Arçelik A.Ş.

Green Financing Framework

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Arçelik

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1 Introduction to Arçelik

Arçelik was founded in 1955 by its parent company Koç Group (57.2% ownership as of the date of this Framework), which is Turkey's largest industrial investment holding company. Arçelik specializes in consumer durables and consumer electronics, offering production, marketing, and after-sales support services in more than 145 countries with its 12 brands. Arçelik's global brands are Beko and Grundig. The remaining brands Arçelik, Blomberg, Elektrabregenz, Arctic, Leisure, Flavel, Defy, Altus, Dawlance and Voltbek are local jewels in their markets. Arçelik is the market leader with Arçelik brand in Turkey, Arctic in Romania, Defy in South Africa, Dawlance in Pakistan, Beko in the UK, France and Poland. With over 30,000 employees around the world, Arçelik has Sales and Marketing Offices in 34 countries, 22 production facilities in 8 countries, 20 R&D and Design Centers in Turkey and R&D Offices across six countries.

In 2020 Arçelik net consolidated sales reached to €5 billion. Almost half of the revenue comes from sales in Europe, 34% from Turkey and the remaining 18% from other countries globally.

Arçelik's corporate vision is *'Respecting the World, Respected Worldwide'* as it passionately nurtures its global growth story with greener production, better utilization of natural resources and more sustainable business processes.

2 Arçelik Sustainability Strategy

In line with its vision, *'Respecting the World, Respected Worldwide'*, Arçelik puts sustainability at the center of its business and incorporates it as part of its growth strategy, focusing on creating shared value that nurtures natural, social and financial capital to the best interest of all stakeholders. Within the framework of Arçelik's sustainability approach *'In Touch Technology'* it focuses on being in touch with the Business, Planet and the Human Needs. Arçelik believes that it must go beyond its current habits and behavior models, the way it thinks now, and everything that is thought to be impossible today. Arçelik designs, builds and lives the future, today. Arçelik designs technologies that will improve the future.

With Arçelik's global reach and broad network of stakeholders, it strives to be a part of the solution in tackling environmental and social problems. Arçelik considers the climate crisis as the ultimate emerging risk the company and the world faces.

Arçelik focuses on responsible production and consumption along with circular economy across its entire value chain. Arçelik is reducing its environmental footprint through its innovations and the improvements it makes in its operations.

Sustainability as a Business Model

Within the In Touch Technology Framework, Arçelik strives to embed sustainability as a business model within each and every department in the company and aims to realize the transformation to sustainable business models together with its stakeholders across its value chain.

In terms of governance, Arçelik has appointed a Board Member responsible to report to the Board of Directors the essential aspects of the sustainability strategies developed quarterly.

The Sustainability Council headed by the CFO meets quarterly to discuss on the sustainability strategy of the company and to take important decisions regarding the road map ahead.

Arçelik is a TCFD supporter company and publicly discloses its climate related risks and opportunities in line with its long term growth strategy.

Arçelik's 2030 Targets

Arçelik embarked on a journey to make a difference with a holistic sustainability approach it calls *'In Touch Technology'*. Arçelik's 2030 targets[1] fit into these principles of sustainable growth and value creation, and are aligned with the United Nations Sustainable Development Goals (SDGs).

Being in Touch with Business, Arçelik focuses on transforming its supply chain and sets forth long term targets for its suppliers. Arçelik is committed to no longer working with suppliers that do not have ISO 14001 certificate as of 2023 and ISO 5001 certificate as of 2030, globally. Arçelik also sends questionnaires to its suppliers with its Supplier Sustainability Index Program to monitor their ESG performance.

Arçelik believes in the importance of creating a diverse workforce and strongly supports empowerment of women in the workplace. Arçelik has a target to increase female manager ratio to 30% in the workplace globally as of 2030.

Arçelik's growth strategy is based on the efficient use of resources and the company gives great emphasis on developing sustainable business models to increase efficiency in production, increase efficiency and circularity in products and to grow ethically to respect human rights needs along the value chain.

Arçelik's global brands are also acting as sustainability ambassadors to create awareness among the communities where Arçelik operates.

[1] For interim 2023 and 2025 targets, please refer to Arçelik's 2019 Sustainability Report

In Touch Technology

Within the scope of Arçelik's sustainability agenda, Arçelik focuses on the future, the environment, and the needs of people and its business.

