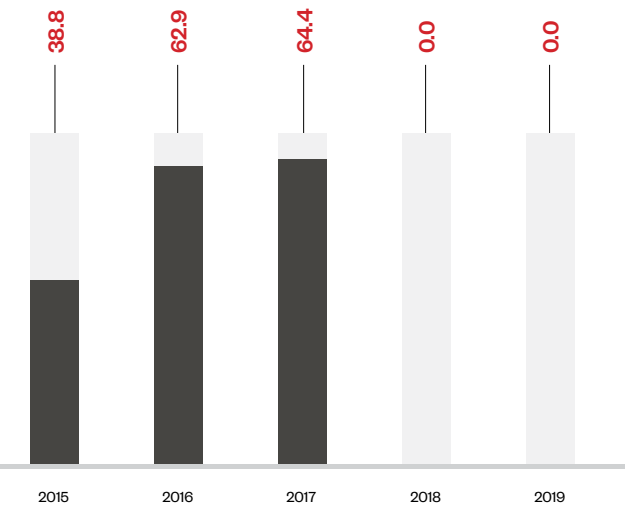
Our Dividend Distribution Policy for 2013 and the following years are shaped by the provisions of the Turkish Commercial Code, Capital Market Regulations, Tax Regulations and other relevant regulations as well as the provisions of our Articles of Association regarding the distribution of dividends. The distribution of dividends is based on a balanced and consistent policy between shareholders and corporate interests in accordance with the Corporate Governance Principles.

As a company principle, a minimum of 50 percent of the distributable profit of the period calculated under the Capital Markets Regulations is distributed in cash and/or as a bonus share so long as the relevant regulations and financial means permit and this amount can be funded through current resources specified in our legal records. This also takes into account the market expectations, as well as our long-term corporate strategy, investment and financial policies, profitability and cash position.

Dividends should be distributed within one month after the General Assembly Meeting at the latest. The General Assembly decides the date of dividend distribution. The General Assembly or Board of Directors (if authorized) may decide on distribution of dividends in installments in accordance with the Capital Market Regulations.

The Articles of Association of the Company states that “The Board of Directors may distribute dividend advance provided that it is authorized by the General Assembly, and that it complies with the Capital Market Regulations.”

Ratio of Dividend to Capital Over the Years (%)



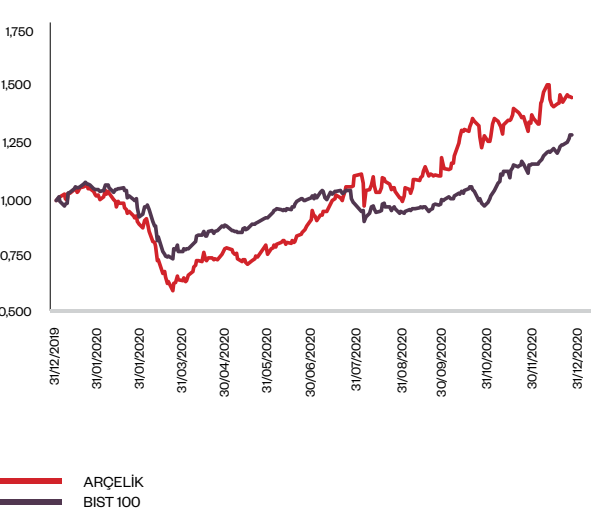
Share Performance

Company shares are traded on IMKB and Borsa Istanbul since January 1986. The following table summarizes share performance over the last five years.

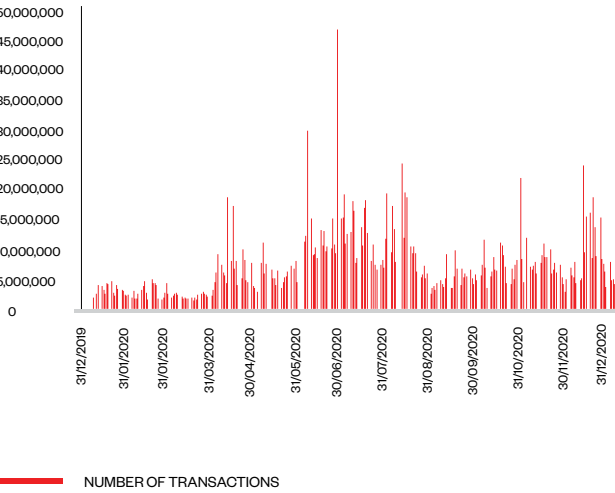
Share Data	2020	2019	2018	2017	2016
Lowest price (TRY) (*)	12.42	14.49	11.83	18.61	12.60
Highest price (TRY) (*)	31.60	21.18	21.04	26.27	20.89
End-of-year price (TRY) (*)	30.40	20.84	15.79	20.77	19.89
End-of-year price (TRY)	30.40	20.84	15.79	21.52	21.20
Issued capital (TRY Thousand)	675,728	675,728	675,728	675,728	675,728
Market Value (TRY Thousand)	20,542,137	14,082,176	10,669,748	14,541,671	14,325,438
Market Value (USD Thousand)	2,798,466	2,370,657	2,028,122	3,855,264	4,070,652

(*) Corrected based on the capital

ARCLK / BIST 100 Relative Performance (Start =1)



Number of Daily Transactions in 2020 (Lots)



The daily average transaction volume of Company shares in 2020 was 8.144 lots. As of the end of 2020, approximately 59 percent of the Company shares that were traded on Borsa Istanbul are retained by foreign investors.

Following is the list of Borsa Istanbul indexes that include the Company as of the end of 2020. For the purposes of index calculations, the retainment rate is 25 percent and share weight in BIST 100 is 1.4184 percent.

Arçelik A.Ş. is listed in BIST Star, BIST 30, BIST 50, BIST 100, BIST All, BIST Corporate Governance, BIST Sustainability, BIST Industrial, BIST Metal Goods, Machinery, and BIST Istanbul Indexes.

The Company's corporate governance rating steadily increased since 2009, which can be seen below.

As a result of the revision made by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., the first corporate governance rating of our company, which was announced through the disclosure of material events on July 30, 2009, rose from;

- 8.21 out of 10 (82.09%) on July 30, 2009,
- to 8.55 (85.53%) on July 30, 2010,
- to 8.59 (85.91%) on August 1, 2011,
- to 9.11 (91.07%) on July 30, 2012,
- to 9.28 (92.80%) on July 29, 2013,
- to 9.41 (94.11%) on July 23, 2014,
- to 9.48 (94.80%) on July 22, 2015,
- to 9.52 (95.23%) on July 22, 2016,
- to 9.52 (95.23%) on July 21, 2017,
- to 9.53 (95.35%) on July 20, 2018,
- to 9.58 (95.80%) on July 19, 2019, and
- to 9.60 (96.02%) on July 17, 2020.

Our Company has been included in the IMKB Corporate Governance Index since July 31, 2009.

The “BIST Sustainability Index” features companies that are traded on Borsa Istanbul and that deliver outstanding performance in terms of corporate sustainability. The index has been calculated since November 4, 2014, and now includes our Company.

Risk Management

RISK MANAGEMENT AND RISK MANAGEMENT COMMITTEE ACTIVITIES

The Board of Directors establishes, and in certain periods, reviews the risk management and internal control systems to identify risks that may affect the Company's stakeholders, especially the shareholders, and minimize their impacts and reduce the likelihood that they will occur.

As per the decision taken at Arçelik A.Ş. Board of Directors Meeting on July 16, 2010, a Risk Management Committee was formed to enable early identification of risks that may jeopardize the existence, development and continuity of our business; to take appropriate actions concerning those risks and manage them; and to ensure efficient operation of committees under the Board of Directors in accordance with Article 378 of the Turkish Commercial Code No. 6102 and the Corporate Governance Communique of the Capital Markets Board. This committee is chaired by M. M. Gülay Barbarosoğlu, an Independent Board Member. Other member of the committee is Fatih K. Ebiçlioğlu, a Board Member.

The Risk Management Committee offers proposals and recommendations to the Board of Directors on the early detection and evaluation of risks that may affect our business; the determination of these risks' impacts and probabilities; managing such risks in accordance with the company's risk appetite and reporting them; taking actions for mitigating the impacts and probabilities of such risks; and establishing effective internal control systems. In this context, the Risk Management Committee held six meetings in 2020. The Enterprise Risk Management Directorate managed by the Assistant General Manager of Finance and Accounting uses risk management systems to manage, coordinate and supervise the financial, strategic, operational, compliance and external risks which may affect the Company and reports them to the Risk Management Committee. The Enterprise Risk Management Directorate reports to the Risk Management Committee. The Internal Audit Department provides information to the Audit Committee. Therefore, both units are functionally independent.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

The Internal Audit Department is managed by the Assistant General Manager of Finance and Accounting to ensure the healthy execution of internal control mechanism, and delivers reports to the Audit Committee at the meetings held during the year. The committee constantly supervises the execution and effectiveness of the system and presents to the Board of Directors any issues related to risk management and internal control mechanism and suggests potential solutions.

ENTERPRISE RISK MANAGEMENT

Arçelik A.Ş. Enterprise Risk Management balances company risks and the execution of corporate goals and strategies; while matching strategies and goals with associated risks. In this process, the best global practices are followed, such as the ISO 31000 Risk Management Standard and the COSO Enterprise Risk Management Integrated Framework. All identified risks are prioritized based on risk scores, financial impact metrics, and so on. Hence, the risks that require immediate attention are determined and risk management is performed on each function and operation to integrate the risk management strategy into the senior management's decision-making mechanism. Risk management activities also focus on raising employee awareness about risks and encouraging them to think about and report potential risks through the risk proposal system.

In consideration of environmental, social and governance risks, Enterprise Risk Management fosters climate change awareness, promotes occupational health and safety practices, and instills Arçelik's corporate culture. It participates in risk management projects by regularly exchanging information with company units to monitor such risks. Enterprise Risk Management develops practices that create value for the Company and stakeholders; analyze opportunities as well as risks; and carry out gap analysis on the basis of risk appetite of the Board and senior management. Enterprise Risk Management is integrated with all business processes in production facilities, headquarter units and international subsidiaries, and affects the performance evaluation process of the risk owners.

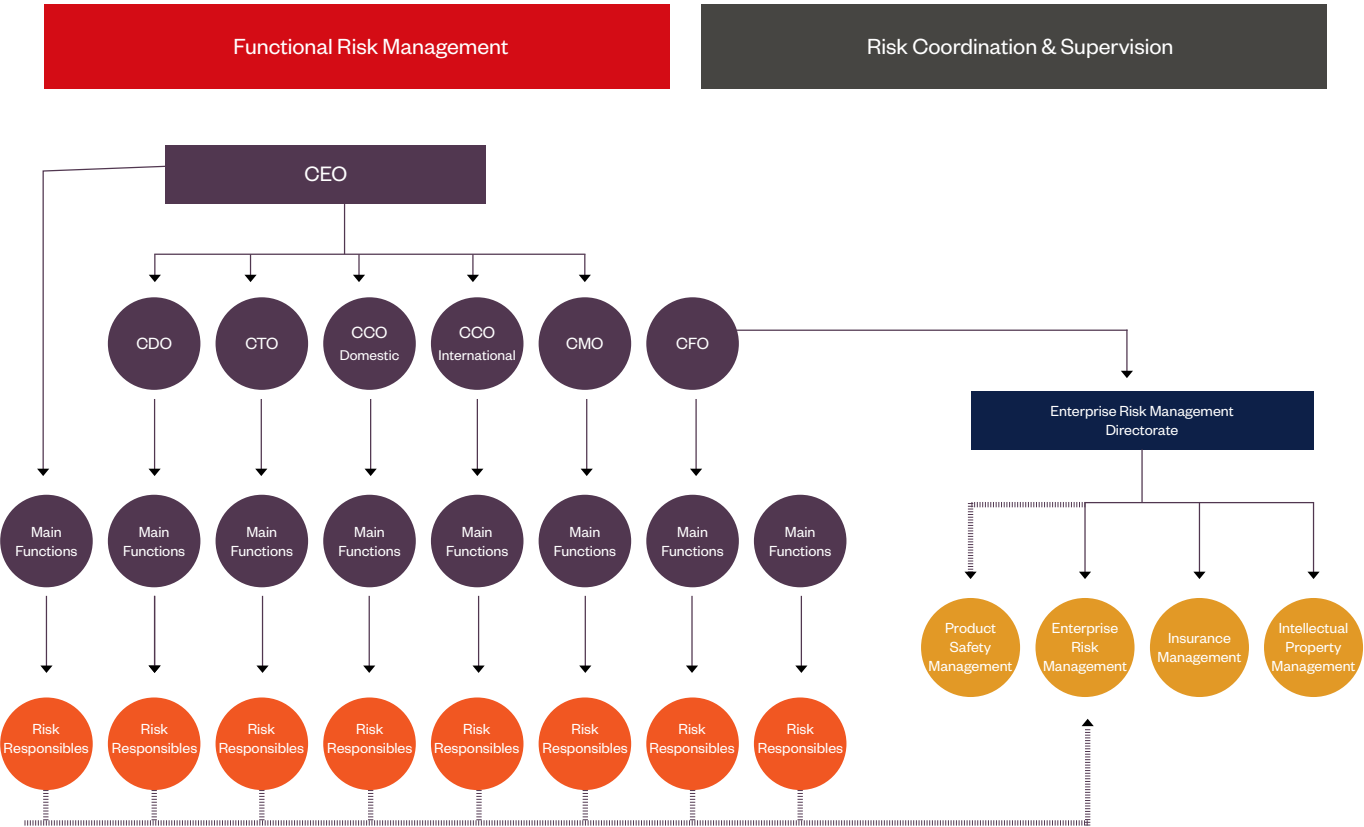
RISK COORDINATION AND SUPERVISION

Global risk coordination and supervision of Arçelik A.Ş. and group companies are carried out by the Enterprise Risk Management Directorate reporting to the Assistant General Manager of Finance and Accounting.

The table below displays Arçelik’s risk management organization:

ARÇELIK A.Ş. BOARD OF DIRECTORS RISK COMMITTEE

Chair: Independent Board Member Member: Board Member



Functional Risk Management

The senior management team consisting of country managers and directors manages risks faced by their organizations and takes effective actions to mitigate the impact of such risks or reduce the likelihood of their occurrence to help minimize risks associated with other group companies.

Training

Arçelik offers training on enterprise risk management to the senior management team including directors, country managers of group companies and risk owners to promote a risk-aware culture.

Enterprise Risk Management Systems

Risks at Arçelik A.Ş. are defined and prioritized in five main categories: financial, strategic, operational, compliance, and external. Using the risk management software, we identify the root causes of risks that are matched with the Company strategies and objectives, determine their impact and assess the probability of each risk occurring before taking action to mitigate such impacts and probabilities. All activities related to risks and risk management are reported periodically to the Risk Management Committee. Senior management peruses the evaluations on prioritized risks and monitors the important actions taken. The risks that are specially monitored as part of the Enterprise Risk Management Program and actions taken in this regard in 2020 are summarized below:

Global Prominent Risks

At Arçelik, emerging risks are monitored proactively, their potential long-term impact on our business is evaluated, and senior management and the Risk Management Committee are regularly informed on the subject. In this context, climate change poses major a risk in terms of both impact and probability. Other global emerging risks include loss of reputation/brand damage, business interruption, failure to innovate, cyber attack, and information security risks.

Energy effectiveness, nanotechnology and emission plan programs are developed in order to manage climate change risks. In addition, we actively participate in international organizations and events related to climate change. To prevent loss of reputation, income, market share or brand value due to cyber-attacks or information security risks; we adopt precautionary measures for our IT and operational processes, launch projects, form strategic cyber-security collaborations, organize information security awareness trainings, and implement regular tests and checks.

We also conduct projects to integrate our global operations with HQ’s processes and take action to mitigate the impacts and probabilities of risks in all our regions in order to effectively manage risks that may cause loss of reputation, business interruption, and failure to innovate.

Pandemic risk

Arçelik follows the latest developments on the COVID-19 pandemic on a national and international level to monitor existing and potential risks. We take the necessary actions to reduce the impact and the probability of these risks to protect the health of our colleagues, stakeholders, business partners and consumers around the world, preventing disruptions to essential production and service processes that meet societies’ basic needs. Although our activities in procurement, production and sales are occasionally interrupted due to unprecedented shocks worldwide, we continue executing our Business Continuity Plan and the extensive measures we take for the health of our employees uninterruptedly. Our head offices started working from home, and our production facilities, stores, authorized services and supply chain operations proceed with their activities, adhering to high-level hygiene rules. The Turkish Standards Institute (TSE) prepared the COVID-19 Hygiene, Infection Prevention and Control Guideline to help industrial businesses fight against COVID-19. With the TSE COVID-19 Safe Production Certificate we received, the measures we have taken for all of our businesses are now officially recognized. In Pakistan, Bangladesh, South Africa and Russia, we had to temporarily halt our production and sales activities due to the curfews declared by official authorities to combat the pandemic. These activities, which were temporarily suspended, affected only certain regions and had a limited impact on our consolidated production and turnover. We are aware that potential restrictions in other regions may adversely affect our supply chain and create additional risks for sales. Therefore, we maintain our close contact with our suppliers and carry out the necessary actions for all of our sphere of influence to mitigate the impact and probability of such risks.

For more information: www.arcelikglobal.com

Thanks to our flexible production capability that allows us to meet emerging demands easily, we started the mass production of life-saving mechanical ventilators, which were developed by Biosys to help fight against COVID-19, under the leadership of the Ministry of Industry and Technology, and the Ministry of Health. Moreover, we designed the Ultra Hygiene Series in response to changing consumer habits during the pandemic. The Ultra Hygiene Series offers a special line of refrigerators, washing machines, dryers, dishwashers, ovens and mini UV cleaning devices. We are currently developing online sales channels for our customers. The pandemic has had a destructive effect on globally designed supply chains. Thus, we are launching projects to reduce the dependency on single-center production and to assess opportunities regarding resource diversity and local sourcing in different regions. These efforts help us take the necessary steps to lessen the impact and probability of related risks.

Cyber Risk Management

We completed our efforts on determining Arçelik's risk control strategies and cyber risk profile to transfer and mitigate cyber risks in collaboration with all relevant departments including the Information Technology Directorate. Accordingly, we started utilizing various tools, including cyber risk insurance policy, to mitigate the impact and probability of such risks.

Business Continuity Management

We continue to expand the Business Continuity Management Project in accordance with the ISO 22301 standard, which is conducted to ensure that the HQ, and selected affiliates and production facilities can maintain their product and service provision at an acceptable level following a disruption. This project intends to ensure swift and effective management of unexpected business interruptions and crises under the emergency response, crisis management and business recovery management plans; and to maintain business continuity by eliminating the impacts of such events on our production facilities, operations, finances, reputation and stakeholders. In this context, we aim to use resources effectively and timely in addition to ensuring effective internal and external stakeholder communication in case of a crisis.

Insurance Management

Insurance Management is responsible for evaluating and managing potential operational risks to which we are exposed or will be exposed. Insurance management basically consists of detecting, measuring, assessing, monitoring and mitigating operational risks. It also encompasses reporting and governance processes including claim advocacy. The Group's insurance and operational activities

are monitored as per our guidelines and transferable risks are transferred to local and international insurance companies.

Our lines are protected by insurance policies to cover any losses that may incur because of risks. We also conduct modeling studies to ensure that we use the best risk transfer methods applicable as per local and international regulations and to obtain policies that offer the best possible coverage for operational risks. Insurance coverages are revised based on the evolving needs of Arçelik A.Ş., ensuring more effective use of company resources.

As part of the operational risk management, commercial contracts to which the Group is a party (such as sales, distributorship or purchase agreements) are regularly revised on the basis of liabilities and indemnification conditions in order to obtain the necessary insurance coverage.

We also conduct modeling studies on risk transfer to address the Group's needs related to emergency response, crisis management and business recovery management, and coordinate the relevant processes with all business units.

The main goal is to monitor and report operational risks efficiently within the scope of the digital transformation project. Moreover, we collaborate with all business units to minimize the operational risks of the Group, and offer needs-based training programs.

RISKS ON RECEIVABLES

International Receivables Risk Management

The consolidated receivables risks arising from Arçelik A.Ş.'s direct exports and subsidiaries' local and/or international sales are managed by the International Receivables Risk Management Department. After determining the needs and risks arisen in line with our global growth, we enter into agreements to protect the Company against receivables risks and transfer these risks to the Global Credit Insurance Companies. In addition to the Global and Local Credit Insurance Agreements, we also utilize other security instruments such as letters of credit or letters of guarantee and transfer Counterparty Bank risks under the Global Risk Management Policies.

Monthly consolidated receivables risks are reported to the committees involving senior management, and the risks monitored within the framework of the Global Risk Management Policies are evaluated and approved by the related committees. In order to support the comprehensive analysis of receivables risks, risk scores

are calculated on a customer basis and the whole process can be monitored by ERP systems.

Domestic Receivables Risks

In order to mitigate domestic receivables risks, we monitor the adequacy of the guarantees provided by dealers/customers. We report the receivables risks monthly and assess them quarterly with the participation of senior management.

Product Safety Risks

Products are regularly checked by the Product Safety Department before the launch in order to eliminate risks associated with product life cycles. Design, quality, production and supply processes are evaluated and inspected with regards to product safety. The purpose is to promote improvement on products and processes.

Financial Risks

Following principles are applied to the management of financial risks that are divided into three categories: Liquidity Risk, Interest Risk and Foreign Exchange Risk.

Liquidity Risk

At Arçelik A.Ş., liquidity management is based on the coherence between the balance sheet and cash flow. Short-term liquidity management is performed by ensuring balance between the maturity dates of receivables and payables, and by effective stock management. The Company maintains a calculated level of cash on its balance sheet to mitigate any nonpayment risk that may occur. For mid- and long-term liquidity, the maturity dates in the debt portfolio are kept above a certain limit through various financial resources based on the prevailing market and industry dynamics. Liquidity management is performed centrally and the cash of the Group is utilized in the most suitable manner within the Group's international cash pooling system. This pool also serves as an instrument to meet the short-term cash needs of the subsidiaries.

Interest Risk

Fluctuations in the interest rates constitute a significant risk in terms of financial results due to the interest-sensitive assets and liabilities on the Company balance sheet. This risk is managed by establishing a balance between the amounts and the terms of fixed and variable interest rate items or by using financial interest rate derivative tools when necessary.

In this context, we attach importance to ensuring coherence between not only the final maturities of receivables and payables but also the relevant interest rate periods.

Foreign Exchange Risk

Arçelik A.Ş. is exposed to a major foreign exchange risk, as its production and sales activities are performed in various currencies across many countries. As of December 2020, 33 different currencies are being used in our commercial operations. Commercial transactions within the Group are conducted with the functional currencies of the subsidiaries in order to minimize the exchange risk at the subsidiary level.

Exchange risk is managed centrally. The main principle of the Company's foreign currency risk management is to maintain a near-zero exposure so as to minimize the impact of exchange rate fluctuations. Foreign exchange position estimates for the upcoming periods are reported by the subsidiaries on a monthly basis and the expected risk on the balance sheet is hedged by the central Treasury Management using both on-balance sheet and derivative instruments.

CREDIT RATING

Arçelik A.Ş. has been rated by Fitch Ratings since 2006, and S&P Global Ratings since 2013. In 2020, both institutions degraded the credit rating of the Company by 1 grade. Currently, the credit rating of Arçelik A.Ş. (S&P BB; Fitch BB) is 2 grades higher than Turkey's rating according to S&P and 1 grade higher according to Fitch.

ARÇELİK IS
ALWAYS WITH
YOU IN THE
CHANGING
WORLD



The most practical way
for David is

online
shopping

ARÇELİK
FOR
YOU

VoltBek plant started manufacturing

In line with Arçelik's initiative to create a 'Beko Line' between Turkey and Asia Pacific, VoltBek white goods plant was established at India's industrialized city of Gujarat in collaboration with Tata Group's Voltas.

It is estimated that
42 million people will
be employed globally
until 2050 through
effective renewable
energy policies.

The "Global Renewable Energy Outlook: Energy Transformation 2050" report estimates that further investments in renewable energy technologies will increase jobs in this industry to 42 million by 2050.

WORLD
FOR ALL
OF US

Brands



Arçelik, the leading brand in home technologies, offers innovative products and services with the latest technologies and best designs that meet the expectations of consumers. With the widest service and sales network in Turkey, Arçelik is the one and only brand that has been selected as the Lovemark for the last 12 years in addition to being the most preferred brand by the consumers.



Altus is the brand for those who are looking for affordability in durable goods.



Leisure, a traditional brand of the British freestanding kitchen stove market, supplies gas and/or electrical range stoves and built-in products.



Elektrabregenz is a well-established Austrian brand with a history dating back 127 years.



Beko has been simplifying the lives of consumers since 1955, with human-centric technologies and innovative solutions. Preferred by millions, the brand is the leader of the freestanding white goods market in Europe, and also the overall white goods market in the UK and Poland. Beko is a dominant player in the Turkish market featuring a wide product portfolio of white goods, built-in products, small home appliances, air conditioners, televisions and home electronics.



The 138 year-old, well-established German brand delivers a range of freestanding and built-in white goods. Offering its products to consumers with the motto "In Harmony with You," Blomberg has differentiated itself by combining technology, ease of use and eco-friendly features with an aesthetic approach to design.



Arctic is the leader of the Romanian white goods market and also is among the oldest brands of the country. Arctic has been the top choice of consumers for generations.



Grundig, with its wide product range, has been offering an excellent product and service experience to consumers since 1945. Grundig's revamped brand vision in 2018 consolidates its position as a sustainable home electronics actor. Ranging from white goods to consumer electronics, and from small home appliances to personal care products and audio systems, Grundig focuses on providing high-quality, aesthetically-coherent and sustainable products for a better world.



Voltas Beko offers a broad range of household appliances in the Indian market, ranging from refrigerators and washing machines to microwave ovens and dishwashers.



Defy is the leading brand of the home appliances market in South Africa.



Flavel, one of the best-known white goods brands of Britain and Ireland, has a low-cost product portfolio of freestanding and built-in products.



Being the leading brand of the home appliances market in Pakistan, Dawlance has been focusing on providing "reliable" solutions to consumers since day one.

Global Operational Network

MANUFACTURING PLANTS		R&D CENTERS AND OFFICES	
Eskişehir, Turkey	Refrigerator Plant	Istanbul, Turkey	R&D Directorate
Eskişehir, Turkey	Compressor Plant	Eskişehir, Turkey	Refrigerator & Compressor Plant R&D Center
Bolu, Turkey	Cooking Appliances Plant	Istanbul, Turkey	Washing Machine Plant R&D Center
Ankara, Turkey	Dishwasher Plant	Tekirdağ, Turkey	Dryer Plant R&D Center
Istanbul, Turkey	Washing Machine Plant	Bolu, Turkey	Cooking Appliances Plant R&D Center
Tekirdağ, Turkey	Electronics Plant	Ankara, Turkey	Dishwasher Plant R&D Center
Tekirdağ, Turkey	Tumble Dryer Plant	Tekirdağ, Turkey	Electronics Plant R&D Center
Tekirdağ, Turkey	Electric Motor Plant	Ankara, Turkey	ODTU Teknokent R&D Center
Gaești, Romania	Arctic Refrigerating Appliances Plant	Istanbul, Turkey	ITU Ari Teknokent R&D Center
Ulmi, Romania	Washing Machine Plant	Istanbul, Turkey	Arçelik Design Center
Kirzhach, Russia	Refrigerator and Washing Machine Plant	Istanbul, Turkey	Beylikduzu R&D Center
East London, S. Africa	Refrigerator Plant	Istanbul, Turkey	Small Home Appliances R&D Center
Jacobs, S. Africa	Cooking Appliances, Dryer & Washing Machine Plant	Tekirdağ, Turkey	WAT Motor R&D Center
Ezakeni, S. Africa	Refrigerating Appliances Plant	Istanbul, Turkey	Digital Transformation, Big Data & AI Center
Rayong, Thailand	Refrigerator Plant	Istanbul, Turkey	Manufacturing Technologies R&D Center
Haydarabad, Pakistan	Refrigerator Plant	Cambridge, UK	Beko PLC R&D Office
Karaçi, Pakistan	Washing Machine and Refrigerator Plant	Wuxi & Shenzhen, China	Arch R&D Office
Karaçi, Pakistan	Cooking Appliances and A/C Plant	Taipei, Taiwan	Electronic & Optical Applications R&D Office
Gujarat, India*	Voltbek Refrigerator Plant	Gaești, Romania	Arctic R&D Office
Kocaeli, Turkey*	Arçelik-LG A/C Plant	Rayong, Thailand	Beko Thai R&D Office
Dakka, Bangladesh	Refrigerator Plant	Gujarat, India*	R&D Office
Dakka, Bangladesh	TV, A/C	East London, South Africa	R&D Office
PARTNERS		Jacobs, South Africa	R&D Office
Turkey	Arçelik-LG Klima Sanayi ve Ticaret A.Ş.	Ezakeni, South Africa	R&D Office
India	VoltBek Home Appliances Private Limited	Karaçi, Pakistan	R&D Office
		Haydarabad, Pakistan	R&D Office
		Kirzhach, Russia	R&D Office
* Plant of joint venture.			

SUBSIDIARIES AND AFFILIATES					
Turkey	Arçelik Pazarlama A.Ş.	England, Ireland	Beko PLC	Pakistan	United Refrigeration Industries Ltd.
Turkey	Wat Motor San. ve Tic. A.Ş.	Slovakia	Beko Slovakia S.R.O.	British Virgin Islands	Pan Asia Private Equity Ltd.
The Netherlands	Arducth B.V.	Czechia	Beko S.A. - Polonya	Vietnam	Vietbeko Limited Liability Company
Thailand	Arducth B.V. Taiwan	China	Beko Shanghai Trading Company Ltd	Israel	Beko Israel Household Appliances Ltd.
China	Arch R&D Co. Ltd.	Thailand	Beko Thai Co. Ltd	Morocco	Beko Morocco Household Appliances Sarl
Australia, New Zealand	Beko A and NZ Pty Ltd.	Ukraine	Beko Ukraine LLC.	The Netherlands	Retail Holdings Bhold B.V.
Thailand	Beko APAC IBO Co. Ltd.	USA	Beko US Inc.	Bangladesh	Singer Bangladesh Ltd.
Malaysia	Beko Appliances Malaysia Sdn. Bhd.	China	Changzhou Beko Electrical Appliances Co. Ltd.	Bangladesh	International Appliances Ltd
Indonesia	PT Home Appliances IND	Pakistan	Dawlance Electronics (Private) Ltd	The Philippines	Beko Pilipinas Corporation
Indonesia	PT Beko Appliances Indonesia	Pakistan	Dawlance (Private) Ltd	Portugal	Beko - Home Appliances Portugal, Unipessoal Lda.
Serbia	Beko Balkans D.O.O.	South Africa	Defy Appliances (Proprietary) Ltd.	Switzerland	Beko Grundig Schweiz GmbH
Kazakhstan	Beko Central Asia LLC	Botswana	Defy (Botswana) (Proprietary) Ltd.		
Germany, Croatia	Beko Grundig Deutschland GmbH	Namibia	Defy (Namibia) (Proprietary) Ltd.		
Egypt	Beko Egypt Trading LLC	Eswatini	Defy (Swaziland) (Proprietary) Ltd		
Spain	Beko Electronics España SL	Austria	Elektra Bregenz AG		
France	Beko France SAS	Switzerland	Grundig Multimedia A.G.		
United Arab Emirates	Beko Gulf FZE	The Netherlands	Grundig Multimedia B.V.		
Hong Kong, China	Beko Hong Kong Ltd.	Norway, Denmark	Grundig Nordic AS		
Italy	Beko Italy SRL	Sweden, Finland	Grundig Nordic AB.		
Russia	Beko LLC	Romania	Arctic SA		

International Markets

2nd largest

white goods company of Europe according to market share ranking based on quantity **

An increase of 38.4%

in revenues in TRY in the global small home appliances market

Market leader

in Romania with Arctic, in South Africa with Defy and in Pakistan with Dawlance brands

Defy generates annual sales of 2 million units of white goods in

34 African countries

With the brand Beko

Leader

in Europe freestanding white goods market

Leader

in Eastern Europe, UK and Poland white goods market

Number 1

in French freestanding white goods market

WHITE GOODS

The global white goods market continued to grow by 4% in 2020 and reached USD 215 billion turnover. By comparison, white goods market in Europe has grown by 8.2% in 2020 in terms of unit sold compared to the previous year. Due to the market increase especially in Germany and the UK, Western European white goods market has grown by 6.2% in 2020. Despite the effects of the Brexit process, England has shown a yearly growth rate of 10%, while Germany, the largest market in the region, has experienced a growth of 9% in 2020 January-November period.

The growth in the Eastern European market was stronger than Western Europe and reached double digits (13.4%) in the 2020 January-October period. The growth in the January-November period was 20% in Russia, the largest market of the region and 12.6% in Poland, the second largest market of the region. Romania grew by approximately 8.3% and Ukraine by 12.6%.

Following the strong decline in April and May, the South African white goods market shrunk by 3.4% during the January-October period.

Despite the COVID-19 pandemic and the resulting impacts, Arçelik managed to maintain or even grow the size of its operations in many international markets as compared to the previous year. Total sales revenues increased by 0.4% in Europe and 18% in North America. Strong growth was achieved in Europe, with Germany reaching an outstanding 22% increase. In the Middle East and North Africa where the impact of challenging conditions continues, sales revenues declined by 18%.

Arçelik's revenues in the Asia-Pacific decreased by 14.2% in Euro denomination, but is still committed to grow in this region. The revenues by Dawlance in Pakistan declined by 18.7% in the local currency due to the COVID-19 pandemic and local economic conditions. The sale of Voltas Beko products has started in the Indian market, which promises a huge potential. Defy helped Arçelik achieve a significant position in Sub-Saharan African markets. The brand's strong performance continued with annual sales of 1.9 million white goods in 34 African countries. As a global white goods manufacturer and the largest Turkish investment in the territory

* Turkey included.

that operates extensively in the durable home appliances industry, Arçelik constantly expands resources allocated to the region.

Grundig makes no compromises from quality, aesthetics and sustainability. The company continued to offer products and services during the pandemic and grew by 30% in the white goods market in TRY in 2020.

CONSUMER ELECTRONICS

Television

The global pandemic, which began in 2020, has caused dramatic changes in many aspects including the consumer behaviors. Vital needs carved the majority of consumer spending, while other expenditures were for basic household needs and home entertainment. In this period, the TV market was reduced by 1%.

With more time spent at home, consumers' demand shifted to larger screens with better video and audio quality. In 2020, Ultra HD and OLED TV technologies, which offer better video quality, were the focus of consumers in both emerging and developed markets. Audio control technology, which simplifies daily life, gain positive acceleration with 50% growth.

Arçelik continues to closely monitor the market needs in order to update and fortify its product portfolio and sales channels. The Company distributes a wide range of TV products, from 24-inch to 75-inch, on a global scale. In European markets, Ultra HD sales revenues carve 65% of Arçelik's total revenues. Launched in 2020, Series 9 TVs were developed in collaboration with the German brand ELAC for the best audio experience. Furthermore, Grundig Fire TV Edition range was announced in association with Amazon to offer cutting-edge smart TV experience to the consumers in Germany. The Grundig Fire TV Edition powered by Alexa audio control system, allows the user to control the TV with voice commands. Thousands of commands are available to manage smart home appliances, play music, shop and gain access to the news, weather and daily schedules.



Audio Systems

The audio systems segment of the consumer electronics market was significantly affected by the limitations imposed due to the pandemic in the first quarter of 2020. However, the performance for the remainder of the year was similar to that of 2019.

The rising importance of mobile technologies in the daily lives of consumers urged the transformation which started in 2010 to continue at the same pace in 2020. This transformation has resulted with less interest in traditional products and a higher demand for products aligned with novel technologies and support mobility.

Arçelik, maintaining its strong position in Europe with the Grundig brand, launched new products in 2020 to focus on its evolving and diversified expectations of consumers. Also in October, the typical season for new product launches in electronics, the “Soundbar” product range, designed to enrich the home theater experience, along with Grundig’s Wireless Speakers were launched at the IFA Consumer Electronics Exhibition 2020.

In addition to new products, a special range of Heinzelmänn Radio was launched at the IFA Consumer Electronics Exhibition to celebrate the 75th anniversary of Grundig. This product was introduced in 1945 and marked a boost in Grundig’s brand recognition. A limited number were produced for the 75th anniversary, marked by a perfect combination of the historical design combined with contemporary technology. The wood plate is in perfect harmony with the 3.2” TFT screen and the three buttons are in line with Heinzelmänn’s traditional look.

Arçelik offers products and services with 22 production facilities in 8 countries, sales and marketing offices in 43 countries and 12 global brands that reach millions of consumers.

Small Home Appliances

The small home appliances market shrunk by 1.9% in 2020 in terms of volume. In this year of decline in the global small home appliances market, Arçelik grew by 8.2% in Euro and 38.4% in TRY as compared to the previous year.

Arçelik maintained an aggressive growth strategy across major markets in 2020. The Company positioned the Turkish, German, Polish, French, UK and Romanian markets as the leading markets in order to meet regional product and service requirements.

The small home appliances sub-categories of focus in 2020 included vertical cordless vacuum cleaners, bean-to-cup espresso machines, breakfast sets, new-gen hair care products and steam generator irons. The prestigious awards and business results achieved during the year confirm the soundness of this strategy. Vertical cordless vacuum cleaners, espresso machines and personal care products for men supported the growth in this category.

Spending more time at home during the pandemic increased the demand for robot vacuum cleaners and vertical cordless vacuum cleaners. Similarly, as a result of more time spent at the kitchen and due to the rising trend for healthy food, the demand for cooking appliances and frying pans increased. The demand for bean-to-cup espresso machines also grew due to popular trend of professional coffee experiences at home. In view of above trends, these categories shaped the global market in 2020.

2020 was also a year in which strategic partnerships were established with major channels in British and Polish markets. Arçelik’s penetration across these channels was streamlined by developing special product ranges. The objective is to ensure the sustainable growth of these strategic channel partnerships in the near future. The German market, the largest among all international markets was the leading small home appliances market in 2020. It grew by 27.8% as compared to the previous year and reached its historical peak.

“Grundig Massimo Bottura Collection”, a special kitchen appliances range developed in collaboration with Massimo Bottura, a world-famous chef and Grundig’s brand ambassador, made a strong impact on many channels, including IFA, and was introduced to the market in Germany, Italy, Poland and Romania beginning in 2019. This special collection has been a focus of communication and campaigns during the COVID-19 pandemic. A similar campaign was launched in Turkey in collaboration with the Culinary Arts Academy (MSA) and innovative products were co-designed with culinary



professionals. New projects were also developed on recipes and cooking methods

AIR-CONDITIONING

Despite the global home-type A/C market shrinking by 9% in USD in 2020 as compared to the previous year, the Company’s major markets (Europe, especially Italy, France and Romania) grew by 28% in Euro denomination. Mobile A/Cs supported by the Google Assistant - Alexa audio control feature made a significant contribution to growth in 2020. The growth also continued in the new semi-commercial A/C segment.

The Association of South East Asian Nations (ASEAN) home-type A/C segment also grew by 8%.

HITACHI GLS PARTNERSHIP

In line with Arçelik’s growth strategy in emerging markets, on December 16, 2020, a share transfer agreement was signed with Hitachi Global Life Solutions, Inc. (Hitachi GLS) in order to build a partnership for the global home appliances markets excluding Japan, where Hitachi brand would be used. If all conditions are met as per the agreement, the shares of the new company will be distributed as 60% for Arçelik and 40% for Hitachi GLS. This joint venture, built on Arçelik’s global competencies and Hitachi GLS’s regional and brand power, will offer Hitachi products on a global scale, excluding Japan. The company will engage in manufacturing and marketing operations with 2 manufacturing plants in China and Thailand, as well as sales companies in 10 countries. It will support Arçelik’s global growth and help the company emerge as the leading actor in Asia-Pacific.

BEKO

Beko, Europe's number-one freestanding white goods manufacturer, has been offering products which make the lives of consumers easier since 1955. Beko focuses on innovation and customer satisfaction in all its operations.

Under the slogan "Live Like A Pro", in 2020 Beko embarked on encouraging younger generations to live healthy and provided necessary means for that goal. To this end, as a responsible company, Beko maintained collaborations with FC Barcelona, Fenerbahçe Men's Basketball Team and League of Legends European Championship within the scope of the "Eat Like A Pro" awareness campaign.

Furthermore, the Company continued to support the UNICEF-managed campaign to prevent obesity among children in Latin America in 2020 after donating EUR 1 million in 2019. It also supported the efforts to raise awareness after the closure of schools and transition to remote education due to the pandemic. The Company shared information on the importance of a healthy diet and physical exercise via TV, radio and social media channels. Beko donated white goods and small home appliances to 420 hospitals in more than 20 countries to support healthcare professionals during the pandemic. In addition, the Company

introduced several social media campaigns in order to raise awareness on the pandemic and encourage a healthy life.

The Hygiene Protection Product Group, capable of ensuring 99.9% protection against bacteria and viruses, was launched to meet the need for better hygiene amidst the global COVID-19 pandemic. This new product group is inspired by nature's ability to self-rehabilitate and its immense capacity to clean. With a highly effective to disinfection capacity, the Hygiene Protection Product Group makes lives easier and gives people comfort at home.



GRUNDIG

Grundig has been influential in many aspects of life, leaving memorable marks since 1945. Starting with radios and continuing with TVs, this journey opened up a window to the outside world. Many other aspects of life were then covered, ranging from white goods to consumer electronics and from small home appliances to personal care products and sound systems.

Over the years, Grundig has been dedicated to satisfying people's evolving needs and expectations with a commitment to developing smart and innovative technology, while always remaining loyal to its core values. This is why everything and nothing has changed for Grundig brand. Despite fast-moving technologies, core values have been maintained and become more relevant than ever.

Grundig's ultimate goal is making people's lives easier and more valuable without compromising on sustainability, quality and aesthetics, which are the pillars of its growth. Grundig focuses on not only developing eco-friendly, high-quality technologies, but also on inspiring people to take daily action for a better and more sustainable future. Grundig is convinced that small steps taken at home will have a greater impact in the outside world. Believing that a better future is possible with these steps taken in homes, Grundig aims to take its steps towards a better future by blending legacy values with advanced technologies.

In 2020, people started to spend more time at home, and the new normal brought by COVID-19 has reinforced the necessity to believe in a better future. In this new normal, it has become critical to provide a quality experience, and so Grundig continued to focus on sustainability as one of Europe's largest full-scope home appliance producers. Within this scope, Grundig's PET Tub technology available in washing machines and dryers is a major step reflecting how the brand's vision is brought into homes. Combining these great innovations with its PET Tub communication campaign, Grundig earned the «9th most creative and effective digital ad in 2019» award by Kantar. This prestigious award motivated Grundig to extend the PET tub technology to its key laundry products and create its main communication assets accordingly. This successful launch will be followed by other sustainability innovations like MicroFiber Technologies.

With cutting-edge technology innovations merged with sustainable materials, Grundig continued to streamline its product portfolio in 2020. The objective of offering a Premium experience in all categories is realized with infrastructure improvements and the introduction of the new Grundig Prologue range. Starting with the cookers category, the launch of Grundig Prologue continued with the HotAero Pro technology in 2020. Redesigned from scratch with ghost fishing nets as a material, HotAero Pro Ovens fully control the circulation of hot air and assure perfect cooking results while

contributing to the reduction of plastic pollution in the oceans. The cooling category also hosted a number of major innovations in regards to sustainability goals. One of them is the BioFridge refrigerator, which reduces the use of petroleum-based plastics in refrigerators through bio-plastic technology. The InterAct® dishwasher, which offers a new level of dish-washing experience through artificial intelligence for optimum use of resources; the Quiet Mark-certified SilenceDry hairdryer that allows hair drying without disturbing anyone, even in the quietest morning hours; and NaturaShine Range products, with natural oils inspired by nature, are products which reflect the brand's vision on innovation in other product segments. The relaunch of the "Heinzelmännchen" radio, equipped with the latest technologies combined with iconic design elements, is also an outstanding example.

In addition, Grundig has enjoyed continuous growth in the Amazon Fire TV range in Germany. The brand started using recycled materials in TV packaging in 2019. This project was taken one step further and all SDA packaging has now become 100% recyclable.

Grundig takes every opportunity to raise awareness on food waste with its Respect Food initiative and creates partnerships around this vision. Grundig launched campaigns and shared content in order to raise awareness on how to prevent waste and respect food. For special days like the World Food Day, Christmas and during COVID-19 lockdowns, Grundig developed and launched campaigns with Massimo Bottura, Grundig's brand ambassador and a Goodwill Ambassador of the UN Environment Programme, in an effort to contribute to the vision of Respect Food.



ARCTIC

Arctic, the leading brand in the Romanian white goods market, leverages its position as a long-established brand with a sense of high quality, expertise and trust to offer consumers value-added products.

To support the perception of high quality and create a brand association with the latest technologies, Arctic implemented the “How To?” project in collaboration with Discovery at Ulmi Washing Machine Plant in 2020. The objectives of the project were positively contributing to brand perception, as well as a highlighting the only green plant in Romania with the LEED Platinum certification and the Industry 4.0 technology.

As a result of a study conducted by Unlock Research Company in September with 600 respondents, the Company was listed as “Romania’s strongest and most loved brand” by Biz Magazine, a major periodical publication in Romania. This achievement was promoted through social media.

During the “Made in RO” event organized in October 2020 in collaboration with the Advertising & Brand Museum of Romania, Arctic showcased the historical transformation of Arctic refrigerators at two exhibitions in different locations.

The “Your Family Is Your Business” campaign was launched in 2020 with a focus on product quality and durability. Social media channels, press releases and influencers were used in the campaign.

Due to the pandemic, Arctic preferred digital communication channels across the year. A community-focused approach was implemented in social responsibility campaigns. #RespectPentruLiniaIntai (respect for COVID-19 first responders) campaign and the call to #WearAMask based on Beko’s global initiative were launched on social media channels. Other activities by the Company were promoted on the Arctic.ro blog and other social media channels during 2020.



ELEKTRABREGENZ

A long-established Austrian white goods brand dating back to 1893, elektrabregenz was acquired by Arçelik A.Ş. in 2002. elektrabregenz, a major player in the domestic market, offers high-quality product and service experience with more than 300 products covering the cooling, refrigerator, dishwasher, drying and cooking categories.

elektrabregenz is the only Austrian home appliances brand to have received the “Green Brand” award thanks to its focus on eco-friendly and innovative technologies. The brand also received the “Super Brand of the Year” award given by an independent committee in 2018 and 2019. With an innovative approach focused on quality, elektrabregenz has received numerous international awards for multiple times including the “Red Dot Design Award” and the “Plus X Award”, and yet it kept delivering products and services in 2020.

BLOMBERG

Established in 1883 in Germany, Blomberg builds on 138 years of experience with a focus on offering smart solutions, energy efficiency and highest-quality materials in manufacturing. The brand is committed to blending contemporary European design with cutting-edge performance.

Blomberg’s manufacturing strategy is to develop products which combine technology, ease of use and eco-friendly features with an aesthetic design. The motivation behind this is to increase the quality of lives by responding to the needs of consumers in the best way.

Responsibility for the environment is one of Blomberg’s core values. Major products in Blomberg’s portfolio are manufactured of 95% recycled components. The company also actively encourages and participates in ENERGY STAR® and utility service programs that make recycling of white goods easier.

DEFY

Defy is South Africa’s number-one home appliances brand and operates at four manufacturing plants.

- Cooking appliances & dryer plant
- Top-loading washing machine plant in Jacobs
- Refrigerator plant in Ezakheni (Ladysmith)
- Refrigerator plant in East London

Defy has been a member of Arçelik family since 2011. All Defy plants are ISO 14001 accredited. The manufacturing capacity of the Ezakheni (Ladysmith) Refrigerator Plant was increased by 50% through efficiency improvements. The higher capacity also allowed to increase total manufactured units. Plans are in place to expand the plant and optimize costs in the future.

The cooking appliances category has a special importance in Defy’s product portfolio. In addition to the sleek and sophisticated design, Defy’s Gemini Collection allows cooking multiple dishes at the same time with its Feast Master feature.

The Slimline Product Range with Thermofan+ Technology helps cooking multiple dishes at the same time without any mixture of odors or aromas.

Defy coolers and no-frost refrigerators equipped with Naturelight Technology keep foods fresh to maintain their nutritional value for a longer time. These products also provide odor and humidity control, and operate with high energy efficiency.

Defy refrigerators are one-meter wide and offer the largest storage space in the market. Defy washing machines provide maximum efficiency and optimum use of detergents thanks to the latest technologies. The Defy Aquawave Drum Technology allows an easy and efficient washing experience with front and top loading options.

Steam Cure Front-Loading Product Range distinguishes itself with steam, and offers a unique experience with the capacity to both soften laundry and remove wrinkles. A new range of dishwashers, washing machines and air conditioners were launched this year.

Mixers, juicers and coffee machines are the newest additions to Defy’s product portfolio.

Defy also has a strong after-sales service network with 14 Authorized Service Centers staffed with qualified technicians.

Defy supports the financial empowerment of women as part of its corporate strategy and will increase the ratio of women employees in 2021, which was 30% in 2020.

Defy continues to develop projects to leave a better world for future generations in accordance with Arçelik’s global strategy. The brand was recently granted the (BSI) ISO 14001 certification by the British Standards Institution.

DAWLANCE

Dawlance, founded in 1980 with a vision of becoming a global brand, and acquired by Arçelik in 2016, is the leading home appliances brand in Pakistan.

Dawlance offers reliability to both consumers and stakeholders in every aspect. With a firm grasp of the industry and consumers requirements, the Company swiftly responds to evolving demands and addresses these requirements with innovative products.

The Company has a wide product portfolio including refrigerators, coolers, microwave ovens, water dispensers, small kitchen appliances, hoods, washing machines, dishwashers and A/Cs.



VOLTAS BEKO

Voltbek Home Appliances Private Limited (Voltbek) is a joint venture founded in 2018 with equal shares by Arçelik and Voltas Limited, India's leading A/C brand. The products and services offered promptly received positive feedback from the market.

And consumers were very interested in products equipped with the features needed in India. The demand is especially high for refrigerators with "Active Fresh Blue Light" and "StoreFresh+" programs, which keep food fresh up to 30 days, and for washing machines with the Stain Expert Washing Program, which conveniently removes 26 types of difficult stains.

Voltas Beko reached 2500 retail stores throughout the country and continues to reach more points of sale, especially in Tier-II and Tier-III cities.

Voltas Beko expanded its product portfolio with 52 new models during the year, and the refrigerators manufactured in Gujarat, Sanand using domestic resources offer "ActiveFresh Blue Light", "Rapid Cooling" as well as other key features. New SKUs like "Hydro-Cleanse" and "Auto-Dose" were launched for Front-Loading, Top-Loading and Semi-Automatic Washing Machines. In total, 24 new models were introduced from 2019 to 2020. In 2021, domestic manufacturing of no-frost refrigerators will begin, and 21 models will be launched under this category.

The brand also adopts an aggressive strategy to lead in the dishwasher category. Three new SKUs were developed for this; "Corner Intense", "Aqua Intense" and "Aquaflex", and they are offered at competitive prices.

SINGER BANGLADESH

Singer Bangladesh, number two in major segments of the white goods market in Bangladesh, has the country's largest retail network with 423 stores and more than 900 dealers.

Singer Bangladesh has 1,700 employees and reached total revenues of \$182 million in 2019. Despite the 2-month national lockdown due to the pandemic, the revenues approached \$182 million again in 2020, reflecting a limited decline.

Since the acquisition, Arçelik has been dedicated to improve quality, efficiency, after-sales services and supply chain through brand integration processes. Revenues increased as a result of employing experts, enhancing manufacturing processes and carefully managing costs.

In 2020, the first Singer customer care center was established in the country as part of its customer-focused approach. The brand's strategic plan includes the objective of reaching a growth rate that exceeds even the fast-growing Bangladesh market.



The Target Market; Turkey

Leader

in white goods, air-conditioners, TV and small home appliances markets

The Hygiene product range

was introduced to swiftly meet emerging demands.

To produce

30,000 air-conditioners,

300,000 PET bottles

were recycled.

WHITE GOODS

The impact of the pandemic in 2020 was significant on the white goods industry as well as in all others. However, the Turkish white goods industry maintained its position as Europe's largest manufacturing hub in 2020. According to data provided by the White Goods Industrialists Association, domestic sales in the Turkish white goods market grew by approximately 16% to reach 7.75 million in 2020. The increased time spent at home, the change in consumer behavior, and consumer campaigns together played a major role in this growth during the pandemic. Total exports slightly increased to 22 million units in the Turkish white goods industry. Despite barely maintaining the level of exports, manufacturing increased by 3% to 29 million units as compared to 2019 thanks to growth in the domestic market.

Based on retail panel data, the TV market grew by 18.6% and the A/C market shrunk by 5% in quantity. (January-September Gfk)

Arçelik continued the digital transformation in 2020 and sustained leadership in all domestic categories through effective use of new-generation sales-store applications.

CONSUMER ELECTRONICS

Television

With more time spent at home during the pandemic, TV regained its prominence as a medium of entertainment. Arçelik closely monitored consumer needs and trends, and was focused on supporting its position in the TV market through product diversity, quality of service, as well as online and offline sales channels.

The TV market in Turkey increased by 12.8% in quantity and 29.9% in revenues in 2020. Arçelik leads in this segment with a 27.1% market share in total units sold. The market share in revenues is 22.9%.

In 2020, record numbers were achieved in sales with the introduction of innovative and user-friendly TVs in conjunction with promotional campaigns. Arçelik reached 35% market share in June, a significant 12% higher than its closest competitor. This resulted in leadership in revenues with a market share of 29.5%. Arçelik

increased UHD TV sales by 33% and large-screen TV sales by 28%. The Company owes the sales success to focusing on consumers and responding to their feedback, as well as updating its product portfolio with cutting-edge technologies.

Arçelik invests in large-screen TVs and Smart TVs in line with technology and consumer trends. Its R&D and content investments in Smart TV allow a richer and effortless TV experience. UHD TVs from 49" to 75" and 4K displays on large screens improve the overall viewing quality at home. The new Smart TV remote control has a sleek design with buttons that allow easy access to on demand platforms including Netflix, Youtube, TV+ and Beinconnect. Arçelik is the first brand to provide easy access to TV+ and Beinconnect with a single button, and also offers loyalty rewards to consumers.

Arçelik launched the 'Life at Home' app during the pandemic to offer reliable information on education, sports and health for Smart TV users. This single platform covers high-quality content on a wide range of topics through Koç Group partnerships, including VKV Health Institutions and Sports Club. The Company strived to support consumers during their time at home via informative and entertaining content to help spending quality time.

Corporate Displays

Professional display units, software and content management systems are essential tools for businesses in their advertising and communication efforts in a constantly digitalizing world.

Arçelik takes a proactive approach and creates an even more immersive experience in digital displays through a series of projects. The Company continues to invest in its Professional Display Screen (Videowall, PID, Smart Monitor) product portfolio, which range from 22 to 98 inches. LED Screen solutions were added to the product portfolio in this category.

Arçelik offers corporate solutions for businesses in various industries and is quite successful in hotel TV (IPTV/RF TV) and Professional Display Screen solutions. Arsigna™ content management software offers a perfect end-to-end experience for the hospitality industry.

Smart boards, which allow education via smart technologies and software, are now widely used in educational activities. Arçelik closely follows changes in this area, and develops functional solutions. Smart Board and Arsense™ smart board software enable an efficient learning experience for students and teachers.

Arçelik 65", 75" and 86" Smart Boards provide rich content and colorful visuals; they also offer a touch screen capable of detecting 10 touch points. The software helps students and teachers create an interactive connection. They can create multiple pages, draw pictures and use files in a number of formats on the Smart Board. The use of a Smart Board is not limited to education; it extends to meeting rooms, academies and many other areas of education.

The Arçelik 3D Printer and software developed for schools and educational workshops help transform 3D modelled designs into 3D objects and get reliable printouts, when necessary. With a user-friendly interface, learners can access to course content supporting the curriculum, and with its content library and classroom management application, children can adapt to technology and the digital world as well as boost their creativity. Eco-friendly PLA filament material helps children get better prints and the cloud-based management software facilitates both educational and design activities.

Arçelik delivered Smart Boards and 3D Printers to private schools as well as public schools through an agreement with the Ministry of National Education. This was a major contribution to the digitalization of education.

Payment Systems

The consumers preferred contactless payments methods in 2020 due to the pandemic conditions. Beko focused on replacing old units in the market with contactless devices and also making Beko the choice-brand in new product orders.

Special deals were made to current customers through CRM applications. The platform's expansion plan involved Paro campaigns and special communication efforts, as well as offering competitive prices and affordable products to the market. Cash register sales via internet was launched during the pandemic, and 3.5% of total sales were made through this channel.

Various communication and replacement campaigns were organized for markets and restaurants shifting to takeaway services due to the current conditions. Special offers were also made to pharmacies. A total of 635,000 devices were installed in Turkey which increased market share from 50% to 52-53%, fortifying the Company's leading position.

An Android POS device, a breakthrough in payment systems, is now used by Arçelik dealers. The GIB (Turkish Revenue Administration) approval process is in progress for sales to end users.

Small Home Appliances

In 2020, the size of the Turkish small home appliances market increased from TRY 5.4 billion to TRY 6.4 billion. The largest growth was achieved in dental hygiene products, personal care products for men, hair care products and bread makers.

The achievements in the small home appliances market in 2020 are substantial.

Arçelik not only maintained market leadership in terms of units sold but improved its market share by 1.7%. In terms of revenues, its market share increased by 1.3% in 2020. Arçelik’s revenue growth in this category reached 22% (TRY). The aggressive growth of Arçelik and Beko were supported by year-long powerful campaigns as

Another major achievement in 2020 was in cookers. Grills and toasters have a major impact on the strong growth in this category. Arçelik is the undisputed market leader with a growth of 8.3% in units and 6.2% in revenues. The Company also leads the Turkish coffee maker and tea maker segments both in volume and revenues.

In 2021, the objective is to maintain sustainable and profitable growth in this category through innovative products.

Air-Conditioning

In 2020, the Turkish residential air conditioner market grew more than 10%, and total market size exceeded 800,000 units. Arçelik,



well as the launch of vertical cordless vacuum cleaners and multi-purpose cookers.

Thanks to effective campaigns on discounts, and especially online alternative channels, Altus and Grundig sales grew by 58% and 37%, respectively.

In 2020, tea makers and vertical cordless vacuum cleaners were also among key categories. The successful strategies implemented in these categories resulted in positive business outcomes as well as industry awards from prestigious institutions. Market trends shifted from horizontal vacuum cleaners to vertical vacuum cleaners in 2020. With a proactive approach and major product launches in this category, the company continued to lead the market with a market share of 18.9% in terms of units sold. In 2021, a profitable growth will be achieved with plans to introduce a robot vacuum cleaner.

offering the largest product range in this segment, fortified its leadership position with over a 50% share of the market.

As a result of continued R&D efforts in 2020, 9,000 and 12,000 BTU/h cost competitive inverter models were developed and launched in wholesale channels and supermarket chains. The 12,000 BTU/h cooling-only inverter was introduced for customers who do not need the heating function.

The 7,000, 9,000 and 12,000 BTU/h models with a noise level of 15dB in sleep mode were developed as part of “The Most Silent AC of Turkey” project.

ARÇELİK



2020 was a challenging year on a global scale and Arçelik, Turkey’s most preferred and recognized brand, once again proved that it stands by the country under any and all circumstances. Starting with the early days of the pandemic, the Company made communication efforts under the concept of “we are available” to uplift the social mood and remove the sense of loneliness despite dramatic changes and uncertainties.

In a period when people stayed at home and shopped mostly online, the Company designed a robust strategy via communication on arcelik.com.tr. Online sales and web page communication continued throughout the year, and powerful statements like “hygienic delivery in 48 hours” distinguished Arçelik from its competitors.

The Ultra Hygiene Series was a major launch in 2020, and products demanded by consumers during the pandemic were introduced swiftly. The Ultra Hygiene Series had a major impact on the brand’s

image and revenues, as the products use a special technology that eliminates 99.9% of viruses and bacteria.

Arçelik once again confirmed its leading position in the refrigerator category in the summer of 2020. The Vitaminzone technology was introduced with the slogan, “The refrigerator with the sun inside”. Vitaminzone technology simulates the daylight cycle to preserve vitamins in the vegetables and fruits.

Arçelik continued to launch innovative products and campaigns, especially in small home appliances which are even more important now with people spending more time at home. Arçelik Imperium Go, the vertical vacuum cleaner, was launched in the final quarter of the year with an objective of transforming the market from horizontal to vertical vacuum cleaners, as well as increasing market share.

BEKO

Beko focused on the concept of “health” in its 2020 strategy against the compelling agenda of COVID-19. With the motto “Health at Home,” Beko renewed its slogan and logo and maintained solutions in health, hygiene and cleaning during these challenging times. Products and services were geared to make time at home more enjoyable for consumers by aiming to be a part of and facilitating every moment of life. Beko also donated products to the pandemic hospitals to support health professionals, the heroes and first responders to COVID-19.

Beko launched major products in 2020. The innovative Beko Active Hygiene Range capable of eliminating 99.9% of viruses and bacteria (inspired by nature), Beko Ultra (Turkey’s largest refrigerator with a storage capacity of 720 L), and Beko Dem® (with a glass pot four times more sturdy) were all launched in 2020 to meet consumer demands.

Beko fully complies with hygiene rules and offers fast, reliable and uninterrupted services with the largest service and sales network in Turkey. In 2020, the Company monitored consumer trends closely and strengthened its online activities with an increased focus on e-commerce. Thanks to a wide product range, services, quick delivery and competitive prices, Beko ensures a reliable shopping experience on beko.com.tr

In line with its Sustainability Strategy, Beko continued the “100 Women as Beko Dealers” in 2020 in order to support women in the entrepreneurial ecosystem, a project initiated in 2019.

For Beko, the notion of health is important not just in products and services, but also in social efforts. The brand has been supporting sports for 30 years to help create healthy generations. Beko is a sponsor of Beşiktaş JK; this legendary sponsorship relationship continued in 2020, with Beko being BJK’s main sponsor. In 2020, Beko also continued its collaboration with Fenerbahçe Men’s Basketball Team, which started in 2018.



GRUNDIG

In 2020, Grundig used traditional channels, as well as organized retail channels and online channels to offer products in the TV & Audio Systems, White Goods & Built-in Appliances, Small Home Appliances, Vacuum Cleaners and Personal Care segments.

Grundig’s revenues grew by 60% in 2020 as a result of new consumer insights and accurate analysis of purchasing behaviors, efficient channel investments, collaborations, wide product range and special communication efforts.

The focus was on product groups to meet new consumer insights diversified as a result of the pandemic, such as storage, hygiene and entertainment at home, and sales and communication campaigns were launched in these segments. Grundig focused on new-generation communication methods, mainly digital platforms, to reach the target audience. To boost sales and brand recognition, the Company also collaborated with Turkey’s leading sales channels to address the rising demand for online shopping.

Grundig started off with the “brand with a purpose” concept and is the first brand to come to mind about respect for food. Food For Your Soul initiative continued in 2020 with a focus on digital channels aiming efficiency through content and marketing strategies.

The purpose of the Food For Your Soul initiative is to encourage responsible consumption starting in the kitchen, as well as respect for food and inspire a simple life. The initiative was active on all digital channels. The project was viewed more than 100 million times over 3 years. The number of followers reached 543,000 on Instagram, 161,000 on Youtube and 800,000 on all online platforms. The initiative is now an influencer itself. Seasons 1 and 2 were on NTV, TLC and Puhu TV. As a result of the positive results on TV, season 3 was broadcast on Keşfet, NTV and Puhu TV, in addition to Star TV where it was on Monday mornings at 10:00 a.m. in April 2020.

Grundig’s Food For Your Soul project earned major awards including Crystal Apple , Felis Awards and Mixx Awards Turkey before 2020. In 2020, the project was recognized with the golden award in durable goods and small home appliances category at Effie Awards Turkey. Effie is a prestigious event where actual data and the brand connection of the communication are evaluated.

Grundig strengthened its collaboration with the Culinary Arts Academy (MSA) in 2020. High-achieving projects were implemented within the scope of this collaboration. From

September 2019 to October 2020, 22,264 people tried Grundig products over 3,704 hours in 923 workshops (18,736 people) and 159 special events (3,528 people), making 3,766 recipes. MSA employees, trainee chefs and workshop attendees were offered special Grundig promotions and were encouraged to buy products. The “MSA & Grundig Do Well In The Kitchen” project was supported via the organic channels of MSA and Grundig as well as through media investments. Furthermore, “MSA Prefers Grundig Kitchen Appliances” project was supported via organic channels, e-commerce web sites and offline sales channels. MSA workshops were offered as gifts to purchasers of Grundig products as part of sales campaigns. Finally, “Professionalism At The Kitchen Starts At Home” project was introduced in collaboration with MSA chefs where they tested the performance of Grundig kitchen products, and videos of special recipes were displayed on sales channels. As a result of branding and sales communications, more than 2 million people were reached.

Grundig will continue its value-added efforts to create awareness at all levels in 2021.



ARÇELİK IS
ALWAYS WITH
YOU IN THE
CHANGING
WORLD



The most interesting
change for Leyla is

*greeting
methods*

ARÇELİK
FOR
YOU

Functional and innovative: Hygiene product portfolio

Arçelik developed a portfolio of hygiene products that eliminate 99.9% of viruses and bacteria in response to changes in consumer habits during the pandemic. These products were introduced in Turkey as well as on the global market.

Consumers invest in their homes

Consumer behavior and purchasing trends were influenced by the COVID-19 pandemic and the slow vaccine rollout. Due to COVID-19-mandated social restrictions, people began to spend more on their homes and less on travel, cosmetics, clothing, and accessories.

WORLD
FOR ALL
OF US

Innovation

13 R&D Offices

in the UK, China, Romania, Thailand, Taiwan, India, South Africa, Pakistan and Russia

More than **1,700**

R&D staff members

15 R&D and Design Centers

in Turkey.

The only Turkish company

in the WIPO Patent List

One of the 6 Turkish companies

in the list of “Top 2,500 Companies That Make the Highest R&D Investment in the World”*

Innovation is an integral part of Arçelik’s corporate culture. Adopting the vision “Respects the Globe, Respected Globally”, the Company champions innovation when expanding its portfolio of sustainable products and services. Arçelik preserves the nature with patented technologies, and adds value, function and comfort to the lives of users with competitive and innovative products.

