



2021 ANNUAL REPORT

Arçelik

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SECTION 1
ARÇELİK AT
A GLANCE



We became the company
with the highest score
in the Dow Jones
Sustainability Index for
three consecutive years!

Arçelik became the company with the highest score (2021 S&P Global Corporate Sustainability Assessment - 86/100 points) in the Durable Home Appliances Category for the third time in the Dow Jones Sustainability Index, which evaluates the sustainability performance of corporate companies. It is also the first and only Turkish industrial company to be included in the Dow Jones Sustainability Index for five consecutive years.

Who We Are

ARÇELİK IN BRIEF

Founded in 1955 in Istanbul, Arçelik A.Ş. (Arçelik), with its 12 brands (Arçelik, Beko, Grundig, Defy, Arctic, Dawlance, Elektrabregenz, Blomberg, VoltasBeko, Leisure, Altus, Flavel) and more than 40,000 employees operates in the fields of durable consumer goods and consumer electronics with R&D, production, marketing, and after-sales support services. Having built a global organization network with 28 production facilities in 9 countries and 74 subsidiaries in 49 countries, the Company introduces its products to the consumers.

Arçelik, the leading white goods manufacturer in Turkey and the second largest white goods company in Europe* reached 6.5 billion Euros in consolidated revenues in 2021.

Arçelik conducts inclusive R&D activities ranging from the gestation to production of innovative products which add value to the users' lives with its own patented technologies in every field of operation. Arçelik's 29 R&D and Design Centers around the world, hosting more than 2,000 researchers have filed over 3,000 international patent applications.

Arçelik became the company with the highest score (2021 S&P Global Corporate Sustainability Assessment - 86/100 points) in the Durable Home Appliances Category for the third time in the Dow Jones Sustainability Index, which evaluates the sustainability performance of corporate companies. The company is the first and only Turkish industrial corporation listed in the Dow Jones Sustainability Index for five consecutive years. Arçelik issued €350 million Green Bond in 2021. In this context, the investments serving for environmental targets, particularly 2050 Net Zero Emission and 2030 SBT targets, will be made. It has become one of the 45 companies in the world entitled to receive the 'Terra Carta Seal', presented by the Prince of Wales of the United Kingdom to companies that have committed to combating climate change with concrete objectives within the scope of the Sustainable Markets Initiative, and is the first and only company in the world to receive this seal in its sector.

The company continues its activities in line with its vision of "Respectful to the World, Respectable in the World."

*Turkey included



OUR STRENGTH

R&D Competence Producing Its Own Technology

Arçelik Group is a global technology manufacturer with 16 R&D and Design Centers in Turkey and 13 R&D offices in the United Kingdom, China, Taiwan, Romania, Thailand, India, South Africa, Pakistan, and Russia. Arçelik Group conducts R&D activities ranging from the gestation to production of innovative products which add value to the users' lives with its own patented technologies in every field of operation. Within the scope of R&D activities, it conducts studies in the fields of sustainable, environmental technologies, energy and water consumption, noise and vibration reduction, sensor technologies, internet of things, smart home technologies, polymers, metal and surface coating technologies, hygiene, water, and air filtration, air quality, and motor driving technologies.

Diversified Production Resource

Arçelik Group expands its production resources to new geographical regions with investments and acquisitions and diversifies its production facility portfolio. Arçelik carries out 67% of the production activities of white goods, TVs, air conditioners, and tea and coffee machines in Turkey whereas 33% of them at abroad. 100% of the production of the compressors, engines, and printed circuit boards is performed in Turkey. The company carries out the production of Arçelik, Beko, Grundig, and Altus branded products at 13 production facilities established in 7 cities in Turkey. There are 15 different production facilities abroad where Arctic brand is produced in Romania, Defy in South Africa, Dawlance in Pakistan, VoltasBeko in India, Singer in Bangladesh, Beko brand in Russia, China, and Thailand.

Leadership in the Turkish Market

Arçelik Group is Turkey's leading manufacturer of smart home technologies. With its 2,830 Arçelik and Beko dealers in Turkey, it is able to produce fast solutions to changing needs and expectations positioning itself closest to the consumer. The Company, which has the widest after-sales service network in Turkey with more than 600 authorized services, maximizes the customer experience.



Solid Position in European Markets

With 74 subsidiaries in 49 countries, Arçelik Group exports goods worth up to 2.9 billion Euros in Europe. Arçelik Group, the second largest white goods company in Europe*, operates in Western Europe with the Beko brand while consolidating its position in Eastern Europe with the strength of the Arctic and Beko brands.


*Turkey included

Growth Potential in International Markets


Arçelik Group establishes strategic partnerships with regional brands and increases its market share in the countries with growth potential by acquiring well-known local brands. Arçelik achieved growth in Pakistan and Bangladesh through the acquisition of the Dawlance brand in 2016 and of the Singer Bangladesh brand in 2019, respectively, while growing in India with the partnership established in 2018 with the Voltas brand as well as reinforcing its presence in global markets through its partnership with Hitachi. The overall turnover that Arçelik obtained from exports to Africa, America, Asia Pacific, Europe, and the Middle East amounts to € 4.5 billion.

Our company has begun to evaluate the investment in refrigerator and oven production facility in Egypt for the purpose of expanding its business in Europe, the Middle East, and Africa. It is aimed to supply products from the facility planned to be founded in Egypt to the countries where we sell in Europe, the Middle East, and Africa (EMEA), especially Egypt.


OUR BRANDS




Arotic, the leader of the white goods market in Romania, has the first Industry 4.0 production facility in Continental Europe and Romania. Romania's strongest, best-selling, and well-known brand strengthens its position in Europe every passing year.




Arçelik, Turkey's leading brand of sustainability-focused home technologies, is the strongest, well-known, most reliable, and most loved brand in the white goods market. Bringing the customer experience to the next level with its environmentally friendly, innovative, and smart products, Arçelik is the first and only brand to be chosen as Lovemark for 13 years in a row. Arçelik brand, which has the most extensive sales and service network in Turkey, is also the most preferred white goods brand in Turkey.




Blomberg maintains its brand strength by adapting its 138 years of long-standing experience in quality and innovation to time and changing user needs. Focusing on smart solutions, energy efficiency, and the highest quality materials, Blomberg's aim is to blend contemporary European design with superior performance.



Dawlance, which places "Reliability" at the center of its values, is one of the leading brands in the home appliance market of Pakistan. It has the largest customer service network across Pakistan with 19 service centers, 32 dealers, and over 300 contractual service points.



Flavel, one of the most important brands in the UK and Ireland white goods market, has a product range that will meet the needs of consumers for freestanding and built-in white goods in an economical way.



Starting its journey with radio manufacturing in 1945, Grundig continued its operations with television manufacturing, thereby opening a new window into the outer world while connecting people. The product and technology portfolios of the brand focusing on quality, sustainability, and aesthetics were rapidly expanded ranging from white goods to consumer electronics, from small household appliances to audio systems. For Grundig, everything "Starts at Home."



Established in 1996, Altus offers robust, durable, quality products at optimum prices in the white goods, television, built-in, air conditioner, and small home appliances segments in Turkey.



Beko continues to offer solutions that will protect the health of people and the world since 1955 with its human and environment-oriented technologies and smart solutions. The pioneering brand, preferred by millions of people around the world, is the leader of the solo white goods market in Europe as well as the white goods market in the United Kingdom and Poland.



Defy, the leading white goods brand of South Africa, has a brand awareness of over 90% in its region of operation. With a long-standing past of 116 years, the brand facilitates consumers' lives in 6 out of 10 homes in South Africa witnessing nice memories in millions of households.



Elektrabregenz is one of the most traditional white goods brands in Austria, thanks to its rich local history. The brand is known for its quality, durable products that successfully reflect the value it produces to its performance. Elektrabregenz aims to make everyone's life easier and more enjoyable with its products.



Leisure, the traditional brand of the British self-cooker market, is among the most preferred brands in the UK, thanks to the superior quality and performance assurance of every cooker it has produced for 130 years. Leisure brand gas/electric cookers and built-in products offer a wide range of options to users who are passionate about food.



VoltasBeko combines Beko's high technology with Voltas' local know-how in India and offers its functional, elegant, and stylishly designed products to consumers with a wide service network. VoltasBeko brand, which makes life easier, has taken its place among the most well-known brands in India since 2018 when it started its operations.

OUR GROWTH STRATEGY

Built on technological competence and sustainability, Arçelik's growth strategy is based on four pillars: strengthening, expanding, diversifying, and adding value.

STRATEGY		STRATEGIC GOALS
STRENGTHENING	STRENGTHENING PRIMARY MARKETS AND PRODUCT GROUPS	Maintaining product, brand, new face, and channel investments to meet changing customer demands in Europe
		Following investment opportunities in the Middle East and North Africa, which are geographically close to the primary export markets, particularly Europe
		Continuing investments with the Defy brand in Sub-Saharan Africa and evaluating investment alternatives in other countries in the region
EXPANDING	EXPANDING GEOGRAPHICAL BORDERS	Investing in regions with a growing young population, rising purchasing power, and developing economies. Making growth investments in the Asia-Pacific region with both the Hitachi partnership and the Beko brand
		Evaluating investment, acquisition, and partnership options in North and South America
		Making investments in production facilities and new products in countries where company acquisitions are made
		Developing product sourcing competencies in China, especially in the small household appliances segment

STRATEGY		STRATEGIC GOALS
DIVERSIFYING	DIVERSIFYING THE PRODUCT PORTFOLIO	Increasing the market share of small household appliances and built-in products
		Increasing sustainable income sources by developing B2B sales
	DIVERSIFYING SERVICES	Developing business models that take into account the needs of the country by enriching the products and services in the after-sales services segment
	DIVERSIFYING CUSTOMER EXPERIENCE	Offering new solutions to customers with renewable energy solutions and an efficient dealer network in Turkey
ADDING VALUE	HEALING THE PLANET	Developing environmentally friendly products to conserve the earth's resources and reducing the environmental footprint of all stakeholders across the value chain
	HEALING THE LIFE	Developing smart technologies for society to attain a better standard of living and supporting programs that will elevate social benefit
	HEALING OUR WORK	Designing inclusive, equitable, and inspiring experiences that will create sustainable value for Arçelik employees, suppliers, dealers, and customers

Chairman's Message



Dear shareholders,

I greet you with respect and good wishes ahead of our meeting, where we will be evaluating the results of 2021.

We have left behind a year of continuing uncertainty, as local and global efforts strived to contain the coronavirus. Fueled by rapid vaccination, we witnessed a faster pace of normalization in developed economies; but rising inequality in access to vaccination led to the global emergence of new variants.

As the pandemic continued to exert pressure on the global economy, geopolitical risks also had weight throughout 2021.

“
We will go ahead with promoting the development of the economy of our country, strengthening our presence and activities in the global business environment, and creating value for our stakeholders in 2022 as well.
”

We witnessed the rising tension between Russia and Ukraine which culminated into a conflict earlier this year, the regime change in Afghanistan, the increasing stress and humanitarian crises among African countries, and the official start of the Biden administration in the United States. In 2021, climate and environmental disasters such as floods, forest fires, and mucilage once again showed us that the climate crisis is the biggest global risk facing our planet, and our economic order.

The pace of the vaccination programs determined the course of global economic recovery. Supportive policies of central banks and the fiscal steps taken initially to alleviate the economic impact of the pandemic gradually eased down. Moderate

normalization and the strong come back of production can be regarded as positive developments, but the prolonged effects of the pandemic, the new variants, the rapid rise in commodity and energy prices, and supply chain issues like the global chip crisis continued to put pressure on global growth momentum. Inflation is now a threat not only for developing economies but also for developed economies.

By the end of 2021, we acutely felt the impact of the rapid volatility in currency and rising inflation on Turkey's economy, and the predictability in terms of business and trade weakened. White goods and consumer electronics continue to carry the weight of such uncertainties. It is crucial that the administration implements the right economic measures urgently; we must return to an order that will support the nation's economy and alleviate the financial strains of households, while improving the investment climate. Our national priority must be to establish price stability. Adopting a sound and effective monetary policy and bringing inflation under control are vital strategies to ensure the health of economic recovery in 2022.

Arçelik is proud to be one of the cornerstones of Turkey's economy for almost 70 years. With this sense of responsibility, we will continue in 2022 to support the economic momentum of our nation, to strengthen our presence and vision in the global business environment, and to create value for all our stakeholders.

Honorable shareholders,

As Arçelik, we managed to preserve our strong financial structure and obtain a sustainable growth momentum despite the unique challenges of 2021. In addition to growing our business in our core markets, we also achieved strategic breakthroughs in new regions and successfully maintained our financial discipline.

We showed a solid performance in the markets we operate in, while attaining our strategic targets. The turnover of our company in the year of 2021 reached 68.2 billion TRY, recording a growth of 67%.

We intensified our focus on the Asia-Pacific region, and formally launched our joint venture company with Hitachi

GLS—a subsidiary of Hitachi, one of Japan's leading forces. With our Arçelik-Hitachi company, we are determined to unlock a great potential in the region and to utilize the knowledge, technological experience, and synergies of both groups. Another key strategic step we have taken in the last year is the acquisition of Whirlpool's plant in Manisa; which will exponentially increase our export capacity. These investments work to secure a strong growth momentum for our company's future.

Arçelik is an admired player within the Koç Group on account of its respect for society and nature, and we will continue to take firm steps to strengthen Arçelik's leadership in sustainability. In an era where sustainability gains further ground in the business community, our company serves as an example to the industry with its transformative efforts across all value chain that embraces efficient resource utilization in production, energy efficiency in products, circular economy solutions, green financing opportunities and social benefit. This valuable vision that we have adopted for years have become a strong driver of growth and reputation. Our efforts in this field allowed us to receive numerous global awards and recognition. We follow the works of our management team on this subject with appreciation.

Our company assumes a valuable role in Turkey's economy with its robust growth process, contribution to the rate of employment, high export performance, the capability of generating value for all stakeholders, and social awareness. I am fully confident that we will take this success further as the impact of the pandemic weakens and the normalization of economies stabilize, ensuring a solid growth momentum.

I would like to express my gratitude to the late Vehbi Koç, the founder of our company, who laid the foundation of our vision that carried us to our current leading position, and to our esteemed business partners, our devoted employees, unions, dealers and services; to our invaluable customers, and to you, our distinguished shareholders.

I extend my greetings and respect to you and wish you good health and wellbeing.

Rahmi M. Koç
Chairman of the Board of Directors

CEO's Message



“
We managed to maintain our strong position in 2021 despite the uncertainties in the global economy and our industry. Strengthening our position in the markets where we are the leader, we have made strong entries into new markets with our completed investments.
”

Dear Shareholders, Business Partners and Employees,

We ended 2021 under the continuing pressure of geopolitical events, new COVID variants, rising energy prices, and various supply chain crises weighing on the global economy.

The rapid pace of the vaccination programs brought on normalizations in social spheres and economic recovery in developed markets. With the emergence of the Omicron variant, however, a difficult period began once again. Economic recovery varied heavily, and emerging economies struggled

with the adverse effects of the pandemic. Coupled with uneven recovery, supply chain challenges such as the global container and chip crises, continued to slow down global economic growth.

The International Monetary Fund (IMF) estimates that the global economy have grown by 5.9% in 2021, struggling against the pandemic's impact. The economic growth forecast of Europe and developing Asian countries are estimated as 5% and 7.2%, respectively. We entered a new period of rising interest rates and inflation surges, and supportive measures of

governments and central banks began waning down. Energy and commodity prices were on the rise throughout 2021, which further threatened global growth.

Asia-Pacific countries, which carry great strategic potential for Arçelik's, were the engine of global growth in 2021, but we are now observing risks that could impact these regions. The property crisis in China, unexpected stagnation in private consumption and the omicron variant create uncertainty for the region's economic outlook.

GROWTH IN WHITE GOODS SLOWS DOWN

With COVID restrictions and lockdowns, the strong demand experienced in our sector has maintained its pace in the first half of 2021. We have, however, witnessed a decline in demand once normalization steps began to take hold in the second half of the year.

The global white goods market had to move forward under pressure from supply chain difficulties and COVID uncertainties; and recorded a growth of 14% on a turnover basis, reaching \$249 billion in 2021. The consumer demand in Western Europe countries, excluding France, Italy, Spain, and Belgium, shrank annually due to a strong base effect. Consumer demand increased in Russia, Poland, Romania, Serbia, and Ukraine.

In Turkey, demand was heavily shaped by the volatility in currency. In 2021, total sales increased by 16% annually, as domestic sales climbed up 9%. The output growth rate reached 17%. Exports increased by 18% on a unit basis, compared to 2020.

WE MAINTAINED OUR STRONG MARKET POSITIONS We succeeded in maintaining our strong position in 2021 despite global uncertainties. In addition to solidifying our position in markets where we have been leading, we made strong entries into new markets through our strategic expansion.

Despite a slowdown in the last quarter, we achieved growth in both Eastern and Western European markets annually. Our Beko brand strengthened its leading position in the UK by increasing its market share annually; and we achieved a great

milestone as our Beko teams reached £500 million in sales in the country. Beko also succeeded in taking the lead in France. We kept our leading positions in Poland and Romania, and in Russia, we improved the price index on an annual basis without losing market share. Our market share in Ukraine increased.

In South Africa, we solidified our position as the market leader with our Defy brand. As our presence in the Asia-Pacific region strengthened with the launch of our company Arçelik-Hitachi, the region's share of the company's total sales reached 19% in the last quarter. We attained Euro-based robust growth in Pakistan through an increase in units and price surges. We achieved single-digit moderate growth in Bangladesh on an annual basis, with the impact of our high performance in the first half of the year.

DESPITE UNCERTAINTIES, WE PRESERVED OUR HEALTHY FINANCIAL STRUCTURE

Even under the pressure of the pandemic, we maintained our production capacity and preserved our healthy financial structure with the completion of our strategic investments. Our consolidated turnover grew by 67% and reached 68.2 billion TRY, affected positively by surges in sales, currency fluctuation, and price increases. Our international operations made up 70% of our revenues. We recorded a net profit of 3.25 billion TRY with a 13% growth, compared to 2020. In line with our forecasts, our EBITDA (Earnings Before Interest Tax Depreciation and Amortization) came out as 10.6%.

We worked to minimize the impact of price surges in raw materials with short- and long-term contracts and diversification strategy among suppliers. We succeeded in keeping a healthy leverage ratio despite acquisitions, share buybacks, and currency instability.

OUR GLOBAL VISION EXPANDED WITH NEW INVESTMENTS

We completed significant investments in 2021 that increased our growth momentum. Our JV with one of Japan's leading companies, Hitachi, was officially launched; and Arçelik-Hitachi now operates as one of the key players in the region. Our JV has allowed us access to a wide distribution network in the

APAC region, and we achieved significant synergies, particularly in Vietnam and China.

Another key strategy we accomplished this year was to acquire Whirlpool's Manisa plant, aggressively increasing our production and export capacity, particularly for the EU market. We have also announced our decision to move Çayirova washing machine facility to Manisa to create opportunity for significant synergies, including those on supply chains and logistic costs.

We expanded our sustainability vision into financing and ventured into important green finance opportunities. We issued Turkey's first international corporate green bond, with a nominal value of €350 million, receiving strong investor demand. Arçelik has also signed an 8-year green loan agreement of €150 million with the European Bank of Reconstruction and Development (EBRD).

WE RAISED THE BAR ON SUSTAINABILITY

We have left behind a year in which we further solidified our leadership in sustainability and continued to set an example to the business community. For the third year in a row, we are the highest-rank company in the Durable Home Appliances Category of Dow Jones Sustainability Index. We pushed ourselves further in line with our commitment to a 1.5C scenario and revised our science-based targets: we now aim at drastically reducing our emissions across all scopes by 50.4% by 2030. We also continue to strategize our transformation to reach our target of becoming a net-zero company by 2050.

The global respect and admiration we receive for our climate efforts continued in 2021 as well. We had the opportunity to attend United Nations Climate Change Conference, COP26, and share Arçelik's vision and journey in the field of sustainability with experts, public figures and stakeholders. We also had the privilege to receive the Terra Carta Seal, awarded by The Prince of Wales to companies that fight the climate crisis through corporate efforts. We are the first and only company from our industry and our country to ever receive this honor.

Our sustainability vision was crowned with numerous awards all the year round: We received the “A- ” score in both Climate Change and Water Security programs within the Carbon Disclosure Project (CDP) by reporting our activities in Turkey; we were listed in the world's most sustainable 100 companies determined by Corporate Knights and we ranked 17th in Refinitiv's 2021 Diversity and Inclusion Index.

Distinguished shareholders,

Hopes of a global economic come-back fell short, and uncertainties continued to weigh down progress. The road ahead will be determined by the rise in energy prices, surges of inflation, the continuation of the pandemic-driven uncertainty and monetary policy shifts. Highlighting the uncertainty of Omicron and inflation, IMF revised its global growth forecast for 2022 down to 4.4%.

At Arçelik, we will work towards maintaining our solid financial performance and solidify our position in all markets. Our primary objective is to preserve our healthy balance sheet structure. We will ensure a sustainable growth momentum grounded on a strong financial foundation. We will continue to focus on the Asia-Pacific region, and work towards increasing our competitiveness in the European market. We will also reinforce our leading position in Turkey.

For the year ahead, we aim at a 35% growth in our sales in Turkey, a 20% growth in our FX revenues, and a 60% growth in consolidated revenue. We will work towards an EBITDA margin of around 10.5%. Furthermore, we estimate that our investments will reach about €220 million.

Consumer habits are being redefined. Digitization becomes more pivotal every day. Arçelik will keep imagining tomorrow's technologies and maintain its innovative approach.

Following in the footsteps of our washing machine plant in Romania, our Refrigerator Plant in Eskişehir is now also included in World Economic Forum's “Global Lighthouse

Network” of world's leading production facilities in Industry 4.0. We believe that the digital transformation in our manufacturing capabilities will solidify our competitive structure.

With the rise of social responsibility among business communities, companies are now obliged to create environmental and social value as well as an economic one. In 2022, we will continue to pioneer social and environmental impact on our planet and reinforce our purpose-driven nature.

I would like to take this opportunity to thank our esteemed shareholders, the growing Arçelik family over 43.000 individuals, our business partners who stood by us during these tumultuous times, and most of all, to our customers who made us a part of their lives.

Hakan Bulgurlu
CEO

“
We left behind a year in which we strengthened our leadership in climate crisis and sustainability and blazed significant trails that are exemplary to the business world.
”

Independent Auditor's Report on the Board of Director's Annual Report



CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Arçelik A.Ş.

1. Opinion

We have audited the annual report of Arçelik A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the period 1 January - 31 December 2021.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report 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.

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 26 January 2022 on the full set consolidated financial statements for the period 1 January - 31 December 2021.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

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- to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Group's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

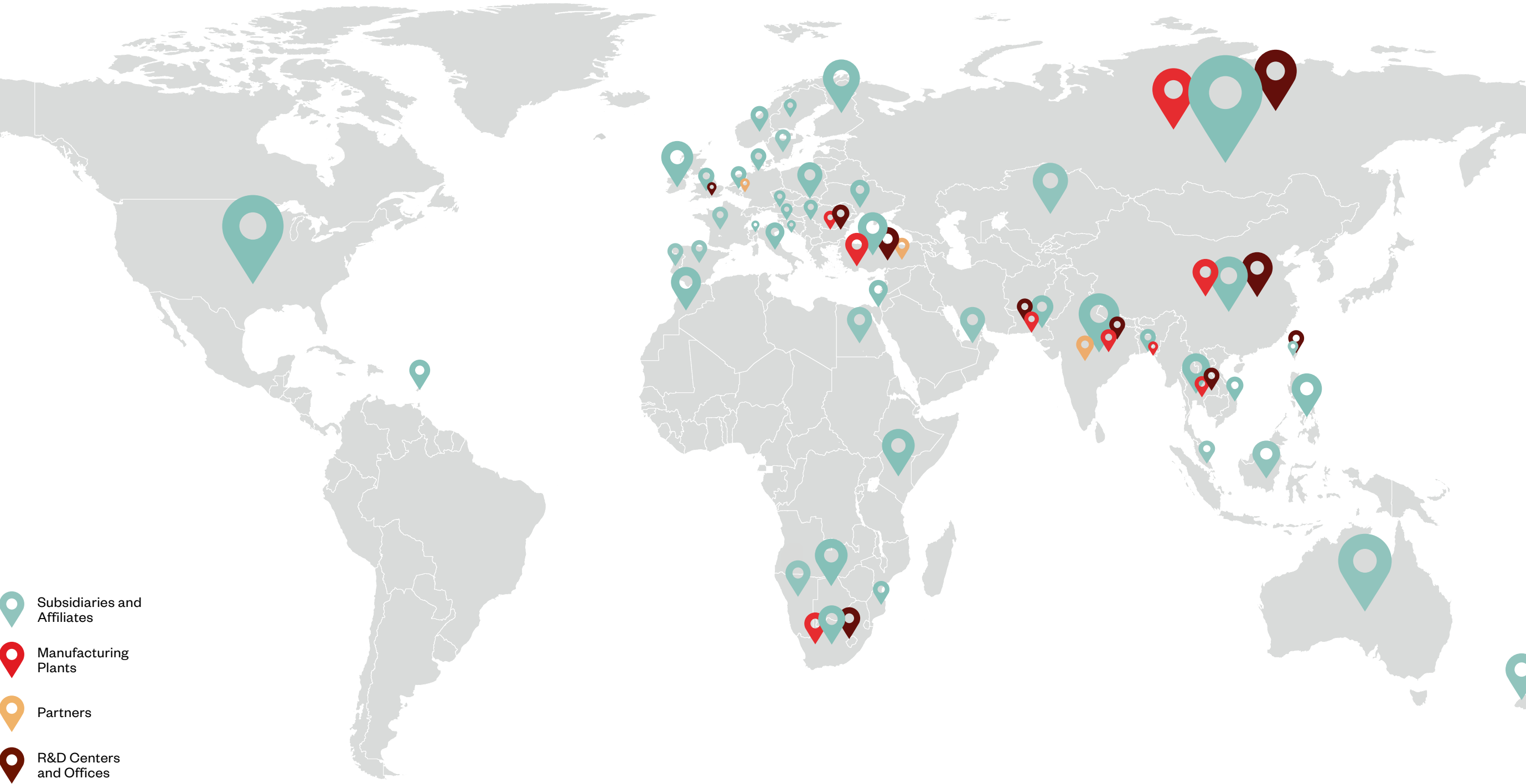
Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.


Cihan Harman, SMMM
Partner

Istanbul, 1 March 2022

Our Global Footprint





MANUFACTURING PLANTS

Eskişehir, Turkey	Refrigerator Plant
Eskişehir, Turkey	Plant-6
Eskişehir, Turkey	Compressor Plant
Bolu, Turkey	Cooking Appliances Plant
Bolu, Turkey	Cooking Appliances Plant - Plant-2
Ankara, Turkey	Dishwasher Plant
İstanbul, Turkey	Washing Machine Plant
Tekirdağ, Turkey	Electronics Plant
Tekirdağ, Turkey	Tumble Dryer Plant
Tekirdağ, Turkey	White Goods Engine and Small Home Appliances
Manisa, Turkey	Refrigerator Plant
Manisa, Turkey	Washing Machine Plant
Gaești, Romania	Arctic Refrigerating Appliances Plant
Ulmi, Romania	Arctic Washing Machine Plant
Kirzhach, Rusia	BEKO LLC Refrigerator and Washing Machine Plant
Jacobs, S. Africa	Cooking Appliances, Dryer & Washing Machine Plant
Ezakheni, S. Africa	Refrigerating Appliances Plant
Rayong, Thailand	Refrigerator Plant
Haydarabad, Pakistan	Refrigerator Plant
Karaçi, Pakistan	Washing Machine and Refrigerator Plant
Karaçi, Pakistan	Cooking Appliances and A/C Plant
Dakka, Bangladesh	Refrigerator Plant
Dakka, Bangladesh	TV, A/C and Washing Machine Plant
Kabin Buri, Thailand*	Hitachi Refrigerator Plant
Kabin Buri, Thailand*	Hitachi Washing Machine Plant
Shangay, China*	Hitachi Washing Machine
Gujarat, India*	Voltbek Refrigerator Plant
Gebze, Turkey*	Arçelik LG

*Joint Venture Plants.