In Touch with Our Planet

- *Establish 15 MW renewable energy systems in own operations*
- *Purchase 100% green electricity in global production plants*
- *Increase recycled plastic content in products to 40%*
- *Increase bio based content in products to 5%*
- *In production: Reduce energy consumption and water withdrawal by 45% per product produced (from 2015 baseline)*
- *In production: Increase the waste recycling rate to 99% in global operations*
- *Release a 50 MW solar roof business model in Turkish market*
- *Invest €50m in renewable energy, energy efficiency and green electricity*

In Touch with Human Needs

- *With Beko: Raise awareness among 80 million people about healthy living*
- *With Grundig: Serve 1M meals to 500k people in need*
- *Save 1,200 tons of food from being wasted*
- *Raise awareness amongst 3,5 million people on combating food waste*
- *Support local communities with local hero brands in Turkey, Romania, South Africa and Pakistan*

In Touch with Business

- *Increase female manager ratio to 30%*
- *Assign 3 female directors in STEM (Science, Technology, Mathematics and Engineering) departments (1 factory director and 2 technical departments)*
- *Ensure that more than 50% of employees participate in a minimum of one volunteering activity*
- *Establish a corporate volunteering platform in all countries where it operates*
- *Increase Supplier Sustainability Index Response Rate to 70%*
- *Obtain ISO 50001 Energy Management Certificate for global suppliers*

Arçelik's Strategy on Transition to a Low Carbon Economy

40% of energy used in homes is consumed by home appliances. Two-thirds of household consumption comes from the Middle Class, and the Middle Class population is expected to reach 5.4 billion by 2030. The new Middle Class is predominantly Asian, spread out in China, India, and South and South East Asia. There is low penetration in the market especially in countries like India, Pakistan, and Bangladesh. Electricity use will soar as the Middle Class demands more major domestic appliances such as refrigerators, washing machines and air conditioners.

Home appliance sector plays a crucial role in the fight with combating climate crisis by developing climate friendly products that use fewer resources and that are accessible to all in line with the 2030 UN SDGs.

As a global home appliance company with a focus to grow on the Asian countries, Arçelik is aware of its responsibility to produce more energy efficient products to serve the increasing demand with energy efficient and affordable products, especially in markets where there is no current regulatory environment to set rules for minimum energy consumption of appliances.

Arçelik Becomes Carbon Neutral in Global Production Facilities

In 2020, Arçelik became **carbon neutral across its global production facilities** by offsetting its greenhouse gas (GHG) emissions in 2019 and 2020. Through its Carbon Financing Project for Energy Efficient Refrigerators which Arçelik initiated in 2013 in Turkey, it received the right to 305,407 tons of CO_2e emission reductions between 2013-2018 by putting on the market more energy efficient products than the average ones on the market. Arçelik's carbon credit is verified by a third party verification company, and will be used to offset Arçelik's direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions generated in global production plants in 2019 (verified by BSI Group) and 2020. Importantly, this was accomplished without purchasing any carbon offset credits.

Through its long-term carbon-neutral strategy in line with the Science Based Targets Initiative (SBTi), Arçelik plans to continue the Carbon Financing Project for Energy Efficient Refrigerators in Turkey for 4 more years as well as contributing to the reduction of GHG emissions through various renewable energy investments.

Arçelik's Science Based Targets Have Been Approved

A target is deemed a Science Based Target if it is in line with goals defined by the latest climate science necessary to meet the goals of the Paris Agreement, meaning limiting temperature rise to well-below 2 degrees Celsius (°C) and pursue efforts to limit temperature rise to 1.5°C. In the event such targets cannot be met, the world is prone to extreme climate catastrophe. This poses a very highly likely potential threat on companies in terms of climate related financial risks. The Global Investors Coalition on Climate Change (GICCC), endorsed by 409 investors, representing more than US$24 trillion in assets committed to investing in companies that are minimizing and disclosing climate related risks, while embracing opportunities at the same time.

Despite the risks, research reveals that over a third of the world's largest 200 companies do not fully disclose GHG emissions, especially Scope 3 emissions in the value chain resulting from the extraction of raw materials, the logistics and the use phase of products.

**Scope 1: GHG emissions directly from company operations, Scope 2: emissions arising from energy purchased by companies, Scope 3: GHG emissions in the entire value chain*

Arçelik's 2030 greenhouse gas emissions reduction targets were approved in November 2020 by the **Science Based Targets initiative** (SBTi), for a well below 2 degree scenario. Arçelik commits to:

- **Reduce absolute Scope 1 and 2 GHG emissions 30% by 2030** (2018 base year); and
- **Reduce absolute Scope 3 GHG emissions from the use of sold products by 15% by 2030** (2018 base year)

By committing to the Science Based Targets, Arçelik became one of the 623 companies worldwide in the efforts towards a low carbon future. Scope 3 emissions are the major group of Arçelik's entire GHG emissions. The biggest portion of Scope 3 emissions are generated in the use phase of the sold products, interlinked to the energy efficiency levels of the products. The challenge comes from Scope 3 target to reduce emissions generated from the use phase of the sold products by 15% in 2030 compared to 2018 baseline.