DIGITAL TRANSFORMATION

Arçelik selects and designs digital transformation works and projects to serve at least one of these focus areas: “Customers”, “Products & Services”, “Processes & Systems” and “People”. Thanks to the Company’s digital transformation vision and the digital transformation projects that have been implemented since 2016, Arçelik has successfully ensured business continuity amid the COVID-19 pandemic which caused chaos and uncertainty across the world and affected all aspects of life. These forward-thinking digital transformation projects also enabled us to provide solutions and services to improve customer and employee satisfaction.

Arçelik provided its employees with everything they need for remote working during the pandemic. Employees from all over the world, from Thailand to the United States, were helped to transition to a highly efficient remote working model in just a few days. This shift did not require additional hardware or other equipment thanks to the scalable infrastructure and virtualization projects we have implemented before the pandemic. However, virtual desktop access and additional VPN capacity was swiftly provided for R&D staff members who work with special equipment and computers. Implementing a fully-flexible IT architecture will remain a top priority in the wake of the pandemic to ensure the execution of our global and sustainable business models, and we will continue to focus on development projects.

As part of our integrated communication vision, we deduplicated all video, message and conference applications used by the Company in 2019. This allowed our employees to seamlessly participate in video meetings, share documents and make use of shared working spaces. Moreover, the recent integration of phone systems on this platform eliminated the need for desk phones. Another item on the Company’s agenda is the development of integrated



communication applications that create value. In this sense, projects are in progress for the integration of support services with chatbots and other applications.

Swift action was taken since the beginning of the pandemic for the health and safety of not just remote teams but also staff members at manufacturing plants and warehouses. A number of digital apps were deployed on hygiene and social distancing rules in addition to thorough physical measures. In this sense, we quickly started measuring social distancing with AI technology and cameras, and utilized QR codes and/or Bluetooth Low Energy for tracking and filiation. Works are in progress on a monitoring device for social distancing for all staff members. A new mobile app was developed to assist healthcare units in monitoring the health status of the employees. In the upcoming period, efforts and projects in the field of OHS, as well as solutions based on new digital developments, will be developed.

During the pandemic, traditional channels saw considerable fluctuations due to the closure of shopping malls, lockdowns, and physical distancing measures. On the other hand, more shoppers

have gone online, marking a dramatic change in consumer spending habits and behavior.

With a strong network of 3,000 dealers and more than 600 service points, Arçelik accelerated the restructuring of all network processes as part of its “OmniChannel” vision during the pandemic. At the same time, Call Center sales and other solutions were introduced to senior citizens who are unable to go out or shop online.

With online sales increasing 10-fold during the pandemic, the Company directed the sales to nearby dealers with its unique OSAS infrastructure to ensure business continuity for dealers which had to remain closed. This resulted in shorter product delivery times (30 minutes), better customer satisfaction and a boost in Arçelik’s high-tech and innovative image.

Additionally, in order to provide the best possible customer experience, the Company decided to completely renew its e-commerce infrastructure.

The pandemic has accelerated digital transformation across industries on a global scale. The developments in technology and digitalization have transformed business processes, products and services, and the overall way we work. This, in turn, heightened the need for more IT security, leading to the emergence of new cyber security technologies. More importantly, new opportunities have arisen to help companies outperform the competition and swiftly respond to changing consumer demands. These demands and opportunities raised the bar for the Digital Transformation teams in terms of pace and output, and boosted the use of innovative, agile working principles with high added value. Internal transformation projects gathered speed and were completed to a significant extent during the pandemic. In July 2020, Digital Transformation teams gained R&D status. This resulted in stronger support for AI, data analytics, and the productization of software projects. With this agile and expertise-based structure; the number of expert staff members with a master's or doctorate degree will be increased, more collaborations will be made with universities and R&D projects will be carried out as in the Horizon Europe project.

With the fully-restructured digital career roadmaps and the Digital Academy, Arçelik fostered team spirit within the company for continuous improvement.

In this rapidly changing world, The Company will continue to focus on digitalizing all business processes and experiences that can be “contactless”. As such, have works in progress for the digitalization of smart systems, robots, AGVs and other technologies that facilitate reduced interaction in manufacturing processes. Additionally, we are currently planning to launch preliminary 5G applications to lead revolutionary manufacturing practices. Arçelik implements exceptional systems that allow consumers to connect to a sales representative and view the products without being physically present at the store. We have also started utilizing augmented reality technology to help consumers see how the products will look and fit in their homes.

Another item on our agenda is to enable detailed monitoring of the supply chain and post-sales services in e-commerce. For example, we have replaced the systems used by our technicians with the mobile software used by major technology companies like Google or Facebook. This allowed us to give two-hour installment



appointments to customers, and helped technicians plan their routes on their mobile devices when going to customers' homes. Additionally, technicians can now review the failure notes by utilizing machine learning, detect the most probable cause of the failure, and bring the right spare parts. These technologies employ AI algorithms and will be further improved to meet the needs of the customers to the maximum extent possible.

Global pandemic has highlighted the significance of digital applications and how digital transformation can be accelerated by using such applications. This transformation revolves around people, around the evolving needs of employees and customers. Therefore, we must keep this in mind when planning for the future. We will continue to support the digitalization of corporate processes, internal applications, employee practices, and even the whole stakeholder ecosystem.

Data & Artificial Intelligence

In October 2019, the Data & AI Group was established under the Strategy & Digital Assistant General Directorate. The Group carried out significant projects in 2020. Arçelik partnered with AWS in AI and analytics, and established its AI platform on AWS to ensure a comfortable working environment for data scientists and develop

sustainable AI models integrated with the Company's systems. This new platform called Babylon was used by the data teams to develop eight AI projects in 2020.

For instance, Agile, one of these AI projects, aims to advise the service technicians on which replacement parts to take with them before a repair visit to decrease the average number of visits. Agile is a natural language processing project that can be integrated with Artemis, a tablet application used by our service technicians. Following Agile's remarkable success in Turkey, we also developed Agile UK for our UK operations. Another natural language processing project deployed in 2020 was Smart Quality. Smart Quality reveals the root causes of product quality issues months in advance. Consequently, we achieved a 3.5-fold decrease in failure detection and correction times. The natural language processing results prepared daily for eight product groups, helped us save TL 20 million in a year. Moreover, in 2020, we started implementing two new AI applications at our Arctic Diamond plant, Smart Sampling for Controls and Smart Matching of Parts.

Another major project that the Data & AI Group has continued to work on in 2020 was data democratization. Atlas is a self-service analytics platform used by many of our units since 2017. We have been organizing Atlas Days to boost collaboration among Atlas users since its establishment, and this year, we gathered online for the first time. Four teams of 22 employees from various departments attended Datathon organized under Atlas Days and 75 Arçelik employees received Atlas training in 2020. Other significant Atlas projects in 2020 include Global Customer Care 360, which facilitates the analysis of customer journey maps in 34 countries; Stock Analyses Project, which aims to help our teams maintain optimum stock levels; and Turkey Customer Care Dashboard, which allows us to monitor the key performance indicators of customer care in Turkey. Additionally, ARTI, Arçelik's business intelligence solution since 2011, was transferred to Atlas as ARTIHUB in 2020.

Conversational AI is another ambitious enterprise launched by the Data & AI Group in 2020 and we plan to make encouraging progress in this regard in 2021. As part of Conversational AI, we launched the Project Yoda to design and develop a Conversational AI engine for customer care and marketing.

We are also striving to develop and foster an AI culture within the Company. As such, we organized the “AI for Leaders” program to improve the executive team's understanding of key definitions related to AI and data science. More seminars and workshops will be organized under this program.

In 2020, we also launched the Maturity Evaluation project to detect organizational issues associated with data governance. The outputs of this project will help create the Data Governance Model and the road map for the Data Governance project.

We achieved substantial progress in 2020 regarding data applications and AI. In 2021, we will continue to enhance our AI and data capabilities with new projects.

INNOVATION & SUPERIOR TECHNOLOGY

Arçelik's R&D strategy is built on five main pillars. These are:

- Developing the nature and environment friendly, connected products creating value for our consumers' life;
- Creating new value by leveraging advanced data analytics to interpret the data collected from the product throughout its lifecycle;
- Creating innovative and revolutionary products different from existing business areas;
- Improving our knowledge by being a part of global collaboration networks;
- Improving our technical infrastructure.

In the post-pandemic new normal, digitalization is more important than ever to differentiate our business from the competition and take swift and accurate action to meet changing consumer demands. Two priorities of Arçelik during the COVID-19 pandemic were protecting the health of its employees and their families, and ensuring the sustainability of its operations. Thanks to the digitalization efforts initiated before the pandemic, a great portion of our R&D design and development processes were quickly transferred to digital platforms and made available for remote access. Meetings and technical trainings were also adapted for online platforms.

Arçelik has the the highest number of registered R&D and Design Centers in Turkey, certified under R&D Law No. 5746. In August 2020, our Digital Transformation Big Data and AI R&D Center successfully received the R&D Center certification that increased the number of Arçelik R&D and Design Centers to 15 by the end of 2020.

Arçelik has 3,500 registered international patents, which underscores the importance Arçelik attaches to the protection of its intellectual property rights as well as its success in this regard. Arçelik is the leader in patent applications in Turkey and is among



the top 100 in the list of international patent applications issued by the World Intellectual Property Organization (WIPO) in 2019.¹

Arçelik is also among the six Turkish companies in “The 2020 EU Industrial R&D Investment Scoreboard”² compiled by the European Commission to analyze the top 2,500 companies investing the largest sums in R&D in the world.

Arçelik played a major role during the initial days of the COVID-19 pandemic when we needed solidarity and cooperation more than ever. We contributed to the development and mass production of the intensive care ventilator developed by Biosys under the leadership and coordination of the Ministry of Health and the Ministry of Industry and Technology. The first running prototype was built at Arçelik Garage. The Domestic Ventilator project brought together 120 engineers with different backgrounds from Arçelik,

Biosys, Aselsan, and Baykar, and the mass production started in just one month. A special mass production line was built at Arçelik Electronics Plant in Çerkezköy to manufacture the ventilators and offer them for the use of health professionals.

As part of the innovation efforts, 447 new ideas were created and 90 prototypes were built through the Next Big Story programs and daily workshops at Arçelik Garage. Two out of the 11 product concepts became actual products.

AGILE TRANSFORMATION IN R&D

Arçelik closely monitors global management and business trends. In 2020, agile transformation processes were launched to meet the changing customer demands more quickly and efficiently, create an efficient collaboration with stakeholders and boost employee loyalty.

With agile project management, staff members from various business units worked together on 14 pilot projects. These business units include R&D, manufacturing, purchasing, marketing, product management, industrial design and product supply. More than 250 employees were trained on agile project management within the year. We will continue to further expand agile transformation practices in the future.

VALUE-ADDED PRODUCTS

In 2020, we channeled our R&D efforts into green and recyclable materials, food, hygiene, filtration, sensor technologies, advanced data analytics, cyber-security algorithms, remote access protocols, electrical motors and motor drive systems, system- and component-based modeling, and advanced analysis methods.

As part of its 2030 Sustainability Targets, Arçelik aims to use 40-percent recycled plastics. In this regard, a major transformation project was launched to recycle the plastics used in the products. At the Sustainable Business Awards organized by the Sustainability Academy, Arçelik became a finalist in the waste management category with the project titled “Value-Added Recycling of Waste Plastics and Their Use in Durable Vacuum Cleaner Parts.” Moreover, the project titled “High-Performance Innovative Engineering Plastics from Waste Fish Nets for White Goods” received an award in the Sustainable Innovation category.

Major products developed as a result of R&D efforts in 2020:

The Ultra Hygiene Range was developed and launched to satisfy the increased demand and changing consumer habits during the pandemic.

- **Refrigerator with the UV-Section** disinfects the surfaces of packaged foods in the ultra-hygiene section by utilizing ultraviolet rays.
- **Dryer with the UV Hygienic Ventilation Program** ensures full laundry hygiene with a special program employing ultraviolet rays.
- **Built-In Steam Oven with the Disinfection Program** offers a 70°C-disinfection program which eliminates 99.9% of bacteria and viruses on packaged products in 15 minutes. ³
- **Washing Machine with the Oxy-Hygiene Program** allows for a more hygienic washing with a special cup attached to the detergent section that can be filled with oxygen bleach. With the Homewhiz technology, purchased washing machines can be also updated to include the Oxy-Hygiene Program. ⁴
- With the **Hygienic Ventilation System** technology integrated into the washing machine, the laundry can now be ventilated faster and more easily. ⁵
- **Dishwasher with the Ultra Hygiene Function** allows for a more hygienic washing by releasing the bleach at the right time and in the right amounts in addition to utilizing hot water temperatures and extra rinsing. ⁶
- Dishwasher with the **HygieneIntense** feature eliminates 99.9% of bacteria and viruses on dishes thanks to the cleaning power of high-temperature steam and an additional rinsing step. ⁷
- Arçelik **UV Cleaning Device** provides maximum hygiene for personal belongings, packaged good, baby and kitchen tools with the Ultraviolet & Heat-Supported Hygiene Program.

- In addition to hygiene solutions, a number of green products and technologies were launched to add value to the lives of consumers during the pandemic. *[Check the sustainable products and technologies that add value to the environment from the Sustainability and Corporate Responsibility section of the report](#)*
- Beko **Three-In-One Built-In Stove** helps you cook at the right temperature with the nine-level heat adjustment and easily clean stains with the nano-coating technology. The large surface of the stove ensures an easy cooking experience.
- In addition to conventional cooking functions, a built-in oven was developed with a microwave feature capable of vertical operation at the adjusted level with the **Inverter Technology**.
- 30-inch table top gas stoves with strong burners and **Re-ignition technology** were developed specifically for the US market.
- Arçelik developed a unique single-door refrigerator with an upper section for cooling or freezing, and a lower section for freezing. This special cooling system is a first in the world.
- Mains-powered **Upright Freezer** with an ice maker was developed with a capacity of 850 gr/24 h.
- **Mini Inverter** compressor is the “world’s smallest compressor” in its segment with a compact design.
- Eco-friendly **Terma+** washer dryer was designed with the hygiene ventilation program capable of eliminating 99.9% of bacteria. This environmentally friendly machine has a high washing and drying capacity and does not use water for drying.

1 https://www.wipo.int/ipstats/en/statistics/pct/xls/y_top_applicants.xlsx
2 <https://irjrc.ec.europa.eu/scoreboard/2020-eu-industrial-rd-investment-scoreboard>

³ The 70°C- and 15-minute disinfection program and the 120°C- and 20-minute intense disinfection program of the steam oven eliminate 99.9% of escherichia coli, staphylococcus aureus, candida albicans, aspergillus niger bacteria and molds, poliovirus type 1, adenovirus type 5, murine norovirus, and bovine coronavirus.
⁴ The Oxy-Hygiene Program (70-minute wash cycle, 4 kg loading capacity, 40°C) eliminates 99.9% of escherichia coli and staphylococcus aureus bacteria, and poliovirus type 1, adenovirus type 5, murine norovirus, and bovine coronavirus. Oxygen bleach for laundry must be used in this washing machine.
⁵ The Sanitary Ventilation program (58-minute wash cycle, 2 kg capacity) works over 60°C for a minimum of 20 minutes and eliminates 99.9% of escherichia coli and staphylococcus aureus bacteria, and poliovirus type 1, murine norovirus, and bovine coronavirus.
⁶ The 164-minute Intense 70°C and the Super 70°C programs (if used with UltraHYGIENE / Active Hygiene functions) eliminate 99.9% of escherichia coli, staphylococcus aureus and candida albicans bacteria, and poliovirus type 1, adenovirus type 5, murine norovirus, and bovine coronavirus.

- “The world’s fastest water-cooled” **Tornado (Ultrafast)** washer dryer delivers exceptional washing and drying performance in less than three hours and provides homogeneous drying with the Wash & Dry program.
- Dishwasher with the **SuperDry** technology was improved with an additional heater. SuperDry offers a perfect drying experience even when no rinse aid is used.
- **InterACT** dishwasher analyzes the level of stain, water hardness and the type of detergent with a single touch for optimum washing and drying performance. User experience is improved with the large touchscreen and mode options.
- **DeepWash** technology was developed with three water jets and special basket accessories for optimum cleaning of bottles, jars and jugs. This technology also creates a special space for hard-to-clean dishes and provides up to five times better cleaning results.
- **Perfection Dryer** was designed to optimize space and energy for a better use of capacity.
- 49"-55"-65" UHD product range launched in collaboration with the German ELAC brand provides a perfect, multi-dimensional sound experience resembling movie theaters.
- **Smart Remote** mobile phone app eliminates the need for a physical remote control.
- Smart board product range, a significant product for digital education, was extended with the 86" touch smart board.
- 3D Printer ecosystem was instrumental in the development of easy-to-use 3D Printer, the industry’s first cloud slicing software, training contents, and reliable PLA filament for schools and students.
- **Arsigna Digital Signage Platform** was developed for remote content management for the Digital Signage products with the cloud and local server technologies.
- An automatic tea maker was developed with the Filtersense technology to separate tea from the pulp. The product has a touch-screen interface and a compact design along with kettle, tea making, and forward-setting modes. It has Bluetooth connection and keeps the tea fresh for one hour.
- **Phoenix SteamXtra-Pro Generator** eliminates 99.9% of viruses and bacteria in 30 seconds with an optimum combination of heat and steam. It is the first steam iron registered by the Ministry of Health.
- A new **Hand Iron** was designed with a continuous steam flow of 63 g/min, the most powerful in its class in Europe and Turkey. It also offers the best wrinkle removing performance.
- Arçelik’s first smart and connected robot vacuum cleaner **Beko Robot** was designed with the LIDAR-SLAM Navigation technology. It maps the house with its 360-degree instant localization capability, and cleans and mops selected areas. Forbidden areas, virtual walls etc. can be structured in the map by the user.
- The **Air Purifier** is the first air purifier registered by the Ministry of Health and capable of restraining 99.9% of the Influenza A (H1N1) virus after 30 to 40 cleaning sessions thanks to its filtration system.
- Arçelik designed its first smart **Portable A/C** with voice control via its special mobile app, or via Google Assistant or Amazon Alexa.
- Arçelik’s first **Multi-Function Cooker** designed with a LED screen offers a safe cooking experience with sensor-controlled adjustable pressure levels, customizable programs, and 10 automatic programs for delicious meals. The special tandoori program and accessories allow you to shorten the cooking time of meat products.

- **Grundig Heinzelmann Radio** was remodeled to celebrate its 75th anniversary. Reflecting the style of the original design, the radio now offers Spotify, Bluetooth and other connectivity options for internet, analogue, and digital broadcasts.
- **Multimedia Soundbar** turns the Soundbar category into a home entertainment system without the need for a TV thanks to a special module. It offers FM, DAB+ and web radio options as well as Bluetooth, Podcast, Spotify and other connectivity options.
- **Grundig Club Bluetooth Speaker** outperforms its competitors with 20 hours of operation time, 30 m coverage, 20 W speaker drive and the capability to charge mobile products.

A TRENDSETTER MANUFACTURING APPROACH

Arçelik makes the best use of digital technologies to create a sustainable, added-value manufacturing model to meet the expectations of consumers. In 2020, the Company implemented projects for real-time collection of human-machine-product and environmental data at its plants through the Manufacturing Technologies R&D Center. In light of these data, the objective is to increase process efficiency through automation and autonomization by leveraging data analytics and machine learning algorithms.

In this regard, the use of Atölye 4.0 capabilities and infrastructure enables the digital monitoring of the performance and efficiency of the line without requiring manual data input thanks to the software developed for refrigerator door manufacturing lines as part of the door line digitalization project. Moreover, causes of a line interruption can be automatically detected. All manufacturing lines at Arçelik plants are being renewed to be compatible with the standards of this technology.

At the Arctic Ulmi Washing Machine Plant listed in the “Global Lighthouse Network” by the World Economic Forum, automation systems were developed for the 3D measuring of washing machine drums with a point cloud measuring system for the first time as part of the “non-touch” quality control project.

In the Arçelik refrigeration manufacturing line, Arçelik’s thermoform process was supported by digital twins and the input-output relations of the “chassis thermoform” process was supported by “finite elements management” as well as physical data.

As part of the AGV (Automated Guided Vehicle) design project, we aim to standardize the material transportation processes. The design project was initiated in collaboration with the Industrial Design Directorate.

Under the Horizon 2020 Program’s Excellent Science theme, the 2020 Marie Skłodowska-Curie Research and Innovation Staff Exchange (MSCA-RISE) decided to fund the “AI4LABOUR” project co-created by Arçelik. The project coordinated by Kadir Has University is focused on reshaping labor force participation with the use of AI.

Arçelik takes dedicated measures to protect the health of its employees, customers, and partners since the beginning of the COVID-19 pandemic. Thus, the Arçelik COVID-19 protocol is kept up-to-date at all times. The vision behind this protocol is to set an example for Turkey on how to manage workplace disruption during the pandemic, ensure business continuity, create a safe environment for the employees, and help everyone by sharing our accumulated knowledge and information. An article by the World Economic Forum (WEF) dated March 23, 2020, mentions this protocol as well as Arçelik and Koç.⁹

The Manufacturing Technologies Directorate drafted the protocol with the measures against COVID-19 during the initial phase of the pandemic when global operations and business processes took a hit. This protocol was updated with new measures and digital applications along the way. A measuring and evaluation method was developed to measure the effectiveness of these applications and improve them. Due to multiple locations of operation, evaluations and audits were conducted remotely based on check lists generated with the risk of infection in mind. All plants, warehouses, selected suppliers and critical international offices were audited accordingly. Audit results are periodically reported to stakeholders in digital format.

Arçelik fully complied with the infection prevention and control procedures set forth by the Turkish Standards Institute (TSE). Nine Arçelik plants were fully successful in these audits without requiring any additional preparation time. The campuses were audited in detail based on a number of criteria by TSE auditors and the plants were certified with TSE COVID-19 Safe Production Certificate.

⁹ <https://www.weforum.org/agenda/2020/03/how-are-companies-responding-to-the-coronavirus-crisis-d15bed6137/>

COLLABORATIONS

Arçelik developed effective local and international collaborations in 2020. We collaborated with more than 500 universities from 20 countries in 23 projects funded in a number of areas. As part of the European Union Horizon 2020 Program, we worked together with our partners on connected products, cyber security, sensors, robotics, cyber physical systems, AI, energy efficiency, circular economy, innovative material technologies, and food preserving technologies. A number of projects are also in progress on Eureka and Eurostars platforms.

Arçelik was the number-one beneficiary of TUBITAK2244 Industry PhD Program with 16 projects accepted by the platform in collaboration with Koç University, ITU, ODTU, Sabancı University, Özyeğin University, and Marmara University.

As part of the development of nanotechnology sensors, Arçelik manages the “Nanomaterials, Nanostructures & Systems” project under the leadership of SUNUM (Sabancı University Research & Application Center) within the scope of the TUBITAK 1004 Centers of Excellence Program. The project was successfully approved to proceed with the Phase Two.

Arçelik is also the consortium leader at the TUBITAK SAYEM Program with the Smart Home Project.

The Company is also involved in the BiGG project as an executive institution supported by TUBITAK. This is a hardware-focused corporate acceleration program which offers prototyping support with detailed technical and industrial information. 156 business idea applications were received under this project from January to June 2020. 91 techno-entrepreneurs were accepted to the training program to transform business ideas into business plans. Business ideas of 25 entrepreneurs were sent to TUBITAK for presentation. Within the scope of the project, eight entrepreneurs were granted with TL 200,000 each, a total of TL 1.6 million. With the collaboration with Koç University and ODTU Teknokent in September 2020, BiGG project will now be conducted under BiGG3 consortium.

A major collaboration in 2020 was developed among the KWorks incubation team managing the entrepreneurship programs of Koç University and Koç Group; Koç Group companies; and innovative start-ups. Accordingly, efforts are in progress on alternative heating solutions in small domestic appliances as part of the agreement signed between the Product Procurement Directorate and Iltema. Another collaboration is in progress with 9 Eylul University which offers consultancy services for Iltema.



MAJOR EVENTS IN 2020:

- To empower women from Engineering and Basic Sciences departments in the areas of technology and innovation, 47 role models and mentors from Arçelik were matched with 60 students under the program titled “You Are An Engineer, You Are With Us”. At the end of the program, selected students were offered an internship position at Arçelik as part of the Fresh Start summer internship program.
- At the second Applied Reliability and Durability Conference (ARDC) organized in **February 2020**, Arçelik shared information on reliability with four presentations.
- We shared our knowledge and experience on digitalization, R&D, and innovation with young engineering students at an event organized by Konya Technical University's Industry Engineering Club on **March 4th**.
- In **May 2020**, Arçelik hosted a “Hackathon” for innovative solutions with the theme “Hack the Normal” on the new normal shaped by COVID-19. A team from the Product Procurement

Directorate attended an international innovation event organized by Atölye and won first prize with the “Welcome Home Sanitizer” concept. Efforts are in progress to manufacture a prototype of this product.

- At an event organized by TUSIAD on **May 27**, Arçelik presented the processes, events and design activities that have been moved to online during the pandemic.
- At a Horizon Europe Program event organized by TUSIAD on **June 9**, a presentation was delivered, focusing on insights and suggestions for a more effective involvement of the Turkish industry.
- A workshop was coordinated by TOBB on **August 25, 2020**, on Horizon 2020 and Horizon Europe.
- A workshop was organized on **September 18** in response to the European Green Deal calls with a joint team of TUBITAK experts and environment and R&D experts from Koç Group companies.
- Arçelik came together with the European Commission's policy makers, researchers and entrepreneurs at the European Research & Innovation Days organized online on **September 22-24**, taking part in a number of workshops and conferences on the future of research and innovation.
- Workshops were conducted and bilateral collaboration meetings were held on Green Deal, the final call by Horizon 2020 Program, under the online “Horizon 2020 Green Deal Call International Networking Event” organized by TUBITAK on **October 23**.
- Representatives from Arçelik's industrial supplier ecosystem attended the awareness training on Horizon Europe on **November 5**.
- Arçelik participated on “Education and R&D” panel at the International Automotive Engineers Conference (IAEO) organized by the Automotive Industrialists Association on **November 9 to 12, 2020**.

- “Corensis® Health Kiosk”, the new-generation tele-health solution developed by Arçelik Innovation Team, was introduced to major players of the health industry at the HIMSS Eurasia - Health IT & Technology Conference & Exhibition on **November 11**.

- At the online “Reliability Day” on **December 21**, Arçelik's efforts on product quality and security were shared, and its achievements in this regard were recognized.

Additionally...

- Arçelik was among the finalists in the Sustainability category with its eco-friendly technologies at TCG (Technical Consumer Goods) Awards, a highly prestigious award program in the consumer goods industry.
- Arçelik applied to the United Nations Global Compact Network Ukraine – Sustainability Awards Partnership to create collaborative projects with various stakeholders to advance the UN Sustainable Development Goals.
- The KIK COP+ technology developed by Arçelik Compressor Plant won first prize in the Large-Scale Plant Energy-Efficient Product Category at the Energy Efficiency Awards organized by Istanbul Chamber of Industry (ISO).
- Arçelik won first prize in the “Innovation Strategy” category at the Inovalig Program where IMP3rove Academy evaluates Turkey's Innovation Leaders based on international standards.

New Products



90-cm Built-In Oven

The 90-cm Built-In Oven launched in December meets the increased demand for built-in ovens by large families in the MENA region. It also appeals to Australia and New Zealand markets. The 90-cm Built-In Oven stands out from the competition with its large capacity of +100 lt, a double fan option, and its unique “Beyond” design. With this product designed by Bolu Cooking Appliances Plant R&D Directorate, we aim to increase Arçelik’s market share in MENA, Australia, and New Zealand markets.



90-cm New Cavity Rangecooker

The 90-cm New Cavity Rangecooker offers a large cooking capacity of +100 lt. Standing out with its contemporary design, Rangecooker’s mass production started as of late December. With the 90-cm Rangecooker oven ideal for large families, we intend to increase Arçelik’s market share in all markets, especially in MENA.

Disinfectant Built-In Oven

Disinfectant Built-In Oven was launched in November as a practical solution to meet the need to disinfect frequently-used tools and packaged foods during the COVID-19 pandemic. The built-in oven provides rapid disinfection with steam and heat, and has a special disinfection basket for any object to be disinfected.

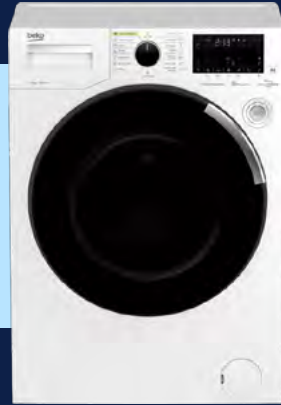
The 70°C and 120°C disinfection programs are available to disinfect bottles, pacifiers, packaged goods, glass and tin cans, and ready-made pastry products. The Disinfectant Built-In Oven was instrumental in strengthening customer trust in Arçelik by meeting the growing demand created by the pandemic. Arçelik aims to increase sales in the disinfectant product segment with this new product.



Etna Oven

ETNA is a response to the consumer demand for uniform cooking and consistent taste. Launched in June 2020, ETNA ensures uniform heat distribution inside the oven thanks to its fan system and heater design and provides excellent cooking results with the new internal cavity design. ETNA was launched to increase Arçelik’s market share in Turkey and Europe, and enhance consumers’ quality perception of Arçelik brands.





Sanitary Ventilation Program Technology

To address mounting concerns about hygiene due to the pandemic, Arçelik introduced a sanitary ventilation program technology to the washing machines and dryers in September 2020. This technology ventilates and sanitizes the laundry at 60°C in the optimum amount of time without watering the clothes. This competitive program sanitizes the laundry and eliminates 99.9 percent of bacteria and viruses without using water or detergents. It sends hot air to the drum through a special air channel and employs a special washing algorithm to destroy viruses and bacteria. The target markets of this innovative technology include Turkey, Eastern-Western Europe, MENA and APAC.



UV Hygiene Technology

In response to increased public concern on hygiene, UV Hygiene Technology was developed in September to eliminate viruses and bacteria on clothes. This innovation employs an UV lamp placed in the drum and special ventilation algorithms to eliminate 99.9 percent of viruses and bacteria. UV sanitary ventilation function is a first in the market that provides hygiene without using water. The additional UV Sanitary Drying Program allows sanitary drying of clothes which cannot be washed in hot temperatures. Sanitization without water also helps preserve natural resources and promotes sustainability. This technology will be available at Turkish, Eastern & Western European, MENA and APAC markets.



Addition of Special Hygiene Programs

Arçelik enabled consumers to add special hygiene programs to the purchased washing machines and dishwashers in the Turkish market via remote software updates in response to growing hygiene concerns during the pandemic. Implemented in October, this innovation represents a different approach in the smart white goods market, and allows the purchased products to be equipped with additional features through version upgrades. As a result, consumers' greatest demand during this period has been met with new sanitary programs that offer better cleaning. This innovation will enhance customer satisfaction, advance our remote software update capabilities, and increase the use of connected smart products.

A New Section and Program For Washing Machines

Arçelik developed a new washing-machine technology that employs a special compartment and a program to allow the use of oxygen bleach in order to eliminate 99.9 percent of bacteria and viruses on clothes. This technology is designed exclusively for the Turkish market to meet the growing demand for "sanitary cleaning" during the pandemic. In this regard, the Oxy-Hygiene Program offers ultra hygiene without wearing out the laundry by releasing the bleach in the right amounts and at the right time. The technology also allows efficient rinsing to remove all traces of bleach and eliminates 99.9 percent of bacteria and viruses on clothes. All these features make it a first and only in the market. This unique program's ability to dispense the right amount of bleach helps prevent using unnecessary amounts of chemicals.



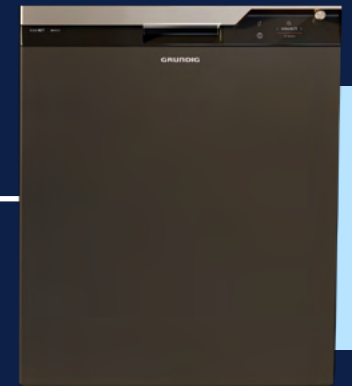
A-Grade Energy Efficiency

New products with A-grade energy efficiency will be manufactured in accordance with the new European Energy Regulation which will be effective as of March 1, 2021. This will enhance Arçelik's competitive positioning and promote sustainability. We aim to step up our R&D efforts to manufacture even more energy-efficient products after the effective date of the new energy regulations. This will result in lower energy consumption, which in turn will reduce natural resource consumption. These products will be launched at all European markets where the new European Energy Regulation will be effective.



InterACT

InterACT dishwashers will be launched in early 2021 and will deliver optimum cleaning and drying performance by analyzing the level of stain, water hardness, and type of detergent. The new product is designed to deliver the best user experience with a large touch screen and several mode options.





SuperDry

SuperDry offers excellent drying performance with an additional heater in the dishwasher. Launched in November 2020, the product offers the best results without any rinse aid when activated. SuperDry stands out in the market with its emphasis on sustainability.

Harvestfresh (Beko)/Vitaminzone (Arçelik)

Developed in response to the growing global trend for a healthy lifestyle, Harvestfresh/Vitaminzone technology keeps the fruits and vegetables fresh and preserves their nutritional value. In other words, it facilitates healthy living by preserving the nutritional value of foods. Implemented at the Thailand plant in late 2019, Harvestfresh/Vitaminzone technology offers a solution for all segments thanks to its low cost and wide implementation range. This technology can be deployed at all plants and the objective is to create a positive impact in all markets.

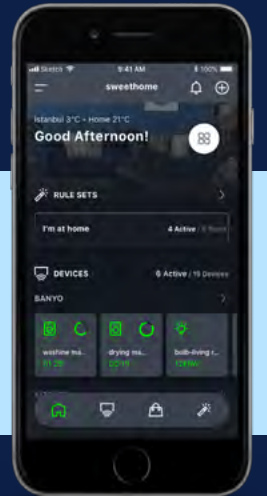


Deepwash Technology

With its mass production commences in October, the DeepWash technology will allow thorough cleaning of bottles, jars and pots which are often hand-washed. Designed with three water jets and special basket accessories, DeepWash technology also allows you to create space for pans and fryers thanks to foldable strings and offers up to five-times better cleaning results. DeepWash is a great solution for those seeking a perfect cleaning experience, and reinforces our innovative brand image.

Homewhiz Platform & New Mobile Application

2020 saw a strong increase in sales in the smart products segment. Smart homes is a rising trend in metropolitan areas and the increased pace of digitalization coupled with the pandemic led to the development of the HomeWhiz platform for a holistic smart home experience. Launched in June, the HomeWhiz platform and the updated mobile app offer a holistic user experience in white goods, air-conditioning products, small domestic appliances, and home security and automation products. The purpose of this innovation is to increase the number of users and provide an excellent user experience.



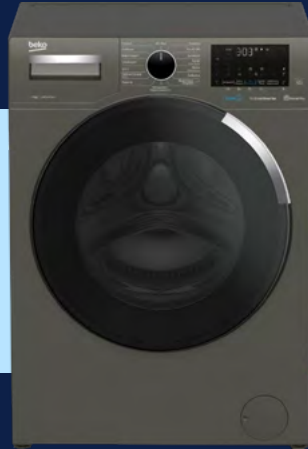
HygieneIntense

HygieneIntense technology satisfies the increased consumer demand for eliminating bacteria and viruses during the pandemic. The sanitization capacity of high-temperature steam and the extra rinsing process ensures that 99.9 percent of Enterococcus Faecium, Bovine Coronavirus, Murine Norovirus, and other bacteria and viruses are eliminated by the HygieneIntense technology. Tested by Rhein-Waal University, HygieneIntense can be activated with all programs. Launched in October, HygieneIntense technology is expected to make a positive impact on total sales in target markets.

Homewhiz Voice- Control Integration

HomeWhiz voice-control integration developed in May offers hands-free control of smart products. This rare technology can integrate with major audio assistants including Google Home Assistant and Amazon Alexa, and allows users to control Wi-Fi-connected HomeWhiz products using voice commands. This innovation was launched to improve user experience, increase the use of connected smart products, and stimulate the demand for this segment.





50 cm-Deep 9-kg Washing Machine

Smaller living spaces in cities and the growing trend for a plain lifestyle pushed consumers to smaller products especially in Eastern Europe. Arçelik manufactured a 9-kg washing machine with a depth of 50 cm in September 2020, offering 17 percent better capacity. This product stands out from the competition as its rivals are at least 54 cm in depth. With this new washing machine, consumers can save 17 percent of the space and wash more laundry in a single session. This will help them save water and energy. The product developed by Çayırova Washing Machine Plant, Romania Washing Machine Plant, and R&D and Product Management is compliant with the new European Energy Regulation, offering A- and B-grade energy efficiency. Target markets include Eastern & Western Europe as well as all countries which will implement the new European Energy Regulation.



11-kg Dryer

The 11-kg dryer was developed to meet the demand for higher capacity in Europe. The product was launched in September and is equipped with the heat pump technology. With this product, consumers can dry 11 kg of laundry in a single session and save energy and time. The exceptional 11-kg capacity is especially popular in the Western European markets.



54 cm - Deep, 9 - or 10 - kg Dryer with Perfection Platform

In response to the rise of more compact living spaces and the resulting demand for a smaller dryer offering maximum capacity, Perfection Platform introduced 9-kg and 10-kg dryers with a depth of 54 cm. Launched in September 2020, this product stands out from its rivals which are at least 60 cm in depth. With the Perfection Platform, the drum's capacity was increased and air flow channels were optimized. This made it possible to design 9-kg and 10-kg dryers with a depth of 54 cm. Consumers can now dry more laundry in a single session, and save energy. Target markets of the product include Eastern & Western Europe, CIS, and Turkey.

Optimus UHD Pro Smart TV

Since the pandemic has caused consumers to spend more time at their homes, in March, Arçelik launched Optimus UHD Pro Smart TV series to satisfy the increased demand for watching content on Netflix, YouTube, or other VoD platforms on a larger screen. Optimus UHD Pro Smart TV offers a multi-dimensional, movie-theater like experience and is equipped with the sound design developed by ELAC, an expert German brand. It also features a rich color palette with the Color Improvement technology and optimizes motion video to prevent any loss of video quality. Offering a smoother and clearer movie and gaming experience, Optimus UHD Pro Smart TV won multiple awards in the Best UHD category. This led to a 5 percent increase in the brand's price index. Optimus UHD Pro range combines high video and audio quality with a sleek design in an effort to enhance consumers' perception of the brand.



Arçelik UltraHygiene Refrigerator

Arçelik designed UltraHygiene Refrigerator in response to the growing public concern about virus and bacteria infection. Launched in October, the product offers 99.9 percent disinfection on the surfaces of packaged goods without any impact on the quality of food. This helps consumers safely store food in their refrigerators and save time, as there is no need for a manual disinfection process. With the disinfection function deactivated, the refrigerator offers a flexible storage space in the form of a zero-degree section. This innovation highlights Arçelik's continuous support for healthy living.



Gordion Gas Stove

Gordion Gas Stove outshines its rivals by offering ease of cleaning and a large cooking space with a contemporary look. Launched in July, the 60-cm-wide stove features a metal back table and a renewed, side-controlled gas stove platform. Gas stoves with metal back tables offer the same cooking space with 65-cm glass stoves. They also have a contemporary look with the new grill design featuring Beyond&Prologue buttons. Arçelik intends to increase its market share with this new gas stove.





mIND Induction Stove

mIND platform project was launched in 2020 to improve induction ovens. mIND Induction Oven offers flexible cooking spaces for an efficient cooking performance and power management. With this new product, Arçelik aims to improve consumers' cooking experience. It also intends to reduce product failure rates, and therefore reduce post-sale service costs. mIND Induction Stove was rated "Best Buy" by Which Magazine UK, and "Good" by SLG, a product testing company. These achievements were instrumental in boosting the current and potential customers' trust in Arçelik's brands. This product is expected to increase sales, especially in EMENA.



Plug&Play Induction Stove

Scheduled for launch in early 2021, Plug&Play Induction Stove offers easy plug and play operation at homes with 16A wall sockets. Offering easy installation and flexible cooking spaces, Plug&Play Induction Stove will be the first of its kind in the market. With this new product, the objective is to increase Arçelik's market share in EMENA and promote induction stoves in the Turkish market. The new Plug&Play product will also be launched in the European markets as a more effective response to customer demand.



SolarHybrid

Launched in early December, SolarHybrid ensures continued refrigerator operation via solar power at rural areas where frequent power interruptions are often experienced and in certain African countries where scheduled blackouts occur. While other solar technologies require batteries and inverters, this is a hybrid technology that offers cost benefits. Developed in collaboration with Topray, SolarHybrid uses renewable energy to reduce dependency on the mains network and contribute to environmental sustainability. Following the success of the SolarHybrid technology in the domestic market, Arçelik plans to launch it in the global markets as well.

New White Line-Air Purifier

Ensuring hygiene has become even more important during the pandemic. As such, Arçelik developed a new air purifier series that eliminates 99.9 percent of viruses and bacteria in the environment with its special filtration system. This feature was tested also by Airmid Health Group. The product range was launched in Europe and Vietnam in October 2020 and offers three size options for the air cleaning capacity. The product range stands out with a number of features including the 360-degree air circulation, on-device color display for real-time monitoring of air quality, smart auto-cleaning mode for automatic improvement of air quality and the timer function. Air purifiers with three fan levels and washable pre-filters will be launched in Turkey after the approval process by the Ministry of Health.



Jam & Club Bluetooth Speakers

Launched in June - October 2020, Jam & Club Bluetooth Speakers offer a single product in two forms with a long operation time, wide coverage, and powerful sound. Both products can be used for more than 20 hours. Innovations include 30M IT coverage, a "powerbank" capable of charging mobile devices via USB, powerful sound characteristics and combining two devices with a single key for stereo sound. These two products are expected to position Grundig as a strong actor in the Bluetooth market and increase its market share in Germany, France, Spain, and Turkey.



Multimedia Soundbar

Multimedia Soundbar, launched in October 2020, is a single product that can play any kind of media. It was designed to carry the Soundbar range beyond just transmitting audio from TV. This product is a complete home entertainment system capable of playing from multiple sources with a Spotify Connect connection, FM and Digital Radio connection, HDMI TV connection or web connection to thousands of radio stations around the world. Multimedia Soundbar was developed for German and French markets to increase Grundig's market share with an innovative approach.



Arçelik Aria™ Expert & Beko Actipress® Expert Steam Hand Iron



Arçelik Aria™ Expert & Beko Actipress® Expert Steam Hand Irons were launched in the Turkish market in November 2020. This product range offers easy and seamless ironing and is equipped with automatic descaling feature for an easy and effective process, a first in hand irons. Motion-sensitive steam sensor and a ceramic base for homogeneous heat distribution and ease of movement ensure a comfortable ironing experience. The product range offers optimum ironing experience for all types of fabric thanks to the smart mode. They will be launched in Europe, Malaysia, the Gulf and South Africa in addition to Turkey.

Multi-Purpose Cooker

Multi-Purpose Cooker is a single product that allows consumers to cook different kinds of foods and helps them save time and space in the kitchen. It has a number of functions including pressure cooking, tandoori, sauté, jam and yoghurt making. It allows customers to cook meat perfectly at home every single time thanks to its special accessories and tandoori function. Multi-Purpose Cooker is currently sold in the Turkish market and efforts are in progress to launch the product in South Africa under the brand "Defy" and in Pakistan under the brand "Dawlance."



Indoor Air Quality Sensor



The Indoor Air Quality Sensor, which was introduced to the market in December, informs users about the level of CO₂ in the air, as well as the temperature and humidity, and encourages them to take necessary measures such as ventilation. The Sensor, which aims to raise users' awareness of the air quality in their surroundings, allows monitoring of air quality and receiving warnings via the HomeWhiz mobile application thanks to its Wi-Fi connection. It assists users in avoiding headaches, distraction, fatigue, sleep disorders, and various respiratory diseases by taking measures to improve air quality.

Naturashine Hair Care Range

NaturaShine Hair Care Range offers innovative technologies for perfect hair styling in Turkey, Germany, Romania, and the Balkans. This product range stands out from the competition by offering seamless hair care and healthy drying as well as curling and straightening functions. Ceramic plates of the straightener enriched with macadamia and coconut oil provide even heat distribution to preserve the natural moist of the hair. This is our first personal care product range that employs ceramic coating and essential oils. Our annual sales target is 170,000 units and negotiations are in progress for a global launch. The initial target markets include Poland, France, Pakistan, and Bangladesh.



Gurme/Dem Pro Tea Maker



Gurme/Dem Pro Tea Maker will be available for consumers in February 2021 to brew any kind of tea, including herbal teas. The pandemic has pushed us to spend more time at home, and consequently make more hot drinks at home. To make everything easier, Gurme/Dem Pro Tea Maker offers remote tea brewing via Bluetooth connection. This multi functional Gurme/Dem Pro Tea Maker was developed for the Turkish market. Our sales target in 2021 is 30,000 units. The product will also be launched in Europe and MENA.

Smart Robot Vacuum Cleaner

The Smart Robot Vacuum Cleaner will be launched in January 2021 as a solution to the increased need for cleaning due to more time spent at home during the pandemic. The smart robot vacuum cleaner is equipped with a 360° Laser (LDS-Lidar Navigation) sensor, simultaneous localization and mapping algorithms, Wi-Fi connection via mobile app, a pump-action water tank with microfiber mop and auto-drip system for wet cleaning, and 17 sensors. It automatically cleans the house by instantly detecting and analyzing the environment. The device can be set to clean only selected parts of the house to save energy. In 2021, the sales target in the Turkish market under Arçelik and Beko brands is 8,000 units.



Non-Manufacturing Innovative Practices

TSE COVID-19

Secure Services Certificate

11,850 Authorized Service employees

5,950 service technicians

5,218 service vehicles

at 619 service points in 81 provinces

160,000 hours of education for

9,100 Authorized Service employees

by the Service Academy

SUPPLY CHAIN

The Supply Change Directorate implements the best practices in all projects in line with the Company's innovation vision.

Intermodal Transit

"Trieste 4OHC intermodal service", widely used in Central & Southern Europe for exports, was deployed in Germany and Poland. This project resulted in 45 HC (Train/Intermodal) in transit time and created an alternative to trucks. Other benefits included 40 HC equipment availability and free time.

STORM

(SupplyChainTraceability & OrderManagement)

The purpose of the STORM project is to digitize and simplify country-specific processes (usually on Excel spreadsheets) which include estimation, order tracing, confirmation of opportunities, logistics organizational planning, and transportation management.

Objectives were set for end-to-end monitoring of processes, faster customer response times, expansion of the scope of guaranteed term, and keeping the promises. The STORM project started in October 2020 with three pilot affiliates. The project is scheduled to be implemented in other affiliates/direct sales zones in 2021.

RPA (Robotic Process Automation)

Arçelik started implementing robotic process automation for supply chain order management and logistics processes after evaluating the results of relevant workshops and analyses. RPA applications are being adopted to meet the needs of business units and to grasp opportunities highlighted by analyses.

In this sense, in 2020, logistics and import processes for freezers transported by road from the Arctic Refrigerator Plant in Romania were deemed suitable for RPA processes. And in September, Arçelik initiated the "Robith project." As part of the Robith project, SAP ERP and SAP TM systems are used to enter invoices, make purchase orders, create TM orders, define delivery steps, and report the steps to users based on an Excel sheet automatically sent by Arctic. The same system also sends automatic emails to the accounting department for payments. With this new project, we managed to reduce our operational workload for more than 1,500 loading operations per year.

MULTI-MODAL FAR EAST TRANSPORTATION

In 2020, the pandemic introduced certain challenges to the transportation of goods from Far East to Turkey, including flight restrictions, increased occupancy in container ships, and limited supply of container equipment. Under these conditions, Arçelik launched the "Train+Flight" multimodal transportation mode for Far East shipments in an effort to meet the extra demand and reduce uncertain flight costs during the pandemic. With this model, goods are transported from China to Korgoz, Kazakhstan, by railway and from Almaty to Istanbul Airport by direct flights.

This transportation model is more cost effective than air transportation and offers shorter transit times than maritime transportation.

END-TO-END MONITORING OF IMPORTS

In 2020, we united the logistics and import processes which used to be managed by different teams to implement an end-to-end monitoring system. This change allowed teams to holistically monitor import and logistics processes, enabled the monitoring of the shipment by the same staff members at all stages, reduced points of contact, minimized delays, and decreased warehousing costs. All these positive results enhanced our efficiency.

With the joining of local and international import and logistics teams, we formed groups according to knowledge and experience levels for Far East and Europe regions.

PANEL RAILWAY TRANSPORTATION

Arçelik reviews and improves its business processes in an effort to reduce carbon emissions to fight climate change. In this sense, we shifted from road transport to rail transport for TV panels supplied from Slovakia as of 2020. This constitutes 11 percent of our total railroad transportation operations. This change decreased per unit cost of panels by 15 percent.

PRE-ARRIVAL IMPORTS

Under the Release for Free Circulation and Inward Processing Regime, the import process is now initiated on board of vessels for goods which are transported in containers and comply with the customs procedures.

This facilitated the earlier start of the customs declaration process, which prevented delays caused by the customs administration. Other benefits of this practice include accelerated customs procedures, shortened import times for raw materials and other inputs, and prevention of extra costs (warehousing, demurrage costs, etc.). From January to October 2020, 1,252 containers of goods were processed as part of the pre-arrival imports procedures for swift and seamless delivery.

DEFY- DANSKRAL PROJECT

We conducted a detailed business analysis for the South African white goods market. Our selected location was approved for investment following the results of the center of gravity study for primary and secondary distribution networks. Additionally, we created alternative distribution network models. We also decided to establish a campus in Ladysmith which will serve as a national and international distribution hub. The project will feature 80,000 square meters of indoor storage space and 100,000 square meters of campus space. We also aim to centralize 21 storage locations. This will enhance our equipment and handling efficiency. Contrary to the former locations which had no loading ramps, the new storage facility will be equipped with 16 back-loading ramps and 12 side-loading ramps.

In 2019, we reviewed the cost items and designated our contracted construction company, and the project started. Construction specifications were checked and alternative locations were reviewed based on current sales/inventory analyses. The campus will be operational in the first quarter of 2021.

Under the Supplier Improvement Action Plan:

35 supplier process audits,

2,126 product audits,

70 quality improvement projects

70,143 design changes,

84 cost improvement projects

GLOBAL PURCHASING

We have a dynamic organizational structure with purchasing offices in eight different countries and 200 employees, modeled in line with global needs and the expansion of our manufacturing network. We were able to supply materials from 1,800 (Direct) sources from 55 countries in 2020, with a total purchasing volume of 3.0 billion Euros supported by indirect and investment purchases.

Arçelik created a category-based purchasing organization to make use of the scale economy after expanding its manufacturing lines. This allowed staff members to gain expertise in their assigned categories and get better at spotting opportunities for cost optimization and for potential collaborations that may create value. The purchasing organization closely monitors various factors that might affect costs. These include environment regulations, fluctuations in commodity prices, domestic and global economic developments, supplier sustainability risks, and customs legislation.

We utilize commodity price analysis and the tender method in purchasing operations. Pricing is based on several economic parameters including labor, raw material trends, electricity costs, fuel costs, and inflation. Both methods underscore fair pricing for suppliers.

RAW MATERIALS

Raw material prices rose in late 2019 and fluctuated throughout 2020. In 2020, we amended the dates of our existing agreements, which allowed us to achieve significant gains through postponements and offsets, and caused prices to decrease by 8.3

percent year-over-year. We also sought alternative suppliers and quotes to create advantageous deals. Raw material stocks were kept low through consignment deals. Raw material prices started to increase due to the swift rebound in demand in the last four months of the year after a sharp decline because of the pandemic. Problems about raw material procurement also contributed to these price increases. With the connections backdated, we managed to resist the negative impacts of price increases in 2020. Material supplies were secured with new connections in the second half of 2020.

RESPONSIBLE PURCHASING

Arçelik and its suppliers follow the “Responsible Purchasing Policy” in their decision-making processes and business conduct.

The details of the Responsible Purchasing Policy are available at Arçelik Supplier Portal (supplier.arcelik.com) and Arçelik Global corporate web site.

https://www.arcelikglobal.com/media/5553/responsible-purchasing-policy_en.pdf

SUPPLIER SUSTAINABILITY TRAINING

Arçelik keeps its suppliers updated on global trends and developments and shares regulations on sustainability through the Supplier Training Platform. As part of these efforts, in 2020, Arçelik’s suppliers were trained on Sustainability Strategies, Business Ethics Principles, Policies & Implementation Principles, EU Horizon 2020, and Europe Horizon Support Programs. The platform was also

used for training sessions on ISO 500012018 Energy Management System & Implementation Principles; Energy Efficiency & Renewable Energy in Industry; Management of Chemicals; ISO 14001:2015 Environment Management System; ISO 14064:-1:2019 Greenhouse Gas Inventory Reporting; Compliance with the Environment Legislation; and Occupational Safety.

PURCHASING ACADEMY

With the Purchasing Academy Program, Arçelik aims to foster employee awareness and improve their skills and competencies on purchasing. The program was launched in collaboration with CIPS (Chartered Institute of Procurement and Supply), an expert accredited institution in purchasing. In 2020, 37 staff members from the Turkish purchasing organization were trained online. They are slated for graduation in 2021.

The Company’s organizations in Romania, Russia and China were also included in the training programs. International trainings will be online in 2021.

SUPPLIER IMPROVEMENT EFFORTS

The Auxiliary Industry Transformation & Development Department promotes high-quality and efficient supplier operations and helps suppliers maintain a competitive edge and implement sustainable manufacturing practices. In this sense, we analyzed supplier needs and made available various resources for their development.

In 2020, we strove to improve supplier infrastructures and technical capabilities, and help them adopt emerging manufacturing technologies. As part of these efforts, we organized two Technology Days under 10 topics about Digital Technologies & Process Technologies with the attendance of 230 individuals.

The topics under Digital Transformation included;

- Manufacturing Cost Benefits with the Machine Learning Model
- Quality Control Applications with Video Processing
- Occupational Security with Video Processing (Detection of Unauthorized Access to Restricted Areas)
- Detection of Failed Metal Sheets with Machine Learning Model
- Telegram – Robotic Process Automation in Manufacturing.

The topics under Process Technologies included;

- Mold Internal Temperature and Pressure Measurement
- Digital Solutions in Quality Control Applications
- Modeling of Plant & Manufacturing Systems
- Material Distribution Systems & Applications
- Joining Technologies.

In 2020, Arçelik implemented 108 projects with 59 suppliers to support them with a focus on quality improvement, efficiency increase, and digital transformation. Suppliers are included in the end-to-end digital transformation program according to a certain schedule.

Arçelik regards its suppliers as significant stakeholders and business partners. Accordingly, we organize workshops to improve the competitive edge of our suppliers. In 2020, we held 20 workshops on process improvements and alternative process applications. We also started working on 55 selected projects.

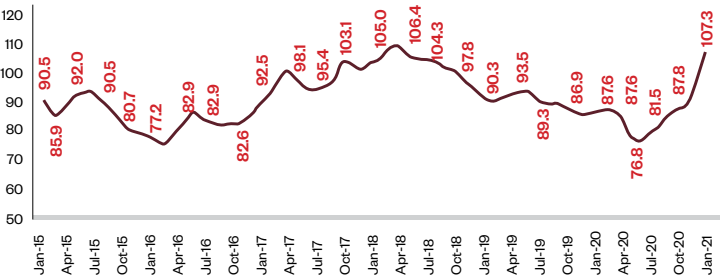
Arçelik supports domestic manufacturing to decrease dependency on imported goods, reduce supply risks, and enhance technical know-how on manufacturing technologies in Turkey. In this regard, we are working on a number of projects in collaboration with our suppliers to manufacture 29 imported materials domestically.

In 2020, we carried out 35 supplier process inspections and 2,126 product inspections as part of the Product Supply Directorate’s Supplier Development Action Plan. Furthermore, 70 quality improvement projects, 143 design changes, and 84 cost improvement projects were implemented. During the pandemic, manufacturing processes were audited remotely and online product audits were conducted to ensure high product quality. Additionally, online quality workshops were organized with the suppliers.

In 2020, we stepped up our supplier improvement efforts to create sustainable partnerships. We also added new suppliers to the food preparation and personal care segments. This allowed us to add cost-effective products to our range.

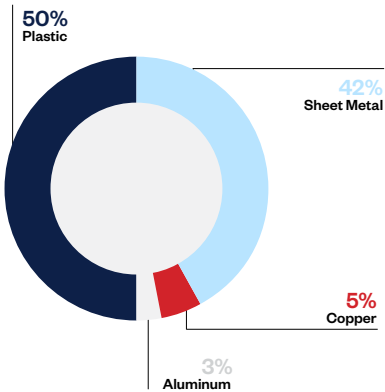
We supported our business partners to gain new manufacturing capabilities in areas different from their specialization to help them increase their business volume and ensure sustainable, high-quality and low-cost manufacturing. In this sense, efforts for domestic manufacturing continued in 2020 in vacuum cleaners, irons, and beverage preparation.

Raw Material Market Index Chart*



** Reference value is 100 for the market index in December 2011.

Raw Material Procurement Distribution 2020





CUSTOMER CARE

Customer Care Directorate serves all brands operating under Arçelik. It receives consumer requests and recommendations and responds via call center, email, www.arcelik.com.tr, www.beko.com.tr, www.grundig.com.tr, www.altus.com.tr, live chat, WhatsApp, social media, fax, mail, service, and dealer channels.

The Customer Care Center focuses on offering the best possible customer experience 24/7. It is mainly responsible for receiving customer feedback on products and services and directing them to the relevant business units. This feedback system provide us with a summary of consumer needs and expectations and contribute to the manufacturing of new products.

At Arçelik Customer Care Center, customer satisfaction is at the center of all business processes and operations. It operates as a single point-of-contact for transparent and secure customer communication and facilitates the reporting of consumer requests and recommendations. In this regard, it maintains logs as per legal requirements, objectively processes issues with a focus on confidentiality and fairness, and continuously monitors and

improves the relevant processes. The Customer Care Center processes were integrated with the management system to create a self-controlling structure. Our management objectives are also fed through this system.

In 2020, we continued to offer services to internal and external customers through Asist Destek, Koç Finans, and Arçelik IT Help Desk. IT Help Desk provides services 24/7 in Turkish and English at 12 locations in Turkey and at 17 locations abroad. Call center services for Arçelik's German and Austrian brands are also based in Turkey.

In 2020, CRM activities focused on outbound calls as part of tailor-made and active campaign notifications which helped increase company revenues.

We strove to optimize processes to achieve maximum efficiency and centralized many Customer Care Center processes.

A Call Centralization Project was implemented to achieve a consistent quality of service for all customer issues communicated via phone. This project also enabled us to direct customer calls automatically from Authorized Services to the Call Center. As part of the measures taken for the pandemic, all Call Center employees work from home since March 2020.

In 2020, a major portion of Call Center operations were outsourced to ensure cost effectiveness and flexibility. We started working with two new companies for our outsourced operations to balance risks associated with the sustainability of operations. As a result, we are currently working with five call center service providers in three provinces.

The pandemic introduced many changes to the communication between brands and customers. Social media platforms, chat applications and WhatsApp corporate channels have been previously considered alternative channels, but now they have become major mediums of customer communication and interaction.

During the pandemic, we launched the "Call & Click" application to help customers shop without leaving home. This application communicated the orders and requests received by the Call Center to Authorized Dealers, which in turn met customer demands and significantly increased our company revenues.

In 2020, our two Call Center Projects (Octopus and Crystal Experience) received directorship awards under the #Dijitalleşenler (Digitized) category.

In 2020, we added a Product Replacement Function to the Customer Care Center to maintain effective communication with customers during the product replacement process. We also organized several training programs for our call center business partners and created a team within their organizations. In this way, we ensure that customers who wish to replace an item interact with expert employees at the Call Center and their problems are swiftly resolved.

In 2020, the pandemic caused companies to operate with limited stocks and to deal with the problems related to the provision of spare parts and finished goods. Therefore, creating a dynamic and agile operational decision-making process was crucial to meet customer demands as effectively as possible. At Arçelik, daily operations were maintained at pre-pandemic levels despite the challenges created by the pandemic thanks to the immense efforts of our teams. We are also running critical projects to optimize the Product Replacement process.

Arçelik Customer Services Directorate operates in Turkey's 81 provinces and 619 points of contact with 11,850 Authorized Service employees, 5,950 service technicians and a fleet of 5,218 service vehicles. In 2020, approximately 15 million service requests were met. Our vast service network has a major role in boosting customers' loyalty to Arçelik brands with a focus on offering the best possible service.

The Turkish Standards Institute (TSE) has been auditing our Authorized Services' compliance with the applicable safety and hygiene standards since the start of the pandemic as part of the

Arçelik Customer Services Directorate operates in 81 provinces and 619 points of contact with 11,850 Authorized Service employees, 5,950 service technicians and a fleet of 5,218 service vehicles.

"TSE COVID-19 Safe Services Certification" process. Authorized Services made significant efforts regarding COVID-19 risk assessments, infection prevention and control action plans, internal and external communication plans, building emergency response teams, drafting case management instructions, COVID-19 return to workplace procedures, developing the fever measurement process, implementing the regular training method, creating cleaning and disinfection plans, and placing posters, boards and warnings to prevent infection. All Services in Turkey has successfully passed the audits and received the "TSE COVID-19 Safe Services Certification."

As in previous years, Authorized Services were audited by the Turkish Standards Institute in 2020. As a result of these audits, 40 Arçelik Authorized Services received the "Customer-Friendly Organization" (MDK) certification. In the second phase of project, Arçelik and Beko brands successfully obtained the "Customer-Friendly Brand" (MDM) certification. Our operations in this area will continue to be audited by independent institutions with sustainability in mind.

During the pandemic, our Authorized Services provided effective disinfection services for homes and businesses all around Turkey thanks to our vast service network by using green products in compliance with the applicable regulations.

The Customer Care Directorate determined new service standards in accordance with Arçelik's corporate values to deliver a better customer experience. Accordingly, employees of Arçelik Authorized Services follow our corporate dress code at work. Moreover, service units were updated to better reflect our corporate approach and trained technicians were assigned to provide more detailed information about complex products to customers.

The mileage of travels outside the assigned service zones for Authorized Services are calculated using a automatic travel payment system. This automation system is integrated with the appointment system and receipt steps are determined to provide the most efficient daily route.

We started implementing a report card system which helped Authorized Services define business objectives at the technician level and improve themselves. Each technician's progress is monitored and their areas of improvement are determined based on five criteria. The report card system can be monitored on Authorized Service and Customer Care portals.

Efforts on concept services continued throughout the year to improve our brand perception and quality of service. We strove to create an innovative and strong image in many areas from the first

interaction with the customer to the design of product and service sale points. Fully-equipped kitchens are available at concept service locations to allow customers experience the products and be directly trained by expert technicians on their use.

Furthermore, the efforts for increased quality of service and customer satisfaction included improving welcoming and registration areas, customer experience areas, small domestic appliance repair/registration, accessory stands, lounges, signboards, signalization and personnel ID tags at service locations.

On-duty services and weekend and holiday services are among the areas where Arçelik Customer Care makes a difference in the industry and creates a competitive advantage. Authorized Services also offer services for customers until late hours on weekdays. Arçelik Customer Care continuously updates and improves its technological infrastructure. ROTAM project makes major contributions to ensure effective management of the service processes. It allows customers to make appointments on all channels and helps authorized services to use human resources effectively and efficiently and perform route optimization. Customer appointments can be made with two-hour intervals. Customers can use the advanced digital infrastructure of the Call Center to make appointments and benefit from more flexible scheduling with the next-generation appointment system. Service date and time are provided to customers by phone or via face-to-face meetings. A follow-up text message is also sent to them.

At Arçelik, our service vision is this: “Expert technicians at your service on time, solving your problems at one go.” This vision is supported by the “Find My Technician” app launched in Turkey in December 2019. Arçelik customers can now access contact numbers and basic information about service appointments. They can use the link on the app to easily see the whereabouts of technicians on the map and the estimated time of their arrival. Moreover, a photo of the technician is sent to the customer for security. A text message is also sent to the customer as a reminder for the time of appointment.

Service technicians use the Technician Assistant System to deal with product problems online. Product and spare part tracking data are shared with customers during the repair process via SMS. The purpose of this system is to quickly provide the customer with accurate information and create added value.

160,000 hours of training for 9,100 Authorized Service employees were offered by the Technical Training Unit (Service Academy) in 2020.

Authorized Services offer different time options for additional product guarantees, if requested by the customer.

Technical assistance services are offered for 27,500 product models in Turkey. Post-sales service processes are certified with ISO 10002 Customer Satisfaction Quality Management System Document. The quality of service is regularly measured with the Net Promoter Score (NPS) method. Corrective and preventive measures are taken to improve post-sales processes based on NPS results.

160,000 hours of training for 9,100 Authorized Service employees were offered by the Technical Training Unit (Service Academy). In addition to hands-on learning modules and individual performance measurement modules, in 2020, an online learning platform and remote training modules were introduced to boost efficiency and ensure continuous development.

Corporate Solutions Authorized Services offered virtual class trainings on A/C Products in the second half of 2020. Authorized Service technician training sessions that were conducted face-to-face before the pandemic were divided into virtual class trainings and in-class trainings after the pandemic. The tests are administered in the traditional written format by using the test module on the Service Academy platform. Test format reporting was made available with the new software update. In 2020, the training sessions reached a total of 36,100 person/hour, 260 for Corporate Solutions Authorized Service employees and the remaining for various customers.

We use robotic systems (RPA) to check the EFT and bank transfer payments made by customers in case of price differences in product replacements. This system allows the automatic approval of receipts and initiates the logistics process for the new product. This shortens waiting times for customers and increases customer satisfaction.

We are working on classifying 330,000 existing spare parts and 17,000 new spare parts added every year based on 14 criteria. As such, we aim to improve the spare part planning, pricing and storage processes. Spare parts are selected from the diverse spare parts pool based on special formulas and criteria to offer substantial benefits to customers and shorten service time. Selected spare parts are proactively sent to the services before a customer puts in a request.

The central planning of regional warehouses was a major step toward centralizing the spare parts planning processes. As of the end of 2020, plans for all regions will be centralized. The aim is to standardize planning and increase the efficiency of stock management. This will result in shorter service times and minimum stable materials.

