
Arçelik

**Global Human
Rights Due
Diligence Process**

1. INTRODUCTION

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. With over 30,000 employees around the world, Arçelik has Sales and Marketing Offices in 34 countries, 22 production facilities in Turkey, Romania, Russia, Thailand, South Africa, Pakistan, India and Bangladesh; 20 R&D and Design Centers in Turkey and R&D Offices across six countries.

Arcelik Human Rights Due Diligence Process outlines the systematic approach adopted by Arcelik for the identification of actual and potential adverse impacts of salient human rights issues considered relevant for Arçelik's operation network in the entire value chain, including its own operations, the operations conducted in its business partners as well as measures taken during new acquisitions/mergers. The due diligence process also covers the prevention and mitigation efforts with respect to actual/potential salient human rights risks of the Group collectively.

2. GOVERNANCE of HUMAN RIGHTS PROCESS

2.1. POLICY COMMITMENT

Operating in a vast geography with different potential human rights concerns, it is of uttermost importance to ensure Arcelik Group Companies and its value chain adheres to the human rights issues of all stakeholders concerned. Arçelik and its Group Companies commits to respect Human Rights of all stakeholders including employees and business partners, suppliers, third party contractors, dealers, service network, customers, consumers and all other individuals affected by its operations, products or services and incorporates responsible business conduct into policies and management systems.

Arçelik acknowledges the fact that the complexity of its operations as well as the operations in the entire value chain makes it challenging to track the salient human rights risks but having a due diligence procedure in place is powerful enough to turn risks into opportunity to create a resilience business environment.

In diligently looking after the protection of the human rights of its value chain, Arçelik and its group companies specifically look out to protect the rights of own employees, employees in the value chain in business partners, third party contracted labor, women, migrant workers, children, indigenous people, local communities, ethnic, religious and linguistic minorities, persons with disabilities as indicated in the UN Guiding Principles on Business and Human Rights.

Arçelik adheres to act in line with the below mentioned international standards and principles regarding Human Rights:

ILO Declaration on Fundamental Principles and Rights at Work (1998),
Worst Forms of Child Labor Convention (Convention No. 182), (1999).
UN Guiding Principles on Business and Human Rights (2011),
UN Global Compact (2000),
OECD Guidelines for Multinational Enterprises (2011),

Women's Empowerment Principles (2011),

Arçelik and its Group Companies commits to the human rights principles in the relevant publicly available documents. These documents which are communicated to all employees, business partners, customers and consumers provide the guidance for Arçelik's expectation to embed the human rights due diligence management system effectively within the value chain.

- [Arçelik Global Code of Conduct](#)
- [Arçelik Global Code of Conduct Operations Policy](#)
- [Arçelik Global Responsible Purchasing Policy](#)
- [Arçelik Global Environmental Policy](#)
- [Arçelik Global Human Rights Policy](#)
- [Arçelik Global Anti-Discrimination and Anti-Harassment Policy](#)
- [Arçelik Authorized Service Policy](#)
- [Arçelik Global Operational Health and Safety Policy](#)
- [Arçelik Operational Health and Safety Workplace Code of Conduct](#)
- [Arçelik Conflict Minerals Policy](#)

We manage human rights due diligence activities together with Quality, Environmental, Occupational Health and Safety Management Systems in an integrated manner. This enables Arçelik and its Group Companies to implement the commitments stated in the relevant policies.

2.2 IMPLEMENTATION OF HUMAN RIGHTS COMMITMENT

Arçelik implements a due diligence process to identify, mitigate and prevent potential and actual salient human rights issues in the entire value chain. The due diligence process covers risk identification in own operations, in the value chain as well as in cases of acquisitions or mergers.

All findings from the assessment of due diligence for own operations, for those in the value chain as well as any concerns raised for potential mergers/acquisitions are systematically reported to the Human Rights Due Diligence Committee.

With the revised and reinforced structure, an internal "Human Rights Due Diligence Committee" led by the Quality Systems Management team has been established, enabling us to identify the improvement opportunities for potential impacts of human rights issues in all our activities. The Quality, Sustainability and Corporate Affairs Director, who is appointed by the Board of Directors as the responsible person to report sustainability related matters to the Board of Directors chairs the Human Rights Due Diligence Committee. The Human Rights Due Diligence Committee consists of members from Human Resources, Industrial Relations and Administration Affairs, Sustainability, Global Compliance, Enterprise Risk Management, Operational Health and Safety, Environment and Purchasing and Workspace Design departments.

The Human Rights Due Diligence Committee gathers quarterly to systematically revise the risk mapping of potential human rights issues within our existing business and new business relations as well as risks in the value chain. In terms of the value chain, our priority is assessing the risks of Tier-1 suppliers. The duty of the Human Rights Due Diligence Committee is to act proactively to ensure that the operations in the value chain do not have adverse impacts on individuals.