This addresses a radical circa 20% energy reduction target per product in a top line approach compared to current product efficiency levels. Arçelik's growth strategy is predominantly focused on South East Asia and other emerging markets where there is no requirement in the market for minimum energy efficiency requirements, coupled with no significant decarbonization plans and minimal renewable energy power generation on grid. Arçelik will produce and sell more energy efficient products in these countries, even though there are no energy requirement regulations.

Sustainability Indices & Awards

Arçelik knows that it cannot realize its vision of playing a role in solving environmental and social problems and producing technologies of the future alone, so it believes in the importance of working together with its stakeholders. To be a role model for its sector, Arçelik implements best practices in sustainability and aims to include all the actors in its value chain, from suppliers to dealers, employees, and customers in its business processes, to inspire them, and expand its practices. Through Arçelik's *'Our target market is the world'* approach, it implements pioneering work in Turkey and in international markets with the awareness of being a global company with a large impact area. Arçelik's success is confirmed by inclusion in the global indices and the awards it receives.

Arçelik has been recognised as the **Industry Leader in Household Durables in the Dow Jones Sustainability Index (DJSI)**, one of the most respected sustainability indices in the world, which evaluates the sustainability performance of the largest global companies, for the second time in a row in 2020. Being included in the DJSI Emerging Markets Category for four years in a row, Arçelik's is the only Turkish manufacturing company listed on the index. Additionally, Arçelik received the **SAM Gold Class Award**[2] and was included in the **2021 Sustainability Yearbook as an Industry Mover**[3], one of the world's most comprehensive publications in sustainability.

Arçelik is listed in the **34th place in the Corporate Knights Global 100 Most Sustainable Corporations** and it is also included in the **Carbon Clean 200 list**.

Arçelik is recognized as a "**Top Impact Company**" by **Real Leaders** for efficient use of resources and circular economy solutions to develop smart technologies, promote healthier lifestyles and empower local communities.

Arçelik's Arctic 4.0 Washing Machine Factory in Romania is named as a **Global Lighthouse Factory by the World Economic Forum** and the factory also received a **LEED Platinum Certificate** thanks to the Industry 4.0 technologies adopted, the use of real time data, AI, and its sustainable practices such as the photovoltaic (PV) panels to generate electricity and concentrated solar power (CSP) panels to generate heating and cooling systems, and wastewater recycling plant for the factory.

Arçelik[4] received an A- in the **Carbon Disclosure Project (CDP)** 2020 Climate Change and Water Security programs.

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

[2] For companies to be eligible to receive a SAM Gold Class Award, they need to be in the best performing top 1% within their own industry
[3] Companies that receive the highest scores compared to the previous year are titled as an Industry Mover
[4] Arçelik's CDP reports cover only Turkey operations

3 Arçelik Green Financing Framework

Arçelik has established this Green Financing Framework, under which Arçelik and its subsidiaries can raise Green Bonds and Green Loans (together, "Green Financing Instruments"), in conjunction with Arçelik's sustainability agenda outlined above.

This Green Financing Framework has been established in line with the most recent available versions of the Green Bond Principles (GBP) issued by the International Capital Market Association (ICMA) in June 2018[5], and the Green Loan Principles (GLP) issued by the Loan Market Association (LMA), Loan Syndications & Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA) in February 2021[6].

In line with the above, the Framework covers the following core elements:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Arçelik will aim to adhere to best practices in the market and will review the Green Financing Framework's alignment to updated versions of the Green Bond Principles and Green Loan Principles as and when they are released. As such, this Framework may be updated and amended in the manner described in Section 4 ("Amendments to this Framework") below.

3.1 Use of Proceeds

The amount equal to the net proceeds of Green Financing Instruments, issued by Arçelik under this Framework, will be exclusively used to finance and/or refinance, in whole or in part, eligible Green projects ("Eligible Green Projects") in the following Eligible Green Categories:

- Energy Efficient Products
- Eco-efficient and/or Circular Economy Adapted Products
- Energy Efficiency in Production
- Pollution Prevention and Control
- Sustainable Water and Wastewater Management
- Renewable Energy
- Green Buildings

The Eligible Green Projects may include projects funded no more than 36 months before the issuance of each Green Financing Instrument.

[5] ICMA Green Bond Principles, June 2018, https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/
[6] LMA/LSTA/APLMA Green Loan Principles, February 2021, https://www.lsta.org/content/green-loan-principles/

3.1.1 Eligible Green Categories

Energy Efficient Products

Arçelik uses R&D to increase efficiency in products that use energy efficiently. Arçelik reduces GHG emissions of its products in the use phase which contributes to Arçelik's Scope 3 emissions by energy efficient products. This provides financial savings to consumers as well as reducing their environmental footprints. In addition to this, in 2019 48% of Arçelik's turnover was from its energy efficient products that are preferred more by consumers. In 2019, Arçelik saved a total of 277,813 GJ in annual energy consumption compared to the previous reporting period by the products manufactured in Turkey.