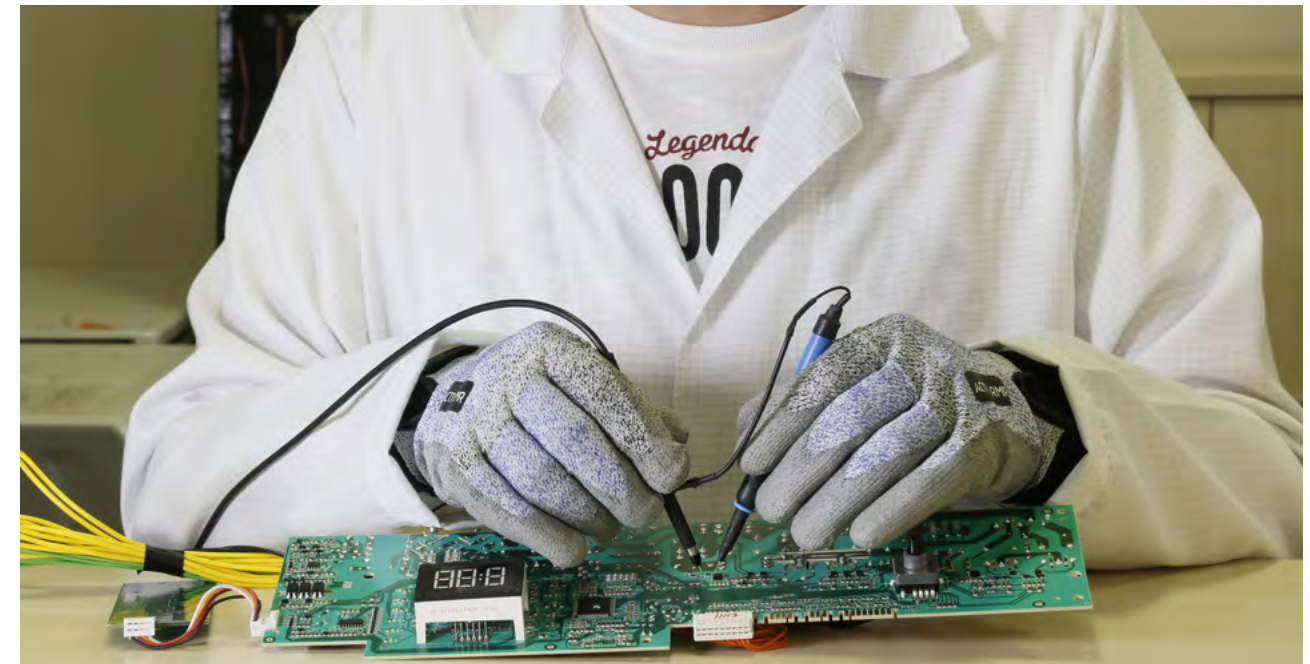
The automatic Order Flow Project was implemented to swiftly meet spare part orders, eliminate manual procedures, and effectively

manage spare part transfers between warehouses. With this project, the system starts scanning the warehouses beginning with the nearest one to find missing spare parts and automatically sends the order to the relevant service. This will lessen delays due to manual procedures and ensure a fast and efficient spare part supply process.

Employing the latest technologies, we are working on improving exploded-view drawings of our existing and future products to make them more effective, legible and user-friendly. This will minimize errors and ensure fast and accurate responses to customer requests.

The Digiport program launched in 2020 makes it easier for Authorized Services to send questions about materials and products from the field. This created advantages in terms of diversity of categories and tracking, and decreased the reporting workload.

Pricing Automation Process automates the processes of stock definition, costing and initial price definition. The project also increased staff efficiency and eliminated the risk of user error. Moreover, it allowed us to quickly and accurately draft the material lists for products that are sent to the field. This facilitated the control and tracking of material definitions from day one. The Dynamic





Pricing Model increased profitability by creating up-to-date sales prices based on the purchasing cost of materials and the changing conditions in the market.

We united all plants' material definition process for products assigned to the Product Procurement Directorate (TUD). Product trees were created on SAP for the materials generated by TUD, and the efforts for product tree definitions are still in progress.

Material sales were available only through Authorized Services until recently. Following the system developments, it is now available from the contracted B2B companies (KMEM, Demirdöküm, BİM, etc.). The Spare Parts Directorate can now issue invoices for stocks at the contracted amount. The Dynamic Pricing Model also had

a positive impact on profitability in this field. Material costs and current market conditions are evaluated through regular data checks. Sales prices are updated where necessary. Prices were updated for equivalent materials and a balanced pricing structure was implemented based on classification categories.

A forklift - palette system was designed for suspended floors and high racks at Gebze and Çayırova spare part warehouses in line with OHS rules. With the new system highlighting occupational safety, forklifts place the palettes on high racks and the staff is now required to operate the tool to take the palette. The mechanical system does not consume energy and the tool eliminates occupational safety risks by providing a two-layered system.

A new project titled Secure Ramp was launched at all warehouses in 2020. A Sensor Alert System is activated to warn employees of any issues related to ramps in the warehouses to raise occupational safety awareness among employees. This warning system can be used at warehouses without ramp bellows that use reflective sensors. The sensor scans the immediate area around the ramp, and activates ramp warning lights to alert passerbys to any dangers; this prevents occupational accidents.

With the Quality Intelligence (QI) AI project, we classified services based on errors. This ensured faster and more detailed problem analysis for products. QI indicator tables allow exhaustive analysis of product problems, ensure an accurate and detailed information flow for quality improvements, promote accurate use of resources in quality projects and enable constant monitoring of quality improvement results.

Field teams provide services for thousands of customers on a daily basis. In 2020, their tablets with ARON-2 software were replaced with ARTEMIS which is equipped with a new software infrastructure.

ARTEMIS;

- Is compatible with all mobile devices,
- Is fully integrated with the Call Center,
- Makes and receives calls through the telecommunications network,
- Allows monitoring of geographical coordinates,
- Provides easy access to customer's address with map support,
- Allows users to make appointments or place spare part orders to meet consumer demands thanks to its agile, flexible, and interactive system.

With ARTEMIS, technicians can perform all their operations on their own mobile devices without the need to carry a second mobile device with them. ARTEMIS also features a task progress tracker and facilitates interactive communication with customers. This way, we aim to enhance technician efficiency, improve service quality, and deliver an outstanding customer experience.

ARÇELİK IS
ALWAYS WITH
YOU IN THE
CHANGING
WORLD



The fastest transformation
for Deniz is

working
from home

ARÇELİK
FOR
YOU

Manufacturing of mechanical ventilators and product donations to hospitals

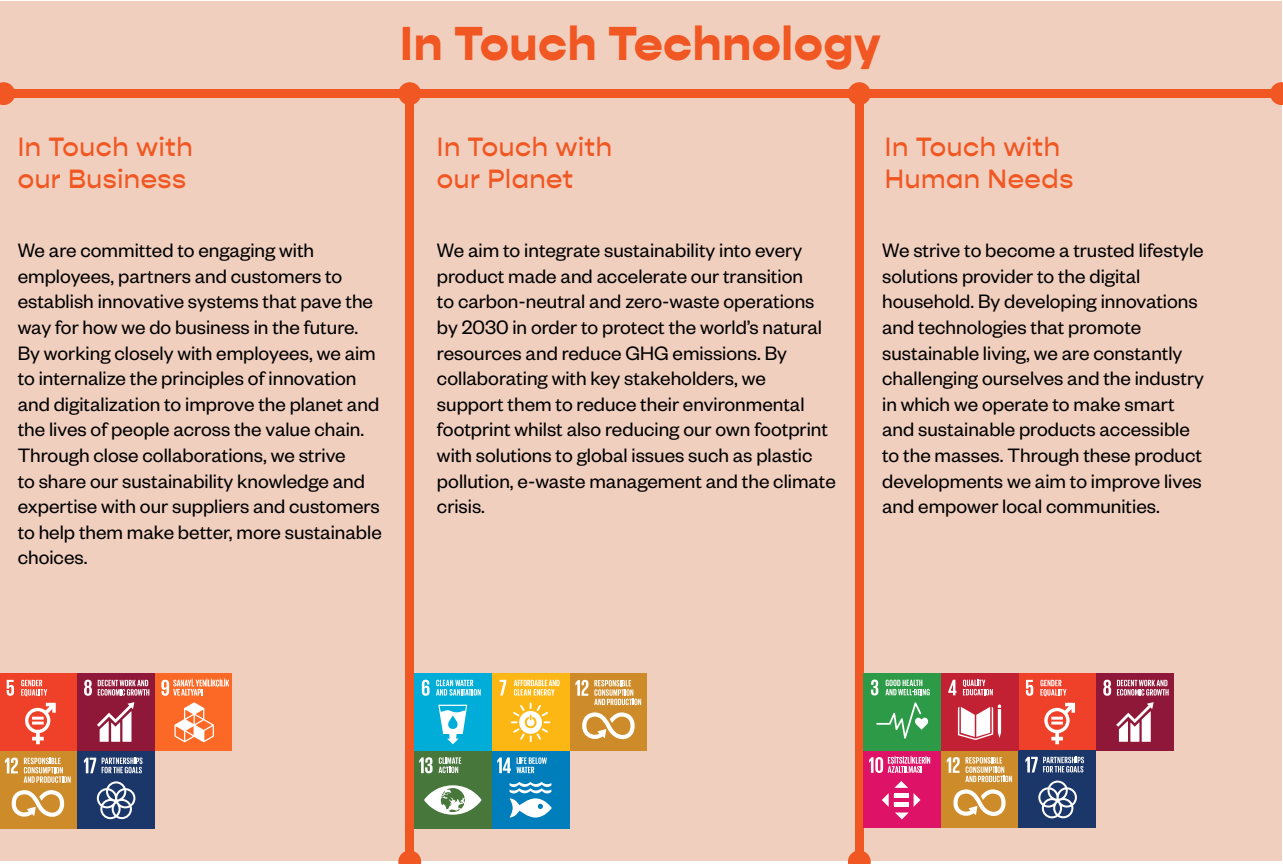
Arçelik, Aselsan, Baykar and Biosys collaborated in coordination with Turkish ministries to manufacture mechanical ventilators to help fight the COVID-19 pandemic. More than 5,000 ventilators were manufactured and distributed in 20 countries including Turkey. White goods and small domestic appliances were donated to more than 600 hospitals in over 20 countries to meet the needs of health professionals.

United Nations Calls For Help

The UN estimates that the number of people in need of emergency aid peaked with an increase of 40% as a result of the COVID-19 pandemic and 235 million people will be in such need in 2021.

WORLD
FOR ALL
OF US

Arçelik and Sustainability



In line with its holistic approach, In Touch Technology,Arçelik manages priority issues, short-to-mid-term objectives, and risks and opportunities with the active engagement of internal and external stakeholders.

- Household Appliances Industry Leader in the Dow Jones Sustainability Index in 2019 and 2020, and listed for the 4th time in a row.
- Listed on the BIST Sustainability Index for the 7th time. The Index lists the best-performing Borsa Istanbul companies in terms of corporate sustainability.

- A supporter of the Task Force on Climate-related Financial Disclosures (TCFD), a major initiative that leads companies to implement concrete measures in combating the climate crisis.
- Ranked 34th in the Corporate Knights Global 100 Most Sustainable Corporations in the World 2021 list, and also included in the Corporate Knights Clean200 list.
- Ranked 13th in Top 150 Impact Companies list of 2021 compiled by Real Leaders, the world's first sustainable business and leadership magazine.

- A- rating in Carbon Disclosure Project (CDP) 2020 Climate Change and Water Security Programmes
- Awarded a Gold Medal for being in the top 1% in its sector, and included in the S&P Global Sustainability Yearbook 2020, which lists companies that perform best in their respective industries in terms of environmental, social and governance (ESG) metrics.
- Listed for the 5th time in FTSE4Good Emerging Index, which measures the ESG of companies. The Index is maintained by FTSE Russell, a subsidiary of London Stock Exchange Group (LSEG) and a global provider of benchmarks, analytics, and data solutions with multi-asset capabilities.

MATERIAL SUSTAINABILITY ISSUES

Arçelik conducts periodic stakeholder analyses to identify the expectations of stakeholders in terms of sustainability when determining material sustainability issues. The results provided provide an assessment of the performance and expectations in the relevant areas. Arçelik used feedbacks from 1,061 stakeholders during the course of the materiality assessment conducted in 2019 to identify its priorities and set short-to-mid-term objectives about these priorities following an extensive review. Performance indicators for these targets are carefully monitored within the scope of activities. Priority issues are matched with the UN Sustainable Development Goals (SDGs) and the performance as well as contributions to these SDGs are presented to the stakeholders in a transparent manner.

Detailed information on sustainability priorities, short-to-mid-term targets and contributions to SDGs is available in [2019 Sustainability Report](#).

SUSTAINABILITY MANAGEMENT

Arçelik Sustainability Council was established to determine the corporate sustainability and climate change policies and strategies, to ensure their integration with the company's internal business processes and to monitor the sustainability performance. The Sustainability Council is chaired by the CFO and the Quality, Sustainability and Corporate Affairs Director is the Secretary General on the Council. The Board convenes every six months and is responsible for reporting critical issues to the Board of Directors. According to the decision number 992 taken by the Board of Directors on March 28, 2019, Koç Holding Consumer Durables President, 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 implemented within the company in line with the ultimate sustainability strategy and the targets set. Please [visit the web site](#) for detailed information on the organization, duties, and responsibilities of the Council.

Corporate policies are one of the most important elements that illustrate how and in what way the Arçelik activities are managed. Drafted by the approval of the Board to ensure effective performance monitoring, these policies clearly demonstrate Arçelik's management approach to issues within the scope of sustainability management. The opinions of stakeholder groups that may be relevant in the development of policies are actively sought. You can visit Arçelik's corporate web site to learn more about the policies that have been created for this purpose and shape sustainability activities.

It is of particular importance to thoroughly review the risks and opportunities for the priorities to ensure the sustainability of Arçelik operations. Risks and opportunities that are identified by the working groups as part of sustainability management and presented to the Sustainability Board are reported to the Risk Management Committee twice a year. [For detailed information on environmental, social and governance risks and opportunities, please click.](#) There were no lawsuits brought against environmental, social and corporate governance issues during the reporting period.

Employees are regularly provided with information and training opportunities on practices and policies on environmental, social and governance issues in order to raise sustainability awareness and improve sustainability performance.

At Arçelik, suggestions that prevent work accidents by employees with hourly wages and monthly salaries, improve product quality and/or customer satisfaction, ensure energy efficiency in production and protect the environment, contribute to employee loyalty, and enhance productivity and reduce costs, improve process and service quality are presented to the relevant personnel through the online suggestion system. All suggestions considered for implementation are scored based on its category, area covered by the category, and the level of improvement, and the "suggestion points" that correspond to each applicable proposal are accumulated and converted into awards and the employees are rewarded.

Every year, Arcelik organizes the Top Performers Awards to recognize "creative innovators", "those who add value to the environment and society", "those who develop collaborations" and "digitizers," who carry the company forward with their projects.

STAKEHOLDER ENGAGEMENT

Stakeholder opinions and feedback regarding Arçelik activities are important to further improve sustainability performance. Accordingly, Arçelik collaborates with different non-governmental organizations (NGOs), public institutions, industry players, opinion leaders, and business partners. Arçelik strives to increase its sustainability performance by differentiating the number of channels it meets with its stakeholders.

You can find detailed information on major institutions, memberships and communication channels related to stakeholder engagement in the [2019 Sustainability Report](#).

Arçelik believes that the value created will increase with the spread of the sustainability approach across the entire value chain. Arçelik strives to integrate sustainability into all business processes and spread the same perspective across the entire ecosystem with the training programs aimed at suppliers for a more sustainable future, planet-friendly products for consumers, and future-proof innovations developed with employees and business partners.

SUSTAINABILITY REPORTING

Key performance indicators on environmental, social and corporate governance, progress on short-to-medium and long-term goals, and the results obtained are presented annually to stakeholders in a transparent and accountable manner.

The Arçelik Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Standard, a globally recognized framework for sustainability reporting. Furthermore, the report is prepared by taking into consideration the United Nations Global Compact (UNGC), the UN Sustainable Development Goals (SDGs) and the Women Empowerment Principles (WEPs) to which Arçelik is a signatory.

Data related to greenhouse gas emissions, water and waste generated at the facilities operating in Turkey, which are becoming more critical every day as part of the fight against climate change, are also subject to third party assurance and submitted to stakeholders for their input as part of the sustainability reporting process.

2020
Industry
Leader

Dow Jones Sustainability
Index Household
Appliances category

2021 Top 150 Impact
Companies list of 2021
compiled by Real Leaders

Ranked 13th

Ranked 34th

Corporate Knights Global
100 Most Sustainable
Corporations in the
World 2021 list

210

energy efficiency projects,

EUR 625K

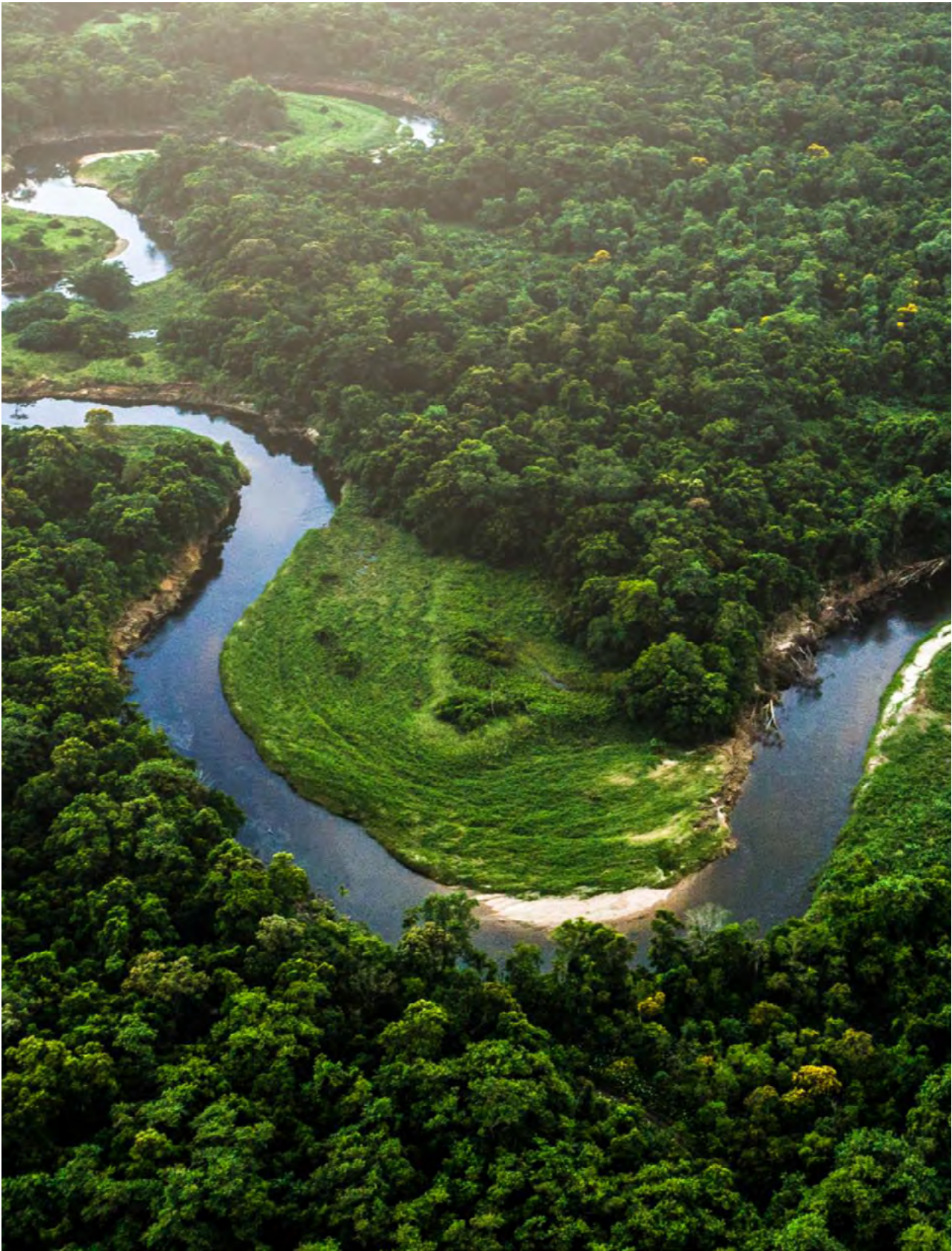
financial savings

Safe
Production
Certificate

TSE COVID-19

carbon-
neutral
in global
production

Through the carbon credit
earned with its own Carbon
Financing Project



In Touch with Business

Arçelik sees sustainability as an integral part of its business model and a lifestyle. By placing innovation and digitalization at the core of its business, Arçelik strives to build the much-anticipated business world of the future with his employees and stakeholders. Arçelik adopts a fair, equal and inclusive approach that focuses on the needs of its employees, a safe working environment and a culture of business conduct that espouse high ethical values. Arçelik aims to create sustainable value not only within its operations but also in the entire value chain.

HUMAN AND EMPLOYEE RIGHTS

Arçelik provides its employees with a fair and egalitarian work environment where human and employee rights are firmly entrenched. The Company's approach and position on human and employee rights are based on the requirements set forth by the United Nations Global Compact (UNGC) and International Labor Organization (ILO) initiatives and these efforts are reported in a transparent manner as guided by these principles.

At Arçelik, all human resources processes, from recruitment to remuneration, are carried out in accordance with the principle of equality. In line with the principles of merit-based assignments and equal opportunities, a fair working environment is ensured by taking into account such criteria as educational attainment, knowledge, skills, competence and experience. Arçelik does not tolerate discrimination based on ethnic origin, language, religion, age, sex, sexual orientation, nationality, disability or culture differences. You can access policies related to human and employee rights on the web site.

Arçelik respects the freedom of its employees to unionize and to sign collective bargaining agreements. Arçelik is a member of the Turkish Employers' Association of Metal Industries (MESS) at workplaces covered by the Turkish operations. All hourly paid employees in Turkey are covered by a collective bargaining agreement. Arçelik also respects trade union rights of its employees in its overseas operations.

Arçelik does not tolerate any practices such as child labor, forced labor and forced labor in its own operations and operations of its suppliers. Arçelik is subject to a number of audits under different classifications as a member of the Business Social Compliance Initiative (BSOI) and Suppliers Ethical Data Exchange (SEDEX).

The issues covered by BSOI audits include social management system, employee engagement, right to unionize and freedom of collective bargaining, anti-discrimination, fair compensation, working hours, Occupational Health and Safety (OHS), prevention of precarious work, preventing child or forced labor, protecting the environment and ethical business conduct. Arçelik complies with the relevant legal regulations and requirements in all countries in which it operates. Performs supplier audits to ensure that human rights and employee rights principles are implemented throughout the supply chain.

Arçelik cares about the wellbeing of its employees, not just in their business lives but also in their private lives. The purpose of flexible working hours implemented at Arçelik is to help employees create a balance between business and private life and increase their motivation and wellbeing.

EQUAL OPPORTUNITY AND INCLUSION

In line with its understanding of equality of opportunity and inclusion, Arçelik supports the participation of all disadvantaged groups, especially women, girls and people with disabilities, in society and economic life.

Arçelik strives to increase female employment and raise awareness of gender equality by supporting women's empowerment and active involvement in business life. Arçelik encourages employment of women not just at its offices and manufacturing facilities but also by its suppliers, authorized technical service providers, dealers and stores.

You can find detailed information on gender equality and women's empowerment practices in the Sustainability Report.

Participation of people with disabilities in economic life is possible by creating a barrier-free environment for them. With the Accessible Home Agent Project, Arçelik supports the employment of people with disabilities who have difficulty coming to work due to physical health problems. This project enables people with disabilities to work from home, allowing the development of a more diverse workforce. Arçelik collaborates with universities and associations to develop projects for training people with disabilities as qualified professionals.

TALENT MANAGEMENT

The employees are the driving force behind Arçelik's global achievements and high sustainability performance. Arçelik continuously invests in bettering employee experience, providing a satisfactory working environment. Arçelik's talent management approach is based on the placement of the right person in the right job, objective performance evaluation, and training programs to improve competencies.

The development and performance of employees are monitored through a 360-degree assessment processes. Arçelik implements a performance management process that focuses on the needs of the employees and focuses on development and feedback. The outcomes of the process are used to prepare plans that support employee career development. The development journey of the employees prepared for their leadership roles is closely monitored by the Development Center practices.

Training and development programs are designed to improve employee performance in line with Arçelik's vision and business objectives. The current and potential future needs of the employee are determined by considering the job requirements and the requirements of different positions. The training focuses on three main categories: Talent In You, Future In You and Leader In You.

"Talent In You" Program focuses on personal and professional development of employees. Training programs that improve the technical and professional competencies of employees, foreign language training, social responsibility and hobbies are provided as part of the program.

"Future In You" Program, focuses on the careers and leadership potential of employees. Employees wit potential are prepared for their new roles and their development is supported throughout their career journeys.

"Leader In You" Program, focuses on employee leadership development. Training sessions are organized to develop their work and leadership muscles in line with the needs of managers at all levels.

Apart from the programs grouped under these three areas, various training programs are organized to strengthen the professional development and expertise of employees. Arçelik staff members are encouraged to take online training programs to develop new competencies.

Technical Academy 4.0 strengthens the competencies of technicians and operators in Industry 4.0, their loyalty to and satisfaction with Arçelik, and their awareness and confidence in business processes.

Tech Pro Academy develops the competencies of all engineers, experts and senior experts working in the production and technology group. Studies have been carried out with Koç University as part of the localization of the Academy in Romania in collaboration with Valahia University Targoviste. Training sessions were organized under the titles "Material and Process Flow" and "Next Generation Production Technologies" in the 2020 training plan, and 160 people participated in 14 sessions.

The Critical Expertise Project to unlock the potential of R&D employees who wants to specialize in a specific field.

Digital Competency-Driven Training provides employees with competencies in line with the company's digital transformation policy and road map.

Recruiting young talents is a major aspect of Arçelik's skill management approach. Arçelik believes that young people's innovative perspectives and dynamism will make a significant contribution to its business. Arçelik develops collaborations with universities and runs internship programs to recruit young talents and support their development. One of the programs is the Fresh Start Internship Program, which is designed to help university students prepare themselves for the business world and gain experiences that will shape their future careers. Another program is the A Ticket for Your Future. This program is designed to attract young university students working in innovation and creativity from all around the world to Arçelik.



Corporate Volunteerism: This Is Us!

In 2020, Arçelik continued to play an active role in solving social problems and established its corporate policies accordingly. Arçelik has published its Corporate Volunteerism Policy to enable the voluntary participation of its employees with the awareness of active and responsible world citizens in order to solve social problems in the priority areas identified in its Corporate Citizenship Policy. The policy lists the high-priority social issues as the sustainable living (environmental protection, combating climate crisis, energy, water, waste, plastic, food waste, healthy living), technology and digitalization, equal opportunities in education, and gender equality. In these areas, the principles of participation of employees who will take voluntary duties in projects and activities were also defined.

In 2020, an annual activity schedule was prepared for Arçelik Volunteers Club, which work in accordance with the policy. Volunteer events designed in many areas such as the environment, fight against plastic pollution, sustainable office, digitalization, and education have been put on hold due to COVID-19. More than 100 Arçelik employees volunteered to support the Science Heroes Meeting Tournaments, which is the Turkey leg of the First LEGO League Tournaments, with more than 300,000 children and young people participating in more than 100 countries in January-February-March, ahead of the pandemic.

Arçelik Employees Sports Clubs

Arçelik’s employees from various businesses and locations volunteered to participate in sports activities in athletics/running, badminton, basketball, cycling, soccer, rowing, table tennis, volleyball, sailing and swimming. These teams competed at official leagues, corporate leagues, Koç Holding Sports Leagues and/or Sports Festivals throughout the year:

- The Women’s Volleyball Team won the 2020 Turkey Championship in the Fonex Corporate Volleyball League.
- A group of 300 employees, authorized dealers, and authorized service providers participated in the Runatolia 15th International Marathon in Antalya on March 1, 2020. In this charity run, volunteers raised funds on behalf of the TEV Mustafa V. Koç Scholarship Fund.
- 31st Koç Group Sports Fest was limited to online activities as a result of the measures against COVID-19 and the sailing team won the championship trophy.

OCCUPATIONAL HEALTH AND SAFETY

Arçelik’s primary objective in occupational health and safety (OHS) is zero work accidents and zero occupational diseases. To ensure a safe working environment, Arçelik leverages new technologies, conducts risk analyses, organizes awareness-raising training and conducts auditing activities.

Occupational health and safety is conducted in an integrated manner with quality and environmental management systems. Arçelik embraces an OHS approach that targets the entire value chain as well as its operations and employees, and manages the practices in this area in line with the OHS Policy.

Arçelik Headquarters building and all Arçelik production facilities are certified to the ISO 45001 Occupational Health and Safety Management Standard.

Actions to be taken to achieve the objectives set are listed in the OHS Action Plan. Arçelik strives to achieve a successful OHS performance in all countries in which it operates, setting uniform indicators and concrete targets across all geographies. In order to ensure that performance in this area is internalized and managed as a success factor, OHS issues have been included in all department and employee objectives within the scope of the Performance Management System.

In 2020, the accident frequency rate and the severity rate for Arçelik’s Turkish operations were 2.80 and 0.062, respectively. In the same period, the accident frequency rate and occupational illness rate for Arçelik’s global operations were 2.09 and 0.1, respectively.

OHS trainings are conducted for its employees and suppliers with the aim of establishing a common health and safety awareness and culture. In 2020, Arçelik employees and supplier employees

received 151,398 and 5,174 person-hours of OHS training, respectively. OHS trainings and drills aim to increase awareness of unsafe behaviors and create behavior change.

Employees participate in OHS management through OHS Committees and suggestion system. The committees can provide support and advise on OHS. As of 2020, 405 members, including 47 employee representatives, were employed in 26 Occupational Health Committees in Turkey.

SUSTAINABLE SUPPLY CHAIN

Arçelik strives to create value for all its stakeholders in the value chain with a sustainable supply chain and continuously supports its suppliers to improve their environmental and social performance. Risk management processes, sustainable supplier index, supplier audits, communication activities and supplier training are the main tools for integrating sustainability approaches and practices into the value chain. Arçelik takes international agreements as reference for its sustainable supply chain approach. Arçelik is among the first companies to sign the Code of Business Ethics published by the European Association of Home Appliances Manufacturers (APPLiA). Arçelik carries out its procurement management in accordance with the Global Responsible Sourcing Policy, which is included in the Global Business Ethics Principles document. The Global Responsible Sourcing Policy details the expectations from suppliers regarding legal compliance, working conditions, human rights, occupational health and safety, and the environment.

Arçelik identifies social, environmental and economic risks in its supply chain with certain methods. Suppliers that are in critical position regarding sustainability risks are subject to risk assessment in accordance with the Sustainable Supplier Index and are subject to Business Ethics Audits. Supplier Business Ethics Audits evaluate the suppliers in terms of their compliance with Arçelik’s expectations on social, environmental and economic issues. Supplier-specific improvements and actions are scheduled in case of non-compliance. All suppliers of directly sourced materials were assessed for quality, environment and business ethics.

A Supplier Training Platform was established to increase the knowledge and awareness of suppliers on sustainability issues. Through this platform, suppliers are informed about the environment, business ethics, occupational health and safety issues and the requirements of national and international regulations. In



2020, 10 training programs on sustainability were organized for suppliers and 4,000 person-hours of training were provided.

On top of training, suppliers are supported by Supplier Development Programs. Arçelik collaborates with suppliers that continuously improve their performance. Projects carried out in cooperation with Arçelik and suppliers provide competitive advantage for suppliers and help reduce costs and improve quality. With these projects, Arçelik improves product quality, shorten production times and increases productivity.

In line with UN guidelines and restrictions, Arçelik avoids sourcing minerals required for manufacturing electronic devices and durable home appliances from high-risk conflict zones to prevent any financial support to such conflicts. In line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and under the Conflict Minerals Project launched in 2016, Arçelik has established a Conflict Minerals Management System and evaluates high-risk suppliers in terms of the use of 3TG minerals (tin, tantalum, tungsten and gold).

ETHICS AND COMPLIANCE

At Arçelik, business ethics and compliance are governed by Global Code of Business Conduct and Related Policies. The CEO and the Global Ethics Committee are responsible for orderly implementation of the principles and policies. The permanent members of the Global Ethics Committee are the CEO (Chairman), the CFO, the Legal and Compliance Director, and the Human Resources Director.

Legal and Compliance Director reports the resolutions and compliance activities of the Global Ethics Committee to the Chairman of the Durable Consumer Goods Group of Koç Holding and to inform the Board of Directors each quarter.

The Legal and Compliance Directorate is responsible for regulating human rights principles, periodically reviewing them and revising them when necessary, and the Human Resources Directorate is responsible for implementing these principles. With the Global Code of Business Conduct, Arçelik undertakes to act in compliance with the UN Global Principles Agreement, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the Universal Declaration of Human Rights (UHDR) independently of whether or not these principles have been adopted in the countries in which it operates. All Arçelik employees and business partners, including interns, are required

to comply with the Global Code of Business Conduct and Related Policies and are expected to adopt and comply with these rules. Awareness on this subject is raised through training programs. At the same time, it is the responsibility of all managers to report the Global Code of Business Conduct and Related Policies to all employees, to ensure that the employees give the necessary attention to these rules, and to show the necessary effort and leadership to ensure compliance with these rules.

A copy of the Global Code of Business Ethics and Related Policies are provided o all employees in exchange for their signatures, at the day of their employment. Furthermore, a copy of the Global Code of Business Ethics and Related Policies is provided to all new recruits and their completion status is regularly checked.

Arçelik Legal and Compliance Directorate has created face-to-face and online training programs to ensure full compliance with the Global Code of Business Ethics. The training includes the Global Code of Business Ethics and Related Policies, including the fight against bribery and corruption, as well as the prevention of discrimination and human rights violations. In 2020, more than 9,000 employees, 24.7% of Arçelik's total workforce, received live training via remote access. However, senior managers were trained at face-to-face sessions.

Reports on any noncompliance with the Global Code of Business Ethics and Related Policies are made via an online ethics hotline. In countries where manufacturing takes place, a call-in ethics phone line is available. Arçelik is committed to protecting notifiers by handling all notifications confidentially.

Arçelik is a signatory to the APPLiA Code of Conduct. The Code of Conduct guarantees a sustainable performance in relation to the working conditions, environmental laws and standards that are stipulated and required by national laws and international conventions.

Furthermore, Arçelik ensured that its production facilities are audited by independent audit firms based on the criteria established by Business Social Compliance Initiative (BSCI) and the Suppliers Ethical Data Exchange (Sedex), which are widely accepted in the European Union, and obtains compliance reports as a result of regular audits.

[You can find the Global Code of Business Ethics and Related Policies here.](#)

ANTI-BRIBERY AND ANTI-CORRUPTION

Arçelik's anti-bribery and anti-corruption approach and rules are covered under the Global Code of Business Ethics and Related Policies. Anti-bribery and anti-corruption are managed in line with the Global Anti-bribery and Anti-corruption Policy.

As per this policy, Arçelik does not engage in any improper behavior, such as accepting or paying bribes. Employees are not allowed to offer, give or accept gifts and payments that may be perceived as a bribe. Employees are obliged to report the matter to the Global Compliance Department in the event of a bribe solicitation or offer.

Arçelik does not tolerate any form of corruption, embezzlement, facilitating payment and bribery. All financial records reflect every expenditure fully and accurately. Arçelik's financial systems do not allow unrecorded transactions or assets.

PROTECTION OF PERSONAL DATA

Standards on the protection of personal data are defined in accordance with the Global Code of Business Ethics and Related Policies. A Data Protection Officer (DPO) function has been allocated as Global Compliance Manager at Arçelik. This function supervises all personal data processing activities of Arçelik and its subsidiaries and ensures that they are processed in accordance with the law.

Arçelik is committed to the principle of protecting the confidentiality of its subsidiaries and affiliates, customers, suppliers, employees and subcontractors, all of its stakeholders with whom it has a commercial business relationship. Personal data is processed and protected in accordance with data protection laws. Arçelik is obliged to comply with the relevant laws and regulations when applicable laws require a higher level of protection than those determined by the company.

Personal data cannot be used for any purpose other than the initial purpose for which they are collected. Individuals are informed on which personal data are processed by the Company, the purpose of processing, how long they will be maintained and under which conditions they will be shared with third parties. The relevant persons are entitled to be removed from the database, not to be communicated with, to be included in the database, to obtain information about processed data, to learn about the third parties to whom the data is transferred, to request correction or deletion of processed data.

CUSTOMER SATISFACTION

Arçelik adopts a customer-centric approach in an effort to create the perfect customer experience. Customer satisfaction is managed in accordance with the Customer Satisfaction Policy.

Customers can send their requests and suggestions to Arçelik Customer Communication Center via telephone, email, social media, and in some countries, via WhatsApp and chat. Customer requests are communicated to the relevant units and the processes are monitored and reported in a transparent and secure manner. All notifications received from customers are handled in compliance with legal regulations, objectively, fairly and confidentially.

Arçelik continuously monitors the impact of its products and services on its customers. To this end, the company implements customer satisfaction and customer loyalty surveys every year and conducts mystery customer visits and audits for the dealers.

After-sales service processes are managed with ISO 1002 Customer Satisfaction Quality Management System and measured regularly with Net Promoter Score (NPS). Regulatory and corrective actions are taken and a variety of projects are implemented based on customer feedback. With these projects, Arçelik aims to improve its NPS score, standardize service quality and provide services that exceed customer expectations.

In Touch with Human Needs

1,376 graduates

from Arçelik laboratories

181 students employed

in Authorized Services

A Ticket For Your Future Program

46 participants

7 of them employed by Arçelik

in the Designing the Future for My Country Seminar

1,142 participants

in the Geleceği Yakal@ (Catch the Future) Workshop

133 participants

358 participants

in the Kızcode Program

Arçelik considers creating solutions that meet the needs of society as the foundation of its corporate citizenship strategy. Arçelik develops products to remove obstacles to social welfare and focuses on improving lives in the areas in which it operates.

While demonstrating a solution-oriented approach to social problems, Arçelik creates projects that will make a difference in socioeconomic and cultural makeup of the society and create added value.

Arçelik’s model includes a multi-stakeholder structure at every stage of its social development projects. Arçelik develops long-term partnerships with public and NGOs the regions in which it operates and structures all its processes in line with the United Nations Sustainable Development Goals (SDGs). Arçelik is engaged in a number of social projects to leave a better world for future generations in line with the “Partnerships for the Goals.”

In line with its mission, Arçelik defined its priorities as Gender Equality, Quality Education, Climate Action, Industry, Innovation and Infrastructure, Responsible Consumption and Production, and Good Health and Wellbeing.

All members of the Arçelik Family all around the world make great contributions to the sustainability and implementation of the Company’s social volunteerism projects. Production facilities, sales and marketing offices develop new business opportunities as well as projects that leave a mark on the social development of their region.

Operating in a wide geography globally, Arçelik contributes to the local development in terms of financial inclusion and access to finance with the employment and economic activities it creates, especially in the developing regions where production facilities are located. It creates economic value for the financial development of the ecosystem affected by its activities.

EDUCATION AND DEVELOPMENT

Arçelik believes that education is the most critical prerequisite for a prosperous society and a bright future, and continued its social projects in 2020.

Electrical Household Appliances Technical Training Program – Arçelik Laboratories

Arçelik has been emphasizing the importance of vocational education for many years, emphasizing the need for cooperation between schools and enterprises, and carries out projects to this end.

The Arçelik Electrical Household Appliances Technical Service Program is a first in Turkey. The program is designed to train human resources that keep up with the industry trends and adapt quickly to emerging technologies. The Program is carried out in collaboration with the Ministry of National Education General Directorate of Vocational and Technical Education and aims to train students to become technicians in white goods and air conditioning product groups after receiving training at Arçelik laboratories. The laboratories were equipped with state-of-the-art measuring tools and devices used for servicing electric home appliances.

The second phase of the program was completed between 2011 and 2014, and the second phase was held in the 2015-2019 period. The program started with four vocational high schools in the 2011-2012 academic year and reached a total of nine vocational high schools in Istanbul, Diyarbakır, Trabzon, Izmir, Ankara, Bursa and Tatvan in the 2015-2016 academic year.

The number of graduates of the program reached 115 in 2013; 112, in 2014; 208, in 2015; 216, in 2016; 216 in 2017; 209, in 2018; 139, in 2019; and 161, in 2020.

As of the end of the 2019-2020 school year, the total number of students who graduated from the Electrical Household Appliances Technical Service Program reached 1,376. From among the graduates, 181 students have been employed at Arçelik Authorized Services.

A total of 65 instructors from the Arçelik Electrical Household Appliances Technical Service Department have received technical training for a total of 22,500 person-hours at the Service Academy since 2011, as part of the Arçelik Turkey Service Academy Training Program. Training sessions continue in line with the needs.

Employees of Authorized Services were supported with 1,174,450 masks (23,489 packages), 1,544,350 pairs of gloves (28,431 packages), 10,134 visors, 375 free-standing disinfectant stands, 572 hand disinfectants, and 6,632 individual hand disinfectants during the COVID-19 pandemic. The Company is still providing these services.

Arçelik has come up with different solutions in the face of increasing hygiene needs during the pandemic process. Disinfecting services

have started to be provided throughout Turkey with a wide service network using the biocidal product licensed by the Turkish Ministry of Health in accordance with official regulations. During this process, disinfection was initiated as a business model and a new commercial business area was created for Authorized Services. Above all, customers, homes and workplaces have been disinfected with Arçelik assurance.

It is an inevitable necessity to take measures to mitigate the risk of earthquakes that cause irreversible losses on human life and residential areas. Arçelik therefore launched the Refrigerator Safety Fastening Kit for the purposes of “reducing non-structural risks of earthquakes” as a means to avoid the damages caused by earthquakes. With the refrigerator fastening kit, products are fixed to the wall to reduce the risk of toppling. Kits are mounted by experienced Arçelik Authorized Services.

A Ticket For Your Future

The A Ticket for Your Future Program has been launched to bring back skilled workforce studying abroad to Turkey. Accordingly, Arçelik reaches out to successful Turkish students in their junior or senior years or postgraduate and Ph.D. students studying abroad are reached. Of the 46 participants included in the program, seven started working in Arçelik. Whether the project, which was postponed due to the pandemic in 2020, will continue in the upcoming period will be evaluated under the prevailing conditions.

Arçelik Retail Academy

Founded four years ago, the Arçelik Retail Academy aims to communicate the Company’s retail approach and vision to authorized dealers and relevant sales channels at points of sale. As an institutional education function, the academy continues to grow rapidly with a consumer-centric curriculum and educational and teaching tools that increase learning by triggering interaction.

In 2020, the Arçelik Retail Academy focused on the digitalization and transformation topics, the indispensable part of the new normal. In this context, it aims to increase the motivation and performance of its target audience through training and development activities. In addition to being a solution partner for all units serving the field with new business models planned in the new era, the aim is to ensure the widespread use of Academy transfers in the field and thus contribute positively to business outcomes.

Digital Wings

Arçelik started the Digital Wings Project in collaboration with the Turkish Ministry of National Education, support of Arçelik and Beko brands and technical assistance of Bilkom. The purpose of the project was to raise a generation equipped with 21st century skills

and self-confidence and familiar with technological developments. Under the project, 200 teachers from 100 schools were trained in Istanbul in March 2020. The project was put on hold in line with the recommendation of the Ministry of National Education as schools moved to remote education due to their pandemic. The project will continue again once the schools begin face-to-face training.

Designing The Future For My Country

Arçelik carries out various projects with its employees and dealers in support of the “Designing the Future for My Country” Project carried out by Koç Holding. With the seminars carried out under this project, employees are encouraged to prepare themselves for the future and redefine their relationship with technology to shape the future. The purpose is to use technology to set the environment for a fair, egalitarian and inclusive future. In 2020, 1,142 people attended the seminar program, which was moved online due to the COVID-19 outbreak.

Right Approach to Disability for my Country

In 2020, training seminars aimed at supporting the spread of social awareness on issues of disability and accessibility were held.

The seminars were on right approaches to individuals with sight, hearing, physical and speech disability as well as those with learning disability or other impairments. During the year, 357 people attended training seminars.

Geleceği Yakal@ (Catch the Future) Workshop

We organized workshops in collaboration with Turkish Employers' Association of Metal Industries to introduce young people to coding, improve technological literacy by providing them with an accurate understanding of digitalization, and help them grasp the logic of algorithms. In 2020, 133 people benefited from workshops on coding, robotics and 3D design organized for the high school-aged children of Arçelik employees. A total of 394 people participated in the workshops launched in 2019.

FIT4FoF Project

Arctic is a member of the European Consortium, which is established to define the skills that will be needed in the factories of the future and to structure the training programs accordingly. With the FIT4FoF project designed for this purpose, the activities will be designed to determine the needs of employees, analyze technology trends, value-added manufacturing, mechatronic/ machine automation, data analysis tools, cyber security and human

machine interface, identify new job profiles and determine training requirements. Arctic started a pilot project at the Washing Machine Plant in Ulmi, Romania, in October.

Arçelik Turkey – Pepee TV

The collaboration between Turkey's first digital children's television Pepee TV and Arçelik and Beko brands continued in 2019 with the aim of raising environmental awareness among children. Under this collaboration, eight animation movies were shot on climate change, soil, air, water, forests, responsible consumption and energy efficiency. The films also include “infomentaries” to raise awareness on the environment. In 2020, millions of children in Turkey watched the contents.

Gender Equality and Women's Empowerment

Contributing to the development of an egalitarian approach in business and social life and raising awareness on gender equality are among the issues Arçelik cares about and is one of the priority areas of corporate citizenship strategy.

The SDG 5 calls for achieving gender equality and empowering all women and girls and defines gender equality as a fundamental human right. Arçelik aligned its sustainability roadmap with these goals and signed the United Nations Women's Empowerment Principles (WEPS) in 2017.

Supporting Women in the Workforce

Arçelik continued its pre-pandemic projects to support the female workforce affected by the pandemic process and to ensure that more women enter the workforce. Arçelik also added new ones to these projects.

500 Women Technicians Project

The 500 Women Technicians Project aims to make the untapped female workforce that came out following the centralization of the Arçelik call center. Accordingly, the project calls for the employment of at least one female technician in the authorized services that serve all the brands in Turkey and supports the female workforce negatively impacted by the pandemic. Under the project, free training opportunities will be provided to female service personnel who will be trained as technicians for the first time. Support will be obtained from public stakeholders such as the Turkish Employment Agency (ISKUR) and the Ministry of Family and Social Affairs and authorized services will be encouraged to employ female technicians.

100 Women Beko Dealers Project

Arçelik launched 100 Women Beko Dealers Project in order to increase the representation of women in the entrepreneurship ecosystem. The project aims to support the economic and social development of women, encourage entrepreneurship and support women who evaluate the option of being Beko dealers with the experience gained from the extensive and well-established dealer

organization in Turkey. Entrepreneurial women who want to buy dealerships receive financial and moral support at all stages from the application stage, from store selection to rent support, from management training to mentorship. In 2020, more than 1,600 new applications were received, 29 new women dealers were included in the Beko dealer ecosystem, increasing the total number of women dealers to 39.

You Are An Engineer, You Are With Us

You Are An Engineer, You Are With Us Project was launched to encourage female students of engineering and basic sciences to work in the fields of technology and innovation and educate them on the dynamic structures of new-gen R&D. In 2019, 60 students attended the workshops and were matched with 47 role models and mentors from Arçelik. Throughout 2020, interviews and efforts continued to improve the technical competencies of the students and prepare them for professional life. Students experienced first hand R&D operations at Arçelik and contributed to their individual and professional development. The results of the projects were shared with their mentors and managers at the end of the process.

Students selected from among the 60 students who participated in the program had the opportunity to be employed as interns at Arçelik under the Fresh Start summer internship program. The preparations are in progress for the second program, which will be held in February 2021.

Development Programs: Women in Leadership and Holistic Leadership

The Women in Leadership Program was designed as an important support program for female executives. The program supports the leadership skills of women, helps them create a social network for a better self-representation and ensures that they have a better impact on organizational decision-making processes. Based on similar objectives, a Holistic Leadership Program for all employees has been implemented. In 2020, design efforts were started to transform both face-to-face program to virtual classes. The objective is to finish the process in 2021.

Seminars and Workshops on Gender Stereotypes Learned through Language and Behavior

The program drives discussion on the meaning of not-well-thought-out words and attitudes in terms of equality and focuses on certain words and stereotypes generating gender inequality. Awareness has been raised on how and why protective sexism triggers discrimination. Efforts on transforming the classroom program into virtual classes were carried out in 2020 and the work is planned to be implemented in 2021.



SheMate Mentorship Training

In 2020, four experienced mothers participated in this mentoring program as mentees, which allows mothers working at Arçelik to share their experiences with new mothers. The total number of matchings has reached 55. The program is designed to facilitate the adaptation of postpartum women to work, encourage them to know that they can be a mother and pursue a career at the same time, to strengthen the idea of women returning to work and to make them feel the power of sisterhood.

In 2020, the Program's processes were revised to redesign the employee experience from a perspective. The program will be implemented in 2021, supported by different training programs and enriched with new design.

Gender Equality Seminars

The seminar was organized to create awareness on the reasons and consequences of gender inequality with a focus on male-female roles and the inequality and discrimination resulting from these in private and business life. A total of 22,343 people attended the seminars which since the launch in 2015. In 2020, 58 people participated in the seminars due to COVID-19. An online version is scheduled for launch in 2021.

Equal Dictionary

The Equalize with Equal Dictionary Project aiming to achieve gender equality by leveraging the power of technology, also continued in 2020. Equal Dictionary keyboard, which is used on mobile devices and computers, warns the user and offers alternative discourses when he or she uses sexist expressions, belittles women or men, or creates discrimination in language. As of the end of 2020, the mobile app of the project was downloaded 29,873 times, the web page had more than 40,000 visits, and words were corrected hundreds of thousands of time.

Kizcode

The Kizcode Program was designed to train the daughters aged 11-15 of Arçelik employees on coding and animation. In 2020, coding training with COVID-19 was migrated to the virtual platform and reached wider audiences. During the year, 358 people attended the training sessions and 434 people have been trained since the program was launched in 2018. As a result of the training, girls have been given an opportunity to expand their perspectives on technology and digitalization, unearth their talents and evaluate their projects on different platforms.

Father Support Program

The Father Support Program, which was established to contribute to the development of democratic culture in the family, includes steps for fathers to spend more time with their children, to establish a healthy communication, to be informed about their needs and to develop gain positive behaviors. In 2020, face to face Studies on transforming the implemented program into virtual classrooms have been initiated, and it is planned to be implemented in 2021.

Egalitarian Parenting Approaches and Parenting in the Time of Corona

The program aims to inform parents about the fundamental relationship and communication skills they will build with their children in the context of gender equality and has been reorganized in 2020 under the title “Parenting in the Time of Corona” due to COVID-19. A total of 426 employees participated in the training together with their spouses. The Koç Academy's different content that supports parents for the content and purpose of this training has been presented to the employees to reinforce the program.

Supporting Public Health and Local Communities

Dawlance – Pakistan

During the pandemic process in 2020, 10 ventilators manufactured by Arçelik were donated to major hospitals in Pakistan to improve the condition of healthcare facilities within the framework of the initiative “Dawlance for Humanity.”

On the World Children's Day, Dawlance educated children and educators at the Dar-ül-Sukun Foundation in Karachi to raise awareness on COVID-19. Also, a donation was made to the institution which hosts and cares for children and adults with disabilities. This event was organized in collaboration with Dr. Tahir Barlas, a leading expert in Pakistan.



One of the important projects implemented during the pandemic was the incubation rooms designed to ensure that healthcare workers stay in a self-ventilated glass chamber and to protect social distance by keeping patients out. Dawlance also manufactured and donated adjustable face shields to hospitals for frontline health workers.

Dawlance donated 150 products to different hospitals throughout the year, including refrigerators, freezers, air conditioners, microwave ovens, water fountains and electric water heaters. Dawlance refrigerators and freezers are often used to keep large quantities of COVID-19 test kits and test specimens below the ideal temperature of -20 degrees, demonstrating the reliability of these products.

Arctic – Romania

Arctic supported frontline health professionals in their struggle against COVID-19 throughout the year. In Romania, Arctic donated 1.4 million worth of Arctic and Beko home appliances to health professionals and hospitals. More than 1,500 Beko household appliances were distributed as part of the collaboration with the Romanian Red Cross. Donations were made as part of Beko's global campaign, while the #StayhomelikeaPro slogan supported healthcare teams' efforts to prevent and control the spread of the virus.

In September, Arctic donated ventilators manufactured by Arçelik to hospitals in Dâmbovia County to support local medical teams.

The Arctic service network is the largest network for large and small domestic appliances in Romania. During this period, the company initiated a special campaign and addressed all calls received from customers aged over 65. Free services were offered for these individuals for all three brands in the portfolio.

Encouraging people to take measures against COVID-19 has been an essential part of the Company's mission in 2020. Arctic and Beko have integrated their agendas and invited everyone to wear masks with the #WearAMask global campaign. the global campaign has been adapted locally and nationwide awareness has been raised on the importance of wearing masks.

Arctic believes in the importance of nurturing a culture of collaboration and solidarity for the safety of its employees, business partners, customers and everyone else. A campaign called “Respect for the Frontliners” was launched and health professionals were supported with the hashtag #RespectLiniaIntai on social media and other channels at the plants and service units.

Beko – The United Kingdom

Within the scope of the fight against COVID-19 pandemic, Beko launched the #BekoGiving initiative and donated products to the National Health System (NHS), which is at the frontline saving lives. More than 1,700 products were donated to NHS-affiliated hospitals, ambulance services and charities across the country supporting homeless. Within the scope of the initiative, 400 small household appliances were donated to more than 150 families as part of the collaboration with Barnardo's, a British charity that is dedicated to helping vulnerable children and young people. Within the framework of the seven years of partnership with Barnardo's, Beko has provided assistance of approximately £200,000 to families and children in need, including in kind gifts.

Grundig – The United Kingdom

In harmony with the message of Respect Food, Grundig has launched the “GiveBack” in collaboration with Currys PC World, the

UK's largest electrical retailer. As part of the campaign, more than 120 charity organizations selected by Currys PC World store staff have been donated 240 domestic appliances worth £120,000.

elektrabregenz – Austria

In 2020, the company continued to support Pro Juventute to protect homeless and needy children and donated kitchen appliances to renovated orphanages. The proactive collaboration between elektrabregenz and Pro Juventute, which contribute to social awareness of Pro Juventute's programs, will continue in 2021.

Responsible Consumption

Respect Food

The need to fight rapidly increasing food waste in the world led Grundig, which believes in the philosophy of "Respect Food," to projects that promote responsible consumption.

Grundig has undertaken a number of joint projects with local and global organizations to draw attention to food waste, and has led its R&D efforts into new technologies that will prevent food waste. As a global brand with high environmental awareness, Grundig invites society to fight against food waste and strives to raise awareness

through its collaborations. Chef Massimo Bottura, who epitomizes Grundig values such as quality, aesthetics and sustainability, is the voice of the brand in this awareness-raising process with the title of brand ambassador. Massimo Bottura, who was selected as the UN Environment Program Goodwill Ambassador and selected as one of the 100 most influential people by Time magazine, in a move to accelerate the fight against the global food waste problem, helps shape the sustainability journey of the brand in this process.

In addition to this partnership, Grundig also strengthens its Respect for Food philosophy and supports awareness of food waste through collaborations from different fields.

Food for Soul

Grundig has continued its collaboration with Food for Soul, a non-profit organization that fights food waste, since 2016. Food for Soul was founded by Chef Massimo Bottura to highlight a series of initiatives by working with chefs, artists, food suppliers, designers and organizations.

Through this collaboration, Grundig supports the Food for Soul organization to educate consumers about food waste and raise awareness about respect for food. This has helped Refettorios,



and Naples. In this context, by the end of 2020, more than 500 tons of food and more than 785,000 dishes are served and the fight against food waste continues, and Refettorios continue to spread and increase their impact.

Focused on the SDGs and extending the collaboration with Food for Soul and Massimo Bottura on a number of platforms, Grundig launched a campaign on the World Food Day. Web episodes were broadcast during the days of COVID-19 and informative contents were shared on Instagram and respectfood.com.

Grundig Turkey – Ruhun Doysun

Inspired by Koç Holding's sustainability vision, Grundig Turkey developed the concept of "Brand With A Purpose" and in line with the global perspective, it launched Ruhun Doysun Initiative in Turkey.

Grundig Ruhun Doysun, organized with the theme "A Lifestyle" in 2017, "Respect Food," in 2018, and "Discover," in 2019, has become a growing awareness movement every year through YouTube series, website, social media accounts, magazine books, events. Grundig Ruhun Doysun project started with a focus on digital. "A Lifestyle" and "Respect Food" seasons were broadcast on a national TV channel and a digital platform. "Explore" season was broadcast on a national TV channel and a digital platform in April 2020 and a national TV channel in May 2020. Repeat broadcasts of the project continue on the same national channel.

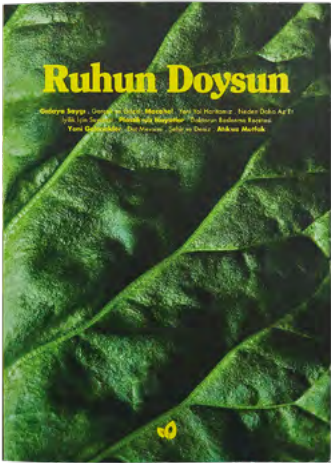
Grundig Ruhun Doysun started as a project to create awareness and it is now among the first brands to come into mind about respecting food. As of 2020, the number of followers reached 542,000 on Instagram, 161,000 on Youtube and more than 700,000 on all social media channels. Videos on the Youtube channels were watched more than 100 million times. The project has become an opinion leader that extends its philosophy to the masses.

Magazines-books titled "Respect Food" and "Discover" are now on sale through grundig.com.tr as well as e-commerce web sites and major bookstores.

Healthy Living

Eat Like A Pro

Eat Like A Pro Program was launched by Beko in an effort to raise awareness on child obesity, a major global concern. The collaboration with UNICEF started in 2018 and various programs were implemented in 2019 in six South American countries (Costa Rica, Cuba, Mexico, Ecuador, Colombia and Brazil) to create an impact on families and children. As part of the cooperation that



which are restaurants that make gourmet meals for the homeless, extend the scope of their operations to different locations in order to reduce food waste and provide for people in need. As an official partner of the organization, Grundig helped Food for Soul in the opening of five Refettorios in Rio de Janeiro, London, Paris, Milan,





continued in 2020, although the schools were closed due to Even though the collaboration between FCB and Beko was affected by COVID-19 during the final period of the 2019/2020 season, it continued with a shared objective of supporting and encouraging healthy living.

Beko continued to provide fun nutrition-related content through social media platforms and FCB's digital channels, and to deliver players' favorite Nutrition recipes for all fans. Tips and tricks for healthy cooking at home are also included in the shared recipes.

Eat Like A Pro ambassador and FCB player Gerard Piqué led an awareness campaign initiated by Beko on World Health Day. During the campaign, #StayHome and #LikeAPro hashtags were used to invite people to stay home, wash their hands frequently, and actively help frontline health workers at hospitals. The campaign reached 8 million people through Beko social media channels and encouraged other Beko partners (FCB and Fenerbahçe) to participate in the campaign.

Beko expanded into the e-sports sector in 2019 by signing a one-year sponsorship agreement with the League of Legends European Championship (LEC), Europe's largest e-sports league. In 2020,

Beko renewed this agreement to continue preparing special content that inspired healthy living for the players who are interested in e-sports and the next generation. By using famous broadcaster names that are followed with interest by LEO audiences, Beko-branded Products and technologies were communicated, and post-game interviews and original content on the healthy lives of professional players were brought to the audience.

One Healthy Movement

The project was launched at all Arçelik locations in Turkey in September 2018 to help Arçelik employees develop healthy living habits. All employees were given a health check before participating in the project. At the end of the project, 1,608.6 kg of body weight was lost in total and 2,916 dietitian calls were made.

Awards And Achievements In 2020

- Arçelik was recognized as the *Industry Leader in Durable Household Appliances category for the second time* in the **Dow Jones Sustainability Index** in 2020. The company is listed in the Index for the fourth time in a row.
- Arçelik was listed in **BIST Sustainability Index** for the *seventh time*. The Index lists the best-performing Borsa Istanbul companies in terms of corporate sustainability.
- Arçelik continues to show a firm commitment to contributing to *forward-looking environmental, social and governance (ESG) performance management* as one of the supporters of the **Task Force on Climate-related Financial Disclosures (TCFD)**, which is a crucial initiative in developing visibility and transparency-based reporting skills and implementing concrete measures to fight climate crisis.
- The Company placed *34th* in **Corporate Knights Global 100 Most Sustainable Corporations in the World 2021** list. Arçelik also made the **Corporate Knights Clean200** list.
- Arçelik ranked *13th* in **2021 Top 150 Impact Companies** list of 2021 compiled by **Real Leaders**, the world's first sustainable business and leadership magazine.
- Arçelik received *A- rating* in **Carbon Disclosure Project (CDP) 2020 Climate Change** and **Water Security Programmes**.
- Arçelik received *Gold Medal* and included in the by making the **S&P Global Sustainability Yearbook 2020**, which lists companies that *perform best in their respective industries* in terms of environmental, social and governance (ESG) metrics. **The Yearbook** is launched under **S&P Global**. <https://yearbook.robecosam.com/>
- Arçelik won *four awards* at the **2020 Sustainable Business Awards Turkey** organized by the **Sustainability Academy Turkey**. Award-winning projects included *2019 Sustainability Report* in the “Sustainable Business Reporting” category, *Innovative Engineering Plastics from Waste Fish Nets for White Goods* in the “Sustainable Innovation” category, *100 Female Beko Dealers* in the “Women Empowerment” category, and *Grundig Food for Soul Season 3* in the “Sustainability Communication” category.
- Listed for the *5th* time in **FTSE4Good Emerging Index**, which measures the environmental, social and governance performance of companies. The Index is maintained by **FTSE Russell**, a subsidiary of **London Stock Exchange Group (LSEG)** and a global provider of benchmarks, analytics, and data solutions with multi-asset capabilities.
- Campaigns organized by global brands Beko and Grundig throughout the year were among the *top 10 most creative and effective advertisements in the world*. At the **Global Kantar Creative Effectiveness Awards**, Grundig's “It Starts At Home – Pet Tub” campaign was listed among the *10 Most Creative & Effective Digital Advertisements* and Beko's “Wash Your Excuses Away – Aquatech” campaign was listed among the *10 Most Creative & Effective TV Advertisements*.
- Dawlance has proved its superiority in competition and innovation by winning the “Dawlance SYNC” campaign and the *Best Digital Marketing Communication Award* at the **PDA-2020 Pakistan Digital Awards**.
- Beko Spain won the “*2020 Product of the Year*” award in product innovation with **AutoDose DW** and **AquaTech WM**. “*Product of the Year*” awards recognize the best innovative products in the market every year. Beko products were listed in the *top-10* in all categories.
- Arçelik and Beko were both recognized at the “**The ONE Awards,**” the first and only integrated marketing award given to brands that have increased their reputation the most throughout the year. Arçelik received the award in the *white goods category* and Beko was awarded in the *SDA category* in the competition, which assessed over 50 categories.

- Arçelik, the market leader in the Turkish coffee machines segment, launched a communication campaign for Telve under the slogan *“Telve for Love”* and it was ranked number one at **YouTube Ads Leaderboard** in December 2019.
- Beko won an **“2020 Energy Star® Partner of the Year Sustained Excellence Award”** in the United States. Beko won this prestigious award, which is given to those who are selected as the *“Partner of the Year”* back to back, for the second year in a row.
- The Beko Malaysia After Sales Service team has received the *Best Repair Time Award* from **Senheng**, one of Malaysia’s largest and most modern commercial channels, by fulfilling all customer services at the same speed and quality.
- **Tech Brands Turkey**, which selects Turkey’s most technological advanced brands every year, used Nielsen Turkey’s online methodology for measurement in 2020. Arçelik won the *“Tech Brands Turkey” award* in the White Goods category with the votes of 1,000 participants from 12 cities representing the Turkish population.
- Beko Russia won *two bronze awards* at the **Silver Mercury Marketing Communication Festival**. Beko received the *Best Digital Communication Application* in Public Relations and *Best Idea Leader Practice awards* for its #WashYourExcusesAway campaign.
- Dawlance won a *Golden Effie Award* in the Home Appliances category at the second edition of **Effie Awards Pakistan 2020**. Dawlance participated for the first time in this competition where its Customer Service Campaign won the *biggest* award in its category
- Defy’s mechanical ventilators won the *“The President’s Special Award for Pandemic Service”* from the **Royal Academy of Engineering**. *The Cambridge University Open Ventilator System Initiative team*, supported by Arçelik’s Beko subsidiaries in the UK and Defy in South Africa, was deemed worthy of this award as a result of Defy’s efforts to manufacture affordable ventilators in developing countries during the pandemic.
- Singer Bangladesh won an *“e-Commerce Movers Awards 2020”* from the **e-Commerce Association of Bangladesh (e-CAB)** for its contributions to the e-commerce industry during the COVID-19 pandemic. This award is also a testament to the recognition of the outstanding effort made by Singer Bangladesh to move e-commerce forward across the country when it is needed most.
- Beko won *first prize* in the *Best Motivation Program category* in the Commercial Marketing program at the **“POPai Russia Awards 2020”** for its long-term motivation program for its supporters. **POPai** is the marketing event that brings together the most advanced technologies in the retail marketing industry, and **POPai Global** consists of 1,400 companies with offices worldwide.
- Beko dryer DE744RX1 received a *“Gut” assessment and qualified* to use the *StiWa logo* in the Sept 2020 magazine published by **Stiftung Warentest**, a German consumer organization conducting an objective search and comparison of products and services.
- Defy named an **“Icon Brand” in the 2020/2021 Ask Africa Icon Brands Survey** in the Combined Refrigerator / Freezer category.
- **The Electrical and Electronics Exporters’ Association of Turkey (TET)** named Arçelik as the *top exporter* of white goods in 2019.
- Arçelik is the *only Turkish company* to make the *List of 100 Companies with the Largest Number of International Patent Applications* issued by the **World Intellectual Property Organization (WIPO)** in the last five years.
- Arçelik was named the *“People’s Choice”* in the *Corporate Web Site* category at the **Golden Spider**.
- Defy is *one of the few businesses in South Africa* to be certified to the **ISO14064-1:2006 Greenhouse Gas Emissions Management System**.
- Arçelik’s Sustainability Report won a *Silver Stevie Award* in the *“Best E-Book”* category.
- Arçelik’s Çayırova Washing Machine Plant won the *second prize* at the **Industrial Energy Efficiency (SENER 20)** Project Competition.
- Beko PowerClean™ Cordless Vacuum Cleaner won the **2020 IF Design** and **2020 Red Dot Design awards**.
- In the evaluation made by **Test Magazin**, a leading German consumer magazine:
 - Grundig Hand Blender (BL 6840) was ranked *“good”* with **88.2%**.
 - Grundig Rotary Shaver (MS 6840) was ranked *“good”* with **88.7%**.
 - Grundig Steam Brush (ST 7950) was ranked *“very good”* with **1.3**.
- In the evaluation made by **Haus & Garten**, a leading German consumer magazine:
 - Grundig Egg Boiler (EB 8680) was ranked *“good”* with **1.9**.
 - Arçelik Egg Boiler (YP 9944 I) was ranked *“good”* with **1.9**.
 - Espresso machine (KVA 4830) was ranked *“good”* with **1.8** and received the “price/performance” award.
- In the evaluation made by **Stiftung Warentest (StiWa)**, a leading German consumer magazine:
 - Grundig Bagless Vacuum Cleaner (VCC 6670) was listed as *“Satisfying”* with **2.9**
- In the evaluation made by **Gesundheit & Hygiene**, a leading German consumer magazine:
 - Grundig Bagless Vacuum Cleaner (VCC 5850) was ranked *“good”* with **2.0**.
 - Grundig Bagless Vacuum Cleaner (VCC 3850) was ranked *“good”* with **2.0**.
- **Digital Fernsehen** magazine published in Germany ranked Grundig DTR7000 Digital Radio as *“very good”* with **87%**.
- **SATVISION** magazine published in Germany ranked Grundig DSB2000 Soundbar *“very good”* with **92.5%** and Grundig CMS5000 HIFI *“very good”* with **92.7%**.