R&D CENTERS AND OFFICES

Istanbul, Turkey	R&D Directorate
Eskisehir, Turkey	Refrigerator and Compressor Plant R&D Center
Istanbul, Turkey	Washing Machine Plant R&D Center
Tekirdag, Turkey	Dryer Plant R&D Center
Bolu, Turkey	Cooking Appliances Plant R&D Center
Ankara, Turkey	Dishwasher Plant R&D Center
Tekirdag, Turkey	Electronics Plant R&D Center
Ankara, Turkey	METU Teknokent R&D Center
Istanbul, Turkey	ITU Ari Teknokent R&D Center
Istanbul, Turkey	Arçelik Design Center
Istanbul, Turkey	Beylikdüzü R&D Center
Istanbul, Turkey	Small Domestic Appliances R&D Center
Istanbul, Turkey	Digital Transformation, Big Data & AI Center
Istanbul, Turkey	Manufacturing Technologies R&D Center
Cambridge, UK	Beko PLC R&D Office
Wuxi, China	Arch R&D Office
Shenzhen, China	R&D Office
Taipei, Taiwan	Electronic and Optical Application R&D Office
Gaesti, Romania	Arctic R&D Office
Rayong, Thailand	Beko Thai R&D Office
Gujarat, India*	Voltas – Beko R&D Office
Jacobs, South Africa	Defy R&D Office
Karachi,Pakistan	Dawlance R&D Office
Hayderabad, Pakistan	Dawlance R&D Office
Kirzhach, Russia	Beko LLC R&D Office
Ulmi, Romania	Arctic R&D Office
Kocaeli, Turkey*	Arçelik-LG R&D Center
Manisa, Turkey	Refrigerator and Washing Machine R&D Office
Kabin Buri, Thailand*	Arcelik Hitachi R&D Office

*Center of joint venture.



SUBSIDIARIES AND AFFILIATES

China	Arcelik Hitachi Home Appliances (Shanghai) Co., Ltd. ("AHSH")
Thailand	Arcelik Hitachi Home Appliances (Thailand) Ltd. ("AHTH")
The Netherlands	Arcelik Hitachi Home Appliances B.V. ("AHHA")
Thailand	Arcelik Hitachi Home Appliances IBC Co. Ltd.
China	Arcelik Hitachi Home Appliances Sales (China) Ltd. ("AHCN")
Singapore	Arcelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd. ("AHSG")
Thailand	Arcelik Hitachi Home Appliances Sales (Thailand) Ltd. ("AHST")
Malaysia	Arcelik Hitachi Home Appliances Sales Malaysia Sdn. Bhd. ("AHMY")
United Arab Emirates	Arcelik Hitachi Home Appliances Sales Middle East Fze ("AHME")
Vietnam	Arcelik Hitachi Home Appliances Sales Vietnam Co., Ltd. ("AHVN")
Hong Kong	Arcelik Hitachi Home Appliances Sales Hong Kong Ltd. ("AHHK")
Taiwan	Arcelik Hitachi Taiwan Home Appliances Sales Ltd. ("AHTW")
China	Arch R&D Co. Ltd.
Romania	Arctic Foundation
Romania	Arctic SA
Romania	Arwaste
Netherlands	Ardutch BV
Taiwan	Ardutch BV (Taiwan Branch)
Australia	Beko A and NZ Pty Ltd.
New Zealand	Beko A and NZ Pty Ltd. (New Zealand Branch)
Thailand	Beko APAC IBC Co. Ltd
Malaysia	Beko Appliances Malaysia Sdn Bhd.
Serbia	Beko Balkans d.o.o.
Kazakhstan	Beko Central Asia LLC
Egypt	Beko Egypt Trading LLC
China	Beko Electrical Appliances Co., Ltd.
Spain	Beko Electronics Espana SL

France	Beko France SAS
Germany	Beko Grundig Deutschland GMBH
United Arab Emirates	Beko Gulf FZE
Portugal	Beko Home Appliances Portugal, Unipessoal LDA
Hong Kong	Beko Hong Kong Ltd.
Ireland	Beko Ireland (UK branch)
Israel	Beko Israel Household Appliances Ltd.
Italy	Beko Italy SRL
Russia	Beko LLC
Morocco	Beko Morocco Household Appliances
Philippines	Beko Pilipinas Corporation
United Kingdom	Beko PLC
Czech Republic	Beko SA (Spolka Akcyjna) (Czech branch)
China	Beko Shanghai Trading Co. Ltd.
Slovakia	Beko Slovakia SRO
Poland	Beko Spolka Akcyjna
Thailand	Beko Thai Company Limited
Ukraine	Beko Ukraine LLC
USA	Beko US
Pakistan	Dawlance Private Limited
South Africa	Defy Appliances Proprietary Limited
Botswana	Defy Botswana Proprietary Ltd.
Namibia	Defy Namibia Proprietary Ltd.
Kenya	Defy Sales East Africa Limited
Swaziland	Defy Swaziland Proprietary Limited
Pakistan	DEL Electronics Private Limited
Austria	Beko Grundig Österreich AG
Switzerland	Grundig Multimedia AG
Netherlands	Grundig Multimedia BV
Norway	Grundig Nordic AS
Denmark	Grundig Nordic AS (Denmark Branch)



PARTNERS

Turkey	Arçelik-LG Klima Sanayi ve Ticaret A.Ş.
India	VoltBek Home Appliances Private Limited
Netherlands	Arçelik Hitachi Home Appliances B.V.

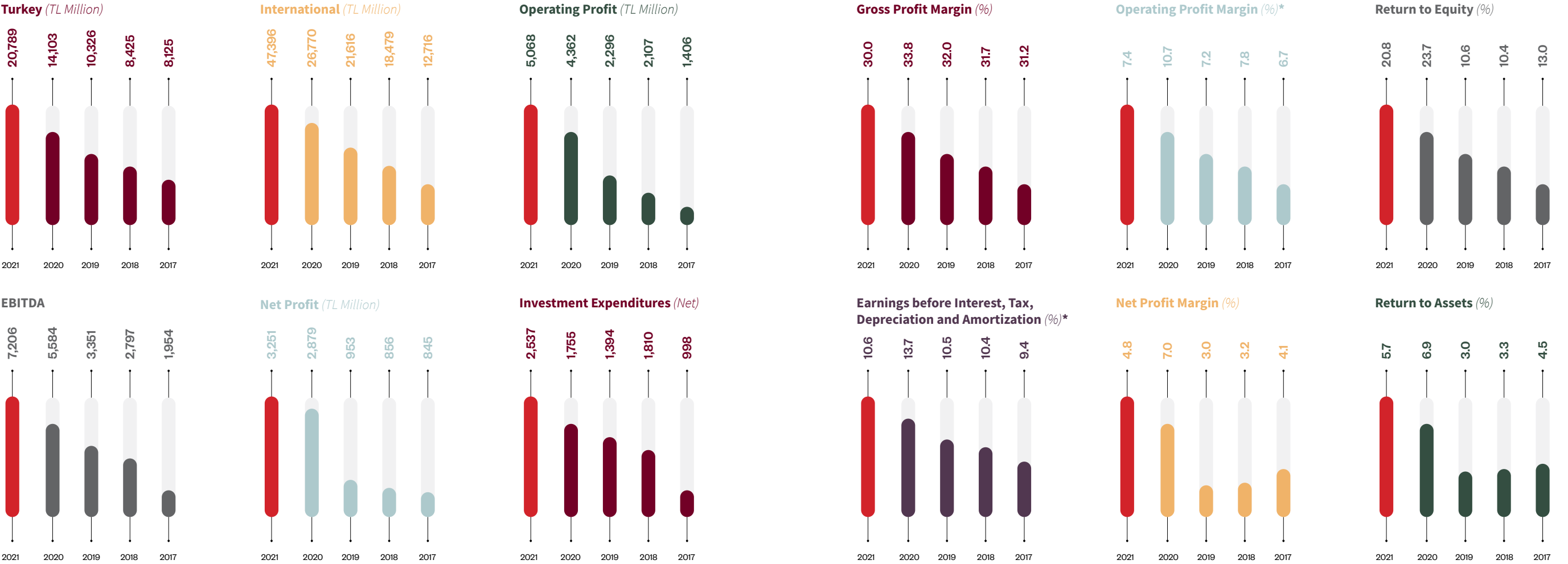
** It is a business affiliated with a business partnership.*



We Completed the
Structuring of the
Arçelik and Hitachi GLS
Partnership.

The structuring process of the new company, which was established as a result of the partnership agreement with Hitachi GLS, announced by Arçelik in December 2020, has been completed. The new joint venture, which will play an important role in the Asia-Pacific Region with the title of Arçelik Hitachi Home Appliances, will operate to increase the sales of Hitachi branded products all over the world, excluding Japan.

Main Financial Indicators



(*) The effects of foreign exchange gains and losses arising from trade receivables and payables and credit finance income and charges are deducted from operating profit and the effects of income and expenses from sale of property plant and equipment are added to operating profit in order to maintain consistency in the presentation with prior years.

(**) Lease liabilities are not taken into account in the calculation of net financial debt.

Five-Year Consolidated Financial Review

(MILLION EUR)	2021	2020	2019	2018	2017
INCOME STATEMENT					
NET SALES	6,513	5,091	5,032	4,757	5,063
GROSS PROFIT	1,956	1,720	1,609	1,505	1,577
OPERATING PROFIT*	484	543	362	373	341
PROFIT BEFORE TAX*	346	436	176	168	199
NET PROFIT	311	359	150	151	205
EFFECTIVE TAX RATE (%)**	10.26%	17.70%	14.50%	9.90%	-3.00%
DEPRECIATION AND AMORTIZATION	176	152	166	122	133
BALANCE SHEET					
PERIOD END CASH AND CASH EQUIVALENTS	1,091	1,332	1,043	886	572
INVENTORIES	1,146	788	847	844	837
CURRENT ASSETS	4,059	3,670	3,486	3,184	2,990
TANGIBLE ASSETS	894	810	908	752	723
TOTAL ASSETS	5,795	5,168	5,222	4,706	4,526
SHORT TERM LIABILITIES	2,759	2,645	2,213	2,073	1,861
TOTAL LIABILITIES	4,361	3,611	3,746	3,343	2,994
MINORITY SHAREHOLDER	114	23	24	6	8
SHAREHOLDERS EQUITY	1,434	1,557	1,476	1,363	1,531

* 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.

(MILLION EUR)	2021	2020	2019	2018	2017
CASH FLOW					
CASH FLOWS FROM OPERATING ACTIVITIES	-60	800	500	297	143
CASH FLOW FROM INVESTING ACTIVITIES	-419	-165	-301	-315	-260
CASH FLOW FROM FINANCING ACTIVITIES	-479	635	199	-18	-117
DIVIDEND PAID	145	3	0	77	103
INVESTMENT EXPENDITURES	242	219	220	320	242
SHARE BASED DATA					
DIVIDENDS (EURO)*	0.212	0.276	0	0	0.156
YEAR-END SHARE PRICE (EURO)	3.30	3.37	3.13	2.62	4.77
PRICE-EARNINGS RATIO	10.49	7.21	15.22	12.52	17.26
DIVIDENDS/NET PROFIT (%)	46.1	52.1	0	0	51.6
YEAR-END MARKET VALUE (EURO)	2,228	2,280	2,117	1,770	3,220
EMPLOYEE INFORMATION					
NUMBER OF EMPLOYEES	40,934	37,413	31,534	29,530	28,103
BLUE-COLLAR	30,547	29,382	23,530	22,658	21,447
WHITE-COLLAR	10,360	8,031	8,004	6,872	6,656

(*) Dividend amount for 2021 will be submitted for approval at the 2021 Ordinary General Assembly meeting to be held on 23.03.2022.

Shareholders

INFORMATION ON THE LAST CAPITAL INCREASE

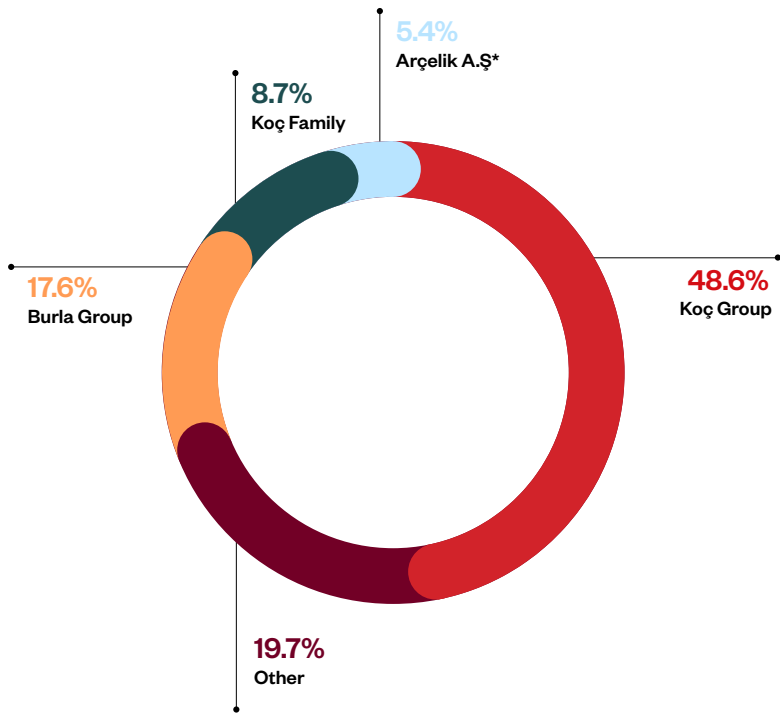
The Company's capital, which was 659,934,000 TL, increased to 675,728,205 TL in July 2009. Currently, the issued capital of the Company is 675,728,205 TL. 8.7% of the capital belongs to Koç Family, 48.6% belongs to Koç Group companies. 17.6% of the capital belongs to Burla Group. As a result of share buybacks, 5.4% of the capital is held by Arçelik A.Ş.

INCREMENT SOURCE

The merger of Arçelik A.Ş. and Grundig Elektronik A.Ş. with the universal acquisition of all existing assets and liabilities over their balance sheets dated 31.12.2008.

As of 31 December 2021, the detailed "Shareholding Structure" detailed capital structure table is given below.

SHAREHOLDER STRUCTURE



* Represents the shares purchased from publicly held shares until December 31, 2021 within the scope of the buyback program initiated by ARÇELİK A.Ş.

SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2021		
SHAREHOLDERS	SHARE PERCENTAGE (%)	SHARE AMOUNT (TRY)
KOÇ GROUP	57,24%	386,768,154
KOÇ HOLDİNG A.Ş.	40.56%	274,069,625
KOÇ GROUP OTHER	16.68%	112,698,529
BURLA GROUP	%17,61	119.000,000
TEKNOSAN BÜRO MAKİNA VE LEVAZIMI TİC. VE SAN. A.Ş.	12.05%	81,428,337
BURLA TİCARET VE YATIRIM A.Ş.	5.56%	37,571,663
ARÇELİK A.Ş.*	5.39%	36,432,424
OTHER SHAREHOLDERS	19.76%	133,527,627
TOTAL	100.00%	675,728,205

* As part of the buyback program, they represent the shares purchased by ARÇELİK A.Ş. from the publicly traded shares by December 31, 2021.

In 2021, the Company's issued capital is 675,728,205.-TL which is fully paid, and the issued capital is divided into 67,572,820,500 registered shares, each with a nominal value of 1 Kuruş. The registered capital of the company is 1,500,000,000.-TL.

There are no privileged shares. Each share with a nominal value of 1 Kuruş has one voting right at the General Assembly meetings. Buybacks were made during the year.

There were no transactions carried out by shareholders on non-public shares in 2021.

SHARE BUYBACK

In consequence of the impacts of the emerging market conditions and the global economic developments in 2021 on the industry of the Company's operation and capital markets of Turkey, it was considered that the value of Arçelik A.Ş. in Borsa İstanbul does not reflect the actual performance of the Company's operations. In order to contribute to the formation of a healthy price, share purchases started with the decision of the Board of Directors dated 01.07.2021.

Arçelik bought back 36,432,424 shares in Borsa İstanbul between 02.07.2021 and 31.12.2021 with an average price of 33.33 TL as part of the share buyback transactions initiated. By the end of 2021, the ratio of share purchases to the Company's capital is 5.39%. The executed buyback transaction will be included in the agenda of the first General Assembly meeting to be held and will be submitted to the information and approval of the shareholders at the General Assembly.

You can access the summary table of share buyback transactions by the end of the year on the following web page: <https://www.kap.org.tr/tr/Bildirim/985902>

DIVIDENDS DISTRIBUTED

Arçelik distributes profits within the framework of the provisions of the Turkish Commercial Code, Capital Market Regulations, Tax Regulations, and other relevant regulations, as well as the article on profit distribution of the Company's Articles of Association. In profit distribution, a balanced

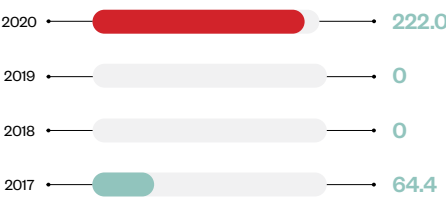
and consistent policy is followed between the interests of the shareholders and the Company in accordance with the Corporate Governance Principles.

In principle, as long as the relevant regulations and financial possibilities allow, at least 50% of the distributable period profit calculated within the framework of the Capital Markets Regulations is distributed in the form of cash and/or bonus shares as long as it can be met from the resources available in the Company's legal records, considering market expectations, long-term company strategy, investment and financing policies, profitability, and cash situation.

It is aimed to distribute profits within one month at the latest following the General Assembly meeting, and the date of profit distribution is decided by the General Assembly. The General Assembly or if authorized, the Board of Directors may decide to distribute the dividend in installments in accordance with the Capital Markets Regulations.

According to the Articles of Association, it is regulated as "The Board of Directors may distribute advance dividend only if authorized by the General Assembly and adhering to the Capital Market Regulations."

RATIO OF DIVIDEND TO CAPITAL OVER THE YEARS (%)




DIVIDEND PAYMENT YEAR	2020	2019	2018	2017
ISSUED CAPITAL (TRY THOUSAND)	675,728	675,728	675,728	675,728
DIVIDENDS PAID (TRY THOUSAND)	1,500,000	0	0	435,000
GROSS DIVIDEND PER NOMINAL SHARE OF TRY 1 (TRY)	2.22	0	0	0.64
EARNINGS PER NOMINAL SHARE OF TRY 1 (TRY)	4.2	1.4	1.3	1.2


STOCK PERFORMANCE

Arçelik A.Ş. (Arçelik) shares are traded on Borsa İstanbul (BIST) with the ticker ARCLK since 1986.

The performance of shares in the stock exchange for the last 5 years is summarized in the table below.

FOR ARÇELİK INVESTOR RELATIONS APP:

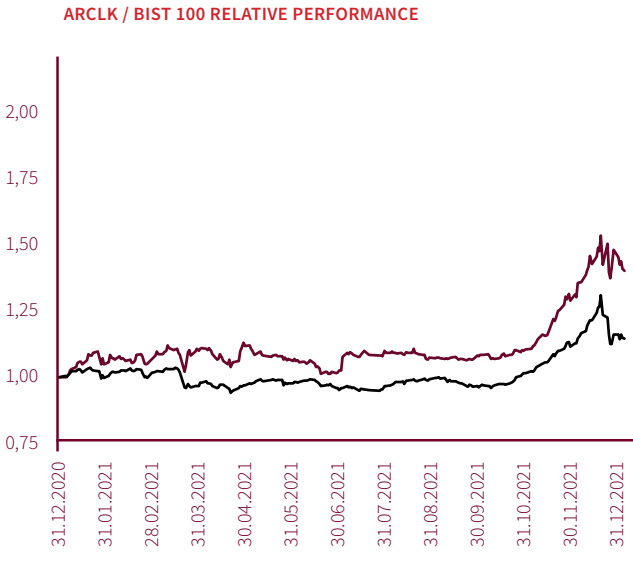
<https://apps.apple.com/tr/app/ar%C3%A7elik-ir/id1203191307?l=tr>

<https://play.google.com/store/apps/details?id=com.finarapp.ARCLK&hl=tr&gl=US>

SHARE DATA	2021	2020	2019	2018	2017
LOWEST PRICE (TRY) (*)	28,46	11,63	13,57	11,08	17,42
HIGHEST PRICE (TRY) (*)	55,05	29,58	19,83	19,70	24,60
END-OF-YEAR PRICE (TRY) (*)	48,4	28,46	19,51	14,78	19,45
END-OF-YEAR PRICE (TRY)	48,4	30,4	20,84	15,79	21,52
ISSUED CAPITAL (TRY THOUSAND)	675.728	675.728	675.728	675.728	675.728
MARKET VALUE (TRY) THOUSAND	32.705.245	20.542.137	14.082.176	10.669.748	14.541.671
MARKET VALUE (USD THOUSAND)	2.471.846	2.798.466	2.370.657	2.028.122	3.855.264

(*) Corrected based on the capital

Stock performance between 01.01.2021 and 31.12.2021 is given in the chart below. In 2021, BIST 100 Index and BIST 30 Index rose by 25.8% and 23.8%, respectively. During the same period, Arçelik's share price increased by 70.1%, outperforming both BIST 100 and BIST 30 indices.

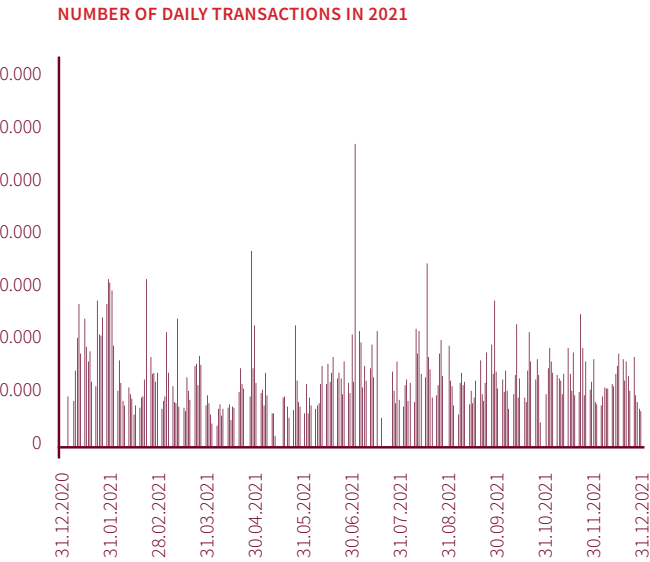


In 2021, BIST 100 Index and BIST 30 Index rose by 25.8% and 23.8%, respectively. During the same period, Arçelik's share price increased by 70.1%.

In 2021, the average daily trading volume of the Company's shares was about 6.6 million lots. At the end of 2021, approximately 39.6% of the Company's shares traded on Borsa Istanbul were placed in custody by foreign investors.

As of the end of 2021, Arçelik A.Ş. is listed in BIST Yıldız, BIST 30, BIST 50, BIST 100, BIST All Shares, BIST Corporate Governance, BIST Sustainability, BIST Industrial, BIST Metal Products, Machinery, BIST Istanbul, BIST 30 Capped 10, BIST 30 Capped 25, BIST 30 Equal Weighted Return, BIST 100 Capped 10, BIST 100 Capped 25 indices.

The retention rate used in index calculations is 25%, and the share weight in BIST 100 is 15.4%.



In 2021, the average daily trading volume of the Company's shares was about 6,663,300 million lots. At the end of 2021, approximately 39.6% of the Company's shares traded on Borsa Istanbul were placed in custody by foreign investors.

The Company's governance rating climbed to 9.67 in 2021.

CORPORATE GOVERNANCE RATING

The Company's first corporate governance rating, which was 8.21 (82.09%) out of 10 and announced publicly with the material disclosure dated 30.07.2009, climbed to 9.67 (96.74%) in consequence of the revision made by SAHA Ratings.

In 30.07.2009
8.21 (82.09%)
out of 10,

In 30.07.2010
8.55 (85.53%)
out of 10,

In 01.08.2011
8.59 (85.91%)
out of 10,

In 30.07.2012
9.11 (91.07%)
out of 10,

In 29.07.2013
9.28 (92.80%)
out of 10,

In 23.07.2014
9.41 (94.11%)
out of 10

In 22.07.2015
9.48 (94.80%)
out of 10,

In 22.07.2016
9.52 (95.23%)
out of 10,

In 21.07.2017
9.52 (95.23%)
out of 10,

In 20.07.2018
9.53 (95.35%)
out of 10,

In 19.07.2019
9.58 (95.80%)
out of 10,

In 17.07.2020
9.60 (96.2%)
out of 10,

In 18.07.2021
climbed to 9.67 (96.74%)
out of 10.

MAIN SECTIONS	%
SHAREHOLDERS	95.77
PUBLIC DISCLOSURE AND TRANSPARENCY	98.72
STAKEHOLDERS	99.48
BOARD OF DIRECTORS	94.83

Arçelik has been uninterruptedly listed in the BIST Sustainability Index which includes the companies with high corporate sustainability performance traded on the Istanbul Stock Exchange for 7 years since November 2014.

Investments of 2021

INVESTMENTS

Arçelik consolidates its strategic position in the Turkish market while increasing its competitiveness in international markets with the investments made in 2021.

NAME OF INVESTMENT	Arçelik and Hitachi GLS joint venture Hitachi Home Appliances B.V.
LOCATION OF INVESTMENT	The Netherlands
SUBJECT OF INVESTMENT	Acquisition of 60% of the shares of Home Appliances Netherland B.V.
AMOUNT OF INVESTMENT*	350,197,837 USD
INVESTMENT TARGET	Strengthening its presence in the Asia-Pacific region, increasing the penetration rate in the target market, and increasing profitability with the synergy created by the Arçelik-Hitachi partnership realized in line with Arçelik's geographical growth strategy. Establishing combined purchasing power for materials, components, and products. Performing effective risk management by providing geographical diversification.

NAME OF INVESTMENT	Acquisition of Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş.
LOCATION OF INVESTMENT	Manisa, Turkey
SUBJECT OF INVESTMENT	Acquisition of Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş., a 100% subsidiary of Whirlpool Global Holdings S.A.R.L. in Turkey
AMOUNT OF INVESTMENT*	78.8 million Euro
INVESTMENT TARGET	To increase Arçelik's total refrigerator and washing machine production capacity by 20% with the investment made in line with Arçelik's strategy to increase its production capacity. Continuing the sale of the products to be produced in the production facilities purchased with the supply contract signed with Whirlpool Global Holdings S.A.R.L. to Whirlpool companies.

(*) Total price paid according to share transfer and closing balance sheets.

GREEN FINANCING SOURCES

Conducting all its activities with a focus on sustainability, Arçelik reflected this approach on the financing model in 2021 with two important steps.

FINANCING TYPE	5-year green bond issuance
FINANCING SOURCE	International Markets
FINANCING AMOUNT	350 million Euro
FINANCING SUBJECT	Financing of projects covering energy-efficient products, circular economy solutions, energy efficiency in production, solutions preventing and controlling pollution, sustainable water, and wastewater management, renewable energy, and green buildings.

FINANCING TYPE	8-year loan agreement
FINANCING SOURCE	European Bank for Reconstruction and Development (EBRD)
FINANCING AMOUNT	150 million Euro
SUBJECT OF FINANCING	Sustainability in enterprises and financing of R&D projects

Our Success Stories

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

Arçelik became the first and only Turkish company to be included in the "World's 100 Most Sustainable Companies Index" by Corporate Knights for the second time in a row, ranking 57th. Also, Arçelik succeeded in taking place in Corporate Knights Clean200 list once more.

Arçelik was ranked 13th on the "Real Leaders Top 150 Impact Companies of 2021" which assesses the institutions that make social and environmental impact all around the world. In 2022, the company ranked 19th on the "Real Leaders Top 200 Impact Companies of 2022" list.