The European Commission's Energy-Using Products (EuP) Directive aims to improve energy and environmental performance throughout the entire lifecycle of products by the systematic integration of efficiency characteristics starting from the design stage. Arçelik develops its products in accordance with this directive. Moreover, Arçelik partners with the U4E Initiative, which plays a major role in changing the efficient products market. Arçelik also supports the development of efficient products, the implementation of energy policies, and the application of standards and regulations in testing products.

An example to Arçelik's contribution to the environment to push legislation voluntarily to improve energy efficiency would be the improvements in Defy, Arçelik's subsidiary in South Africa. When Arçelik acquired Defy back in 2011, there was no minimum energy efficiency requirement in South Africa. Following investments in innovation and product energy efficiency, average efficiency levels of Defy refrigerator sales increased from "E" to "A" in 5 years, meaning more than 50% decrease in energy consumption. The gap between what Defy offers and the legal limit on the market signifies more than 40% energy saving. Defy is the market leader by far in South Africa, and the country is now fully aligned with EU labeling regulations.

The Eligible Green Projects within this category will contribute to Arçelik's SBTi-validated target of reducing its absolute Scope 3 GHG emissions from the use of sold products by 15% by 2030 (2018 base year).

Eligibility Criteria:

- R&D, test equipment and other development-related expenditures related to achieving substantial energy efficiency improvements in Arçelik's products
    - The improved products outperform reference products (predecessor product in the particular product family) in terms of energy efficiency

Use of Proceeds Examples:

- R&D with the aim to improve the energy efficiency of a product, test equipment expenditures for testing the energy efficiency level of the products, expenses related to the molds required to enable the production of the improved energy efficient products

Eligible Green Projects in this Eligible Green Project Category are primarily aimed at addressing UN SDGs 7 (Affordable and Clean Energy) and 9 (Industry, Innovation and Infrastructure).

Eco-efficient and/or Circular Economy Adapted Products (excluding energy efficient products)

With the innovative products Arçelik offers, in addition to the improvements it makes in its operations, Arçelik strives to protect natural resources and to reduce its environmental footprint. Arçelik strives to improve product efficiency and its eco-friendly product range by integrating sustainability into every product it makes.

Resource Efficiency, Recycled and Eco-Efficient Materials

75% of the plastics produced worldwide end up in landfills. It is predicted that, by 2030, approximately 104 million plastic waste will be mixed into ecosystems unless a solution to the global plastic crisis is found. Plastic pollution significantly harms marine species, and affects fishing, marine transportation, and tourism activities, resulting in negative economic consequences. To fight the plastic crisis, Arçelik's in-house R&D teams develop innovative material reduction, recycled plastic, bio plastic and waste composites formulas to be used in products. Arçelik's 2030 targets include using 40% recycled materials and 5% bio based materials in the products. Arçelik designs its products' packaging volume and weight to produce minimum waste and carries out reuse and recycling projects to reduce the environmental impacts caused by its packaging processes.

As of 2021, Arçelik has also become a signatory of the Business Plastics Initiative, which is part of the New Plastic Economy Global Commitment of more than 450 organizations gathered under a common vision to address plastic waste and pollution in cooperation with the United Nations Environment Program (UNEP). As a signatory, Arçelik has set the below mentioned interim 2023 targets:

- Increasing the recycled plastic content in products from 3,000 to 15,000 tons per year
- Increasing the recycled plastic parts made from waste fishing nets from 8 tons to 25 tons per year
- Increasing the recycled plastic parts made from waste PET bottles from 28 million to 60 million per year
- Using 750 tons of biopolymer and bio composite raw materials including PLA per year
- Using plastics generated from Arçelik's Waste Electrical and Electronic Equipment (WEEE) recycling plants in three different product categories
- Recycling 600 tons of packaging waste generated from our manufacturing plants to be used in plastic parts
- Completing and approving R&D processes for using 30% recycled material content in plastic packaging including EPS, shrink, and strip
- Completing R&D processes for using recycled chemical raw materials in food contact product parts

Products with Recycled PET Bottles: As an innovation developed by Arçelik's in house R&D, recycled PET plastic bottles are used in washing machines, dryers, dishwashers and air conditioners. The project was first initiated in 2017. From 2017 until the end of 2020, approximately 58 million PET bottles have been recycled and used in Arçelik's products.