In Touch with Our Planet

Arçelik designs all of its products and services to the consumer around the concepts of sustainability and efficiency. The goal of contributing to the economy, people, the environment and society is the main factors that shape Arçelik’s business processes. In line with these objectives, the Company focused on environmentally activities and energy-efficient products in 2020 to contribute to the economy and sustainability.

With the innovative products and operations implemented in line with the In Touch with Our Planet, Arçelik strives to protect the world’s resources and take important steps to reduce its environmental footprint. Cooperation with different stakeholders continued throughout the year to address environmental issues impacting the industry such as climate crisis, plastic pollution, waste management and water crisis. In addition to integrating sustainability into developed products, Arçelik also helps partners across its value chain from customers to suppliers reduce their environmental footprint.

Within the scope of training sessions aimed at raising environmental awareness and creating value throughout value chain, the company personnel and subcontractor employees were provided with 15,683 person-hours of environmental training in 2018; 23,330 person-hours in 2019; and 16,595 person-hours in 2020.

The Sustainability Council chaired by the CFO is responsible at the highest level for all efforts related to the environment management. The work of the Council is supported by the Environment, Energy, Green Chemistry, Climate Change, Sustainable Supply Chain work groups. Strategies and targets are reviewed and implemented by the Climate Change Working Group, which consists of Quality, Sustainability and Corporate Affairs Director, Environment and Energy Managers, Environmental and Energy Specialists and Production Managers.

Arçelik is making significant investments to reduce its environmental footprint and continuously improve its environmental performance. Arçelik invested TRY 22.75 million in Turkey and €1.1 million abroad in 2018; TRY 25.5 milion in Turkey and €2.4 million abroad in 2019; and TRY 29.8 million in Turkey and €3.3 million abroad in 2020, as part of its efforts to protect environment.

The company has managed to reduce the environmental impact of its products and thereby improve its production costs through its work at 15 R&D and Design Centers. Its sustainability efforts take Arçelik one step ahead in the global arena and provides a competitive advantage.

Business processes, particularly ISO 14001 Environmental Management System and ISO 50001 Energy Management System, which are integrated with ISO 9001 Quality Management System, are regulated in accordance with international product and management standards. The effectiveness and continuity of the management systems implemented at Arçelik is guaranteed through regular audits by independent organizations with international accreditation and periodically repeated Internal System Controls. Arçelik’s direct (Scope-1) and energy-indirect (Scope-2) greenhouse gas emissions are calculated in accordance with the ISO 14064-1 Standard since 2010 in Turkey; 2015, in Romania; 2016, in Russia; and 2019, in South Africa. It is also verified by an independent accredited organization at the “reasonable assurance” level.

The Company calculates and verifies greenhouse gas emissions from its logistics activities from 2013 until today in accordance with ISO 14064-1. Regarding the 2019 Scope-3 emissions, the Scope-3 inventory in Turkey operations were expanded to cover, the treatment of raw materials and materials, product packaging and recycling, the treatment of waste and waste water produced in production, the product usage phase, domestic, export and import logistics activities of its products, end of life, business trips and personnel services were calculated according to ISO 14064-1 standard. The calculations were verified by an independent accredited entity at the “reasonable assurance” level.

As of the end of 2020, the rate of total plants both in Turkey and abroad that are certified by ISO 14001, is 90%.

Building on the sustainability concept in all business processes, Arçelik is committed to increasing the installed capacity of 2 MW renewable energy to 10 MW by 2025 and 15 MW by 2030 in line with its sustainability goals.

Water efficiency and waste reduction efforts at the plants resulted with savings of

EUR 400,000 in 2019

EUR 1,593,000 in 2020

Environmental Performance Indicators*	2018	2019	2020
Total Energy Consumption (GJ)	1,990,027	2,019,551	**
Direct Energy Consumption (GJ)	1,021,830	1,025,126	**
Indirect Energy Consumption (GJ)	968,197	994,425	**
Indirect (purchased) renewable energy consumption (GJ)	666,939	789,128	**
Indirect (purchased) non-renewable energy consumption (GJ)	301,258	238,098	**
Renewable Energy Generated (GJ)	-	2,732	**
Total Water Consumption (m³)	1,478,635	1,489,624	**
Well Water (m³)	763,745	768,114	**
Mains Water (m³)	712,091	692,567	**
Rain Water (m³)	1,885	28,943	**
Total Amount of Discharged Water (m³)	1,173,431	1,225,295	**
Total Waste (ton)	111,789	113,465	**
Direct (Scope 1) Greenhouse Gas Emissions (ton CO ₂ e)	72,939	69,541	**
Indirect (Scope 2) Greenhouse Gas Emissions (ton CO ₂ e)	38,504	42,963	**
All Other Indirect Emissions (Scope 3) Greenhouse Gas Emissions (ton CO ₂ e)	132,828	6,262,807	**

* SCOPE: Arçelik Turkey, Arctic Romania, Beko LLC Russia, Beko China, Beko UK, Beko France, Defy South Africa, Grundig Nordic AB, Grundig Nordic AS, Beko Thai, Offices.
** These figures are at the stage of external auditing as the Arçelik 2020 Sustainability Report is prepared.
The 2020 Sustainability Report containing audited figures will be shared with all stakeholders on www.arcelikglobal.com.
NOTE: The scope of environment and energy data is the same as the scope of the Sustainability Report.

FIGHT AGAINST CLIMATE CRISIS

Considering the probability and impact dimensions in the World Economic Forum's (WEF) Global Risk Report published in 2020, it is seen that eight out of 10 risks, which were included for the first time in the report's history, are related to the environment and climate crisis.

Arçelik continues to contribute to national and international efforts in this area with its sensitivity to the climate crisis, and develops solution-oriented international cooperation and supports the steps, policies and commitments made. Since 2012, the Company has participated in the Carbon Disclosure Project (CDP), one of the world's most prestigious environment initiatives. In 2020, the Company received the A- rating in CDP's Climate Change and Water Security programs. Arçelik also participates in the World Climate Conference and shares best practices since 2011.

Arçelik has set Science Based Targets to reduce Scope 1, 2 and 3 emissions. These targets were approved by Science Based Targets Initiative (SBTi). Accordingly, Arçelik's aims to reduce its Scope 1 and Scope 2 GHG emissions by 30% and its Scope 3 GHG emissions (Use of Sold Products) by 15% by 2030, compared to the base year of 2018.

As part of the commitment to combat climate crisis, work is underway to reduce environmental impacts not only within Arçelik but also throughout the entire value chain. In 2020, more than 300 participants and suppliers were informed about the ISO 50001 Energy Management System, energy efficiency and renewable energy topics.

Arçelik Global achieved financial savings of €625,000 with 210 energy efficiency projects in 2020 and prevented 4,891 tons of CO₂e greenhouse gas emissions.

As of 2020, Arçelik launched the “Shadow Price Carbon Pricing Model,” which supports its decision to invest in low-carbon emission technology in investments of €50,000 and with an installed capacity of 50 kW and above. In the lifetime cost analysis of its investments, the shadow carbon price was set at €30 per ton of CO₂e.

Arçelik earned 305,407 tons of carbon credits from 2013 to 2018 under the “Energy Efficient Refrigerators Carbon Financing Project in Turkey” launched in 2013. The 305,407 tons of carbon credits provided by this project have been validated according to the Verified Carbon Standard, by an independent verification organization. Arçelik will become carbon neutral by offsetting its direct and energy indirect (Scope 1 and Scope 2) greenhouse gas emissions of its global production facilities in 2019 and 2020 with this carbon loan obtained by placing high energy-efficient refrigerators on the market.

Collaborations with NGOs and public institutions continued throughout the year in order to contribute to a sustainable future and development. The Company shares its experiences and achievements gained from leading practices with its stakeholders. In this context, a strong representation activity is carried out in many national and international NGOs (TOBB, DEİK, TÜRKBESD, APPLİA, DIGITALEUROPE, and so on), which represent a cross-section of many industries. Within this framework, Arçelik is able to adapt much faster to trends that transform the entire ecosystem, such as climate change and digitalization, and steers its activities with its strong R&D capacity. Within the scope of the European Green Deal, which is the new growth strategy of the European Union and includes the goal of becoming a carbon-neutral continent in 2050, comprehensive studies have been carried out to raise awareness and present best practices in coordination with relevant stakeholders. Arçelik Garage hosted the Efficient Meetings event organized by the Energy Efficiency Association on February 20, 2020. The Company participates in the working groups such as Climate Change and Low-Carbon Economy, the Partnership for Market Readiness (PMR), and Energy Efficiency Task Force in the Turkish Industry and Business Association (TUSIAD) as well as the Consumer and Technology Task Force, the EU Green Deal Task Force, Renewable Transformation Task Force and the Energy Working Group.

Short, medium and long-term climate-related risks and opportunities defined by the company are presented at the end of the section. You can visit the [website](#) for the entire table. Please click [here](#) to further details about Arçelik Climate Change Strategy.

Management of Water Risks

Over the last 11 years, 1.98 million m³ of water was saved as a result of the efforts for water efficiency and reclaiming rain water. This amount is equivalent to the daily water consumption of approximately 2.5 million households.

The Environmental Coordination Working Group carries out water risks management and water efficiency activities in accordance with the Arçelik strategy and reports them to the Sustainability Council. The Sustainability Council monitors and evaluates water risks, strategies and impact on business objectives quarterly. Risks and opportunities are prioritized by the Sustainability Council according to the scoring methodology of Arçelik. According to Arçelik's risk and opportunity scoring methodology, risks and opportunities are scored based on financial, reputational, production, human and legal impacts, and the highest score is defined as the point of impact. Physical risks and future scenario risks are determined by WWF Water Risk Filter and WRI Aqueduct Water Risk Atlas, and the analysis results of these tools are reviewed annually. Action plans are created to reduce water risks according to the water risk analysis. In this context, 18 production facilities in Turkey, Romania, Russia, China, South Africa, Thailand and Pakistan were compared to the industry's best practices in Europe in the IFC database as part of the IFC Water Efficiency Project in 2019. A Water Efficiency Report was issued for Arçelik manufacturing plants in collaboration with IFC and areas of improvement were determined. Arçelik's 2030 water targets were determined based on the project outputs. In addition to water use, in order to protect water resources and biological diversity in all areas of operation, the wastewater discharged is treated in chemical and biological treatment facilities in accordance with its characteristics to ensure that it remains below the legal wastewater discharge limits, and their compliance with the standards is periodically checked. No surface water is used for the operations.

Waste Management

Arçelik uses innovative approaches and practices reduce manufacturing waste and the environmental impact of its products. While the amount of packaging used in the products is reduced, solutions are produced for electrical and electronic equipment that have reached their end of life, environmental impacts are managed throughout the product life cycle, with a focus on recycling. As part of the Zero Waste target, performance is increased in the prevention and reduction of waste from operations and separation of waste at its source. With the investments made in innovative technologies, the amount of raw material usage, chemical use and waste generation in product design and production processes are reduced. Environmental impact of a product should be considered starting with the design phase. Accordingly, Arçelik products are designed to be recyclable and have a reduced environmental impact.

Recyclability Rates of Raw Materials and other Materials Used In Arçelik 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.

Arçelik Product Recyclability Rate

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

Arçelik continues to raise awareness of zero waste through education, information and recognition and supports the Zero Waste Project implemented by the Ministry of Environment and Urban Planning in line with this approach.

RECYCLING PLANTS

Arçelik fulfills its obligations under the WEEE Control Regulation. Waste Electrical and Electronic Equipment (WEEE) recycling facilities were established in Eskişehir and Bolu in 2014 to recycle the products back to nature and encourage them to be considered as sources within the scope of Extended Manufacturer’s Responsibility. To minimize the environmental impact of the products throughout their lifecycle, refrigerators are recycled in Eskişehir and other white goods and small home appliances are recycled in Bolu. The facility in Eskişehir is the first recycling plant in Turkey to meet all technical requirements for plants to process refrigerators/coolers/air conditioning devices and to collect with a closed system CFC-based (chlorofluorocarbon) gases harmful to the ozone layer in old refrigerators. Approximately 1.3 million WEEE recycling units were recycled from 2014 to 2020 in the WEEE recycling facilities in Eskişehir and Bolu, resulting in a total energy savings of 326 GWh. A total of 160,000 tons of CO₂ were prevented by recycling waste products; 6.5 million tons of water was saved by replacing old-tech products with new eco-friendly products.

Arçelik’s businesses in other countries meet their obligations as manufacturers under WEEE management through accredited institutions to which they join.

Compliance with National and International Environmental and Energy Regulations

Arçelik uses ISO 14001 Environmental Management System Standard and ISO 50001 Energy Management System Standard as the basis for monitoring compliance with the applicable legislation. Arçelik carries out its legal obligations through collection and recycling mechanisms in EU Member States in line with the Extended Manufacturers’ Responsibility and the WEEE Directive 2012/19/EU. The company is also a member of many systems that offer services in the collection, recycling and disposal of products that complete the product life cycle.

Arçelik complies with Directive 2011/65/EU replacing Directive 2002/95/EC, which provides for limiting the use of certain hazardous substances in electrical and electronic appliances, and with the amendment 2015/863/EU to the same Directive. The Company recognizes and supports the REACH Regulation as one of the most important legal processes protecting the environment and human health, ensuring that all chemicals used are recorded and controlled, the flow of chemical safety information required when transiting from the manufacturer to the user, and this flow is accessible to consumers. At Arçelik, REACH processes are followed up by a competent team. Arçelik carries out all of its operations with an environmentally friendly perspective, and uses environmentally friendly hydrocarbon refrigerator gases that do not harm the ozone layer and have a low impact on global warming.

The company has turned to alternatives with lower global warming potential in the coolant gases of the heat pumps in the dryer machines it produces, and started to use hydrocarbon gases with a global warming effect of near zero. As of April 2018, energy efficiency and environmental design criteria for water heaters and ambient heaters were updated and minimum requirements were increased. Arçelik fulfills its regulatory obligations.

Arçelik supports the implementation of energy efficiency, energy policies and implementation of test standards and regulations in developing countries with the United for Efficiency (U4E) of which it is a member, led by the United Nations Environment Program (UNEP) and the Global Environment Facility (GEF). Pursuant to the Energy Efficiency Law, the Company employs engineers with the Energy Manager Certificate in their businesses whose energy consumption value is above the stated value. Arçelik implements numerous energy efficiency projects annually under the guidance of energy managers to prevent unnecessary energy consumption from production. Arçelik also makes notifications of energy consumption information within the legal periods at the relevant production locations in accordance with local regulations.

No major* penal fees were imposed due to non-compliance with the environment regulations during the reporting period.

In line with the company’s vision, sustainability activities range from raw materials, packaging/user guide materials to supplier ethics audits. In this context, the efforts made to use environmentally friendly product packaging in 2020 are as follows:

- The company has started using 100% recycled cardboard in its products and the project is expected to be completed by the end of 2021. As of the end of 2020;
 - Arçelik saved 1,053 trees from being cut down by using 62 tons of 100% recycled materials for packaging its tea makers, Turkish coffee makers, toasters and vacuum cleaners.
 - Arçelik saved 9,112 trees from being cut down by using 536 tons of 100% recycled materials for packaging its hoods and storage water heaters.
 - The focus of product packaging processes was on less resource consumption and the use of recycled/recyclable materials. Projects are underway to replace the styrofoam packaging material used in small household appliances and hood product groups with sustainable materials. Efforts are ongoing to replace styrofoam with viol in toaster packages. Technical approvals for the project were completed in 2020. The project, whose technical approval was completed in 2020, will prevent the use of 1.5 tons of styrofoam annually and prevent the emission of 4 tons of CO₂. Expansion in the toaster category is planned to be completed in 2021.

- With the replacement of styrofoam with cardboard in the hood segment, annual use of 37 tons of styrofoam and 110 tons of CO₂ emissions were prevented.
- Eight Arçelik suppliers are scheduled to switch to using Ecolabel-certified user guides with 80% recycled materials for 16 small home appliances.

Environmental efforts related with the products and manufacturing are extended to ensure compliance by the suppliers. Legal compliance, chemical compliance and business ethics compliance of the suppliers in strategic collaboration with the Company were regularly audited by independent auditors in 2020.

The highest measured values for SO₂ and TOC parameters according to the latest emission analysis reports by an accredited laboratory in Turkish operations are 0.38 kg/h for SO₂ and 1.89 kg/h for TOC parameter. Emission levels are below legal limits at all plants.



*Major refers to penal fees equal to or more than \$10,000.



ENVIRONMENT-FRIENDLY PRODUCTS

Oven, dishwasher and washing machine parts manufactured from waste fishing nets and synthetic yarns

Arçelik recycles waste fishing nets and textile wastes in an innovative way and uses them in different parts of its product groups in order to prevent the damage to the ecosystem caused by ghost fishing nets left in the seas and oceans. Recycled fishnets replace polyamide, a major raw material used in ovens, thanks to its high mechanical and thermal properties. Approximately 8 tons of waste fishing nets and 99 tons of textile waste were recycled in 2020 by using high-performance recycled polyamide compounds obtained from waste nets and synthetic yarns in oven, washing machine and dishwasher parts thanks to innovative recycling technologies.

BioFridge

Arçelik reduces the amount of petroleum-based plastic used in products by reusing organic materials and integrating them into traditional plastics. The carbon footprint of this bioplastic, which increases the durability of materials produced from soy, eggshell and corn with the developed technology, is 80% is lower from traditional plastics used today. The BioFridge is made using bio-based polyurethane insulation material (Bio-Cool) and biocomposite raw materials that contain at least 15% organic material such as soy and castor oil.

BioFridge, in which Bioplastics and Bio-based polyurethane are used together, was exhibited for the first time at IFA 2019. The product had received a lot of positive feedback and a version containing only bioplastics was offered for sale in the UK market. The version, which includes Bio-Cool insulation, is planned to be launched in 2021. CO₂ emission per unit is reduced by 6 kg with bioplastic materials and Bio-Cool insulation materials.

Small domestic appliances made from organic composites

“Bio” components manufactured of biomaterials are also used in small domestic appliances. Fibers from mashed tomatoes, tomato paste and ketchup are used in manufacturing hand blenders; coffee grounds used in manufacturing coffee machines; and recycled tea fibers used in manufacturing tea makers to reduce the use of plastics. These innovative and eco-friendly products are scheduled for launch in 2021.

PET Tub

“Leopet,” a raw material patented by Arçelik, is a high-performance plastic obtained from recycled PET bottles and used in washing machines and washer-dryer tubs. By the end of 2020, with washing machines sold worldwide, 28.2 million recycled PET bottles were recycled to contribute to the circular economy. The use of plastic waste in performance plastics eliminated the negative perception of recycled plastics. With the purpose of deploying good practices at the affiliates, A/Cs developed by Arçelik and LG were manufactured with the use of 3.6 million recycled PET bottles in 361,000 units in 2020.

FiberCatcher: Microfiber filtering system

A microfiber filtration technology has been developed in order to prevent microplastics in its content from entering the seas and oceans from waste water pipes during washing of petroleum-based



textile products in the washing machine. Microfibers are filtered up to 90% with the filtration system integrated in washing machines to help reduce water pollution. Developed within the scope of FiberCatcher technology, this filter itself is made using 98% recycled plastic. Arçelik emphasized that within the framework of open innovation and cooperation culture, it is open to developing this technology together with companies within and outside the sector, NGOs, universities and all stakeholders.

Small domestic appliances manufactured of high-performance recycled plastics

Atak vacuum cleaner, Jaguar vacuum cleaner and Newline toaster products were launched in Turkey in 2020, with the aim of reducing the use of new plastic materials by increasing the recycled plastic usage rate. The ratio of recycled plastic raw materials reach 31 percent in Atak vacuum cleaners; 17 percent, in Jaguar vacuum cleaners; and 73 percent, in Newline toasters.

SUSTAINABLE SUPPLY CHAIN

In line with the In Touch with Our Planet motto, Arçelik takes the necessary steps for improvements in all business and employment processes in addition to product and production processes.

In 2020, the rate of forklifts that use LPG was reduced by 10%. In transportation operations, direct transportation rates in domestic warehouses were increased and 109 tons of CO₂e greenhouse gas emissions were prevented. The use of high and variable frequency rectifiers in battery charging stations prevented the batteries from heating up, thus reducing the hydrogen emissions.

Arçelik increased its usage of maritime transportation for exports from 85% to 88% in 2020. Arçelik's goal for 2021 is to improve this level to 89%. The Company also attaches great importance to rail transport, and its railway usage rate was 2.7% in 2020. For transportations from warehouses to ports in Turkey, railway has also been used as an alternative to road transportation. As a result, this low emission deliveries benefited the environment in addition to the cost advantage they bring.

Customer Services

In 2020, Arçelik supported frontline health workers for their selfless devotion to maintaining public health during the COVID-19 pandemic. Accordingly, the Company donated 17,304 white goods and small domestic appliances to 202 hospital across Turkey to make sure health workers needs in terms of hygiene and nourishment are met. Hospitals were contacted through a combined effort by the sales and service teams as well as the dealers. The products were delivered and installed by Arçelik Authorized Services.

Arçelik Authorized Services also helped deliver 1,869 ventilators, a much-needed piece of technology during the pandemic, to 150 pandemic hospitals around Turkey.

Arçelik prioritizes to match the high-quality and eco-friendliness of its products with the way it delivers these products to its customers In this context, the Dynamic Ring System developed for spare parts ensures fast delivery of products and reduces fuel consumption. The Foldable Dispatch Box Project is a major step in protecting

the environment in the area of Customer Services. Increased demand resulted with an increase in the number of dispatch boxes used. As these boxes are not recyclable, a project was launched to reduce the cost of keeping 209 authorized services in operation on a daily basis, and the result is the foldable dispatch boxes. In this way, cardboard consumption has been reduced and a cost advantage has been achieved. Foldable dispatch boxes ensure that the products are delivered undamaged and more products can be transported with service vehicles.

In line with the Corporate Solutions Business Model, Arçelik offers survey, assembly, maintenance and repair services through 125 Corporate Solutions Authorized Services in Turkey. Special products and services were offered in the areas of central air-conditioning (VRF systems, A/C hubs, cooling products and fan coils) and professional display solutions.

Arçelik’s Corporate Solutions A/C Product Group made major collaborations with the Turkish Football Association, MESS and the Ministry of Health in sports, health and technology segments.

In 2020, 340 PID screens were installed at Intercity Tuzla racetrack before Formula 1 Turkey Grand Prix, a major sports event in Turkey. Beko’s Corporate Solutions Professional Displays Product Group was among the solution partners of this important event, which is critical for the promotion of the country.

Arçelik continued to support digital transformation of education in Turkey in 2020. As part of the collaboration with the Ministry of National Education on smart boards, all after-sales services including the installation of approximately 43,000 interactive boards were organized in 2,200 schools.

Internal stakeholders continued to be the most important supporters of Arçelik Customer Services in fulfilling its obligations under the WEEE. Collection of WEEEs for recycling since 2014 from homes of customers and training of customer representatives were two critical factors in boosting customer satisfaction.

The business model designed in line with Arçelik’s sustainability vision was implemented on service receipt deliveries all around Turkey. Cardboard package support system, which is used to prevent any damages during transportation, has started with Airplus airbags, an easier-to-use and recyclable material. This resulted with savings in storage space and a reduction in injury risks as an improvement in terms of OHS. Use of Airplus air bags reduced the package supporting process by 40 seconds and resulted with a 58% improvement. This created a savings of 244 person/hours. The same workforce can now pack 200 products instead of 120.



Climate-Related Risks and Opportunities

Policy Risk	Climate-Related Risks. Transition to Low Carbon Economy 2C/1.5C Scenario						
	Risk	Strategy/Opportunity	Impact Duration	Financial Impact	Relevant Priorities	Collaborations	Resources
<div>Increased Carbon Price: Possible Cost Impact of New Carbon Taxes and Initiatives for Reducing Greenhouse Gas Emissions</div> <div>Relevant trend: Global Warming & Climate Change</div>	<div>*Emission trade mechanisms</div> <div>*Carbon tax and increased greenhouse gas emission prices</div> <div>*Dependence on non-renewable energy resources</div> <div>*Litigation and legal risks</div>	<div>*Annual neutralization of Scope-1 and Scope-2 emissions in global manufacturing:</div> <div>- Reduction of greenhouse gas emissions through energy and resource efficiency projects in manufacturing</div> <div>-Renewable energy investments</div> <div>-Green electricity supply</div> <div>-Using the Clean Development Mechanism (CDM)</div> <div>-Transition to low-carbon economy</div> <div>- Developing carbon financing projects</div> <div>*Internal carbon pricing to help the Company make decisions on investments which will result with the reduction of direct and indirect emissions from its global operations</div> <div>*Deployment of ISO 50001 Energy Management System at the plants</div> <div>*Collaboration with national and international organizations and memberships to climate-related agencies</div>	Mid-Long-Term	High	<div>4-Climate Change</div> <div>6-Energy Efficiency in Manufacturing</div> <div>1-R&D and Innovation</div> <div>15-Corporate Governance</div>	<div>*Turkish Republic Ministry of Energy & Natural Resources</div> <div>*Özyeğin University, Department of Energy, Environment & Economy</div> <div>*UN Environment Program, United4Efficiency (U4E)</div> <div>*SE4ALL, Coal Coalition</div> <div>*High Commission Level in Carbon Pricing</div> <div>*APPLiA</div> <div>*Digital Europe</div> <div>*TUSIAD</div>	
<div>EU Green Deal: Carbon Limit Regulation taxes to prevent carbon leaks</div> <div>Relevant trend: Global Warming & Climate Change</div>	<div>*Possible carbon limiting regulations resulting from the EU Green Deal will have an impact on the exports from non-EU countries to EU countries</div>	<div>Scenario analyses to monitor the developments and reduce risks</div>	Mid-Term	Medium	<div>4-Climate Change</div>	<div>Digital Europe</div> <div>APPLiA</div> <div>TUSIAD</div>	
<div>EU Energy Label Regulations which will be effective in March 2021 and require products to the more energy efficient</div> <div>Relevant trend: Global Warming & Climate Change</div>	<div>* New EU energy label at manufacturing departments and web sites as of March 1, 2021</div> <div>* More energy-efficient products from A to G energy class to replace the current A+++ scale</div> <div>* New investments in manufacturing processes</div>	<div>* Huge investments in and resources for R&D</div> <div>* EUR 100 million credit to support energy-efficient product investments</div> <div>* Opportunities to reduce greenhouse gas emissions in EU and Turkey</div>	Short-Mid-Term	High	<div>4-Climate Change</div> <div>2-Environmental and Social Products</div>	<div>APPLiA</div> <div>Digital Europe</div> <div>TURKBESD, Turkish Republic Ministry of Energy & Natural Resources</div>	
<div>Increased demand for electronics in developing countries due to the emerging middle class</div> <div>Relevant trend: Global Warming & Climate Change, Emerging Middle Class, Increased Population</div>	<div>* Lack of regulations at less-developed and developing markets resulting with increased greenhouse gas emissions resulting from the use of products</div>	<div>*Arçelik will develop projects and lead the market to offer products at the best energy efficiency level before any regulations are made effective in the developing markets we operate</div> <div>*Collaboration with decision makers and national & international institutions in creating new regulations on climate</div>	Mid-Long-Term	High	<div>4-Climate Change</div> <div>2-Environmental and Social Products</div>	<div>U4E</div> <div>SE4ALL</div>	
Reputation Risk	Climate-Related Risks. Transition to Low Carbon Economy 2C/1.5C Scenario						
	Risk	Strategy/Opportunity	Impact Duration	Financial Impact	Relevant Priorities	Collaborations	Resources
<div>Failure in adapting to low carbon economy</div> <div>Relevant trend: Global Warming & Climate Change</div>	<div>*Increased demand to reduce greenhouse gas emissions by international indices and definition of Science-Based Targets (SBT) to reduce emissions</div> <div>*Investors are under more pressure by CDP and Dow Jones on where they invest and whether or not the companies they invest in have strategies for compliance with 1.5/2C scenarios.</div>	<div>*Arçelik's science-based targets (SBT) to reduce Scope-1, Scope-2 and Scope-3 (user phase) emissions are approved by Science-Based Targets initiative (SBTi).</div> <div>*Long-term objectives and strategies based on investing in energy efficiency and renewable energy in manufacturing</div> <div>*Arçelik signed the 2C Objectives Declaration organized by the Corporate Leaders Network.</div>	Mid-Term	Low	<div>4-Climate Change</div>		<div>https://sciencebasedtargets.org/companies-taking-action?country=Turkey#table</div>

Climate-Related Risks. Transition to Low Carbon Economy 2C/1.5C Scenario							
Physical Risk	Risk	Strategy/Opportunity	Impact Duration	Financial Impact	Relevant Priorities	Collaborations	Resources
Interruption of operations due to extreme weather conditions Relevant trend: Global Warming & Climate Change	*WEF Global Risks Report 2021 defines extreme weather conditions as the most significant risk. *Extreme weather conditions like floods, drought or increased sea levels is a business continuity risk.	*Manufacturing plants at multiple locations to prevent business interruptions *Calculation of financial and non-financial risks by the Risk Management Team and inclusion in the risk analyses as a risk factor *Arçelik's global assurance policies including Third-Party & Pollution Policies to prevent negative effects to the extent possible and Property Damage & Business Interruption Policies to prevent physical and non-physical damages *In case of any issue regarding business interruptions, compensation mechanisms are based on current models.	Mid-Long-Term	Low	4-Climate Change		http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf
Climate-Related Risks. Transition to Low Carbon Economy 2C/1.5C Scenario							
Market Risk	Risk	Strategy/Opportunity	Impact Duration	Financial Impact	Relevant Priorities	Collaborations	Resources
Access to capital, increased demand from investors and credit institutions Relevant trend: Global Warming & Climate Change	*Increased demand by investors from the business community to deploy an effective strategy on ESG (Environmental, Social & Governance) risks and opportunities *The shares of the majority of Arçelik companies are publicly traded by European investors.	*European Bank for Reconstruction and Development (EBRD) provided EUR 100 M credit for R&D investments on EU Energy Labeling Rules and regularly monitors Arçelik's ESG performance. EBRD's audits reveal a strong ESG performance and this is the reason for credits with favorable conditions. *We consider the increased demand from investors as an opportunity to integrate ESG criteria with the basic strategies and add low carbon emission measures to our sustainability strategy.	Short-Term	Low	4-Climate Change		
Business Interruption Risks							
Physical Risk	Risk	Strategy/Opportunity	Impact Duration	Financial Impact	Relevant Priorities	Collaborations	Resources
Business Continuity	*Failure of an organization to deliver the products and services with the required capacity within an acceptable schedule during an interruption.	* Business Continuity Management Plans are deployed by the Corporate Risk Directorate at the Headquarters and certain pilot locations to monitor and reduce risks in line with ISO 22301 Standard. Compensating the negative impact of unexpected situations on company activities, financial tables, reputation and stakeholders. *Arçelik covers the possible damages with third-party insurance policies, pollution policies, physical and non-physical risk policies and business interruption policies on a global scale. *Following the COVID-19 pandemic which emerged in late 2019, Crisis Management & Business Continuity Management Plans were implemented. Measures taken to reduce the negative impact of these risks are available in the Annual Report.	Short-Mid-Term	Medium	"15-Corporate Management 7-Occupational Health & Safety "		

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ALWAYS WITH
YOU IN THE
CHANGING
WORLD



The most enjoyable time
for Melissa is

meeting
on different
platforms

ARÇELİK
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YOU

2020-2021 "Years of Quality"

2020 and 2021 were recognized as "Years of Quality" at Arçelik in an effort to ensure that a pursuit of quality is adapted at all levels of organization to improve consumer experience.

Quality management impact analysis

Global research on COVID-19's quality management impact analysis reveals that companies face a number of challenges resulting from remote working. These include employee loyalty, employee management, and quality issues related to products and services.

WORLD
FOR ALL
OF US

Corporate Responsibility

CORPORATE SOCIAL RESPONSIBILITY APPROACH

Sustainable use of the Earth's limited resources is not only the responsibility of individuals, governments and nongovernmental organizations, but companies as well. The Company carries out its activities with a view to create a more livable world to future generations.

Responsibilities towards “Sustainable Development,” environmental awareness and social sensitivity and operating in full compliance with laws, ethical standards and human rights, constitute the “Corporate Social Responsibility” approach of Arçelik.

Arçelik draws its strength from its corporate values and the principle of “I exist only as long as my country exists” formulated by our late founder Vehbi Koç, the Company strives to fulfill its responsibilities together with its employees and all of its business partners.

CORPORATE GOVERNANCE APPROACH

Arçelik’s corporate values and culture, ethical approach, good governance philosophy and business ethics guide employees in fulfilling their responsibilities.

In line with international business standards, integrating the four key principles of corporate governance — accountability, responsibility, openness and transparency — into its way of doing business is key to building trust between the company and its stakeholders and its long-term productivity and success.

Arçelik A.Ş. understands that the methodology of fulfilling its promises of trust and stability to its stakeholders, especially to its investors, can only be achieved through sound corporate governance. The company sees the effects of its strong performance on the “Corporate Governance Principles,” especially during meetings with corporate investors. The company not only depends on its business results and robust capital structure to achieve its profitability targets, but also on its “Corporate Reputation,” an important asset that has been carefully cultivated over many years.

Corporate Governance Principles Compliance Report

SECTION I: CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Implementation of Corporate Governance Principles, which were issued by the Capital Markets Board of Turkey (CMB) under Resolution No. 35/835 on July 4, 2003, and shared with the public in July 2003, is particularly important for the credibility of and access to finance for publicly traded companies. These principles that reveal the quality of corporate governance have been adopted by the Company. As per CMB Resolution No. 48/1588 dated December 10, 2004, it was resolved that the companies traded at Istanbul Stock Exchange (ISE) include their statements related to their conformance with mentioned Corporate Governance Principles in their annual reports and on their websites (if any), as of 2004. In accordance with the above mentioned resolution, Arçelik A.Ş. has set up an in-house team to examine the compliance with these principles, and in consequence of these studies as of 2004, information on Compliance with Corporate Governance has been included in its annual reports and on its website. Most recently, the Corporate Governance Principles were revised in accordance with the Corporate Governance Communiqué (II-17.1) of the Capital Markets Board published in the Official Gazette on January 3, 2014.

While fully complying with the mandatory principles, which are in effect in 2020, within the scope of Corporate Governance Communiqué (II-17.1), the Company has also complied with the majority of non-mandatory principles. Despite the objective of full compliance with the non-mandatory Corporate Governance Principles, full alignment has not yet been achieved with the challenges in practice in some of the principles, the ongoing discussions at both our country and abroad regarding compliance with some of the principles, and the lack of alignment of some principles with the current structure of the market and the Company. We are working on the principles that have not yet been implemented. We plan to start implementing these plans following the completion of administrative, legal and technical infrastructure groundwork, to contribute to the effective management of our company. We provide below the comprehensive studies carried out at the company within the framework of corporate governance principles and the principles that have not yet been complied with in the relevant departments and any conflicts of interest, if any, arising from them.

In 2020, Corporate Governance efforts were carried out in accordance with the Capital Markets Law, which contains the CMB's regulations on corporate governance principles, and the communiqués prepared pursuant to this Law. Amendments required to the articles of association to comply with New Turkish Commercial Code and the Capital Markets Law were approved at our Ordinary General Assembly dated March 28, 2013. At the 2020 Ordinary General Assembly, our Board of Directors and Board of Directors committees were established in accordance with the regulations of the Corporate Governance Communiqué. Prior to the General Assembly, the process of determining and announcing independent candidates to the public was carried out and the elections were completed in accordance with the regulations. The committees established under the Board of Directors are actively carrying out their operations. The Remuneration Policy for the Board Members and Senior Executives was redefined and the approval of the shareholders was obtained at the Ordinary General Assembly. The General Assembly information document and general assembly information, such as privileged shares, voting rights, organizational changes, resumes of the Board of Directors member candidates, remuneration policy of the Board of Directors and senior management, related party transactions report and other information required to be disclosed were submitted to the investors three weeks before the Ordinary General Assembly held on March 25, 2020. All related party transactions were submitted to the Board of Directors for their information and upon the approval of the independent members, the Board of Directors resolved to continue the transactions. In addition, the Company's corporate website and annual report were reviewed and revisions were made in order to fully comply with the Principles.

Necessary work will be carried out in the upcoming period by taking into account the developments and practices in the legislation in order to comply with the Principles.

Our Company's corporate governance rating was 9.58 on a 10 point scale (95.80%) as publicly announced under our material event disclosure dated July 19, 2019 and issued by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA). Our rating was updated as 9.60 on a 10 points scale (96.02%) after the revision performed by SAHA on July 17, 2020.

Our Corporate Governance Rating has been determined as a result of an evaluation made under four main sections (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted based on the CMB’s Corporate Governance Principles and its current distribution based on the main sections are provided below:

Main Sections	2019 Rating	2020 Rating
Shareholders	9.51	9.51
Public Disclosure and Transparency	9.87	9.87
Stakeholders	9.95	9.95
Board of Directors	9.27	9.33
Total	9.58	9.60

The corporate governance rating report issued by SAHA is available on our Company’s website at www.arcelikas.com. On its report dated July 17, 2020, SAHA specified the aspects affecting the change in the ratings as follows;

- In accordance with The Communique, the duties of Nomination and Remuneration Committees are being carried by the Corporate Governance Committee within Arçelik’s Board of Directors and Arçelik’s Corporate Governance Committee, has specifically been more efficient and functional particularly with regard to the functions of Nomination and Remuneration Committees during

this rating period.

Our Company has been included in ISE (BIST) Corporate Governance Index since July 31, 2009.

Corporate Governance Principles Not Yet Implemented

Arçelik A.Ş. believes in the importance of full compliance with the Corporate Governance Principles. However, full compliance with some of the principles has not yet been achieved due to the challenges encountered in the implementation of some principles, ongoing arguments both in Turkey and in other countries about compliance with specific principles, and the unsuitability of certain principles with regard to current structures of the market and the company.

The following are the main principles of the Corporate Governance Principles, which are not mandatory as per the regulation and which are not yet to be fully complied with. Further explanations on the subject are provided in the relevant sections of the annual report. The Company has no conflict of interest due to its failure to fully comply with the non-mandatory principles.

- With regard to Principle 1.3.10, a separate agenda item is included on the General Assembly agenda for donations, and the General Assembly is informed about the major institutions to which donations are made.
- With regard to Principle 1.5.2; minority rights were not granted to those with less than one twentieth of the capital under the articles of association, and in line with general practices, minority rights have been granted within the framework of general provisions of regulations. No requests have been received from investors regarding this issue, and general best practice examples are followed up, and no changes are foreseen in the near future.
- With regard to Principle 4.3.9, it is thought that providing diversity in terms of knowledge, experience and perspective to our Board of Directors will contribute positively to the activities of the Company and the effective operation of the Board of Directors, and the current board structure reflects this point of view. A target rate and a target date have not been set to achieve a minimum female member ratio at the Board of Directors, and the ratio of female board members is 17 percent. Assessment efforts are underway. Detailed information is provided below in Section 5.1.
- With regard to Principle 4.4.1, physical board meetings were held only once in 2020 due to the COVID-19 outbreak, and all other resolutions were passed through circulation, except for those passed at the meeting. However, the members of the Board of Directors were regularly informed about the company’s performance and developments. Taking into account the meetings held, the majority of the members of the Board physically participated in most of the meetings.

- With regard to Principle 4.4.5, although our Company has processes on how to hold board of directors meetings that were maintained consistently for many years, but there is no written internal regulation specific to this issue. Considering the effective work of the board of directors, there is no urgent need to make a definition in this regard.

- With regard to Principle 4.4.7, as described in section 5.1 below, the Board Members are not limited to taking other duties outside the company due to the significant contribution they have made to the Board of Directors through their work and industry experience. Our annual report includes the resumes of our board members. Considering the effective work of the Board of Directors, no change is foreseen in the short term in the current practice, which is considered not to create any adverse situation in terms of corporate governance.

- With regard to Principle 4.5.5, the appointment of the committees is carried out in accordance with the related regulations by taking into account the knowledge and experience of the board members. Only one independent board member was assigned to two committees. Members serving on more than one committee ensure communication and increase cooperation opportunities between committees working on related issues. Taking into account the productive work of the members of the board of directors with the contribution of their knowledge and experience, the existing committee structure is effectively evaluated; no need for change is foreseen in the near future.

- With regard to Principle 4.6.1, performance evaluation and rewarding of those with administrative responsibility were carried out, but no specific work was conducted at the Board of Directors level. Best practices on the subject are being researched, and their implementation can be evaluated in the medium term.

- With regard to Principle 4.6.5, the payments made to the members of the Board of Directors and executives with administrative responsibilities at the Ordinary General Assembly and in the footnotes of the financial statements are made public collectively in parallel with the general practices. Market practices are closely monitored on the subject which is considered important for the confidentiality of personal information and it is envisaged that the application will be in line with the common practice.

The Company has no conflict of interest due to its failure to fully comply with the non-mandatory principles.

The Corporate Governance Compliance Report (GGCR) and the Corporate Governance Information Form (OGIF) for 2020 prepared in accordance with the CMB Resolution No. 2/49 dated January 10, 2019 and approved by the Board of Directors are available alongside this report. The related documents are also available on our Company’s corporate governance page on the Public Disclosure Platform. (<https://www.kap.org.tr/tr/cgif/4028e4a240e95dc90140ed55b43900cf>).

In line with the efforts for full compliance with the corporate governance principles, a corporate governance action plan is prepared for the corporate governance improvement areas identified in the Corporate Governance Rating Report for Arçelik A.Ş. issued by SAHA.

SECTION II: SHAREHOLDERS

2.1. Investor Relations Department

The duties of the Investor Relations Department, which facilitates the communication between the Company and investors, are carried out by Finance and Corporate Risk Director Özkan Çimen, Capital Markets Regulation Compliance Manager Faik Bülent Alagöz, and Investor Relations Manager Orkun İnanbil, under the coordination of Polat Şen, Assistant General Manager of Finance and Accounting. The Board of Directors resolved to appoint Polat Şen as board member of the Corporate Governance Committee on April 10, 2020.

The licenses of the individuals serving at the Investor Relations Department in 2020 are provided below:

Name	Function	License Certificate Type	License No.
Polat Şen	Assistant General Manager of Finance and Accounting	-	-
Özkan Çimen	Finance and Enterprise Risk Director	-	-
Faik Bülent Alagöz	Capital Markets Regulation Compliance Manager	Capital Market Activities Advanced Level License / Corporate Governance Rating Specialist License	203781/700495
Orkun İnanbil	Investor Relations Manager	-	-

Contact details of the Investor Relations Department managers in 2020 are as follows:

Polat Şen Assistant General Manager of Finance and Accounting 0212 314 31 00 polat.sen@arcelik.com	Faik Bülent Alagöz Capital Markets Regulation Compliance Manager 0212 314 31 03 bulent.alagoz@arcelik.com
Özkan Çimen Finance and Enterprise Risk Director 0 212 314 39 01 ozkan.cimen@arcelik.com	Orkun İnanbil Investor Relations Manager 0212 314 31 14 orkun.inanbil@arcelik.com
Fax : 0212 314 34 90 e-mail : yatinimciiliskileri@arcelik.com-investorrelations@arcelik.com	

Activities carried out in 2020 in order to provide detailed information to investors about the Company's operations is summarized in the following table:

Number of investor conferences and roadshows attended domestically and abroad:	11
Number of interviews with investors and analysts:	415
Number of teleconferences organized for the disclosure of financial results for 2019 year-end and Q3 2020:	4
Number of meetings and events held for the press in Turkey and abroad:	7

Major activities executed in Investor Relations Department are as follows:

- To ensure that the records of shareholders are kept in a proper, secure and up-to-date manner,
- To meet the shareholders' verbal and written information requests regarding the Company, with the exception of confidential information and trade secrets,
- To ensure that the General Assembly is held in compliance with the applicable legislation, the Articles of Association and other internal regulations of the Company,
- To prepare documents to be used by shareholders at general meetings,
- To ensure that the voting results are recorded and the reports related to the results are sent to the requesting shareholders,
- To observe and monitor all matters related to public disclosure, including legislation and the Company's disclosure policy,
- To inform investors by attending the meetings held at the headquarters and conferences and meetings organized by various institutions in Turkey and abroad,
- To provide information to analysts who make assessments about the company,
- To meet the information requests of academicians who conduct research on the company and the industry,
- To prepare the content of the investor relations section on the corporate website (www.arcelikas.com) in Turkish and English, to update it as frequently as possible and to ensure that shareholders can access the Company information on the Internet quickly and easily,
- To make the information and explanations that may affect the exercise of shareholder rights available to shareholders on the company website,

- To inform the public by making the necessary Material Event Disclosures through the Public Disclosure Platform (PDP), taking into account the Capital Markets Board Communiqué (II-15.1) of the CMB,
- To monitor the changes in the Capital Markets Law related legislation and to bring it to the attention of the relevant units within the company,
- To represent the Company at the Capital Markets Board, Borsa Istanbul and the Central Registry Agency.

The report prepared regarding the activities conducted by Investor Relations Department in 2020 was submitted to the Corporate Governance Committee to review on February 22, 2021.

2.2. Use of Shareholders' Rights to Obtain Information

All shareholders are treated equally by taking measures to ensure the exercise of shareholders' rights and to comply with the legislation, the Articles of Association and other internal regulations. The Investor Relations Department at Arçelik A.Ş. is run by the Assistant General Manager of Finance and Accounting. The main objective of the Company is to ensure that the shareholders' rights to information are duly and fully fulfilled. Furthermore, the Company enables its shareholders to exercise their rights, which they are entitled to as partners, fully and in the shortest time possible.

The Company does not distinguish between shareholders in exercising the right to obtain and review information. Each shareholder is entitled to receive and review information.

Inquiries directed to the Investor Relations Unit, with the exception of confidential information and trade secrets, are answered either by phone or in writing by contacting the most authorized person of the relevant issue. As explained in Section 3.1 of this report, all information and explanations that may affect the use of shareholder rights are provided on the corporate website.

In order to expand the rights of shareholders to obtain information and to exercise their rights properly, the Company continuously

updates the financial statements as well as the necessary information and documents and makes them available to the shareholders in Turkish and English on the Company's corporate website (www.arcelikas.com). In the period, written and verbal information requests from shareholders were responded verbally or in writing, regardless of the differences the shareholders in line the Capital Markets Legislation.

Material event disclosures, financial statements and other information about the Company, which are required to be disclosed with the Public Disclosure Platform (PDP), are also sent with electronic signature.

Although the right to request a special auditor as an individual right is not regulated in our Articles of Association, as per Article 438 of Turkish Commercial Code, each shareholder may request from the general meeting of shareholders a special audit to clarify certain events, even if they are not included in the agenda, if they are required to exercise their shareholder rights and if the right to obtain or review has been used previously. The shareholders have made no such request to this date. In addition, the Company's activities are periodically audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., an independent auditing firm (a member firm of Ernst & Young Global Limited) elected at the General Assembly.

2.3. General Meetings of Shareholders

The announcement for a General Meetings of Shareholders is made at least three weeks prior to the date of the General Meeting of Shareholders by means of all kinds of communication, including electronic communication, to ensure that the maximum number of shareholders are reached in addition to the procedures stipulated by the legislation. This is provided for in our Articles of Association.

In addition to the announcements and disclosures the company must make as per the legislation, the following matters are announced to the shareholders on the company website:

- a) The total number of shares and voting rights that reflect the company's shareholding structure as of the date of the announcement,
- b) Changes in the management and operations of the Company and its subsidiaries that will significantly affect the company's operations that took place in the previous accounting period or planned for the next accounting period,

c) If the agenda of the General Meeting includes the discharge, replacement or election of the members of the Board of Directors, the reasons for dismissal and replacement, information about the candidates nominated for the Board of Directors;

d) Requests of shareholders, the CMB and/or other institutions and organizations related to the company for any items to be included on the agenda,

e) If an amendment to the articles of association is on the agenda, the previous and new versions of the amendments to the articles of association together with the relevant board of directors resolution.

Concerning the fulfillment of the obligation stipulated in paragraph (c), resumes of the candidates to be nominated for the Board of Directors; their employment history for the past 10 years and reasons for leaving their prior employment; the nature and materiality of their relationships with the company and the company's affiliates, whether they can be considered independent or not, and in the event that these individuals are elected as members of the board of directors, information on similar issues to affect the company operations.

All of the shares that make up the company's capital are registered shares. Prior to General Meetings, an information document on the agenda items is prepared and announced to the public via the PDP and corporate website. Pursuant to the Articles of Association, General Meetings are held open to the public, including to stakeholders and the media, without the right to speak.

The Company held one Ordinary General Meeting in 2020.

During the Ordinary General Meeting, which was held on Wednesday, March 25, 2020 and during which the Company's 2019 activities were discussed, 60.023.945.844 shares (88.83 percent) out of 67,572,820,500 shares, which is the total of Company's capital, were represented physically and on electronic environment. Shareholders of the company (directly or by proxy), stakeholders and the media attended the meeting. Representatives from several intermediary institutions and banks providing settlement and custody services also attended the meeting as observers. Questions asked by shareholders are answered during General Meetings. If the question asked is not related to the agenda or is too extensive to be answered immediately, the question asked is answered in writing by the Investor Relations Department. The question raised at the General Assembly on March 25, 2020 was answered by the Investment Relations Department and was recorded to the General Assembly Meeting Minutes.

- In accordance with the Articles of Association, the announcement of the General Meeting was notified at least three weeks prior to the General Assembly date in the PDP, the Turkish Trade Registry Gazette, the corporate website, the Electronic General Assembly System, and the e-Company, in order to reach the maximum number of shareholders possible in addition to the procedures stipulated by the legislation.
- Corporate Governance Principles are complied with in all notifications.
- Financial statements and reports, including the Annual Report, dividend distribution proposal, information document prepared on the agenda items of the General Assembly and other documents forming the basis of the agenda items, and the final version of the Articles of Association and the amendment text, if any amendments are to be made in the Articles of Association, and justification are made available to and kept open for inspection at the Company headquarters and on the corporate website, at locations most easily accessible to shareholders, as of the date of the announcement for the invitation to the General Meeting.
- The agenda items of the Company's General Assembly are expressed clearly and without causing any different interpretations. Information to be provided prior to the General Assembly is provided by referring to the agenda items they relate to.
- Samples of power of attorney forms are included in the announcement text and posted on the corporate website before the General Meeting for those who will be represented by proxy.
- Before the meeting, the voting procedure is announced at the meeting and submitted for the information of the shareholders on the website.
- The Company did not receive any requests from the shareholders regarding the addition of items to the agenda at the General Meeting held on March 25, 2020.

General Assembly Meetings are held in a manner that does not cause inequality among shareholders, at the lowest possible cost for the shareholders and in the least complicated manner. Shareholders residing in Turkey or abroad are facilitated to attend the meeting and are allowed to attend General Meetings.

In addition, all the documents that foreign shareholders may require to be informed about the General Assembly and the agenda are translated into English and sent through the banks that perform clearing, settlement and custody transactions of these shareholders in Turkey and posted on the Company's website.

Care is taken to hold its general meetings in a central location in the city in order to increase and facilitate participation. The number of attendees is monitored annually and venues is are determined by the number of attendees. The Ordinary General Meeting was held on March 25, 2020 at Divan İstanbul Elmadağ, Asker Ocağı Caddesi No:1 34367 Şişli İstanbul. The location of the General Meeting was easily accessible to all shareholders. Invitations to General Meetings are issued by the Board of Directors according to the provisions of the Turkish Commercial Code (TCC), the Capital Market Law and the Articles of Association. The public is informed about General Assemblies via a disclosures filed with the PDP as soon as the Board of Directors passes a resolution to that effect.

Pursuant to CMB regulations, financial statements must be disclosed to the public within 11 weeks of the end of the accounting period. The company, on the other hand, announces its financial statements earlier. The financial statements for the end of 2020 were also announced in the fourth week. Following the announcement of the results, the General Meeting work begins, and the General Meeting convenes after the necessary legal procedures are completed. This year's General Meeting will be conducted within three months after the end of the accounting period. During the General Assembly Meeting, agenda items are conveyed to the shareholders in an impartial and detailed manner, with a clear and understandable method; a healthy discussion environment is created where shareholders are provided with equal opportunities to express their opinions and raise questions. The members of the Board of Directors, other relevant persons, the authorities responsible for preparing the financial statements and the independent auditor shall be present at the General Assembly meeting to provide the necessary information and answer the questions.

Shareholders are given the opportunity to present their opinions and suggestions regarding the remuneration policy for the Board Members and senior executives.

The General Assembly shall be provided with information about any transactions that take place pursuant to permits obtained by the shareholders who have control of the Board of Directors, the members of the Board of Directors, the executives with administrative responsibility and their spouses and relatives up to the second degree to perform the activities that fall within the scope of Articles 395 and 396 of the Turkish Commercial Code. In 2019, there were no significant transactions that could lead to a conflict of interest between these persons and the publicly traded company or its subsidiaries pursuant to Article 1.3.6 of the Communiqué on Corporate Governance.

Pursuant to Article 415(4) of the Turkish Commercial Code No. 6102 and Article 30(1) of the Capital Markets Law No. 6362, the right to participate and vote in General Meetings is not subject to the requirement that they deposit their shares with any institution. Therefore, our partners who wish to participate in General Shareholders Meetings are not required to block their shares before the Central Registry Agency.

At the General Assembly, votes of shareholders on the agenda subjects are recorded in the minutes of meeting. Each agenda item is voted separately at the meeting. The General Assembly is held under the supervision of a representative of the Ministry of Trade.

The General Assembly is informed about the donations and aids made by the company to foundations and associations for social aid purposes, with a separate agenda item. At the meeting of the Ordinary General Assembly held in 2020, a separate agenda item was used to inform the General Assembly about the donations and grants made in 2019 and the upper limit of the donation that could be made in 2020 was set as 0.2 percent (two thousandths) of the previous year's revenue, and there was no change in the donation policy.

The minutes of the General Assembly are available on the corporate website and the minutes of the meeting are available for the review of the shareholders at the Company headquarters and copies are provided to the requesting parties.

2.4. Voting and Minority Rights

The voting procedure to be used at the meetings of the General Assembly is announced to the shareholders at the beginning of the meeting. Practices that complicate voting rights in the company are avoided and each shareholder, including those shareholders living abroad, is given the opportunity to vote in the easiest and most appropriate way, either physically or electronically.

The Company's Articles of Association do not include any special voting privileges. Each share comes with one vote. The Company's shareholders do not include any legal entity that is a subsidiary of the Company. There is no provision in the Articles of Association that prevents a non-shareholder from voting by proxy.

Shareholders representing the minority shares form the Management together with the majority shareholders, with their participation in the General Assembly. In 2020, our company has not received any criticism or complaint on this matter. Minority rights have not been set lower than one twentieth of the capital by the Articles of Association.

2.5. Dividend Rights

Our dividend distribution policy contained in Agenda Item 6 approved by the shareholders at the Ordinary General Assembly held on March 27, 2014, has been determined as:

“Our Company distributes dividends in accordance with the provisions of the Turkish Commercial Code, the Capital Markets Regulations, Tax Regulations and other related regulations, and the article of the Articles of Association regarding dividend distribution. In dividend distribution, a balanced and consistent policy is maintained between the shareholders and the Company's interests in accordance with the Corporate Governance Principles. In principle, as long as the related regulations and financial means allow, a minimum of 50 percent of the distributable period profit calculated in accordance with the Capital Markets Regulations is distributed as cash and/or bonus shares, provided that it can be covered from the current resources in our legal records, taking into account market expectations, long-term company strategy, investment and financing policies, profitability and cash position. The aim is to make the profit distribution within one month at the latest after the General Assembly meeting, and the General Assembly decides on the profit distribution date. The General Assembly or, if authorized, the Board of Directors may decide to distribute dividends in installments in accordance with the Capital Markets Regulations. The Articles of Association of the Company states that General Assembly may take a decision to distribute advance dividends provided that it is authorized by the General Assembly and complies with the Capital Markets Regulations.

The Company's dividend policy is included in the Annual Report and publicly announced on the corporate website.

The dividend distribution of the Company is carried out in accordance with the TCC and the CMB within legal periods. According to the financial statements for the accounting period January 1, 2019 to December 31, 2019, prepared by Arçelik A.Ş. Management at the Ordinary General Meeting of Shareholders on March 25, 2020, based on the Turkish Financial Reporting Standards (TFRS) and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., it was seen that there was a Net Profit of 924,833,309 Turkish lira for the parent company according to the financial statements for the accounting period January 1, 2019 to December 31, 2019 and a current year profit of 457,588,624.50 Turkish lira according to Tax Procedure Law records, and the proposal of the Board of Directors to distribute dividends totaling 500,000,000 Turkish lira and set the dividend payment date as April 1, 2020 was read out.Kerem Kaşitoğlu, the representative of the Koç Holding Fund for Retirement and

Social Support, took the floor and read out his proposal on profit distribution.

Kaşitoğlu proposed that, as companies had to be more cautious about their finances and need to have more liquidity pandemic during the pandemic, that the proposal of the Board of Directors to distribute profits, which was created more than a month earlier when the effects of the Coronavirus on the country and the world economy were less predictable, not accepted due to the current conditions we are in, that no dividends be distributed, that 5 percent general legal reserves required to be set aside for 2019 according to Article 519 of the Turkish Commercial Code reached the 20 percent limit of the capital in the total legal reserves in the TPL records as of December 31, 2019, and consequently, that the entire profit for 2019 ve reserved as Extraordinary Reserves.

Both proposals were submitted to a separate vote. The Board of Directors' dividend distribution proposal was rejected by shareholders representing shares of 361,057,205.17 Turkish lira against shareholders representing shares of 239,182,253.27 Turkish lira. The proposal of the Representative of Koç Holding Fund for Retirement and Social Support, a shareholder, to transfer the profit to the Extraordinary Reserves by not distributing it was accepted by shareholders representing shares of 455,527,742.17 Turkish lira against shareholders representing shares of 144,711,716.27 Turkish lira.

2.6. Transfer of Shares

The Articles of Association does not contain any practices that may make it difficult for shareholders to transfer their shares and special provisions restricting the transfer of shares. The regulations of the Capital Markets Board are applied for the transfer of the Company's registered shares traded on the stock exchange.

SECTION III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Web Site and Its Content

The Company actively uses its corporate website www.arcelikas.com, as stipulated by the CMB Principles, in order to maintain its relations with shareholders more effectively and rapidly, and to be in continuous communication with the shareholders. The information contained herein is regularly updated. The information on the Company website is the same and/or consistent with the disclosures made pursuant to the provisions of the relevant legislation and does not contain any conflicting or incomplete information.

In addition to the information required to be publicly disclosed by the applicable laws, the company's website provides the following information: trade registry information, the latest partnership and management structure, the notification that the company has not issued any privileged shares, the latest version of the company's Articles of Association together with dates and numbers of the Turkish Trade Registry Gazettes that contain the amendments made; material event disclosures, financial statements, annual reports, prospectuses and IPO circulars, agendas of General Assembly and list of attendants and minutes, proxy voting form, dividend distribution policy, disclosure policy, ethical rules of the company and answers to frequently asked questions. Accordingly, information for at least the last five (5) years is available on the website.

The company's website is provided both in Turkish and English in compliance with the content and design required by the CMB's Principles. The Investor Relations Department is responsible for preparing the content of the Investor Relations section of the corporate website, updating the information that has changed and adding additional information. Efforts to provide better services to investors on the corporate website are ongoing.

The Company is controlled by its parent company, Koç Holding A.Ş., Koç Family and the companies owned by them.

3.2. Annual Report

The Company's Board of Directors prepares the company's annual reports in sufficient detail to ensure that the public is able to access complete and accurate information about the company's activities and as per the information listed in Corporate Governance Principles.

In addition to the information required to be included by the applicable law and in other parts of Corporate Governance Principles, annual reports contain the following;

- a) Information on positions held by members of Board of Directors outside the company in their resumes and their declaration of independence,
- b) Information on the names of members of the committees of the Board of Directors, the frequency of meetings and the functions carried out,
- c) Information about social rights of employees, vocational training they receive, and corporate social responsibility activities conducted by the Company that have social and environmental impact.

SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

Stakeholders refer to third parties who are directly affected by the Company's operations. The Company informs its stakeholders on matters of interest by inviting them to meetings or using telecommunication tools, when necessary. The Company respects and protects the rights of stakeholders acquired through laws, mutual agreements and contracts, taking into account that cooperation with stakeholders will be in the interest of the Company in the long term. The corporate governance structure of the Company allows all stakeholders, including employees and representatives, to convey their concerns about illegal and unethical transactions to the management. Among the duties of the Audit Committee is examining the complaints received by the Company. In addition, the Internal Audit Department evaluates the complaints and submits them to the Audit Committee.

The methods and criteria to be applied for reviewing and finalizing complaints received by the partnership in relation to the accounting and internal control system and independent audit of the partnership, and evaluating the notifications made by the company employees regarding the accounting and independent audit matters of the partnership within the scope of the confidentiality principle shall be determined by the audit committee responsible for the audit.

The Company's employees and approximately 3,000 dealers across Turkey constitute an important interest group in direct relations with the Company. The Company regularly informs its employees through the practices, communiques, circular letters, regulations and written notifications and at the same time it holds regular "Dealer Meetings" throughout the year to keep its dealers up-to-date on practices and campaigns, company policies, targets and recent economic developments as well as to create a more effective system by listening to the dealers' problems and concerns.

In addition, we have practices to increase cooperation at every step with approximately 5,800 direct and indirect suppliers, which we see as an important link in our supply chain and as a stakeholder. These are, primarily, the Technology and Innovation collaboration days, supplier days, supplier training sessions, audits, visits, Arçelik corporate website and our supplier portal. With these practices, we provide general information about Arçelik's vision, strategy, business objectives and future actions, and share our expectations from our suppliers in terms of sustainability.

Relations with employees under the Collective Bargaining Agreement are carried out through union representatives. The

company is a member of the Turkish Metal Industrialists Union (MESS) and the blue collar employees of the company are members of the Turkish Metal Union. The Collective Bargaining Agreement, valid from September 1, 2019 to August 31, 2021, was signed on January 29, 2020, covering our unionized employees working in all Arçelik businesses.

4.2. Stakeholders' Participation in Management

Both employees as internal customers and dealers as external customers are developed in a way that does not disrupt the Company's operations by adding mechanisms and models that support the participation of stakeholders, especially the Company employees and dealers, in the company management, including a suggestion system, call center, website and one-on-one meetings.

To encourage the participation of the stakeholders in the management, their requests determined by means of suggestions or surveys are reflected on the operations of the company. The Labor Union's opinion and consensus is taken and resolutions are made jointly for the implementation changes regarding the working conditions and environment and rights provided to employees. Furthermore, dealers who have direct business relations with the Company through "Reseller Meetings" are encouraged to participate in the Company management.

The Company considers costumer and supplier satisfaction among its top priorities. Customer satisfaction is reported and monitored regularly. The Company attaches great importance to the confidentiality of customer and supplier data, which are considered as trade secrets. The Company's customer satisfaction policy, which is mentioned below, is shared with the stakeholders in writing and all business and management processes are shaped within the framework of this policy.

Customer Services Directorate serves all brands operating under the Arçelik umbrella. Consumer requests and recommendations are received and responded to via Call Center, email, www.arcelik.com.tr, www.beko.com.tr, www.grundig.com.tr, www.altus.com.tr, live chat, WhatsApp, social media, fax, mail, service and dealer channels.

The main duties of the Customer Communication Center are to collect feedback from customers regarding the services/products of all brands and to transfer them to the relevant units. The Center strives to provide the best service experience to consumers 24/7. These feedback summarize the expectations and needs of consumers and aims to contribute to the development of new products.

At the center of business processes and activities, Arçelik Customer Communication Center maintains its operations with a system that allows customers to easily communicate their requests and suggestions, and where the information received is collected in a transparent and secure manner, and can be monitored and reported from a single center. Records obtained in accordance with legal regulations are processed objectively and confidentially with a fair evaluation, and processes are constantly checked and necessary improvements are made. The Customer Communication Center processes have been integrated with the management system and a structure that controls each other has been developed. The management objectives of the Company are fed through this system.

In 2020, Asist Support, Koç Finans and Arçelik IT Help Desk continued to provide services to both internal and external customers. The IT Help Desk team offers Turkish and English language alternatives to customers 24/7 in 12 locations in Turkey and 17 countries abroad. Call center services for Arçelik's German and Austrian brands are also based in Turkey.

In 2020, CRM activities focused on outbound calls through specific and active campaigns made significant contributions to the revenues of the Company.

Many processes at the Customer Communication Center have been centralized with process optimizations that aim to achieve maximum efficiency.

A Call Centralization Project was implemented to achieve a consistent quality of service for all customer issues communicated via phone. With this project, customer calls to Authorized Services are automatically forwarded to the Call Center. As part of the measures taken for the pandemic, all Call Center employees work from home since March 2020.

In 2020, a major portion of Call Center operations were outsourced with cost benefits and flexibility in mind. We started working with two new companies for our outsourced operations to balance risks associated with the sustainability of operations. As a result, we are currently working with five call center service providers in three provinces.