Since 2016, Arçelik has been successively in the FTSE4Good Emerging Markets Index, which measures companies with strong environmental, social, and governance performance by FTSE Russell, the global index and data provider of the London Stock Exchange, with its successful operations in the fields of environment, management practices, and ethics.

With a score of 66 out of 100 in EcoVadis Sustainability Assessment, Arçelik entered the first 5% among the evaluated companies and was awarded the Gold EcoVadis Medal. Defy, Arçelik's leading brand in South Africa, launched Solar Hybrid refrigerator and freezer products that reduce the



consumption of mains power by utilizing solar energy. Thanks to Solar Hybrid technology, the products designed, considering the climatic conditions of Africa reduce energy costs by up to 44%. Furthermore, they can freeze and store food for up to 49 hours through durable cooling technology when there is no power.

Arçelik, Turkey's brand that has been selected as Lovemark for 13 years in a row, announced its new brand journey strategy focused on "sustainability and social benefit" at the press conference. Arçelik will continue its "Designs Innovation with Love" discourse as "Designs Goodness with Love."

To discover the answers to the question "How can we use technology to make a positive impact on the sustainable life in Africa?," Arçelik organized "Hack the Normal Africa" online hackathon in cooperation with ATÖLYE.

Arçelik ranked 104th in the "Companies with the Most International Patent Applications" list published by the World Intellectual Property Organization (WIPO) within the United Nations in 2021. Placing great importance on the protection of intellectual property rights for the technologies developed by the company, Arçelik is the leader in patent applications in Turkey with its ownership of over 3,000 registered patents. It has maintained its position as the only Turkish company that has been among the top 200 in the WIPO ranking for 10 years.

Arçelik's success in sustainability reports, via which it submits its sustainability efforts for the information of all stakeholders, was registered by CRRA (Corporate Register Reporting). Arçelik 2019 Sustainability Report received awards in "Creativity in Communication" and "Openness and Honesty" categories at CRRA Awards where corporate sustainability reports are evaluated.

Arçelik became the first reel sector company that issues green bonds to international markets from Turkey reflecting its sustainability efforts on its financing model. The company will use this financing in projects covering energy-efficient products, circular economy solutions, energy efficiency in production, solutions preventing and controlling pollution, sustainable water and wastewater management, renewable energy, and green buildings.



Arçelik announced that it targets net-zero emissions in all of its operations by 2050 and invited all its stakeholders to cooperate for a better future.

Beko, Europe's leading white goods brand that believes in the possibility of healthy life on a healthy planet introduced its new sustainability mission and the sustainable product range through digital launch.

Arçelik signed a strategic partnership agreement with Nokia and Türk Telekom to establish Turkey's first private wireless network. The future-proof 5G-ready private wireless network of Nokia and Türk Telekom, which will be established within the scope of the cooperation that will be an important step in Arçelik's efforts to digitize production, will support Arçelik's video-based production processes analysis, indoor positioning, and AGV performance.

The structuring process of the new company, which was established as a result of the partnership agreement with Hitachi GLS, announced by Arçelik in December 2020, has been completed. The new joint venture, which will play an important role in the Asia-Pacific Region with the title of Arçelik Hitachi Home Appliances, will operate to increase the sales of Hitachi branded products all over the world, excluding Japan.

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

Arçelik ranked first in the industry list within the VigeoEiris Best Emerging Market Performers Ranking. Ranked first in Emerging Technology-Hardware Markets by obtaining a score of 50 out of 100 in the rating of VigeoEiris, Moody's ESG assessment agency, the company was also included in the Best Emerging Market Performers Ranking of V.E. (100 Most Advanced Companies in Emerging Markets) as of July 2021.

In 2021, Eskişehir Plant succeeded in being included in "WEF's Global Lighthouse Network" in which the World Economic Forum (WEF) appreciates the leaders for using Industry 4.0 technologies, following in the footsteps of Arçelik's smart heating and cooling system, the efficient lighting system that makes use of daylight, installed renewable energy plants, wastewater treatment and rainwater collection systems and Arctic Romania Plant celled as a green plant as well.



Arçelik added a new one to its global achievements by being selected as the best in the world in "Multi-Channel Commercial and Digital Transformation" category as part of the World Retail Awards, one of the most prestigious awards in its field.

Arçelik concluded an 8-year green loan agreement of €150 million with the European Bank of Reconstruction and Development (EBRD) with the aim of investing in R&D and production activities for sustainability.



Arçelik was awarded the Terra Carta Seal, presented by the Prince of Wales of the United Kingdom to companies that have committed to combating climate change with concrete objectives within the scope of the Sustainable Markets Initiative. Arçelik became the first and only Turkish company among the 45 companies in the world that bear this seal.

Arçelik increased its sustainability performance in 2021 by 7 points compared to the previous year in the Dow Jones Sustainability Index, which evaluates the sustainability performance of corporate companies, and became the company with the highest score among 20 companies evaluated in the Durable Home Appliances sector with 86 points.

Arçelik has been consistently rated AAA in the MSCI Sustainability Index since 2016, and AA in 2015. An ESG Low Risk Rating of 12.1 was given to Arçelik by Sustainalytics* which considered that Arçelik's risk of exposure to significant financial risks is low due to environmental, social, and governance factors. (*) Copyright ©2020 Sustainalytics. All rights reserved. This report contains information developed by Sustainalytics. Such information and data is owned by Sustainalytics and/or its third party providers (Third Party Data) and provided for information purposes only. They do not constitute endorsement for a product or project nor an investment recommendation, and their completeness,



timeliness, accuracy or fitness for an intended purpose is not guaranteed. Their use is subject to the terms that can be found at <https://www.sustainalytics.com/legal-disclaimers>.

Arçelik joined forces with ASPİLSAN, Turkey's most competent company in battery design and production. In this context, the company aims to support domestic production and increase the rate of product localization by jointly designing and producing batteries for small household appliances produced in Turkey with ASPİLSAN.

Arçelik was among 7 companies from Turkey listed in "The 2021 EU Industrial R&D Investment Scoreboard" study which was compiled by the European Union Commission and includes the first 2,500 companies allocating the most resources to R&D in the world.





Arçelik Acquires
Whirlpool's Production
Center in Manisa.

By acquiring the production subsidiary of the US-based white goods manufacturer Whirlpool in Manisa, Arçelik strengthened its position in Europe and Turkey and became more influential in a strategic production center.

Arçelik Worldwide

Market leader in the UK, France, Poland, and Eastern Europe with its **Beko brand**

Market leader in Romania with its **Arctic brand** and in South Africa with its **Defy brand**

Sales of white goods to 60 countries with Arçelik-Hitachi

INTERNATIONAL MARKETS

White Goods

After 2020 marked with the emergence of the first effects of the COVID-19 pandemic and similar drastic pandemic measures put into effect by the governments of countries almost all over the world, world economies started to gradually take normalization steps at different paces in 2021 depending on the rate and prevalence of vaccination. During the post-pandemic normalization period; in addition to the increasing inflation all over the world, the rise in material costs, material supply problems in the global supply chain, and the increase in logistics costs have been the main factors affecting production and sales activities on the supply side of the global white goods market.

In the post-vaccination period in 2021, it has been observed that home-based eating and drinking habits, location-independent remote and hybrid working models continue despite the decrease in leisure time spent at home. Despite the gradual normalization and the opening of stores, the continuation of online shopping habits supported the improvement in the market.

The global white goods market reached 249 billion US dollars through growing by 14% in 2021, compared to the last year.

The white goods market in Europe grew by 8.4% on a turnover basis in 2021 compared to the previous year, reaching a total of 36.8 billion Euros, and growing by 2,4% on a unit basis, reaching 83.5 million.

Despite the challenging conditions emanating from the pandemic and economic uncertainties in the Middle East and North Africa region in 2021, the growth trend in the white goods market continued. Sanctions and regulation practices applied to products originating in Turkey in the region were reflected in the market performance of Turkish brands.

In addition to the increase in logistic costs and the decrease in container availability for shipment of the products of Far East origin to North America, the long queues at the destination ports owing to the pandemic measures affected the white goods industry as well as many industries in the country. In 2021, the number of white goods shipped to the United States grew by 9.8%, reaching 54.6 million units.

In 2021, Asia-Pacific countries continued to be adversely affected by frequent lockdowns due to insufficient vaccination rates and limited hospital capacities. The measures of the countries in the region to contain the virus spread directly (store shutdowns, travel restrictions, and curfews) or indirectly (declining net income and shrinking economy) slowed their market growth. In the Asia-Pacific region, where Chinese and Korean manufacturers have high market shares, environmentally friendly products and systems with high energy efficiency began to have an impact on market trends. In line with the consumer habits that started to change during the pandemic period, the orientation to online sales channels, which started in 2020, continued increasingly in 2021 in the Asia-Pacific region. The worth of the Asia-Pacific white goods market reached 48 billion US dollars in 2021.

Despite the fluctuations in international markets in 2021, when the effects of COVID-19 were still strong despite regional differences, Arçelik increased its production capacity with investments and managed to balance high raw material prices with strict operating expense controls and price increases.

In 2021, Arçelik displayed an accelerated growth performance in its sales in Europe, the Middle East, North Africa, and North America. The total market share of the Arçelik Group's brands in European markets rose by 0.3 points in 2021, reaching 10, and they managed to maintain their position in the market. Arçelik achieved a growth of 4% in the Western European market through the positive contribution of the inorganic volume growth realized with the acquisition of the Whirlpool Manisa plant and maintained its unit-based market share in Western Europe. While maintaining its market leadership in the UK, Poland, and Eastern Europe with its Beko brand, the company has advanced to a leading position in France. It continued to be the market leader in Romania with its Arctic brand.

By focusing on increasing the weight of Premium products in all markets in 2021, product diversity was improved and the representation of Arçelik brands in upper price bands was consolidated. Collaborations with new channels were also developed in North America, and a significant increase was achieved in the number of stores where Beko branded products are sold.

In 2021, Arçelik Group kept growing in Africa with its Defy brand and retained its market leadership in South Africa.

As it reinforces its presence in the Asia-Pacific region thanks to its new company Arçelik-Hitachi, Arçelik Group rose the share of sales in total sales to 19% as part of its operations in the region. In parallel with the change in consumer habits and the increase in the tendency to online channels during the pandemic period, Beko e-commerce and digital marketing teams were established in China, online sales channels were consolidated, and the number of stores where Beko products are sold and displayed was increased. Investments made to raise brand awareness increased by 5 points in Thailand. New product categories suitable for the Asian market were introduced, contributing to brand awareness and market share.

It is expected that many changes affecting the world in 2021 will continue to be effective, especially in the first half of 2022. It is predicted that the signs of recovery in the pandemic conditions take more time than expected, the increase in material and logistics costs, as well as the rising energy costs, will also affect the market structure of 2022 in the short- and medium-term. Arçelik aims to consolidate its position in international markets in 2022 in line with its sustainable profitable growth and marketing strategy. Investments are planned to increase presence and reduce distributor dependency in after-sales services and marketing areas in direct sales regions that are not represented by subsidiaries.

Small Home Appliances

The small home appliances market, which grew by 2.5% on a unit basis in 2021 worldwide, witnessed an unexpected increase in raw material, labor and transportation costs, and the increase in production costs was reflected in product prices. In addition to the increase in the costs of the components used in products on a global scale, the decrease in production capacities due to

energy restrictions in China and the appreciation of the Chinese Yuan against the US dollar has also led to an increase in supplier labor costs.

While home-based living practices, which have increased with the effect of the pandemic, have increased the need for cleaning products in the small home appliances market, the expansion of working time at home has brought with it the interest in coffee machines. With the developing battery and motor technology, rapid growth was recorded in categories such as robot vacuum cleaner and espresso machine in the premium segment, while the market shares of the personal care and kitchen categories increased, while the ironing category was adversely affected. Arçelik achieved a growth of 24% in the global small home appliances category on a turnover basis in 2021, heightening its sales to €237 million. Sales of the company in the European region increased by 14% and reached €75 million.

Arçelik has achieved a successful growth momentum by diversifying its products in the rechargeable upright vacuum cleaner and robot vacuum cleaner categories, with investments made in the upper segment by focusing on the differentiating needs and interests of consumers. In the small home appliances category, the company recorded a growth of 11% in France, 21% in Romania, and 42% in the UK in 2021.

In 2022, Arçelik aims to introduce a wider product portfolio to the consumer by using its innovation power in the small home appliances category and to increase the awareness of consumers by increasing the use of bio and recycled materials in its products in line with its sustainability strategy.

Air Conditioning

With the climbing worldwide demand for hygienic products and the products that improve air quality due to the effect of the pandemic, the domestic air conditioner market grew by 0.8% on a unit basis in 2021, compared to the previous year, reaching 152.5 million units. On a turnover basis, it grew by 10% and amounted to €70.5 billion.

On the other hand, the European domestic air conditioner market increased by 1% on a unit basis in 2021 and reached 8.4 million units while it achieved \$6.1 billion with a rise of 11% on a turnover basis.

In the Arçelik household air conditioner segment, an increase was observed in products with hygienic features, along with the transition to high energy efficiency and environmentally friendly gaseous products in the European region.

Despite an increase in sales due to the hot summer season in Eastern and Southern Europe, the market shrinkage was observed because of the rainfalls in Western Europe. In this context, Arçelik enriched its portfolio with A+++ high energy efficiency products and hygienic products and achieved a growth of 18%.

In 2022, Arçelik will continue to invest in innovative, hygienic solutions that improve air quality, and it plans to expand its products, which are designed with an eco-friendly approach and provide high energy efficiency, to all geographies in the global market.

Television

In the global television market in 2021, which was overshadowed by the pandemic, rising energy prices, and the ongoing global chip supply shortage caused cost increases in LCD screen production. Despite the fact that the television market contracted by 1% with the base effect of 2020 and totaled 235 million units, it grew by 6.9% on a turnover basis in line with price increases and reached 140 billion USD. The television market, which grew very rapidly in 2020 in Europe, contracted by 1.5% in 2021 with the base effect of the previous year, and reached 54.5 million units, recording a growth of 9.3% on a turnover basis and reaching 37.7 billion Euros.

Arçelik strengthened its sales performance and increased its market share in the markets, with the launch of its new Android TV in the European television market, where the interest in big screens continues to increase.

Arçelik increased its market share from 0.6% to 0.9% in Spain, from 4.1% to 4.4% in Germany, and from 6.1% to 14% in Croatia in European markets where it is active, and recorded an increase of 27% in total sales compared to the previous year.

In 2022, it is expected that the demand for large-screen televisions will continue to increase in the global television market, and Premium technologies such as OLED and QLED are expected to be more accessible to consumers. With the

prevalence of VoD (Video On Demand) content, it is predicted that changes in consumer habits will carry the SmartTV volumetric rate of over 90%.

In 2022, Arçelik aims to increase its share in existing markets in the global television segment and to enter new markets with its wide product range.

Audio Systems

The global sound systems market achieved a growth of 4% on a unit basis as of the end of 2021, reaching its pre-pandemic norm. In audio systems, the transformation continues in parallel with the development of mobile phones. While the soundbar category, especially in-home sound systems, continues to develop, especially in Europe, BT Speakers, supported by the remote working trend and bringing portability to the fore, were positively affected by this change.

In the European audio systems market, which grew by 3.9% as of the end of 2021, Arçelik Group focused on changing consumer habits with the effect of the pandemic and continued to invest in the soundbar, HiFi, and digital radio categories, especially the portable BT speaker, under the Grundig brand. The Grundig brand BT speaker series, which was introduced to the European market, especially in Germany, France, Spain, and Turkey in 2021, was appreciated by both users and test/evaluation magazines.

Arçelik plans to continue to invest in technologies and products that will best meet customer expectations, particularly in the portable speaker and soundbar categories, in 2022.

INTERNATIONAL INITIATIVES

Arçelik-Hitachi Partnership

On July 1, 2021, Arçelik took over 60% of Hitachi Home Appliances Netherland B.V. established in the Netherlands by Hitachi Global Life Solutions, Inc., with the aim of producing and selling “Hitachi” branded home appliances, including refrigerators, washing machines, and vacuum cleaners around the world, other than the Japanese market, and rendering after-sales service for these products in line with the growth strategy of the emerging markets. With the said joint venture, Arçelik and Hitachi Global Life Solutions, Inc. joined their forces in other crucial areas such as R&D, purchasing, and production systems to optimize the global supply chain and solidify their competitive position in the market.

Singer Bangladesh

Singer that has served in Bangladesh since 1905 and started its business life with sewing machines turned into a consumer durables company and expanded its portfolio by combining its products with the products of the world's leading brands in home appliances.

The free float rate of Singer Bangladesh Limited, which was incorporated into Arçelik in 2019, is 43%. The company was listed on the Dhaka Stock Exchange and the Chittagong Stock Exchange in 1983 and 2001, respectively.

Singer Bangladesh owns a market share of 17% in the consumer durables market. The company was granted "Best Distributor of the Year" and of Bangladesh, and "Best Retailer of the Year" for Dell computers in 2021.

Singer Bangladesh, which has raised its presence on digital platforms in order to meet the needs of consumers online during the pandemic, has launched the "One Call is Enough" service through its call center.

International Brands

BEKO

A Global Actor

Established in 1955, Beko ranks 2nd in the European* white goods market today and reaches millions of users in global markets. Operating in 5 continents, including Europe, America, Africa, Asia, and Australia, Beko is among the strongest players in the global market with its wide product range from white goods to built-in appliances, from small home appliances to air conditioners.

A Perspective of Healthy Life

Defining the brand's purpose of existence as "supporting a healthy life," Beko argues that a healthy life is only possible with a healthy world. It also visualized the healthy life perspective it adopted in the movie "Connections," which

was prepared using artificial intelligence. Emphasizing that humans and nature are interconnected with inseparable bonds and that human beings exist as a part of nature itself rather than being superior and privileged among all these beings, the movie conveys the message of Beko, "Humans cannot be healthy unless the world is healthy and the entire ecosystem is interconnected."

Sustainable Product Portfolio

Beko introduced the Sustainable Product Portfolio, which promotes healthy life in a healthy world, to consumers in 2021. Bringing innovation and sustainability together, Beko implements environmentally friendly technologies in production. It leads the industry with washing machines,

dryers, and ovens made of recycled plastic raw materials, refrigerators and coffee machines made of bio-composite materials, and dishwashers that save detergent. The Sustainable Product Portfolio, introduced globally, is on sale in the UK, Spain, and the USA.

Blending Quality and Aesthetics: Beyond

Beko blends quality and aesthetics in its products with its Beyond design, which takes its inspiration from the simplicity of nature. Apart from its plain design, Beyond offers a functional and easy-to-use, consumer-friendly interface. It has common visual elements, larger buttons, larger screens, more durable, and new technologies for each product line. Every innovation in the new interface has been realized by taking into

account the needs of the consumer, and in parallel, product segments have been translated into a common language, again with the consumer in mind.

2022 and Beyond

Beko will continue to shape the year 2022 and beyond with the perspective of "healthy life is only possible in a healthy world." The company plans to make strong communications to reduce not only Beko's emissions but also the carbon emissions of consumers while expanding its product portfolio constituted by recycled plastic and bio-composite materials, with energy- and water-saving technologies.

*Turkey included



GRUNDIG

Everything Starts At Home

Starting its journey with radio manufacturing in 1945, Grundig continued its operations with television manufacturing, thereby opening a new window into the outer world while connecting people. The product and technology portfolios of the brand focusing on quality, sustainability, and aesthetics were rapidly expanded ranging from white goods to consumer electronics, from small household appliances to audio systems. For Grundig, everything "Starts at Home."

Always Loyal to Its Core Values

Grundig aims to inspire people to take a step toward a better future without compromising on quality, sustainability, and aesthetics, which are the basic foundation of its growth. Grundig dreams of a better future while closely following the rapidly changing technological developments over time. Believing that the basic values learned and small steps taken at home will

shape the outside world, "Everything starts at home" for Grundig. A better future will start from homes. Grundig that believes in the significance of inspiration and creating a quality experience for a better future is one of the full range of home appliance producers.

Inspiring Premium Experience for a Better Future: Launch of New Design Series

Thanks to the improvement and development in its background made with the aim of offering a premium experience in all categories, Grundig introduced the new Grundig design series. With the new design and technologies it has launched, Grundig not only thinks about how to produce high-quality technologies respectful of the environment but also inspires people to take daily actions towards a better and more sustainable future. Believing that a better future starts at home, Grundig aims to take its steps towards a better future by blending its inherited values with the most advanced technologies.

Grundig that took the first step in the cooking category with its innovations of superior technology combined with the parts made of sustainable materials announced its new design launch through HotAero Pro technology in 2020. Ovens with HotAero Pro technology, which have been redesigned from outside to inside, are produced using waste fishing nets in their material. In this way, it reduces plastic pollution with its recycled parts while providing excellent cooking results by controlling the hot air circulation.

The laundry and drying category was also an important category that showed how the Brand brought its vision into homes. Combining the substantial technological innovations with effective communications, Grundig won Kantar's "9th most creative and effective digital advertisement of 2019" award with its PET Boiler communication campaign. This valuable award has motivated Grundig to expand its PET Boiler technology to

key laundry and washer-dryer products in the product range and to establish its main communication assets accordingly. This successful launch was followed in October 2021 by other sustainable innovations focusing on Microfiber solutions.

In the cooling category, the BioFridge refrigerator, which reduces the use of petroleum-based plastics in refrigerators with its bioplastic technology, stands out. Keeping food fresh for longer, Grundig AeroFresh reinforces its sustainability stance by reducing food waste with important technologies such as FullFresh+.

New Innovation Vision

Other important proofs of the brand's new innovation vision in other categories are InterAct® dishwasher, which offers a new dishwashing experience with artificial intelligence for optimum use of resources, Quiet Mark Certified SilenceDry hair dryer that provides a hair drying experience without disturbing anyone even in the quietest morning hours, or NaturaShine Series hair styling products that deliver performance inspired by nature and their natural oil content, the re-launch of the "Heinzelmännchen" radio enriched with the latest technology while preserving the iconic design elements, the Jam Earth Bluetooth Speaker made with 100% recyclable materials, the production of all small home appliance packaging with 100% recyclable materials.



DEFY

The Leader of South Africa

Defy, which started its operations in 1905 by manufacturing iron casting, introduced the electric furnace to South Africa and was granted the innovation and technology awards in 1932. Defy which joined the Arçelik Group in 2011 is one of the leading white goods brands of South Africa.

Established History

For more than a century, Defy has entered millions of households, witnessing good memories. In South Africa, 6 out of 10 houses use Defy products. Defy has a brand awareness of over 90% in its region of operation with a well-established history of 116 years.

Continental Regional Power

Defy, which has a deep-rooted history in production and design, and has developed its core competencies over the years, has become the most popular white goods brand in South Africa. Defy exports goods and services to 33 countries in Sub-Saharan Africa by using its high local experience beyond the country's borders.

Wide Range of Innovative Product Portfolio

Defy brand products are developed with functional designs and new technologies. In the cooking group, which forms the basis of the Defy product portfolio, the Gemini Collection enables high-volume cooking thanks to its Feast Master feature, Slimline Series provides the opportunity to cook more than one meal without mixing their odors or aromas with Thermofan+ technology. In the Defy cooling product group, no-frost refrigerators with Dual Cooling technology stand out, controlling the humidity level, having high energy efficiency, preventing the formation of bad odors, and keeping the food fresh for a longer period of time. A front-loading unit that increases efficiency, Aquafusion providing efficient detergent use, Aquawave drum technology that provides an easy and efficient washing experience with its front- and top-loading options, Steam Care technology, which has the advantage of softening the dirt and reducing wrinkles

by applying steam to the laundry are used in Defy washing machines. Defy dishwashers also feature other innovations such as CornerWash cleaning technology, the Manhattan Gray Dryer Series using air condenser and heat pump technologies, and the AC Series with inverter technology.

In 2021, with the synergy of Arçelik Group, Defy renewed its brand vision as "Pioneering Our Future Together." The brand's new vision, which successfully appealed to its target audience, reached 42 million people through communications, campaigns, and product launches throughout the year.

Solar Hybrid Technology

In a first for South Africa and the African continent, Defy has launched its latest innovation, the Solar Hybrid refrigerator and freezer products. This product line includes a 157-liter refrigerator and a 254-liter box-type deep freezer, both of which reduce grid electricity consumption by utilizing solar energy. This revolutionary technology reduces the total cost of ownership by using new white goods with their own built-in electronic units instead of purchasing separate batteries and inverters to run household appliances with solar energy.

Ventilator Prototype

Defy has started to manufacture prototypes of its fully electronic, versatile ventilator Impilo as part of the collaboration of Arçelik Group and Cambridge University. Manufactured by Defy, this ventilator is classified under the stream 2 category within the scope of the National Ventilator Project Initiative, and it is an advanced ventilator with a more complex mechanical structure for use in intensive care environments, fully electronic, and capable of operating without user intervention. The ventilator prototype reflects the strong global support of the Arçelik Group, as well as demonstrating the competencies of the Defy brand.

Naturelight Technology

Defy has implemented Naturelight technology, which preserves the freshness and nutritional values of the food, in the large-volume refrigerator it produced for the changing shopping habits of consumers during the pandemic period. Thus, families can naturally consume food in a healthier way.

2022 and Beyond

Defy brand aims to have the most extensive white goods service network in the country by increasing the number of Defy service points from 23 throughout the country to 28 by its consumer-oriented service approach in 2022.



ARCTIC

The Leader in Romania

Joining the Arçelik Group in 2002, Arctic produces in all categories of white goods, including refrigerators, washing machines, ovens, hoods, built-in cooking products, and dishwashers, at its facilities in Găești and Ulmi in Romania. Arctic ranks 1st in the Romanian white goods market.

High-tech Production

Arctic Ulmi Plant, one of the most modern production facilities in Europe, maintains the title of Romania's first and only production base with Industry 4.0 technology. 70% of the production processes and 100% of the quality control processes are carried out automatically in the factory where the internet of things applications including artificial intelligence and robotic technology are used.

Romania's Most Powerful Brand

Arctic reinforces its brand awareness with its cutting-edge technology, high quality, and value-added products, and establishes deep-rooted and trust-based bonds with the

consumer. In 2021, Arctic was selected as the strongest brand in Romania in the research conducted by Biz magazine and Unlock Market Research and was granted the "Biz Award." Selected as the strongest Romanian brand for two consecutive years, Arctic was classified as "Romania's best-known electronic household goods brand" in line with its high scores obtained from Ipsos awareness indicators.

Digital Communication

Arctic has strengthened its digital interaction with the consumer by focusing on the young population during the pandemic period and moving all product and campaign communications to online channels such as social media platforms and websites.

2022 and Beyond

Arctic aims to consolidate its leadership in the Romanian white goods market and to rank 1st in all brand awareness indicators. It plans to increase its sales by supporting the growth in the built-in and the washing machine category, which attracts great attention in the Romanian market.

DAWLANCE

Dawlance, which joined the Arçelik Group in 2016, manufactures top and front door washing machines, horizontal and vertical deep freezers, split air conditioners, microwave ovens, and water dispensers in 2 production facilities in Karachi and 1 production facility in Hyderabad, Pakistan. Besides its local sales in Pakistan, it exports its products to Afghanistan, Yemen, Iraq, Bangladesh, and Turkey.

Pakistan's One of the Leading Brands

With a strong heritage of more than 40 years in Pakistan, Dawlance is the leader in the home appliances category. It increases its awareness in Pakistan and its target markets by means of the successful interaction it has developed with a focus on reliability with all its stakeholders, especially its customers.

Wide Service Network

Dawlance has a state-of-the-art R&D center for direct cooling, capable of serving various markets outside of Pakistan. The company also represents the largest customer service network in the country, with 19 service centers, 32 dealerships, and more than 300 contracted service points throughout Pakistan.