Besides the environmental benefits, Arçelik's PET Tub washing machines and washer-dryers also bring business benefits such as an increase in brand reputation and awareness, which is crucial to adapt sustainability as a business model. Throughout 2020, Grundig released a new campaign including these products in the scope of its brand narrative '*It Starts at Home'*, launched in 2019. Offering an alternative, sustainable life to consumers, the aim of the campaign was to increase awareness and encourage customers to prefer sustainable solutions:

- In Norway, the campaign reached a targeted audience through different digital channels and received a total of 12.7 million impressions and 1.4 million views. The brand awareness rate in Norway increased by 3.9%
- In Germany, the brand awareness figures increased by 8.6% in November 2020, and the consideration set score rose by 11.8% in December 2020
- In Spain, the brand awareness increased by 4.8% in December 2020.

Products Produced from Waste Fishing Nets and Synthetic Yarn: Arçelik uses recycled waste fishing nets and textile wastes in different parts of its product groups to prevent damage to the marine ecosystem. Fishing nets replace polyamide, a major raw material used in oven products, thanks to its high mechanical and thermal properties. Approximately 8 tons of waste fishing net 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 furnace, 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 bio-polyurethane from soybeans, eggshell composites, and bioplastics from corn with the developed technology, is 80% lower than that of 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 the world's leading trade fair for consumer and home electronics, the IFA 2019 in Berlin. The product had received a lot of positive feedback and a version containing only bioplastics was developed for sale in the UK market. This version, which includes Bio-Cool insulation, is planned to be launched in 2021. CO_2 emission per unit is reduced by 6 kg with bioplastic materials and Bio-Cool insulation materials.

Eco-Sustain – High Performance Recycled Plastic Materials: The Eco-Sustain Project promotes the use of recycled polypropylene (PP), recycled polyethylene (PE), and recycled polyamide (PA), high performance recycled plastic materials in different product groups such as detergent drawers and pump filters in washing machines, bottom chassis in tumble dryers, refrigerator components, vacuum cleaners, and toast & grills.

The proportion of recycled plastic raw materials has reached 31% in Atak vacuum cleaners, 17% in Jaguar vacuum cleaners, and 64%-73% in toast & grills. As a result of these studies, Arçelik used 124.6 tons of recycled plastics in the vacuum cleaner category, 48.7 tons in toast & grills, and 17.1 tons in hoods by the end of 2020, adding up to 190.4 tons in total.

Packaging

Arçelik is working to reduce the environmental impact of product packaging through innovation and research. Products' packaging volume and weight are designed to produce minimum waste, reuse and recycling projects are carried out to reduce the environmental impacts caused by packaging processes. The efforts made to use environment friendly product packaging in 2020 include:

- Using approximately 88% recycled cardboard in the major domestic appliances category globally, 29,196 tons of recycled cardboard has been used in this manner

- 314,5 tons of 100% recycled and recyclable cardboard boxes have been used in the small domestic appliances produced in Turkey and sold to Turkey and Europe. Arçelik targets to switch to 100% recycled and recyclable cardboard boxes in global operations as of the end of 2022 fiscal year
- Studies are initiated to replace Expanded Polystyrene (EPS) with sustainable materials for all major and small domestic appliance categories. In 2020, EPS has been replaced with 39,6 tons of 100% recycled and recyclable cardboard in ventilation hoods and Turkish coffee makers
- In 2020, approximately 3.84 million recycled PET bottles have been used in the major domestic appliance product packaging strips
- Based on in house R&D, packaging waste generated during the transportation of components in manufacturing plants is used as alternative raw materials in products such as salt funnels in dishwashers and refrigerator components
- Production packaging waste has been reduced by 366 tons per year by switching to reusable boxes for shipments of materials with suppliers. As a result of packaging improvement efforts with suppliers, the use of 41 tons of plastic packages has been reduced.

Eligibility Criteria:

- Expenditures (incl. R&D and procurement of materials) related to achieving substantial environmental improvements in Arçelik's products, in areas such as packaging, material reduction, usage of recycled and bio materials[8] as well as chemical reduction in products
    - The improved products outperform reference products (predecessor product in the particular product family) in one or more of the above mentioned areas

Use of Proceeds Examples:

- R&D and procurement expenses related to using recycled and bio based (R&D expenses only) materials in products, increasing recycled content in packaging, completely replacing EPS with 100% recycled and recyclable cardboard

Eligible Green Projects in this Eligible Green Project Category are primarily aimed at addressing UN SDGs 7 (Affordable and Clean Energy) and 9 (Industry, Innovation and Infrastructure).