The pandemic has changed the way customers communicate with brands, as have many other aspects. Social Media, Chat and WhatsApp Corporate channels are now more important in terms of communication and interaction rather than just being positioned as alternative channels.

During the pandemic, we launched the "Call & Click" application to help customers shop without leaving home. With this application, orders and claims received by the Call Center were communicated to Authorized Resellers, which in turn significantly increased our company revenues.

In 2020, two Call Center Projects, Octopus and Crystal Experience, received directorial awards in the #Digitalization category.

In 2020, we added a Product Replacement Function to the Customer Care Center to maintain effective communication with customers during the product replacement process. We also organized several training programs for our call center business partners and created a team within their organizations. In this way, we ensure that customers who wish to replace an item interact with expert employees at the Call Center and their problems are swiftly resolved.

In 2020, the pandemic caused companies to operate with limited stocks and to deal with the problems related to the provision of spare parts and finished goods. Therefore, creating a dynamic and agile operational decision-making process was crucial to meet customer demands as effectively as possible. At Arçelik, daily operations were maintained at pre-pandemic levels despite the challenges created by the pandemic thanks to the immense efforts of our teams. We are also running critical projects to optimize the Product Replacement process.

Arçelik Customer Services Directorate operates in 81 provinces and 619 points of contact with 11,850 Authorized Service employees, 5,950 service technicians and a fleet of 5,218 service vehicles. In 2020, approximately 15 million service requests were met. Our vast service network has a major role in boosting customers' loyalty to Arçelik brands with a focus on offering the best possible service.

The Turkish Standards Institute (TSE) has been auditing our Authorized Services' compliance with the applicable safety and hygiene standards since the start of the pandemic as part of the "TSE COVID-19 Safe Services Certification" process. Authorized Services made significant efforts regarding COVID-19 risk assessments, infection prevention and control action plans, internal and external communication plans, building emergency response teams, drafting case management instructions, COVID-19 return to workplace procedures, developing the fever measurement process, implementing the regular training method, creating cleaning and disinfection plans, and placing posters, boards and warnings to prevent infection. All Services in Turkey has successfully passed the audits and received the "TSE COVID-19 Safe Services Document."

As in previous years, Authorized Services were audited by the Turkish Standards Institute in 2020. As a result of these audits, 40 Arçelik Authorized Services received the “Customer-Friendly Organization” (MDK) certification. In the second phase of project, Arçelik and Beko brands successfully obtained the “Customer-Friendly Brand” (MDM) certification. Our operations in this area will continue to be audited by independent institutions with sustainability in mind.

During the pandemic, our teams provided effective disinfection services for homes and businesses all around Turkey thanks to our vast service network by using green products in compliance with the applicable regulations.

The Customer Service Directorate sets standards in line with Arçelik's corporate structure and develops all its processes to provide customers with a reliable service experience. As a reflection of this approach, Arçelik Authorized Service employees follow our corporate dress code at work. Moreover, service units were updated to better reflect our corporate approach and trained technicians were assigned to provide more detailed information about complex products to customers.

The mileage calculation of the regions outside the residential area served by the Authorized Services is done by an automatic road payment system. This automation system integrates with the Appointment system and determines the appropriate receipt steps via the most efficient daily route.

We started implementing a balanced scorecard system which helped Authorized Services define business objectives at the technician level. Each technician's progress is monitored and their areas of improvement are determined based on five criteria. The balanced scorecard system can be monitored on Authorized Service and Customer Care portals.

Concept service activities aimed at improving brand perception and service quality continued throughout the year. We strove to create an innovative and strong image in many areas from the first interaction with the customer to the design of product and service sale points. Fully-equipped kitchens are available at concept service locations to allow customers experience the products and be directly trained by expert technicians on their use.

Furthermore, the efforts for increased quality of service and customer satisfaction included improving welcoming and registration areas, customer experience areas, small home appliance repair/registration, accessory stands, lounges, signboards, signalization and personnel ID tags at service locations.

On-duty services and weekend and holiday services are among the areas where Arçelik Customer Care makes a difference in the industry and creates a competitive advantage. Authorized Services also offer services for customers until late hours on weekdays. Arçelik Customer Care continuously updates and improves its technological infrastructure. ROTAM project provides significant contributions to efficient management of service processes and enables customers to make appointments from all channels, effectively and efficiently manage the workforce of authorized services and ensure route optimization. Customer appointments can be made with two-hour intervals. Customers can use the advanced digital infrastructure of the Call Center to make appointments and benefit from more flexible scheduling with the next-generation appointment system. Service date and time are provided to customers by phone or via face-to-face meetings. A follow-up text message is also sent to them.

At Arçelik, our service vision is this: “Expert technicians at your service on time, solving your problems at one go.” This vision is supported by the “Find My Technician” app launched in Turkey in December 2019. Arçelik customers can now access contact numbers and basic information about service appointments. They can use the link on the app to easily see the whereabouts of technicians on the map and the estimated time of their arrival. Moreover, a photo of the technician is sent to the customer for security. A text message is also sent to the customer as a reminder for the time of appointment.

Service technicians use the Technician Assistant System to deal with product problems online. Product and spare part tracking data are shared with customers during the repair process via SMS. The purpose of this system is to provide accurate data for the customers and create added value.

Authorized Services offer different time options for additional product guarantees, if requested by the customer.

Technical assistance services are offered for 27,500 product models in Turkey. Post-sales service processes are certified with ISO 10002 Customer Satisfaction Quality Management System Document. The quality of service is regularly measured with the Net Promoter Score (NPS) method. Corrective and preventive measures are taken to improve after-sales processes based on NPS results.

160,000 hours of training for 9,100 Authorized Service employees were offered by the Technical Training Unit (Service Academy). In addition to hands-on learning modules and individual performance measurement modules, in 2020, an online learning platform and

remote training modules were introduced to boost efficiency and ensure continuous development.

Corporate Solutions Authorized Services offered virtual class trainings on A/C Products in the second half of 2020. Authorized Service technician training sessions that were conducted face-to-face before the pandemic were divided into virtual class training and in-class training after the pandemic. The tests are administered in the traditional written format by using the test module on the Service Academy platform. Test format reporting was made available with the new software update. In 2020, the training sessions reached a total of 36,100 person-hours, 260 for Corporate Solutions Authorized Service employees and the remaining for various customers.

We use robotic systems (RPA) to check the EFT and bank transfer payments made by customers in case of price differences in product replacements. This system allows the automatic approval of receipts and initiates the logistics process for the new product. This shortens waiting times for customers and increases customer satisfaction.

We are working on classifying 330,000 existing spare parts and 17,000 new spare parts added every year based on 14 criteria. As such, we aim to improve the spare part planning, pricing and storage processes. Spare parts are selected from the diverse spare parts pool based on special formulas and criteria to offer substantial benefits to customers and shorten service time. Selected spare parts are proactively shipped to the services before a customer puts in a request.

The central planning of regional warehouses was a major step toward centralizing the spare parts planning processes. As of the end of 2020, plans for all regions will be centralized. The aim is to standardize planning and increase the efficiency of stock management. This will result in shorter service times and minimum stable materials.

The automatic Order Flow Project was implemented to swiftly meet spare part orders, eliminate manual procedures, and effectively manage spare part transfers between warehouses. With this project, the system starts scanning the warehouses beginning with the nearest one to find missing spare parts and automatically sends the order to the relevant service. This will lessen delays due to manual procedures and ensure a fast and efficient spare part supply process.

Exploded views of current and future products will be designed to be more effective, legible and user-friendly using the latest technologies. This will minimize errors and ensure fast and accurate responses to customer requests.

The Digiport program launched in 2020 makes it easier for Authorized Services to send questions about materials and products from the field. This created advantages in terms of diversity of categories and tracking, and decreased the reporting workload.

Pricing Automation Process automates the processes of stock definition, costing and initial price definition. The project also increased staff efficiency and eliminated the risk of user error. Moreover, it allowed us to quickly and accurately draft the material lists for products that are sent to the field. This facilitated the control and tracking of material definitions from day one. The Dynamic Pricing Model increased profitability by creating up-to-date sales prices based on the purchasing cost of materials and the changing conditions in the market.

We united all plants' material definition process for products assigned to the Product Procurement Directorate (TUD). Product trees were created on SAP for the materials generated by TUD, and the efforts for product tree definitions are still in progress.

Material sales were available only through Authorized Services until recently. Following the system improvements, it is now available from the contracted B2B companies (KMEM, Demirdöküm, BİM, etc.). The Spare Parts Directorate can now issue invoices for stocks at the contracted amount. The Dynamic Pricing Model also had a positive impact on profitability in this field. Material costs and current market conditions are evaluated through regular data checks. Sales prices are updated when deemed necessary. Prices were updated for equivalent materials and a balanced pricing structure was implemented based on classification categories.

A forklift - palette system was designed for suspended floors and high racks at Gebze and Çayırova spare part warehouses in line with OHS rules. With the new system highlighting occupational safety, forklifts place the palettes on high racks and the staff is now required to operate the tool to take the palette. The mechanical system does not consume energy and the tool eliminates occupational safety risks by providing a two-layered system.

A new project titled Secure Ramp was launched at all warehouses in 2020. A Sensor Alert System is activated to warn employees of any issues related to ramps in the warehouses to raise occupational safety awareness among employees. This warning system can be used at warehouses without ramp bellows that use reflective sensors. The sensor scans the immediate area around the ramp, and activates ramp warning lights to alert the passersby to any dangers; this prevents occupational accidents.

With the Quality Intelligence (QI) AI project, we classified services based on errors. This ensured faster and more detailed problem analysis for products. QI indicator tables allow exhaustive analysis of product problems, ensure an accurate and detailed information flow for quality improvements, promote accurate use of resources in quality projects and enable constant monitoring of quality improvement results.

Field teams provide services for thousands of customers on a daily basis. In 2020, their tablets with ARON-2 software were replaced with ARTEMIS which is equipped with a new software platform.

ARTEMIS is;

- Compatible with all mobile devices,
- Fully integrated with the Call Center,
- Makes and receives calls through the telecommunications network,
- Allows monitoring of geographical coordinates,
- Provides easy access to customer's address with map support,
- Allows users to make appointments or place spare part orders to meet consumer demands thanks to its agile, flexible, and interactive system.

With ARTEMIS, technicians can perform all their operations on their own mobile devices without the need to carry a second mobile device with them. ARTEMIS also features a task progress tracker and facilitates interactive communication with customers.

This way, we aim to enhance technician efficiency, improve service quality, and deliver an outstanding customer experience.

In 2020, Arçelik supported frontline health workers for their selfless devotion to maintaining public health during the COVID-19 pandemic. Accordingly, the Company donated 17,304 white goods and small domestic appliances to 202 hospital across Turkey to make sure health workers needs in terms of hygiene and nourishment are met. Hospitals were contacted through a

combined effort by the sales and service teams as well as the dealers. The products were delivered and installed by Arçelik Authorized Services.

Arçelik Authorized Services also helped deliver 1,869 ventilators, a much-needed piece of technology during the pandemic, to 150 pandemic hospitals around Turkey.

Arçelik prioritizes to match the high-quality and eco-friendliness of its products with the way it delivers these products to its customers. In this context, the Dynamic Ring System developed for spare parts ensures fast delivery of products and reduces fuel consumption.

The Foldable Dispatch Box Project is a major step in protecting the environment in the area of Customer Services. Increased demand resulted with an increase in the number of dispatch boxes used. As these boxes are not recyclable, a project was launched to reduce the cost of keeping 209 authorized services in operation on a daily basis, and the result is the foldable dispatch boxes. In this way, cardboard consumption has been reduced and a cost advantage has been achieved. Foldable dispatch boxes ensure that the products are delivered undamaged and more products can be transported with service vehicles.

In line with the Corporate Solutions Business Model, Arçelik offers survey, assembly, maintenance and repair services through 125 Corporate Solutions Authorized Services in Turkey.

Special products and services were offered in the areas of central air-conditioning (VRF systems, A/C hubs, cooling products and fan coils) and professional display solutions.

As the Corporate Solutions Air Conditioning Product Group, collaborations were made with the Arçelik brand in TFF, MESS and important investments in sports, health and technology within the body of the Ministry of Health.

In 2020, 340 PID screens were installed at Intercity Tuzla racetrack before Formula 1 Turkey Grand Prix, a major sports event in Turkey. Beko's Corporate Solutions Professional Displays Product Group was among the solution partners of this important event, which is critical for the promotion of the country.

Arçelik continued to support digital transformation of education in Turkey in 2020. Within the scope of the cooperation initiated with the Ministry of National Education on the supply of smart boards, all after-sales services including the assembly of approximately 43,000 interactive boards in 2,200 schools were organized.

Gas leakages caused by the assembly kit was improved by 7 times with the new assembly kit and an annual 1,863 tons of CO₂ emissions will be prevented.

Internal stakeholders continued to be the most important supporters of Arçelik Customer Services in fulfilling its obligations under the Waste Electrical and Electronic Equipment Control (WEE). Collection of WEEEs for recycling from homes of customers and training of customer representatives were two critical factors in boosting customer satisfaction.

The business model designed in line with Arçelik's sustainability vision was implemented on service receipt deliveries all around Turkey. Cardboard package support system, which is used to prevent any damages during transportation, has started with Airplus airbags, an easier-to-use and recyclable material. This resulted with savings in storage space and a reduction in injury risks as an improvement in terms of OHS. Use of Airplus air bags reduced the package supporting process by 40 seconds and resulted with a 58 percent improvement. This created a savings of 244 person/hours. The same workforce can now pack 200 products instead of 120.

Education and Development

Arçelik believes that education is the most critical prerequisite for a prosperous society and a bright future, and continued its social projects in 2020.

Electrical Household Appliances Technical Training Program – Arçelik Laboratories

Arçelik has been emphasizing the importance of vocational education for many years, emphasizing the need for cooperation between schools and enterprises, and carries out projects to this end.

The Arçelik Electrical Household Appliances Technical Service Program is a first in Turkey. The program is designed to train human resources that keep up with the industry trends and adapt quickly to emerging technologies. The Program is carried out in collaboration with the Ministry of National Education General Directorate of Vocational and Technical Education and aims to train students to become technicians in white goods and air conditioning product groups after receiving training at Arçelik laboratories. The laboratories were equipped with state-of-the-art measuring tools and devices used for servicing electric home appliances.

The second phase of the program was completed between 2011 and 2014, and the second phase was held in the 2015-2019 period.

The program started with four vocational high schools in the 2011-2012 academic year and reached a total of nine vocational high schools in Istanbul, Diyarbakır, Trabzon, Izmir, Ankara, Bursa and Tatvan in the 2015-2016 academic year.

The number of graduates of the program reached 115 in 2013; 112, in 2014; 208, in 2015; 216, in 2016; 216 in 2017; 209, in 2018; 139, in 2019; and 161, in 2020.

As of the end of the 2019-2020 school year, the total number of students who graduated from the Electrical Household Appliances Technical Service Program reached 1,376. From among the graduates, 181 students have been employed at Arçelik Authorized Services.

A total of 65 instructors from the Arçelik Electrical Household Appliances Technical Service Department have received technical training for a total of 22,500 person-hours at the Service Academy since 2011, as part of the Arçelik Turkey Service Academy Training Program. Training sessions continue in line with the needs.

Employees of Authorized Services were supported with 1,174,450 masks (23,489 packages), 1,544,350 pairs of gloves (28,431 packages), 10,134 visors, 375 free-standing disinfectant stands, 572 hand disinfectants, and 6,632 individual hand disinfectants during the COVID-19 pandemic. The Company is still providing these services.

Arçelik has come up with different solutions in the face of increasing hygiene needs during the pandemic process. Disinfecting services have started to be provided throughout Turkey with a wide service network using the biocidal product licensed by the Turkish Ministry of Health in accordance with official regulations. During this process, disinfection was initiated as a business model and a new commercial business area was created for Authorized Services. Above all, customers, homes and workplaces have been disinfected with Arçelik assurance.

It is an inevitable necessity to take measures to mitigate the risk of earthquakes that cause irreversible losses on human life and residential areas. Arçelik therefore launched the Refrigerator Safety Fastening Kit for the purposes of "reducing non-structural risks of earthquakes" as a means to avoid the damages caused by earthquakes. With the refrigerator fastening kit, products are fixed to the wall to reduce the risk of toppling. Kits are mounted by experienced Arçelik Authorized Services.

4.3. Human Resources Policy

The Arçelik family closely follows global developments while moving towards our objectives of lasting success and the sustainable transfer of the value we create to future generations. Our shared objectives in line with the vision of “Respects the Globe, Respected Globally” are to ensure that we conduct our business with integrity, create a working environment without any discrimination of unfair treatment, ensure that individuals from different backgrounds, cultures and perspectives work together to develop new ideas and solutions and create a secure and sustainable global value chain.

The Human Resources Policy of Arçelik A.Ş., determined in accordance with the Company strategies, common values and code of conduct, was documented and shared with the employees of local and overseas affiliates. Human Resources Director is responsible for determining and managing the principles of the company's human resources policy and managing of the relations with the employees. In addition, the Human Resources Directorate is responsible for implementing the human rights principles regulated by the Legal Affairs and Compliance Directorate, periodically revised and revised when necessary. Arçelik A.Ş. recruits talents based on certain criteria and within this criteria Arçelik Leadership Profile is being used covering Grow, Respect and Lead skills are as follows:



Our fundamental principles which direct the Human Resources Policy are given below and in Human Resources practices we act in line with these principles.

- There is a global/local balance in Human Resources systems and practices. As an international company, we respect local regulations, practices and requirements. Where Human Resources policies and practices conflict with local legislation, the relevant country's legal regulations are taken into account.
- Human Resources Policy of Arçelik A.Ş. is fully aligned with the company's business strategies and also responds to future needs on top of current organizational requirements.
- All Human Resources Policies and Practices respect and support human rights and oblige the company to avoid any discrimination and create equal opportunities for its employees. Arçelik does not discriminate on ethnicity, race, language, religion, age, sex, sexual preference, nationality, disability, cultural difference or political views. This principle is accepted throughout the company and no formal complaints have been received from employees regarding discrimination. Arçelik Code of Conduct and Codes of Practice, Arçelik A.Ş. Personnel Regulation and all relevant policies put forward binding rules and the company ensures that these rules are implemented to permanently prevent any discrimination and in-house physical, mental and emotional abuse likely to occur between the employees.
- Fairness, consistency and trust lies at the heart of all human resources practices implemented. In line with this principle, job definitions, salaries, criteria of performance and reward system intended for the employees are announced to the employees in accordance with the determined schedule and it's ensured that all employees are informed equally. Arçelik A.Ş. develops a variety of training programs to address the development needs of all monthly and hourly paid employees, in line with its organizational competence needs, and is offered starting from the start of their employment. Within the scope of the training process, which starts with orientation, functional competencies are also supported by academic and technical training, while social skills are supported by competency training. These solutions are globalized through online training platforms.

- Career plans of employees are made in accordance with knowledge, skills and competences. At annual human resources planning meetings, we identify critical positions and potential employees who will carry the company into the future, monitor the performance of potential employees and support their development, and prepare them for their possible future roles. There are succession plans in place for all management positions and potential employees are included in these plans. This helps us develop candidates to managerial positions and also prevent any interruptions in the corporate management in case of any possible changes in these positions. In 2020, 7.9 percent of our employees underwent assignment, promotion and rotation processes.
- For the purpose of improving Human Resources Standards continuously, Human Resources Practices are revised systematically and regularly and in light of latest developments and the feedback received, Human Resources processes are re-structured.
- At Arçelik A.Ş., opinions of the relevant union are obtained and mutual understanding is ensured before the decisions to be taken regarding the human resources policy changes and system revisions intended for the unionized employees. All unionized employees informed of the changes.
- The confidentiality of our employees is ensured by protecting their personal information pursuant to legal regulations. Arçelik A.Ş. strives to meet current and future business needs in the recruitment and placement process, and provides equal opportunities to all candidates with appropriate training, knowledge, skills, competencies and experience in line with the ethical principles.

The average length of service and age of employees in Turkey is 8.1 years and 34.1 years, respectively.

The Company's approach in the training and development process is to improve the Company's performance by working with the principle of continuous improvement in line with the Company's vision and business goals. We aim to use internal resources effectively and efficiently while planning the current and future development needs of our employees in line with business needs.

In 2020, a total of 417,144 hours of training were provided to employees at our company. The average hourly rate of the training per person was 24.8 hours per monthly paid employees, 23.1 hours per weekly paid employees with 23.5 hours of training provided on average.

Arçelik believes that teamwork and cooperation are the foundation of organizational success, together with individual achievements. Accordingly, the Company uses different development methods to improve the performance of its employees in line with its objectives. The activities carried out in this field are included in the Global Organization section of the Annual Report.

Arçelik A.Ş. evaluates, rewards and make it known within the company any success, invention and/or suggestion that would benefit the Company in order to increase the motivation, commitment and productivity of the employees, put into use the best practices and encourage behaviors that foster productivity. The company determines a fair employment policy through the approach, laws and competitive understanding in compensation management.

Arçelik continues to conduct annual online surveys in Turkey and abroad every two years, knowing that commitment to the workplace is one of the determining factors of happiness in business life.

In 2020, 94 percent of Arçelik employees participated in the Employee Engagement Survey. The result of the overall engagement index was 77.1 percent as the highest result so far. According to the survey results, good practices that were implemented in previous years will be maintained and further projects will be developed to target areas in need of improvement.

Number of Employees	December 2020
Arçelik Turkey Total	20,714
Arçelik Overseas Total	16,699
ARÇELİK GRAND TOTAL	37,413

Arçelik focuses its strong employee experience and continues to listen to its employees while carrying out its actions. Arçelik listens to the opinions of the employees throughout the year with different tools such as one-on-one interviews, surveys and focus group studies and prioritizes the actions.

In 2020, Arçelik received 16,332 applications to Fresh Start Internship Program, which allows the Company to reach new graduates. The event, which was held online for the first time this year, lasted 20 days and 27 events were held. 202 projects were submitted in the online internship program, which included 202 interns, and more than 190 internship advisers participated in the program.

Employee-manager interviews called Development Dialogues continued to be disseminated and strengthened with trainings to support online development weeks and feedback culture. In order to support the children of employees in their career choices, Arçelik Career Days were organized online with Arçelik experts and engineers.

The Service Award Ceremony, which is held physically every year and awarded to our senior employees, and the Pyramid Climbers Award Ceremony, where successful projects are awarded, were held online for the first time this year. In all our directorships, the Success Builders Award Ceremony was held online without interruption and successfully implemented.

Arçelik supports its female employees through the Women Impact program. Arçelik has undertaken many projects to support female employees in their careers by strengthening their role in business life, increase employment rates, and strengthen the bond and support system between female employees in Arçelik. In this context, “She Mate” mentorship program is implemented for the return and adaptation of female employees who have been on maternity leave. Arçelik also launched Women in Leadership and Integral Leadership special development programs to support the leadership development of female employees, and in 2020, efforts continued to transfer these programs online due to COVID-19.

In order to raise awareness of the expressions that cause gender discrimination in language and behavior, efforts were made to migrate Seminars and Workshops on Gender Stereotypes Learned through Language and Behavior online and these seminars are planned to be implemented in 2021.

“Kızcode” program is held for the children of Arçelik employees aged between 11-15 offering coding and animation trainings.

The purpose of this program is to help our girls expand their perspectives on technology and digitalization, unearth their talents and evaluate their projects on different platforms. With the onset of the COVID-19, our coding training was moved online and allowing them to reach larger audiences.

With the father support program, we aimed to strengthen intra-family communication. We plan to implement the training sessions aimed at minimizing sexist approaches online in 2021.

Industrial Relations

Arçelik A.Ş. respects and supports the rights of its employees to unionize in accordance with the company’s industrial relations policy. The company pays strict attention to maintaining the peaceful working environment it has created on the basis of mutual trust between its employees and unions and by respecting the applicable law and collective bargaining agreements. The Company takes local conditions, customs and practices, which are specific to the regions and countries in which it operates, into account in order to maintain the peaceful working environment it has created, even though these are not included in the agreements into which the company has entered.

Within the frame of Industrial Relations Policy, Arçelik considers labor unions as social stakeholders and not adversaries. Therefore, the Company always attaches great importance to be on good terms with labor unions and to maintain good relations. Providing better working conditions to the social stakeholders is an important goal of the Company. Accordingly, besides conforming to law, social aids such as better working conditions, better occupational health and safety, maternity, death, education and marriage supports are included in collective bargaining agreements and care is taken for their implementation.

Arçelik A.Ş. strives to ensure the peace and continuity of work in accordance with the relevant provisions of the Collective Labor Agreement. The following are the social rights applied to all employees, unionized or non-unionized:

- 4 salary bonuses per year,
- Fuel allowance,
- “Leave allowance” before annual leaves,
- “Special allowance” before religious holidays,
- Monthly payment under the name of child pay,
- Childbirth, marriage, bereavement, military service and education allowances,
- Social leaves (marriage leave, bereavement leave, maternity leave, natural disaster leave)

- Transportation and daily food allowances in kind,
- Complementary health insurance,
- Annual leave entitlements are specified under collective bargaining agreements. The right of leave granted beyond the legal periods is applied to all employees, unionized or non-unionized.
- Starting pay levels and salaries of unionized employees are determined based on the type of work they will perform according to the collective bargaining agreement.

A Collective Labor Agreement valid from September 1, 2019 to August 31, 2010, was signed on January 29, 2020 between the Turkish Metal Workers Union and the Turkish Metal Industrialists Union (MESS), of which we are a member.

Occupational Health and Safety (OHS)

The maxim of our founder Vehbi Koç that “Our most important asset is our human resources” is one of the fundamental elements of our Arçelik’s corporate vision. Protecting the health and ensuring the safety of our employees and visitors in our facilities is our top priority. Accordingly, we manage our OHS activities in accordance with the requirements of the relevant legislation, Arçelik OHS Policy and the goal of continuous improvement.

Arçelik Occupational Health and Safety Policy:

Arçelik and its employees comply with all applicable national and international occupational health and safety laws and regulations and create a safe and healthy working environment in line with occupational health and safety management system based on continuous improvement.

- *We perform our activities to: Analyze and minimize the occupational health and safety risks arising in the working environment,*
- *Conduct training activities in order to develop and increase the awareness of occupational health and safety issues,*
- *Take measures to achieve a zero work accident rate and a zero occupational disease rate and increase productivity.*
- *In line with these objectives, we manage our activities under the umbrella of Quality and Environmental Management Systems, and are working hard to become an exemplary business within the consumer durables industry through a pioneering approach to occupational health and safety.*

In accordance with our OHS Policy, OHS issues are included in the targets of the relevant departments and employees and monitored

throughout the year with the performance management system. With topics determined under the Arçelik Occupational Health and Safety Action Plan and projects developed in relation with such topics, both continuation is ensured for compliance with the relevant legislation and aims to prevent a possible occupational accident and health problem.

In 2020, the Accident Frequency Rate, which indicates the frequency of occupational accident compared to the total actual working time, was 2.80 and the Accident Severity Rate, which indicates the working day loss occurred due to occupational accidents compared to the total actual working time, was 0.062.

Arçelik supports the employees in continuously establishing communication in this regard both with each other and with their managers and provides guidance on OHS matters.

At Arçelik, which aims “zero work accident rates and zero occupational disease rates” for all its employees; engineering solutions such as security and automation systems intended for preventing them in the phase of design and planning, performing health checks of its personnel at recruitment and subsequent periods, and various other methods and tools such as personal protective equipment are used to prevent work accidents and occupational diseases.

In 2020, occupational safety specialists and workplace physicians organized a total of 151,398 person-hours of OHS training on regulatory requirements and technical matters at all Arçelik facilities.

Arçelik General Directorate and all production facilities continued to meet the requirements of the global management system certificate following the inspections of ISO 45001 Occupational Health and Safety Management System Standard carried out in our international and national locations in 2020.

In order to evaluate our efforts to protect the health and safety of our employees during the pandemic, Arçelik’s production facilities in Turkey received a “Safe Production Certificate” and Arçelik’s production facilities abroad received a “Trusted Workplace Certificate” following the audits carried out by independent accredited audit institutions.

4.4. Code of Conduct and Social Responsibility

The company aims to ensure customer satisfaction, offer world-class products and services of universal quality by using natural resources efficiently, and contribute to economic and social development. Accordingly, the Company strives to be a global symbol of credibility, continuity and respectability in the eyes of all of its customers, shareholders, employees, suppliers, dealers and authorized services; in other words, all of its stakeholders

We accept the standards established by Vehbi Koç, the founder of Koç Group, as our guiding principles;

- Our Customers are our benefactors,
- Our ultimate goal is to always be the best,
- Our most important capital is our human resources,
- Our goal is to create wealth for continuous development,
- We strive to strengthen the Turkish economy from which we derive our own strength,
- Superior business ethics and honest working principles are the foundations of our business conduct.

The company has based its Global Code of Business Ethics and Related Policies on the above mentioned principles in order to provide its employees and others who represent the Company with a guiding document that would help them when making decisions.

In 2019, Arçelik A.Ş. Ethical Conduct Rules and Application Principles were updated based on the developing and growing structure of Arçelik A.Ş. as Global Code of Business Ethics and Related Policies and we have distributed it to all affiliates in 2020. In order to inform the Legal Affairs and Compliance Directorate about actions that are not in compliance with our renewed Global Code of Business Ethics and Related Policies, an Ethics Hotline has been implemented for our production countries and also mechanisms that can be notified via email and website-based Ethics Hotline for all other countries have been implemented. Arçelik is committed to protecting notifiers by handling all notifications confidentially.

Arçelik Legal Affairs and Compliance Directorate has created face-to-face and online training programs to ensure full compliance with the Global Code of Business Ethics. The training includes the Global Code of Business Ethics and Related Policies, including the fight against bribery and corruption, as well as the prevention of discrimination and human rights violations. In 2020, more than 8,500 employees, 28.3 percent of Arçelik’s total workforce, received live training via remote access. However, we conducted our trainings with one-on-one sessions for our senior management.

Arçelik A.Ş. complies with the human rights and employee rights directives set forth by international initiatives of which it is a voluntary member. The Company ensures that its approach and applications are audited by independent audit companies. The Company is a part of Koç Group which has signed the United Nations Global Compact and complies with the human rights and employment standards principles therein. The Company discloses its performance in this area for review of its stakeholders through annual and sustainability reports.

With the Code of Business Conduct, Arçelik undertakes to act in compliance with the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, and the Universal Declaration of Human Rights (UHDR) independently of whether or not these principles have been adopted in the countries in which it operates.

All employees of our company are treated equally, regardless of ethnicity, race, language, religion, age, gender, nationality, disability and cultural differences. This approach starts with the recruitment policy and is based on the principles of the right person for the right job, equal pay for equal work, merit-based promotion and equal opportunities for all. The principles of respect for human and employee rights are at the heart of all our human resources processes. In this sense, we provide our employees with a non-discriminatory and fair working environment where employees have equal opportunities, there is mutual trust and respect for human rights, implement a merit-based payment and additional benefits policy and secure our employees’ rights to unionize and engage in collective bargaining.

We commit to act in accordance with the laws and regulations to offer equal rights and prevent discrimination throughout the value chain, secure a non-discriminatory working environment and prevent “Child Labor and Forced Labor” in line with the labor legislation as well as policies established within this framework. We take due care to ensure that the practices we apply at our Company are also embraced by all of our stakeholders and employees. All of our employees are expected to demonstrate attitudes and behaviors that will ensure the integrity of our company and to maintain the reputation and improve the integrity of our company and its corporate structure. All our employees and business partners, including temporary employees, are obliged to comply with the Global Code of Business Ethics and Related Policies. Global Code of Business Ethics and Related Policies are disclosed to public in detail on our Company’s website. <https://www.arcelikglobal.com/tr/sirket/hakimizda/global-is-etigi-ilkeleri/>

A copy of the Global Code of Business Ethics and Related Policies are provided o all Arçelik employees in exchange for their signatures, at the day of their employment. Furthermore, a copy of the Global Code of Business Ethics and Related Policies is provided to all new recruits and their completion status is regularly checked.

We attach great importance to our code of ethics based on the fundamental principles established by Vehbi Koç, the founder of Koç Group, to ensure the continuity of our system. Arçelik Global Ethics Committee oversees the process and implementation of the Global Code of Business Ethics and Related Policies. The Global Ethics Committee is led by our CEO, underlining the fact that the approach of the senior management is directly related to establishing an ethical culture.

The Global Ethics Committee consists of the CEO (Chairman), CFO, Legal Affairs and Compliance Director, Human Resources Director and relevant Assistant General Managers. The Legal Affairs and Compliance Directorate is responsible for regulating human rights principles, periodically reviewing them and revising them when necessary, and the Human Resources Directorate is responsible for implementing these principles.r.

Furthermore, it is the fundamental duty and responsibility of the employees in managerial positions to display the required level of effort and leadership, to announce the Global Occupational Ethics Principles and relevant Policies to all employees, to ensure that the employees put required level of importance on those policies, and to ensure that the all employees act in alignment with them all the time.

The Code of Business Ethics shapes Arçelik operations globally. Therefore, our daily compliance with the Global Code of Business Ethics and Related Policies is under the responsibility of the country manager of each geographical operation, this includes all commercial and functional activities in this region, and ultimately, this responsibility has been entrusted to our CEO. “The Responsibility of the CEO” applies to all Global Code of Business Ethics and Related Policies. All group companies, functions and all department managers must comply with these rules.

All stakeholders are expected to comply with the Global Code of Business Ethics and Related Policies

Arçelik is among the companies to sign the Code of Business Ethics published by the European Association of Home Appliances Manufacturers (APPLiA). The Code of Conduct guarantees a

sustainable performance in relation to the working conditions, environmental laws and standards that are stipulated and required by national laws and international conventions.

Furthermore, Arçelik ensured that its production facilities are audited by independent audit firms based on the criteria established by Business Social Compliance Initiative (BSCI) and the Suppliers Ethical Data Exchange (Sedex), which are widely accepted in the European Union, and obtains compliance reports as a result of regular audits.

The company has adopted an approach which focuses on protecting and preserving the environment and natural resources in cooperation with its partners both during production and non-production activities while at the same time developing and manufacturing innovative products. It undertakes within the frame of Global Occupational Ethics Principles that compliance with national and international legal requirements intended for the protection of the environment and human health within the scope of its activities is the minimum standard. The company regularly organizes training programs for its employees to extend the awareness about the protection of environment and natural resources and combating with climate change and carries out projects with public and nongovernmental organizations in Turkey to raise awareness of the public and maintains its support for carried out projects and efforts.

The corporate citizenship approach discussed in detail in the Social Responsibility section of the report is based on the goal of respect for society and leaving a better world for future generations. In both its operational geography and beyond Arçelik implements various social projects that are in touch with human needs. Arçelik’s understanding of corporate citizenship is aligned with the UN Sustainable Development Goals, and its corporate citizenship strategy focuses on supporting seven global goals: Good Health and Well-Being, Quality Education, Gender equality, Decent Work and Economic Growth, Responsible Consumption and Production, Climate Action, and Partnerships for the Goals.

Corporate citizenship in Arçelik focuses on the following issues:

- Add value to society and the environment with its global brands and to work for a purpose.
- Work to develop smart technologies and solutions that serve the local needs and priorities of people living in countries where it does business.
- Establish partnerships involving different stakeholders by going beyond the sector to expand its sphere of influence, support sustainability and social responsibility

Arçelik focuses on leading change and improving lives with social programs and projects it conducts with its global and local brands. While these projects enable each brand to expand its customer pool by reinforcing its reputation in the field of social responsibility, they have been implemented to create maximum social impact in line with the company's priorities in the field of corporate citizenship:

- Healthy future generations through education and innovative technologies
- Fighting food waste within the scope of the philosophy of Respect for Food
- Solutions to the needs of local communities in Turkey, Romania, South Africa and Pakistan through volunteering programs empowering young people and women

Sustainability approach of the company is to act by looking after the social, economic, environmental and ethical dimensions of its operations, to follow-up these dimensions by integrating them into the corporate business targets and to manage its operations with sustainability principles within the frame of corporate policy and strategies. The company evaluates the risks and opportunities regarding the sustainability and expectations of the internal and external stakeholders as important inputs for its operations.

The General Manager assumes executive responsibility for the social and environmental performance of the company whilst the Corporate Brand and Projects Management is responsible for coordinating and reporting on Arçelik's corporate citizenship programs. Led by the Strategic Communication Group Management within the Global Communication Directorate, the team works closely with both internal and external stakeholders to implement social projects in line with Arçelik's material issues. Employee volunteering programs within the scope of these corporate citizenship projects are coordinated by the Social Clubs Management within the HR Directorate.

The Sustainability Board chaired by CFO is responsible for managing sustainability issues in Arçelik, determining climate crisis policies and strategies according to risks and opportunities, integrating sustainability with business processes, and monitoring sustainability performance. The Board that is created with the participation of the Senior Management of Arçelik, the members of the board control and coordinate the sustainability activities in the fields of their responsibility and chair Sustainability Work Groups. In order to ensure the implementation and dissemination of the decisions taken in the Sustainability Board and to report the relevant developments, five separate working groups were formed: Environment, Energy, Green Chemistry, Sustainable Supply Chain, and OHS. Risk and opportunity studies that are carried out by the Working Groups and presented to the Sustainability Board are reported to the Risk Management Committee twice a year. In order to ensure that sustainability is integrated at the highest level into company strategies, Koç Holding Durable Consumption Group Chairman and Quality, Sustainability and Official Relations Director, one of the members of the Board of Directors, report to the Board of Directors on sustainability every quarter and ensure the development of sustainability strategies. In line with the Board of Directors resolution No. 1047 and dated December 29, 2020, Koc Holding President of Consumer Durables who is also a Board Member in Arçelik has been appointed as the Board Member responsible to oversee the cybersecurity strategy of Arçelik Global given his experience in this area and he involves actively in the Information Security Committee.

Presenting its priorities, practices and business results in the field of sustainability to its stakeholders in an efficient and transparent way, Arçelik publishes an annual "Sustainability Report" in accordance with Global Reporting Initiative (GRI) standards every year since 2008. Arçelik 2019 Sustainability Report, prepared in accordance with the GRI Standards Core option, includes the Company's activities on ethics and compliance system, stakeholder management, talent management, responsible production and consumption, R&D and innovation, sustainability management in the value chain, gender equality, training, and other social development issues. The Company's efforts on climate change crisis are explained in the section titled "Environmental Approach to Products and Production" of the Annual Report.

Activity and Sustainability reports are available on www.arcelikas.com and www.arcelikglobal.com websites.

SECTION V: BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

Members of Board of Directors (MoBD)

MoBD Name	Function	Independence Status	Date of Appointment	Term of Office	Functions in Board of Directors and Committees	Tasks out of the Company
Mustafa Rahmi Koç	Chairman	Not Independent Member	25.03.2020	1 year	Chairman of the Board, Chairman of Executive Committee	Board Membership for Group and Non-Group Companies
Mehmet Ömer Koç	Deputy Chairman	Not Independent Member	25.03.2020	1 year	Deputy Chairman of the Board, Member of Executive Committee	Board Membership for Group Companies
Semahat Sevim Arsel	Member	Not Independent Member	25.03.2020	1 year	Board Member, Member of Executive Committee	Board Membership for Group Companies
Yıldırım Ali Koç	Member	Not Independent Member	25.03.2020	1 year	Board Member, Member of Executive Committee	Board Membership for Group Companies
Levent Çakıroğlu	Member	Not Independent Member	25.03.2020	1 year	Board Member Member of Corporate Governance Committee	Board Membership for Group Companies
Robert Sonman	Member	Not Independent Member	25.03.2020	1 year	Board Member	Board Membership for Non-Group Companies
Fatih Kemal Ebiçlioğlu	Member	Not Independent Member	25.03.2020	1 year	Board Member, Member of Risk Management Committee	Board Membership for Group Companies
Hakan Hamdi Bulgurlu	Member, General Manager	Not Independent Member	25.03.2020	1 year	Board Member	Board Membership for Group Companies
Kâmil Ömer Bozer	Member	Independent Member	25.03.2020	1 year	Board Member, Committee Chairman Responsible for Audits	Board Membership for Group and Non-Group Companies
Müzeyyen Münire Gülay Barbarosoğlu	Member	Independent Member	25.03.2020	1 year	Board Member, Chairman of Risk Management Committee	
Ahmet Turul	Member	Independent Member	25.03.2020	1 year	Board Member Chairman of Corporate Governance Committee Member of Committee Responsible for Audit	Board Membership for Non-Group Companies
Tuğrul Fadilloğlu	Member	Independent Member	25.03.2020	1 year	Board Member	Board Membership for Non-Group Companies

The table above lists information on non-executive Board Members, except for the General Manager Hakan Hamdi Bulgurlu, as defined by the CMB Corporate Governance Principles.

As per the Articles of Association, the activities of the Company are carried out by a Board of Directors that compose of at least five (5) members who will be elected with the resolution of General Assembly within the framework of Turkish Commercial Code and the Capital Markets Board regulations. In accordance with the Structure of the Board of Directors regulation included in the Article 4.3 of Capital Markets Board's Corporate Governance Principles (CMB CGP), arrangements that are required for including independent members in the Board of Directors, have been accepted at the General Assembly dated March 29, 2012, by making necessary amendments in the Articles of Association. The General Assembly of the Company held on March 25, 2020 resolved that the Board of Directors be composed of 12 members, including four independent members which is no less than one third in line with CGC CGP article 4.3.4.

The Board Members are determined in such a way to function efficiently and in a constructive manner, make quick and rational decisions and organize the activities of the committees effectively.

Within the scope of Articles 395 and 396 of the Turkish Commercial Code, the approval regarding the Board Members to carry out the activities that are included in the Company's field of activity on their own or behalf of others and to participate in the companies that carries out such activities has been obtained at the General Assembly held on March 25, 2020.

The duties of the Chairman and CEO of the Board of Directors are carried out by different individuals. The members of the Board of Directors take care to set aside the time required for the company's business and there are no restrictions on the assumption of other duties or duties outside the company. No such limitations are needed, particularly because of the significant contribution of independent members' business experience and industry experience to the Board of Directors. Shareholders are informed about the member's background and duties outside the company prior to General Assemblies. The Annual Report contains the resumes of the Board Members, the CEO and the Assistant General Managers.

The duties of the Nomination Committee and the Remuneration Committee are performed by the Corporate Governance Committee. Number of independent member nominees submitted to the Corporate Governance Committee for the General Assembly

dated March 25, 2020 is four, statements of independence and resumes of these individuals were evaluated in the resolution of the Corporate Governance Committee dated January 7, 2020 and January 23, 2020 and of the Board of Directors dated January 8, 2020 and January 24, 2020 and it was decided that all of them are determined to be independent member nominees. By getting the approval of Capital Market Board through the letter dated January 21, 2020 and January 31, 2020 for four independent member nominees (Kâmil Ömer Bozer, Müzeyyen Münire Gülay Barbarosoğlu, Ahmet Turul, and Tuğrul Fadilloğlu) and these four nominees are selected as independent members of board of directors for one year by the General Assembly dated March 25, 2020. No situation arose that compromises the independence of an auditor in the activity period for 2020.

Following the General Assembly on March 25, 2020, when the members of the Board of Directors were elected, the Chairman and the Deputy Chairman of the Board of Directors were determined by taking a decision on the assignment.

The members of the Board of Directors are experienced professionals who have served professionally for many years. The Company benefits from the knowledge and experience of the members of the Board of Directors at the highest level. Board members can freely express and express their views, free from any influence.

We believe that ensuring the diversity of accumulation of knowledge, experience and opinion before the Board of Directors will make positive contribution to the efficient operation of the Board of Directors and to the company activities. Work has started with the aim of reaching a minimum of 25% for female board members within 5 years, who are also a tool to ensure that different views are represented on the Board. Our policy is publicly available. Currently, the Board of Directors has two female members, Semahat Sevim Arsel and Münire Gülay Barbarosoğlu, and the rate of female members is 17 percent.

5.2. Operating Principles of Activity of the Board of Directors

The Board of Directors holds meeting when it is required for the activities of the Company. The Board of Directors held one physical meeting in 2020 due to COVID-19 outbreak with an attendance ratio of 91.66 percent and 40 resolutions were passed by the Board of Directors throughout the year. Independent board members approved all resolutions. If there are different opinions and grounds for opposing votes explained at the Board of Directors meetings,

the decision is recorded in the minutes. In this case, the detailed justifications for the members who cast opposing votes are disclosed to the public. Each member of the Board of Directors has one vote. However, no public disclosure was made since no such opposition or disagreement was expressed at the Board of Directors meetings held in 2020.

The Agenda of the Board of Directors are determined by the notification of matters that it is clearly decreed by the applicable law to be concluded by the resolution of the Board of Directors, made by related departments to Company's Senior Management and the Board Members. In addition, the agenda of the meeting can also determined by a member of the Board of Directors notifying the senior management of the Company about a decision on an important matter. The matters that are requested to be discussed at the Company's Board of Directors are gathered at the office of the Assistant General Manager of Finance and Accounting, consolidated and raised on the agenda.

Arçelik A.Ş. has appointed Assistant General Manager of Finance and Accounting for determining the agenda of Board of Directors' Meetings, issuing resolutions of the Board of Directors, informing the Board Members and providing communication.

The Board of Directors meetings are held at the company headquarters or at a convenient location in the city where the headquarters is located. Important Board resolutions are announced to the public through the Public Disclosure Platform (PDP) and posted on the website in Turkish and English.

The Company has subsidiaries and affiliates. Considering that it would be in the Company's interest for its members to take part in the management of these companies, Board Members are not restricted from taking these duties outside the Company.

The Company's Board of Directors is clearly defined in the Articles of Association. The authorized signatures are detailed in the company's signature circular.

The Board of Directors takes a leading part in maintaining efficient communication between the company and the shareholders, settling and resolving disputes and for this purpose the Board of Directors works in close cooperation with Corporate Governance Committee and the Investor Relations Unit.

"Management liability insurance" is provided for the members of the Board of Directors and senior executives of the Company.

The Board of Directors oversees the Company's activities and evaluates any possible conflict of interests as well as the outcome of such conflict in terms of the Company and takes the course of action to safeguard the interests of the Company. The Board also evaluates the compliance of related-party transactions with the applicable regulations and considers the risk of misconduct with due diligence.

5.3. The Number, Structure and Independence of the Committees Established Under the Board of Directors

According to the Articles of Association, the Board of Directors may establish committees or sub-committees that consist of its members and/or non-members on matters that it deems appropriate, provided that they comply with the provisions of the relevant legislation.

The provisions set out in Article 4.5 of the CMB Corporate Governance Principles were applied in the selection of the members in the committees formed after the Ordinary General Assembly held on March 25, 2020.

An "Audit Committee" was established in the company to ensure that the Board of Directors fulfills its duties and responsibilities properly. The Audit Committee regularly carries out its activities in compliance with the Capital Markets Regulation and the CMB's Corporate Governance Principles. All members of the Audit Committee were selected from among the independent members of the Board of Directors. This committee was composed of two members, and Kamil Ömer Bozer was appointed as the Chairman and Ahmet Turul was appointed as a member. An in-house Audit Committee was established for the purpose of auditing the operations of accounting and reporting systems to be in compliance with the applicable laws and regulations, public disclosure of financial statements, the operation and efficiency of internal audit systems and it held four meetings in 2020.

Tasks, Responsibilities and Working principles of Audit Committee;

- Designation of the independent audit firm, drafting of the independent audit agreement, initiation of the independent audit process, and supervising the activities of the independent auditor,
- Evaluation of the independent audit firm based on the independence criteria, statement of independence and additional services that can be provided by the firm,
- Evaluation of the feedbacks made to the Committee by the independent audit firm about the independent audit

- as well as significant issues on accounting policy and implementations, determination of alternative application and public disclosure options related with the CMB's accounting standards and accounting principles previously notified to the Company by the independent auditor as well as possible outcomes and implementation proposals,
- The methods and criteria to be applied for reviewing and finalizing complaints received by the partnership in relation to the accounting, reporting and internal control system and independent audit of the Company, and determining the methods and criteria to be used for evaluating the notifications made by the company employees regarding the accounting, reporting, internal control and independent audit matters of the partnership within the scope of the confidentiality principle,
 - Reporting of the annual and interim financial tables to be disclosed to the public to the Board of Directors in writing, alongside the opinions of the Company's managers and independent auditors on the compliance of these with the accounting principles used by the Company, and their reliability and accuracy with their own assessment, and
 - Performing other tasks assigned to the Committee by the CMB Regulations and the Turkish Commercial Code.

Detailed information on Tasks, Responsibilities and Working Principles of Audit Committee is available at www.arcelikas.com.

In accordance with the Corporate Governance Principles issued by Capital Markets Board, an in-house Corporate Governance Committee was established for the purpose of monitoring the compliance of the Company, performing activities for improving the compliance and providing recommendations to the Board of Directors. Tasks of the Nomination Committee and Compensation Committee are also carried out by the Corporate Governance Committee. On Friday, April 10, 2020, Ahmet Turul, an independent board member was appointed as the chairman of the Corporate Governance Committee and board member Levent Çakıroğlu and Polat Şen, Manager of the Investor Relations Department, were appointed as members. The Corporate Governance Committee held seven meetings in 2020.

- Tasks, Responsibilities and Working Principles of the Corporate Governance Committee;
- Establishes whether the corporate governance principles are implemented at the Company, the grounds for non-implementation, if applicable, and the conflicts of interest arising from failure to fully comply with these principles and provides recommendations to the Board of Directors for

- improving corporate governance practices,
- Monitors the work of the Investor Relations Unit.
 - Reviews the “Corporate Governance Principles Compliance Report” to be disclosed to the public to check whether the information included therein is accurate and consistent with the information available to the Committee,
 - Ensures that the Corporate Governance Principles are developed, adopted and implemented in the Company and conducts works on issues where they are not implemented and provide recommendations to the Board of Directors for improving the degree of compliance,
 - Tracks the Corporate Governance Principles in the world to provide recommendations to the Board of Directors for implementing the necessary elements in the Company,
 - Establishes a transparent system on determining, evaluating and training candidates suitable for the Board of Directors and managerial positions with administrative responsibilities and carries out works to determine policies and strategies in this regard.
 - Evaluates the nominations for independent Board membership including the management and investors, taking into consideration whether the candidate bears the independence criteria or not, and presents its relevant assessment to the Board of Directors for approval.
 - Carries out evaluations for the selection of independent members to perform the duties in the first general assembly meeting to ensure the minimum number of independent members in case of vacancy in independent memberships of the Board, and informs the Board in writing.
 - Makes regular evaluations on the structure and efficiency of the Board of Directors and submits recommendations to the Board of Directors on potential changes in this regard.
 - Determines and observes the approach, principles and practices on the performance evaluation and career planning of the members of the Board of Directors and senior executives.
 - Formulates and monitors its proposals regarding the principles for compensating the Board of Directors and senior executives, in view of the long-term goals of the Company.
 - Establishes criteria to be used in remuneration in connection with the performance of the Company and the member.
 - Taking into consideration the degree of fulfilling the criteria, submitting recommendations to the Board of Directors on remuneration to be given to the members of the Board of Directors and senior executives, are the duties of the Committee.

Detailed information on Tasks, Responsibilities and Working Principles of Corporate Governance Committee is available at www.arcelikas.com.

From among the independent members, Müzeyyen Münire Gülay Barbarosoğlu has been elected as the Chairman and Board Member Fatih Kemal Ebiçlioğlu has been appointed as the member of Risk Management Committee, which has been established for the purpose of early detection and evolution of financial strategic, operational, compliance and all external risks that may affect our Company, calculating the effects and probabilities, managing these risks in accordance with the Company's enterprise risk appetite profile, regular reporting of risks, considering in decision-making mechanisms and accordingly providing recommendations and suggestions to the Board of Directors for creating and integrating efficient internal control systems. The Risk Management Committee held six meetings in 2020.

- Tasks, Responsibilities and Working Principles of the Risk Management Committee;
- In the context of Corporate Risk Management (ERM) defines and evaluates the actual and potential risk factors that may impact the Company in reaching its objectives and determines the principles on managing relevant risks in accordance with the risk-taking profile of the company and ensures that these are used in the decision-making mechanisms,
 - Identify the risks to be held, managed, shared or completely eliminated in the company according to the probability and impact calculations,
 - Ensuring the integration of risk management and internal control systems into the corporate structure of the company,
 - Reviews the risk management systems and observes that practices in the relevant departments undertaking risk management responsibility are carried out in compliance with the committee decisions,
 - Provides early identification of technical bankruptcy, warns the Board of Directors in this regard and develops recommendations regarding measures,
 - Performing other tasks assigned to the Committee by the CMB Regulations and the Turkish Commercial Code.

Detailed information on Tasks, Responsibilities and Working Principles of Risk Management Committee is available at www.arcelikas.com.

In order to offer efficient coordination between the Board of Directors and the management structure, an Executive Committee has been formed, tasked with increasing the efficiency of the Board of Directors, ensuring efficiency in the subjects of business

development and investment in areas aligned with strategic aims, and to offer suggestions and recommendations in that respect. The purpose of this committee is to closely monitor the developments in the Company and its industry and to inform the Board of Directors when necessary, since the Board of Directors cannot meet at the required frequency and time; Coordinate the Company's administrative structure with the Board of Directors; Develop appropriate strategies for the company and provide recommendations for the effectiveness of the activities. Chairman of the Board of Directors Mustafa Rahmi Koç was appointed as the Chairman of the Executive Committee and board members Semahat Sevim Arsel, Mehmet Ömer Koç and Yıldırım Ali Koç and Caroline N. Koç were appointed as committee members.

- Tasks, Responsibilities and Working Principles of the Executive Committee;
- Ensures that the necessary preparations, analyses and evaluations such as impact on activities, financial aspect, legal situation and compliance with strategic priorities, are completed before significant issues to be decided by the Board of Directors are submitted for approval by all the members,
 - Ensures submission to the Company management and deployment of issues decided by the General Assembly or a Board Decision in accordance with specified directives and policies,
 - Checks that the Company activities are performed in compliance with Board Decisions and annual business plans,
 - Tracks the economic, social and political developments in the industry in which the Company operates to evaluate their impact and determines strategies to increase competitive power,
 - Determines potential opportunities in accordance with the set strategies by monitoring the dynamics of the industry,
 - Monitors the strengths and weaknesses of the company through internal analyses and the opportunities and threats through external analyses,
 - Investigates internal and external growth opportunities that will ensure that the Company reaches its strategic objectives,
 - Observes the functioning of systems that will ensure creation of the Company business programs, their revision according to external developments and their use as performance criteria,
 - Tracks the management of strategies and projects accepted by the Board of Directors,

- Evaluating important legal developments that may impact the activities and their impacts are the duties of the Committee.

Detailed information on Tasks, Responsibilities and Working Principles of Audit Committee is available at the website www.arcelikas.com.

The duties, operation principles and the members of these committees were disclosed in detail to the public by posting on the Company's website (www.arcelikas.com).

5.4. Risk Management and Internal Control Mechanism

The Board of Directors established, and in certain periods, reviews the risk management and internal control systems to identify risks that may affect the Company's stakeholders, especially the shareholders, and minimize their impacts and reduce the likelihood that they will occur.

With the decision taken by Arçelik A.Ş. Board of Directors at the meeting on 16.07.2010 for the purpose of ensuring efficient operation of committees within the body of Board of Directors in accordance with Article 378 of Turkish Trade Law number 6102 and Corporate Governance Communiqué of Capital Market Board; a Risk Management Committee was formed in order to carry out activities for early identification of risks which may jeopardize the existence, development and continuity of the company, application of relevant actions concerning identified risks and managing risks. M. M. Gülay Barbarosoğlu, Independent Member of the Board of Directors, is the chairperson of this Committee. Other member of the committee is Fatih Kemal Ebiçlioğlu, a Board Member.

The Risk Management Committee held six meetings in 2020. The Risk Management Committee's task is offering proposals and recommendations to the Board of Directors on early detection and evaluation of risks which may affect the company, determination of their impacts and possibilities, managing and reporting these risks in accordance with the company's risk appetite, taking actions for mitigating the impacts and probabilities of risks and establishing effective internal control systems.

The Enterprise Risk Management Directorate managed by the Assistant General Manager of Finance and Accounting uses risk management systems to manage, coordinate and supervise the financial, strategic, operational, compliance and external risks which

may affect the Company and reports them to the Risk Management Committee.

The Internal Audit Department is managed by the Assistant General Manager of Finance and Accounting to ensure the healthy execution of internal control mechanism, and delivers reports to the Audit Committee at the meetings held during the year. Committee constantly supervises the execution and effectiveness of system and presents to Board of Directors the issues and suggested solutions regarding the risk management and internal control mechanism when required.

5.5. Strategic Targets of the Company

The Board of Directors of the company keeps the risk, growth and return equilibrium of the Company at an optimum level through the strategic decisions taken and manages and represent the Company by primarily looking after the Company's long-term interests with a smart and cautious risk management approach.

The Board of Directors determines the strategic targets of the Company, identifies the needed human and financial resources and audits the performance of management. The Board of Directors audits the compliance of the Company's activities with legislation, the Articles of Association, internal regulations and policies established.

Mission and Vision as well as Main Business Targets of the company are indicated below:

The mission of the company is to develop, manufacture, offer and provide products, which meet the customer needs by going beyond their expectations, make life easier and which are affordable, user-friendly and reliable, to provide after-sales services and continuously develop and grow in target markets by ensuring the satisfaction and long-term loyalty of the customers and employees and utilizing the resources in most efficient manner and meeting the expectations of stakeholders in line with corporate values, targets and strategies of Koç Group.

The company has adopted the vision of "Respects the Globe, Respected Globally." Company "Respects the Globe" because it is environmentally friendly, respects human beings and is aware of their responsibilities. The Company is "Respected Globally" because it always aims higher.

The Company's main business goals are as follows:

- Achieve sustainable growth by growing in existing markets and expanding into new markets
- Continuing the level of profitability to achieve sustainable growth
- Focus on R&D, innovation, quality, design, brand and customer
- Improving the capabilities for offering pioneering, innovative and environment and climate-sensitive products, solutions and technologies during the product life cycle to provide added value for customers and society
- Developing and retaining global organization and capabilities by managing the differences with a human-oriented approach.

The Board of Directors evaluates and approves the Company's vision and main business goals. These goals are shared with the public in the annual reports, on the company's website and through meetings or statements by means of various communications channels as well as the PDP.

During the Board of Directors meetings held periodically pursuant to the Articles of Association of the Company, the Company monitors its targets and activities in line with its previous performances. The current situation of the Company is revised and in case it is deemed necessary in consequence of current situations, new targets and strategies are developed.

5.6. Financial Rights

Covering every kind of right, interest and remuneration, which are provided to the Board Members and top managers and the criteria and remuneration policies that are used to determine these, the "Remuneration Policy for the Board Members and Senior Executives" of our Company has been submitted to the examination of our shareholders on our website through the Fact Sheet issued three weeks prior to the Ordinary General Assembly dated March 29, 2012, and put into practice upon the approval of the General Assembly. The aforementioned policy, which discusses 2019 activities and disclosed to the public through our company's web site, is also put on the agenda of Ordinary General Assembly in which 2020 activities shall be discussed and will be submitted to the opinion of the shareholders. Payments made within the framework of Remuneration Policy for the Board Member and Senior Executives are evaluated by Corporate Governance Committee and the Board of Directors every year. In the footnotes of our financial statements, the payments made to the Board Members and Senior Executives collectively are made public collectively in parallel with the general practices. There is no transaction that may cause conflict of interest such as granting loans and credits to our Board Members or managers, giving guarantees in favor of them.

Share options or payment plans based on the performance of the company are not used for the remuneration of the independent members of the Board of Directors.

Declaration of Compliance on Sustainability Principles

Arçelik adopts sustainability as a business model with its “Respects the Globe, Respected Globally” vision. With this understanding, we aim to continuously improve our performance by incorporating good practices into our sustainability management system. Many of the principles and good practices specified in the “Sustainability Principles Compliance Framework” put into effect by the Capital Markets Board in 2020 are already actively managed by Arçelik and the relevant performance is regularly reviewed, evaluated and remedial practices are implemented. When evaluated in this context, many of the principles specified in the CMB’s “Sustainability Principles Compliance Framework” have been complied with. Full compliance with the requirements of some principles has not yet been achieved due to different reasons such as operations carried out on a global scale, ongoing work to ensure a set of practices that meet different expectations in the liabilities to which they are subject, and difficulties in implementation. It is aimed to re-evaluate the sustainability targets and key performance indicators for the principles that cannot be fully complied with and to ensure full compliance with the principles that cannot be fully complied with by the studies to be carried out by reviewing the relevant practices. Applications for the principles within the scope of CMB Sustainability Principles Compliance Framework are included in the section titled “Sustainability and Corporate Responsibility” of the Arçelik Annual Report. In addition, the Sustainability Report available on the Arçelik corporate website as well as the website content and detailed information are presented to the evaluation of the relevant stakeholders. The explanations regarding the principles that cannot be fully complied with within the scope of the information shared are as follows:

- Environmental, Social, Governance (EHS) Key Performance Indicators are presented to stakeholders in detail within the scope of the “Sustainability Report” published annually. It is not possible to access local and international sector comparison information of all these indicators and to share all indicators in this way due to the lack of sufficient and reliable information. However, it is possible to talk about the data that our stakeholders can make comparisons on relevant issues within the scope of national and international index evaluations.

- The “Sustainability Report” provides information on greenhouse gas emissions, waste generation, energy and water use as specified in the Framework and in breakdown under the Environmental Principles within the scope of the Compliance Framework. The reason for sharing the relevant information as it is in the Annual Report is the continuation of the verification process of the data provided in this context. Upon completion of the verification process, the relevant information will be submitted to the stakeholders in the Sustainability Report.
- Effects on biodiversity are monitored and supervised under the responsibility of the relevant departments. Detailed reporting on the implications will be shared with our stakeholders in the upcoming periods as part of the Sustainability Report.
- While fully complying with the mandatory principles, which are in effect in 2020, within the scope of Corporate Governance Communiqué (II-17.1), the Company has also complied with the majority of non-mandatory principles. Although full compliance with the non-mandatory Corporate Governance Principles is also aimed, full compliance has not yet been achieved due to different reasons such as operations carried out on a global scale in some of the principles, ongoing efforts to provide a whole of practices that will meet the different expectations in the liabilities subjected to, and a consolidated data set on a global scale that will respond to all these reporting needs, and the time required for the preparation of the content does not match the timing expectations of the reporting practices.
- As stated in the Corporate Governance Principles, while compliance with the principles for stakeholders is ensured, the necessary measures to strengthen communication with stakeholders are continuously observed and implemented. Efforts are ongoing to develop processes that will enable a wider use of the views of stakeholders in determining measures and strategies in the field of sustainability.