Distinction of Dawlance During Pandemic

Dawlance has taken customer satisfaction to the next level thanks to its investment in after-sales service channels during the pandemic. Dawlance managed to minimize the aggrievement of consumers due to pandemic restrictions by launching the e-commerce site with the advantage of free shipping in the 2nd week of the pandemic. Supporting after-sales customer services with video calls and DIY content, Dawlance effectively resolved customer complaints.

2022 and Beyond

Dawlance, which started production of split air conditioners in 2021, plans to introduce strategic ventilation solutions to customers in 2022, in line with the increasing demand in the market. With its current air conditioner localization investment, the company aims to be among the top 3 brands in the air conditioning category in the Pakistani market.

Dawlance, which renewed the brand vision in line with the goals of environmentally sustainable development, supported the planting of 15,000 mangrove trees in 2021 in collaboration with Pakistan WWF. Mangrove trees have a carbon absorption capacity of four times more than rain forests. Dawlance plans to take action for further attempts in 2022.



ELEKTRABREGENZ

Traditional Brand with Superior Quality and Durable Products

Elektrabregenz is a well-established Austrian brand founded in 1898. Merging its 124 years of local power with Arçelik synergy, Elektrabregenz is a local gem that meets the consumer only in the Austrian market. Its product range includes cooking appliances, washing machines, dishwashers, and cooler/freezer products.

Thanks to its rich local history, Elektrabregenz is one of Austria's most traditional domestic white goods brands. The brand is known for its quality, durable products that reflect the value it put out to its performance. In line with its vision, Elektrabregenz aims to make life easier and more enjoyable with its products.

2022 and Beyond

ElektraBregenz, which started the digital transformation process in 2021, is preparing to become a "Premium" brand with products with the latest technological features and new designs with the synergy of Arçelik Group.



BLOMBERG

Blomberg aims to meet the needs of its consumers for a quality and harmonious life by developing products that combine technology, ease of use, and environmentally friendly features with aesthetic design. Regarding environmental responsibility as one of its core values, the Blomberg brand ensures that the most important products in its portfolio have 95% recyclable components and, in addition, it actively promotes and participates in ENERGY STAR® and utility programs that make it easier for consumers to recycle white goods.



VOLTASBEKO

Arçelik and Voltas Synergy

VoltasBeko brand, which was established in 2018 as a joint venture between Arçelik Group and Voltas Ltd., the leading air conditioner brand of India, combines the global competence of Arçelik Group with the local experience of Voltas Ltd. and brings its product group equipped with the latest technology to consumers at 2,500 retail points in India.

Voltas Beko has a wide product range for the Pan-Indian market, including refrigerators, washing machines, dryers, dishwashers, and microwave ovens.

In the League of Brands with Highest Recognition

Having a market share of 3% in the refrigerator category and 2.7% in the washing machine category in the Indian market in 2021, VoltasBeko is among the 5 white goods brands in India with the highest recognition.

1 Million Refrigerators in 24 Months

VoltasBeko, which places the meaningful and unique functional advantages and superiority of its products at the center of its communication efforts, sold more than 1 million products in the refrigerator category in 2 years.

Service Difference During Pandemic

Voltas Beko has adopted a digital-oriented campaign approach instead of television-oriented campaigns during the pandemic. It supported its customers with digital campaigns named “Do It Yourself” during the full lockdowns during the pandemic period. VoltasBeko has enabled its employees to pass this process more efficiently and with ease with the intensified product training offered in the digital environment.

2022 and Beyond

VoltasBeko aims to increase its brand penetration in smaller cities in 2022. In this context, it is planned to organize special campaigns for the voltaslounge.com online portal and to start e-commerce sales in the dishwasher category. Voltas Beko aims to be the leading brand of the white goods market in the Indian market.

LEISURE

Leisure in Turkey

Leisure, the traditional brand of the British self-cooker market, offers gas and/or electric cookers and built-in products. In 2021, Leisure started its store displays by developing strategic business partnerships with highly recognized companies and introduced its products to consumers as a B2B upper segment built-in brand in Turkey.

Renewed Product Range

Leisure has renewed its product range for new customers with different priorities and tastes in the Turkish market, which it has just entered, and has made it suitable for the kitchen category.

2022 and Beyond

Leisure plans to expand its display areas, strengthen retail sales, increase customer interaction through social media communication activities and launch a new corporate website that provides online shopping opportunities, in 2022.

One of the most important brands of the British and Irish white goods market, Flavel put its products on market again in 2021 in order to meet the needs of consumers in its own market. With its current product range and services, it has tried to meet the needs of its consumers for freestanding and built-in white goods in the most economical way.

FLAVEL

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Arçelik in Turkey

Leader in the White Goods, Air Conditioning, Television, Payment Systems, and Small Home Appliances markets with its unit-based market share

Lovemark in Turkey for 13 years with the Arçelik brand

Turkey's Widest Service Network with 664 authorized services

TURKISH MARKET

White Goods

The white goods market, which grew due to the needs of daily life spent at home with the effect of the pandemic in 2020, shrank by 3.3% in 2021. Arçelik maintains its leadership in the market.

According to the White Goods Manufacturers Association (BESD) data, the Turkish White Goods market grew by 9.2% in the January-December period compared to the previous year.

In 2021, the impact of the pandemic was felt strongly, especially during and after the lockdown in May. Subsequently, the market shrank by up to 30% in some complementary product groups such as freezers, with changing consumer priorities. In other main product groups, it was observed that the consumer preference shifted to more affordable products in their segment.

On the other hand, 2021 is the year in which the transition to new designs in the white goods category began for Arçelik. With the new outlook, products equipped with new technologies were featured. With the AeroFresh/AeroFlow New Generation Dual Cooling Technology, which was launched in the cooler group during the year, the freshness of the food is preserved for a longer time by cooling at the same temperature on each shelf. The needs of the consumers were met by preserving the moisture content, color, and texture of the food and ensuring that the food remains more juicy, vibrant, and fresh. Airtouch technology, which offers 50% more sensitive and 2 times faster washing technology in washing machines, was launched in 2021. Furthermore, new features such as soaking and pet hair removal functions were introduced as part of the transition to new designs. Drying machines of Beko with the IronFinish technology were launched in the last quarter of the year. This drying technology, which eliminates the need for ironing, saves time and energy spent on ironing. With this technology, of which level of smoothness has been approved by independent institutions, recognition of dryers in Turkey has also been

increased. Steam Assisted Cooking Technology in built-in ovens was extended to every segment. In 2021, SmartAero Pro technology that automatically adjusts the speed and direction of the fan according to the type of food was put into use. The Expert clean nano-coating on built-in ovens, on the other hand, enables easier and faster cleaning of the oven surfaces by using less water and detergent. The "Support Service," which enables consumers to find fast and easy answers to all their questions about white goods with just one click, through internet-connected products, was launched again in 2021.

Rising exchange rates and the increasing costs of raw materials and transportation, and the worldwide chip crisis were the difficulties in production faced in 2021. It is foreseen that especially the material crisis will go on in 2022 as well. Despite this, launches of the newly designed products, which will contribute to strengthening the design and technology perception of the brands, will continue in 2022.

In 2021, Arçelik consolidated its leadership in the field of social responsibility with its new products and technological features in all categories, in which it operates, the new websites suitable for the changing customer preferences in a digital world, and its focus on women dealers and women technicians in its widespread Dealer and Authorized Service network throughout Turkey, and in the areas of customer experience and satisfaction with new concept retailing.

Television

The strict lockdown measures, which were taken in 2020 after the emergence of the COVID-19 pandemic, and the initial needs resulting from home-based living activities created a growth effect beyond the expectations in the television market. In 2021, the Turkish television market followed a course parallel to its pre-pandemic progress, however, it contracted by 16.5% on a unit basis with the base effect of the last year and corresponded to 2.176 million units. Another important factor in the shrinkage of the market in terms of quantity was the increasing raw material costs and the high price hikes brought by the rising exchange rates. Nevertheless, the chip crisis experienced in almost every electronic product market around the world made an impact on Turkey as well.

In the Turkish television market where Arçelik Group operates with its strong brands, the group maintained its leadership in terms of units with 12.5 points as Arçelik brand and with 8.2 points as Beko brand in 2021 as well. It raised its sales performance in the premium product range and strengthened its leading position.

Arçelik takes the consumer's perception and experience of technology to the next level in all of its brands with its investments. With the transition to Android TVs in 2021, Arçelik has increased the benefits and ease of use it offers to consumers and succeeded in increasing its Smart TV sales up to 80%.

The image work for Imperium 9 Series performed with its Arçelik brand in 2021 highlighted the 9 Series and OLED products, the brand's most premium product range. The 360-degree image work carried out in September 2021 accelerated the growth of Arçelik's UHD/Smart product by increasing the pace of retail sales in the relevant product range by 148%. With Android TV communications and related image works in both Arçelik and Beko brands, the UHD product mix increased by 12 points in 2021 compared to the previous year and reached the level of 57%.

With the Arçelik and Beko brands, the company aims to bring its product range with the highest level of technology in image and sound quality to its customers in 2022 and aims to distinguish among the competition with content-oriented gifts it offers to television viewers. While Arçelik continues its integration efforts with the most popular content providers in line with its marketing strategy, it plans to make a difference in the market with an emphasis on technology and entertainment by expanding its ecosystem in terms of gaming experience on Android TV.

Corporate Displays

The effects of the COVID-19 outbreak in general and the chip supply crisis, in particular, have been felt heavily in the corporate display market. With the gradual removal of the pandemic restrictions in Turkey as of June 2021, there has been an increase in demand in the corporate display market.

The Turkish corporate display market grew by 20% in 2021 compared to the previous year and reached 24,350 units. However, it could not catch up with its pre-pandemic size.

In 2022 and beyond, the demand for digitalization and location-independent management capabilities, and corporate display and content management software is expected to increase. Arçelik aims to be a strategic business partner for its customers with the corporate solutions it offers in the growing market.

Arçelik offers special display solutions with high technology and perfect display quality for different needs in the fields of education, retail, and accommodation in the corporate displays segment.

Interactive smart board solutions developed by Arçelik in accordance with the needs of the education sector are preferred both in the projects of the Ministry of National Education of the Turkish Republic and in private schools.

All of Arçelik's professional display screens (videowall) and 98-inch industrial information screens are among the most preferred solutions in the market with their high quality and powerful performance. In 2021, Arçelik industrial displays were put up for sale through the State Supply Office (DMO) channel and are positioned to meet public needs. In addition to the software integration in industrial displays, Arçelik provides end-to-end solutions to its customers together with the software solutions developed by its own engineers.

In addition to its product range designed according to the 24/7 working principle, Arçelik plans to launch its Android-based product range that works 7/16 hours, provides easy integration, and has competitive price performance in 2022.

Audio Systems

In the Turkish audio systems market, which recorded a growth of 15% based on units in 2021, there has been an increase in the use of both entertainment systems for the home and electronic products necessary for working from home, with the increase in time spent at home within the scope of pandemic measures. The effects of the sudden transformation in living and working spaces were felt in Turkey as in the rest of the world.

With the spread of new working models, products that support mobility have been preferred more in daily life. Arçelik directs its investments to meet the changing customer habits and needs

after the pandemic and diversifies its product range accordingly. In 2021, BT portable speakers were launched, bringing Solo, Jam, Club, Band products to customers.

Payment Systems

Turkish payment systems market grew by 23% in 2021 compared to the previous year and retail sales of the cash registers reached 120.000 units.

While global component supply problems and supply-related cost increases were influential in the development of the Turkish payment systems segment in 2021, new domestic legislation and sharp fluctuations in exchange rates were decisive. VUK 507 Communiqué on Secure Mobile Payment and Electronic Document Management System (SMPEDMS) and VUK 527 Communiqué on New Generation Fuel Pump Payment Recording Devices, which regulates the transition of cash registers at fuel stations to the new generation, was published in 2021 and entered into force.

Following the entry into force of the VUK 507 SMPEDMS communiqué, Arçelik led the way by producing the Android POS device in Turkey and offered it to its customers by combining sales, invoice, and payment features in a single device. Arçelik completed its preparations for 2022 by obtaining TÜBİTAK and BIB approvals for the new device developed within the scope of the Communiqué on VUK 527 New Generation Fuel Pump Payment Recording Devices.

Despite the supply-related problems in the payment systems segment in 2021, Arçelik achieved the highest installation figure of the last 4 years by installing 70,000 devices with the Beko 300TR.

Arçelik continues to strengthen its supply network against the global supply problems and cost increases and to apply a competitive price policy.

Small Home Appliances

Although the volume of the small home appliances industry shrank by 3.1% in the panel market in terms of units in 2021 compared to the previous year, it went up by 45.2% in terms of turnover and amounted to 9.4 billion TL.

With the effect of the fact that stores were closed for a while during the COVID-19 pandemic and of the changing consumer habits, the online market volume of small home appliances grew by 32.4% in 2021, reaching 6.2 billion TL with a turnover increase of 73.3%. A total of 10 million products were sold in the online market while 13 million products were sold in the panel market.

In parallel to the developments in the world, the need for ironing decreased as the time spent at home got longer as a result of the reflection of the pandemic period on the lives of consumers, and the home office model became widespread in Turkey. In contrast, the interest in kitchen products, practical cleaning with robots, and rechargeable products included in men's and women's care products due to the considerable priority of hygiene.

Arçelik, which achieved a total sales turnover of 1.5 billion TL in the small home appliances segment in 2021, maintained its unit-based leadership with a market share of 14.1%.

In 2022, it is expected that the small home appliances market will be normalized when users get over the pandemic and the activity in shopping centers goes up. Arçelik aims to reinforce its leadership in the small home appliances market with its innovative product range that distinguishes itself from the competition, has high perceived quality, and is renewed in line with the expectations of its customers.

Air Conditioning

The fact that the temperatures were above seasonal normals in the summer months of 2021 and that those working remote wanted to create office comfort at their home triggered the demand for air conditioners, thus, the volume of the domestic air conditioner market in Turkey grew by 10% compared to the previous year, reaching 706,000 units.

Arçelik Group is the leader in the residential air conditioner market in Turkey.

In 2021, Arçelik presented its Ultra Hygiene and Active Hygiene product range, approved by the Ministry of Health of the Republic of Turkey to consumers. The Silver Inverter product with its renewed appearance and the Prosmart Mirror product in the Premium segment have been prepared for the increasing hygiene needs of consumers during the pandemic period, enabling an effective fight against viruses thanks to the added "hygiene" option.

Arçelik aims to reinforce its leadership in the household air conditioner segment by giving priority to environmentally-oriented projects that support sustainability in 2022 and beyond, and plans to introduce its new product, which has air purification properties against increasing air pollutants, to consumers.

Mobile Phone, Tablet and Laptop

The contractionary effects of the global chip crisis in 2021 were felt in all segments of the Turkish consumer electronics industry. 2021 has also been a year in which many foreign brands switched to domestic production due to the tax advantage brought to entry and middle segment products in the mobile phone segment produced in Turkey. While the lockdowns implemented in April and May within the scope of pandemic measures caused the market to shrink by up to 35%, the negative impact of exchange rate increases on product costs was offset by price increases.

The mobile phone segment in Turkey contracted by 14% on a unit basis in 2021 compared to the previous year, thereby regressing to 9.5 million units. It achieved a size of 41 billion TL with an increase of 24% on a turnover basis owing to price surges. The major activity in consumer electronics was seen in the tablet segment as the laptop segment closed the year with 800.000 units and a turnover of 5.5 billion TL. In 2021, tablet sales in Turkey reached 1.3 million with a rise of 54% on a unit basis. On a turnover basis, it increased by 130%, amounting to 2.1 million TL.

Although the rapidly increasing demand for computers and tablets due to the transition to remote work and education in the first year of the pandemic slowed down in 2021, the gradual normalization and opening of schools from the second half of the year onwards were the factors that periodically increased the market activity.

In 2021, which was overshadowed by the pandemic and the chip crisis, the mobile phone, computer, and tablet sales of Arçelik dealers developed in line with the general trends of the market.

In 2022, Arçelik plans to expand its range of smartwatches and earbuds as part of its branded cooperation. Arçelik plans to increase its product exposure with new booth investments at its Technology Club Member dealers and to increase its sales by organizing campaigns that support consumers.

Turkish Brands

ARÇELİK

Lovemark in Turkey for 13 Years

Arçelik, the leading brand of home technologies in Turkey, offers innovative products and services that meet the needs of its customers by combining the latest technology with the best designs. Having the most extensive service and sales network in Turkey, Lovemark has been chosen as Turkey's most popular brand for 13 years, in addition to Arçelik being the most preferred brand by consumers.

Designs Goodness with Love

For Arçelik, which has made a difference with innovative home technologies for 66 years, 2021 marked the beginning of an all-new brand journey. On its way to a new benefit-oriented brand, Arçelik transformed the slogan "Designs innovation with

love" to "Designs goodness with love." Putting "responsible consumption and production" as the focus of the brand, one of the development goals of the United Nations, Arçelik has determined its target as "leaving the world of their dreams to future generations."

Another First in Turkey: Ultra Hygiene Series

Arçelik decided to take an innovative step in line with the changing consumer behaviors and needs due to the pandemic and created the "Ultra Hygiene Series." For people who have been confined to their homes due to the pandemic, the meaning of home has changed as a "safe haven" that protects families from outside dangers. Arçelik, the brand closest to the consumer in Turkey, aimed to alleviate people's anxiety

by launching the first Ultra Hygiene Series in Turkey, which reinforces the feeling of "home = trust." The Ultra Hygiene Series includes a refrigerator, washing machine, dryer, dishwasher, oven, and mini UV cleaning device.

Online Channels Enriching the Customer Experience

While Arçelik's corporate website was renewed in 2021, providing a better user experience, shopping on the website was rendered more enjoyable with fast delivery, unconditional return for 30 days, and additional services at home. Arçelik increased the awareness of its online sales channels with its successful communication campaigns throughout the year.

2022 and Beyond

Arçelik believes that a sustainable world is only possible with the steps taken today. As a brand that embraces eco-friendly production and encourages eco-friendly consumption, it aims to achieve climate-friendly transformation in every household in Turkey.



BEKO

Health and Wellness Focus

Easing the lives of consumers with its innovative products, Beko has adopted a strategy focusing on health and wellness in 2021. It has succeeded in reinforcing its position in the market by continuing to invest in brand value with its wide product range, service quality, and effective communications.

Innovative Product Launches

Beko undersigned important launches in 2021 where technology and design meet.

Bringing the delight of tea to a whole new dimension, the Beko Dem automatic tea maker automatically brews tea with its special brewing technology, keeping the tea pleasure always fresh by separating the tea leaves from the brew just in time. In addition to its black tea function, it also contributes to the consumer's need for a healthy and good life with its herbal tea brewing feature.

Beko embraced Ironfinish technology, an unrivaled technology in the dryer market, and provided strong communication support. Ironfinish technology eliminates ironing and makes clothes ready to wear. Thus, Beko allowed the consumer to spare time for themselves and their loved ones.

Making a difference with its modern and innovative designs, Beko introduced its new product face, Beyond series, to the consumers with built-in products. Thanks to the Aeroperfect technology, which provides homogeneous heat distribution of Beyond built-in ovens, the same result in every cooking and the same taste opportunity is offered every time by eliminating color differences in dishes.

A Reliable Shopping Experience

Providing fast, reliable and uninterrupted service to its customers with Turkey's most extensive service and sales network, Beko maintained its e-commerce priority in 2021, in line with the increasing consumer demand. Beko provides a reliable shopping experience on the beko.com.tr website with

its product variety, service, fast delivery, and advantageous prices.

Beko's Community Health Focus

In line with its sustainability vision and gender equality principles, Beko continued to invest in the “Beko 100 Women Dealers” project in 2021, which aims to increase the representation of women in the entrepreneurial ecosystem. In 2021, 28 new woman dealers joined the Beko dealer ecosystem.

The concept of health stands out not only in Beko's products and communications but also in its social activities. The brand has been supporting sports for nearly 30 years in order to contribute to raising healthy generations. Beko sponsors Besiktas Gymnastics Club and continues the cooperation with Fenerbahçe Men's Basketball team successfully.



GRUNDIG

Included in the Arçelik Group in 2007, Grundig serves consumers in more than 65 countries with its wide product range from televisions to refrigerators, from personal care products to sound systems. Creating innovative, high-quality, timeless, and inspiring products, Grundig offers its consumers a flawless service experience. Grundig pays particular attention to using natural resources efficiently and sustainably in all production processes, without compromising on aesthetics and quality concepts for a better future.

Grundig, which meets with consumers in the TV and sound systems, white goods, small home appliances, vacuum cleaner and personal care categories in the traditional channel, organized retail channel and online channel, aims to consolidate its competitive position in the market by expanding its sales network with new channels as well as expanding its range with new product families and continued to achieve sustainable growth in 2021 as well.

New Category and Product Launches

By 2021, new category launches and upper segment product launches in existing categories were supported by communications. In the Grundig TV category, the entire product range was upgraded to Android TV, and the brand positioning in Grundig TV products was raised with the investments made in media. In the Grundig bluetooth speaker category, the superior and competitive BT Speaker series was launched, and the current target audience of the brand was expanded to include young users as well. Targeting the upper segment in the personal care category, Ionica Air Styler hairdryer was launched using “Celebrity” and Grundig's strong brand positioning in personal care was reinforced. As a reflection of the changing dynamics of the market and consumers' interest in robot vacuums, the robot category was launched, and the Grundig product range, which expanded with the vertical vacuum cleaner, was thus completed. The Fresh Fryer was launched in the kitchen category, and the product, which stands out with its technology and is suitable for multi-purpose use, was introduced to consumers, approved by the MSA (culinary arts academy) chefs it sponsored, and communication support was provided.

Sustainability-Oriented Product Communications

To consolidate its position as a “brand with purpose” in white goods and small home appliances categories, Grundig focused on sustainability communications with the "new product launches.” In 2021, the new Pet Tub Washing Machine series with a drum made of recycled plastic bottles, the BioFridge Refrigerator with the parts made of bio-composite materials instead of petroleum-based plastics, Bio Family Tea and Coffee Machine with the parts made of tea pulp and coffee waste were the former products of sustainability-oriented product launches.

While Grundig continued to grow with the online sales channels and marketplace stores where it developed cooperation in 2021, it also achieved great success with comprehensive works and planning that will serve both category and brand awareness on the communication side.

ALTUS

Plain, Comfortable, Reasonable

Established in 1996, Altus offers robust, durable, quality products at optimum prices in the white goods, television, built-in, air conditioner, and small home appliances segments in Turkey. Altus aims to ease life by removing the excesses with simple, easy-to-use, and easy-to-reach products in the design it offers to consumers.

"The Most Economic" Option

“Believing that less is more,” Altus brings durable consumer goods to the consumer at the most economical prices without compromising on quality and assurance.

Altus reinforces its competitive power in the market by taking part in alternative channels other than the traditional channels, in line with changing consumer habits. In 2022, it aims to establish collaborations and continue its digital media investments to increase brand awareness on social media and in e-commerce channels.



Production Activities

In the global arena, Arçelik introduces to the consumers refrigerators, washing machines, dishwashing machines, dryers, cooking appliances, small home appliances, consumer electronics, and air conditioning units produced with its technology in 28 production facilities in 9 countries including Turkey.

PRODUCT SEGMENTS PER COUNTRY							
	REFRIGERATOR	WASHING M.	DISHWASHING M.	DRYER	COOKING APPLIANCES	AIR CONDITION	TV
TURKEY	✓	✓	✓	✓	✓	✓	✓
ROMANIA	✓	✓					
SOUTH AFRICA	✓	✓		✓	✓		
PAKISTAN	✓	✓			✓	✓	
RUSSIA	✓	✓					
THAILAND	✓	✓					
BANGLADESH	✓	✓				✓	✓
INDIA	✓						
CHINA		✓					

Arçelik is Turkey's largest white goods manufacturer. 67% of the production activities of white goods, TV, air conditioner, tea, and coffee machine are performed in 13 plants established in 7 cities in Turkey, and 33% abroad. 100% of the production of the compressors, engines, and printed circuit boards is performed in Turkey.

Arçelik strengthens its production organization with direct investments and company acquisitions and diversifies its production facility portfolio regionally. With the investments made in Russia, Thailand, and Romania in the 2000s, production facilities were established in these geographies. With the acquisition of Defy in South Africa, Dawlance in Pakistan, Voltas in India, and Singer in Bangladesh, the production organization abroad became a global production line.

In line with its growth strategy, Arçelik continued its investments to diversify its production resources in 2021 without slowing down.

As of June 30, 2021, Arçelik made an investment of 78.8 million Euros and acquired Whirlpool Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi, a 100% subsidiary of Whirlpool Global Holdings S.A.R.L., engaged in the production of Whirlpool branded coolers and washing machines in Turkey. Arçelik, which has included Whirlpool's refrigerator and washing machine businesses in Manisa in its production facility portfolio, anticipates an increase of approximately 20% in its total refrigerator and washing machine production capacity in Turkey. Arçelik has signed a supply contract for the continuation of the sale of the products to be produced in the production facilities it has purchased to Whirlpool companies. With its new production facilities located in the Manisa Organized Industrial Zone, Arçelik has increased its logistics power by getting closer to the port and sub-industry and reinforced its strategic position in Turkey.

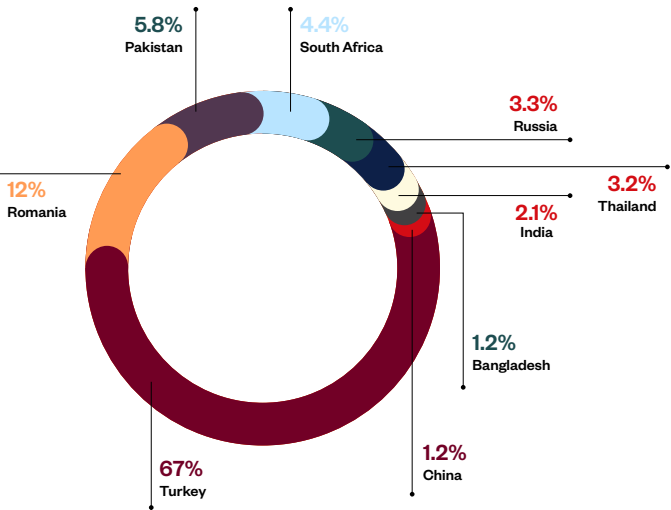
As of July 1, 2021, Arçelik made an investment of 343 million US dollars and took over 60% of Hitachi Home Appliances Netherland B.V. established in the Netherlands by Hitachi Global

Life Solutions, Inc. (Hitachi GLS). It is anticipated that the refrigerator and washing machine facility of the new partnership, the production of vacuum cleaners, and the production to be realized at the washing machine plant in China will make a contribution of 7% to Arçelik's global production capacity. With the partnership, which has started to operate to sell Hitachi branded products in regions other than Japan, Arçelik increased its presence and purchasing power in the Asia-Pacific region.