Energy Efficiency in Production

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

Arçelik tracks energy efficiency in production by setting targets. Arçelik identifies areas that require improvement with effective audit mechanisms, and in parallel with this, increases productivity with projects that reorganize production processes. Within this scope, in 2019, Arçelik implemented a total of 233 energy efficiency projects in different subjects such as compressed air, energy efficiency in HVAC systems and lighting systems, insulation, heat recovery, energy efficient motor transformation, and process optimization in operations in Turkey, Romania, Russia, China, South Africa and Thailand.

[7] For bio materials, only R&D expenditures are included. Sourcing of bio materials is excluded

Thanks to these projects and improvements, in 2019[8] Arçelik saved approximately 90,000 GJ of energy globally, while reducing greenhouse gas emissions by 7,156 tons.

The Eligible Green Projects within this category will contribute to Arçelik's SBTi-validated target of reducing its absolute Scope 1 and 2 GHG emissions 30% by 2030 (2018 base year), as well as Arçelik's target of reducing energy consumption in production by 45% per product produced by 2030.

Eligibility Criteria:

- Expenditures related to energy efficiency improvements in Arçelik's operations (incl. in warehouses, factories and administrative buildings)

Use of Proceeds Examples:

- Investments in LED lighting; energy monitoring systems; compressed air systems; energy efficient machinery; combustion, cooling and fan systems; pumps and electric motors; heat recovery; process automation; HVAC; insulation; electricity systems; and process improvements

Eligible Green Projects in this Eligible Green Project Category are primarily aimed at addressing UN SDG 7 (Affordable and Clean Energy).

Pollution Prevention and Control

Waste management challenge as a result of rapid population growth and increasing industrialization has become one of the major crises in the world. Arçelik believes that this crisis should be managed responsibly through the collaboration of business, governments, and societies. Arçelik carries out waste management in a way that is a global role model for its sector. With innovative approaches, Arçelik reduces waste generation in production, and generates solutions for waste with its products. Arçelik manages its impact by focusing on tackling plastic pollution and food waste, which are significant crises in the world, and reduces package waste as well as ensures recycling based on the circular economy.

To meet its Near Zero Waste target, Arçelik uses resources more efficiently, prevents and reduces waste resulting from its operations, and improves the effectiveness of separating waste at its source. Arçelik has set a target of increasing waste recycling rate to 99% by 2030. Arçelik invests in technologies that consume fewer resources and reduce the amount of raw materials it uses as well as its chemical consumption and waste generation by reconstructing product design and manufacturing processes.

Arçelik's two WEEE Recycling Plants in Turkey, established in 2014, collect old products from the market regardless of their brand and replace them with new, energy efficient ones through Arçelik's widespread network of authorized dealers and service shops. The products collected from the market are then recycled in these plants. The Eskişehir plant is equipped to recycle refrigerators while the Bolu Plant takes other white goods and SDAs.

Since 2014, when Arçelik's WEEE Recycling plants started their operations to 2020, Arçelik has saved a total of 326GWh of energy, or in other words, the daily electricity consumption of about 41 million households, by preventing old products from consuming high levels of energy from the grid. This amount is equivalent to the annual energy production of 52 wind turbines each with 2.5 MW capacity. In addition,

[8] 2020 figures have not been third party audited yet, therefore the figures are provided for 2019 fiscal year. The 2019 figures are audited by a third party.

Arçelik has prevented approximately 160,000 tons of CO_2 emissions by recycling waste products. Furthermore, Arçelik has saved 6.5 million tons of water by replacing old-tech products with new eco-friendly ones. This amount is equivalent to the daily water consumption of approximately 8 million households. Arçelik recycled approximately 1.3 million WEEE units between 2014 and 2020 in its two WEEE recycling plants in Turkey.

Eligibility Criteria:

- Expenditures (incl. R&D) related to waste prevention, waste reduction in production, process improvements in line with Arçelik's Near Zero Waste target, and GHG management in Arçelik's operations in line with Arçelik's Strategy to Combat Climate Crisis

Use of Proceeds Examples:

- WEEE (Waste Electrical and Electronic Equipment) recycling plant investments, digitalization of GHG emission management in entire value chain, hazardous and non-hazardous waste reduction projects, projects preventing and eliminating waste to landfill

Eligible Green Projects in this Eligible Green Project Category are primarily aimed at addressing UN SDG 12 (Responsible consumption and production).

Sustainable Water and Wastewater Management

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

Efforts to increase water efficiency and reuse contribute to protecting our rapidly depleting freshwater resources. In addition to new investments in R&D and innovative technologies, it is necessary to develop water policies and adopt a good and effective form of management. Arçelik has set a target of reducing water withdrawal per product by 45% (from 2015 baseline) by 2030 (in S. Africa, Russia, Turkey, Romania, Thailand and Pakistan operations).