EXPLANATION OF PRINCIPLE	ANNUAL REPORT SECTION, PAGE NUMBER	REFERENCES
The Board defines EHS priorities as well as risks and opportunities before developing EHS policies. Corporate regulations, business policies, or similar documents may be formulated to ensure efficient execution of these policies. The Board makes and publicly discloses resolutions for these policies.	Sustainability Management, Page 89	
Defines the Corporate Strategy in line with EHS priorities, risks and opportunities. Determines and publicly discloses short-term and long-term objectives in line with the Corporate Strategy and EHS policies.	Sustainability Management, Page 89	
Defines and publicly discloses the committees/units responsible for executing the EHS policies. The relevant committee/unit reports the activities performed as part of the policies to the Board of Directors at least once a year and within the time frame established by Board regulations on the public disclosure of annual reports.	Sustainability Management, Page 89	
Defines and publicly discloses execution plans and action plans in line with the short-term and long-term objectives.	Sustainability Priorities, Page 89 Arçelik 2019 Sustainability Report, Page 11-14	https://www.arcelikglobal.com/tr/surdurulebilirlik/surdurulebilirlik-raporlari/surdurulebilirlik-raporu-2019/
Defines the EHS Key Performance Indicators (KPIs) and publishes annual comparative progress reports. Reports KPIs as compared to local and international industry data if verifiable data exists.	Sustainability Principles Compliance Statement, Page 156 Arçelik 2019 Sustainability Report, Page 107-114	https://www.arcelikglobal.com/tr/surdurulebilirlik/surdurulebilirlik-raporlari/surdurulebilirlik-raporu-2019/
Explains planned innovation activities to improve the sustainability performance of business processes, products and services.	"Innovative and Superior Technology, Page 57-61 Green Products, Page 116-117"	
Publishes reports on the Company's sustainability performance, objectives and actions at least once a year. Details the sustainability activities performed within the year in the annual report.	"Sustainability Reporting, Page 90 Corporate Website Arçelik 2019 Sustainability Report"	https://www.arcelikglobal.com/tr/surdurulebilirlik/surdurulebilirlik-raporlari/tum-raporlar/

EXPLANATION OF PRINCIPLE	ANNUAL REPORT SECTION, PAGE NUMBER	REFERENCES
It is vital to provide stakeholders with direct and precise information about the Company's position, performance and development. Detailed data and information can be shared at the corporate website and custom reports can be prepared to meet the requirements of different stakeholders.	Sustainability Reporting, Page 90 Corporate Website	https://www.arcelikglobal.com/tr/surdurulebilirlik/genel-bilgi/
Strives to uphold transparency and reliability. Presents objective explanations in statements and reports about the developments on priority issues as part of its balanced approach.	Sustainability Reporting, Page 90 Arçelik 2019 Sustainability Report, Page 15-17	https://www.arcelikglobal.com/tr/surdurulebilirlik/surdurulebilirlik-raporlari/surdurulebilirlik-raporu-2019/
Provides information on the most relevant UN Sustainable Development Goals to its business.	Arçelik and Sustainability, Page 88	
Gives information on new and/or concluded lawsuits against the Company related to environmental, social and corporate management.	Sustainability Management, Page 89	
Discloses the sustainability performance measurements verified by independent third parties (independent sustainability assurance providers) and strives to improve such verification processes.	Sustainability Reporting, Page 90	
Announces environmental management policies and applications, action plans, and environmental management systems (ISO 14001 standard) and programs.	Technologies Making The Planet Better, Page 110-111	
Ensures and discloses its compliance with environmental laws and other regulations.	Compliance with National and International Environmental and Energy Regulations, Page 114-115	
Prepares environmental reports as part of its sustainability principles and explains the report's limitations, reporting frequency, reporting date, data collection process, and reporting conditions.	Environmental Performance Indicators, Page 111	
Presents the highest-ranking officer, committees and tasks in environmental affairs and in addressing climate change.	Technologies Making The Planet Better, Page 111	
Lists incentives offered to manage environmental issues including meeting the objectives.	Sustainability Management, Page 89	

EXPLANATION OF PRINCIPLE	ANNUAL REPORT SECTION, PAGE NUMBER	REFERENCES
Explains how environmental issues are integrated with business objectives and strategies.	Technologies Making The Planet Better, Page 110 Sustainability Management, Page 89	
Describes the sustainability performance of business processes, products and services as well as the actions taken for improvement.	Technologies Making The Planet Better, Page 110-117	
Provides information on how environmental issues are managed not only in operations but throughout the value chain, and how suppliers and customers are involved in the strategies.	Technologies Making The Planet Better, Page 110	
Provides information on its engagement in environmental policy-making processes (at the industry, regional, national and international levels) as well as environmental organization memberships, collaborations with relevant institutions and NGOs, and the tasks performed and the activities supported in this regard.	Fight Against Climate Crisis, Page 112	
Environmental indicators: Greenhouse gas emissions (Scope 1: Direct, Scope 2: Energy indirect, Scope 3: Other indirect), Air quality	Environmental Performance Indicators, Page 111	
Publishes comparative reports regularly on its environmental impact as part of its policies on energy management, water and wastewater management, waste management, and biodiversity preservation.	Environmental Performance Indicators, Page 111 Sustainability Principles Compliance Statement, Page 156	
Details standards, protocols, methodologies and base years for data collection and calculation.	Technologies Making The Planet Better, Page 110-111	

EXPLANATION OF PRINCIPLE	ANNUAL REPORT SECTION, PAGE NUMBER	REFERENCES
Explains environmental indicators for the report year as compared to previous years (indicates increases or decreases).	Environmental Performance Indicators, Page 111	
Develops and discloses short-term and long-term objectives to limit its environmental impact and provides information about the annual progress toward the objectives. These objectives are recommended to be based on scientific studies as proposed by the United Nations Framework Convention on Climate Change.	Fight Against Climate Crisis, Page 112	
Describes the strategies developed and the actions taken for combating the climate change.	Fight Against Climate Crisis, Page 112	
Gives information on developed programs or procedures to prevent or minimize the potential negative impact of products and/or services; and discloses the actions taken to decrease third-party greenhouse gas emissions.	Green Products, Page 116-117 Compliance with National and International Environmental and Energy Regulations, Page 114-115 Fight Against Climate Crisis, Page 112	
Presents the number of actions taken and the projects and initiatives launched to reduce its environmental impact; and describes the environmental benefits and cost savings achieved in this regard.	Technologies Making The Planet Better, Page 111 Fight Against Climate Crisis, Page 112 Management of Water Risks, Page 113 Recycling Plants, Page 114	
Reports total energy consumption data (raw materials excluded) classified as Scope-1 and Scope-2.	Environmental Performance Indicators, Page 111	
Provides data on the consumption and production of electricity, heat, steam and cooling in the report year.	Environmental Performance Indicators, Page 111 Sustainability Principles Compliance Statement, Page 156	
Promotes the use of renewable energy resources and zero or low-carbon electricity, and provides information on such efforts.	Fight Against Climate Crisis, Page 112	
Discloses data on the generation and use of renewable energy.	Environmental Performance Indicators, Page 111 Sustainability Principles Compliance Statement, Page 156	
Develops energy efficiency projects and discloses the achieved reductions in energy consumption and emissions.	Fight Against Climate Crisis, Page 112	

EXPLANATION OF PRINCIPLE	ANNUAL REPORT SECTION, PAGE NUMBER	REFERENCES
Publishes reports on the amounts and origins of the surface water and groundwater used, recycled and discharged (total water used per resource, resources effected by such use; the share and volume of the recyclable and reusable water) as well as the procedures implemented in this regard.	Environmental Performance Indicators, Page 111 Management of Water Risks, Page 113 Sustainability Principles Compliance Statement, Page 156	
Explains whether its operations or activities employ a carbon pricing system (Emission Trade System, Cap & Trade or Carbon Tax).	Fight Against Climate Crisis, Page 112	
Provides information on the carbon credits accumulated or purchased in the reporting period.	Fight Against Climate Crisis, Page 112	
Discloses whether carbon pricing is implemented at the company, and if so, gives detailed information on such procedures.	Fight Against Climate Crisis, Page 112	
Provides information about the platforms on which it makes mandatory or voluntary disclosures about its environmental data.	Arçelik and Sustainability, Page 88 Sustainability Reporting, Page 90	
Develops the Corporate Human Rights & Employee Rights Policy which ensures full compliance with the Universal Declaration of Human Rights, ILO Agreements approved by Turkey and the legal framework regulating human rights and business life in Turkey. Discloses the roles and responsibilities regarding the policy and its implementation.	Human and Employee Rights, Page 92	
Ensures equal opportunities in recruitment. Its policies highlight fair labor, improvement of working conditions, employment of women and inclusion at all levels (regardless of gender, religion, language, race, ethnic origin, age, disability, etc.) throughout the supply and value chain.	Equal Opportunity and Inclusion, Page 93	
Describes the measures taken throughout the value chain to safeguard minority rights and the rights of individuals that are sensitive to certain economic, environmental and social factors (low-income groups, women, etc.).	Human and Employee Rights, Page 92	
Reports developments on the preventive and corrective actions taken to eliminate discrimination, unfairness, human rights violations, or forced labor; and provides information on the measures implemented to prevent child labor.	Human and Employee Rights, Page 92	
Develops policies on investing in employees (training, development policies), employee compensation, benefits, labor unions, balancing between professional and personal life, and talent management. Creates policies for resolution of employee complaints and disputes, and manages dispute resolution processes. Provides regular information on efforts to maximize employee satisfaction.	Human and Employee Rights, Page 92 Talent Management, Page 93	
Develops and discloses occupational health and security policies. Provides information on the measures taken to prevent occupational accidents and reveals accident data.	Occupational Health and Safety, Page 95	

EXPLANATION OF PRINCIPLE	ANNUAL REPORT SECTION, PAGE NUMBER	REFERENCES
Develops and discloses personal data protection and data security policies.	Personal Data Protection, Page 97 Corporate Website - Policies	https://www.arcelikglobal.com/media/5164/05_2020-bilgiyuvenligi_politikasi.pdf https://www.arcelikglobal.com/tr/surdurulebilirlik/politikalarimiz/politikalar/
Develops and discloses ethics policies (business ethics, compliance processes, advertisement and marketing ethics, transparency, etc.).	Ethics and Compliance, Page 96 Corporate Website	https://www.arcelikglobal.com/tr/sirket/hakkimizda/global-is-etigi-ilkeleri/
Describes its works promoting social investments, social responsibility, financial inclusion and financial access.	Technologies Making Life Better, Page 98-106	
Organizes employee meetings and employee programs on EHS policies and processes.	Sustainability Management, Page 89	
Manages sustainability efforts based on the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, NGOs, etc).	Stakeholder Engagement, Page 90 Arçelik 2019 Sustainability Report, Page 104-105	https://www.arcelikglobal.com/media/5832/arcelik_master_tr_online_1808.pdf
Develops and discloses customer satisfaction policies to manage and solve customer complaints.	"Customer Satisfaction, Page 97 Corporate Website"	https://www.arcelikglobal.com/media/5257/mu-sterimemnuniyetipolitikasi.pdf
Ensures continuous and transparent communication with stakeholders; provides information on the subject and frequency of communication with each stakeholder and the progress made in terms of sustainability.	Stakeholder Engagement, Page 90 Arçelik 2019 Sustainability Report, Page 104	https://www.arcelikglobal.com/media/5832/arcelik_master_tr_online_1808.pdf
Gives information about the international reporting standards it has adopted (Carbon Disclosure Project [CDP], Global Reporting Initiative [GRI], International Integrated Reporting Council [IIRC], Sustainability Accounting Standards Board [SASB], Task Force on Climate-related Financial Disclosures [TCFD], etc.)	Sustainability Reporting, Page 90 Fight Against Climate Crisis, Page 112	
Provides information on memberships to international institutions and signed principles (Equator Principles, United Nations Environment Programme Finance Initiative [UNEP-FI], United Nations Global Compact [UNGC], UN Principles for Responsible Investment [UNPRI], etc.) as well as adopted international principles (e.g., International Capital Market Association [ICMA] Green/ Sustainable Bond Principles).	Sustainability Reporting, Page 90	
Strives to be included in the Borsa Istanbul Sustainability Index and other sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI CSY Indices, etc.).	Arçelik and Sustainability, Page 88-89	

EXPLANATION OF PRINCIPLE	ANNUAL REPORT SECTION, PAGE NUMBER	REFERENCES
Strives to ensure compliance with the Corporate Governance Principles as per II-17.1 Capital Markets Board Corporate Governance Communiqué as well as other corporate governance principles.	Sustainability Principles Compliance Statement, Page 156	
Defines the corporate governance strategy by taking account of sustainability, the environmental impact of its operations and the applicable principles.	Sustainability Management, Page 89	
Ensures compliance with the stakeholder-related items of the Corporate Governance Principles, and takes necessary measures to strengthen communication with stakeholders. Seeks stakeholder opinion when determining sustainability measures and strategies.	Sustainability Principles Compliance Statement, Page 156	
Strives to raise awareness on sustainability through social responsibility projects, trainings and activities.	Technologies Making Life Better, Page 98-106 Sustainability Management, Page 89	
Complies with and contributes to international sustainability standards and initiatives.	Sustainability and Corporate Responsibility, Page 90 Arçelik 2019 Sustainability Report, Page 106	https://www.arcelikglobal.com/media/5832/arcelik_master_tr_online_1808.pdf
Develops anti-bribery and anti-corruption policies and programs to ensure tax integrity.	Anti-bribery and Anti-corruption, Page 97	

Corporate Governance Compliance Report

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Şirket yönetimi özel denetim yapılmasını zorlaştıracı işlem yapmaktan kaçınmıştır.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The Company ensures the clarity of the General Assembly agenda and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the Company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There was no transaction notice in this way.
1.3.8 - Members of the Board of Directors who are concerned with specific agenda items, auditors and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				Donations and aids were included in the agenda of the General Assembly with a separate article collectively and information was given about important donations.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The Company does not have shares that carry privileged voting rights.	X					
1.4.3 - The Company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	Arçelik A.Ş. does not have a cross-ownership relationship that brings with it the domination relationship.
1.5. MINORITY RIGHTS						
1.5.1 - The Company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares and expand the scope of the minority rights.			X			Even though minority rights are not determined less than one in twenty by the Articles of Association, in parallel with general practice, the minority was granted rights under the general provisions of the regulations. There was no demand from investor regarding this issue, general best practice examples are followed. It is not foreseen to make a change in this regard in the near future.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the Company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the Company.	X					

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					Since there are no legislative amendments that could significantly affect the Company's activities, and no conflicts of interest existed with the institutions that received services on such issues, no disclosure was made in the annual report.
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					

	Company Compliance Status						Explanation
	Yes	Partial	No	Exempted	Not Applicable		
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X						
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X						
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X						
4.3. STRUCTURE OF THE BOARD OF DIRECTORS							
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X					Work has started with the aim of reaching a minimum of 25% for female board members within 5 years, who are also a tool to ensure that different views are represented on the Board. Our policy is publicly available. Currently, Ms. Semahat S. Arsel and Ms. M.M. Gülay Barbarosoğlu participates in the Board of Directors as 2 woman members in compliance with the Corporate Governance Principles. The ratio of the woman board member is 17% level.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X						
4.4. BOARD MEETING PROCEDURES							
4.4.1-Each board member attended the majority of the board meetings in person.	X						Due to the COVID-19 outbreak in 2020, the Board of Directors held an actual meeting once and the rate of attendance was 91.66%, all of the other decisions, except those taken at the said meeting, were taken by hand-by hand method. In addition, the members of the board of directors were regularly informed about the company's performance and developments.
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X						
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X		Although there is a possibility to provide feedback, there has been no notification made by the board members who could not attend the meeting
4.4.4 - Each member of the board has one vote.	X						

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.			X			Although there have been consistently sustained processes in our Company for many years, there is no written internal regulations regarding this issue. There is no urgent need to make a definition in this regard, taking into account the effective work of the board of directors.
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Due to the significant contribution of Directors to the Board, the experience of the members of the Board of Directors is not limited to taking on other duties outside the company. Curriculum vitae of our board members are included in our annual report. Considering the effective work of the board of directors, there is no change in the current practice, which is considered not to create any negative situation in terms of corporate governance, in the short term.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.		X				The assignment of the committees is made in accordance with the relevant regulations, taking into account the knowledge and experience of our board members. Only one independent board member has been appointed on two committees. Members in more than one committee provide communication between the committees involved in related matters and increase the opportunities for cooperation. The existing committee structure is evaluated effectively, taking into account the efficient work of the board members with the contribution of their knowledge and experience; No need for changes in the near future is anticipated.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There is no consultancy service for this purpose.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			Although the performance evaluation and rewarding of those who have administrative responsibility are made, no special study has been conducted on this issue at the level of the board of directors. Best practices on the subject are being researched, and their implementation can be evaluated in the medium term.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			Payments made to the members of the Board of Directors and senior executives are disclosed to the public collectively in line with the general practices in the General Assembly and in our financial statements footnotes. Market practices are closely monitored on an issue that is considered important in terms of confidentiality of personal information, and it is envisaged to act in parallel with common practice.

Corporate Governance Information Form

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	11 conferences were attended and 415 investors and analysts were informed.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	-
The number of special audit requests that were accepted at the General Shareholders' Meeting	-
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/823071
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	It is presented.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There is no such transaction.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II- 17.1)	https://www.kap.org.tr/tr/Bildirim/821530
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations / Policies / Donations Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/269764
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	14-a
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	The General Assembly was made open to the public, including stakeholders and the media without the right to speak.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	40,56%

1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations / Policies / Compensation Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	<p>According to the financial statements for the accounting period 01.01.2019 - 31.12.2019 prepared by Arçelik A.Ş. Management according to Turkey Financial Reporting Standards (TFRS) and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., 924,833,309.85 TRY is the net term profit belonging to the parent company, and 457,588,624.50 TRY is the current year profit according to Tax Procedure Law (TPL) records; therefore, the proposal of the Board of Directors to distribute a total of 500,000,000.00 TL of dividends to be paid to shareholders in cash and to set the dividend payment date as 01.04.2020 was read. Regarding this item, Mr. Kerem Kaşitoğlu, representative of the Shareholder Koç Holding Emekli ve Yardım Sandığı Vakfı, took the ground and read his proposal about the share distribution. He proposed that under the Coronavirus conditions, which has influenced world, the companies are cautiously following their financing structures and being in a period where they need to have more liquidity; the proposal of the Board of Directors regarding the distribution of profit, which was decided more than a month ago, while the effects of Coronavirus on domestic and global economy was less predictable, is not acceptable under the current conditions therefore dividends must not be distributed, since the amount of 5% of the general legal reserves that should be reserved in accordance with Article 519 of the Turkish Commercial Code has reached the 20% limit of the general legal reserves available in the Tax Procedure Law records as of 31.12.2019, the entire profit of 2019 to be allocated as Extraordinary Reserves. Both proposals were submitted for voting separately. Dividend distribution proposal of the Board of Directors was rejected on the basis of dissenting votes representing 361,057,205.17-TRY against affirmative votes representing 239,182,253.27-TRY. The proposal of not to distribute dividends and to allocate the entire profit as Extraordinary Reserves, made by the representative of the Shareholder Koç Holding Emekli ve Yardım Sandığı Vakfı was accepted by the majority of votes on the basis of affirmative votes representing 455,527,742.17-TRY against dissenting votes representing 144,711,716.27-TRY.</p>
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/832230
General Assembly Meetings	
General Meeting Date	25/03/2020
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
Shareholder participation rate to the General Shareholders Meeting	89%
Percentage of shares directly present at the GSM	0%
Percentage of shares represented by proxy	89%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Investor Relations / Corporate Governance / General Meeting / Minutes of Meetings
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	Investor Relations / Corporate Governance / General Meeting / Minutes of Meetings
The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	-
The number of declarations by insiders received by the board of directors	130
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/tr/Bildirim/832230

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations / Company Overview, Financial Reports & Presentations, Stock Information, Latest Developments Investor Event Calendar, Corporate Governance, Policies & Merger, Partial Demerger & Debt Securities Issuance
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations / Company Overview / Shareholder Structure / Real person and legal entities who indirectly controls more than 5% of capital.
List of languages for which the website is available	Turkish & English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Board of Directors 2020 / Management 2020 / Statements of Independence of Independent Board Member Candidates.
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.3. Number, Structure and Independence of the Committees Established by the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.2. Activity Principles of Board of Directors
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	-
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	-
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	There is no such case.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	There is no such case.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Global Organization & Corporate Governance Principles Compliance Report / Section IV - Stakeholders / 4.3. Human Resources Policy

3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Investor Relations / Policies / Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	-
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Internal Audit Manager
The contact detail of the company alert mechanism	http://www.arcelikas.com/
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Investor Relations / Corporate Governance / Corporate Governance Reports / Corporate Governance Compliance Reports /
Corporate bodies where employees are actually represented	In our company, both unionized and non-unionized colleagues participate in the management with different methods and share their views. With the Employee Engagement Survey conducted every year, the opinion of each colleague is taken as an anonymous questionnaire in the form of open-ended responses. With various communication meetings, information about the company is shared with employees, dealers and other stakeholders and questions and comments of these stakeholders are taken.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	A succession plan is created for all key management positions. This Succession Plan is finalized by submitting the approval of the Chairman of the Board of Directors following the approval of the CEO.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Global Organization & Corporate Governance Principles Compliance Report / Section IV - Stakeholders / 4.3. Human Resources Policy
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Global Organization & Corporate Governance Principles Compliance Report / Section IV - Stakeholders / 4.3. Human Resources Policy
The number of definitive convictions the company is subject to in relation to health and safety measures	-
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations / Policies / Ethical Codes
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Investor Relations / Financial Reports and Presentations / Annual Reports / Corporate Responsibility & Sustainability / Sustainability Report / Social Development
Any measures combating any kind of corruption including embezzlement and bribery	Principles related to the subject are included in the Arçelik Code of Ethical Conduct.

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	No delegation was delegated among the board members.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	4
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.4. Risk Management and Internal Control Mechanism
Name of the Chairman	Rahmi M. Koç
Name of the CEO	Hakan H. Bulgurlu
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	The name of the section on the corporate website that demonstrates current diversity policy targeting women directors: Company / Policies / Board Diversity Policy
The number and ratio of female directors within the Board of Directors	2 (17%)

Composition of Board of Directors							
Name, Surname of Board Member	Whether Executive Director orNot	Whether Independent or Nor	The First Election Date to Board	Link to PDP Notifications That Included the Independency Declaration	Whether the Independents Director Considered by the Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting and/or Finance or Not
Mustafa Rahmi Koç	Non-executive	Not independent director	16/03/1967		Not applicable	No	Yes
Mehmet Ömer Koç	Non-executive	Not independent director	12/04/2005		Not applicable	No	Yes
Semahat Sevim Arsel	Non-executive	Not independent director	05/04/2006		Not applicable	No	Yes
Yıldırım Ali Koç	Non-executive	Not independent director	25/03/2009		Not applicable	No	Yes
Levent Çakiroğlu	Non-executive	Not independent director	25/03/2009		Not applicable	No	Yes
Robert Sonman	Non-executive	Not independent director	15/04/1994		Not applicable	No	Yes
Fatih Kemal Ebiçlioğlu	Non-executive	Not independent director	23/03/2015		Not applicable	No	Yes
Hakan Hamdi Bulgurlu	Executive	Not independent director	25/03/2016		Not applicable	No	Yes
Kamil Ömer Bozer	Non-executive	Independent director	19/03/2018	https://www.kap.org.tr/tr/Bildirim/823071	Considered	No	Yes
Müzeyyen Münire Gülay Barbarosoğlu	Non-executive	Independent director	19/03/2018	https://www.kap.org.tr/tr/Bildirim/823071	Considered	No	No
Ahmet Turul	Non-executive	Independent director	19/03/2019	https://www.kap.org.tr/tr/Bildirim/823071	Considered	No	Yes
Tuğrul Fadilloğlu	Non-executive	Independent director	25/02/2020	https://www.kap.org.tr/tr/Bildirim/823071	Considered	No	Yes

4. BOARD OF DIRECTORS-II				
4.4. Meeting Procedures of the Board of Directors				
Number of physical board meetings in the reporting period (meetings in person)	1			
Director average attendance rate at board meetings	91.66%			
Whether the board uses an electronic portal to support its work or not	No			
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	7			
The name of the section on the corporate website that demonstrates information about the board charter	There is no determination in this direction.			
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There is no determination in this direction.			
4.5. Board Committees				
Page numbers or section names of the annual report where information about the board committees are presented	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.3. Number, Structure and Independence of the Committees Established by the Board of Directors			
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/837307			
Composition of Board Committees-I				
Names Of The Board Committees	Name Of Committees Defined As “Other” In The First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Audit Committee		Kamil Ömer Bozer	Yes	Board member
Audit Committee		Ahmet Turul	No	Board member
Corporate Governance Committee		Ahmet Turul	Yes	Board member
Corporate Governance Committee		Levent Çakıroğlu	No	Board member
Corporate Governance Committee		Polat Şen	No	Board member
Committee of Early Detection of Risk		Müzeyyen Münire Gülay Barbarosoğlu	Yes	Board member
Committee of Early Detection of Risk		Fatih Kemal Ebiçlioğlu	No	Board member
Other	Executive Committee	Mustafa Rahmi Koç	Yes	Board member
Other	Executive Committee	Mehmet Ömer Koç	No	Board member
Other	Executive Committee	Semahat Sevim Arsel	No	Board member
Other	Executive Committee	Yıldırım Ali Koç	No	Board member
Other	Executive Committee	Caroline Nicole Koç	No	Not Board member

4. BOARD OF DIRECTORS-III					
4.5. Board Committees-II					
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)			Corporate Governance Principles Compliance Report / Section V: Board of Directors/ 5.3. Number, Structure and Independence of the Committees Established by the Board of Directors		
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/ website)			Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.3. Number, Structure and Independence of the Committees Established by the Board of Directors		
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)			The activities of the Nomination Committee are carried out by the Corporate Governance Committee.		
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/ website)			Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.3. Number, Structure and Independence of the Committees Established by the Board of Directors		
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)			The activities of the Remuneration Committee are carried out by the Corporate Governance Committee.		
Yönetim Kurulu Komiteleri - II					
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)			Report of the Board of Directors and the Chairman's Message & Message from the General Manager		
Specify the section of website where remuneration policy for executive and non-executive directors are presented.			Investor Relations / Policies / Wage Policy		
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)			Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.6. Financial Rights		
Composition of Board Committees-II					
Names of the Board Committees	Name of committees defined as “Other” in the first column	The Percentage of Non-executive Directors	The Percentage of Independent Directors In The Committee	The Number of Meetings Held In Person	The Number of Reports On Its Activities Submitted to the Board
Audit Committee		100%	100%	4	4
Corporate Governance Committee		66.67%	33.33%	7	7
Committee of Early Detection of Risk		100%	50%	6	6
Other	Executive Committee	100%	0%	12	12

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The 2020 Employee Engagement Survey reveals that employee loyalty at Arçelik peaked with a 8.6% increase in Turkey and 11.3% increase abroad.

Future of professions

The "Future of Professions 2020" report published by the World Economic Forum shows that 89% of companies in the world changed the way they operate due to the pandemic and adapted their practices to cope with the new normal.

WORLD
FOR ALL
OF US

Global Organization

Over **30,000** employees

427,257 hours of training provided for employee improvement

16,332 applications to the Fresh Start Internship Programme in Turkey

2,029 online internship admissions **202** interns

4,281 applications to the Dawlance Fresh Start Internship Programme

21 interns

127 applications to the Arctic Fresh Start Internship Programme

5 interns

Arçelik’s most-valued asset in global competition is its highly qualified employees who keep up to date with global developments and quickly adapt to changes. Our human resources strategy revolves around employing individuals who embrace creativity and productivity as a philosophy of life, and who internalize our corporate culture with a curious and entrepreneurial spirit. In terms of human resources, Arçelik stands out within the industry by offering sustainable trainings that contribute to the personal development of its employees.

In its effort to cultivate a highly qualified workforce through effective recruitment channels, Arçelik maintains up-to-date human resources in a highly competitive arena.

Job applicants are not just potential employees but also potential Arçelik customers. In line with this perspective, Arçelik integrates a customer-focused business strategy in its human resources processes.

Arçelik fully digitalised the recruitment process, creating a new applicant experience that afforded it a competitive edge. The recruitment processes are centralized and a new talent acquisition strategy is implemented with HR Shared Services in Turkey. Recruitment processes are carried out in coordination with recruitment experts on digital platforms. Arçelik Cubby, an online case study application specifically designed for Arçelik competencies, and the Evaluation Center application were transformed into a fully digital experience and made available to the employees anywhere. This increased the efficiency of the evaluations.

A digital application platform was created in 2020 to improve the recruitment experience for hourly paid employees. This ensured that applications are always open and available and improved the applicant’s experience by eliminating the requirement to be physically present at a designated location. Evaluation processes and new inventories contributed to the selection of applicants whose skills made them suitable for Arçelik’s strategies.

The Fresh Start Internship Programme helps university students with great potential prepare for business world, and gain professional experience.

Arçelik focuses on experience-based activities for students rather than setting up stands at campuses since 2019. In this regard, we added a new aspect to our internship program in 2020. The Fresh Start Internship Programme helps Arçelik reach new graduates and was organized online for the first time. This year, the applications to the program exceeded 16,000 and 202 interns were selected. The students attended 27 activities during the 20-day internship program. As part of the online internship project, 202 projects were presented and more than 190 consultants made contributions in an effort to guide the interns. The Fresh Start Internship Programme offers unique experiences for students at Arçelik plants and offices across different countries. The Fresh Start Dawlance Internship Programme attracted 4,281 applications and 21 interns, while the Fresh Start Arctic Internship Programme attracted 127 applications and five interns.

Arçelik’s organization focuses on uniting people with different viewpoints and skill sets around a shared objective. Arçelik continues to grow by adding highly qualified new graduates and experienced professionals to its ranks through dynamic and innovative applications and an approach that encourages individual achievements. We believe that strong professionals are at the core of sustainable achievements. As such, we employ a number of skill management applications to achieve the best results from employee evaluations.

GLOBAL ORGANIZATION & TALENT MANAGEMENT

In addition to its global-scale investments, Arçelik continues to grow with highly talented employees and a contemporary and inclusive business culture that respects human rights. Various global processes were employed to encourage the further development of employees. Arçelik is a strong global organization with sales and marketing offices in 43 countries, 22 manufacturing plants, 15 R&D and design centers, five R&D offices and more than 30,000 employees. As of the end of 2020, the Company offers products and services in approximately 150 countries.

SUSTAINABLE EMPLOYEE ENGAGEMENT & CREATING THE BEST EMPLOYEE EXPERIENCE

With engagement at the core of workplace satisfaction, Arçelik conducts annual employee engagement surveys via independent research companies. In 2020, a record-breaking 94 percent of employees participated in the Employee Loyalty Survey conducted by Ide Consulting.

The survey revealed that employee satisfaction was at a record high throughout the Company. The level of employee satisfaction rose by 8.6 percent over the previous year in Turkey. The rise was 4.7 percent among monthly rate employees and 9.9 percent among hourly rate employees. The survey at international affiliates also shows an increase of 11.3 points to 64 percent in the loyalty index. The loyalty index increased by 11.6 points to 59.8 percent for hourly rate employees and by 9.7 points to 67.4 percent for monthly rate employees.

A number of applications were enacted based on survey results. An effort to support the culture of development and feedback, the Feedback & Development Dialog Programme was implemented, which allowed employees to receive face-to-face feedback from managers. Communication activities were conducted with 676 managers who have team management roles in Turkey. 580 managers participated in the program which included 66 training sessions, three webinars, six micro task assignments with constructive feedback given on their performance and digital academy training videos. These trainings also commenced in Europe, with participation from 157 managers.

In line with these efforts, GroWeek Online Development Week was organized to support the focus on improvement and introduce several feedback and development tools and processes to Company managers and employees. The GroWeek Online Development Week saw participation from 2,543 people in Turkey with 14 sessions taking place during two weeks as well as additional workshops with personal development coaches.

New projects are planned to improve employee satisfaction as per employee feedback. According to the survey results, good practices that were implemented in previous years and which created satisfaction among employees will be maintained and further projects will be developed to target areas in need of improvement.

In line with its commitment to build a strong employee experience, Arçelik defines its actions by listening to its employees. Employee opinions are solicited throughout the years and the actions are prioritized through methods including face-to-face meetings, focus group efforts and feedback surveys. Since March, the issues of concern were identified following four concern surveys in Turkey and three concern surveys on a global scale. Face-to-face meetings were conducted with employees requiring specific monitoring and planning due to the dynamics of this period. Furthermore, their concerns were received and actions were recommended through focus group activities. In addition to these, inclusive communication efforts continued. More than 20 live sessions were conducted to

provide up-to-date information and to respond to employee queries. Furthermore, content was created and shared with employees for the purposes of protecting their health and motivation. These included Guidelines for Workplace Safety, a Remote Agile Working Guide, Professional & Private Life Guidelines, Safe & Healthy Vacation Guidelines and messages from employees who had recovered.

In addition to Tech Pro Academy offering specific and advanced development programs for engineers and experts, the Technical Academy 4.0 was established to help technicians and operators with the Industry 4.0 transformation. These activities were suspended in March 2020 due to the pandemic and will resume in 2021.

HEALTH AS A TOP PRIORITY

Arçelik is a global organization that operates in multiple countries, including China where COVID-19 was firstly discovered. Every decision made in Turkey as the market leader affects a large ecosystem ranging from employees and dealers to suppliers and customers. With this sense of responsibility, the Company created a crisis management team in December 2019 and has prepared plans for a range of possible scenarios. The efforts are focused on the instant monitoring of new developments, making a difference with transparent communication, taking measures to prevent workplace infections, and taking financial and operational measures to quickly adapt to the new working environment. The efforts carried out within this scope are summarized below.

Measures to Prevent Initial Infection

Arçelik has reorganized the spaces at its plants, offices, warehouses and stores in addition to taking various measures on transportation, supply chains and other stakeholders. A/C systems were improved at all locations to support social distancing and provide fresh air. Plexiglass barriers and separators are used to maintain the distance at the dining hall and the offices. Hygiene conditions were improved in shared office spaces and a touch-operated system was implemented in certain spaces. Entry controls were implemented with thermal cameras. Shuttles now operate at a 50-percent reduced capacity and tables at dining halls are used by two people instead of four to maintain social distancing. No visitors or cargo deliveries are accepted, and visits between the plants and offices were ceased. In addition to measures enforced by the Company, further hygiene measures for visitors are implemented and strictly controlled.

The Tracking System and Filiation Process

Regular PCR scans are implemented to prevent infection. Health surveys are conducted to monitor the health of employees before they arrive at the office.

A designation system was implemented to facilitate the tracking of infected employees. Everyone now uses their numerically designated places, including the seats at shuttles and the tables at the dining hall. Upon detection, health staff takes any infected employees into isolation and contact tracing is conducted for close contacts of COVID-19 patients. Communication is maintained with employees who enter quarantine and the course of the disease is monitored through daily and weekly phone calls with healthcare personnel.

Hybrid Working Model

From March 2020, the rate of employees in physical attendance at headquarters was capped at 20–25 percent. Moreover, R&D incentives by the Ministry of Industry are monitored and the number of employees were updated accordingly. These levels have remained at a minimum of 25 percent and a maximum of 60 percent.

Digital infrastructure was provided for staff members for whom working from home was permissible. Modems and 12-month internet plans were provided for hourly rate office employees who work from home or at the offices on a rotating frequency (approximately 4,000 employees).

The daily number of online meetings was 70 before the pandemic and reached 3,300 after the pandemic. A total of 530,514 online meetings were held in 2020 and 522,683 of these were held following the switch to remote working on March 18. New technologies on remote working and security were reviewed and efforts to improve digital working platforms continue.

Trainings, indications and seminars for the complete implementation of measures taken in manufacturing plants and office spaces are conducted regularly. The Company offers training and information support, and conducts supplier support to help suppliers focus on business continuity. From July 2020 until the end of the year, 325 audits were conducted for more than 130 domestic and international suppliers.

Implementation plans, trainings, indications and physical changes were conducted at workplaces and the audits were completed at all Arçelik manufacturing plants in Turkey in July 2020. All plants were certified with TSE COVID-19 Safe Manufacturing Certificates. In July 2020, audits were completed at international plants and GC-Mark certificates were received.

Arçelik considers both employees and their families a part of a large global organization. The pandemic caused most physical activities to shift to online platforms. The annual family-focused activities held for employees and their families, and Arçelik Career Days, which help

the children of employees with career selection, were also shifted to online platforms. Parent-focused seminars were also conducted online throughout the year.

In an atmosphere of uncertainty resulting from COVID-19, a new initiative was implemented to motivate the employees and help them manage their mental well-being. A team of voluntary Motivation Ambassadors and the Good Idea platform were established. A concerted effort was made to address employee needs. To this end, issues revealed in short surveys were handled through personal development and business contents shared with the employees. Online training sessions were designed to meet the expectations of the employees and were conducted with the attendance of experts from various areas. Well-Being Week was organized to help employees maintain their psychological, physical and mental health. The week saw 11 sessions attended by 1,857 employees.

Online consultancy sessions were conducted to provide psychological, physical and mental counsel for employees in such need.

RESTRUCTURING & CONTINUOUS IMPROVEMENT OF THE GLOBAL ORGANIZATION

Arçelik’s organization increased its pace following the strong regional and global growth that has occurred in recent years. Arçelik created organizational design principles with a focus on digitalization, leanness, agility and efficiency. Any changes within the

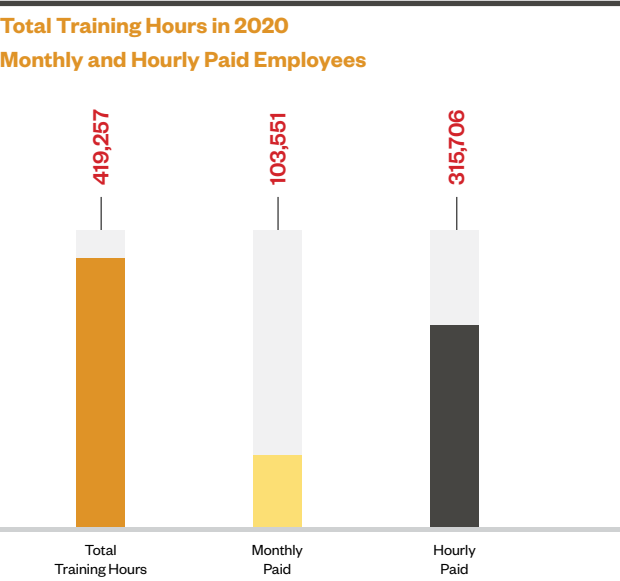
global organization are reviewed and implemented in accordance with these principles. Our business strategies are based around designing a lean and agile organizational structure through continued analyses, and shaping operational models around contemporary trends and market dynamics while emphasizing business functionality and effective management. The purpose of all improvements is to transform into a more lean and agile organizational structure. The final objective is to become an organization capable of making quick decisions, creating outputs that tangibly affect competition, and ensuring the continuance of works with autonomous micro teams. Organizational changes in 2020 focused on customers, innovation, quality and revenue stability. Additionally, new structures were established to enhance effectiveness in new geographies.

Arçelik focuses on attracting talent with good business practices and organizational structures, making the best use of the talent and helping employees reach their potential as soon as possible.

Innovations implemented as part of our change management approach are regularly shared with the employees in all countries via email or live sessions.

CREATING A CULTURE OF HIGH PERFORMANCE AND CONTINUOUS LEARNING

Training solutions are managed under three main categories to support the professional and/or leadership skills of employees. In 2020, 419,257 hours of training were provided in this regard.



*Training hours for operations in Turkey are included.



LEADER IN YOU

As an industry leader, Arçelik develops programmes to turn its employees and managers into future industry leaders. The Leader in You program was designed to support the leadership line, which is a top priority for Arçelik, and to produce managers for the Company at all levels.

This program consists of various trainings, one of which is “Leadership Journey”. To date, 138 “Leadership Journey” graduates from 13 countries now hold managerial positions for the first time in their careers at Arçelik Global. With the onset of the pandemic, the program swiftly transitioned to an online format and 365 coaching sessions and 13,248 hours of training were planned. In 2020, 6,912 training hours and 183 coaching hours were provided.

The mentorship program implemented to help first-time leaders assume managerial roles also had to be adapted for an online platform, with solutions and mentor support provided for 28 mentees.

During the course of the pandemic, class trainings were adapted for online platforms and 127 managers attended eight manager competence training sessions scheduled for the final quarter of 2020. The primary focus areas of competence trainings were corporate strategies, the new reality of remote working, coaching skills, the implementation of strategies, managing differences and collaboration.

The Leadership Impact program developed to help senior management create a strong leadership culture was expanded this year. In 2020, plans were drawn to digitalise the experience with further action scheduled for 2021.

The development of mid- and top-level managers were supported by online programmes from many globally renowned universities. In this sense, 80 managers attended various Harvard Business School programmes and 32 mid-level managers attended Emeritus programmes in accordance with their personal development needs.

FUTURE IN YOU

In addition to current managers and leaders, Arçelik also develops programmes for employees with leadership potential. In 2020, the online versions of current programmes were reviewed and prepared for 2021 to create a digital experience suitable for contemporary conditions and competencies. Of note, 43 potential managers who enrolled in the Leadership Insight Programme in 2019 received 65 hours of coaching assistance in 2020.

The Development Center helps employees and managers from various levels prepare for the next level, detect their strengths and areas of improvement, and measure their leadership potential to create development plants. In this regard, a total of 104 individuals were included in the Development Center activities.

TALENT IN YOU

In 2020, a variety of programmes were offered by Arçelik’s global organization to improve the skills of employees based on their competencies. Under Talent In You: functional, technical and professional development trainings; orientation programmes to help new recruits quickly adapt to the Company; development programmes including technical and occupational trainings; shared competence trainings; foreign language improvement solutions; online trainings and special social responsibility trainings were presented in class until the end of March. These trainings then continued online.

Furthermore, the topics and programmes in 2020 included the following:

- Reaching technical competencies required for global competitiveness
- Improving digital and next-generation competencies
- Enriching critical expertise lines
- Developing the Industry 4.0 competencies of technicians and operators in manufacturing technologies

During the pandemic, online training courses were expanded with Turkish versions for field employees and English versions for global employees.

DIGITALIZATION IN HUMAN RESOURCES APPLICATIONS

The objective of Arçelik’s HR Department is to make the connections between employees across the organization, as well as the Company and business processes, more transparent and sustainable. The Digital Transformation Program has a holistic approach to the complete employee life cycle. The program is inclusive of the complete cycle, including employer brand communication, potential talent acquisitions and the leave of employment process.

As part the of digitalization efforts of HR processes, the catalog improvement solutions offered to Arçelik employees have been implemented on an online platform. This platform is integrated with the LMS system and offers a simple and accessible environment for employees.

In 2020, the performance management process continued to revolve around continuous improvement and feedback and is now implemented in 13 countries, adding 1,212 new employees. The employees actively engaged in the performance management and the development planning processes as well as the complementary 360-evaluation tool. Among the 3,139 employees included in the development planning and 360 processes, 1,611 created development plans and tracked their actions throughout the year, 668 used the 360-evaluation tool, and feedback was provided in 5,565 evaluation processes. The introduction of the development planning and 360-evaluation systems to these countries increased our global development planning rate to 43 percent and 360-evaluation rate to 15 percent

Human Resources in Mobile Environment

The pandemic fundamentally changed how business is done on a global scale. Arçelik started investing in its digital capabilities long before the pandemic struck and quickly saw the impact and benefits of such investments. Arçelik Chatbot was developed to provide quick responses to frequently asked employee questions in 150 spoken languages.

Following investments in digital and lean processes and change management, Arçelik Connecta is used by 99 percent of office workers and 97 percent of field workers. Currently, 20,100 employees manage their processes digitally. In 2020, 15 new processes were simplified and implemented through the Arçelik Connecta applications. New processes are still reviewed, improved and digitalized via Arçelik Connecta, which is also available as a mobile app.

The purposes of HR Shared Services include furthering improvements to HR processes, monitoring efficiency, improving employee experience and standardization. In 2021, the HR OneDesk application, both PC and mobile versions, will be made available for employees to simplify the management of their administrative requests, including benefits and time management.

New investments on digital platforms are in progress to enrich digital experience and improve efficiency, quality and employee experience.

Digital Programmes

In 2020, employee trainings further supported skill development in line with the Company’s digital transformation policy and road map. Face-to-face development programs, including company orientation, catalog trainings, Leadership Journey, Groweek and functional academies, were adapted for online platforms. The Good Idea platform, established within the scope of COVID-19 communication, was used to organize 20 webinars for 5,944 individuals on life, business and development. Online training programmes were offered to help employees develop critical skills. In this sense, 776 employees attended digitalization programmes held by a number of universities and platforms including Udacity, Coursera, Online Data Science, MIT, London School of Economics and Koç University.



Technical Academy 4.0

Technical Academy 4.0 was established to educate technicians and operators on Industry 4.0. The purpose of Technical Academy 4.0 is to help the target audience develop Industry 4.0 skills. The priorities of Technical Academy 4.0 also include increasing the loyalty and satisfaction levels of employees, increase employees’ awareness on business processes and help them build confidence.

The Academy is primarily focused on lean and agile manufacturing, automation, programming, digital transformation in manufacturing, data analytics and security. Another objective is to improve the technical competencies of volunteers and hourly paid employees who are pursuing a career in this role. In 2019, more than 10,000 hours of class training was provided for automation, maintenance and process technicians and operators. The sessions were suspended in 2020 due to the pandemic. In 2020, courses suitable for distance learning were detected and re-designed for 2021.

Internal Trainer Programme

With the Internal Trainer Programme designed in 2020, experienced employees with special technical skills will be trained to become internal trainers. The programme will be implemented in early 2021.

Tech Pro Academy

The Tech Pro Academy supports a multi-disciplinary working environment for the engineers, experts and senior experts in manufacturing and technology. The purpose of the Academy is to help the target audience improve their competencies and, consequently, bolster the global competitiveness of the Company.

BUSINESS EXCELLENCE

Arçelik’s Business Excellence Approach adopts a comprehensive stance for the entire body of systems through which business processes and results are managed on the basis of sustainability and the current vision. Arçelik aims to achieve effectiveness, efficiency and continuity for all business processes through an integrated approach.

The management systems and methods adapted by Arçelik under the total management approach are:

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 50001 Energy Management System
- ISO 14064-1 Greenhouse Gas Reporting System
- ISO 10002 Customer Satisfaction Management System
- ISO 27001 Information Security Management System
- ISO 17025 Laboratory Management System
- ISO 45001 Occupational Health and Safety Management System
- BSCI (Business Social Compliance Initiative) Social Responsibility System
- SEDEX (Suppliers Ethical Data Exchange) Social Responsibility System
- PCI-DSS Payment Card Industry Data Security Standard
- TQM/GEN/T02 Terminal Quality Management System
- AA1000 Assurance Standard
- TSE/DQS COVID-19 Safe Manufacturing/Trusted Workplace Certificate
- EFQM (European Foundation for Quality Management) Excellence Model
- Six Sigma & Advanced Analytics Techniques (Process Improvement)
- Total Productive Maintenance (TPM)

Quality control efforts initiated in the early 1980s are continually improved in line with the Company’s objective to achieve excellence. These efforts, which began with Quality Circles, were incorporated under the Arçelik Total Quality system in the early 1990s. The European Foundation for Quality Management (EFQM), Quality Achievement and TUSIAD – KalDer (Turkish Quality Association), and Quality Grand Awards reflect the Company’s excellence (Total Quality Management).

All Arçelik management systems as defined by international standards are certified by independent auditing companies. Compliance with international standards are improved on an ongoing basis through regular audits.

Arçelik uses Six Sigma Methodology and Advanced Data Analytics Techniques in all business processes to maximize efficiency, strengthen its global competitive edge and achieve excellence.

The purpose of Six Sigma at Arçelik is to:

- Improve the processes,
- Make processes transparent and manageable,
- Establish a data-based decision-making mechanism,
- Build a profit-incentive platform,
- Synergize the organization and process goals,
- Establish customer-orientation,
- Establish a common language and strengthen creativity.

The purpose of Advanced Data Analytics Techniques is to:

- Develop and manage a training programme for data analysis techniques,
- Produce employees at each business unit to implement the Data Analysis Project,
- Ensure employee leadership for improvements to big data.

Arçelik has adopted a productive, teamwork-based maintenance management approach since 1996. This management approach is inclusive of all organizational levels, units and functions. The purpose of Total Productive Maintenance (TPM) is to ensure the efficient use of resources and eliminate all factors that negatively affect efficiency.

Arçelik’s local and foreign manufacturing plants are regularly audited. In turn, compliance reports are issued by independent auditing companies in accordance with the criteria of social responsibility organizations such as BSCI (Business Social Compliance Initiative) and SEDEX (Suppliers Ethical Data Exchange), which are widely accepted in the European Union.

Fully implementing COVID-19 infection control and prevention procedures, Arçelik renews its Safe Manufacturing/Trusted Workplace Certificates annually for its domestic and international manufacturing plants. (*)

The Good Idea platform, established within the scope of COVID-19 communication, was used to organize 20 webinars for 5,944 individuals on life, business and development.



** Excluding VoltasBeko plant in India.*

ARÇELİK IS
ALWAYS WITH
YOU IN THE
CHANGING
WORLD



The most challenging
activity for Joey is

*exercising
at home*

CHAPTER 7

CONSOLIDATED FINANCIAL TABLES
& INDEPENDENT AUDITOR'S REPORT

ARÇELİK
FOR
YOU

Industry Leader of Dow Jones Sustainability Index for the 2nd Time

Arçelik, the only Turkish industrial company to be listed in the Dow Jones Sustainability Index for four consecutive years, became the "Industry Leader" in the Durable Home Appliances category for the second time in 2020.

Sustainable investments become mainstream

Data provided by the Global Sustainable Investment Alliance (GSIA) indicate that corporate investors now focus on environmental, social and governance issues in their decision-making processes for investment. Sustainable investments rose from USD 13.3 trillion in 2012 to USD 30.7 trillion in 2018 and to USD 31 trillion in early 2019. The EU leads sustainable investments with a rate of 52%.

WORLD
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Board Of Directors 2020



Rahmi M. Koç
Chairman

A graduate of Johns Hopkins University in Business Administration, he joined the Koç Group in 1958 at Otokoç Ankara. He became Chairman of the Management Committee in 1980 and was named Chairman of the Board of Directors of Koç Holding in 1984, a post he held until 2003 when he became the Honorary Chairman. Apart from Koç Holding, he also serves as a Member / Chairman of the Board of Directors of other Koç Group companies. In addition, Rahmi M. Koç is or has been affiliated with social and professional organizations including:

- The Metropolitan Museum of Art, New York City, Honorary Trustee
- Co-Chairman of the Business Advisory Council for South East Europe (BAC SEE)
- Vice Chairman of the Board of Trustees of Vehbi Koç Foundation
- Honorary Chairman of the Board of Trustees of Koç University
- Founder and Chairman of the Board of Directors of the Rahmi M. Koç Museum and Cultural Foundation
- Chairman of the Board of Directors of the Vehbi Koç Foundation American Hospital
- Honorary Chairman and Founding Member of TURMEPA, The Turkish Marine and Environment Protection Association
- Honorary Chairman of the Advisory Board of the Turkish Industrial and Business Association (TÜSİAD)
- Member of the Advisory Board of the Turkish Employers Association
- Founding Chairman of the Global Relations Forum
- Former President of the International Chamber of Commerce (1.1.1995-31.12.1996)
- Former President of the Turkish Greek Business Council (1992-1999)
- Former Member of the Allianz Aktiengesellschaft International Advisory Board
- Former Member of the JP Morgan International Council
- Former Member of the International Advisory Board of the US Council on Foreign Relations

Rahmi M. Koç has been awarded with the following merits and degrees:

- "Honorary Doctorate" degrees by Johns Hopkins University (Baltimore-Maryland), Eskişehir Anadolu University, Izmir Ege University, Ankara Bilkent University, Ovidius University of Constanza and Aydın Adnan Menderes University
- "Outstanding Service Award" by the President of the Turkish Republic
- German Government's "Grosses Verdienst Kreuz"
- "Order of High Merit of the Italian Republic"
- "Order of Merit of the Austrian Government"
- "(Honorary) Commander of the Most Excellent Order of the British Empire (CBE)"
- "Officier dans l'Ordre National de la Légion d'Honneur", the highest medal awarded by the French government
- "Responsible Capitalism Lifetime Achievement Award" from FIRST, a leading multidisciplinary international affairs organization
- The medal of Foreign Policy Association (FPA), globally recognized think-tank with its 100-year history
- "Hadrian Award" by the World Monuments Fund to the Koç Family
- "Carnegie Medal of Philanthropy" (New York) to the Koç Family
- "BNP Paribas Philanthropy Award" (Paris) to the Koç Family
- "Iris Foundation Award" from BARD Graduate Center to the Koç Family (April 2012)

Under the CMB's Corporate Governance Principles, Rahmi M. Koç, who is not assigned to executive function, is not vested with the independent member attribution.



Ömer M. Koç
Vice Chairman

He received his B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year and completed his MBA at Columbia University in 1989. After working at Ramerica International Inc., he joined the Koç Group in 1990. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of the Energy Group. He became Member of the Board of Directors in 2004 and Vice Chairman in May 2008. In February 2016, he was appointed as the Chairman of the Board of Directors of Koç Holding. He serves as the Vice President of TÜSİAD High Advisory Council, Chairman of Tofaş, Tüpraş and Yapı Kredi Kültür Sanat Yayıncılık Board of Directors and Member of the Board of Directors at other Koç Group companies. He is also the Chairman of Turkish Educational Foundation Board of Trustees and Chairman of the Board of Directors of Geyre Foundation. Under the CMB's Corporate Governance Principles, Ömer M. Koç, who is not assigned to executive function, is not vested with the independent member attribution.



Semahat S. Arsel
Member

She began her career in 1964 as a Member of the Board of Directors of Koç Holding, a position she continues to hold. In addition, she is Chairman of the Board of Directors of Vehbi Koç Foundation and the Divan Group, President of the Semahat S. Arsel Nursing Education and Research Center and Founder of the Koç University School of Nursing. She also serves as Member of the Board of Directors of other Koç Group companies as well as Member of the Board of Trustees of the Educational Volunteers Foundation of Turkey (TEGV). Semahat Arsel has received an "Honorary Doctorate" degree from Istanbul University. Under the CMB's Corporate Governance Principles, Semahat S. Arsel, who is not assigned to executive function, is not vested with the independent member attribution.



Ali Y. Koç
Member

He received his bachelor's degree from the Management Faculty of Rice University and MBA from Harvard Business School. He started his career at American Express Bank as a Management Trainee and continued as an Investment Analyst at Morgan Stanley Investment Bank. Ali Y. Koç joined Koç Holding in 1997 and held senior-level positions until 2010 including new business development and information Technologies as well as President of Corporate Communications and IT Group. After serving as Member of the Board of Directors at Koç Holding for over 8 years, he was elected as Vice Chairman in February 2016. Since April 2016, Ali Y. Koç also serves as Chairman of the Board of Directors of Koç Financial Services, Yapı Kredi Bank, Ford Otosan, Otokar as well as several other Koç Group companies. In addition to being Chairman and Vice Chairman at Turkey's largest companies and financial institutions, Ali Y. Koç also contributes to the country's social and economic development and currently is the President of Fenerbahçe Sports Club and Member of the Board of Directors of the National Competition Research Association (URAK) and Endeavor Turkey. He is also a Member of the Global Advisory Council of Harvard University, Bank of America and Council on Foreign Relations and a Member of the Panel of Senior Advisers at Chatham House. He represents Turkey at the CBI - Confederation of British Industry. Under the CMB's Corporate Governance Principles, Ali Y. Koç, who is not assigned to executive function, is not vested with the independent member attribution.



Levent Çakiroğlu
Member

Levent Çakiroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his career as an Assistant Auditor at the Ministry of Finance in 1988, where he worked as a Senior Auditor between 1991 and 1997. He was appointed as Assistant Manager of Financial Crimes Investigation Board between 1997 and 1998, meanwhile he taught as a Part Time Instructor at Bilkent University. Çakiroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002 and 2007 and the CEO of Migros between 2007 and 2008. He was assigned as the CEO of Arçelik in 2008 and also became President of the Durable Goods Group of Koç Holding in April 2010. Çakiroğlu has been appointed as the CEO of Koç Holding in April 2015. He currently serves as the CEO and has also been Member of the Board of Directors of Koç Holding since April 2016. Levent Çakiroğlu is also Chairman of the Board of Directors of Arçelik- LG and TürkTraktör, the Vice Chairman of Yapı Kredi Bank and Otokar and Member of the Board of Directors at various Koç Holding companies. Under the CMB's Corporate Governance Principles, Levent Çakiroğlu, who is not assigned to executive function, is not vested with the independent member attribution.



Robert Sonman
Member

Robert Sonman earned his graduate and M.A. degrees from McGill University (Canada) in architecture. He is currently the Chairman of Board of Directors in Burla Group Companies which are shareholders in Arçelik A.Ş. He has been a Member of Board of Directors of Arçelik A.Ş. since April 1994. He speaks English and French. Under the CMB's Corporate Governance Principles, Robert Sonman, who is not assigned to executive function, is not vested with the independent member attribution.



Dr. Fatih Kemal Ebiçlioğlu
Member

After graduating from Ankara University, Faculty of Political Science, Department of International Relations, Fatih Ebiçlioğlu received a Master's degree in Finance from the Virginia Commonwealth University, and earned a PhD degree in Finance-Accounting from Ankara University Faculty of Political Science. Between 1989 and 2002, Mr. Ebiçlioğlu worked as Assistant Tax Auditor at the Ministry of Finance, and later as Tax Auditor and Senior Tax Auditor. In addition, he served as a part-time instructor at Hacettepe, Bilkent and Atılım Universities from 1998 to 2002. He joined Koç Holding in 2002 as Financial Coordinator. Subsequently, he served as Audit Group Coordinator of Koç Holding (2004-2005), and Deputy General Manager of Finance and Accounting in Arçelik (2005-2015), and managed the cyber security and other company strategies within the scope of Information Technologies. Mr. Ebiçlioğlu has been the President of the Consumer Durables Group at Koç Holding since February 2015. His duties undertaken in the last decade are mainly listed above, and he is on the board of some companies in Koç Group. Fatih Ebiçlioğlu is also a Member of the Board of Directors of TÜSİAD and Turkish Exporters Assembly (TİM). Under the CMB's Corporate Governance Principles, Fatih Kemal Ebiçlioğlu, who is not assigned to executive function, is not vested with the independent member attribution.



Hakan Hamdi Bulgurlu
Member

After graduating from the University of Texas, Austin (Economics & Mechanical Engineering Departments), Hakan Bulgurlu earned his MBA from the joint program of Northwestern University and the Hong Kong University of Science and Technology. Bulgurlu began his career in 1995 at Koç Holding. He was assigned to key senior management positions in Asia and lived in Hong Kong for 13 years where he led the Asia-Pacific trading and outsourcing operations. Bulgurlu served as the CEO of Arçelik-LG between 2007 and 2010, a joint-venture manufacturer of air conditioners, with the largest facility in Europe and the Middle East before joining Arçelik in 2010. He has been serving as the Chief Executive Officer since 2015. He is also an Executive Board Member of European Committee of Domestic Equipment Manufacturers (APPLiA) and a founding member of Amstel Dialogues, a CEO round table of European leaders that aims to increase the speed of European innovation. Bulgurlu is a Board Member at The Foreign Trade Association of Turkey (TURKTRADE), Vice Chairman of Turkey China Business Council at The Foreign Economic Relations Board of Turkey (DEİK), and a Commissioner on the High-Level Commission on Carbon Pricing and Competitiveness at The World Bank. Under the CMB's Corporate Governance Principles, Hakan Hamdi Bulgurlu, who is assigned to executive function, is not vested with the independent member attribution.



Kâmil Ömer Bozer
Member

After receiving his degree in business administration from the Middle East Technical University, Kamil Ömer Bozer completed a master's degree at Georgia State University in the U.S.A. He began his career as a management trainee at Koç Holding A.Ş. in 1985. After serving as Deputy Chief Executive of Maret A.Ş. from 1990 and as General Manager of Düzey A.Ş. from 1995, he became General Manager of Migros Türk T.A.Ş. in 2002. He was appointed as the President of Food, Retailing and Tourism Group in 2005. He served as the President of Food and Retailing Group between 2006 and 2008, and once again as the President of Tourism, Food and Retailing Group from 2009 to April 2011. Kamil Ömer Bozer is a Consultant to the Board of Coca-Cola İçecek A.Ş., Adel Kalemçilik Ticaret ve Sanayi A.Ş., Anadolu Etap A.Ş. and a Board Member of Kamil Yazıcı Yönetim A.Ş., and Independent Member of the Board of Söktaş Tekstil A.Ş. and TÜPRAŞ A.Ş. As of March 19, 2018, Kamil Ömer Bozer serves as independent member in the Board of Directors of Arçelik A.Ş. Kamil Ömer Bozer has the criteria of being independent as defined in the Capital Market Board's Corporate Governance Principles.



M. M. Gülay Barbarosoğlu
Member

Professor M. M. Gülay Barbarosoğlu graduated from Robert College in 1974 and got her bachelor's degree from the Department of Industrial Engineering in Boğaziçi University in 1978, and doctorate in 1985 from the same department and university before she became a professor of industrial engineering in 2000. She designed and gave courses in different fields including mathematical programming, and optimization, logistics, operation and manufacturing planning, and decision-making theory. Prof. M. M. Gülay Barbarosoğlu served as the rector of Boğaziçi University from 2012 to 2016, and vice rector of research at Boğaziçi University from 2008 to 2012. She undertook various administrative tasks at Boğaziçi University, and besides being the manager of Kandilli Observatory and Earthquake Research Institute (KRDAE) from 2002 to 2006, she also served as the manager of the Center of Disaster Management, and chair of the Department of Industrial Engineering and Financial Engineering Programmes. Having undertaken significant international tasks, Prof. M. M. Gülay Barbarosoğlu was a member of the Board of Directors of European University Association from 2013 to 2017. Moreover, in addition to her duties as the Vice Chair of the Association of European Operational Research Societies (EURO) from 2003 to 2007 and the national representative at NATO Research and Technology Organisation from 2002 to 2010, she has been in close collaboration with various European universities, states, and non-governmental organisations. Prof. Dr. Barbarosoğlu is a founding member of EURO Organisational Planning European Work Group and is a Member of the Management Sciences Institute (INFORMS), American Production and Inventory Control Society (APICS), International Industrial Engineering and Production Management (IEPM). Placing emphasis on civil society activities, Prof. Dr. Barbarosoğlu has an active role for the establishment of Neighborhood Disaster Volunteers (MAG) Foundation and served as a Member and Chairman. Prof. Gülay Barbarosoğlu retired from Boğaziçi University in December 2016. As of March 19, 2018, Müzeyyen Münire Gülay Barbarosoğlu serves as independent member in the Board of Directors of Arçelik A.Ş. Müzeyyen Munire Gulay Barbarosoğlu has the criteria of being independent as defined in the Capital Market Board's Corporate Governance Principles.



Ahmet Turul
Member

Ahmet Turul graduated from Ankara University, Department of Political Science in 1980. Between 1980 and 1988, he worked as Assistant Public Accountant and later as Public Accountant at the Ministry of Finance. From 1988 to 1999, he served as Assistant Coordinator of Financial Affairs, and Financial Affairs Coordinator at Koç Holding A.Ş., and from 1999 to 2002, he was the Vice President of Financial Affairs at Koç Tüketici Finansmanı A.Ş. Mr. Turul served as Vice President of Financial Affairs at Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş. between 2002 and 2010. Since 2010, Ahmet Turul has been a Board Member of Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş., and a Board Member of Allianz Yaşam ve Emeklilik A.Ş. since 2013. Ahmet Turul served as Independent Member in The Board of Directors at Tüpraş-Türkiye Petrol Rafinerileri A.Ş. between 2014 and 2019. Ahmet Turul serves as Independent Member in The Board of Directors at Arçelik A.Ş. since 19 March 2019. Ahmet Turul has the criteria of being independent as defined in the Capital Market Board's Corporate Governance Principles.



Tuğrul Fadilloğlu
Member

Tuğrul Fadilloğlu got his bachelor's degree in Mechanical Engineering Department of Boğaziçi University in 1982. Between 1982 and 2002, he worked as Product Development Engineer, Manufacturing Engineer, Mold Workshop Supervisor, Technical Manager of Washing Machine Plant, Quality Assurance Manager of Washing Machine Plant, Operation Manager of Vacuum Cleaner in Izmir, Deputy General Manager Responsible for Small Home Appliances, Founding Director of Vacuum Cleaner and Motor Plant of Arçelik A.Ş., then he served as Deputy General Manager Responsible for Operation and Technology in Tanı Pazarlama Hizmetleri A.Ş. between 2002 and 2004, and as General Manager Responsible for Operations and Technology in the same organization between 2004 and 2009. Mr. Fadilloğlu was assigned as the General Manager of Zer A.Ş. in 2009 and served until his retirement in 2014, and was a Member of the Board of Directors of Tanı Pazarlama Hizmetleri A.Ş. during that time. While he was in İzmir, Tuğrul Fadilloğlu worked as the Founding President of Turkish Quality Association (Kalder) for İzmir Branch between 1995 and 2000, and in the last year, 2000, worked as Council Member of Aegean Chamber of Commerce. After his retirement, Fadilloğlu held different positions including senior manager in various organizations, member of the board of directors, and General Coordinator of Turkish Quality Association (KalDer), and currently has been the Deputy Chairman of the Board of Directors of OCA Kurumsal Değişim Akademisi Danışmanlık ve Eğitim Hizmetleri A.Ş. that he was the founding partner. Tuğrul Fadilloğlu hasn't served in the last five years in Arçelik A.Ş. or affiliated companies. He has no relationship with senior management of Arçelik A.Ş. He has no direct or indirect share more than 5% in the capital of Arçelik A.Ş., he has no employee representative, and has no commercial relationship with Arçelik A.Ş. Tuğrul Fadilloğlu serves as an independent member of the Board of Directors of Arçelik A.Ş. since March 25, 2020. Tuğrul Fadilloğlu has the criteria of being independent as defined in the Capital Market Board's Corporate Governance Principles.



Hakan H. Bulgurlu
Chief Executive Officer

After graduating from the University of Texas, Austin (Economics & Mechanical Engineering Departments), Hakan Bulgurlu earned his MBA from the joint program of Northwestern University and the Hong Kong University of Science and Technology. Bulgurlu began his career in 1995 at Koç Holding. He was assigned to key senior management positions in Asia-Pacific and lived in Hong Kong for 13 years where he led the Asia-Pacific trading and outsourcing operations. Bulgurlu served as the CEO of Arçelik-LG between 2007 and 2010, a joint-venture manufacturer of air conditioners, with the largest facility in Europe and the Middle East before joining Arçelik in 2010. He has been serving as the Chief Executive Officer since 2015. He is also an Executive Board Member of European Committee of Domestic Equipment Manufacturers (APPLiA) and a founding member of Amstel Dialogues, a CEO round table of European leaders that aims to increase the speed of European innovation. Bulgurlu is a Board Member at The Foreign Trade Association of Turkey (TURKTRADE), Vice Chairman of Turkey China Business Council at The Foreign Economic Relations Board of Turkey (DEİK), and a Commissioner on the High-Level Commission on Carbon Pricing and Competitiveness at The World Bank.



C. Can Dinçer
Chief Commercial Officer - Turkey, Pakistan, Bangladesh, India

Can Dinçer got his bachelor's degree in Mechanical Engineering Department in Istanbul Technical University in 1989 and master's degree in Department of Business in Stevens Technology Institute, USA in 1993. He completed the Advanced Management Programme from Harvard Business School in 2017. Having started his professional life as a Trainee in Arçelik A.Ş. Finance Department in 1993, Mr. Dinçer served as the Regional Sales Manager in Export Department in 1995. He worked as International Sales Manager - CIS and Other Countries between 2000-2005, as International Sales Director - European Foreign Markets between 2005-2009 and as Sales Director - Europe, USA, Asia-Pacific between 2009-2012 and as Sales Director - Subsidiaries, USA, Asia-Pacific between 2012-2015, and Deputy General Manager for Commercial, Turkey between 2015-2017. Can Dinçer is the Chief Commercial Officer for Commercial - Turkey & Pakistan, Bangladesh, India since January 2018. In addition to this role, he was assigned as Arçelik Pazarlama A.Ş. General Manager as of December 30, 2016.



C. Ş. Oğuzhan Öztürk
Chief Production and Technology Officer

Oğuzhan Öztürk graduated from Aeronautical Engineering at Istanbul Technical University, and earned his Master's degree from the Department of Mechanical Engineering at the same university. He began his business career as a Research Assistant at the Material Sciences and Production Technology Application and Research Center at Istanbul Technical University in 1982. Öztürk joined Arçelik as a Quality Control Engineer at the Eskişehir Compressor Plant in 1987. Following various managing positions at Arçelik Compressor and Refrigerator Plant in quality, manufacturing and product development processes, he served as Arçelik Refrigerator Product Director, S.C. Arctic S.A. General Manager, Arçelik A.Ş. Washing Machine Product Director, Grundig Elektronik General Manager and Arçelik Supply Chain Director. Öztürk served as Assistant General Manager responsible for Purchasing and Supply Chain at Arçelik between 2010 and 2015. Oğuzhan Öztürk is the Chief Production and Technology Officer since October 2015. Oğuzhan Öztürk is also the General Manager of WAT Motor, Arçelik's affiliate engaged in manufacturing of industrial motors and motors for white goods*. He is a Board Member at Scientific and Technological Research Council of Turkey (TÜBİTAK).

* C.Ş. Oğuzhan Öztürk retired from Chief Production and Technology Officer of Arçelik as of 31.12.2020 and the role is succeeded by Nihat Bayız.



M. Ragıp Balcıoğlu
Chief Commercial Officer -
Europe, Middle East and North Africa

After receiving his bachelor's degree from Industrial Engineering Department of Istanbul Technical University in 1989, Ragıp Balcıoğlu completed Executive MBA Program in Koç University in 1996, and the Advanced Management Programme from Harvard Business School in 2019. Ragıp Balcıoğlu started his professional life as Marketing Manager in Data Hidrolik Makine Sanayi A.Ş. in 1990. Working as an Imported Materials Planning and Purchasing Specialist between 1992-1996 in Arçelik A.Ş., Mr. Balcıoglu was assigned as Trade Manager in Beko UK in 1996. Balcıoglu was assigned as Product Marketing Manager in 2003 and then respectively assigned as Product Marketing Unit Director in 2004 and as Product Management and Procurement Director in 2006. Balcıoğlu served as the Sales Director from 2008 to 2010, Arçelik A.Ş. UK & Ireland Country Manager and Beko PLC General Manager from 2011 to 2015 and Global Commercial Deputy General Manager from 2015 to 2017. He is Chief Commercial Officer for Commercial - Europe, Middle East and North Africa since January 2018.