INTERNATIONAL PRODUCTION FACILITIES

ROMANIA GAEȘTI, SC ARCTIC SA	Cooling Appliances Plant
ROMANIA ULMI, SC ARCTIC SA	Washing Machine Plant
RUSSIA KIRZHACH, BEKO LLL	Refrigerator and Washing Machine Plant
SOUTH AFRICA JACOBS, DEFY APPLIANCES (PROPRIETARY) LTD.	Cooking Appliances, Dryer and Washing Machine Plant
SOUTH AFRICA EZAKHENI, DEFY APPLIANCES (PROPRIETARY) LTD.	Cooling Appliances Plant
THAILAND RAYONG, BEKO THAI CO LTD.	Refrigerator Plant
PAKISTAN HAYDARABAT, UNITED REFRIGERATION INDUSTRIES LTD.	Refrigerator Plant
PAKISTAN KARA I, DAWLANCE (PRIVATE) LTD.	Refrigerator Plant
PAKISTAN KARA I, DAWLANCE (PRIVATE) LTD.	Washing Machine, Cooking Appliances and Air Conditioning Plant
BANGLADEŞ DAKKA, SINGER BANGLADESH LTD.	Refrigerator Plant
BANGLADEŞ DAKKA, SINGER BANGLADESH LTD.	TV, Air Continioning and Washing Machine PLant
THAILAND KABIN BURI, ARÇELİK HITACHI HOME APPLIANCES (THAILAND) LTD.	Washing Machine Plant*
THAILAND KABIN BURI, ARÇELİK HITACHI HOME APPLIANCES (THAILAND)*	Refrigerator Plant*
CHAINA SHANGAY, ARÇELİK HITACHI HOME APPLIANCES (SHANGHAI) CO., LTD.	Washing Macnine Plant*
INDIA GUJARAT, VOLTBEK	Refrigerator Plant*

REGIONAL DISTRIBUTION OF PRODUCTION



PRODUCTION FACILITIES IN TURKEY

ESKİŞEHİR REFRIGERATOR PLANT
ESKİŞEHİR PLANT 6
ESKİŞEHİR COMPRESSOR PLANT
BOLU COOKING APPLIANCES PLANT
BOLU COOKINF APPLIANCES PLANT 2
ANKARA DISHWASHING MACHINE PLANT
İSTANBUL WASHING MACHINE PLANT
TEKİRDAĞ ELECTRONICS PLANT
TEKİRDAĞ WHITE GOODS ENGINE AND SMALL HOME APPLIANCES PLANT
TEKİRDAĞ DRYER PLANT
MANISA REFRIGERATOR PLANT
MANISA WASHING MACHINE PLANT
GEBZE ARÇELİK LG*

(*) Joint Venture Facilities

Innovative Products

REFRIGERATOR

NEW DESIGN SERIES - 60 CM COMBI PLATFORM

One of the main products of the European cooler market, the Prologue & Beyond refrigerator, with its 60 cm freezer at the bottom, was moved to a highly energy-efficient platform and renewed with a modern and stylish design. The AeroFlow cooling system on the new platform preserves the freshness of food for longer. There are HarvestFresh and EverFresh freshness solutions, FreshGuard technology that helps eliminate bad odors, and MultiZone technology that allows the freezer compartment to be used as a cooler when needed. Selected versions can connect to the internet via Wi-Fi.

Prologue & Beyond refrigerator whose production started at Eskişehir Refrigerator Plant is planned to be produced in 2022 at Romania Arctic Plant.



SBS NEW GENERATION

EverFresh and VitaminZone freshness solutions were applied to this product, in which the design and performance of the wardrobe type 2-door SBS refrigerator were renewed. In addition, there is an improved NeoFrost Dual Cooling technology, which provides 50% faster cooling. It connects to Wi-Fi internet.

In 2022, it is planned to produce versions of the product with an automatic ice machine, either with a network connection or with a water tank.



MILAN - 69 CM PLATFORM

Milan refrigerator, the new product in the growing large volume built-in segment of the European market, offers 400 liters of capacity with its 69 cm width, as well as effective freshness technologies such as VitaminZone and EverFresh. With the AeroFlow cooling system, it is expected to make a difference in the European market by outperforming its competitors in terms of cooling and freshness. With an installation time of fewer than 15 minutes, it will be a very successful product in terms of service and assembly.



INDIA - 60 CM NOFROST FREEZER TOP RANGE

In the NoFrost category, VoltasBeko is expected to reinforce its position and increase its market share with its new 60cm NF products (245L-268L) in the Indian market dominated by the products in the 226-270L segment. It is planned to expand the NoFrost product range with products with a volume of 66cm and 300-400L to be designed.

PROJECT BANG - 56 CM PLATFORM

Developed for the Bangladesh market, the Project Bang 56 cm platform includes the first in-house production models in the Singer product range. With the Project Bang series, HarvestFresh and static EverFresh technologies included in the products, considering the increasing health and wellness insight among users take place in the target market for the first time. The Baseddrawer feature, which creates value in terms of ease of use and accessibility, is also introduced to the market for the first time. Increasing the perception of quality in the new products it commissioned, Singer aims for sustainable growth by steadily increasing its market share.

In 2022, the Project Bang series will continue to be developed with continuation cabinets.



URIL R3 - 60, 63, 76 CM PLATFORM

The design of the large-capacity Uril R3 series developed for the Pakistani market was renewed and HarvestFresh and EverFresh solutions were integrated into the products. The large-volume Dawlance product range is powered by the energy-efficient and high-quality Uril R3 series. Dawlance aims to increase its market share by creating an advantage against its competitors.

It is planned to integrate Wi-Fi and electronic control features into some versions.

DISHWASHING MACHINE

NEW DESIGN SERIES DISHWASHER SERIES

GLOBAL

With the Beyond design offered to users with Beko brand products, new technologies, superior performance, and perfect design are brought together. In the dishwasher category, while providing hygiene with the HygieneIntense feature in all series, superior washing technologies CornerIntense & DeepWash are used in bPRO500 and bPRO700 series along with high-performance criteria. AutoDose technology with ease of use and sustainability benefits is also popularized with Beyond products.

In 2023, it is planned to expand the Beyond design in semi-built-in products.



NEWLY-DESIGNED DISHWASHER SERIES

GLOBAL

Arçelik brand in Turkey and Grundig brand in the global sense started to use the newly designed version of dishwashers. This design, where aesthetics, quality, and sustainability meet, also brings together high technology and features. All series have DirectAccess control structure and screens with time display. In addition to important washing technologies such as CornerWash and DeepClean, SuperDry and DoorMatic drying technologies have also been extended to high-end products with a new design series.

In 2023, it is planned to extend the new design launch in semi-built products as well.



NEWLY-DESIGNED UNDERCOUNTER DISHWASHER SERIES

GLOBAL

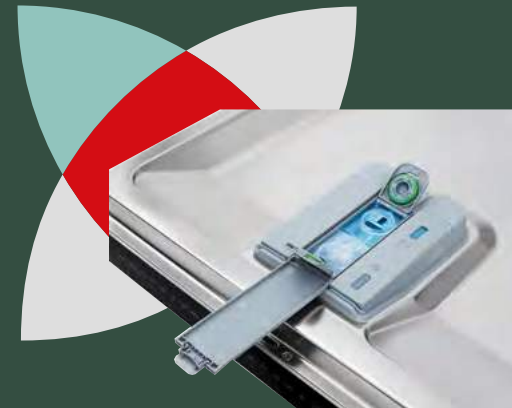
Prologue & Beyond Undercounter Dishwasher Series, a member of the Prologue and Beyond design family, has been prepared to bring built-in kitchens together with a simpler design. The product series, which has top and front control, combines easy use with modern design elements with its DirectAccess control structure. The products that combine aesthetics and plain design have all the features given in the Prologue and Beyond design family. In addition, dark stainless and glass door color options can also be applied to the designs.



AUTODOSE DISHWASHER - 45CM PLATFORM

GLOBAL

While AutoDose technology adjusts the ideal amount of detergent according to the program you choose, it does not leave detergent residue even in short programs. In this way, it provides a sustainable solution by preventing unnecessary detergent consumption. AutoDose technology, which automatically adjusts the dosage of enough detergent for up to one month in a single filling, has also been extended to slimsize products.



B ENERGY DISHWASHER

EUROPE, TURKEY

B energy level is in the upper energy class in the new energy legislation. B dishwashers, which are in the product portfolio of very few companies in the dishwasher market, were commissioned for Arçelik brands. Due to the effective use of the dishwasher water tank, more efficient washing is ensured, and B energy levels are achieved, which will increase the sustainability impact of Arçelik brand products.



C ENERGY DISHWASHER

EUROPE, TURKEY

After the transition to the new energy legislation, products with C energy level are rapidly becoming widespread in the European market. Products with energy level C, with special washing algorithms and automatic door opening technology, have been actively used in the product ranges of Arçelik brands. It is anticipated that the C energy dishwasher will make a significant contribution to the sales of products with high energy levels.

In 2022, it is planned to commission products with C energy level in the slimsize category.

WASHING MACHINE

10/6 KG WATER CONDENSING WASHER DRYER

GLOBAL

Along with the Prologue and Beyond series, water condensing and high-capacity washer-dryer machines were commissioned. The new series products provide a stronger position in the growing washer dryer market. The products also have speed functions, wrinkle reduction, and hygienic ventilation features.

It is planned to commission 12/7 kg washer-dryer machines.



IRONFAST

GLOBAL

IronFast wrinkle reduction technology has been activated on the Excellence platform. With the machines equipped with IronFast technology, it is aimed to reduce the wrinkles in the shirt program by 50% and to save the time that the users spend on ironing. Commissioned with Beyond and Prologue designs, IronFast will contribute to strengthening the brand perception and price index by focusing on one of the main problems of users.



A-%10 ENERGY

EUROPE

According to the new energy label legislation in Europe and Turkey, a serious step has been taken for sustainability by starting the production of washing machines consuming 10% less than A energy class with new series products with Aquatech technology. It is planned to commission products that are 30% more efficient than A energy level with a capacity of 9 kg 1400 rpm.

STEAM CURE WITH REFRESHMENT

GLOBAL

The steam cure with refreshment solution, which will make daily clothes ready for re-wearing by removing bad odor and wrinkles without the need for washing, has been expanded in the product range with the Excellence platform. With the Steam Cure with Refreshment solution, it is aimed for the clothes to wear off less and to be worn for longer periods. Since there is no need for washing, water, and energy consumption are reduced, and the life of the clothes is extended, thus providing support to consumers in terms of sustainability.



INDIA TOPLOADER PRODUCTION

INDIA

With the new investment made in India, 6.5 and 7 kg Toploader production has started. Thanks to the platform investment, new features are added to the products that will make a difference and empower the brand perception. In addition to FountainWash technology, which provides sensitive and effective washing, Jet&Handwash technology has been used to clean challenging dirt. Thanks to the steam and hot washing features added to the products, viruses, and bacteria are removed together with the hygiene program.





DRYERS

STEAM CURE

GLOBAL

It is designed as a steam-cure refresher solution that removes bad odor and wrinkles without the need to wash daily clothes and makes them ready for re-wear. With the Steam Cure solution, it is aimed eliminate the wear and tear of clothes and helping them become more durable for longer periods. Since there is no need for washing, water, and energy consumption are reduced, and the life of the clothes is extended, thus providing support to consumers in terms of sustainability.



BUILT-IN

EUROPE

With the built-in platform of 46 cm for the European market, a product with an A++ energy level (7kg) has been offered to the consumer for the first time in the competition. With this product, it is aimed to reach high market shares in the built-in segment. It is planned to design 7kg A+++ and 8kg A++ models.

IRON FINISH

GLOBAL

It is the first steam technology in the competitive market to deliver (ready-to-wear) drying results for casual clothes without the need for ironing. It is certified by the independent testing organization CTTN. It is aimed that the Iron Finish technology commissioned with the Beyond appearance, will add value to the product and contribute to the consolidation of the brand perception and price index.



PERFECTION - 46 CM PLATFORM

EUROPE

With the 46 cm platform of the Perfection dryer, the drum volume has been increased and the airflow has been optimized. 8kg A++ and 7kg A+++ dryers were developed at a depth of 46 cm, which is a first in the competition. It not only provides users with the opportunity to dry more laundry at once without taking up more space in their homes but also saves energy.



COOKING APPLIANCES

HORIZONTAL AND T-TYPE HOODS

TURKEY, EUROPE

A more competitive range of hoods has been achieved in the European and Turkish markets with the horizontal and T-type hoods manufactured in-house and commissioned in 2021. More powerful engine, temperature sensors, and adjustable lighting features added to the product increase functionality and provide user convenience.

Hoods with Hob to Hood feature, which can be controlled from the HomeWhiz application, are planned to be commissioned for the upper segments in 2022.



PUMA INDUCTION HOB PLATFORM

EUROPE

The Puma induction hob platform renewed for the middle segment was commissioned in 2021. With the new Slider Direct Access (Nova) Display feature, it takes user experience and satisfaction to the next level. The production of the diversified Puma platform models equipped with sensors is on the roadmap for 2022.



HOB EXTRACTOR

EUROPE

Hob extractor products, which have gained a very important place in the Western European market, were commissioned with a new in-house design. Making a difference in the competition with its low noise level and high energy features as well as its ergonomic design, the product is offered to the market in 60 and 80 cm.

Long-life carbon filter versions are planned to be commissioned in 2022.



SQUARE GRILL GAS COOKER

TURKEY, EUROPE

The gas cooker, which appeals to the upper segment with its new square grill designs, has been commissioned. The product, which has an important place in the stove market, uses an easy-to-clean coating and has a 9-stage control feature.



BEYOND BI OVEN

TURKEY, EUROPE

Beyond BI Oven bPRO500 was commissioned in 2021. Thanks to the ETNA platform, the air distribution system and grill design of the renewed Beyond BI Oven have been improved, and the temperature oscillation in the oven has been reduced compared to the previous model.

Beyond bPRO700 models with 2.4" TFT screen are planned to be commissioned in 2022.

NEWLY-DESIGNED GR7700 & SMARTBAKEPRO

TURKEY, EUROPE

Prologue BI Oven GR7700 was commissioned in 2021. Thanks to the ETNA platform, the air distribution system and grill design of the renewed Prologue BI Oven have been improved, and the temperature oscillation in the oven has been reduced than before. The SmartWake Pro feature, which will be added to the GR7700 ovens, is planned to be commissioned as the first step of the Autonomous oven journey. SmartBakePro automatically ends the cooking process for pastries that need sensitive cooking.



30" OVEN TWIN FAN

NORTH AMERICA

30" Oven Twin Fan features fast cooking and rapid preheating compared to single fan 30" range cookers. It was developed to meet the fast cooking expectation of users for the North American market.

It is planned to add the same feature to 30" built-in ovens in 2022.

DEFY 60X60 FREESTANDING OVEN PLATFORM

SUB-SAHARAN AFRICA

Defy 60x60 Freestanding Oven focuses on user needs with its improved cooking performance and perceptual quality, as well as its new design where the panel, lid, button, and handles were renewed, the bottom and top heaters were hidden and the glass inner cover was added. It was commissioned as a platform project that reinforces the strong position of the Defy brand in the Sub-Saharan African freestanding oven market.





CONSUMER ELECTRONICS

ANDROID TV

TURKEY, GERMANY, SPAIN, CROATIA, BALKAN COUNTRIES, PORTUGAL

With the evolution of the television habits of the users into a comprehensive structure, Android TV has been developed with different screen size options in order to meet the increasing needs of the customers. Offering an unlimited TV experience, Android TV allows downloading applications from the Google Play Store and using the features of the Android operating system such as Google Assistant and Chromecast.

In 2022, it is aimed to expand Android TV to all smart TVs in the product range and to enrich the technical features of all segments.

HANDS-FREE VOICE CONTROL TV

TURKEY, GERMANY, SPAIN, CROATIA, BALKAN COUNTRIES, PORTUGAL

With the voice command feature on Android TVs commissioned in the Echo segment, users can make calls, activate applications, and get answers by asking questions without the need for remote control.



DOLBY VISION AND DOLBY ATMOS COLLABORATION

TURKEY, GERMANY, SPAIN, CROATIA, BALKAN COUNTRIES, PORTUGAL

As part of the collaboration established with Dolby, Dolby Vision and Dolby Atmos supports are added to the products, providing users with a real cinematic pleasure in terms of both sound and image on their televisions. With the added Dolby Vision and Dolby Atmos features, it is possible to access Dolby-supported content within the scope of VoD.



ECO REMOTE CONTROL

TURKEY, GERMANY, SPAIN, CROATIA, BALKAN COUNTRIES, PORTUGAL

With the Eco Remote Control, the remote controls supplied with the TVs are produced from 100% recycled plastic, providing added value for a sustainable nature.



AUDIO SYSTEMS

CONNECT 360

GERMANY, FRANCE

With its acoustic design, Connect 360 provides 360-degree immersive sound. The product with water-resistant IPX5 protection leads the way in its field with its playtime exceeding 20 hours, fast charging, and powerbank features.

GRUNDIG BAND

GERMANY, FRANCE, TURKEY

Band product enabling BT speaker to meet with digital radio in a portable form offers users flexibility in terms of the content they want to reach. With up to 8 hours of battery power and stylish design, Band was chosen as the product of the year by TechnikZuHause in 2021.



CMS4200

GERMANY, FRANCE

The address of refined content, the leading brand of HiFi systems, Grundig provides users with the opportunity to adjust the bass/treble on the product, and offers the opportunity to develop their products with its replaceable speaker connection and its CMS4200 product.

JAM EARTH

GERMANY, FRANCE, TURKEY

The Grundig Jam model was renewed in 2021 within the sustainability approach and started to be produced with the use of recycled plastic in its body.



SMALL HOME APPLIANCES

PROCLUB™ PRODUCT FAMILY

EUROPE, TURKEY

ProClub™ Men's Care family, which started to be sold in Germany and the Balkans in 2021 and is planned to meet with the user in Turkey in 2022, offers professional shaving at home thanks to its innovative technologies. Innovative BeardCare™ sensor technology in all family products detects beard density and adjusts motor power. With its waterproof IPX7 design, USB and fast charging feature, charging station, and multi-purpose heads, the ProClub™ family makes the male grooming ritual effortless and of high quality. Its special titanium-coated blades are up to 2.5 times more durable than standard stainless steel coatings. Two hair and beard machines in the ProClub™ Men's Grooming family, one clipper developed for the body with 9 different accessories, meet different needs. In 2022, it is planned to expand the ProClub™ Male Grooming family by adding two different rotary shaver products.



IMPERIUM GO PLUS

TURKEY

Arçelik Imperium Go Plus and Beko PowerClean Pro cordless vacuums were put on sale in the Turkish market after the launch in April 2021. This product group, which aims to make hoovering effortless and quick with the best performance, provides powerful, easy, and effective hoovering with its 210W suction power. It offers a comfortable hoovering experience with its control unit that can be adjusted from the handle and the LCD screen where the remaining time can be instantly monitored. Recognizing each type of floor with its smart brush, it automatically adjusts the motor speed and provides a longer usage opportunity. It is planned to put the products on sale in Europe, Australia, England, and Malaysia, in addition to Turkey, and the Asia-Pacific, Middle East, and African markets under the Hitachi brand in 2022.



BIO TURKISH COFFEE MACHINE

TURKEY

The Bio Turkish Coffee Machine with coffee waste, which was developed by using bio-composite material for recycling organic residues, was produced with a sustainable approach and was launched in the Turkish market in 2021 and offered for sale.



ARÇELİK ARIA MASTER PRO AND BEKO ACTIPRESS MASTER PRO

TURKEY

Arçelik Aria Master Pro and Beko Actipress Master Pro irons are planned to be put on sale in the Turkish market as of January 2022. The product group, which aims to make ironing effortless and quick with the best performance, provides easy and effective cleaning thanks to the automatic lime cleaning feature applied for the first time in irons with boilers. Ceramic base providing high shock steam of 600 gr, homogeneous temperature distribution, and maximum lubricity offers a comfortable ironing experience. The smart mode, which is suitable for all types of fabrics, allows for safe ironing. At the same time, it minimizes ironing time with its high steam pressure of 8 bar. In addition, after the ironing process is completed, it provides ease of storage to the user with its cable winder feature. The products are planned to be sold in Turkey as well as in Europe and Malaysia.

PERFECT GRILL AND TOASTER

EUROPE, TURKEY

Perfect Grill, the new member of the Gourmet family, which includes flagship products including Telve Duo and Automatic Tea Maker, started to be sold in the Turkish market after the launch in November 2021. Offering a gourmet dining experience to the user with its high power, wide cooking surface, and different cooking modes, the product reaches a temperature of 280 degrees with its innovative heating system and plate design and brings the opportunity to make real meat sealing and buffet type toast to homes. It is aimed to expand the innovative product group, which ranks 1st in the grill and toaster category in the Turkish market, to the markets of Germany, England, Poland, France, Romania, the Balkans, and Australia in 2022 for its global expansion.



BIO MATERIAL TEA MAKER WITH TEA FIBER

TURKEY

Representing a successful example of the use of bio-composite materials for recycling organic wastes, the Tea Fiber Bio Material Tea Machine was produced with a sustainable approach and was launched in the Turkish market in 2021 and offered for sale.

FULLY AUTOMATIC ESPRESSO MACHINE WITH MILK CONTAINER

EUROPE, TURKEY

The Fully Automatic Espresso Machine with Milk Container, which is in the category of espresso machines that is growing rapidly in the world, provides users with the opportunity to make barista-type coffee with a single click on the Bean to Cup espresso platform. The Beckham platform, which has 19 bar pressure, integrated milk container and adds elegance to the kitchen with its slim design, continues to gain market share by receiving positive feedback in the French, Polish and Romanian markets.



AIR CONDITIONER

HYGIENE FUNCTION

TURKEY, EUROPE

In line with the increasing hygiene demand with the COVID-19 pandemic, the hygiene function has been developed for air conditioners. The hygiene function keeps the surface temperature of the heat exchanger in the air conditioner at 56 degrees for a minimum of 15 minutes, determined by the World Health Organization to neutralize the coronavirus and neutralizes harmful particles such as bacteria and viruses that may accumulate on the heat exchanger surface. The hygiene function, which was tested by independent laboratories and approved by the Ministry of Health of the Republic of Turkey, was commissioned under the Beko brand. It is planned to expand the product range in the European region.



UV MODULE

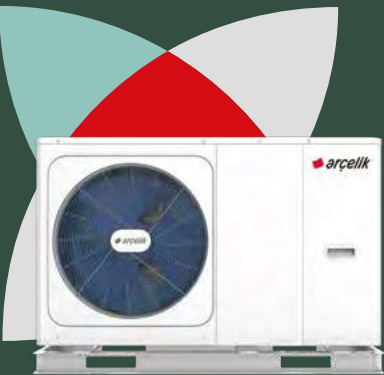
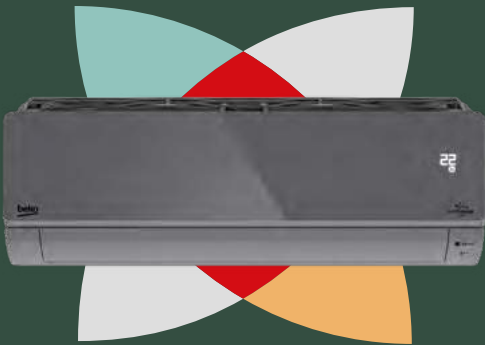
TURKEY

In line with the increased hygiene demand with the COVID-19 pandemic, a UV module accessory has been developed that purifies the environment from bacteria and viruses and is compatible with air conditioners in the 7,000 ~ 15,000 Btu/h capacity range. The UV module provides 99.99% removal by disrupting the structure of living micro-organisms such as bacteria and viruses in the air with the power of the UVC lamp inside. The UV module design was granted the Red Dot 2021 design award.

SILVER ACRYLIC PRODUCT

GLOBAL

With the increasing use of silver and anthracite colors in home furniture and wall colors, Silver Acrylic Product has been developed to meet the demand for new product colors that will harmonize with interior designs. A premium product with an aesthetically pleasing acrylic panel and ionizer and 4-way automatic air blowing features to support the health concept has been added to the product range.



AIR CONDITIONING

HEAT PUMP

TURKEY

The Monoblock heat pump product range, which is the most environmentally friendly category among space heating systems, has been commissioned for the Turkish market. The product range developed with a sustainable approach features the reduction of fossil fuel usage. Heat pumps aiming for leadership in the Turkish market were developed in 4 capacities for the Arçelik brand.



AIR PURIFIER 5 IN 1

TURKEY, EUROPE, ASIA-PACIFIC

The 5-in-1 Air Purifier cleans and improves indoor air quality by removing 99.97% of even the smallest particles such as pollen, dust, and fluff with its 4-stage filtration technology, including pre-filter, HEPA 13, active carbon filter, and ionizer. Thanks to the PM 2.5 sensor, it measures the particle density in the air and makes the air quality visible through colors. It offers the user the opportunity to monitor the real-time indoor air quality level and take appropriate action. In addition to cleaning the indoor air, thanks to its aroma diffuser feature, it gives off a nice odor to the atmosphere. The BT speaker feature allows BT devices to play music by connecting to the air purifier, and the wireless charging feature, which is compatible with all mobile phones, can be used as a night light with its soothing light.

AIR CONDITIONER

SUPPORT SERVICE

TURKEY

The Support Service was launched in 5 basic white goods product groups. Internet-connected products send users directly to the Call Center via a single button on the product. With the application which is activated by pressing the support service button, the registered number in HomeWhiz is called after an average of 15 minutes by the Call Center. This button, which is designed on the product, is also added to HomeWhiz, thereby providing the global users easy access to solution points. The transfer of product data to the Call Center in the calls made with HomeWhiz or the button on the product enhances the service quality.



INDOOR AIR QUALITY SENSOR

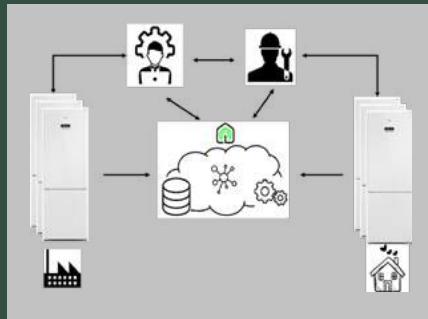
TURKEY

The indoor air quality sensor commissioned in 2021 enables users to measure CO₂ level, temperature, and humidity of the indoor environment. It gives warnings both visually and through the application to protect against headaches, fatigue, and distraction that may be caused by high CO₂ levels. It can be operated automatically with the HomeWhiz technology of the smart air conditioner and air cleaner.

PREVENTIVE MAINTENANCE AND SERVICE WITH DATA FARM

GLOBAL

The Support Service was launched in 5 basic white goods product groups. Internet-connected products send users directly to the Call Center via a single button on the product. With the application which is activated by pressing the support service button, the registered number in HomeWhiz is called after an average of 15 minutes by the Call Center. This button, which is designed on the product, is also added to HomeWhiz, thereby providing the global users easy access to solution points. The transfer of product data to the Call Center in the calls made with HomeWhiz or the button on the product enhances the service quality.



Marketing and Design Awards

DIJITAL

- Arçelik refrigerator was granted for the Big Convergence - VitaminZone project a “bronze” award in the branded content category by the international MIXX (Marketing and Interactive Excellence Awards), which rewards the teams and brands that develop digital advertising.
- Arçelik SDA was granted for its What Do I Do Today project a "bronze" award in the video ads category by the international MIXX (Marketing and Interactive Excellence Awards), which rewards teams and brands that develop digital advertising.
- Arçelik was granted the following awards by Social Media Awards Turkey, where brands, agencies, projects, and people who left their mark on social media are assessed:
 - Bronze” award in the category of technology consumers with social media digital content,
 - Bronze" award in the special day campaign category with the 19 May Promise,
 - Bronze” award in online advertising category with Big Convergence - VitaminZone.
- Arçelik's Documentary on a Coffee: In the Blink of an Eye won the Best Short Film award at the Rome International Film Festival, and was selected as a Success Story among Google Case studies within the scope of Think With Google. It was awarded in the fields of content-oriented media use and durable consumer goods in the Media Department category at the 16th Felis Awards, which emphasizes the role of effective creativity in marketing efforts in the advertising and marketing industry and rewards the achievements of teams that contribute to the creative world.
 - At the 16th Felis Awards:
 - Arçelik website E-commerce section was awarded UX, UI, and Consumer Journey “felis”

- Arçelik website E-commerce section was awarded Durable Consumer Goods View the Product at Home with AR “felis”
- The Arçelik website won the “achievement” award.
- The Arçelik.com.tr Augmented Reality Project was awarded in MarTech's Best Use of Technology in Brand Experience - View the Product at Home with AR and Best Use of Technology in Mobile Media - View the Product at Home with AR - by MarTech, which evaluates the brands that use marketing technologies to develop the sector.

DESIGN

- Arçelik Refrigerator Ultra Hygiene Series was granted the Red Dot Design Award in the Product Design: Kitchen Appliances and Kitchen Accessories category at the International Red Dot Design Awards. The Ultra Hygiene Series also received the Effie bronze award in the Durable Goods & Small Home Appliances category in Turkey.
- Arçelik Automatic Tea Maker and Arçelik Inox Electric Samovar won the 2021 International If Design Award.
- Arçelik Automated Guided Vehicle was granted the product design award at the international If Design Awards, and received a design award in the robotics category at the international Red Dot Design Awards.