In the last 10 years, Arçelik has saved 1.58 million m^3 of water with its water efficiency projects. This amount is equivalent to the daily water consumption of approximately 2 million households.

The Eligible Green Projects within this category will contribute to Arçelik's target of reducing water withdrawal in production by 45% per product produced by 2030.

Eligibility Criteria:

- Expenditures (incl. R&D) related to projects that significantly increase water efficiency, water recycling and water reduction in Arçelik's production operations

Use of Proceeds Examples:

- Investments in WWTPs (wastewater treatment plants), wastewater recycling systems, rainwater harvesting, closed loop water cycle projects and water consumption monitoring

Eligible Green Projects in this Eligible Green Project Category are primarily aimed at addressing UN SDG 6 (Clean Water and Sanitation).

Renewable Energy

Within Arçelik's *'In Touch with Planet'* strategy pillar, it has set targets for 2030 for establishing renewable energy systems with 15 MW capacity and for purchasing 100% green electricity in global production plants. Arçelik has also outlined interim targets for 2025, to establish renewable energy systems with 10 MW capacity and to purchase 100% green electricity in Turkey operations between 2020-2025. Arçelik also has a target to release a solar roof business model in Turkish market with 20 MW by 2025, and to invest €50m in renewable energy, energy efficiency and green electricity by 2030.

Eligibility Criteria:

- Expenditures related to investments in establishing renewable energy systems, as well as procurement of renewable energy

Use of Proceeds Examples:

- Investments in on-site and off-site solar PV and CSP

Eligible Green Projects in this Eligible Green Project Category are primarily aimed at addressing UN SDG 7 (Affordable and Clean Energy).

Green Buildings

As a part of its efforts in improving energy efficiency in its production processes, Arçelik is also investing in new, energy efficient buildings. Arçelik's first ever factory built in accordance with the concept and the principles of Industry 4.0. began production in 2019. The factory, Arçelik's Washing Machine Plant in Romania, was built as a low-cost building with renewable energy usage, internal air quality control, material selection, and energy and water savings, and was awarded the Platinum Certificate, which is the highest level in the LEED green building rating system, after evaluation by the US Green Buildings Council (USGBC). With this award, Arçelik earned the honor of being the first and only LEED Platinum certified production plant in Romania.

Arçelik is planning to invest in further projects in the future, in line with its SBTi-validated target of reducing absolute Scope 1 and 2 GHG emissions 30% by 2030 (2018 base year), as well as the target of reducing energy consumption in production by 45% per product produced by 2030.

Eligibility Criteria:

- Expenditures related to factories, warehouses or other buildings that have received or are expected to receive one of: Gold or Platinum LEED certification; BREEAM 'Excellent' or 'Outstanding' certification; or a nationally recognised equivalent certification

Use of Proceeds Examples:

- New factory investments

Eligible Green Projects in this Eligible Green Project Category are primarily aimed at addressing UN SDGs 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure) and 11 (Sustainable Cities and Communities).

3.2 Process for Project Evaluation and Selection

Arçelik has set up a Green Financing Committee which is responsible for the evaluation and selection of the projects to be financed and/or refinanced through the proceeds of Green Financing Instruments. The Green Financing Committee is headed by the CFO and includes the Finance Director, Sustainability Director, Treasury Manager, and Sustainability Manager. If required, representatives from other business units may join on a case by case basis.

The Green Financing Committee will verify the compliance of the selected pool of eligible projects with the eligibility criteria defined in this Framework and will be responsible for approving allocations of net proceeds on an annual basis.

The Green Financing Committee will monitor that Eligible Green Projects continue to meet the Eligibility Criteria set in the Framework until the proceeds have been allocated.

The Green Financing Committee will manage any future updates to this Framework.

3.3 Management of Proceeds

The net proceeds of any Green Financing Instruments will be managed by the Treasury Department. Arçelik intends to allocate 100% of an amount equal to the net proceeds of Green Financing Instrument issuance to funding Eligible Green Projects and will, on an ongoing basis, monitor the allocated funds as a part a formal internal process thereafter.

The Treasury will establish a Sustainable Register, which will be reviewed annually by the Green Financing Committee. The registry will contain information of the Use of Proceeds of each Green Financing Instrument, including the amount of allocation per Eligible Project Category.

If for any reason some projects are no longer eligible, or get exposed to any material ESG allegations or controversies, Arçelik will use its best efforts to substitute such projects as soon as is practical, once an appropriate Eligible Green Project for substitution has been identified by the Green Financing Committee.

Pending the full allocation of the net proceeds to Eligible Green Projects, any unallocated funds will be held in cash and short term deposits, within Arçelik's Treasury liquidity policy, at its own discretion.