Polat Şen
Chief Financial Officer

Polat Şen received his bachelor's degree in English Department of Economics in Marmara University in 1998 and master's degree in International Finance Department in Bradford University in 1999. He completed the Advanced Management Programme from Harvard Business School in 2019. Starting his professional life as Junior Auditor in Koç Holding A.Ş. Control Group Department in 2000, Mr. Şen worked as Senior Auditor in Koç Holding A.Ş. between 2002-2004. Mr. Şen was assigned as Arçelik A.Ş. Internal Audit Manager in 2004, as Financial Affairs Group Director in Grundig Electronics / Grundig Multimedia B.V. in 2008, and he worked as Grundig Multimedia B.V. Financial Affairs Director between 2009-2010. He served as the Purchasing Director between 2010-2015 and has been working as Chief Financial Officer since February 2015.



Zeynep Yalım Uzun
Chief Marketing Officer

Zeynep Yalım Uzun studied economics and psychology at Agnes Scott College in the USA. She started her career in 1990 as a Training Expert at Şark Sigorta. In 1992, she started to work for Unilever as the Komili Brand Manager. In 1998, she was assigned to Unilever Poland and served as the Central & Eastern Europe marketing director of Rama brand in 22 countries. In 2001, she returned to Turkey and worked as Knorr & Calve Marketing Manager, Home Care Marketing Manager and Unilever Africa, Middle East and Turkey Home Care Director. From 2007 to 2012, she was assigned as Unilever Turkey Home & Personal Care Group Assistant President and Unilever Turkey Board Member. From 2012 to 2017, she served as the Global Assistant President of Omo, one of the most important brands of Unilever, based in London. Zeynep Yalım Uzun was assigned as the Marketing Chief Marketing Officer of Arçelik A.Ş. as of October 2017. She was elected as one of the 20 women creating difference in marketing in Europe in the 'Women to Watch Europe' list in 2020 by Advertising Age, one of the most prestigious publications in marketing. She is a Founding Member of Turkishwin and Consultancy Board Member at Bin Yaprak and a "Women as Board Members" mentee. Uzun is also a member of the board of trustees at Koruncuk Child Protection Foundation.



Utku Barış Pazar
Chief Strategy and Digital Officer

Started his career in Nokia Networks, Utku Barış Pazar served in different positions in Nokia (Siemens) Networks North America and McKinsey & Company, and then as a Deputy General Manager for Technology Management & Technical Services at Doğuş Broadcasting Group. He participated to the Koç Grop as Strategic Planning Director at Arçelik A.Ş. in 2015 and Strategic Planning Director at Koç Holding in 2016. Utku Barış Pazar has been working as Arçelik Chief Strategy and Digital Officer since 2018. Holder of an Electrical and Electronic Engineer degree from the Middle East Technical University in 2000, Utku Barış Pazar later had his postgraduate degree in 2010 from Emory University Goizueta Business School. He is also head of Software Work Group of TÜSİAD.

İsim Soyisim	Unvan	İsim Soyisim	Unvan
Abdi Ayhan Önder	Product Director-Refrigerator	John Brown	Ülke Müdürü – Avusturalya, Genel Müdür – Beko A and NZ Pty Ltd. NZ Pty Ltd.
Abdurahman Şahin	Product Director-Dishwasher	Maciej Mienik	Regional Director - Eastern Europe, General Manager S.A.
Akın Garzanlı	Global After Sales Services Director	Marian Serban	Factory Director - Thailand - Beko Thai Co., Ltd.
Alp Arbatlı	Country Manager - Ukraine, General Manager - Beko LLC Ukraine	Mario Vogl	Regional Director - Northern Europe
Alp Karahasanoğlu	Product Director-Cooking Appliances	Mehmet Tüfekçi	Marketing Director - Arçelik Pazarlama A.Ş.
Arel Fatih Atakol	Sales Director-Beko - Arçelik Pazarlama A.Ş.	Murat Kahrıman	Accounting Director
Arif Emre Keleş	Strategic Planning Director	Mustafa Soylu	Supply Chain Director
Atila Uz	Product Director-Washing Machine	Naci Yekta Caymaz	Information Technologies Director
Benay Bakışkan	Supply Chain Transformation Director (Turkey, Pakistan, India, Bangladesh)	Nihat Bayız	Research & Development Director
Brigitte Petit	Country Manager - France, General Manager - Beko France S.A.S.	Oguz Sülek	Financial Planning & Corporate Performance Director
Buket Çelebiöven	Human Resources Director	Onur Dostel	Country Manager - Egypt, General Manager - Beko LLC Egypt
Burak Kiroğlu	Country Manager - Balkans, General Manager - Beko Balkans	Orhan Sayman	Country Manager - Russia, General Manager - Beko LLC
Cann Song	Country Manager - China, General Manager - Beko Electrical Appliances Co. Ltd.	Özkan Çimen	Finance & Enterprise Risk Director
Cem Kural	Product Sourcing Director	Per Kristian Ervik	Country Manager - Nordic, General Manager - Grundig Nordic No AS
Cemil İnan	Product Management Director	R.C Oğuzkan Şatroğlu	Sales Director-Arcelik - Arçelik Pazarlama A.Ş.
Chan Lock	Country Manager - Malaysia, General Manager - Beko Appliances Malaysia	Roman Kantor	Country Manager - Czech Republic, General Manager - BEKO SA Czech Branch
Christian Schimkowitsch	Country Manager - Austria, General Manager - Elektra Bregenz A.G.	Serdal Korkut Avcı	Industrial Design Director
E. C. Murat Büyükerk	Country Manager - Romania, General Manager - Arctic S.A.	Teresa Arbuckle	Country Manager - UK, General Manager - Beko PLC
Erhan Akdoğan	Alternative Channels Sales Director - Arçelik Pazarlama A.Ş.	Umar Ahsan Khan	Country Manager - Pakistan, General Manager - Dawlance
Evren Albaş	Regional Director - Sub-Sahara / General Manager - Defy Appliances	Umut Nazif Çelik	Legal & Compliance Director
Fatih Özkadı	Quality, Sustainability &Corporate Affairs Director	Veli Ağ	Product Director-Electronics
Fikri Özdemir	Operations Director - Voltbek	Yüksel Atilla	Product Director-Dryer
Florian Marius Stoica	Country Manager - Germany, General Manager - Grundig Multimedia, Beko Deutschland Gmbh	Zafer Üstüner	Regional Director - Asia Pacific
Francoesco Nicola Misurelli	Country Manager - Italy, General Manager - Beko Italy S.R.L.	Zeynep Özbil	Global Communications Director
Hakan Kozan	Country Manager - Italy, General Manager - Beko Italy S.R.L.	Zach F. Elkin	Country Manager - US, General Manager - Beko US Inc.
Haldun Dingaç	Production Technologies Director	Mohamed Haniffa Mohamed Fairoz	General Manager - Singer Bangladesh
Hasan Ali Yardımcı	Country Manager - US, General Manager - Beko US Inc.	Oral Bozkurt	Regional Manager - Gulf / General Manager - Beko Gulf FZE
Hilmi Cem Akant	Country Manager - Spain, General Manager - Beko Electronics Espana S.L.	Serkan Biber	Country Manager - Morocco / General Manager - Beko Morocco Household Appliances Sarl
Ho Xuan Loo	Country Manager - Vietnam, General Manager - Vietbeko	Saffet Ferruh Girgin	Country Manager - Central Asia / General Manager - Beko Central Asia
Hüseyin Şerif Beyaztaş	Customer Care Director - Arçelik Pazarlama A.Ş.	Hasan Murat Şapçı	Marketing & Product Management Director - EMENA & US
İsmail Kürşat Coşkun	Regional Director - Middle East & North Africa		

Agenda

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF ARÇELİK ANONİM ŞİRKETİ TO BE HELD ON MARCH 23, 2021

1. Opening and election of the Chairman of the Meeting,
- 2 . Reading, discussing and approving the 2020 Annual Report prepared by the Company Board of Directors,
3. Reading the Summary of Independent Audit Report for 2020 accounting period,
4. Reading, discussing and approving the Financial Statements related to the 2020 accounting period,
5. Acquittal of each member of the Board of Directors in relation to the activities of Company in 2020,
6. Acceptance, acceptance after amendment or refusal of the offer of the Board of Directors in accordance with the Company's profit distribution policy regarding the distribution of the profits of 2020 and the date of the distribution of profits,
7. Acceptance, acceptance after amendment or refusal of the Board of Directors' offer for amending Article 6 entitled “Capital” of the Company Articles of Association,
8. Acceptance, acceptance after amendment or refusal of our subsidiary Arçelik Pazarlama A.Ş.'s share pledge program for taking pledge of Arçelik A.Ş. shares owned by Arçelik Pazarlama A.Ş.'s dealers for the purpose of collateral against the receivables, in accordance with the Capital Markets Law and the relevant regulations.
9. Determining the number and duty term of the Members of the Board of Directors, making elections in accordance with the determined number of members, selecting the Independent Members of the Board of Directors,

10. Informing and approval of the Shareholders about the Remuneration Policy for the Members of the Board of Directors and Top Managers and the payments made within the scope of the policy in accordance with the Corporate Governance Principles,
11. Determining annual gross salaries of the members of the Board of Directors,
12. Approval of the Independent Auditing Institution selected by the Board of Directors in accordance with the Turkish Commercial Code and the Capital Markets Board regulations,
13. Approval of the Donation and Sponsorship Policy, informing the shareholders about the donations made by the Company in 2020 and determining an upper limit for donations to be made in 2021,
14. Informing the shareholders about the collaterals, pledges, mortgages and surety granted in favour of third parties and the income and benefits obtained in 2020 by the Company and subsidiaries in accordance with Capital Markets Board regulations,
15. Authorising the shareholders holding management capacity, the Members of the Board of Directors, top managers and their spouses and relatives by blood and marriage up to the second degree within the framework of the articles 395th and 396th of Turkish Commercial Code and informing shareholders about transactions performed within the scope during 2020 as per the Corporate Governance Communiqué of Capital Markets Board,
16. Wishes and opinions.

Place and Date of the Meeting: Divan İstanbul Oteli, Asker Ocağı Caddesi, No:1, 34367, Elmadag – Şişli, İstanbul
23 March 2021, 14:00

Profit Distribution Proposal

Esteemed Shareholders,

The financial statements for the accounting period 01.01.2020 and 31.12.2020, which was prepared by our Company in compliance with the Turkish Financial Reporting Standards (TFRS) and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş, were presented in the annual report.

As a result of the examination of the financial statements of Arçelik A.Ş. held in accordance with the provisions of the Tax Procedure Law;

According to TFRS, net profit of the Company is TRY 2,847,839,197.08 and accordance with Tax Procedure law, current year profit is TRY 2,942,427,867.89.

a) The 5 % portion of legal reserves which has to be allocated according to Turkish Commercial Code article 519, will not be allocated for 2020 since legal reserves amount as of 31.12.2020 according to Tax Procedure Law reached 20% of the capital.

In accordance with TFRS, distributable profit is TRY 2,877,466,838.12 which is the sum of net profit of TRY 2,847,839,197.08 plus donations of TRY 29,627,641.04.

Net profit of TRY 2,903,650,142.91 is distributable profit according to financial statement prepared according to Tax Procedure Law

b) In accordance with Capital Market Legislation and the profit distribution clause of the Company's Articles of Association and the Profit Distribution Policy approved by shareholders in the General Assembly dated 27.03.2014; considering market expectations, our Company's long-term strategies, investments and financing policies, profitability and cash status dividend amount is decided as below

TRY 1,438,733,419.06 first dividend payable to shareholders
TRY 61,266,580.94 second dividend payable to shareholders
TRY 146,621,358.98 portion of legal reserves

- c) Total amount of TRY 1.500.000.000,00 which is the sum of the first and second dividend, will be paid in cash to the shareholders;
- d) If the above profit distribution proposal is accepted by the General Assembly, based on our registrations prepared according to Tax Procedure Law, the total dividend of TRY 1,500,000000.00 to be paid to the shareholders from the current year other earnings. Besides, the amount of the secondary general legal reserve of 146,621,358.98 to be paid from current year other earnings.
- e) According to the financial statement prepared according to Tax Procedure Law, the dividend paid to the shareholders of the current year profit and the remaining 1,257,028,783.93 TL after the general legal reserves are allocated as extraordinary reserves; According to “TFRS” records, the amount remaining from the net profit after the dividend of TRY 1,500,000,000.00 and the general legal reserve amount of TL 146,621,358.98 is covered from the net profit is transferred to the past year profits of TL 1,201,217,838.10.
- f) To our shareholders which are full taxpayer institutions or limited taxpayer institutions obtaining dividend through a workplace or permanent representatives in Turkey; dividend to be paid at the rate of 221.98274% and TRY 2.2198274 gross=net cash for shares at the nominal value of TRY 1.00; and gross cash dividend of TRY 2.2198274 at the rate of 221.98274% and net cash dividend of TRY 1.8868532 at the rate of 188.68532% for shares with a nominal value of TRY 1.00 to be paid to our other shareholders,
- g) Determining of dividend payment date is March 29, 2021;

The above mentioned are submitted to the approval of General Assembly.

May 2021 be a prosperous year for our country and our Company.

Best regards.

Rahmi M. Koç
Chairman of the Board

Amendment to Articles of Association

The Board of Directors, in its meeting on January 27, 2021, resolved to obtain the necessary approvals from the Capital Markets Board and the Ministry of Trade for the amendment of Article 6 “Capital” of the Company’s Articles of Association and to submit the amendments to the approval of the shareholders at the first General Assembly.

The amendments to the Articles of Association, which were approved by the Capital Markets Board on February 3, 2021 and by the Ministry of Trade on February 15, 2021, are as follows:

CURRENT TEXT

Article 6 - CAPITAL

The Company has adopted authorized capital system in accordance with the provisions of Law nr. 6362 and transited to authorized capital system with 28.10.1982 dated and 61 numbered permit of Capital Markets Board.

Upper limit of Company’s authorized capital is TL 1,500,000,000.00 (One billion and five hundred million Turkish Liras), divided into 150,000,000,000.00 (One hundred and fifty billion) registered shares, each with a nominal value of 1 (One) Kuruş.

The permit provided by the CMB for the upper limit of authorized capital is valid for the years between 2017-2021 (5 years). At the end of 2021, even if upper limit of authorized capital are not attained, in order to enable board of directors to take capital increase decision after 2021, it is mandatory to obtain authority from general assembly for a new period not exceeding 5 years by obtaining the permit of Capital Markets Board for previously permitted upper limit or a new upper limit. In case abovementioned authorization shall not be obtained, the Company cannot make a capital increase by a decision of the board of directors.

The issued capital of Company is TL 675,728,205.00 (Six hundred seventy five million and seven hundred twenty eight thousand and two hundred and five Turkish Liras) and mentioned issued capital is fully paid as free of collusion.

Corporate stocks are tracked based on records within the framework of dematerialization principles.

If necessary, Company’s capital may be increased or decreased within the framework of the provisions of Turkish Commercial Code and Capital Markets Board.

The Board of Directors is authorized to increase the issued capital by issuing new shares up to upper limit of authorized capital when deemed as necessary in accordance with the provisions of Capital Markets Law and to take decisions on limiting the rights of shareholders for acquiring new shares and on issuing shares at a premium or under its nominal value. Authority of limiting the new share acquirement shall not be used in a way that causes disparity among shareholders.

NEW TEXT

Article 6 - CAPITAL

The Company has adopted authorized capital system in accordance with the provisions of Law nr. 6362 and transited to authorized capital system with 28.10.1982 dated and 61 numbered permit of Capital Markets Board.

Upper limit of Company’s authorized capital is TL 1,500,000,000.00 (One billion and five hundred million Turkish Liras), divided into 150,000,000,000.00 (One hundred and fifty billion) registered shares, each with a nominal value of 1 (One) Kuruş.

The permit provided by the CMB for the upper limit of authorized capital is valid for the years between 2021-2025 (5 years). At the end of 2025, even if upper limit of authorized capital are not attained, in order to enable board of directors to take capital increase decision after 2025, it is mandatory to obtain authority from general assembly for a new period not exceeding 5 years by obtaining the permit of Capital Markets Board for previously permitted upper limit or a new upper limit. In case abovementioned authorization shall not be obtained, the Company cannot make a capital increase by a decision of the board of directors.

The issued capital of Company is TL 675,728,205.00 (Six hundred seventy five million and seven hundred twenty eight thousand and two hundred and five Turkish Liras) and mentioned issued capital is fully paid as free of collusion.

Corporate stocks are tracked based on records within the framework of dematerialization principles.

If necessary, Company’s capital may be increased or decreased within the framework of the provisions of Turkish Commercial Code and Capital Markets Board.

The Board of Directors is authorized to increase the issued capital by issuing new shares up to upper limit of authorized capital when deemed as necessary in accordance with the provisions of Capital Markets Law and to take decisions on limiting the rights of shareholders for acquiring new shares and on issuing shares at a premium or under its nominal value. Authority of limiting the new share acquirement shall not be used in a way that causes disparity among shareholders.

Statement of Independence

INDEPENDENCY STATEMENTS OF CANDIDATES FOR INDEPENDENT MEMBERS OF BOARD OF DIRECTORS

4 JANUARY 2021

I hereby represent that, I am a candidate for carrying our duty as “independent member” in Board of Directors of Arçelik A.Ş. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communique of Capital Markets Board and in this context;

a) There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the Company or such companies in which the Company controls or has a material influence over the management, or such shareholders which control or have a material influence over the Company’s management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,

b) I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier’s or buyer’s audit (including tax audit, statutory

c) I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,

d) I shall not work on a full time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation, d) I am deemed to be resident in Turkey according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193,


e) I have professional prestige and reputation and experience as well as strong ethical standards to make me competent enough to favourably contribute to the corporate operations, to maintain my neutrality in conflicts of interest between the company and the shareholders and to freely decide by taking into consideration the rights of interest holders,

f) I will be able to spare enough time to follow up the process of company operations and fulfil all requirements of the duties I undertake, in full,

g) I have not carried out a duty as board member in Company’s Board of Directors for more than six years, within last ten years, h) I am not holding an independent board member position in more than five publicly traded company in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,

i) I am not registered and announced on behalf of and in the name of the legal entity elected as board member.

I declare.

NAME – SURNAME: Kamil Ömer Borse
SIGNATURE: 

4 JANUARY 2021

I hereby represent that, I am a candidate for carrying our duty as “independent member” in Board of Directors of Arçelik A.Ş. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communique of Capital Markets Board and in this context;

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I declare.

NAME – SURNAME: Müzeyyen Münire Gülay Barbarosoglu
SIGNATURE: 

4 JANUARY 2021

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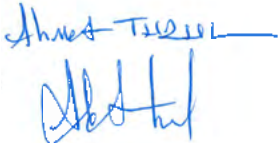
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I declare.

NAME – SURNAME: Ahmet Tüzün
SIGNATURE: 

4 JANUARY 2021

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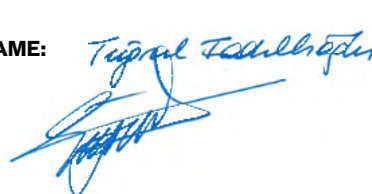
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i) I am not registered and announced on behalf of and in the name of the legal entity elected as board member.

I declare.

NAME – SURNAME: Tugrul Fazılbaş
SIGNATURE: 

Affiliated Companies Report

PREPARED WITHIN THE SCOPE OF 199TH ARTICLE OF TURKISH COMMERCIAL CODE

As per the 199th Article of 6102 numbered Turkish Commercial Code entered into force on July 11, 2012, the Board of Directors of Arçelik A.Ş. is obliged to prepare a report on relations in previous activity year with controlling company and its dependent companies within first three months of the current activity year and to include the conclusion of this report in the annual report. The necessary declarations of Arçelik A.Ş. on transactions performed with related parties are included in the 32-numbered financial report footnote. In February 22, 2021 dated Report, prepared by the Board of Directors of Arçelik A.Ş. following declaration was included: "It has been concluded that in all transactions made within 2020 with controlling company and its dependent companies, based on the situations and conditions to the best of our knowledge at the time of transaction or taken precaution or avoiding to take the precaution, in every transaction a proper counter performance has been provided and there was no precaution taken or avoided to be taken that may damage the company and there was no transaction or precaution that may require balancing in this context."

Statement of Responsibility for Financial Statements

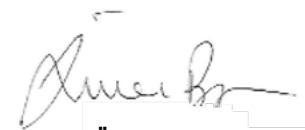
STATEMENT OF RESPONSIBILITY ISSUED PURSUANT TO ARTICLE 9 OF CAPITAL MARKETS BOARD'S COMMUNIQUE ON THE PRINCIPLES OF FINANCIAL REPORTING (NO. II-14-1.) DATE OF RESOLUTION OF THE BOARD OF DIRECTORS ON APPROVING THE FINANCIAL

DATE OF RESOLUTION OF THE BOARD OF DIRECTORS ON APPROVING THE FINANCIAL STATEMENTS: 25/01/2021 RESOLUTION NO: 1049

Under the Capital Markets Board Regulations, within the framework of the information provided to us in relation to our tasks and responsibilities related to the Company, we hereby announce and declare that the consolidated Balance Sheet. Statement of Income. Statement of Other Comprehensive Income, Statement of Cash Flow. Statement of Changes in Equity along with the related Notes ("Financial Statements") prepared by the Company and audited by the Independent auditor PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the period of 01.01.2020-31.12.2020 under the CMB Financial Reporting Communique numbered as II-14.1 in accordance with Turkish Accounting Principles / Turkish Financial Reporting Standards (TAP/TFRS) and in line with the compulsory formats determined by the CMB

- Have been reviewed by us
- Do not contain any inaccuracy in all material respects and are free of commissions that may be regarded as misleading as of the issue date
- The financial statements prepared in line with the Communique present fairly the assets, liabilities, financial position and the results of operations of the Company as well as of the companies included in the scope of consolidation.

Regards
26 February 2021



K. Ömer BOZER
Chairman of the Audit Committee



Ahmet TURUL
Member of the Audit Committee



Polat ŞEN
Chief Financial Officer



Murat KAHRİMAN
Accounting Director

Statement of Responsibility for Annual Report

STATEMENT OF RESPONSIBILITY ISSUED PURSUANT TO ARTICLE 9 OF CAPITAL MARKETS BOARD'S COMMUNIQUE ON THE PRINCIPLES OF FINANCIAL REPORTING (NO. II-14-1.)

DATE OF RESOLUTION OF THE BOARD OF DIRECTORS ON APPROVING THE REPORT: 26/02/2021 RESOLUTION NO: 1061

Attached is presented our Annual Report for the year 2020 prepared by in accordance with Turkish Commercial Code and OMB Financial Reporting Communique numbered as II-14.1 and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. according to Capital Markets Board Regulations including the Corporate Governance Principles Compliance Report.

We hereby announce and declare that in accordance with the OMB regulations, the annual report, which includes the Corporate Governance Compliance Report and Corporate Governance Information Form, prepared by our Company is;

- Has been reviewed by us
- Does not contain any inaccuracy in all material respects and are free of commissions that may be regarded as misleading as of the issue that
- Presents fairly the progress and the performance of the business, the financial position of the Company and the companies included in the scope of consolidation together with the material risks uncertainties

Regards,
26 February 2021


K. Ömer BOZER
Chairman of the Audit Committee


Ahmet TURUL
Member of the Audit Committee


Polat ŞEN
Chief Financial Officer



CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Arçelik A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Arçelik A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul-Türkiye
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız: 0-1460-0224-0500015



3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
<p>Recoverability of trade receivables</p> <p>Trade receivables from third parties (TL 12,114,517 thousand as of 31 December 2020), constitute a significant portion of the consolidated assets of the Group. Furthermore, the assessment of the recoverability of these assets involves significant level of management estimates. Such estimation includes considering the following for each customer – the amount of guarantees/collateral held, past collection performance, creditworthiness and aging of receivables. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, recoverability of trade receivables is a key matter for our audit.</p> <p>Please refer to notes 2.3, 8 and 33 to the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy.</p>	<p>We performed the following procedures in relation to the recoverability of trade receivables:</p> <ul style="list-style-type: none"> • Understanding the business process for collections from customers, evaluating the operational effectiveness of controls embedded in the business process and testing of selected key controls, • Understanding and evaluating the customer and distributor collections process run by the finance department by taking the market conditions into consideration due to Covid 19 pandemic, • Comparing trade receivable turnover days to the prior period, • Inquiries with management in relation to any disputes with customers or distributors and written inquiries with the Group's legal counsels on outstanding litigation in relation to trade receivables, • Testing receivables from third parties by obtaining confirmation letters from customers and distributors and reconciling them to the Group's accounting records, • Testing collections in the subsequent period from selected customers and distributors, • Testing, on a sample basis, guarantees/collaterals held and assessing the Group's ability to convert them to cash, • Assessing the adequacy of disclosures around recoverability of trade receivables in the consolidated financial statements. <p>We had no material findings related to the recoverability of trade receivables as a result of these procedures.</p>



3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<p>Provision for the impairment of inventories</p> <p>The Group's inventories, amounting to TL 7,095,622 thousand as of 31 December 2020, carry a risk of diminution in value due to disruptive technological changes and macroeconomic developments. In addition, determining the provision for such diminution in value involves judgements and estimates. These judgments and estimates include evaluation of the slow-moving inventories due to various reasons such as technological changes and decrease in customer demands, and evaluation of the provision for obsolete and damaged inventories. Therefore, the provision for the impairment of inventories is a key matter for our audit.</p> <p>Please refer to notes 2.3 and 10 to the consolidated financial statements for the Group's disclosures on this provision, including the related accounting policy.</p>	<p>Procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows:</p> <ul style="list-style-type: none"> • Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, • Inquiry with the Group management about the risk of diminution in value as a result of disruptive technological changes, • Analytical procedures on inventory turnover rates compared to the prior year and determination of slow-moving inventories based on group of products if any, • Evaluation of the adequacy of the provision recognized in the current period in comparison to the write downs realized in the prior period, test of mathematical accuracy of the calculation and reconciliation of the provision to the Group's consolidated financial statements, • Observation of obsolete and damaged inventories during inventory counts, • Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories. <p>We had no material findings related to the provision for the impairment of inventories as a result of these procedures.</p>



3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<p>Impairment tests of indefinite-life intangible assets</p> <p>The carrying value of brands and goodwill which are accounted for under indefinite-life intangible assets amounted to TL 1,746,059 thousand and TL 989,060 thousand, respectively, in the consolidated financial statements as of 31 December 2020. In accordance with TFRS, these indefinite-life intangible assets should be tested for impairment annually.</p> <p>Brands and goodwill are material to the consolidated financial statements. In addition, significant judgements and estimates are used in the impairment tests performed by management. These are, for goodwill impairment tests; earnings before interest, tax, depreciation and amortization ("EBITDA") growth forecasts, long term growth rates and discount rates and in addition to these, royalty rates used in the relief from royalty method for the brand impairment tests. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, these impairment tests are key matters for our audit.</p> <p>Please refer to notes 2.3, 13 and 14 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.</p>	<p>We performed the following procedures in relation to the impairment tests of brands and goodwill:</p> <ul style="list-style-type: none"> Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, Evaluating management forecasts and future plans based on macroeconomic information, in addition to the understanding of Group's performance by taking the impact of Covid 19 pandemic into consideration, Comparing forecasted cash flows for each CGU with its historical financial performance, Through involvement of our internal valuation specialists, assessing the reasonableness of key assumptions, including long term growth rates, discount rates and royalty rates and benchmarking these against rates used in the durable goods and consumer electronics industries, Testing of the setup of the discounted cash flow models and their mathematical accuracy, Assessing management's sensitivity analysis for key assumptions, Testing of the disclosures in the consolidated financial statements in relation to indefinite-life intangible assets and evaluating the adequacy of these disclosures for TFRS' requirements. <p>We had no material findings related to the impairment tests of indefinite-life intangible assets as a result of these procedures.</p>



4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 25 January 2021.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.


Cihan Harman, SMMM
Partner

Istanbul, 25 January 2021

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ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		Audited	
	Notes	December 31, 2020	December 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	4	12,002,246	6,937,060
Trade receivables			
-Due from related parties	32	103,153	29,716
-Trade receivables, third parties	8	12,046,292	9,486,129
Derivative instruments	7	27,354	2,008
Inventories	10	7,095,622	5,630,251
Prepaid expenses	19	496,783	209,835
Current income tax assets	20	143,032	141,244
Other current assets	22	1,146,367	746,403
Total current assets		33,060,849	23,182,646
Non-current assets:			
Financial investments	5	5,614	3,009
Trade receivables			
-Trade receivables, third parties	8	68,225	51,543
Investments accounted for using the equity method	11	648,016	526,499
Property, plant and equipment	12	7,296,568	6,041,402
Intangible assets			
-Goodwill	14	989,060	808,786
-Other intangible assets	13	3,563,944	2,977,935
Prepaid expenses	19	83,484	125,390
Deferred tax assets	30	833,284	1,012,290
Total non-current assets		13,488,195	11,546,854
Total assets		46,549,044	34,729,500

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

		Audited	
	Notes	December 31, 2020	December 31, 2019
LIABILITIES			
Current liabilities:			
Short-term borrowings	6	4,840,622	4,032,534
Short-term portion of long-term borrowings	6	5,390,255	2,119,221
Trade payables			
-Due to related parties	32	995,829	605,967
-Trade payables, third parties	8	8,649,373	4,958,172
Derivative instruments	7	8,266	13,509
Employee benefit obligations	21	492,554	468,255
Other payables			
-Due to related parties	32	-	31,655
-Other payables, third parties	9	726,074	400,570
Current income tax liabilities	30	7,736	8,740
Provisions			
-Other provisions	17	977,478	713,522
Other current liabilities	22	1,738,729	1,362,780
Total current liabilities		23,826,916	14,714,925
Non-current liabilities:			
Long-term borrowings	6	6,844,348	8,803,381
Derivative instruments	7	-	69,097
Provisions			
-Provision for employee benefits	18	419,517	344,486
-Other provisions	17	289,640	139,281
Deferred tax liabilities	30	563,071	575,898
Other non-current liabilities	22	581,706	266,463
Total non-current liabilities		8,698,282	10,198,606
Total liabilities		32,525,198	24,913,531

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

		Audited	
	Notes	December 31, 2020	December 31, 2019
EQUITY			
Paid-in capital	23	675,728	675,728
Adjustment to share capital	23	468,811	468,811
Share premium/discount		889	889
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
Gains/ losses on revaluation and remeasurement			
-Gain/loss arising from defined benefit plans		(298,280)	(228,111)
-Other gains/ losses on revaluation and remeasurement		4,918	2,443
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		5,225,745	3,611,032
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(966,053)	(675,927)
-Gains/ losses on cash flow hedges		(3,072)	(60,101)
Gains/ losses on revaluation and reclassification			
Balancing account for merger capital		14,507	14,507
Restricted reserves	23	409,115	409,115
Retained earnings		5,439,898	4,515,065
Net income for the period		2,847,839	924,833
Equity holders of the parent		13,820,045	9,658,284
Non-controlling interest		203,801	157,685
Total equity		14,023,846	9,815,969
Total liabilities and equity		46,549,044	34,729,500
Commitments, contingent assets and liabilities	15		

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Audited	
		2020	2019
Net sales	3,24	40,872,483	31,941,773
Cost of sales	25	(27,066,110)	(21,726,871)
Gross profit		13,806,373	10,214,902
General administrative expenses	25	(2,175,948)	(1,594,398)
Marketing expenses	25	(7,469,259)	(6,124,521)
Research and development expenses	25	(318,211)	(256,751)
Other income from operating activities	26	1,769,360	918,735
Other expenses from operating activities	26	(760,019)	(504,209)
Operating profit		4,852,296	2,653,758
Income from investment activities	27	240,668	6,816
Expenses from investment activities	27	(64,485)	(8,556)
Share of profit/loss of investments accounted for using the equity method	11	41,226	21,041
Operating income before financial income/(expense)		5,069,705	2,673,059
Financial income	28	3,852,496	3,114,323
Financial expenses	29	(5,424,296)	(4,673,202)
Profit from continuing operations before tax		3,497,905	1,114,180
Tax income/(expense), continuing operations			
- Taxes on income	30	(481,032)	(244,526)
- Deferred tax income	30	(137,884)	83,372
Net income		2,878,989	953,026
Attributable to			
Non-controlling interest		31,150	28,193
Equity holders of the parent		2,847,839	924,833
Earnings per share (kurus)	31	4,214	1,369
Diluted earnings per share (kurus)	31	4,214	1,369

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Audited	
	2020	2019
Net income	2,878,989	953,026
Other comprehensive income		
Not to be reclassified to profit or loss	(85,090)	(60,847)
Gain/ loss arising from defined benefit plans	(87,480)	(59,288)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(215)	(2,712)
Other gain/ losses not to be reclassified to profit or loss	2,605	1,153
Not to be reclassified to profit or loss, tax effect	17,396	11,812
Gain/ loss arising from defined benefit plans, tax effect	17,526	11,870
Other gain/ losses not to be reclassified to profit or loss, tax effect	(130)	(58)
To be reclassified to profit or loss	1,365,694	573,540
Currency translation differences	1,618,076	739,136
Other comprehensive income related with hedges of net investments in foreign operations	(362,658)	(95,785)
Other comprehensive income related with cash flow hedge	66,180	(69,097)
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	44,096	(714)
-Currency translation differences of investments accounted for using the equity method	38,689	10,896
-Gain/loss from cash flow hedges of investments accounted for using equity method	5,407	(11,610)
To be reclassified to profit or loss, tax effect	57,974	36,274
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	72,532	21,073
Other comprehensive income related with cash flow hedge, tax effect	(14,558)	15,201
Other comprehensive income/ (loss) (net of tax)	1,355,974	560,779
Total comprehensive income	4,234,963	1,513,805
Attributable to:		
Non-controlling interest	73,202	38,868
Equity holders of the parent	4,161,761	1,474,937

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Other accumulated comprehensive income and expense not to be reclassified to profit or loss			Other accumulated comprehensive income and expense to be reclassified to profit or loss			Accumulated profit						
	Paid-in capital	Adjustment to share capital	Share premium /discounts	Balancing account for merger capital	Gain/(loss) arising from defined benefit plans	Gains/ losses on financial assets measured at fair value through other comprehensive income	Retained earnings	Restricted reserves	Equity holders of the parent	Non-controlling interest	Total equity		
Balance at January 1, 2019	675,728	468,811	889	14,507	(177,981)	1,348	(595,810)	2,871,675	409,115	851,756	8,183,347	35,815	8,219,162
Transfers	-	-	-	-	-	-	-	-	-	(851,756)	-	-	-
Total comprehensive income	-	-	-	-	(50,130)	1,095	(140,218)	739,357	-	-	1,474,937	38,868	1,513,805
Net income	-	-	-	-	-	-	-	-	-	-	924,833	28,193	953,026
Other comprehensive income	-	-	-	-	(50,130)	1,095	(140,218)	739,357	-	-	550,104	10,675	560,779
Subsidiary acquisition	-	-	-	-	-	-	-	-	-	-	-	83,002	83,002
As of December 31, 2019	675,728	468,811	889	14,507	(228,111)	2,443	(736,028)	3,611,032	409,115	4,515,065	9,658,284	157,685	9,815,969
Balance at January 1, 2020	675,728	468,811	889	14,507	(228,111)	2,443	(736,028)	3,611,032	409,115	4,515,065	9,658,284	157,685	9,815,969
Transfers	-	-	-	-	-	-	-	-	-	924,833	-	-	-
Total comprehensive income	-	-	-	-	(70,169)	2,475	(233,097)	1,614,713	-	-	4,161,761	73,202	4,234,963
Net income	-	-	-	-	-	-	-	-	-	-	2,847,839	31,150	2,878,989
Other comprehensive income	-	-	-	-	(70,169)	2,475	(233,097)	1,614,713	-	-	1,313,922	42,052	1,355,974
Dividends	-	-	-	-	-	-	-	-	-	-	-	(27,086)	(27,086)
As of December 31, 2020	675,728	468,811	889	14,507	(298,280)	4,918	(969,125)	5,225,745	409,115	5,439,898	13,820,045	203,801	14,023,846

The accompanying notes form an integral part of these consolidated financial statement.

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

Notes	Audited	
	January 1- December 31,2020	January 1- December 31,2019
Cash flows from operating activities:		
Net income:	2,878,989	953,026
Adjustments to reconcile net cash provided from operating activities to net income after taxes		
Adjustments for depreciation and amortisation expense	25	1,221,994
Adjustments for impairment loss	35	182,697
Adjustments for other provisions	35	856,376
Adjustments for interest income	28	(231,593)
Adjustments for interest expense	29	1,341,916
Adjustments for income arised from government grants	26	(109,988)
Adjustments for unrealised foreign exchange losses (gains)	28.29	89,246
Adjustments for fair value (gains) losses on derivative financial instruments	28.29	364,222
Adjustments for undistributed profits of investments accounted for using equity method	11	(41,226)
Adjustments for tax expense/income	30	618,916
Adjustments for losses (gains) on disposal of non-current assets	27	1,705
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	27	(226,498)
Other adjustments to reconcile profit (loss)	28.29	8,009
Adjustments regarding net profit reconciliation for the period	6,954,765	4,108,190
Changes in operating assets and liabilities:		
Adjustments for decrease (increase) in trade receivables		(2,781,751)
Adjustments for decrease (increase) in inventories		(1,550,665)
Decrease (increase) in prepaid expenses		(286,948)
Adjustments for increase (decrease) in trade payables		4,427,202
Increase (decrease) in employee benefit liabilities		(75,730)
Adjustments for increase (decrease) in other operating payables		(37,894)
Increase (decrease) in government grants and assistance		53,400
Other adjustments for other increase (decrease) in working capital		(113,935)
Income taxes refund (paid)		(167,446)
Cash flows from operating activities	6,420,998	3,174,880
Investing activities:		
Cash outflows related to purchases to gain control of subsidiaries		-
Cash inflows related to sales that will result in loss of control of subsidiaries		275,778
Cash outflows due to share acquisition or capital increase in affiliates and / or joint ventures	11	(35,228)
Cash outflows from purchases of property, plant and equipment and intangible assets		(1,735,316)
Cash inflows from sale of property, plant and equipment and intangible assets		172,913
Cash flows from investing activities	(1,321,853)	(1,912,128)
Financing activities:		
Proceeds from borrowings	6	4,212,527
Repayments of borrowings	6	(3,614,211)
Bonds issued	6	-
Payments of lease liabilities	6	(303,233)
Dividends paid		(27,086)
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(399,379)
Interest paid		(1,399,666)
Interest received		231,696
Other inflows (outflows) of cash	28.29	(8,009)
Cash flows from financing activities	(1,307,361)	(160,651)
Net increase/(decrease) in cash and cash equivalents before currency translation differences	3,791,784	1,102,101
Effect of currency translation differences	1,273,505	483,559
Net increase/(decrease) in cash and cash equivalents	5,065,289	1,585,660
Cash and cash equivalents at January 1	4	6,922,938
Cash and cash equivalents at December 31	4	11,988,227

The accompanying notes form an integral part of these consolidated financial statement..

ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (“Arçelik” or “the Company”) and its subsidiaries (collectively, “the Group”) undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates twenty-two manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa, Thailand, Pakistan and Bangladesh. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 23).

The Company’s head office is located at: Karaağaç Caddesi No: 2-6 Sötlüce 34445 Beyoğlu Istanbul / Turkey.

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa Istanbul (“BIST”) since 1986. As of December 31, 2020, the publicly listed shares are 25.15% of the total shares. (Dec 31, 2019: 25.15%)

The average number of personnel employed by categories in the Group in 2020 is 7,979 monthly paid (2019: 7,568) and 25,848 hourly paid (2019: 24,603) totalling to 33,827 (2019: 32,171).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Continuing operatons of reporting dare:			
Arçelik Pazarlama A.Ş. (“Pazarlama A.Ş.”)	Turkey	Service/Sales/Marketing	Consumer durables/Electronics
Wat Motor San. ve Tic. A.Ş. (“Wat Motor”)	Turkey	Production/Sales	Multi-Purpose Motor
Arch R&D Co. Ltd. (“Arch R&D”)	China	R&D	Developing technology and design
Ardutch B.V. (“Ardutch”)	The Netherlands	Investment	Holding
Ardutch B.V. Taiwan (“Ardutch Taiwan”) (*)	Thaiwan	Purchase	Consumer durables/Electronics
Beko A and NZ Pty Ltd. (“Beko Australia”) (*)	Australia, New Zealand	Sales	Consumer durables
Beko Appliances Indonesia, PT (“Beko Indonesia”)	Endonesia	Sales	Consumer durables
Beko Appliances Malaysia Sdn. Bhd. (“Beko Malaysia”)	Malaysia	Sales	Consumer durables
Beko APAC IBC Co. (“Beko APAC”)	Thailand	Service	Hizmet
Beko Balkans D.O.O (“Beko Balkans”)	Serbia	Sales	Consumer durables/Electronics
Beko Egypt Trading LLO (“Beko Egypt”)	Egypt	Sales	Consumer durables
Beko Electronics España S.L. (“Beko Espana”)	İspanya	Sales	Consumer durables/Electronics
Beko France S.A.S. (“Beko France”)	France	Sales	Consumer durables/Electronics
Beko Grundig Deutschland GmbH (“Beko Deutschland”) (**)	Germany	Sales	Consumer durables/Electronics
Beko Grundig Schweiz GmbH (Switzerland) (***)	Switzerland	Sales	Consumer durables/Electronics
Beko Gulf FZE (“Beko Gulf”)	United Arab Emirates	Sales	Consumer durables/Electronics
Beko Home Appliances Portugal (***)	Portugal	Sales	Consumer durables/Electronics
Beko Hong Kong Ltd. (“Beko Hong Kong”)	Hong Kong, China	Purchase	Consumer durables/Electronics
Beko Israel Household Appliances Ltd. (“Beko Israel”)	Israel	Marketing	Consumer durables/Electronics
Beko Italy SRL (“Beko Italy”)	Italy	Sales	Consumer durables/Electronics
Beko LLC. (“Beko Russia”)	Russia	Production/Sales	Consumer durables/Electronics
Beko Morocco Household Appliances SARL (“Beko Morocco”)	Morocco	Sales	Consumer durables/Electronics
Beko Plc. (“Beko UK”) (*)	UK, Republic of Ireland	Sales	Consumer durables/Electronics
Beko Pilipinas Corporation. (“Beko Philippines”)	Republic of the Philippines	Sales	Consumer durables
Beko S.A. (“Beko Polska”) (*)	Poland, Czech Republic	Sales	Consumer durables/Electronics
Beko Shanghai Trading Company Ltd. (“Beko Shanghai”)	China	Sales	Consumer durables/Electronics
Beko Slovakia S.R.O. (“Beko Slovakia”)	Slovakia	Sales	Consumer durables/Electronics
Beko Thai Co. (“Beko Thailand”)	Tayland	Production/Sales	Consumer durables
Beko Ukraine LLC. (“Beko Ukraine”)	Ukraine	Sales	Consumer durables
Beko US INC. (“Beko US”)	Unites States of America	Sales	Consumer durables

ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated)

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS (CONTINUED)

Ceased operations as of reporting date (Continued)

Changzhou Beko Electrical Appliances Co. Ltd.(“Beko China”)	China	Production/Sales	Consumer durables
Dawlance (Private) Ltd. (“DPL”)	Pakistan	Production/Sales	Consumer durables
Defy (Botswana) (Proprietary) Ltd. (“Defy Botswana”)	Botswana	Sales	Consumer durables
Defy (Namibia) (Proprietary) Ltd. (“Defy Namibia”)	Namibia	Sales	Consumer durables
Defy (Swaziland) (Proprietary) Ltd. (“Defy Swaziland”)	Swaziland	Sales	Consumer durables
Defy Appliances (Proprietary) Ltd. (“Defy”)	South Africa	Production/Sales	Consumer durables
DEL Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer durables
Elektra Bregenz AG (“Elektra Bregenz”)	Austria	Sales	Consumer durables/Electronics
Grundig Multimedia A.G. (“Grundig Switzerland”)	Switzerland	Sales	Electronics
Grundig Multimedia B.V. (“Grundig Multimedia”)	The Netherlands	Investment	Holding
Grundig Nordic AB. (“Grundig Sweden”)	Sweden	Sales	Consumer durables/Electronics
Grundig Nordic No AS (“Grundig Norway”)	Norway	Sales	Consumer durables/Electronics
International Appliances Limited (“International Appliances”)	Bangladesh	Production/Sales	Consumer durables
Pan Asia Private Equity Ltd. (“Pan Asia”)	Britian Virgin Island	Investment	Holding
PT Home Appliances Indonesia (***)	Indonesia	Sales	Consumer durables
Retail Holdings Bhold B.V (“Retail Holdings”)	The Netherlands	Investment	Holding
SC Arctic SA (“Arotic”)	Romania	Production/Sales	Consumer durables/Electronics
Singer Bangladesh Limited (“Singer Bangladesh”)	Bangladesh	Production/Sales	Consumer durables/Electronics
United Refrigeration Industries Ltd. (“URIL”)	Pakistan	Production/Sales	Consumer durables
Vietbeko Limited Liability Company (“Vietbeko”)	Vietnam	Sales	Consumer durables

(*) Branches of the Subsidiary, which operate in a different country, are separately presented.
(**) Beko Deutschland GmbH and Grundig Intermedia GmbH have been merged and registered into Beko Grundig Deutschland GmbH as of 30th of September 2020.
(***) In 2020, PT Home Appliances Indonesia, Beko Home Appliances Portugal, Beko Grundig Schweiz GmbH (Switzerland) were established for sales.

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Ceased operations as of reporting date		-	-
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-
Associates			
Koç Finansman A.Ş. (“Koç Finansman”)	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. (“Ram Dış Ticaret”)	Turkey	Sales	Foreign Trade
Tanı Pazarlama İletişim Hizmetleri A.Ş. (“Tanı Pazarlama”)	Turkey	Consultancy	Marketing /Communication
Joint Ventures			
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer Durables
VoltBek Home Appliances Private Limited (“VoltBek”)	India	Production/Sales	Consumer Durables

Approval of consolidated financial statements
These consolidated financial statements as of and for the year ended 31 December 2020 has been approved for issue by the Board of Directors on 25 January 2020. These consolidated financial statements will be finalised following their approval in the General Assembly.

ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards, (“TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

The consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on April 15, 2019 by POA and the format and mandatory information recommended by CMB.

Foreign subsidiaries have prepared their statutory financial statements in accordance with the related local laws and regulations. Consolidated financial statements have been prepared under the historical cost convention except for the derivative instruments and available for sale financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

New and Amended Standards and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards (“TAS”)/TFRS and IFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Standards, amendments and interpretations applicable as at 31 December 2020:

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

This change does not have any impact on the Group's financial performance.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. This change does not have any impact on the Group's financial performance.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. This change does not have any impact on the Group's financial performance.

ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation (Continued)

New and amended standards and interpretations (Continued)

Standards, amendments and interpretations applicable as at 31 December 2020: (Continued)

Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. This change does not have any impact on the Group's financial performance.

Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.

- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation (Continued)

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in TRY, which is the functional currency of Arçelik and the presentation currency of the Group.

Financial statements of subsidiaries operating in countries other than Turkey

The Financial statements of subsidiaries operating in countries other than Turkey are compiled by the TAS/TFRS promulgated by the POA to reflect the proper presentation and content. Subsidiaries’ assets and liabilities are translated into TRY from the foreign exchange rate at the reporting date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are recognised in the “currency translation difference” under the use of equity.

Consolidation principles

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

(b) Subsidiaries are the Companies controlled by Arçelik when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and statements profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Arçelik and its Subsidiaries is eliminated against the related shareholders’ equity. Intercompany transactions and balances between Arçelik and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Arçelik in its Subsidiaries are eliminated from shareholders’ equity and income for the year, respectively.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation (Continued)

Consolidation principles (Continued)

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, as of December 31, 2020 and December 31, 2019 (%) and their functional currencies:

		31 December 2020		31 December 2019	
Continuing operations as of balance sheet date:	Functional currency	Ownership Interest	Effective share holding	Ownership Interest	Effective share holding
Arch R&D	Chinese Yuan ("CYN")	100,00	100,00	100,00	100,00
Arotic	Romanian Lei ("RON")	96,72	96,72	96,72	96,72
Ardutoh	Euro ("EUR")	100,00	100,00	100,00	100,00
Ardutch Taiwan	Taiwanese Dollar ("TWD")	100,00	100,00	100,00	100,00
Beko APAC	Thai Baht ("THB")	100,00	100,00	-	-
Beko Australia	Australian Dollar ("AUD")/ New Zealand Dollar ("NZD")	100,00	100,00	100,00	100,00
Beko Balkans		100,00	100,00	100,00	100,00
Beko China	Chinese Yuan ("CYN")	100,00	100,00	100,00	100,00
Beko Deutschland (*)	Euro ("EUR")	100,00	100,00	100,00	100,00
Beko Egypt	Egyptian Lira ("EGP")	100,00	100,00	100,00	100,00
Beko Espana	Euro ("EUR")	100,00	100,00	100,00	100,00
Beko France	Euro ("EUR")	100,00	100,00	100,00	100,00
Beko Gulf	Dirham ("AED")	100,00	100,00	100,00	100,00
Beko Portugal (***)	Euro ("EUR")	100,00	100,00	-	-
Beko Hong Kong	US Dollar ("USD")	100,00	100,00	100,00	100,00
Beko Indonesia	Indonesian Rupiah ("IDR")	100,00	100,00	100,00	100,00
Beko Israel	New Israeli Shekel ("ILS")	100,00	100,00	100,00	100,00
Beko Italy	Euro ("EUR")	100,00	100,00	100,00	100,00
Beko Malaysia	Malaysian Ringgit ("MYR")	100,00	100,00	100,00	100,00
Beko Morocco	Moroccan Dirham ("MAD")	100,00	100,00	100,00	100,00
Beko Polska	Polish Zloty ("PLN"), Czech Koruna ("CZK")	100,00	100,00	100,00	100,00
Beko Philippines		100,00	100,00	100,00	100,00
Beko Russia	Russian Ruble ("RUB")	100,00	100,00	100,00	100,00
Beko Shanghai	Chinese Yuan ("CYN")	100,00	100,00	100,00	100,00
Beko Slovakia	Euro ("EUR")	100,00	100,00	100,00	100,00
Beko Grundig Schweiz (***)	Swiss Franc ("CHF")	100,00	100,00	-	-
Beko Thailand	Thai Baht ("THB")	100,00	100,00	100,00	100,00
Beko UK	British Pound ("GBP") / Euro ("EUR")	100,00	100,00	100,00	100,00
Beko Ukraine		100,00	100,00	100,00	100,00
Beko US	US Dollar ("USD")	100,00	100,00	100,00	100,00
Dawlance (Private)	Pakistani Rupee ("PKR")	100,00	100,00	100,00	100,00
Defy	South African Rand ("ZAR")	100,00	100,00	100,00	100,00
Defy Botswana	Botswana Pula ("BWP")	100,00	100,00	100,00	100,00
Defy Namibia	Namibian Dollar ("NAD")	100,00	100,00	100,00	100,00
Defy Swaziland	Svazi Lilangeni ("SZL")	100,00	100,00	100,00	100,00
DEL Electronics	Pakistani Rupee ("PKR")	100,00	100,00	100,00	100,00
Elektra Regenz	Euro ("EUR")	100,00	100,00	100,00	100,00
Grundig Intermedia (*)	Euro ("EUR")/ Croatian Kuna ("HRK")	-	-	100,00	100,00
Grundig Multimedia		100,00	100,00	100,00	100,00
Grundig Norway	Norwegian Krone ("NOK")	100,00	100,00	100,00	100,00
Grundig Sweden	Swedish Krona ("SEK")	100,00	100,00	100,00	100,00
Grundig Switzerland	Swiss Franc ("CHF")	100,00	100,00	100,00	100,00
International Appliances	Bangladeshi Taka ("BDT")	56,99	56,99	56,99	56,99
Pan Asia	US Dollar ("USD")	100,00	100,00	100,00	100,00
Pazarlama A.Ş.	Turkish Lira ("TRY")	100,00	100,00	100,00	100,00
PT Home Appliances Indonesia (***)	Indonesian Rupiah ("IDR")	67,00	67,00	-	-
Retail Holdings	Euro ("EUR")	100,00	100,00	100,00	100,00
Singer Bangladesh	Bangladeshi Taka ("BDT")	56,99	56,99	56,99	56,99
Token (**)	Turkish Lira ("TRY")	-	-	100,00	100,00
United Refrigeration Industries	Pakistani Rupee ("PKR")	100,00	100,00	100,00	100,00
Vietbeko	Vietnamese Dong ("VND")	100,00	100,00	100,00	100,00
Wat Motor	Turkish Lira ("TRY")	100,00	100,00	100,00	100,00
Ceased operations of balance sheet date:					
Beko Cesko	-	100,00	100,00	100,00	100,00
Grundig Austria	-	100,00	100,00	100,00	100,00
Grundig Portugal	-	100,00	100,00	100,00	100,00

(*) Beko Deutschland GmbH and Grundig Intermedia GmbH have been merged and registered into Beko Grundig Deutschland GmbH as of 30th of September 2020.

(**) The Company has sold all of its shares at Token Finansal Teknolojiler A.Ş.on 30 April 2020 (Note 27).

(***) In 2020, PT Home Appliances Indonesia, Beko Home Appliances Portugal, Beko Grundig Schweiz GmbH (Switzerland) were established for sales.

ARÇELİK ANONİM ŞİRKETİ
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation (Continued)

Consolidation principles (Continued)

(d) Associates and joint ventures are companies in which the Group has attributable interest of more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. After the date of the caesura of the significant influence, the investment is carried at fair value.

The table below sets out all associates and joint ventures shows their direct and indirect ownership as of December 31, 2020 and 2019 (%):

	2020	2019
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00
VoltBek	49.00	49.00

(e) Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value. Any financial investment that is who has no fair value quoted in a stock exchange or whose fair value is not measured reliably are carried at cost value.

(f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as “non-controlling interest” in the consolidated statements of financial position and consolidated statements of profit or loss.

Going concern

The Group prepared consolidated financial statements in accordance with the going concern assumption.

Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation (Continued)

Comparatives and restatement of prior periods’ financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and the significant changes are explained.

Except for the change mentioned in the paragraph below, Group has applied consistent accounting policies in the preparation of consolidated financial statements presented except for the following changes and the Group does not have any other significant changes in accounting policy and accounting estimates in the current period.

For the period ended 1 January 2019 – 31 December 2019, inventory provision expenses amounting to 44.205 TRY has been reclassified from “Other income from operating activities” to “Cost of Sales” in the consolidated statement of profit or loss.

As of 31 December 2019, the Company has reclassified 12,042 TRY from “Trade receivables, third parties” to “Due from related parties”.

2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first-time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

2.3 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group, and the companies controlled by Koç Holding are considered and referred to as related parties (Note 32).

The Group recognizes sales and purchases related to its Subsidiaries made through Ram Dış Ticaret as intra-group transactions; thus, these transactions are eliminated in the consolidated financial statements.

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 8).

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 8).

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities (Note 26).

The Group collects some of its receivables via factoring. The Group follows related receivables in its consolidated financial statements since the collection risk of these receivables belongs to the Group until these ceded receivables are collected by the factoring company. Advance taken from factoring company against these receivables is recorded as factoring payable in “Financial Liabilities” account. Factoring expenses are accounted as accrual base in finance expenses account. Factoring are not frequently performed in terms of treasury transactions. Therefore, it does not affect the “held to collect” business model of the Group.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labour and factory overheads. The cost of borrowings is not included in the costs of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale (Note 10).

Financial assets

Classification and measurement

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group’s financial assets carried at amortized cost comprise “trade receivables” and “cash and cash equivalents” in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

(a) Financial assets carried at amortized cost (Continued)

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of “derivative instruments” in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group’s financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of “financial assets” in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Financial liabilities

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of profit or loss over the period. Borrowing costs are charged to the statement of profit or loss when they are incurred (Note 6). Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired,
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the assets

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of profit or loss. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation (Note 33).

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 4). For the purpose of consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals. If any provision provided to the cash and cash equivalents as a result of a specific events, Group measures expected credit loss from these cash and cash equivalents by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line or unit of production methods based on the estimated useful lives of the assets, except for land due to their indefinite useful life. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land and land improvements	10-50 years
Buildings	30-50 years
Machinery, equipment and moulds	2-25 years
Motor vehicles and fixtures	4-10 years
Leasehold improvements	3-10 years

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Gains or losses on disposals of property, plant and equipment are included in income/expense from investment activities.

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company (Note 12). All other costs are charged to the statements of profit or loss during the financial year in which they are incurred.

Other intangible assets

Other intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 13).

a) Brands

Separately acquired brands are shown at historical cost; brands acquired in a business combination are recognized at fair value at the acquisition date in the consolidated financial statements.

The Group has assessed the useful lives of brands as indefinite due to the fact that there is no foreseeable limit to the period over which brands are expected to generate net cash inflows for the Group. Brands that have an indefinite useful life are not subject to amortization. Brands are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is an indicator initial recognition value in an asset is greater than estimated net realizable value, the value of asset should be recorded at recoverable value.

b) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis from 2 to 10 years.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Other intangible assets (Continued)

c) Computer software and rights

Computer software and rights are recognized at their acquisition cost. They are amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. Their estimated useful lives are between 4 -15 years.

d) Trademark licenses and patents

Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademark licenses and patents acquired in a business combination are accounted for at their fair values at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (5-10 years).

e) Customer Relationships

Customer relationships that are acquired as a part of business combination are accounted for at their fair value at the acquisition date in the financial statements. Customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives (8, 22 and 50 years).

Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset. The Group assess whether:

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.
- c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Leases (Continued)

The Group – as a lessee (continued)

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability;
- b) Any lease payments made at or before the commencement date, less any lease incentives received;
- c) Any initial direct costs incurred by the Group; and
- d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re-measure the right of use asset:

- a) After netting-off depreciation and reducing impairment losses from right of use asset.
- b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies TAS16 “Property, Plant and Equipment” to amortize the right of use asset and to asses for any impairment.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) Fixed payments, including in-substance fixed payments;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.
- c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- a) Increasing the carrying amount to reflect interest on lease liability,
- b) Reducing the carrying amount to reflect the lease payments made and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The duration of the contract that make up the Group's lease laibilities varies between 1 and 5 years.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Leases (Continued)

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

Variable lease payments

Group's lease contracts also include variable lease payments which are not in the scope of TFRS 16. Variable lease payments are recognised in profit or loss in the related period.

Exemptions and simplifications

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period.

The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

The Group – as a lessor

The Group's activities as a lessor are not

Business combinations and goodwill

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses.

Business combinations have been accounted for by using the purchase method in the scope of TFRS 3 “Business combinations” prior to amendment. The cost of a business combination is the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquire and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 14). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset (Note 13). Other borrowing costs shall be recognized as an expense in the period it incurs (Note 28 and Note 29).

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Group operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 30).

The principal temporary differences arise from the carrying values of property, plant and equipment and available-for-sale-investments and their historical costs, various provisions and unused tax allowances and exemptions.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized directly in equity is recognized in equity.

The Company recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future;
- taxable profit will be available against which the temporary difference can be utilized.

The Company recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent can control the timing of the reversal of the temporary difference;
- it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one-year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 18).

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/ expenses and other operating income/ expenses in the consolidated statements of profit or loss, except for the effective portion of the foreign currency hedge of net investments in foreign operations.

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles

- (a) Identification of customer contracts,
- (b) Identification of performance obligations,
- (c) Determination of transaction price in the contract,
- (d) Allocation of price to performance obligations,
- (e) Recognition of revenue when the performance obligations are fulfilled.

Group recognized revenue from its customers only when all of the following criteria are met:

- (a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- (b) Group can identify each party's rights regarding the goods or services to be transferred,
- (c) Group can identify the payment terms for the goods or services to be transferred;
- (d) The contract has commercial substance,
- (e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Revenue recognition (Continued)

Revenue from sale of goods

Group recognizes revenue based on the production and sale of white goods, consumer electronics, air conditioners and home appliance. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-5 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

Revenue from sale of extended warranty

Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty is determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Group delivers the control of services related to the sale of extended warranty over time and it fulfills the performance obligation of extended warranty over time. Therefore, Group measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly (Note 24). Group recognizes revenue from the sale of goods in the consolidated financial statements when the control of the good is transferred to the customer.

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The group is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

Group recognizes revenue when it has right to collect the consideration which is equal to the price of performance obligation fulfilled by the perspective of customer (after the delivery of goods) in an amount of its right to invoice. Group expects that the difference between the timing of the transfer of goods of services determined at the beginning of the contact and the timing of the collection of transaction price by the customer does not differ more than one year and therefore transaction price does not contain a significant finance component.

Transaction price varies due to favors like discounts and rebates provided to the customers. Transaction price is determined based on the most likely amount method since Group provides bonus premium to its customers if the customers achieves the limit of sale.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Revenue recognition (Continued)

Group pays customer premiums to its dealers based on their annual revenue performance results. Amounts calculated as of the balance sheet date are recognized in other short-term liabilities in the balance sheet and in revenue as discounts in revenue in the statement of profit or loss.

Group does not have any contract assets related to the contracts with customers and any expenses that can be capitalized in accordance with these contracts.

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible and grants relating to capital assets are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies. Estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Warranty expenses

Warranty expenses includes repair and maintenance expenses for products sold and labor and material costs of authorized services' for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 17).

Assembly provisions

Assembly provision includes provision provided for the marketing expenses incurred for the assembly of products bought by the end users. This provision is calculated based on the past statistical information and projections for the future (Note 17).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 16).

Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. If an outflow of resources has become probable, contingent liabilities are recognised in the financial statements. Contingent assets are not recognised in financial statements but disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Earnings per share

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings or inflation adjustments. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Board of Directors has been identified as the sole authority to decide on the operations (Note 3).

Reporting of cash flows

In the consolidated statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities.

2.4. Critical accounting estimates, judgments, and assumptionsr

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment test for intangible assets which have indefinite useful lives and goodwill:

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.3, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 13 and 14). Impairment was not identified as a result of these tests.

Provision for employee termination benefits

To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Employee benefits disclosure (Not 19).

Useful lives

The Group capitalizes the tangible and intangible assets in accordance with TAS 16 and TAS 38. The Group defines useful life of its assets in terms of the assets expected utility to the Group. Economic useful lives accepted by the Group is disclosed in Note 2.3.

Warranty expensesr

The Group recognizes warranty provisions for products under the scope of the warranty terms based the estimations using past statistical information (Note 17).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Significant changes in the current period

The impact of Covid-19 (Coronavirus) pandemic to the Company's operations and financial results has been monitored and actions have been immadiately taken for the Company to mitigate the impacts of the pandemic. In connection with the Covid-19 pandemic and paralel to the current conditions/slowdown in the global economy, there have been disruptions in the supply and sales processes and especially during the lockdowns the manufacturing have been temporarily suspended. In the meantime, the Group has taken measures for stook optimization and for savings on operational and capital expenditures. Cash management strategies have been reviewed by assessing the payment and collection terms for a stronger liquidity position.

Since the possible overall impacts and duration of Covid 19 pandemic on the world and Turkey is still unknown as of the reporting date, it will only be possible to do mid and long term assessments once the impacts become more clear. In preparation of the consolidated financial statements as of 31 December 2020, the Group has assessed the possible impacts of Covid-19 pandemic on the financial statements and reviewed the critical estimates and assumptions. Within this scope, the Group has tested the financial assets, inventories, tangible assets, goodwill and brands for a possible impairment and no impairments were identified.

NOTE 3 - SEGMENT REPORTING

The reportable segments of Arçelik have been organized by management into white goods and consumer electronics. White goods reportable segment comprises washing machines, dryers, dish washers, refrigerators, ovens, cookers and the services provided for these products. The consumer goods reportable segment comprises televisions primarily with flat screens, computers, cash registers, other electronic devices and the services provided to consumers for these products. Other segment comprises the revenues from air conditioners, home appliances and furniture and kitchen gadgets except products included in white goods and consumer electronics.

Arçelik's reportable segments are strategic business units that present various products and services. Each of these segments is administrated separately due to the necessity of different technologies and marketing strategies.

Gross profitability is evaluated regarding the performance of the operational segments. Information about the operational segments is as follows:

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2020 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	31,027,344	4,516,077	5,329,062	40,872,483
Gross profit	11,240,272	1,009,669	1,556,432	13,806,373
Depreciation and amortization	949,701	177,858	113,989	1,241,548
Capital expenditures	1,464,492	227,371	63,007	1,754,870

(*) The Group recognised net sales amounting to TRY 40,841,648 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2020 (2019: TRY 31,912,505).

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NOTE 3 - SEGMENT REPORTING (CONTINUED)

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2019 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales	24,475,896	3,250,606	4,215,271	31,941,773
Gross profit	8,235,931	760,175	1,218,796	10,214,902
Depreciation and amortization	822,335	148,153	98,687	1,069,175
Capital expenditures	1,164,656	179,577	49,612	1,393,845

NOTE 4 - CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31,2019
Cash in hand	843	976
Cash at banks		
- demand deposits	1,094,544	460,770
- time deposits	10,710,844	6,355,587
Cheques and notes	83,672	39,632
Other	98,324	65,973
Cash and cash equivalents in cash flow statement	11,988,227	6,922,938
Interest income accruals	14,019	14,122
	12,002,246	6,937,060

The maturity breakdown of cash and cash equivalents is as follows:

Up to 30 days	11,543,147	5,880,689
30-90 days	459,099	1,056,371
	12,002,246	6,937,060

NOTE 5 - FINANCIAL INVESTMENTS

Fair value gain/ losses of financial assets reflected to other comprehensive income

	31 December 2020	31 December 2019
Fair value gain/losses of financial assets reflected to other comprehensive income	5,614	3,009
Total	5,614	3,009

	31 December 2020		31 December 2019	
	(%)	TRY	(%)	TRY
Tat Gıda Sanayi A.Ş.	0.34	5,535	0.34	2,930
Other		79		79
		5,614		3,009

Available-for-sale investment of the Group includes shares of Tat Gıda Sanayi A.Ş., as a listed company, whose fair value is determined by using the remaining bid offer in BIST as of balance sheet date.