BRAND

- Arçelik was selected as the "Most Technological Brand" and "Most Technological White Goods Brand" by MarTech, which evaluates brand
 - projects that use marketing technologies to
 - develop the industry, and the "Emerging Brand of
- Arçelik was selected as Turkey's "Favorite Brand" for the 13th time in the White Goods Category in the "Turkey's

Lovemarks 2021" research conducted in collaboration with MediaCat-Ipsos.

- Arçelik received the “felis” award in the Transforming Marketing Effect category at the 16th Felis Awards for “Designing Goodness with Love,” and the “bronze” award in the categories of Brand Repositioners and Those Who Take Action with a Brand Purpose.

PRODUCT

- Beko Rechargeable Upright Vacuum Cleaner PowerClean™ was granted the "Best Buy" and "Great Value" awards by the UK's leading test magazine Which Magazine, and the "Best Purchase" award given by Altroconsumo, Italy's largest independent testing organization.
- Grundig Naturashine haircare family was granted “2021 Red Dot Design” and "2021 Design Turkey" awards.
- In the evaluation made by Haus & Garten, Germany's leading test magazine;
 - With Grundig Hair Straightener (HS 7030), it was rated “good” with a rating of 1.5
 - With Grundig Hair Styler (HS 7080), it was rated “very good” with a rating of 1.4
 - With Grundig Steam Generator Iron (SIS 9870), it was rated “good” with a rating of 1.7
 - With Grundig Juicer (CJ 6840), it was rated "very good" with a rating of 1.3
- Grundig Cordless Upright Vacuum Cleaner High Force (VCP 8931) was rated as “good” with 90.6% in the evaluation made by Test Magazine.
- The Grundig Hair Dryer (HD 8080) was rated “good” with a rating of 1.7 by Haus & Garten magazine and was rated as “very good” by Test Sieger with a score of 1.5.
- In the evaluation made by Germany's leading test magazine Stiftung Warentest (StiWa); Grundig Brand CMS 5000 Micro HiFi was

evaluated as the 1st in the comparative test (Test Sieger/Test Winner) with 1.5 points

- CMS 4000 Micro HiFi rated “good” with a score of 2.1
- DTR 6000 Digital Radio is rated “good” with a score of 2.2
- CMS 3000 Micro HiFi rated “good” with a score of 2.5
- Grundig GBT Band Radio/BT Speaker was rated as “satisfactory” with a score of 2.7 by Stiftung Warentest (StiWa) and “very good” with a score of 1.0 by Technik Zu Hause, as well as being granted the “Product of the Year” award for 2021/2022 (Produkt des Jahres 2021/2022) and was granted the “2021 Red Dot Design” award.
- Grundig GBT Club BT Speaker was evaluated as “satisfactory” with a score of 2.6 in the evaluation made by Stiftung Warentest (StiWa) and was granted the “2021 IF Design” and “2021 Red Dot Design” awards.
- Beko Personal Air Purifier was granted the “2021 IF Design” award in the air quality category.
- Grundig Heinzelmännchen Radio Package was deemed worthy of the “2021 Red Dot Design” award.

CUSTOMER SERVICES

- Arçelik Customer Services, which received an award in the "Operation Model Master" category with its ARTEMIS management system in 2020, was also awarded in the "Change Management" category with its ARON management application in 2021. Digital transformation applications that monitor screens that provide 360-degree views for customer satisfaction, digital functionality that supports additional warranty sales, service performance, field efficiency, spare part operations with real-time metrics have been developed with the power of Arçelik technology teams, and the experience of authorized services.
- Arçelik Service Academy received a "gold" award in the Best Technical Training Program category and a "bronze" award in the Best Training and Development Strategy category in the international The Stevies Best Employers Award Program in 2019.

R&D and Innovation

13 R&D and Design Offices in England, China, Romania, Thailand, Taiwan, India, South Africa, Pakistan, and Russia

16 R&D and Design Centers in Turkey

2,043 Engineers and Researchers

The only Turkish company that has been in the top 200 for 10 years in the World Patent League with over 3 thousand registered patents.

One of 7 Turkish companies listed in the World's First 2,500 Companies with the Highest R&D Investment



DIGITAL TRANSFORMATION

Arçelik regards its Digital Transformation approach as a whole in all its processes and shapes its efforts by focusing on the fields of “Customer,” “Products and Services,” “Process and Systems” and “People and Organization” in a way that preserves this integrity. In this direction, the Digital Transformation strategy is designed to create a customer-oriented, reliable, scalable, and sustainable transformation agenda by supporting all functions in an integrated model with the enterprise resource planning solution positioned as the digital core, and all technological solutions used in an integrated manner around the resource planning. Arçelik implements this transformation agenda by creating more agile digital products that can be launched in the market faster with teams, and by planning a roadmap to implement them in a way that supports the entire ecosystem.

Arçelik works on turning Digital Transformation into a continuous and sustainable “Digital Culture.”

In 2021, Arçelik determined its focus areas in such a way to support the main strategies set in the previous years for its Digital Transformation activities as follows:



- Creating digital products and ensuring their use on a global scale,
 - Disseminating digital process management practices and increasing employee efficiency,
 - Developing modular product management applications and disseminating industry 4.0 applications,
 - Providing harmonization and standardization in digital applications all over the world,
 - Data-based business management supported by data analytics and artificial intelligence,
 - Device-independent, secure, sustainable infrastructure and operations management,
- Incorporating future-oriented new technologies through open innovation.

Regarding the Sales and Service processes, Multi-Channel Sales and Global e-Commerce Applications and the Digital Transformation model taught at Harvard were established. Dealer and Channel Management Applications, B2B processes were transformed into a system that is managed by global and local needs. With After Sales Field Service Management Applications, it is aimed to allow the fieldworkers to provide the most effective service management and increase customer satisfaction by using the latest technologies all over the world.

To improve the service provided to customers, 360-degree customer management is carried out with Call Center Applications and Customer Management Systems, and the recognition is increased to provide the best service to customers on all platforms.

Robotic Process Automation and Digital Employees (RPA) and Employee Oriented Digitalization (Connecta) applications were put into use for in-house processes and employees. In this way, employees saved time by digitizing static processes and managing them independently of location, device, and time.

As examples of Digital Transformation Applications in Production, Romania Arctic and Turkey Eskişehir production plants received “Global Lighthouse” certifications by the World Economic Forum with Production Management Systems. With Production Maintenance Management Systems, artificial intelligence and data analytics solutions, and predictive maintenance models, processes are managed



with minimal downtime in production. With Production Life Cycle Management Systems, the management of the entire production life cycle, from new product processes to the product output from the line, was carried out. With Intelligent Quality Management Systems, R&D, Production, and Post-production support processes were digitalized with quality systems and the quality of all processes and products were increased. With the 5G LTE Network Structure Application, the speed of data communication networks in indoor areas was increased, enabling systems and devices to work with each other in real-time via wireless sensors. With the Global Singularized Communication Infrastructure, it was ensured that written, audio, and visual communication all over the world is carried out on a single platform after the pandemic. With Cyber Security Applications, end-to-end information security was rendered manageable on all platforms with the latest technologies. With the Global Financial Consolidation and Harmonization Practices, it was ensured that financial data all over the world can be consolidated on a single system, and processes were harmonized.

Maintaining the leadership in its sector, Arçelik achieved this with its Digital Transformation projects and vision, which play an important role in reaching Industry 4.0 and beyond in both production and informatics infrastructure. Arçelik successfully achieved this with the transformation and informatics projects that it pioneered. One of the most important projects in this field, the Eskişehir Factory, the digital transformation of which was completed with the logic of Industry 4.0, was registered as a "Global Lighthouse" by the World Economic Forum. The digitalization of production facilities in all areas allows the management of production facilities on a global scale and the instant monitoring of production performances.

Arçelik also demonstrates leadership in all business processes with its customers by transforming relevant solutions, digital media, and channels in line with new technologies. Arçelik creates a difference empowered by the innovation ecosystem with both digital transformation projects and R&D projects with all innovative technologies such as Data Analytics, Artificial Intelligence, Virtual Reality / Augmented Reality, and Meta to improve the services provided. Arçelik also increases the digital indices of the central solutions reaching the employees, who are the most important stakeholders within its body, with an

integrated platform and increases its effectiveness with practices that will set an example in the sector.

Our critical digital applications which pioneer in the digital transformation of the main components and are used by the global organization are as follows:

Among the “Customer” oriented global digital applications; Arçelik Customer Services 2.0

- In "Products and Services" field,
- Buzdağı 4.0 - Industry 4.0 Based Digital Production Management System
 - Intelligent Digital Production Maintenance Application
 - Robotic Process Automation Projects
 - Quality Management Applications

- In "Process and Systems" field,
- Global Financial Consolidation Practice
 - Digital Reseller Automation System in Cloud Environment

- “People and Organization”
- Employee Oriented Digitization - Connecta
 - Digital Occupational Health and Safety
 - Digital Project Portfolio Management

The Digital Transformation central organization was remodeled at the beginning of 2021 and was transformed into a structure that is ready for agile transformation, can act autonomously, is close to central and global business units, and proactively manage workspaces.

Based on such new restructuring, the departments of "Corporate Systems," "Commercial Systems," "Digital Production Systems and Product Life Cycle Systems" and Production, R&D, Product Management, Marketing, Sales, After-Sales Support, Financial Affairs, Human Resources, Purchasing, Legal, Quality, Supply Chain and Sales Distribution business units were supported more closely to make plans in which all end-to-end processes of Arçelik can implement the digital transformation in the most effective and fastest way. The digital transformation activities are managed in an integrated manner with "Digital Products and Services," "Technology Infrastructure and Cyber Security,"



"Data and Artificial Intelligence," "Corporate Architecture," "Global Information Technologies Business Partnership Management" and "IT Governance" organizational units and added value is provided by using the most effective innovative digital technologies in such a way supporting these main digital transformation functions.

With its end-to-end digital experience and integration and Seamless Sales Channel Management projects, Arçelik aims to use digital transformation effectively to become the most preferred supplier by distributors and vendors and the easiest to trade with. Digital transformation, price-performance, product diversity, after-sales services, personalized products and services, and AR/VR-enriched customer experiences in B2B portal, EDI (Corporate Joint Order Sharing and Management Applications), and Horizon-Supply Chain processes are among the main projects.

To expand its electronic channel competence globally with the Direct Customer Service model and move towards a best-in-class model in Turkey, efforts continue on e-commerce and marketplace for Product and Spare Parts and multi-channel integrated projects for retail customers. Customized campaign and promotion management applications for customers and the OLİZ application to be developed in Turkey and mobile experience will also be included in the digital commerce application.

Cost reduction, productivity, quality, workplace and employee safety, smart and hyper-automation projects with IoT (Internet of Things) devices and production management

- End-to-End Digitalization in B2B Channel Operations**
To achieve channel management through end-to-end integration (B2B and EDI solutions)
- To Raise Our D2C Competencies on a Global Scale**
To be Turkey's best D2C (direct to customer) model in its own field with the dissemination of our electronic channel competencies
- Digital Production**
To maintain the focus of Industry 4.0 through the transformation of Production Management Systems (MES) and the Digital solutions in Quality Management
- New Generation Corporate Resource Planning (ERP)**
To transform our core ERP system with the latest technologies for the purpose of becoming a Smart Organization (O2C as an input to AHHA, then Arçelik)
- Dissemination of Global Platform**
To speed up the dissemination of our digital solutions on a global scale (Consumer Services, WEB, Supply Chain, Finance, HR Systems, Connecta, Production Systems)
- Focus on the Global**
To be closer to our subsidiaries and to strengthen IT teams of the country

systems at nearly 30 factories are planned with a focus on Industry 4.0 through the transformation of Production Management Systems, and the digital transformation management in quality operations.

Efforts were initiated at Arçelik-Hitachi to ensure the renewal of the core ERP system with a platform that utilizes the latest technologies to become a Smart Enterprise. The competencies as a result of these efforts will be used for Arçelik Global and harmonized with the processes, and a more dynamic, user-oriented Enterprise Resource Planning system that will be implemented all over the world will be created.

It is aimed to quickly launch the projects successfully implemented to disseminate the digital products in all countries and raise the distribution speed (Connecta - Employee-Oriented Digitalization, Atlas - Data Reporting Platform, Sirius, Harmony, Storm, e-Commerce, Sales Configurator, MARS, Integrated Communications, etc.) and to offer them for common use in any geographic region.

Investments are planned to increase the Digital Transformation support in foreign businesses, make the central digital transformation management functions closer to business digital transformation functions and provide strong support, and strengthen the business digital transformation teams on a local basis.

R&D EFFORTS

Arçelik's R&D strategy is built on 4 main pillars:

- To consider the connectivity of products as a whole with software and hardware platforms, cyber security, mobile and cloud infrastructures, and also to offer customers autonomous products equipped with advanced sensors.
 - Contributing to sustainability through improvements in energy and water efficiency, sound level improvements, use of recycled materials, renewable energy, and durability and repairability in its products and processes.
 - To achieve perfection in product functions with considerations such as cooling, food storage, cooking, sensitive cleaning of textiles and dishes, home care, and food and beverage preparation.
 - To provide competence and new business areas for new product groups.
- In line with Arçelik's R&D strategy, the Innovation Directorate was established in 2021 to plan and carry out innovation studies in a holistic structure from a single department. The duties and responsibilities of the Innovation Directorate are based on 3 main topics. These are as follows:
- To design and execute entrepreneurship and innovation programs for internal/external stakeholders, to develop the open innovation community.
 - Carrying out projects in line with the relevant innovation strategy in different technology verticals (artificial intelligence, blockchain, augmented reality (XR), etc.) related to or outside of Arçelik's core products and services.
 - Developing new product/service applications with by-product potential in areas suitable for the innovation strategy within the scope of Arçelik's business model development activities.



Within the scope of these purposes and areas of responsibility, the Garage Innovation Hub brand has been registered, focusing on cooperation in innovation and emphasizing the interaction with all actors of open isolation, and studies are carried out for the needs and expectations of internal/external stakeholders. Aiming for global leadership in innovation, Arçelik carries out all these efforts and processes not only with the national innovation ecosystem but also within the framework of its global operations by taking part in the global network.

R&D and Innovation Projects

With many projects carried out by Arçelik R&D and Design centers, environmentally friendly, high-tech, innovative products are designed and developed for the needs of different geographies. Among these projects, the ongoing and planned projects carried out with cooperation and public support are mentioned below.

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ONGOING PROJECTS

With the **SAYEM project**, of which Arçelik undertook the Consortium leadership, it is aimed to develop innovative and marketable products to expand the smart home appliances ecosystem in Turkey and create a greater economic impact. Within the scope of the SAYEM platform, it is envisaged to work on end-user products and service provider solutions within a consortium of 14 stakeholders to create high customer value with IoT (Internet of Things) and big data technologies, accelerate digital transformation, and become a pioneer in the world. With the Smart Home Platform to be developed, it is aimed to produce solutions in the fields of security, energy and comfort, elderly monitoring, and health in homes.

Arçelik, serving as the research program executive institution in the "Integrated, Scalable, Functional Nanostructures and Systems" project, which was accepted under the leadership of SUNUM (Sabancı University Nanotechnology Research and Application Center) within the scope of the TÜBİTAK 1004 Centers of Excellence Program, leads the Development of Nanotechnological Sensors Giving Alerts of Contamination in Aerosol and Gas-Phase Research Programme.

The purpose of **SafeConsume project** is to reduce the health burden caused by consumer-induced food safety violations and, accordingly the food-borne diseases in Europe by producing science-based and sustainable strategies. Within the scope of the project, tools, technologies, and concepts are



developed to help consumers reduce risk. Within the scope of the project, Arçelik is working on built-in sensors and sensitive cooling technologies that will inform consumers through the internet of things applications to increase food safety and quality.



The purpose of the **PROMETHEUS project** is to introduce a new generation of high-power ultra-short-pulse laser surface treatment technology. Arçelik aims to reduce the energy consumption of dishwashers and dryers during the drying cycle by introducing a new feature that will prevent water retention by changing the morphology of the dishwasher's inner casing and dryer fan surfaces with lasers and continues its efforts in this area.

As part of the **ENOUGH project**, technologies, tools, and methods that will contribute to the entire food value chain, from farm to fork, are being studied to reach climate-neutral businesses. The project aims to reduce greenhouse gas emissions, increase energy efficiency, and increase the overall sustainability of food systems. With the transition to the new energy label in the European Union (EU), Arçelik anticipates commissioning new generation home refrigerator designs with improved performance in connection with energy consumption improvement and consumer behavior with new system designs. The FormPlanet project aims to develop an integrated ecosystem that offers new test methodologies to the sheet metal forming industries of production, characterize sheet properties, predict part performance, and overcome the challenges in the processability of sensitive materials in

the sheet metal fabrication industry. Within the scope of this project, Arçelik presents demonstrations for household appliances by using advanced characterization technologies to lighten the components in the compressor body and to predict the material behavior during the riveting processes of washing machine drums.

The **ECOFACT project** where Arçelik is involved as the last user within EU Horizon 2020 incentives aims to enable manufacturing industries to optimize the energy performance of their production systems in line with the relevant production constraints (time and resources), while also introducing a new green marketing approach through the energy and environmental signature of the manufactured product. In the project, Arçelik works on energy and resource efficiency optimization with the data to be collected with sensors from the production line, and also creates a platform with decision support systems that will include the supply chain. It is planned to use energy and environmental data, which will be shared by the supply chain, as input in product life cycle assessment (LCCA: Life Cycle based Alternatives Assessment) analyses. With the project, it is aimed to reduce production energy costs and product life cycle costs and to continue digital twin activities that enable smart monitoring and smart predictive management techniques.

The **Auto-DAN project** aims to enable homes and small businesses across Europe to optimize their energy consumption and provide an assessment of the building's live energy performance that takes into account the quality



of devices/systems, and user habits. Arçelik plans to send its smart products to selected pilot regions within the scope of the project. It plans to establish an energy management system that optimizes energy consumption in these buildings. Arçelik's smart white goods will be designed in a way connectable to the energy gate of the common system, as a result, activities such as intelligent hardware design, examination, and connection of protocols that will provide connection to the building automation system and the common energy gateway, data collection from products, and adaptation of machine learning methods to the product are carried out.

The aim of the **StorAlge project** is to enable the development and industrialization of Fully Depleted Silicon on Insulator (FDSOI) 28nm and next-generation embedded Phase-Change Memory (ePCM) world-class semiconductor technologies, enabling high-performance prototyping, providing competitive artificial intelligence (AI) for edge applications, to provide ultra-low power and high-security System on Chip (SoC) solutions. In this context, Arçelik aims to disseminate the high-performance and low-power consumption integrated circuit technology to be developed with the use case example of a smart washing machine that can adjust its washing parameters according to the type, amount, and pollution of the laundry, and to provide proof of concept with the edge-AI application.

PLANNED PROJECTS

TÜBİTAK 1515 Preliminary R&D Laboratories Support Program

With the project called "Advanced Materials, Filtration and Hygiene Technologies Preliminary Research Laboratory," which is planned to be implemented with the support of the program, it is aimed to establish a center of attraction where successful Turkish and foreign researchers can conduct advanced research, to develop pioneering technologies that affect functions such as sustainability, energy efficiency, functional features, and hygienic features and to establish a research center where industry/university collaborations will be triggered.

In addition to these projects, EU-supported project applications in the fields of artificial intelligence, machine learning, data-based digitalization and 5G communication in the factory, use of recycled materials, logistics, secure data sharing in connected white goods and cyber security, cloud data analysis, energy efficiency with R&D teams have been made.

Innovation and Garage Team Projects and Programs

Arçelik Garage Innovation Hub works with people and initiatives from different disciplines to develop innovative products and services with the speed and quality provided by open innovation. For this purpose, collaborations were established with different initiatives in the fields of customer insight research, marketing, design, software development, and technology. On the other hand, the processes were accelerated and the quality of the results increased by including industry experts from the innovation community, experts from different disciplines such as mathematics, experience design, behavioral sciences, finance, psychology, service design, anthropology, and economists in the product and service development teams. In 2021, cooperation with 6 different initiatives and more than 40 experts under the roof of the Garage Innovation Hub, increased the production speed by 3 times and the project continuation rate increased to 70%.

BiGG3

Arçelik Garage pioneered the establishment of a consortium called BiGG3 in cooperation with Koç University Entrepreneurship Center (Kworks) and METU Teknokent. The

BiGG3 team helps early-stage entrepreneurs prepare their business plans and receive core capital support from TÜBİTAK. Within the scope of the program, Arçelik Garage coordinates the technical mentoring process. A large mentor pool was created from Arçelik managers and technical leaders, and one-on-one interviews were conducted by matching them according to the needs of the entrepreneurs. Throughout the program, 501 entrepreneurs applied with business ideas, 146 entrepreneurs were given training and mentorship support, and 46 successful business plans were completed.

The Innovation Champions

The Innovation Champions Program aims to train ambassadors who will lead the change and spread the innovation and entrepreneurship culture at Arçelik, and will pave the way for cooperation by establishing relationships with entrepreneurs. Within the scope of the program, innovation, entrepreneurship, mentoring, and communication-oriented social skills training were given, speeches were held with innovation experts and investors from the ecosystem, initiatives determined by the angel investment network (Keiretsu Forum TR) came together with the program participants and cooperation opportunities were evaluated. During the program, 24 participants attended various seminars and held at least 3 mentoring sessions with all participants, and a total of 66 startups were mentored for approximately 80 hours.

Hack The Normal - Africa

Hack The Normal Africa Ideathon was held in March 2021 with participants from 52 countries. In the 2.5-day idea development event, solutions were developed for the problems of Africa together with creative people, startups, and students from Africa. Within the scope of the event, 8 training sessions and 6 open panels were organized. In the event, which was held with 110 business partners, 9 of the idea development teams were granted the "proof of concept" award for the projects they developed.

Next Big Story (NBS)

With the Next Big Story Oven Program, completed in 2021, consumer tests, pre-feasibility studies, and usability studies were completed, and 4 cooker concepts were included in Arçelik's roadmap. In 2021, the NBS Sustainability Program

was implemented to develop concepts specific to refrigerator products in the field of sustainability. Within the scope of the program, insights were obtained through 11 consumer interviews with users from 6 countries. In addition to 6 in-company idea development sessions, a total of 16 idea development sessions were held in cooperation with Gooinn, including 4 global users and 6 startups.

Startup Friendly Institution Manifesto

Arçelik started to develop startup-friendly applications to develop and expand cooperation alternatives with startups. In this context, current problems and expectations were analyzed with internal and external stakeholders, action plans were prepared and the implementation phase started.

NEW TECHNOLOGY PROJECTS

Corensis

With the developed Corensis Health Kiosk project, it is aimed to provide a smart platform where patients can perform various measurements and controls easily and in a short time without the need of any healthcare personnel. The kiosk was designed to measure vital data such as EKG, blood pressure, pulse, SpO2 percentage, respiratory rate, body temperature, height, weight.

SterilU

With the SterilU project, it is aimed to design a Smart Ultraviolet Disinfector, which is non-chemical, practical, not restricted to a certain area, saves time, and can disinfect reliably.

Person Recognition by Voice and Sentiment Analysis

An artificial intelligence and machine learning-based service was developed which recognizes the user from the voice through the voice data collected in the first stage of the Person Recognition by Voice and Sentiment Analysis project, extracts demographic data and performs sentiment analysis in the second stage. The project, carried out jointly with the ITU AI center, also aims to measure the customer satisfaction of the call centers that serve via voice communication and to evaluate the call center performance by reporting. It is planned to create a data pool to increase the service quality in different fields of activity, increase efficiency and income, and develop more advanced models.

Image and Video Analysis with Deep Learning (Visual Intelligence)

It is aimed to create different solutions within the framework of the Visual Intelligence Platform, in which deep learning models are integrated into the image and video processing field. Within the scope of this project, face detection, age analysis from face data, gender sentiment analysis, face recognition processes, vitality detection, human detection and tracking, license plate detection, and recognition studies using depth information were carried out.

Optimizing and Compressing Deep Learning Models Used in Image Processing

Since deep learning models used in image processing solutions are large models, powerful processors that can process data are needed. And this both increases the cost of the solution and prevents real-time analysis. With this project, efforts were made to improve the solution for analyzing the number of visitors entering a certain region by age/gender and to enable it to be used in terminal processors.



Agile Transformation

Being a close follower of global business management and organizational trends, Arçelik has initiated the agile transformation process to respond more quickly and effectively to differentiated customer needs during the pandemic period and to increase employee loyalty.

Using the experience and insights gained from 16 pilot projects carried out with a multidisciplinary approach involving R&D, production, purchasing, marketing, product management, industrial design, and product supply teams, the first phase of agile transformation was successfully launched in the Arçelik Headquarters R&D organization in 2021. The motto "Alive Team - Agile Today, Excited for the Future" reflecting the dynamic nature of the transformation is supported by the 5 agile values of R&D. Studies are planned to expand agile transformation to other units.

Product Development

With the Technology, Brand, and Product Roadmaps processes that are updated every year, Arçelik plans in advance the features to be added to the products, from product development activities to new platforms and new looks and evaluates technological developments, market trends, and competitor activities that may constitute threats and opportunities. With the Technology Roadmap process carried out by R&D, alternative technologies and emerging technologies are scanned for the basic functions of the products, and possible alternatives are positioned on technology trend curves.

Comprehensive patent scanning and benchmarking activities are carried out within the scope of Arçelik R&D studies. In line with the principles of open innovation, technologies are prioritized with the participation of universities, research institutes, and technology expert suppliers, and technologies that need to be worked on in the short-medium-long term, resources that need to be allocated, and collaborations that need to be established are determined.

R&D product development activities are carried out in parallel with NPI (New Product Implementation) and the R&D project management process. The R&D project management



process consists of clearly defined stages and decision points, workflows, roles, inputs-outputs, and responsibilities. The project management process was described on the Technology Readiness Level (THS) axis, and project types were defined based on the nature and target of the subject to be studied. In 2021, the infrastructure of all Arçelik R&D project management processes was transferred to a digital platform by the agile methodology of the project, portfolio, and resource management.

Arçelik aims to take its product design capability beyond its competitors with this corporate-level content of the CTP (Structural Design Competency) program, which includes CAD and product design methodology, digital tools, processes, and competencies.

At Arçelik, expert technical leaders are provided with internal training on mechanical and software design, and R&D teams are provided with opportunities to develop their skills.

Accelerating the transition from idea to product, from product to market with its advanced digital prototyping infrastructure, Arçelik Garage supports effective product development activities with a design-oriented idea development method, Design Thinking. In this context, the teams participating in the study are first allowed to experience the product to be worked on and to reveal the problems, and therefore prototypes are developed and tested for the solutions and ideas produced. It

is ensured that the products are tested from the perspective of the customer at an early stage and product improvements are ensured.

Within the scope of product development processes, idea development and brainstorming processes, ergonomics and system design prototyping studies, computer-aided analysis and verification, FMEA (Failure Mode and Effect Analysis), product reliability activities, field testing, and third party collaborations are carried out to develop and improve product features. In addition, academic efforts to be applied to product development processes with graduate and doctoral students within the scope of university-industry collaborations are continuing.

PRODUCT AND EXPERIENCE DESIGN

Arçelik designs products and experiences that will make people's lives easier at home. In the design process, which includes many different components, Arçelik has adopted the vision of "Respect for the World, Respectable in the World" and environmental awareness as the main criterion in every effort it carries out. With the high speed of developing technology, it has become a necessity to constantly bring new solutions and suggestions to the renewed and changing user needs. It is essential to configure one or more of the technologically needed functions in a way that they can solve with the most eco-friendly features, to ensure that the product that will realize the experience offered appeals to the aesthetic perceptions of the user by distinguishing from the others in the market, and that the user interface experience offered with the product touches especially intuitive and emotional communication. This whole experience constitutes the most important parameters of the user preferences.