The methodology includes working on the internal and third-party audit results of own operations and audits conducted in the value chain to analyse actual adverse impacts and come up with corrective action plans to mitigate risks further. Proactive prevention measures against potential salient human rights issues are also discussed during those meetings. Discussions are based on the following:

- Evaluation of activities carried out within the scope of human rights due diligence studies
- Review of the risk mapping of salient human rights.
- Follow-up of social responsibility goals,
- Assessment of audit findings,
- Assessment of complaints, remedies and remediation proposals,
- Evaluation of complaints, solutions, and improvement suggestions,
- Review of decisions taken at the previous meeting

The outcomes of the meetings are reported to the Sustainability Council led by the CFO quarterly. The decisions taken in the Sustainability Council are further reported quarterly to the Sustainability Responsible Board Member appointed by the Board of Directors. The Global Ethics Committee is responsible for the management and implementation of the Global Code of Conduct and Related Code Policies. The CEO leads the Global Ethics Committee, and Koç Holding Consumer Durables President, one of the members of the Board of Directors, informs the Board about the company's compliance with the Global Code of Conduct and related Code Policies and about the activities of the Ethics Committee. The Legal and Compliance Director reports to the Koç Holding Consumer Durables President every quarter.

Risk Mapping Process in Own Operations:

There is a twofold process consisting of an internal audit program as well as third party audits.

Systematic internal audits are carried out by the related human resources responsible in the global factory network. Aside from internal audits, as a member of the Business Social Compliance Initiative (BSCI) the factories undergo annual BSCI audits as well on issues such as social management systems, employee engagement, freedom of association and collective bargaining, prevention of discrimination, fair remuneration, OHS, prevention of precarious employment, prevention of forced and child labor, environmental protection, and ethical behavior.

Internal audit plans are organized and announced by the Quality Systems together with other management systems audits. These audits are conducted by the related Human Resources representatives in factories.

External audits can be planned on customer request. Announcement about these inspections are made to the representatives of Human Rights Due Diligence Committee by the Quality Systems Management to allow them to participate.

The findings of internal/third party audits are then reported to the central Human Resources team. Based on the type of actual finding or warning against a potential adverse impact, the central Human Resources team (incl. Industrial Relations and Administration Affairs) informs the related teams among Sustainability, Global Compliance, Enterprise Risk Management, Operational Health and Safety, Environment, Workspace Design and Purchasing teams (for third party contractor findings). The relevant department that has been informed of the issue is obliged to work towards a corrective action plan in order to mitigate the risk going forward.

The Quality Management Systems division then consolidates the findings as well as corrective action plans and gathers the “Human Rights Due Diligence Committee” quarterly to discuss further. As indicated above, if needed, the decision taken in the Human Rights Due Diligence Committee are further reported to the Board of Directors via the quarterly sustainability reports prepared on behalf of the Board member appointed as the Sustainability Responsible by the Board of Directors.

Risk Mapping Process in the Value Chain:

Arçelik prioritized assessment of Tier-1 suppliers. Arçelik suppliers are audited by third party audit firms in terms of human rights violations that might arise in the value chain. Any risks identified by the auditors are reported by the Purchasing Team responsible to the Purchasing Director. The Purchasing Team prepares and submits action plans to the supplier. As indicated in the Global Supplier Purchasing Policy, Arçelik expects its suppliers to follow up and close the corrective action plans in a timely manner. In cases of actual human rights violations which cannot be tolerated such as forced labor, child labor or discrimination/harassment, Arçelik immediately stops working with the concerning supplier. The external ethics audit findings of the suppliers are also discussed in the “Human Rights Due Diligence Committee” and discussed in the Sustainability Council meetings as well. As in the case of the Risk Identification Process in Own Operations, if and where needed, the Board of Directors are informed about the supplier risks via reports prepared on behalf of the Board member appointed as the Sustainability Responsible by the Board of Directors.

Risk Mapping Process for New Business Relations

Arçelik is a company focused on growth via successful acquisitions and by way of joint ventures. It is extremely important for Arçelik to implement the same level of diligent systems thinking into new business relations. During the potential due diligence phase of new partnerships such as formulating a joint venture or taking over a company, Arçelik internal risk and compliance teams analyse company information to find out any adverse issues that might turn out to have financial/reputational implications on Arçelik. During the integration phase of the newly acquired company or a recent partnership such as a joint venture, the weekly integration reports are provided to the Top Management. The integration reporting process also covers such human rights risks to the extent there are any.

2.2.1 CREATING AWARENESS FOR HUMAN RIGHTS ISSUES WITHIN THE VALUE CHAIN

All Arçelik employees and business partners, including our temporary employees and interns, are obliged to comply with the Global Code of Conduct and Related Code Policies, and we expect them to internalize and follow these rules. The Global Code of Conduct and related Policies are launched globally in 18 languages.