3.4 Reporting

Arçelik plans to disclose the allocation of the amount equal to the net proceeds, on an annual basis and within one year from the first Green Financing Instrument issuance[9], until the full allocation of the net proceeds to Eligible Green Projects, and as necessary in the event of any material changes.

[9] In line with the LMA GLP 2021, in the context of loans and credit facilities, the information need only be provided to those institutions participating in the loan, and can be negotiated and agreed on between the borrower and lenders on a transaction-by-transaction basis

Arçelik plans on reporting on the associated environmental benefits on an annual basis starting one year from the first Green Financing Instrument issuance.

The report(s) will be made available to investors on the Investor Relations section of Arçelik's website.

Allocation Reporting

Where feasible, Arçelik will aim to report the following information:

- The percentage of an amount equal to the net proceeds allocated to Eligible Green Projects
- The percentage of financing/refinancing
- A breakdown of allocated amounts to Eligible Green Projects

Impact Reporting

Where feasible, Arçelik will aim to report on the following impact metrics:

Green Project Category	Example Impact Reporting Metrics
Energy Efficient Products	• Estimated GHG emissions reduced/avoided through energy efficiency (tCO_2e) • % of sales from energy efficient products
Eco-efficient and/or Circular Economy Adapted Products	• KG of raw material per produced unit before and after the project • Amount of chemicals reduced • Materials sourced sustainably or recycled (tonnes) • Avoided resource waste (tonnes) • Waste that is prevented, minimised, reused or recycled (tonnes) • % of sales from environmentally friendly products
Energy Efficiency in Production	• Estimated GHG emissions reduced/avoided through energy efficiency (tCO_2e) • Expected annual GHG emissions reduced/avoided (tCO_2e) • Expected annual energy savings
Pollution Prevention and Control	• Waste that is prevented, minimised, reused or recycled (tonnes) • Avoided waste to landfill (tonnes) • Amount of hazardous materials reduced
Sustainable Water and Wastewater Management	• Volume or water saved or avoided (m^3) • Volume of wastewater treated for reuse (m^3) • Amount of rainwater harvested (m^3)
Renewable Energy	• Expected annual GHG emissions reduced/avoided (tCO_2e) • Expected annual renewable energy generation (MWh/GWh)
Green Buildings	• Environmental certification type and year of certification • Expected annual energy savings • Floor space of Green Buildings

In case of co-financing, Arçelik will report on the pro rata share of the impact or provide the share of financing from Green Financing Instrument proceeds as a percentage of total project financing if total project impact is being reported.

The impact reporting will also provide information on the methodology and assumptions used for calculation of the impact metrics.

3.5 External Review

3.5.1 Second Party Opinion

Arçelik has obtained a Second Party Opinion from Sustainalytics, an internationally recognised external verifier, confirming the alignment of Arçelik' Green Financing Framework with ICMA GBP and LMA GLP. The Second Party Opinion by Sustainalytics will be made available to investors on the Investor Relations section of Arçelik' website.

3.5.2 Annual review

Arçelik's annual allocation reporting will also be subject to external verification by an External Auditor. The auditor will verify the following, until the full allocation of the proceeds:

- The compliance of assets financed by the Green Financing Instrument proceeds with eligibility criteria defined in Section 3.1 of this Framework
- Allocated amount related to the Eligible Green assets financed by the Green Financing Instrument proceeds
- The management of proceeds and unallocated proceeds amount

The external auditor's report will be made available to investors on the Investor Relations section of Arçelik's website.

4. Amendments to the Framework

Green Financing Committee will review this Green Financing Framework on a regular basis, including its alignment to updated versions of the ICMA GBP and LMA/LSTA/APLMA GLP, as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of Arçelik and Sustainalytics. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures. The updated Framework, if any, will be published on the Investor Relations section of Arçelik's website.

Disclaimer

Forward-Looking Statements:

This Green Financing Framework contains certain forward-looking statements in relation to Arçelik's expectations and forecasts of future events. Since forward-looking statements are based on expectations and forecast, these are subject to uncertainties, known and unknown risks and other factors that may cause Arçelik's actual performance to be different from any future results or performance which were specified in the Green Financing Framework. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this document. This Green Financing Framework is provided for informational purposes and does not constitute a recommendation in relation to the purchase, sale, subscription or disposal of any debt or other securities of Arçelik or any of its subsidiaries. This Green Financing Framework is not intended to be, an offer to sell or an offer to buy any securities of Arçelik or any of its subsidiaries. Before taking any investment decision, prospective investors should make their own examinations in relation to Arçelik and its subsidiaries and the nature of the securities. Neither this document nor any other related material is intended for distribution to or published in any jurisdiction or country in which it is unlawful to do so.