Constantly examining the developing and changing needs of users in terms of experience, defining and creating the experience is the main function of the industrial product design process of the product, as well as the R&D units that constantly make development and application iterations during the implementation steps. In this context, the experience features that will touch upon the senses, the user's command to the product, understanding/perception of the function, the details of the ergonomics of the product, and the total composition

of the product, which creates the aesthetic perception of the current form, material, and color, form the power of the design to define and realize the experience by combining with technology. Since the defined experience and product is the brand's most basic spokesperson, Arçelik continues to increase the importance it attaches to this issue by combining the power of developing technology and research, innovation, and industrial product design, regarding the experience to be offered as a whole, while touching the lives of users with its brands.

HIGH-TECH PRODUCTS

Arçelik continues its R&D activities with its efforts to increase customer interaction to contribute to a sustainable future by developing environmentally friendly products, technologies, and ecosystems by considering mega trends in its R&D studies, to accelerate digitalization with advanced data analysis methods to maximize customer comfort, to make life easier by increasing the time users spend at home, save time, provide solutions to customers in personal health and hygiene issues, and respond to the increasing demand for personalized products.

Products and Technologies Developed as a Result of R&D Studies in 2021

- In washing machines with the world's first and only Microfiber Filtration technology, an average of 700 thousand microfiber particles that emerge during a one-round wash are kept with a special filter, preventing the release of waste into the water by up to 90%.
- An environmentally friendly air-cooled Terma+ washing machine with a dryer, which has a high capacity washing and drying feature that provides 99.9% bacteria removal with its hygienic ventilation program and does not use water for drying, was launched.
- With the designed steam technology and innovative algorithms, the washing machines with IronFast technology reduce the wrinkles in the shirt program by 50%, and it is aimed to save the time spent on ironing by the users.
- InterACT dishwasher, the user experience of which was perfected with a wide touchscreen usage and mode options and which provides optimum washing and drying performance by analyzing the dirt level, water hardness, and

- detergent type with a single touch has been offered to the users.
- Dishwasher with B and C energy class Heat Pump technology, in line with new energy standards, offering optimum washing and drying performance with minimum energy consumption, was put into mass production.
 - Meeting the expectations of the U.S. market, a new American product range featuring Cornerwash, which provides powerful washing in the bottom basket, Deepwash, which provides deep bottle washing, and SelfDry, which provides automatic door opening providing effective drying, has been created.
 - The first Built-in Static Refrigerator was designed and manufactured at Arçelik, with a volume of 400 L, which is compatible with the new European Union energy regulation, can be used in areas with a width of 75 cm, and has a fast installation feature.
 - The Upright Freezer with ice machine, which is the first 70 cm wide ice machine product to receive the EPA Most Efficient certificate in the US market, was awarded by TWICE in the USA at the CES 2021 fair.
 - Anti-bacterial refrigerator with hygienic and odor-free air distribution was commissioned with the active radicals offered by Photocatalytic System technology, which eliminates 99.9% of microorganisms and 90% of odor molecules in the refrigerator interior air.
 - Service Button/Support Button, which allows making a service call with a single button over the interface, has been produced in 83 cm wide, double-door, integrated products that can connect to the internet.
 - DataFarm technology, which can predict the possible errors that may result from machine learning algorithms by using historical data when the user creates a service call in the refrigerator that is able to go online and report to the authorized service in advance, has been developed.
 - The refrigerator with Aerocool technology which protects the freshness of food 30% more than the previous generation dual cool refrigerator does, with parallel cooling and homogeneous air distribution system in 83 cm wide double door and 60 cm wide combi type products, and that is in C energy class according to the new European Union Energy regulation was launched onto the market.
 - The Alfa Compressor, which can operate in low cycle



- conditions, is lighter than its competitors in its product range, has an improved sound level and is efficient, has been developed and put into use in coolers.
- An innovative and competitive WRV Union Board that combines LED lighting, fan motor, and refrigerator compressor control, and can perform the functions of motherboard and motor driver on a single circuit was developed.
 - Hands-free OLED Android TV which provides TV control through a voice command without the need for remote control was introduced with different language options.
 - HDR10+ and Dolby Vision features presented in a wide color scale were developed to make TV content look more realistic.
 - Dolby Atmos & DTS VX feature, which provides sound experience closest to the real world, has been put into use in our products.
 - HDMI 2.1 and e-ARC technology, which enriches the gaming experience and enables high data transfer rates, were implemented for the first time on TVs with the Android 11 operating system in the UHD product segment.
 - All development activities of the Ambient Light sensor, which can automatically adjust the brightness of the TV depending on the ambient lighting and thus provide 10% improvement in energy consumption, have been completed, and the 43," 50," 55" and 65" UHD Charlie-2 project has been implemented in the OLED product family.
 - The ECO button, which provides one-touch access to the interface design that can reduce energy consumption in TV

- products by 20% on average, has been applied to products with the Android 11 operating system.
- The Seyretix smart TV application, offering the opportunity to watch online live events on TV, has been offered to customers.
 - The Education Portal providing access to many online education applications on Android TVs has been launched with the cooperation of Khan Academy-Tonguç Akademi.
 - The high flow oxygen therapy HFO (High Flow Oxygen) device, which gives life to patients with respiratory problems by spreading heated, humidified, and oxygen-enriched air with an integrated nebulizer, humidifier, and flow support up to 100 lpm, has been commissioned.
 - IronFinish technology, which ensures that the laundry taken from the dryer is ready to wear by reducing the level of wrinkles, has been commissioned.
 - SteamCure technology, which offers a solution that can refresh the clothes and unwrinkle the fabrics to eliminate the odor of dry and scarcely worn clothes and to minimize wrinkles, has been commissioned.
 - Thanks to its special brewing technology, the Gourmet Automatic Tea Machine, which has the features of brewing the most delicious tea, preserving the tea freshness for a longer time than normal teapots, brewing green and herbal teas, and allowing the users can create their favorite teas with the HomeWhiz application, has been offered to the users.
 - An induction cooker platform with Flexi technology that allows cooking on flexible compartments, Half Bridge technology with half-wave rectifier, compatible with most types of pots, integrated CookSensor and autonomous cooking features, and an improved user interface has been designed.
 - The ETNA platform built-in oven series, which offers a wider grill area, has improvements in chassis air distribution, and innovative technologies such as humidity sensor, meat probe, cooking algorithms, BLDC motor use, steam-assisted cooking, and pyrolytic cleaning, connectivity feature were added to, has been commissioned.
 - The curved and T-type hoods which were equipped with temperature and volatile Organic Compound Sensor technologies for automatic ventilation, and have an improved suction performance and modern design elements have been produced.

- 30-inch size built-in, solo and double built-in ovens, which have improved cooking performance with the use of Double Fan, have been commissioned for the American market.
- A new induction cooker design with HobExtractor hood integrated, offering compatibility with the internal circulation with both chimney connection and effective odor filter, increased traction with boost mode, was designed.
- Aria Master Pro and Beko Actipress Master Pro steam generator irons, which automatically adjust the steam with motion sensor technology and illuminate the textile with LED light, provide a more professional ironing opportunity, while providing higher performance for a longer period with the automatic descaling feature that offers easy descaling to the users, has been commissioned.
- The Perfect Grill and Toaster, which provides the opportunity to make real meat sealing and buffet-type toast by reaching a temperature of 280 degrees with its innovative heating system and plate design, has been commissioned.
- As an example of the use of bio-plastic materials in products, aiming to recycle organic waste, the Bio Material Tea Maker with Tea Fiber has been produced within the scope of sustainability.
- Multifunctional 5-in-1 Air Purifier product, which combines PM2.5 dust sensor, Bluetooth speaker, wireless phone charging, night light, and aroma diffuser, also provides 99.97% elimination of 0.3-micron particles in the environment thanks to its HEPA 13 and active carbon filter systems.
- The new men's grooming series Grundig ProClub family, which offers professional shaving with its beard density sensor, waterproof IPX7 design, and titanium coating features, is designed to meet different needs with 2 hair and beard machines and 1 clipper developed for the body with 9 different accessories.
- Connect 360, which provides users with a 360-degree effective sound experience with its special driver placement and diffuser, allows listening to high acoustic quality content, and provides product updates, equalizer settings, and the experience of connecting many products with the Audio Hub application, has been commissioned.

Global Organization

More than 40,000 employees worldwide

Annual total 567,564 man-hours training in Turkey

2,043 Engineers and Researchers

Annual total 787,821 man-hours training on global side

Over 17,000 applications to Fresh Start Program in Turkey and admission of 322 interns to the program

GLOBAL APPLICATIONS TO FRESH STAR INTERN PROGRAM		
FRESH STAR INTERN PROGRAM	APPLICATION	INTERN
TURKEY	17.549	322
DAWLANCE	8003	26
BANGLADESH	3.500	10
THAILAND	2.350	44
DEFY	1.563	5
CHINA	537	7
ARCTIC	190	19

HUMAN RESOURCES

Arçelik's most important competitive element in the global arena is its qualified employees, who quickly adapt to the innovations and transformations that the future will bring. Arçelik Human Resources vision and strategic priorities are determined in a way that will meet the Company's global growth and future workforce expectations and become a center of attraction for global talents, and Human Resources practices are implemented.

In that regard Arçelik:

- Aims to develop its strategic workforce plans, ways of doing business, and its talent with a focus on organizational efficiency while establishing organizational structures compatible with the agile structure of the new world.
- Determines among its main priorities to create a Company culture where employees can reveal their natural and best versions. Aims to manage the global talent resource most efficiently by creating an inclusive culture, creating development opportunities for talents that are nourished by all kinds of diversity and polyphony and overlapping with Arçelik values, offer simplified solutions and business models that enable its employees to be more productive with digital solutions.



- Focuses on contributing to the development of employees and designing global talent management processes in a way that supports sustainable growth. With a global human resources approach compatible with the future, it creates experience opportunities for employees to acquire skills appropriate to changing workforce dynamics and future talent needs.
- Believes that the power determining its change, transformation, and innovation potential stems from its current and potential employees; it derives its competitive power from a continuous development strategy focused on value creation and growth.
- Focuses on developing processes and solutions with a design-oriented perspective to create the best employee experience.

TALENT DEVELOPMENT

Arçelik aims to empower the personal development, professional competencies, and skills of its employees, and to support their careers and quality of life, with the training and development solutions it offers. In 2021, a total of 787,821 hours (Turkey: 567,564, Abroad: 220,257) of training was provided in different training categories within Arçelik Turkey, and globally.

Leader In You

Arçelik, one of the leading brands in its sector, designs special programs to recruit leaders and managers just like itself in the sector. To strengthen the leadership front, which is at the top of

Arçelik's priorities, programs were designed under the Leader In You category and it was aimed to reach managers at all levels within the Company.

The managers who were assigned to the roles of managing the team for the first time started their management journey with the Leadership Journey program created under the umbrella of Leader In You. The program, which was rapidly transferred to the online platform and digital experience with the effect of the pandemic, was transformed from a regional program to a global program in 2021. 140 managers participated in the Leadership Journey program in 2021. To strengthen the simultaneous leadership competencies of the managers, 4,200 hours of training were organized under 12 topics.

In the pandemic process, the conversion of face-to-face training into online designs was commenced rapidly, and by the current conditions in the planned executive competency training, different leadership topics such as remote working, coaching, visionary leadership, chaos and strategy management, change leadership, inclusive leadership, managing differences, influence, persuasion, and cooperation were focused on. A total of 255 people attended the competency training implemented globally.

The scope of the Leadership Impact program, which was implemented to support the roles of the Company's Senior Management in creating a leadership culture, was expanded. In 2021, 45 people were included in the program, which was transformed into an online experience and extended.

The online programs of many world-renowned universities have been supportive in the development of middle and senior managers. In this context, 115 managers followed different programs of Harvard Business School and various training programs of Emeritus in line with their personal development needs.

Future In You

Arçelik also develops training programs for its managers and leaders who are working in different roles, as well as for its employees who are expected to play a role at the managerial level in the future. The designs, which were prepared to provide a digital experience by current conditions and competencies, were implemented in 2021.

Leadership Insight Program consists of 5 main modules, including group coaching, mentoring and project work, business model creation, and presentation stages. A total of 88 participants from 6 countries, including Turkey, participated in the program, which was prepared for expert-level employees who do not have team management responsibility but whose development is planned in the leadership career line. Employees who participated in this training journey from Turkey and abroad were given 57 hours of training per person over 10 months. Within the scope of the program, a process focused on basic concepts such as understanding and leading personal values and common vision, basic team leadership competencies, adapting and managing skills in difficult and uncertain times, having decision-making and result-oriented approach, innovation development, and turning it into a business idea was designed.

Global Manager Program was designed within the framework of content aimed at gaining theoretical perspectives on different business functions, developing different leadership competencies, gaining agile working principles, understanding global trends, and creating a brand strategy plan, in cooperation with Koç University instructors. A total of 25 participants from 8 countries participated in the training for approximately 90 hours per person in 16 days, in the program, which was prepared for employees at the level of first-level management and senior specialists with team management responsibility. The program aims to develop a holistic perspective, understand different strategic functional processes, and create cooperation and synergy throughout the organization.

LEAD Programs consist of content designed with world-renowned educational institutions and various education consultancy firms in cooperation with Koç Holding, which both support leadership development and nurture basic and technical competencies specific to senior management, primary-middle-level management, and expert levels. Within the scope of the training consisting of the main topics of LEAD Leadership and LEAD Management, in addition to rich personal leadership, team management, strategy management training, there are different competence development programs such as experiential learning

programs, customer experience, user experience design, technology and R&D management, design for augmented reality. 186 people participated in LEAD programs. Within the scope of LEAD Digital, participants were included in the online training programs of many world-famous universities and business schools.

Talent In You

Among the activities of the Arçelik global organization, there are many programs aimed at employment training according to their competencies. Within the scope of the Talent In You program, special themed programs were held online for training for the development of technical, functional, and professional knowledge and skills of employees, orientation programs that facilitate adaptation to the Company for new employees, development programs consisting of technical and vocational training, joint competence training, foreign language development solutions and social responsibility.

During the pandemic period, online training contents have been enriched with Turkish versions for field workers in Turkey and English versions for overseas teams. As part of the Talent In You program, 543,898 hours of training were provided to 18,944 participants.

TRAINING PROGRAMS

Tech-Pro Academy

Tech-Pro Academy, organized in cooperation with Arçelik and Koç University since 2016, supports the development journey of all engineers, specialists, and senior experts working in the field of production and technology with a multidisciplinary working environment. In addition to developing the competencies of the targeted audience, it is aimed to increase the global competitiveness of the Company. The development program, which was prepared by the academic staff of Koç University by following current trends and focusing on design-oriented thinking, data analytics, material, and process flow, and user experience, was carried out as online modules in 2021 with the effect of pandemic-specific conditions. Within the scope of the Tech-Pro Academy program, a total of 12,690 hours of training was provided to 270 engineers with 16 modules prepared in 2021. In parallel with the Tech-Pro Academy program, Tech-Pro technician training, which was organized to effectively manage

the development journey of technicians, technical officers, and shift managers working in production, production engineering, production planning, R&D, and quality functions, were also held online in 2021. In the training program, which consists of Project Management, Data Analytics, FMEA, Innovation, and Design-Oriented Thinking training, a total of 7,680 hours of training was provided to 160 people who participated in 8 different modules in 2021.

DigiTal Academy - BT Academy

To develop the competencies required by the future of the business world and the digital world, it is aimed to strengthen the current competencies that will feed the Company strategy, with the development programs organized for all Information Technologies (IT) employees, including the managerial level. In addition to training solutions that will nurture IT technical competencies, issues such as project management, data visualization, communication strategies, and customer focus that will support the overall competence development and process management of employees are included in the program, and the development of employees in other areas is also considered.

In the IT Academy program, which has been organized since 2020, in addition to the remote training in 2021, e-learning platforms were also included in the development tools, thereby expanding the accessibility and scope of the training offered to the employees. Thus, an area has been defined where employees can freely meet their own development needs.

In 2021, within the scope of BT Academy, a total of 2,283 hours of training was given to 315 participants, including interns, fixed-term employees, experts, and managers, through e-learning platforms. Due to the pandemic measures, 48-hour competency training held remotely was completed with the participation of 37 experts and managers.

Digital Online Platforms

Employee training was continued in 2021 to gain competencies in line with the company's digital transformation policy and roadmap.

The online programs of many worldwide known universities were supportive in the development of employees and middle/top managers. In this context, 100 managers participated in the

programs organized by Harvard Business School in line with their personal development needs, and 26 managers and employees participated in the training programs organized by Columbia University, MIT, and Kelloggs through the Emeritus platform. 186 experts, senior experts, and managers attended the training organized by Koç University in cooperation with Koç Holding.

350 employees were included in the Coursera platform, which was created with accredited educational content from world-renowned universities and 150 employees were included in the digital online education process with the Crossknowledge platform, where the contents were prepared by well-known trainers.

The training process of 9 employees continues on the Udacity platform, which supports the competencies related to technical training solutions. On the Percipio platform, which is accessible to employees under BT Academy, 318 employees continue the training process.

An online catalog was prepared, in which all training solutions were gathered under a single source, to ensure that all information regarding all training and development solutions provided to employees by the company is accessible to all employees. The online catalog, which is prepared in 2 languages, Turkish and English, is updated in parallel with the developments and changes in training solutions.



MENTORSHIP PROGRAMS

Your Experience is Their Future

Providing career consultancy, developing management skills, supporting competence development, understanding the work of different units, establishing a network, developing expertise, gaining personal awareness, getting to know corporate culture and ways of doing business, understanding different perspectives were identified as key areas of development with the focus of Your Experience is Their Future mentoring program, where employees can contribute to the development process of their colleagues. The aim of the program, based on volunteerism, is to share the experience of the employees who are in a managerial position and have at least 15 years of work experience, which will support the development of their colleagues with less experience. In their learning journey, mentors and mentees are supported by online training programs and consultancy services. In 2021, the pilot implementation of the program was implemented for Arçelik Turkey and the Headquarters Finance and Financial Affairs Group, and 35 matches were achieved between 29 participating mentors and 91 mentees. Your Experience is Their Future mentoring program is planned to be expanded to all global finance and financial affairs groups in 2022.

I'm There For You With My Experience

I'm There for You with My Experience mentoring program, in which employees benefit from each other's experiences and support their career and professional development, was implemented in 2021 for the Production and Technology group. A total of 20 mentors and 27 mentees attended the program.

IT Technical Competency Project

IT Technical Competency Project was launched in 2021 to transform the Information Technologies Directorate into a competency-based and sustainable organizational model. The project aims to increase the development opportunities of critical talents and to diversify career opportunities by activating the specialization career path apart from the current career movements. In the new IT organizational structure, areas of expertise were determined for each function and a total of 40 different expertise paths were created. Specialization career paths were added to managerial and horizontal career paths and vertical specialization career paths specific to fields of specialization were established.

13 senior experts, who are suitable for transitioning to the new career path created in 2021, made presentations to the IT Technical Evaluation Committee, and 12 of them were appointed as Technical Leaders by increasing their ranks.

Hi Co! IT Internal Communication Project

Hi Co! The IT Internal Communication project was implemented to effectively manage the transformation in the ever-expanding IT structure, where important and major organizational changes take place, to facilitate the adaptation process of the employees to the new roles they undertake, and to ensure the sustainability of the structure. The project, which aims to consolidate cooperation and communication among IT employees, to act in line with the determined common values, and to develop a large team with high performance, consists of multiple steps and content.

While Team Coaching formed the basis of the Project, team activities were carried out to encourage the whole IT team to get to know each other better and to work as a team. The team unity was reinforced with the escape game and the Search-Find-Do study. In the Search-Find-Do study, 3 answers of the IT team of 220 people to the question “What can we do to become a stronger DigiTal IT?” as a team were transformed into a project. In addition to the activities creating team awareness and strengthening intra-team communication, group coaching was carried out at different management levels. In 2022, it is planned that managers will start team group coaching with their expert teams and will be evaluated by manager follow-up supervisors.

Arçelik Turkey First Step Development Program

The First Step Development program was designed to provide an Arçelik experience to the children (who are university students) of the dealers and authorized service owners of the Arçelik and Beko brands and was implemented with the joint efforts of the Arçelik Turkey Human Resources team and other business units. The program not only provides university students the opportunity to get to know the Company better but also aims to contribute to their personal and professional development. The focus is on strengthening the loyalty of Arçelik business partners to the Company's brands and developing cooperation with potential new generation representatives of dealers and services that the Company considers critical business partners.

25 people participated in the First Step Development Program in

2020 and 57 people in 2021. During the 4-week program, subjects that addressed the Company's strategic priorities were studied by the participants in 14 project groups. 12 Koç Academy training sessions, 4 product training sessions and 5 inspiring webinars were held.

Arçelik's Global and Domestic Recruitment Processes

Arçelik's global organizational structure focuses on bringing differences together around a common goal. Taking firm steps towards the future by including qualified young people and experienced professionals in its organizational structure, along with dynamic and innovative practices, Arçelik encourages individual success. Acting with the awareness that sustainable success is possible with good-performing individuals, the Company uses different talent management practices to get the most accurate result in employee evaluations.

Striving to reach qualified human resources by using the most effective recruitment channels, Arçelik constantly updates its human resources in the new world order shaped by talent wars. Job applicants are not only potential employees for Arçelik but also customers of the Company. With this approach, Arçelik adopts a customer-oriented business strategy in its human resources processes as well.

Arçelik makes a difference in the sector with its redesigned and digitized recruitment process and the candidate experience process it creates. Central recruitment process and talent acquisition strategy are implemented in Arçelik Turkey organization. Recruitment processes are carried out with the coordination of recruitment expertise on digital platforms. With Arçelik Cubby, the online case application designed specifically for Arçelik competencies, the Evaluation Center applications are transformed into a completely digital experience, allowing candidates to participate in the application from wherever they wish. Digitalized applications increase the efficiency of candidate evaluation processes.

As of 2020, the recruitment process of hourly paid candidates was also moved to the digital application environment to improve their experience, and 21.000 applications were received in 2021 in Turkey. Arçelik, which prefers to organize experience-oriented activities instead of opening stands on university campuses since



2019 in order to reach new graduates, has been conducting its internship process online since 2020. In 2021, physical and long/short-term internship options started to be implemented in addition to the online solution. 322 interns were selected among those who applied to the Arçelik Fresh Start Internship Program, which received more than 17.000 applications in 2021. In the short-term internship program of 20 working days and the long-term internship program of 30 working days, students were brought together in 27 events. More than 300 projects were presented in the online internship program, and more than 300 internship consultants accompanied the interns to the program for guidance.

The Fresh Start Internship Program also offers students unique experiences at the Company's factories and offices in different countries. 8,003 applications were made and 26 interns were admitted to the Fresh Start Dawlance Internship Program, 180 applications and 19 interns to the Fresh Start Arctic Internship Program, 1,563 applications and 5 interns to the Fresh Start Defy Internship Program, 2,350 applications and 44 interns to the Fresh Start Thailand Internship Program, 537 applications and 7 interns to Fresh Start China Internship Program, 3,500 applications were made and 10 interns were accepted to Fresh Start Bangladesh Internship Program.

EMPLOYEE LOYALTY AND EMPLOYEE EXPERIENCE

Based on the understanding that loyalty to the organization affects happiness in business life, Arçelik has independent research companies conduct research on employee loyalty every year. Arçelik Global's participation rate in the employee loyalty research conducted by Ide Consulting company in 2021 using the

Qualtrics infrastructure was 94%. According to the results of the research, the employee loyalty score in Turkey decreased by 2.6 points compared to the previous year. While the monthly paid employee loyalty rate increased by 0.8 points compared to the previous year, the hourly paid employee loyalty rate decreased by 3.9 points compared to the previous year. In the research conducted in foreign subsidiaries, the loyalty index increased by 4.8 points to 68.7. The loyalty index of hourly wage workers increased by 9.6 points to 66.9 points, while the loyalty index of monthly wage workers increased by 3.1 points to 71.8 points.

EMPLOYEE LOYALTY RESEARCH	SCORE	PARTICIPATION RATE
ARÇELİK GLOBAL	72.6%	94%
ARÇELİK TURKEY	74.5%	93%
ARÇELİK ABROAD	69%	94%

In 2021, the results of the loyalty survey were shared with the employees and management teams in full transparency, and action plans were created considering the feedback. In addition, improvements were made in the processes in line with the listening activities carried out throughout the year, not only limited to the loyalty survey in 2021. Good practice sharing meetings were held in order to disseminate the good practices implemented in different units. At the beginning of the new term survey in 2021, company managers were informed about Arçelik's employee loyalty and experience process, reaching nearly 500 managers in 4 different sessions. Awareness was raised with the Experience-Based Leadership Seminar in Career Interviews held after these sessions. In line with the results of the survey, it is planned to develop projects for areas open to improvement, and to continue the good practices that were put into use in previous years and that create satisfaction among employees. In order to analyze the results of the 2021 loyalty survey, 3 different working groups were established in 3 categories: Hygiene, Employee Life Cycle, Family and Special Moments.

HEALTH FIRST

Arçelik is a global organization operating in a wide geography, including China, where COVID-19 was first seen. Every decision taken by the Company as the industry leader in Turkey affects a wide ecosystem of stakeholders, from employees to dealers, from



suppliers to customers, and thus also public health. With this awareness of responsibility, Arçelik formed a crisis management team in January 2020, started to monitor developments instantly and study possible scenarios, prepared emergency action plans before the first case was seen in Turkey, completed the training of relevant professionals, and provided the necessary medical and hygiene equipment in sufficient quantity. Arçelik carries out its efforts towards COVID-19 with the same precision in 2021 as in 2020 and develops them according to the requirements of the pandemic. These human-centered efforts have been prepared on the basis of instant monitoring of developments with a scientific perspective, raising awareness with transparent communication, taking measures to prevent the spread in the working environment, financial-operational measures and rapid adaptation to the new working system. The efforts carried out in this context are summarized below.

Anti-Contamination Activities

Arçelik has made anti-contamination arrangements/changes in all workplaces, primarily businesses, offices, warehouses and stores, and has quickly put into effect different measures for transportation, supply chain and its stakeholders. In order to protect business continuity and sustainability, the “COVID-19 Risk Management and Prevention Protocol” document has been prepared since the first phase of the pandemic and shared with all global operations. The "COVID-19 Risk Management and Prevention Protocol" document and the rules to be followed are

updated in line with the needs and developments. Air conditioning and ventilation are among the issues for which measurements need to be taken to reduce the risk of contamination. The "Cross Contamination Protocol" document was published after the technical study was carried out. Efforts have been carried out for the digitalization of social distance and fever measurement and many usage scenarios have been created. All work areas and social areas have been arranged to protect social distance, and barrier measures have been taken with plexiglass separators in the cafeteria and offices. All ventilation systems have been redesigned and commissioned to be fed with 100% fresh and clean air. Special hygiene practices have been introduced to common office areas and vehicles, and a contactless structure has been introduced in areas where the risk of contact is high. Controlled access to workplaces is ensured by measuring body temperature with thermal cameras. There was a 50% reduction in capacity in shuttles, a 4-person table in the dining halls, a 2-person cross seating arrangement was provided, and protection was ensured with separators. The use of common areas that may be a source of contamination, including meeting rooms and locker rooms, is restricted. Visitors from the outside and cargoes were not accepted, all domestic and international visits between businesses and offices are restricted.

In addition to the measures to be taken within the Company, Arçelik also published the hygiene measures it deems necessary for its suppliers and carried out continuous audits. In order to prevent contamination, PCR scans were applied at varying frequencies to the employees. All persons deemed necessary at the workplace entrances were checked with rapid antigen tests. An internal standard has been published regarding the technical characteristics of hygiene products and protective equipment used within the company, and a chain of protection has been established with the most effective products.

Case and Contact Follow-up Activities (Filiation)

Health surveys are conducted before the employees arrive at their workplaces, and their health status is constantly monitored and employees who are considered risky are directed to health service providers. Despite all the measures taken, if a new case is detected in the workplace, health workers take the case to the isolation room. Thanks to the tracking systems, contracted workers are quickly identified and effective filiation is applied.