Our employees read and accept the Global Code of Conduct and Related Code Policies at the start of their employment. In addition, 100% of our operations are evaluated based on a corruption perception index. To ensure compliance with the Global Code of Conduct, we designed an extensive training program consisting of face-to-face and online training for all employees globally. The trainings regarding Global Code of Conduct and Related Code Policies, includes fight against bribery and corruption, as well as the prevention of human rights violations and the prevention of discrimination and harassment, responsible purchasing and conflict of interest. In 2020, over 9,000 employees worldwide, equivalent to 24.7% of all employees, received online training. Additionally, one-to-one sessions with the management team were organized.

3. SALIENT HUMAN RIGHTS ISSUES

Based on the UN Guiding Principles, salient human rights issues are defined as issues having the potential to cause the most severe negative impact through the company's activities and business relationships.

We have identified salient human rights issues of Arçelik in all our business activities in the value chain including our business partners within the scope of our internal self-assessment adopting risk-based approach considering the results of the audits as well as reports through ethics hotline. Additionally, aside from actual findings, we have also included potential issues which might be of concern considering the vast geographies and the industry that we are operating in. Therefore, the below mentioned issues are not necessarily issues that have actualized but also consider potential risk items as well. Based on these assessments, the below mentioned risks stand out as salient human rights issues of Arçelik.

Arçelik works with a third-party service provider to collect data from suppliers in terms of ethics and environmental issues to better assess their position.

Child Labor: Arçelik does not tolerate any form of child labor and strongly communicates to all business partners to immediately end any relationship with any partner who does so.

Forced Labor: Arçelik does not tolerate any form of forced labor and strongly communicates to all business partners to immediately end any relationship with any partner who does so. All operations must be conducted on a voluntary basis, and not under threat of any penalty or sanctions.

Discrimination & Harassment: Although no audit finding exists, discrimination and harassment incidents have been reported to the ethics hotline and serious measures including termination of employment and termination of business relationship with suppliers have been taken. All kinds of discrimination and harassment, including sexual harassment is explicitly prohibited by Arçelik and the same intolerance is also expected from business partners. Acting otherwise results in serious enforcement as indicated in the Arçelik Global Human Rights Policy and the Responsible Purchasing Policy.

Freedom of Association: Although there is no audit finding on this issue up to date, we keep on working to make sure this does not become an actual issue in countries with immature labor practices.

Workplace Safety: Protecting the safety of our employees and the safety of our business partners is among one of our top priorities. Arçelik has extensive measures in place to educate its employees as well as the employees of business partners. Arçelik globally owns ISO 45001 certificate. Audit findings so far are not major findings and corrective action plans for both own operations and supplier operations are in place to mitigate risks.

Working Hours: Studies are carried out to increase productivity and to understand the bottlenecks to limit the overtime made by employees. Especially with the COVID-19 period, with the increase in the undesired employee turnover due to health concerns has caused a major problem for all manufacturers.

Wage and Benefits: Arçelik compensates the employees by providing wages, overtime pay, and benefits which respectively meet or exceed legal minimum and/or sectoral standards and/or collective agreements. Arçelik strongly supports its business partners to pay wages, overtime payments and benefits, in line with law.

Equal Remuneration: Arçelik strongly supports equal remuneration for equal work and transparently discloses the wages provided to women/men for the same type of jobs performed.

For salient issues identified above, mitigation plans are in the pipeline and those plans are discussed in the Human Rights Due Diligence Committee. Regarding those issues, Arçelik expects all of its business partners to act in line with Arçelik Global Code of Conduct Framework.

As of 2020 we started to annually report and commit to continue to annually report on our public reporting the findings of the external audit results for our operations as well as our business partners.

Please find below the findings in 2020 fiscal year:

https://www.arcelikglobal.com/media/6347/sustainability_report_2020.pdf

Own operations: page 138

Suppliers: page: page 177

1. REMEDIATION

4.1 MECHANISM OF REPORTING BREACHES

For any action it is believed to be inconsistent with Arçelik and its Group Companies related Policies, the applicable law or Arçelik Global Code of Conduct, the following reporting channels are available:

Web: www.ethicsline.net

E-mail: arcelikas@ethicsline.net

Hotline Phone Numbers as listed in the web site:

<https://www.arcelikglobal.com/en/company/about-us/global-code-of-conduct/>

Arçelik guarantees that all investigations will be carried out completely confidential and any negative acts directing to whistle-blowers will be punished.

4.2 PENALTIES AGAINST BREACHES

Acting against the Global Code of Conduct and related Code Policies may lead to serious consequences. When such breaches are determined and investigated and substantiated; nature of the event incurred and repetitiveness of the behavior will be considered as aggravating or mitigating factors.

Own Operations:

Please see the Penalties Headline in Arçelik Global Code of Conduct Operations Policy.

https://www.arcelikglobal.com/media/5512/2_global-code-of-conduct-operations-policy_.pdf

Operations with Business Partners:

Termination of business partnership

Termination of business partnership and legal action against any losses incurred by Arçelik and Group Companies

Written Warning

Verbal Warning

Further education and/or coaching

Please find below the actions taken against substantiated cases in 2020 fiscal year:

https://www.arcelikglobal.com/media/6347/sustainability_report_2020.pdf

Actions taken against substantiated cases: page 39