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NOTE 5 - FINANCIAL INVESTMENTS (CONTINUED)

Fair value gain/ losses of financial assets reflected to other comprehensive income (continued)

The unrealized gain (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş., the available for sale investment, amounting to TRY 2,475 (December 31, 2019: TRY 1,095) and net of deferred tax effect amounting to TRY 130 (December 31, 2019: TRY 58) have been recognized in consolidated shareholders' equity under the “Gain/losses on remeasuring and/or reclassification of available-for-sale financial assets ” in the year ended December 31, 2020.

The details of financial investments for the years ended December 31, are as follows:

	2020	2019
As of January 1	3.009	1.856
Change in fair value	2.605	1.153
As of December 31	5.614	3.009

NOTE 6 - BORROWINGS

a) Short-term borrowings

	December 31, 2020	December 31, 2019
Short-term bank borrowings	4,518,863	3,729,284
Short-term lease liabilities	201,043	177,283
Payables from factoring activities (*)	120,716	125,967
Total short-term borrowings	4,840,622	4,032,534
Short-term portion of long-term bank borrowings and interest accruals	1,132,201	2,032,105
Short term portion of long-term bond issued and interest acoruals (**)	4,258,054	87,116
Total short-term portion of long-term borrowings	5,390,255	2,119,221

(*) Factoring liabilities are amounting to TRY 69,062 denominated in EUR (December 31, 2019: TRY 68,934), TRY 51,654 denominated in GBP (December 31, 2019: TRY 57,033) and interest rates are between 0.6 % for EUR (December 31, 2019: 0.6%) and 0.62 % for GBP (December 31, 2019: 1.39 %). As of December 31, 2020, there is no factoring liability denominated in USD.

(**) Long term bonds issued:

2019:

The Company issued bond amounting to TL 500 million, quoted in Borsa Istanbul with quarterly interest payment on February 15, 2019, Maturity of the bond is February 12, 2021 and coupon rate is 3MTRLIBOR+0.75.

The Company issued bond amounting to TL 500 million, quoted in Borsa Istanbul with quarterly interest payment on July 24, 2019, Maturity of the bond is July 16, 2021 and coupon rate is 3MTRLIBOR+0.50.

2014:

The Company issued bond amounting to EUR 350 million, quoted in Ireland Stock Exchange, with re-offer yield 4% and annual interest payment on September 16, 2014. Maturity of the bond is September 16, 2021 and coupon rate is 3.875%.

2013:

The Company issued bond amounting to USD 500 million, quoted in Ireland Stock Exchange, with re-offer yield 5.125% and semi-annual interest payment on April 3, 2013. Maturity of the bond is April 3, 2023 and coupon rate is 5%.

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NOTE 6 - BORROWINGS (CONTINUED)

a) Short-term borrowings (Continued)

As of December 31, 2020, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.5	2,247,044,732	2,247,045
EUR	0.4	134,799,769	1,214,263
PKR	7.9	9,324,255,812	423,880
ZAR	4.6	400,000,000	201,152
BDT	7.0	2,039,294,649	177,637
USD	2.0	23,092,853	169,513
AUD	3.3	13,276,752	74,451
RUB	2.0	110,951,436	10,922
			4,518,863

As of December 31, 2019, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	19.0	1,426,336,863	1,426,337
EUR	0.5	160,804,071	1,069,442
PKR	13.7	15,838,747,809	603,934
ROL	3.6	200,000,000	276,640
ZAR	8.0	355,070,139	149,989
BDT	9.2	1,962,728,494	137,345
AUD	3.3	13,991,317	57,970
USD	2.4	1,284,012	7,627
			3,729,284

Long-term borrowings

	December 31, 2020	December 31, 2019
Long-term bank borrowings	2,461,293	1,954,840
Long-term bonds issued	3,667,163	6,290,404
Long-term lease liabilities	715,892	558,137
	6,844,348	8,803,381

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NOTE 6 - BORROWINGS (CONTINUED)

b) Long-term borrowings (continued)

As of December 31, 2020, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	14.0	2,517,022,069	2,517,022
EUR	1.9	68,042,709	612,922
ZAR	5.5	500,000,000	251,440
PKR	7.4	4,638,635,971	210,872
BDT	9.5	14,214,569	1,238
			3,593,494
Short-term portion of long-term loans and interest accruals			(1,132,201)
			2,461,293

As of December 31, 2019, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	18.4	3,281,760,333	3,281,760
EUR	1.9	68,043,822	452,533
ZAR	9.7	500,000,000	211,210
PKR	13.6	1,018,684,932	38,842
BDT	9.3	37,150,985	2,600
			3,986,945
Short-term portion of long-term loans and interest accruals			(2,032,105)
			1,954,840

As of December 31, 2020, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.0	505,690,623	3,712,022
EUR	3.9	353,844,934	3,187,400
TRY	19.1	1,025,794,742	1,025,795
			7,925,217
Interest accruals of long-term bonds issued			(106,468)
			7,818,749

As of December 31, 2019, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	505,360,564	3,001,943
EUR	4.0	353,532,537	2,351,204
TRY	19.1	1,024,373,412	1,024,373
			6,377,520
Interest accruals of long-term bonds issued			(87,116)
			6,290,404

ARÇELİK ANONİM ŞİRKETİ
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NOTE 6 - BORROWINGS (CONTINUED)

b) Long-term borrowings (continued)

The payment schedule of the principal amounts of long-term bank borrowings and bonds is as follows:

Currency	December 31, 2020	December 31, 2019
2021		4,347,043
2022	1,138,782	184,121
2023 to 2027	4,992,761	3,721,487
	6,131,543	8,252,651

The analysis of borrowings and bonds issued in terms of periods remaining to contractual re-pricing dates is as follows:

	December 31, 2020	December 31, 2019
Up to 3 months	3,296,338	3,865,250
3 - 12 months	6,840,891	2,621,375
1-5 years	4,981,856	6,872,105
Over 5 years	679,320	380,545
	15,798,405	13,739,275

As of December 31, 2020, and 2019, financial debt reconciliation is as follows:

2020	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1	(735,420)	(5,974,472)	(8,245,244)	(14,955,136)
Cash flows	303,233	331,684	(930,000)	(295,083)
Transfers	-	(3,746,938)	3,746,938	-
Changes in interest accruals	(60,695)	118,446	-	57,751
Changes in factoring liabilities	-	5,251	-	5,251
Changes in lease liabilities	(271,119)	-	-	(271,119)
Currency translation adjustments	(152,934)	(763,805)	(700,150)	(1,616,889)
Financial debt as of December 31	(916,935)	(10,029,834)	(6,128,456)	(17,075,225)

2019	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1	-	(5,516,726)	(6,431,552)	(11,948,278)
Effect of change due to TFRS 16	(743,980)	-	-	(743,980)
Cash flows	281,525	(107,909)	(1,346,012)	(1,172,396)
Changes in interest accruals	(60,530)	(72,785)	-	(133,315)
Changes in factoring liabilities	-	(1,271)	-	(1,271)
Changes in lease liabilities	(77,669)	-	-	(77,669)
Acquisitions	(66,007)	(257,298)	(3,510)	(326,815)
Currency translation adjustments	(68,759)	(18,483)	(464,170)	(551,412)
Financial debt as of December 31	(735,420)	(5,974,472)	(8,245,244)	(14,955,136)

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NOTE 7 - DERIVATIVE INSTRUMENTS

Valuation of outstanding derivative instruments which were transacted by the Group for foreign exchange risk management purposes are made through marketing to market value at the date of valuation and the fair value of these instruments are disclosed as asset or liability in the statement of financial position.

	December 31, 2020			December 31, 2019		
	Contract amount		Fair value assets/(liabilities)	Contract amount		Fair value assets/(liabilities)
<i>Held for trading:</i>						
<i>Short-term derivative instruments</i>						
Forward transactions	1,863,257	9,845	(267)	3,297,171	166	(8,212)
Foreign currency swap contracts	8,764,899	17,509	(5,084)	4,293,589	1,842	(5,297)
<i>Cash flow hedge:</i>						
Interest rate swap contracts (*)	1,000,000	-	(2,915)	-	-	-
Short-term derivative instruments, net		27,354	(8,266)		2,008	(13,509)
<i>Long-term derivative instruments</i>						
<i>Cash flow hedge:</i>						
Interest rate swap contracts (**)	-	-	-	1,000,000	-	(69,097)
Long-term derivative instruments,net	-	-	-	-	-	(69,097)

(*) As of 31 December 2020, interest rate swap transactions consist of the exchange of floating rate instalment payments for long term bond issued on 15 February 2019 and 24 July 2019 with fixed rate instalment payments for cash flow hedging. (31 December 2019: None)

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2020	December 31, 2019
Short-term trade receivables:		
Trade receivables	10,925,282	7,436,771
Notes receivables	1,246,101	1,956,289
Cheques receivables	384,202	395,263
Short-term trade receivables (gross)	12,555,585	9,788,323
Provision for expected credit loss	(300,665)	(232,307)
Unearned credit finance income	(208,628)	(69,887)
Short-term trade receivables (net)	12,046,292	9,486,129

As of December 31, 2020, the Group has offsetted TRY 1,238,538 (December 31, 2019: TRY 1,258,312) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 124,268 related with its local bank borrowings (December 31, 2019: TRY 99,281).

The movements of expected credit loss for the years ended December 31, are as follows:

	2020	2019
As of January, 1	232,307	207,121
Current year additions (Note 26)	58,484	44,596
Provisions no longer required (Note 26)	(14,188)	(4,419)
Acquisitions	-	3,238
Write-offs (*)	(18,385)	(28,136)
Currency translation differences	42,447	9,907
As of December, 31	300,665	232,307

(*) Doubtful receivables, for which no possibility of collection is foreseen and no further cash inflow are expected, are written off from the records along with the related provisions.

	December 31, 2020	December 31, 2019
Long-term trade receivables		
Trade receivables	126,885	60,450
Unearned credit finance income	(58,660)	(8,907)
	68,225	51,543
Short-term trade payables:	December 31, 2020	December 31, 2019
Trade payables	8,149,453	4,621,038
Debt accruals	679,971	370,918
Unearned credit finance charges	(180,051)	(33,784)
	8,649,373	4,958,172

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NOTE 9 - OTHER PAYABLES

	December 31, 2020	December 31, 2019
Taxes and duties payable	600,045	225,030
Dividend payables to shareholders	31,187	21,543
Deposits and guarantees received	4,303	4,225
Other	90,539	149,772
	726,074	400,570

NOTE 10 - INVENTORIES

	December 31, 2020	December 31, 2019
Raw materials and supplies	2,873,767	2,071,746
Work in progress	202,444	138,955
Finished goods	3,244,160	2,832,759
Trade goods	898,108	678,617
Inventories (gross)	7,218,479	5,722,077
Provision for impairment on inventories	(122,857)	(91,826)
Inventories (net)	7,095,622	5,630,251

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 128,501 related with its local bank borrowings (December 31, 2019: TRY 113,327).

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	December 31, 2020	December 31, 2019
Raw materials and supplies	28,964	17,720
Finished goods	79,800	62,064
Trade goods	14,093	12,042
	122,857	91,826

Movements of provision for impairment on inventories for the periods ended December 31 are as follows:

	2020	2019
As of January 1	91,826	104,787
Current year additions (Note 25)	75,510	44,205
Realized due to sales of inventory	(51,373)	(72,114)
Acquisitions	-	8,092
Currency translation differences	6,894	6,856
As of December 31	122,857	91,826

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NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2020		December 31, 2019	
	(%)	TRY	(%)	TRY
Koç Finansman	47.0	228,601	47.0	178,525
VoltBek	49.0	202,788	49.0	188,819
Arçelik – LG	45.0	197,317	45.0	148,984
Ram Dış Ticaret	33.5	16,843	33.5	8,756
Tanı Pazarlama	32.0	2,467	32.0	1,415
		648,016		526,499

The movements of associates for the years ended December 31, are as follows:

	2020	2019
As of January 1	526,499	346,605
Shares of income/loss of associates	41,226	21,041
Shares of other comprehensive income/loss of associates	5,192	(14,322)
Gross profit elimination on inventory	1,182	(5,407)
Share participation in joint venture	35,228	167,686
Currency translation difference	38,689	10,896
As of December 31	648,016	526,499

Shares of income/loss from associates and joint ventures:

	2020	2019
Koç Finansman	44,672	41,097
Arçelik – LG	47,823	31,678
Ram Dış Ticaret	8,014	3,157
Tanı Pazarlama	667	(1,115)
VoltBek	(59,950)	(53,776)
	41,226	21,041

Aggregated summary figures of the financial statements of associates and joint venture:

31 December 2020	Koç Finansman	Ram Dış Ticaret	Voltbek	Other	Total
Total assets	3,207,223	1,294,591	1,235,365	742,213	6,479,392
Total liabilities	2,720,838	1,244,313	821,505	296,016	5,082,672
Net sales	450,043	3,745,954	476,996	1,427,499	6,100,492

31 December 2019	Koç Finansman	Ram Dış Ticaret	Voltbek	Other	Total
Total assets	2,659,999	842,487	682,042	569,537	4,754,065
Total liabilities	2,280,159	816,350	296,698	234,038	3,627,245
Net sales	584,288	3,233,407	223,206	896,060	4,936,961

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	January 1 2020	Subsidiary sales (*)	Additions	Disposals	Transfers	Impairment (**)	Currency Translation Differences	December 31 2020
Cost								
Land	235,830	-	810	(2,130)	-	-	68,961	303,471
Land improvements	53,750	-	1,275	-	-	-	2,655	57,680
Buildings	2,365,680	-	267,494	(133,026)	490,809	(7,961)	363,007	3,346,003
Machinery, equipment and moulds	6,597,877	(5,367)	322,779	(334,867)	297,785	(40,156)	766,301	7,604,352
Motor vehicles and fixtures	1,186,588	(2,567)	202,868	(54,309)	792	(586)	140,660	1,473,446
Leasehold improvements	129,704	(1,721)	10,249	(5,299)	(34,252)	-	35,155	133,836
Construction in progress	873,202	(1,111)	776,283	(8,238)	(755,134)	-	46,947	931,949
	11,442,631	(10,766)	1,581,758	(537,869)	-	(48,703)	1,423,686	13,850,737

Accumulated depreciation:								
Land improvements	(37,308)	-	(5,286)	-	-	-	(135)	(42,729)
Buildings	(614,935)	-	(259,608)	64,114	-	-	(117,357)	(927,786)
Machinery, equipment and moulds	(3,976,743)	941	(520,704)	221,911	-	-	(211,657)	(4,486,252)
Motor vehicles and fixtures	(702,438)	1,304	(161,897)	35,405	-	-	(162,318)	(989,944)
Leasehold improvements	(69,805)	928	(9,591)	2,213	-	-	(31,203)	(107,458)
	(5,401,229)	3,173	(957,086)	323,643	-	-	(522,670)	(6,554,169)
Net book value	6,041,402	(7,593)	624,672	(214,226)	-	(48,703)	901,016	7,296,568

(*) These disposals are related to the sale of Token shares on April 30, 2020 (Note 2).

(**) Mainly consists of assets related to the production facility located in Changzhou, Jiangsu Province of the People's Republic of China, which the Company has a plan to sell as of September 30, 2020 and the sales transaction is expected to be completed until the end of the year. These assets with a net book value of TRY 154.8 million has been classified as non-current assets held for sale and then measured with lower of book value and fair value (TRY 128.6 million) less cost to sell. As a result of this measurement, a provision for impairment of TRY 26.6 million has been accounted for under income and expenses from investment activities (Note 27).

Additionally, the Company booked a provision for impairment in the amount of TRY 22 million for fixed assets which would not provide economic benefits in the future (Note 27).

There is no mortgage on property, plant and equipment as of December 31, 2020 (December 31, 2019: None).

As of 31 December 2020 and 31 December 2019 the details of right-of-use assets recognized in the consolidated financial statements are as follows:

	December 31, 2020	December 31, 2019
Land improvements	2,641	1,952
Buildings	759,186	639,655
Machinery, equipments and moulds	30,718	29,830
Motor vehicles	76,036	66,274
Total right-of-use	868,581	737,711

Additions to rights-to-use assets for the year ended 31 December 2020 TRY 288,250 (2019:136,489, depreciation expenses are TRY 272,943 (31 December 2019: 249,932).

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	January 1 2019	Acquisitions	Additions	Disposals	Transfers (*)	Currency Translation Differences	December 31 2019
Cost							
Land	175,051	38,414	4,068	(252)	-	18,549	235,830
Land improvements	46,423	-	3,727	(189)	3,121	668	53,750
Buildings	1,889,884	79,969	176,290	(10,101)	45,783	183,855	2,365,680
Machinery, equipment and moulds	5,723,707	28,590	253,518	(178,368)	492,985	277,445	6,597,877
Motor vehicles and fixtures	1,013,190	3,226	133,136	(20,036)	15,131	41,941	1,186,588
Leasehold improvements	97,150	12,342	13,252	(995)	1,928	6,027	129,704
Construction in progress	877,102	-	529,676	(189)	(559,869)	26,482	873,202
	9,822,507	162,541	1,113,667	(210,130)	(921) (*)	554,967	11,442,631
Accumulated depreciation:							
Land improvements	(32,064)	-	(5,320)	128	-	(52)	(37,308)
Buildings	(364,849)	-	(222,349)	2,442	-	(30,179)	(614,935)
Machinery, equipment and moulds	(3,543,096)	-	(448,103)	142,970	52	(128,566)	(3,976,743)
Motor vehicles and fixtures	(546,575)	-	(142,609)	9,180	(52)	(22,382)	(702,438)
Leasehold improvements	(57,667)	-	(9,553)	835	-	(3,420)	(69,805)
	(4,544,251)	-	(827,934)	155,555	-	(184,599)	(5,401,229)
Net book value	5,278,256	162,541	285,733	(54,575)	(921)	370,368	6,041,402

(*) Consists of transfers amounting to TRY 921 from property, plant and equipment to other intangible assets (Note 13).

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NOTE 13 – OTHER INTANGIBLE ASSETS

	January 1 2020	Subsidiary sales (*)	Additions	Disposals	Currency Translation Differences	December 31 2020
Cost:						
Brands	1,397,993	-	-	-	348,066	1,746,059
Development costs	1,733,352	(42,818)	389,119	-	-	2,079,653
Computer software and rights	437,030	(195)	69,127	(21,043)	18,620	503,539
Trademark licenses and patents	122,224	-	571	(21)	18,871	141,645
Customer relationships	549,792	-	-	-	109,979	659,771
	4,240,391	(43,013)	458,817	(21,064)	495,536	5,130,667
Accumulated depreciation:						
Development costs	(868,999)	2,780	(192,612)	-	-	(1,058,831)
Computer software and rights	(256,302)	102	(52,779)	7,588	(8,447)	(309,838)
Trademark licenses and patents	(54,752)	-	(9,500)	21	(5,065)	(69,296)
Customer relationships	(82,403)	-	(29,571)	-	(16,784)	(128,758)
	(1,262,456)	2,882	(284,462)	7,609	(30,296)	(1,566,723)
Net book value	2,977,935	(40,131)	174,355	(13,455)	465,240	3,563,944

(*) These disposals are related to the sale of Token shares on April 30, 2020 (Note 2).

As of December 31, 2020, there are no borrowing costs capitalized (December 31, 2019: None).

	January 1 2019	Acquisitions	Additions	Disposals	Transfers (*)	Currency Translation Differences	December 31 2019
Cost:							
Brands	1,276,325	-	-	-	-	121,668	1,397,993
Development costs	1,389,444	-	343,908	-	-	-	1,733,352
Computer software and rights	360,617	789	69,294	(2,365)	921	7,774	437,030
Trademark licenses and patents	49,026	65,882	773	(517)	-	7,060	122,224
Customer relationships	539,121	-	-	-	-	10,671	549,792
	3,614,533	66,671	413,975	(2,882)	921	147,173	4,240,391
Accumulated depreciation:							
Development costs	(703,908)	-	(165,091)	-	-	-	(868,999)
Computer software and rights	(210,047)	-	(44,182)	2,279	-	(4,352)	(256,302)
Trademark licenses and patents	(44,548)	-	(6,162)	517	-	(4,559)	(54,752)
Customer relationships	(55,181)	-	(25,808)	-	-	(1,414)	(82,403)
	(1,013,684)	-	(241,243)	2,796	-	(10,325)	(1,262,456)
Net book value	2,600,849	66,671	172,732	(86)	921	136,848	2,977,935

(*) Transfers from property, plant and equipments.

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NOTE 13 – OTHER INTANGIBLE ASSETS (CONTINUED)

The carrying values of the brands of the Group are as below:

	December 31, 2020	December 31, 2019
Grundig (*)	775,239	572,364
Defy (*)	524,105	440,249
Dawlance(*)	323,933	271,702
Beko	81,040	81,040
Other brands (*)	41,742	32,638
	1,746,059	1,397,993

(*) Values of brands in their original currencies are same as of December 31, 2020 and 2019 and the difference arises from foreign currency translation.

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2020. Sales forecasts which are based on financial plans approved by the board of directors covering five-year period were considered in the determination of the brand value. Sales forecast beyond the five-year period is extrapolated between 3% and 5.3% expected growth rate. The estimated royalty income is calculated by applying the expected 2% - 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 7.60 % to 14.70 % discount rates.

Fair value of brands is around 10.6 times of carrying value of these assets. If the estimated after-tax discount rate used for the calculation of discounted cash flows had been 1% higher than the management’s estimate, fair value of brands would be 8.8 of carrying value of these asset. As a result of these sensitivity analysis, the Group did not identify any impairment.

NOTE 14 – GOODWILL

	2020	2019
As of January 1	808,786	507,966
Acquisitons	-	251,149
Disposals	-	(6,051)
Currency translation differences	180,274	55,722
As of December 31	989,060	808,786

Details of goodwill are as follows:

	December 31, 2020	December 31, 2019
Defy	408,708	343,316
Singer	330,498	256,563
Dawlance	236,468	198,340
Other	13,386	10,567
	989,060	808,786

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NOTE 14 – GOODWILL (CONTINUED)

Goodwill impairment test

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2020.

The projection period for the purposes of goodwill impairment testing is approved by the management as 5 years between January 1, 2020 and December 31, 2025.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 5% - 5.3% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 13.90% - 14.70% is used as after-tax discount rate in order to calculate the recoverable amount of the unit.

The post-tax rate was adjusted considering the tax cash outflows and other future tax cash flows and differences between the cost of the assets and their tax bases.

Defy Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 22% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization (“EBITDA”), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 12.4%. Had the compound average growth rate been assumed to be 11.4%, the recoverable amount would have been calculated as 8% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 5.3%. Had the rate been assumed to be 4.3%, the recoverable amount would have been 13% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 13.90%. Had the rate been assumed to be 14.90%, the recoverable amount would have been 6% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Dawlance Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 95% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization (“EBITDA”), long term growth rate and discount rates are taken into account.

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NOTE 14 – GOODWILL (CONTINUED)

Dawlance Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test (continued)

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 40.7%. Had the compound average growth rate been assumed to be 39.7%, the recoverable amount would have been calculated as 42% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 5%. Had the rate been assumed to be 4%, the recoverable amount would have been 79% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 14.70%. Had the rate been assumed to be %15.70, the recoverable amount would have been 70% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Singer Group operations as a cash generating unit in impairment test

The Group used the market value calculated over Singer’s share price traded on the Bangladesh Stock Exchange as of December 31, 2020, in order to test the impairment of the goodwill generated during the acquisition of Singer, its public affiliate. As of 31 December 2020, the market value of the company is 67% above the total of goodwill and book value and no provision for impairment is required. In case the value of the mentioned shares decreases by 20%, the market value of the company remains 34% above the total of goodwill and book value and no provision for impairment is required.

NOTE 15 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

- a)100% exemption from customs duty on machinery and equipment to be imported,
- b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
- c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- d) Inward processing permission certificates,
- e) Cash refund from Tübitak - Teydeb for research and development expenses,
- f) Taxes and funds exemptions for R&D centres which are regulated under research and development law.
- g) Discounted corporate tax incentive,
- h) Insurance premium employer share incentive,
- i) Brand support incentive (known as “Turquality”) given by Republic of Turkey Ministry of Trade.
- j) Grant has been received from the United Nations Industrial Development Organization (UNIDO) and from the Department of Trade and Industry of Romania and Republic of South Africa for the purchase of certain items of plant and equipment. All conditions of the grant have been fulfilled in 2020.

Grants which are accounted for under other income from operating activities for year ended December 31, 2020 are as follows:

- i) Research and development incentive premiums taken or certain to be taken amounts to TRY 6,772 (December 31, 2019 TRY 5,470).
- ii) Brand support incentive (known as “Turquality”) received from Republic of Turkey Ministry of Trade amounts to TRY 19,468 (December 31, 2019: TRY 13,105).

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NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2020, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 321,306,330 (December 31, 2019: USD 916,265,215). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

	December 31, 2020	December 31, 2019
Collaterals obtained	4,852,845	4,078,530

Collaterals/ pledges/ mortgages/bill of guarantees (“CPMB”) position of the Group as of December 31, 2020 and December 31, 2019 are as follows:

CPMB's given by the Company	December 31, 2020	December 31, 2019
A. CPMB's given for Company's own legal personality	300,894	190,353
B. CPMB's given on behalf of fully consolidated companies	1,625,843	1,602,128
C. CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
Total	1,926,737	1,792,481

TRY equivalents of CPMB given as of December 31, 2020 and December 31, 2019 are as follows on original currency basis are as follows:

CPMB's given by the Company	December 31, 2020	December 31, 2019
TRY	101,312	81,836
EUR	685,979	491,791
USD	278,730	110,082
Other currencies	860,716	1,108,772
	1,926,737	1,792,481

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NOTE 17 – OTHER PROVISIONS

	December 31, 2020	December 31, 2019
Other short-term provisions		
Warranty provision	572,725	413,306
Assembly provision	135,561	116,356
Provision for transportation cost	96,459	55,148
Provision for lawsuit risks	27,600	21,724
Provision for returns	2,883	14,678
Other	142,250	92,310
	977,478	713,522
Other long-term provisions		
Warranty provision	289,640	139,207
Other	-	74
	289,640	139,281

The movements of warranty and assembly provisions for the years ended December 31, are as follows:

Warranty provision	2020	2019
As of January 1	552,513	489,106
Additions	1,288,406	914,897
Disposals	(1,100,443)	(887,484)
Acquisitions	-	4,768
Currency translation differences	121,889	31,226
As of December 31	862,365	552,513
Assembly provision		
As of January 1	116,356	108,248
Additions	426,408	350,063
Disposals	(407,203)	(341,955)
As of December 31	135,561	116,356

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NOTE 18 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2020	December 31, 2019
Provision for employment termination benefits	417,673	304,252
Provision for vacation pay liability (*)	1,844	40,234
	419,517	344,486

(*) As of December 31, 2020, vacation pay provisions in the amount of TRY 29,045 are shown in employee benefit obligation.

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month’s salary limited to a maximum of full TRY 7,117.17 as of December 31, 2020 (December 31, 2019: full TRY 6,379.86) for each period of service.

The provision for employee termination benefits is not funded, as there is no funding requirement.

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future, the provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial gains and losses are accounted in equity as other comprehensive income or loss.

TFRS require actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans, The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension, this provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following demographic and financial actuarial assumptions were used in the calculation of the total liability:

	2020	2019
Net discount rate (%)	4.63	4.67
Turnover rate related the probability of retirement (%)	95.98	96.56

The principal assumption is that the maximum liability for each year of service will increase in line with inflation, Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation, As the maximum liability is revised semi-annually, the maximum amount of full TRY 7,638.96 (January 1, 2019: full TRY 6,730.15) which is effective from January 1, 2020 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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NOTE 18 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Movements in the provisions for employment termination benefits for the years ended December 31, are as follows:

	2020	2019
As of January 1	304,252	254,904
Interest expense	16,278	12,219
Actuarial losses	87,480	59,288
Subsidiary sales	(328)	-
Service cost	39,883	20,139
Payments during the year	(33,480)	(43,479)
Currency translation differences	3,588	1,181
As of December 31	417,673	304,252

There are defined benefits having the attributes of employment termination benefits in the foreign subsidiaries of the company. The geographical distribution of provision for employment termination benefits is as follows:

Turkey	398,813	296,364
Non – Turkey	18,860	7,888
	417,673	304,252

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2020 is below:

	Net discount rate		Turnover rate related the probability of retirement	
Sensitivity level	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase
Rate	4.1%	5.1%	95.5%	96.5%
Change in employee benefits liability	19,568	(18,036)	(14,229)	16,916

NOTE 19 – PREPAID EXPENSES

	December 31, 2020	December 31, 2019
Short-term prepaid expenses	309,640	161,977
Advances given for inventories	187,143	47,858
	496,783	209,835

	December 31, 2020	December 31, 2019
Long-term prepaid expenses	83,484	125,390
	83,484	125,390

NOTE 20 – CURRENT INCOME TAX ASSETS

	December 31, 2020	December 31, 2019
Prepaid taxes and funds	143,032	141,244
	143,032	141,244

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NOTE 21 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2020	December 31, 2019
Payables to personnel	333,481	290,599
Social security payables	91,155	139,266
Accruals for bonuses and premiums	67,918	38,390
	492,554	468,255

NOTE 22 - OTHER ASSETS AND LIABILITIES

	December 31, 2020	December 31, 2019
Other current assets:		
Value added tax and private consumption		
tax receivable	455,657	221,139
Taxes and funds deductible	454,966	344,573
Income accruals	88,832	98,323
Other	146,912	82,368
	1,146,367	746,403

Other current liabilities:		
Accruals for customer premiums	1,336,801	876,990
Advances received	317,015	262,383
Deferred income	76,891	207,951
Other	8,022	15,456
	1,738,729	1,362,780

Other long-term liabilities:		
Deferred income (*)	487,712	210,182
Other	93,994	56,281
	581,706	266,463

(*) The significant portion of the increase in deferred revenues is related to the government incentives received for the Company's factory investment in Romania.

NOTE 23 - EQUITY

Paid-in capital

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of kurus1, Registered and issued share capital of the Company is as follows:

	December 31, 2020	December 31, 2019
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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NOTE 23 - EQUITY (CONTINUED)

Companies in Turkey may exceed the limit on registered share capital in the event of the issuance of bonus shares to existing shareholders.

The shareholding structure of the Company is as follows:

	December 31, 2020		December 31, 2019	
	Share (%)	Amount	Share (%)	Amount
Shareholders				
Koç Holding A.Ş.	40.56	274,070	40,51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2,75	18,577
Koç Family Members	8.67	58,590	8,67	58,590
Total Koç Family members and companies owned by Koç Family members	51.98	351,237	51,93	350,909
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12,05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5,56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5,14	34,722
Vehbi Koç Vakfı	0.12	809	0,17	1,137
Other	25.15	169,960	25,15	169,960
Paid-in capital	100.00	675,728	100,00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

(*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/TFRS promulgated by the POA. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

All shareholders of the Company have equal rights and there are no preference shares outstanding.

Contribution to shareholders’ equity related to the merger

Contribution to shareholders’ equity related to the merger with Grundig Elektronik A.Ş. at June 30, 2009.

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NOTE 23 - EQUITY (CONTINUED)

Restricted reserves

The Turkish Commercial Code (“TCC”) stipulates that the legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

The details of these restricted reserves are as follows:

	December 31, 2020	December 31, 2019
Legal reserves	409,115	409,115

Retained earnings

Accumulated profits other than net profit for the period are reported in this account. Extraordinary reserves which are not restricted and accordingly considered as accumulated profit is accounted in this account.

Dividend distribution

In General Assembly on 25 March 2020, the Company approved not to distribute 2019 profits in year 2020.

NOTE 24 - SALES

Sales revenue grouped geographically based on the location of the customers for the years ended December 31 are shown as below:

2020	Turkey	Europe	Africa	Asia Pasific	Other	Total
Total segment revenue	14,102,538	19,309,628	2,267,040	3,531,355	1,661,922	40,872,483

2019	Turkey	Europe	Africa	Asia Pasific	Other	Total
Total segment revenue	10,326,217	15,066,835	2,112,454	3,146,165	1,290,102	31,941,773

The Group recognised net sales amounting to TRY 40,841,688 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2020.

The amount of performance obligations at ongoing contracts of the Group will be recognized in the future is TRY 313,735. The Group expects that TRY 283,140 portion of amount will be recorded as revenue to financial statements within six years.

The movements of performance obligations for the years ended December 31 are as follows:

	2020	2019
As of January, 1	240,910	208,329
Recognized as revenue	(30,835)	(29,268)
Increases due to changes in measurements	103,660	61,849
As of December, 31	313,735	240,910

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NOTE 25 - EXPENSES BY NATURE

Expenses by nature include cost of goods sold, marketing expenses, general administrative expenses and research and development expenses.

	2020	2019
Raw materials, supplies and trade goods	24,382,231	19,464,561
Changes in finished goods, work in process and trade goods	(694,380)	(500,633)
Personnel expenses	4,402,219	3,572,033
Transportation, distribution and storage expenses	2,204,375	1,901,478
Warranty and assembly expenses	1,714,814	1,264,960
Depreciation and amortization expenses	1,221,994	1,054,934
Advertising and promotion expenses	1,084,326	1,072,420
Legal consultancy and audit expenses	227,707	108,902
Insurance expenses	133,776	108,714
Provision for impairment on inventories	75,510	44,205
Other	2,276,956	1,610,967
	37,029,528	29,702,541

The functional breakdowns of depreciation, amortisation and personnel expenses are as follows:

Depreciation and amortisation expenses	2020	2019
Cost of sales	531,234	459,014
Marketing expenses	331,796	310,041
General administrative expenses	162,830	128,841
Research and development expenses	196,134	157,038
	1,221,994	1,054,934

Total depreciation charges capitalised in 2020 is TRY 19,554 (2019: TRY 14,241).

Personnel expenses	2020	2019
Cost of sales	2,025,671	1,632,065
Marketing expenses	1,291,292	1,089,876
General administrative expenses	1,000,694	783,427
Research and development expenses	84,562	66,665
	4,402,219	3,572,033

Total research and development expenditures incurred in 2020 excluding amortization amounts to TRY 491,642 (2019: TRY 429,380).

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NOTE 26 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2020	2019
Other income from operating activities:		
Foreign exchange gains arising from trading activities	1,313,860	709,273
Income from claims and grants (*)	394,364	126,162
Credit finance income arising from trading activities	41,028	69,602
Reversal of provisions for doubtful receivables (Note 8)	14,188	4,419
Other	5,920	9,279
	1,769,360	918,735

Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(503,159)	(301,854)
Cash discounts expenses	(134,017)	(106,845)
Provision expense for doubtful receivables (Note 8)	(58,484)	(44,596)
Credit finance charges arising from trading activities	(51,081)	(9,721)
Other	(13,278)	(41,193)
	(760,019)	(504,209)

(*) Upon European Commission's decision to apply a penalty to a group of CRT producers due to violation of competition, the Company and its subsidiaries have filed a lawsuit against related suppliers for the compensation of loss. In the course of the lawsuit, a total compensation income of TRY 284,376 thousand was obtained from CRT suppliers by settlement. The amount is presented in income from claims and grants.

NOTE 27 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2020	2019
Income from investment activities:		
Profit from sales of subsidiary (*)	226,498	-
Income from sales of property plant and equipment	14,077	6,816
Dividends received from financial investments	93	-
	240,668	6,816

Expenses from investment activities:		
Impairments for fixed assets (Note 12)	(48,703)	-
Loss from sales of property plant and equipment	(15,782)	(4,236)
Loss from sales financial assets	-	(4,320)
	(64,485)	(8,556)

(*) The Company has sold 100% owned subsidiary Token Finansal Teknolojiler A.Ş. for a total price of TRY 312.4 million, in line with the valuation report prepared by Ernst Young Kurumsal Finansman Danışmanlık A.Ş., to its shareholders Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. on 30 April 2020.

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NOTE 28- FINANCIAL INCOME

	2020	2019
Foreign exchange gains (*)	2,454,602	1,694,007
Gains on derivative instruments	1,145,948	1,255,352
Interest income	231,593	157,339
Other	20,353	7,625
	3,852,496	3,114,323

(*) Foreign exchange gains are related to cash and cash equivalents, financial borrowings and other financial liabilities.

NOTE 29 - FINANCIAL EXPENSES

	2020	2019
Foreign exchange losses (*)	(2,543,848)	(1,839,049)
Losses on derivative instruments	(1,510,170)	(1,240,583)
Interest expenses (**)	(1,341,916)	(1,567,957)
Other	(28,362)	(25,613)
	(5,424,296)	(4,673,202)

(*) Foreign exchange losses are related to cash and cash equivalents, financial borrowings and other liabilities.

(**) TRY 59,922 of the interest expenses consists of the interest expense on the lease liabilities (2019: TRY 44,935).

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NOTE 30 - TAX ASSETS AND LIABILITIES

	December 31, 2020	December 31, 2019
Corporation and income taxes	366,674	172,980
Prepaid tax	(358,938)	(164,240)
Tax liabilities (net)	7,736	8,740
Deferred tax assets	833,284	1,012,290
Deferred tax liabilities	(563,071)	(575,898)
Deferred tax assets, net	270,213	436,392

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The corporation tax rate is 22% in Turkey (December 31, 2019: 22%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

Income tax expense for the years ended December 31 is as follows:

	2020	2019
Tax income		
- Current period tax expense	(481,032)	(244,526)
- Deferred tax income	(137,884)	83,372
Tax income	(618,916)	(161,154)

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NOTE 30 - TAX ASSETS AND LIABILITIES (CONTINUED)

	2020	2019
Profit before tax	3,497,905	1,114,180
Less: Share of profit/loss of equity accounted investments	(41,226)	(21,041)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	3,456,679	1,093,139
Tax expense calculated using 22% local tax rate	(760,469)	(240,491)
Exemptions	39,341	72,501
Tax losses and other tax advantages (net effect)	136,989	25,943
Impact of different tax rates in other countries	27,339	13,329
The effect of the legal tax rate change on the deferred tax amount	(21,008)	-
Expenses not deductible for tax purposes	(38,040)	(30,818)
Other	(3,068)	(1,618)
Taxation income recognized in statement of profit or loss	(618,916)	(161,154)

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TAS/IFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for TAS/IFRS and Tax Laws.

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NOTE 30 - TAX ASSETS AND LIABILITIES (CONTINUED)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/liabilities provided using principal tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Property, plant and equipment and intangible assets	4,407,368	3,841,065	(1,043,338)	(914,141)
Unused tax advantages (*)	-	-	409,654	649,149
Unused tax credits	(822,908)	(866,128)	269,760	231,692
Provision for warranty, assembly and transportation expenses	(1,036,964)	(742,723)	220,513	169,878
Inventories	(606,250)	(326,795)	174,480	95,687
Provision for employment termination benefits	(398,093)	(294,991)	79,832	59,150
Provision for doubtful receivables	(125,346)	(66,862)	32,594	18,278
Derivative instruments	9,927	(84,840)	(1,988)	18,672
Other	(584,579)	(426,140)	128,706	108,027
Deferred tax assets, net			270,213	436,392

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of December 31, 2020 the tax advantage of TRY 409,654 (December 31, 2019: TRY 639,641) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements

Movements in deferred tax asset / (liabilities) for the periods ended December 31 are as follows:

	2020	2019
Balance as of January 1	436,392	366,861
Deferred tax income recognized in statement of profit or loss	(137,884)	83,372
Deferred tax income recognized directly in the equity	2,838	27,013
Acquisitions	-	(15,486)
Deferred tax effect of subsidiary sales	1,041	-
Currency translation differences	(32,174)	(25,368)
Balance as of December 31	270,213	436,392

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NOTE 30 - TAX ASSETS AND LIABILITIES (CONTINUED)

Group’s total deductible loss of which deferred tax assets have not been calculated and related maturity analysis of this amount is as follows:

	December 31, 2020
2021	74,898
2022	58,773
2023	101,720
2024 and after	739,661
	975,052

Subsidiaries’ accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management’s approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued.

NOTE 31 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income per share by the weighted average number of shares that have been outstanding during the year.

The Companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. In earnings per share calculation, this bonus share issuance is accepted as shares issued. Hence, weighted average stock share, which is used in the calculation of earnings per share, is acquired by retrospective application of bonus share issue.

Earnings per share and dividends paid in terms of share groups are as follows:

	December 31, 2020	December 31, 2019
Profit for the year attributable to shareholders of the Company	2,847,839	924,833
Weighted average number of ordinary shares with nominal value (kurus1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	4.214	1.369
Diluted earnings per share (kurus) (*)	4.214	1.369

(*) The earnings and dividends paid per diluted and basic shares do not differ since the shareholders have equal rights on the shares and there is no preferred share.

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NOTE 32 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2020	December 31, 2019
(a) Due from related parties		
Voltbek ⁽²⁾	63,945	12,042
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽³⁾	30,117	15,625
Token Finansal Teknolojiler A.Ş. ⁽¹⁾	6,475	-
Yapı ve Kredi Bankası A.Ş. ⁽³⁾	1,651	1,612
Other	965	437
	103,153	29,716

(b) Due to related parties:

Current:

Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽³⁾	463,096	265,601
Arçelik-LG ⁽⁴⁾	198,207	98,455
Ram Dış Ticaret A.Ş. ⁽²⁾	171,657	120,949
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽³⁾	46,081	23,137
Koç Holding A.Ş. ⁽³⁾	34,665	31,437
Bilkom Bilişim Hizmetleri A.Ş. ⁽³⁾	16,475	28,989
Other	65,648	37,399
	995,829	605,967

(1) Koç Holding group companies

(2) Associates

(3) Parent company

(4) Joint venture

	December 31, 2020	December 31, 2019
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	31,212
Other	-	443
	-	31,655

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NOTE 32 - RELATED PARTY DISCLOSURES (CONTINUED)

(i) Balances with related parties (continued)

Maturity breakdown of gross future minimum payables of other payables to related parties is as follows:

	December 31, 2020	December 31, 2019
Other payables to related parties (gross)		
Up to 1 year	-	31,926
1 to 5 years	-	-
	-	31,926
Future finance charges on other liabilities	-	(271)
Present value of other payables to related parties (net)	-	31,655

Maturity analysis of the present value of other payables to related parties is as follows:

	December 31, 2020	December 31, 2019
Up to 1 year	-	31,655
	-	31,655

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	3,251,407	947,607
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(1) Koç Holding group companies

(d) Derivative instruments

December 31, 2020	Contract amount	Fair value
		assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,926,271	5,230 (311)

December 31, 2019	Contract amount	Fair value
		assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	647,594	132 (1,491)

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NOTE 32 - RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Transactions with related parties

(a) Sales of goods and services:	2020	2019
Voltbek	134,675	111,357
Token Finansal Teknolojiler A.Ş.	89,150	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	52,204	44,534
Bilkom Bilişim Hizmetleri A.Ş.	38,238	-
Yapı ve Kredi Bankası A.Ş.	4,006	24,145
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3,401	980
Other	13,911	9,774
	335,585	190,790

(b) Purchases of goods and services:	2020	2019
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,846,735	1,474,587
Arçelik-LG	714,128	463,123
Ram Dış Ticaret	564,526	370,945
Bilkom Bilişim Hizmetleri A.Ş.	278,430	187,376
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	125,417	102,893
Ingage Dijital Pazarlama Hizmetleri(1)	78,915	44,358
Token Finansal Teknolojiler A.Ş.	73,496	-
Ram Sigorta Aracılık Hizmetleri A.Ş.(*) (1)	47,413	52,654
Other	181,758	235,929
	3,910,818	2,931,865

The Group purchases direct and indirect materials and receives service from Zer Merkezi Hizmetler A.Ş. The average payment term is around sixty days.

The Group purchases air conditioners produced by Arçelik-LG. Purchasing conditions are determined in line with sales conditions.

(*) As at December 31, 2020, the amount consists insurance premium and accruals to non-related insurance companies over the contracts signed through insurance agency Ram Sigorta Aracılık Hizmetleri A.Ş.

(1) Koç Holding group companies

(c) Key management compensation:

Total compensation provided to members of the Board of Directors, General Manager, Assistant General Managers and Directors directly reporting to General Manager by the Company during the year ended December 31, 2020 amounts to TRY 111,245 (December 31, 2019: TRY 75,402). Compensation includes only short-term benefits.

(a) Other transactions:	2020	2019
<i>Interest income:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	34,304	46,125
<i>Interest expense:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	23	2,778

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Hedging operations and derivative instruments

Liquidity Risk

The risk of failure in settling financial liabilities is eliminated by managing the consolidated financial position statement and expected cash flows in harmony. In this context; the maturities of the financial liabilities are kept in line with the maturities of assets to eliminate any duration mismatch, to maintain short term liquidity with effective inventory term, trade receivables and trade payables term, net working capital objectives are set and consolidated statement of financial position ratios are aimed to be kept at particular levels.

Cash flow estimations for midterm and long-term liquidity management of the Group are made by taking into account financial market and sector dynamics and cash flow cycle is observed and is tested by various scenarios.

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2020 is as follows:

Total financial liabilities (non-derivative):	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Financial liabilities	16,158,291	17,585,408	3,098,824	7,696,633	5,966,896	823,055
Lease liabilities	916,935	952,186	61,470	163,880	501,200	225,636
Trade payables	9,645,202	9,739,526	8,891,433	848,093	-	-
Other payables, third parties	726,074	726,074	637,961	88,113	-	-
	27,446,502	29,003,194	12,689,688	8,796,719	6,468,096	1,048,691

Derivative instruments	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative cash inflows	-	5,349,074	5,261,540	56,110	31,424	-
Derivative cash outflows		(5,249,719)	(5,193,385)	(56,334)	-	-
Derivative instruments (net)	19,088	99,355	68,155	(224)	31,424	-

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2019 is as follows:

Total financial liabilities (non-derivative):	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Financial liabilities	14,219,716	16,981,448	3,220,925	3,846,139	9,500,499	413,885
Lease liabilities	735,420	771,427	101,601	151,295	320,477	198,054
Trade payables	5,564,069	5,598,394	5,375,460	222,934	-	-
Other payables, related parties	31,655	31,926	8,165	23,761	-	-
Other payables, third parties	400,570	400,567	373,337	27,230	-	-
	20,951,430	23,783,762	9,079,488	4,271,359	9,820,976	611,939

Derivative instruments	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative cash inflows	-	3,804,986	3,723,180	81,806	-	-
Derivative cash outflows	-	(3,785,776)	(3,702,657)	(83,119)	-	-
Derivative instruments(net)	(80,598)	19,210	20,523	(1,313)	-	-

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT)

Interest Rate Risk

FChanges in interest rates create significant risks over financial results with due to the impact on interest sensitive assets and liabilities. These exposures are managed by establishing a fixed-floating balance in the consolidated financial statements and balancing interest rate sensitive assets and maturity with inter balance sheet items and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual re-pricing dates is crucial. In order to minimize the exposures to interest rate volatility, contractual re-pricing date of financial liabilities and receivables and “fixed interest/ floating interest”, “short-term/ long-term” balance within liabilities are structured coherently.

December 31, 2020 (%)	TRY	EUR	USD	GBP	RON	RUB	QNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR	INR	HKD	MYR	BDT
Current Assets																								
Cash and cash equivalents	1741	0,24	2,83	0,00	1,52	4,19	1,05	3,51	-	(045)	4,35	-	440	(075)	0,65	1,33	0,15	0,55	0,61	5,50	2,39	0,13	0,80	-
Trade receivables	898	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																								
Short-term bank borrowings	952	0,44	2,05	-	-	2,00	-	4,64	-	-	-	-	-	-	3,25	-	-	-	-	-	-	-	-	702
Trade payables	1782	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																								
Long term bank borrowings	1400	1,95	-	-	-	-	-	5,50	-	-	-	-	-	-	-	-	-	-	-	741	-	-	-	950
Long term bonds issued	1907	400	5,10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2019 (%)																								
Current Assets																								
Cash and cash equivalents	1064	(0,00)	2,14	0,63	0,26	747	161	-	0,75	(0,75)	5,26	1,19	4,75	(0,75)	0,00	1,35	0,70	0,55	1,00	11,25	-	0,13	-	-
Trade receivables	486	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																								
Short-term bank borrowings	1904	0,45	2,39	-	3,62	-	-	8,03	-	-	-	-	-	-	3,25	-	-	-	-	1374	-	-	-	-
Trade payables	968	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																								
Long term bank borrowings	1841	2,63	-	-	-	-	-	9,66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	1907	400	5,10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	2020	2019
Financial instruments with fixed interest rates		
Time deposits	7,751,630	5,125,211
Borrowings and bonds issued	13,043,245	11,320,264
Factoring liabilities	120,716	125,967
Financial instruments with variable interest rates		
Time deposits	2,973,233	1,244,498
Borrowings	2,994,329	2,773,485

At December 31, 2020, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been TRY 211 (2019: TRY 15,290 lower/ higher) as a result of lower/higher interest income/expense arise from time deposits and borrowings with variable interest rates.

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Credit risk

The Group is exposed to credit risk arising from receivables from credit financed sales and deposits with banks.

Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

- Bank guarantees (guarantee letters, letter of credits etc.),
- Credit insurance (Global insurance policies, Eximbank and factoring insurance etc.),
- Mortgages,
- Cheques-notes negotiated.

In credit risk control, for the customers which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. Individual risk limits are set in accordance and the utilization of credit limits is regularly monitored.

For banks, the ratings of the independent rating institutions are taken into consideration.

Same credit risk management principles are used for the management of the financial assets. Investments are made to instruments with highest liquidity and credit note of the company of transaction is taken into consideration.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Details of credit and receivable risk as of December 31, 2020 and December 31, 2019 are as follows:

December 31, 2020	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	103,153	12,114,517	11,819,407	27,354
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(9,147,345)	-	-
A. Net book value of financial asset either arenot due or not impaired	103,153	11,452,216	11,819,407	27,354
-Secured portion by guarantees, etc.	-	(8,616,932)	-	-
B. Net book value of overdue but not impaired financial assets	-	618,934	-	-
- Secured portion by guarantees, etc.	-	(475,930)	-	-
C. Net book value of the impaired assets	-	54,483	-	-
- Overdue (Gross book value)	-	344,032	-	-
- Impairment (-)	-	(289,549)	-	-
- Secured portion of the net value by guarantees, etc.	-	(54,483)	-	-
D. Expected credit losses (-)	-	(11,116)	-	-

December 31, 2019	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	17,674	9,549,714	6,830,479	2,008
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(7,443,494)	-	-
A. Net book value of financial asset either are not due or not impaired	17,674	8,869,904	6,830,479	2,008
-Secured portion by guarantees, etc.	-	(6,888,335)	-	-
B. Net book value of overdue but not impaired financial assets	-	627,870	-	-
- Secured portion by guarantees, etc	-	(498,736)	-	-
C. Net book value of the impaired assets	-	56,423	-	-
- Overdue (Gross book value)	-	284,247	-	-
- Impairment (-)	-	(227,824)	-	-
- Secured portion of the net value by guarantees, etc.	-	(56,423)	-	-
D. Expected credit losses (-)	-	(4,483)	-	-

(1) Amounts showing the maximum credit risk exposed as of reporting date by excluding guarantees in hand and other factors that increase the credit quality.
(2) Major part of guarantees is composed of mortgages and trade receivable insurances.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit quality of financial assets which are not overdue and not impaired.

	December 31, 2020	December 31, 2019
Group 1	396,995	151,125
Group 2	10,814,135	8,470,945
Group 3	344,239	265,508
	11,555,369	8,887,578

Group 1 - New customers (customers for a period less than 3 months).

Group 2 - Existing customers with no defaults in the past (customers for a period of more than 3 months).

Group 3 - Existing customers with some defaults in the past of which were fully recovered.

b) Aging analysis of the receivables which are overdue but not impaired

	December 31, 2020	December 31, 2019
0-1 month	280,494	301,664
1-3 months	115,120	133,773
3-12 months	86,777	147,167
1-5 years	136,543	45,266
	618,934	627,870

c) Geographical concentration of the trade receivables

	December 31, 2020	December 31, 2019
Turkey	5,011,328	4,389,145
Europe	4,769,736	3,152,228
Other	2,436,606	2,026,015
	12,217,670	9,567,388

The Group has applied the simplified approach stated in TFRS 9 for the calculation of expected credit loss provision for trade receivables. This approach allows expected credit loss provision for all trade receivables. In order to measure expected credit losses, the Group appropriately classified its trade receivables based on maturity and credit risk characteristics. The expected credit loss ratio for each class of trade receivables, which is grouped using past loan loss experiences and forward-looking macroeconomic indicators, is calculated and the expected credit loss provision has been calculated by multiplying the determined rate and totals of trade receivable.

December 31, 2020	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.02	0.05	0.73	1.42	
Gross carrying amount	11,555,369	303,297	115,120	581,799	12,555,585
Loss allowance provision	1,869	141	843	8,263	11,116

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

December 31, 2019	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.02	0.04	0.34	0.54	
Gross carrying amount	8,887,578	311,941	133,773	455,031	9,788,323
Loss allowance provision	1,425	133	452	2,473	4,483

Foreign exchange risk

Since the Group operates in a diverse geographical area, operations are performed using multiple currencies. Therefore, foreign exchange risk is one of the most significant financial risks that the Group is exposed to.

Trade relations between the Company and its subsidiaries are structured within the framework of relevant legislations and managed centrally by subsidiaries' functional currencies. Thus, foreign currency risk born by the subsidiaries is minimized. It is aimed to set the ratio of foreign exchange risk position over equity at a predetermined interval.

The main principle of foreign currency risk management is to minimize the impact of foreign exchange fluctuations by maintaining foreign exchange asset position close to zero.

Inter balance sheet methods are preferred for the management of foreign currency risk as in other risk items. However, when necessary, derivative instruments are also used for maintaining foreign currency position at a predetermined level.

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2020, a portion of bank borrowings amounting to EUR 153,846,154 (before tax) was designated as a net investment hedging instrument (December 31, 2019: EUR 153,846,154).

Foreign currency position

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments are as follows:

	December 31, 2020	December 31, 2019
Assets	14,798,292	10,015,946
Liabilities	(13,445,264)	(9,079,570)
Net position of financial statement	1,353,028	936,376
Net position of derivative instruments	(1,922,645)	(1,058,778)
Foreign currency position (net)	(569,617)	(122,402)

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Currencies, other than the functional currencies of the Company and its' subsidiaries are accepted as foreign currencies. The original currencies are presented in thousands (‘000).

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2020 are as follows:

	EUR	USD	GBP	DKK	CNY	PLN	ZAR	CZK	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets											
Trade receivables	462,086	216,884	118,865	51,732	457,319	132,958	-	323,228	232,159,305	207,025	8,167,183
Monetary financial assets	115,680	738,471	42	4,158	-	1	-	8	-	272	6,468,502
Other	643	8,974	-	-	37,790	-	-	-	-	-	113,923
Current Liabilities											
Trade payables	107	6,501	-	-	-	-	-	-	-	-	48,684
Total Assets	578,516	970,830	118,907	55,890	495,109	132,959	-	323,236	232,159,305	207,297	14,798,292
Non-Current Liabilities											
Trade payables	-	-	-	-	-	-	-	-	-	-	-
Trade payables	283,315	376,169	5,505	623	237,140	-	2,250	-	5,891,861	51,620	5,688,632
Financial liabilities	12,163	10,241	-	-	-	-	-	-	-	-	184,737
Other monetary liabilities	4,114	9,148	2	-	-	-	-	-	-	-	104,230
Non-Current Liabilities											
Trade payables	-	3,748	-	-	-	-	-	-	-	-	27,512
Financial liabilities	418,316	500,000	-	-	-	-	-	-	-	-	7,438,399
Other monetary liabilities	-	239	-	-	-	-	-	-	-	-	1,754
Total Liabilities	717,908	899,545	5,507	623	237,140	-	2,250	-	5,891,861	51,620	13,445,264
Net Position of Financial Statement											
Net Position of Financial Statement	(139,392)	71,285	113,400	55,267	257,969	132,959	(2,250)	323,236	226,267,444	155,677	1,353,028
Off-balance sheet derivative assets (*)	219,398	27,840	-	-	130,149	-	-	-	-	44,861	2,371,069
Off-balance sheet derivative liabilities (*)	(93,950)	(159,450)	(112,650)	(73,500)	(455,000)	(128,747)	-	(321,753)	-	(192,117)	(4,293,714)
Net position of off-balance sheet items	125,448	(131,610)	(112,650)	(73,500)	(324,851)	(128,747)	-	(321,753)	-	(147,256)	(1,922,645)
Net Asset/(Liability) Position of Foreign Currency	(13,944)	(60,325)	750	(18,233)	(66,882)	4,212	(2,250)	1,483	226,267,444	8,241	(569,617)
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(139,392)	71,285	113,400	55,267	257,969	132,959	(2,250)	323,236	226,267,444	155,677	1,353,028
Hedged Amount of Foreign Currency Assets	93,950	159,450	112,650	73,500	455,000	128,747	-	321,753	-	192,117	4,293,714
Hedged Amount of Foreign Currency Liabilities	219,398	27,840	-	-	130,149	-	-	-	-	44,861	2,371,069

(*) Some portion of EUR denominated bonds issued designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2019 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	ZAR	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets									
Trade receivables	428,385	192,969	107,633	408,465	464,057	115,882	206	387,131	5,831,996
Monetary financial assets	127,453	542,613	22	-	-	1	73	3,408	4,074,481
Other	832	14,704	-	-	19,539	-	170	-	109,469
Total Assets	556,670	750,286	107,655	408,465	483,596	115,883	449	390,539	10,015,946
Current Liabilities	-	-	-						
Trade payables	224,845	239,301	4,993	-	108,551	-	12	8,716	3,056,175
Financial liabilities	15,958	9,216	-	-	-	-	72	-	160,905
Other monetary liabilities	843	9,129	-	-	-	-	139	38,642	98,535
Non-Current Liabilities								-	
Financial liabilities	420,050	500,000	-	-	-	-	10	-	5,763,689
Other monetary liabilities	-	-	-	-	-	-	630	-	266
Total Liabilities	661,696	757,646	4,993	-	108,551	-	863	47,358	9,079,570
Net Position of Financial Statement	(105,027)	(7,360)	102,662	408,465	375,045	115,883	(414)	343,181	936,376
Off-balance sheet derivative assets (*)	240,096	39,902	-	-	55,870	-	-	33,146	1,914,188
Off-balance sheet derivative liabilities (*)	(134,600)	(49,273)	(104,800)	(408,000)	(460,000)	(113,646)	-	(364,621)	(2,972,966)
Net position of off-balance sheet items	105,496	(9,371)	(104,800)	(408,000)	(404,130)	(113,646)	-	(331,475)	(1,058,778)
Net Asset/(Liability) Position of Foreign Currency	470	(16,731)	(2,138)	465	(29,085)	2,237	(414)	11,706	(122,402)
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(105,859)	(22,064)	102,662	408,465	355,506	115,883	(584)	343,181	826,907
Hedged Amount of Foreign Currency Assets	134,600	49,273	104,800	408,000	460,000	113,646	-	364,621	2,972,968
Hedged Amount of Foreign Currency Liabilities	86,250	39,902	-	-	55,870	-	-	33,146	891,019

(*) Some portion of EUR denominated bonds issued designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

As of December 31, 2020, and December 31, 2019, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
December 31, 2020				
USD net asset/liability	52,327	(52,327)	40,991	(40,991)
Secured portion from USD risk	(96,608)	96,608	(96,608)	96,608
USD Net effect	(44,281)	44,281	(55,617)	55,617
EUR net asset/liability	13,020	(13,020)	(37,462)	37,462
Secured portion from EUR risk	(25,581)	25,581	113,002	(113,002)
EUR Net effect	(12,561)	12,561	75,540	(75,540)
GBP net asset/liability	112,763	(112,763)	142,261	(142,261)
Secured portion from GBP risk	(112,017)	112,017	(112,017)	112,017
GBP Net effect	746	(746)	30,244	(30,244)
DKK net asset/liability	6,682	(6,682)	6,682	(6,682)
Secured portion from DKK risk	(8,886)	8,886	(8,886)	8,886
DKK Net effect	(2,204)	2,204	(2,204)	2,204
PLN net asset/liability	26,462	(26,462)	56,442	(56,442)
Secured portion from PLN risk	(25,623)	25,623	(25,623)	25,623
PLN Net effect	839	(839)	30,819	(30,819)
ZAR net asset/liability	(113)	113	153,252	(153,252)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	(113)	113	153,252	(153,252)
VND net asset/liability	7,199	(7,199)	9,235	(9,235)
Secured portion from VND risk	-	-	-	-
VND Net effect	7,199	(7,199)	9,235	(9,235)
CNY net asset/liability	28,846	(28,846)	21,000	(21,000)
Secured portion from CNY risk	(36,325)	36,325	(36,325)	36,325
CNY Net effect	(7,479)	7,479	(15,325)	15,325
CZK net asset/liability	11,133	(11,133)	18,945	(18,945)
Secured portion from CZK risk	(11,082)	11,082	(11,082)	11,082
CZK Net effect	51	(51)	7,863	(7,863)
Other net asset/liability	15,567	(15,567)	574,966	(574,966)
Secured portion from other currency risk	(14,726)	14,726	(14,726)	14,726
Other Currency Net effect	841	(841)	560,240	(560,240)
	(56,962)	56,962	794,047	(794,047)

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
December 31, 2019				
USD net asset/liability	(4.372)	4.372	(7.353)	7.353
Secured portion from USD risk	(5.567)	5.567	(5.567)	5.567
USD Net effect	(9.939)	9.939	(12.920)	12.920
EUR net asset/liability	32.470	(32.470)	(44.253)	44.253
Secured portion from EUR risk	(32.156)	32.156	70.161	(70.161)
EUR Net effect	314	(314)	25.908	(25.908)
GBP net asset/liability	79.835	(79.835)	92.853	(92.853)
Secured portion from GBP risk	(81.498)	81.498	(81.498)	81.498
GBP Net effect	(1.663)	1.663	11.355	(11.355)
RUB net asset/liability	3.902	(3.902)	87.377	(87.377)
Secured portion from RUB risk	(3.897)	3.897	(3.897)	3.897
RUB Net effect	5	(5)	83.480	(83.480)
PLN net asset/liability	18.113	(18.113)	34.153	(34.153)
Secured portion from PLN risk	(17.763)	17.763	(17.763)	17.763
PLN Net effect	350	(350)	16.390	(16.390)
ZAR net asset/liability	(17)	17	121.211	(121.211)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	(17)	17	121.211	(121.211)
CNY net asset/liability	31.708	(31.708)	41.364	(41.364)
Secured portion from CNY risk	(34.167)	34.167	(34.167)	34.167
CNY Net effect	(2.459)	2.459	7.197	(7.197)
Other net asset/liability	34.316	(34.316)	396.614	(396.614)
Secured portion from other currency risk	(33.147)	33.147	(33.147)	33.147
Other Currency Net effect	1.169	(1.169)	363.467	(363.467)
	(12.240)	12.240	616.088	(616.088)

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Import and exports performed to / from Turkey for the year ended as of December 31, 2020 and 2019 are as follows:

	December 31, 2020 TRY	December 31, 2019 TRY
EUR	7,806,786	6,666,868
USD	2,366,762	1,774,060
GBP	2,815,746	2,265,015
Other	1,465,645	1,157,970
Total exports	14,454,939	11,863,913
EUR	2,397,022	2,034,602
USD	5,773,415	4,485,139
GBP	14,111	7,118
Other	5,572	3,439
Total imports	8,190,120	6,530,298

Capital Risk Management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Total financial liabilities (Note 6)	17,075,225	14,955,136
Cash and cash equivalents (Note 4)	(12,002,246)	(6,937,060)
Net financial liabilities	5,072,979	8,018,076
Equity	14,050,969	9,815,969
Total capital invested	19,123,948	17,834,045
Gearing ratio	27%	45%

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NOTE 34 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial Assets

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Financial Liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term.

As of December 31, 2020, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 11,518,711 (December 31, 2019: TRY 10,364,465) (Note 6) and TRY 11,679,705 (December 31, 2019: TRY 10,526,745) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of borrowings considering the changing country risk premium and changes in market interest rates.

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NOTE 34 - FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of December 31, 2020 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 7)	-	27,354	-
Financial investments (Note 5)	5,535	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	(8,266)	-

Fair value hierarchy table as of December 31, 2019 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 7)	-	2,008	-
Financial investments (Note 5)	2,930	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	82,606	-

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NOTE 35 - SUPPLEMENTARY CASH FLOW INFORMATION

Statements of cash flows are presented within the consolidated financial statements.

Details of “adjustments for provisions” and “adjustments for impairment loss” lines presented in the consolidated statements of cash flows are as follows:

	1 January- December 31, 2020	1 January- December 31, 2019
Adjustments for provisions:		
Acorual for customer premiums	459,811	256,468
Warranty provision	309,853	63,407
Provision for assembly and transportation cost	60,515	21,263
Provision for employment termination benefits	54,345	32,432
Acorual for bonuses and premiums	29,527	(1,321)
Provision for vacation pay liability	(9,246)	5,579
Return provisions	(11,796)	(268)
Provision for legal claims	(36,633)	6,077
	856,376	383,637

	1 January- December 31, 2020	1 January- December 31, 2019
Adjustments for impairment loss:		
Provision for impairment on inventories	75,510	44,205
Provision for doubtful receivables	58,484	44,596
Impairments for fixed assets	48,703	-
	182,697	88,801

NOTE 36 – EVENTS AFTER BALANCE SHEET DATE

A Share Purchase Agreement has been signed between the Company and Hitachi Global Life Solutions, Inc. (“Hitachi GLS”) on December 16, 2020, in order to establish a joint venture that Arçelik A.Ş. will control with the majority interest to operate in the global home appliances market outside the Japanese market. When the closing conditions stated in the said agreement are fulfilled, Joint Venture Agreement, Master Brand Agreement and other related agreements will be signed between the parties in year 2021. In this context, Hitachi GLS will incorporate a new company in the Netherlands and transfer all the assets and home appliances business lines owned by its 12 subsidiaries to the new company. Arçelik A.Ş. will buy 60% of the shares of this company (the “Company”). Transaction value is calculated as USD 300 million on a cash-free and debt-free basis for 60% of the business, including all the minority interests. The transaction value is subject to customary adjustments based on the balance of net debt and net working capital of the Company as of closing date. The transaction is subject to fulfilment of the closing conditions in the SPAs including the approvals to be granted by the Regulatory Authorities. The transaction is expected to be closed by April 1, 2021.

Contact

General Information

Reporting Period

Trade Name

Trade Registry and Number

HQ Address

Website

Phone

Fax

Call Center

: 01.01.2020 - 31.12.2020

: Arçelik A.Ş.

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