Wearable personal technology solution Mess-Safe is used by all employees for the identification and traceability of their contacts.

The numbering system was established, and everyone from the seat in the shuttle to the table in the cafeteria was seated in the area reserved for them with a special number. Employees who were placed in quarantine and isolation due to illness or their contacts were called by phone daily by the Company's healthcare professionals, and their health status was closely monitored. In addition, non-pharmaceutical medical supplies and hygiene products were sent to the homes of the employees who fell ill. To ensure the full recovery of the sick employees, the isolation and rest periods are kept above the periods recommended by the legal authority, especially for their needs. All patients and contacted employees were healthily returned to their workplaces, with PCR tests applied before their return to work and return to work examinations performed by workplace physicians.

Audit Activities

Compliance with pandemic measures at Arçelik businesses was regularly monitored and documented through external and internal audits. The standardization of the practices in the workplaces was ensured by cross-checking among the businesses within Arçelik, and the effectiveness and adequacy of the measures taken by the audits carried out by impartial organizations were objectively evaluated and documented. By conducting online audits for Arçelik's overseas organization, the standardization and follow-up of the measures taken and the activities carried out were ensured.

Communication and Awareness Raising Activities

Special communication activities (Guides, SMS, IVR and Call Center calls, etc.) were carried out to protect the employees from an illness during the holidays, annual leave, etc. throughout the pandemic process. Communication activities for people working from home or at work have been diversified, taking into account their needs. With the spread of vaccination in Turkey, vaccination campaigns coordinated with official health institutions were organized and approximately 20.000 doses of vaccine were administered at Arçelik workplaces. It was ensured that Company employees who had concerns about immunization with vaccines

had one-on-one meetings with the healthcare teams, thereby raising their awareness and addressing their concerns. One-on-one interviews were conducted with the employees who had a relatively severe illness and were hospitalized, and their health status was closely followed up during their recovery period.

Hybrid Working Model

As of March 2020, the rate of working in offices has been regulated in a way not to exceed 20-25% in central unit teams. During this period, the R&D incentive practices of the Ministry of Industry of the Republic of Turkey were followed and the number of employee rates was updated according to the changing conditions of the pandemic. All employees who can work remotely due to their duties are provided with the opportunity to work from home with the corporate digital infrastructure. As of August 2021, side benefits have been applied to those working from home for lunch within the scope of the day they work from home. The modem and Internet package, which was put into effect temporarily in 2020, was made permanent and expanded in 2021.

For the efficient and sustainable management of the working order, the reservation system was put into use as of the end of 2021. An architectural guidebook has been prepared for all offices of Arçelik, including its global businesses, within the framework of the new working culture.

All new technologies and security technologies for remote working are followed closely and the development of the digital working environment continues. Training, markings, and information seminars for the continuous and complete implementation of all precautions in the production facilities and office environment are carried out regularly. Existing employees and recruits are given detailed training on the rules to be followed. For its suppliers to focus on business continuity, the company provides training and information support and implements supplier audits.

As of June 2020, all Arçelik production facilities in Turkey have completed their audits and have been awarded the TSE COVID-19 Safe Production Certificate by implementing the prepared implementation plans, training, markings, and physical changes in the workplaces. TSE COVID-19 Safe Production Certificates were renewed with the audits carried out in 2021. In 2020, all foreign businesses completed their audits and were

entitled to receive the GC-Mark certificate.

In 2021, all the measures and practices taken in 2020 were continued with the same precision as the first day, and inspections were carried out in 19 enterprises, 33 warehouses, 21 offices, and 140 auxiliary industry enterprises.

In 2021, which was overshadowed by the pandemic, many physical activities were moved to online platforms. Family-oriented activities with the participation of employees and their families were organized on online platforms. Throughout the year, parent-oriented expert seminars were also continued online. In an environment of uncertainty brought about by COVID-19, new practices were implemented to increase the morale and motivation of employees. In this context, by organizing Well-Being activities online, training was designed to meet the expectations of the employees, and different sessions were held with speakers who are experts in their fields. 1,857 people attended the 11 sessions organized within the scope of the Well-Being week, which focuses on keeping the mental, physical and mental health of the employees strong. One-on-one counseling support is provided online for employees who want to receive psychological, physiological, and medical support.

PROJECTS IN 2021

Arçelik implemented many different activities in 2021 to support its talent management, employee loyalty, and employee experience strategies.

Continuous Improvement, Feedback and Appreciation Culture

Arçelik continued to focus on the development culture enriched by feedback in 2021 as well. GroWeek development week, which was held as part of the feedback and development dialogue program prepared for managers with team management responsibility in 2020, was expanded to include the entire Arçelik global organization under the name GroWeek Global in 2021. The Development Summit, which was held online to strengthen the development focus of company managers and employees, was supported by 10 sessions and development kits and reached 4,581 participants. In the competitions organized within the scope of the event, it was ensured that the top 3 employees were included in different training solutions.

With the “Get an Opinion/Give an Idea” application which was implemented as part of the Koç Dialogue performance management process in 2021;

2,655
Total exchanges of ideas

1,186
People Number of people who exchanged

1,879
Total number of ideas requested

358
Total number of people who requested ideas

As part of the Koç Dialogue performance management process, development targets began to be set in 2021. The development of employee and manager dialogues was followed throughout the year. With the participation of 3,569 employees in total in Arçelik's global organization, 3,830 development targets were set and the action monitoring was realized through the system. To ensure the continuity of the focus on feedback and development culture in 2021, the “Get an Opinion/Give an Idea” application was implemented as part of the Koç Dialogue performance management process, which aims to develop the behavior model of receiving and giving feedback among all employees. In 2021, 2,655 exchanges of ideas were recorded by 1,186 people in the Get an Opinion/Give an Idea application.



Language of Appreciation

Arçelik continued its efforts to promote the culture of appreciation, which it has identified as one of the main development areas of employee loyalty activities. The Language of Appreciation program was designed, in which appreciation and gratitude are personalized and spread more effectively, success is made a part of the culture by making it visible and transparent, and the language of appreciation is internalized and reflected in behavior. In 2021, the program was implemented for Arçelik Production and Technology group and Arçelik Pazarlama A.Ş.

Training sessions were held to ensure the permanence of different languages of appreciation by including them in daily conversation routines. Within the scope of the program, in which employees working at different levels in the Production and Technology group participated, one-on-one coaching sessions with 8 directors, a 140-hour training session for the management team, and a one-hour video session for the whole group were held. With the inventory created to learn the Language of Appreciation during the training sessions, the individual appreciation languages of the employees and the current appreciation language of the organization were determined based on blind spots.

Arçelik Pazarlama A.Ş. With the Language of Appreciation program, personalized thank-you letters, Lunch & Learn events, coffee sessions with senior management, a dictionary of appreciation for executives, and sharing sessions of gratitude and pride within the directorate were realized. Within the scope of the program, more than 600 thank-you letters were shared with the employees, more than 100 employees participated in coffee sessions with 9 senior executives, and 5 Lunch & Learn events were organized.

Arçelik implemented many different activities in 2021 in employee experience, employee loyalty and talent management to meet future workforce expectations and needs.



Communication Language in Leadership

The Communication Language in Leadership project, which was designed to strengthen communication among team leaders, to gain clear communication skills, and to encourage the use of developing language, was implemented for the Production and Technology group. 251 employees participated in the project, which focused on training/coaching, scenario/shooting, and broadcasting/sustainability. Within the scope of the project, insights were obtained through employee loyalty surveys and anxiety surveys, and coaching sessions were organized. Leaders' Rhetoric training sessions were held with the participation of 209 employees, and Making a Difference by Talking training sessions were held with the participation of 124 employees.

Internal Trainer Program

To benefit from the strong technical knowledge and experience of seasoned Arçelik employees with functional and technical expertise, the Internal Trainer program was launched. 38 Arçelik employees, who were evaluated positively in the preliminary evaluation, interview, training, and jury stages, constitute the first trainer staff of the Internal Trainer program. As of the second half of 2021, trainers have provided 640 hours of training. Arçelik plans to continue its training in Turkey and Globally in 2022 with its growing staff of internal trainers.

Digital Experience in Human Resources Practices

Digital transformation is of great importance for the more efficient execution of Human Resources practices. The HR

OneDesk practice, which was implemented in 2021 with a focus on employee experience, provides an experience where employees can submit their queries, initiate transactions, follow up and provide feedback whenever they need it. As of February 2021, Arçelik Group employees have been able to access the HR OneDesk practice with their mobile devices and mobile phones without going to the human resources offices and directing their requests on the issues they support. The platform, where usage rates, request turnaround times, and satisfaction rates can be monitored, also provides proactive feedback to human resources processes. Employees' satisfaction with the digital experience was measured as 4.80/5. The field utilization rate has reached 96%, and the number of resolved calls has reached 65.000.

The digital experience, which started with the digitization of all applications and digital improvements under the umbrella of Connecta in previous years, reached a wider employee base with the HR OneDesk practice.

In 2021, some transactions made by employees have been made with robotic support. Digital efforts continue with domestic and international company expansions to further support employees with Chatbot.

Strategic Workforce Planning Project

Arçelik Human Resources Assistant General Manager initiated the Strategic Workforce Planning project in 2021 to design the global organization that will bring Arçelik to its growth targets

and future vision. The project aims to bring Arçelik's global organization a more flexible and agile structure, to strengthen its commitment with employees whose focus is on activities that create added value, and to make Arçelik a center of attraction for the talents needed. Within the scope of the Project, which aims to ensure that company resources are allocated to the right places in line with strategic goals and growth, it is strived to create productivity opportunities for each business unit under the following headings.

- Making the organization lean by removing hierarchical levels,
- Focusing on high value-added works with automation and digitalization opportunities,
- Increasing productivity with simple and standard processes,

Creating productivity opportunities by removing repetitive areas in roles and responsibilities and centralizing operations.

It is foreseen that the efficiency created by the Strategic Workforce Planning project will support the growth of the Company and contribute to the acquisition of new competencies. The project, which leads to a cultural change, is planned to be implemented in each unit of the Arçelik global organization.

2022 AND BEYOND

It is aimed to develop new projects that will support the development and transformation of Arçelik, focusing on the operation model, culture, talent management, and employee experience.

Organization: Agility is the ability of an organization to quickly adapt, renew itself, and comply in the face of change and uncertainties. While doing this, it is essential to give full authority to the teams and to establish structures in which the teams focus on the common goal. With this approach, it is aimed to design leaner and more agile structures by revising the Arçelik Global organization. In this context, the agile transformation was successfully implemented in the central R&D organization. Efforts on the implementation of agile transformation continue in enterprise R&D units as well. The learnings and success stories from these transformations and the transformations planned to be implemented in other functions of the organization are designed together with the business units and placed on the roadmap.

Culture: Arçelik's culture is being redesigned by including local differences in the global organization. The new Arçelik Culture, founded on diversity, equality, and inclusion, will provide significant advantages in Arçelik's global journey as a living, and constantly evolving phenomenon nurtured by shared riches. **Talent:** Developing different business models within the scope of the future workforce and business needs, increasing career opportunities independent of location, investing in critical skills, and developing digital solutions will continue to be the defining elements of Arçelik's talent management program.

Employee Experience: In parallel with the increasing complexity of business life, Arçelik employees' access to innovative solutions that will improve their experience will be supported with a focus on remote working methods, digital processes, and employee well-being.

By maintaining its sustainability focus, Arçelik aims to implement an inclusive cultural action plan that is future-oriented, with an emphasis on purpose and meaning.



Procurement and Supply Chain

Purchasing Offices in 8 Countries over 200 Employees

2000 Suppliers of Direct Materials in over 60 Countries

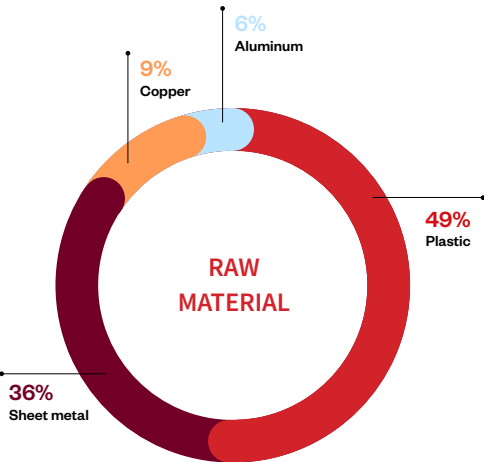
APPLiA Code of Conduct Signatory

Within the scope of the Purchasing Academy Program, 10 Trainings in Turkey and 6 Trainings Globally

Business Ethics and Work Safety Audit on 92 Suppliers

Global Supplier Summit with the participation of 1,000 suppliers worldwide

RAW MATERIAL PROCUREMENT DISTRIBUTION 2021



GLOBAL PURCHASING

Arçelik has a dynamic purchasing organization with its purchasing offices in eight different countries and more than 200 personnel, which it has structured in line with its increasing global needs and expanding production network. Arçelik's global purchasing capacity has reached approximately 2,000 (direct) material suppliers from 60 different countries, and its total purchasing volume, including indirect and investment purchases, reached approximately 4 billion Euros in 2021.

At Arçelik, a category-based purchasing organization was established to implement the most appropriate strategy and cooperation model on a sectoral basis and to benefit from economies of scale. While the category managers specialize in the category they manage, they also implement cost improvement projects and projects that create value for customers.

The Company, which uses material price analysis and tender method for the pricing of the materials it supplies, pays attention to quote a fair pricing to its suppliers by taking into account economic parameters such as manpower, raw material trend, electricity, fuel and inflation in both methods.

The main components of Arçelik's purchasing strategy are determined as sustainable responsible purchasing, supplier risk management, cost improvement, supplier innovation, supplier management and optimization, global purchasing, and long-term cooperation.

Supply Chain Management

Arçelik's total purchasing cost management system oversees all aspects of purchasing, including raw materials, components, labor, and logistics. As part of the company's management system, design change, alternative material, and supply source development and cost improvement projects are implemented in cooperation with individual purchasing and production departments.

Dynamic inventory management policies that regulate the turnover rate of stocks are implemented and consignment purchases are made. Thanks to its global purchasing organization, Arçelik invests a significant amount of time and resources to evaluate alternative supply routes in low-cost countries.

Arçelik's centralized approach to supply chain management allows for more effective anticipation and effective response to potential problems and opportunities. The economies of scale achieved through centralized and high-volume global purchasing strategies contribute to the Company's cost improvement, risk management, supplier management, and optimization, and play an important role in maintaining profitability.

Sustainable Responsible Purchasing

The responsible purchasing strategy adopted by Arçelik focuses on people, the environment, costs, quality, and innovation in all purchasing operations. Guiding all of its purchasing operations with the principle of sustainability, the Company maintains its profitability by designing innovative and environmentally friendly products without losing its competitive advantage.

Arçelik works with companies that meet the supplier conditions and material conditions determined in the purchasing processes to supply environmentally friendly products, materials, and services in all geographies where it operates.

Arçelik's sustainable and responsible purchasing approach is based on international commitments. The company is among the first signatories of the Code of Conduct published by Home

Appliances Europe (APPLiA). Arçelik guides the sustainability performances not only of its organization but also of all its stakeholders in the supply chain. Arçelik's Global Responsible Purchasing Policy, which was revised in 2019 within the framework of the Global Code of Ethics, aims to ensure that the suppliers' ways of doing business are in harmony with Arçelik's values and commitments. In this context, the company informed its suppliers about their expectations regarding compliance with the laws, working conditions, human rights, occupational health and safety, environment, etc.

Critical suppliers included in the Arçelik Sustainable Supplier Index are evaluated in terms of social, economic, and environmental risk factors in the Company's value chain and are subject to Code of Conduct audits by the Global Responsible Purchasing Policy. Within the scope of the audits carried out by independent audit companies, it is checked whether the suppliers comply with Arçelik's expectations in areas such as compliance with the laws, working conditions, human rights, occupational health and safety, and the environment, and corrective actions are planned and followed up for the detected nonconformities.

Adopting the requirement of full compliance with the laws in the audits, Arçelik terminates its contract with any supplier in case of detection of child labor, forced labor, discrimination, bribery, or corruption. It is stipulated that newly-employed suppliers carry out self-assessment audits on quality, environment, and business ethics.

In 2021, 92 of our critical suppliers were audited by independent audit companies in terms of business ethics and work safety.

Purchasing Academy Program

With the Purchasing Academy Program, Arçelik aims to increase the awareness level of employees in this field and to develop their knowledge and skills. In the program prepared in cooperation with CIPS (Chartered Institute of Procurement and Supply), one of the accredited institutions specialized in purchasing, the training is carried out online.

In 2021, 10 academy training sessions are planned for the purchasing organization of Turkey, 82 people attended the training, 32 people in total completed the program and graduated. The purchasing teams in Romania, Russia,

South Africa, China, Thailand, Pakistan, and India attended the training process as part of the company's overseas organizations. In 2021, a total of 6 academy training sessions were organized for overseas teams and 51 people participated in the training.

A total of 51 people participated in the training.

It is planned to continue with the training prepared in line with the needs of the organization of the Purchasing Academy Program, including new employees.

Raw Material

Raw material purchases constitute the largest part of Arçelik's total purchasing volume. When metal and plastic materials, which are the main inputs of white goods manufacturing, are evaluated together with the raw material purchases made by Arçelik and its suppliers, the cost of purchased materials constitutes approximately 40% of the final cost of the product. Raw materials, in addition to their direct effects, are also critical in determining the price of component groups that require intensive use of raw materials.

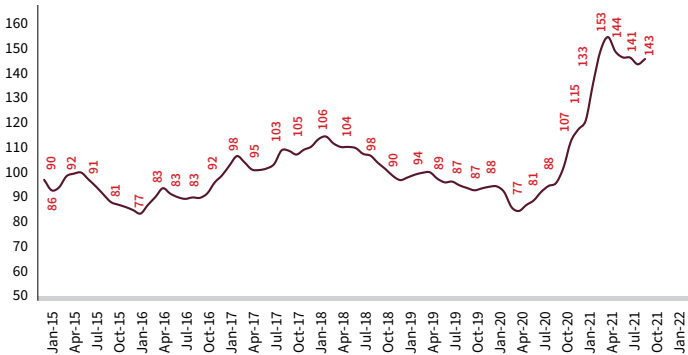
The difficulties that started in the supply of raw materials in the last quarter of 2020 continued to have an impact until the 4th quarter of 2021. The contraction in raw material supply in this period could not respond to the sudden increase in demand in the sector and caused an increase in material prices. Again in this period, the supply times, which extended to 6-7 months, decreased to 3-4 months as of the 3rd quarter.

For the second half of the year, as in the first half, Arçelik limited the impact of the increase in costs with short and long connection agreements and eliminated the supply risk. The company evaluates alternative suppliers and materials for critical materials and carries out its efforts to increase the diversity of actions to eliminate the cost increase and supply risk that may result from a possible new increase wave.

The highest price levels of all time were reached for almost all metal raw materials due to the strong demand seen until the last quarter of 2021, China's cancellation of export incentives for sheet raw materials, and increased transportation costs.

Although the decrease in demand and the stabilization on the supply side had a decreasing effect on prices in the last quarter of the year, energy price increases and power cuts continued to be an element of pressure on prices.

RAW MATERIAL MARKET INDEX CHART*



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

SUPPLIER SUSTAINABILITY TRAINING

As of 2021, Arçelik started to provide consultancy services to its suppliers on sustainability issues through a 3rd party independent institution, and 200 suppliers were provided with this service. In addition, sustainability training was provided through supplier non-governmental organizations and directly to suppliers via webinars. It contains environment training of 1,300 man-hours, social training of 300 man-hours, and ethics and economy training of 300 man-hours. To reach more suppliers on sustainability training, the Digital Education Platform project was started in 2021 and it was started to transfer the training to this platform at the end of the year. By 2022, suppliers will be able to easily access the training they need from here.

PROCUREMENT AND SUPPLY CHAIN

SUPPLIER DEVELOPMENT EFFORTS

Arçelik Auxiliary Industry Transformation and Development Department carries out activities focused on quality and efficiency for suppliers to develop a sustainable production approach while maintaining their competitiveness. In this context, resources that support the development of suppliers are created by analyzing the needs of suppliers, and their access to these resources is facilitated.

In 2021, efforts to develop supplier infrastructure and technical competencies, and to expand new production technologies emerging in the industry in the supplier ecosystem continued uninterrupted. In this direction, within the scope of Arçelik Supplier Technology Day, which was held with the participation of 230 people, with the focus on digital transformation and process technologies:

- Quality and efficiency optimization in thermoform processes with the digital twin method,
- Quality-enhancing digital solutions in surface control applications,
- New applications to reduce scrap and waste in the sheet metal forming process,
- The information on the use of nanotechnology in the coating process and its reflections on the white goods industry was provided.

In 2021, Arçelik carried out a total of 112 projects, 22 in the field of quality improvement, 29 in the field of digital transformation, and 61 in the field of productivity increase, with its 56 suppliers. Arçelik has started its activities to disseminate its know-how in quality and productivity-enhancing automation technology solutions at 76 points in 24 suppliers with 23 usage scenarios it has developed.

The New Supplier Management System Project, which will increase process efficiency by creating integration between Arçelik and auxiliary industries, is carried out at the suppliers and Arçelik businesses selected as a pilot. The project, which aims to digitize supplier management end-to-end, especially order, stock, and logistics, is planned to be extended in 2022.

With the COVID-19 audits carried out in 2021, 5,400 activities were identified and completed in 130 suppliers, creating safe work environments and reducing the effects of COVID-19.

Within the scope of supply chain transformation, Arçelik supports domestic production to reduce foreign dependency in purchasing processes, reduce supply risk, and increase production technology knowledge in Turkey. Accordingly, localization efforts are carried out in cooperation with suppliers for the domestic production of 89 imported materials. Arçelik continues to carry out its activities in line with the

sustainability goals by including its suppliers in the process. With the projects carried out within this scope at suppliers, 6.5 tons of raw material usage savings were achieved with the hybrid rubber transition project and 5.4 tons with the transition to filled and recycled silicone project. In addition, with the transition to the use of recyclable packaging, 30 tons of plastic bags and 76 tons of cardboard waste at suppliers were prevented.

In 2021, 38 supplier process audits, 545 quality improvements, 114 design changes, 56 kaizen, and 73 cost improvement projects were completed within the scope of the Arçelik Supply Product Directorate Supplier Development Action Plan. In the first five months of the COVID-19 pandemic, production process and product inspections were carried out with remote access due to restrictions, and product quality was ensured by organizing workshops with suppliers.

While Arçelik strengthened its sustainable partnership structure with the development programs it carried out for its existing suppliers in 2021, it enriched its product range with cost-effective products in the small home appliances, ventilation, and air conditioning categories by commissioning new suppliers in Turkey and Malaysia.

In line with their competencies, Arçelik suppliers were provided with production competencies in product groups that they had not previously produced (UVC module, CO₂ sensor) to increase their business volume and to produce sustainable, high quality, and cost-effective products. In this context, the infrastructure and technical competencies of the suppliers were improved and the localization efforts in the vacuum cleaner and iron product groups continued in 2021 as well.

SUPPLIER SUMMIT

Arçelik brought together approximately 1,000 suppliers from all over the world at the global supplier summit organized online with the theme of "Leading The New Reality" in 2021. At the summit, Arçelik's future targets, strategies, and plans, which are shaped by new realities in the changing world in the light of current developments, were shared with the suppliers, who met with Koç Holding and Arçelik senior executives. Arçelik's approach to sustainability and risk management was emphasized in the panel organized within the scope of the

summit, and in this context, areas of cooperation with suppliers were evaluated. In the competition held online at the summit, the 3 suppliers who answered the questions in the fastest way were awarded. Saplings were donated to Tema Foundation on behalf of the participants and their certificates were shared.

Before this activity, Arçelik provided a document that informs 400 suppliers, who make up about 90% of the purchasing power, about the sustainability applications, encourages them to set targets regarding emission, energy, water, and waste reduction, and requests their commitment. The document presented was signed by more than 150 suppliers.

SUPPLY CHAIN

Arçelik Supply Chain Directorate assumes the role of implementing best practices in every project realized within the framework of the Company's innovative vision.

Intermodal Transportation

In international export shipments, cargoes transported by sea to Trieste with the "Trieste 40HC intermodal service" in Central and Southern Europe are distributed to many European countries by rail. With the "Koper 40HC intermodal service" commissioned in 2021, the goods transported to Koper by sea are distributed to Poland by rail. By gaining an advantage in transit time with both projects, an alternative channel to 45 HC (train/intermodal) and truck transportation was created, and the advantages of 40 HC equipment availability and free time were also achieved. With the intermodal transportation implemented by Arçelik, it is aimed to reduce greenhouse gas emissions originating from transportation.

Green-Rail Project

Arçelik develops sustainable rail transport models with the least carbon emissions, both in international import and export transports and in domestic transports to ports, and achieves significant savings in logistics costs. With the Green-Rail Project, 8,582 tons of carbon emissions have been prevented since 2020.

SUPPLY CHAIN PROCESS DEVELOPMENT AND AUTOMATION STUDIES

Arçelik, to simplify the management of order, import, export, logistics, and transportation processes in the supply chain,

to provide user convenience, and to eliminate human error, greatly digitizes its processes and carries out automation efforts.

STORM (Supply-Chain Traceability & Order Management)

With the STORM project, it is aimed to simplify and digitize processes that differ for each country, including forecasting, order tracking, confirmation of opportunity confirmations, logistics organization planning, and transportation management.

Within the scope of the STORM project, targets were set for end-to-end monitoring of the supply chain, rapid response to the customer, expanding the scope of the promised period, and protecting commitments.

The STORM project started with 3 subsidiaries selected as pilots in October 2020 and was completed in April 2021 with live transitions of all subsidiaries and direct sales regions. The expansion project for the Romanian Arctic was started in July 2021, and the live transition is planned for January 2022.



RPA (Robotic Process Automation)

Robotic process automation has been started to be used in supply chain order management and logistics processes as a result of workshops and analyses. In line with the needs of the business units and the analyses made, robotic process automation is started in areas where opportunities are found.

In 2021, RPA efforts carried out with local supply chain units on a global scale gained momentum. Automation efforts were completed in many foreign subsidiaries, primarily in countries with a large export volume. Mainly, the steps of recording sales orders and goods receipt transactions have been taken live. In the continuation of these efforts, it is aimed to partially benefit from RPA for automation efforts that will support the processes.

Logistics and import processes of deep freezers brought by land from the Romanian Arctic Refrigerator Factory in 2020 were included in the RPA project, and the second robot was commissioned in 2021. In the SAP Shipping Management module, the stages of submitting work orders and sending instructions to the customs and the transporter were started to be carried out with robotic process automation, zero-touch from end to end. Within the scope of the project, the operational workload was minimized for more than 1,500 shipments per year.

Container Status Tracking

Within the scope of the supply chain logistics visibility project, a collaboration was established with the supplier company that provides traceability for almost all of the contracted lines to track container locations.

As of August 2021, traceability of export and import maritime transports originating from Turkey has been ensured, including the waiting times at the transit and destination ports as of the ship's departure. Container statuses of orders can be reported collectively to Arçelik subsidiaries and businesses via the reporting platform. Efforts are underway to improve the existing semi-automatic system with integration and provide visibility from a single platform.



Digitalization Efforts in Import

In 2021, Phase II studies of the existing integration between the SAP system used in logistics and import processes and the programs where customs declaration transactions are followed were completed. Customs clearance receipts (91.000 per year) are automatically issued, which ensures that the imported materials are deducted from the customs stocks. By integrating the SAP Transport Management system and the ERP program, manually prepared import insurance policies (30.000 per year) are also prepared automatically. A transition to telex/seaway bill of lading was provided instead of the original bill of lading, one of the main documents used in imports, and transactions were started to be followed without paper.

Paperless and Contactless Import Container Exit from Ports

Paperless and contactless import container exit efforts are carried out in port authorities to shorten processing times, reduce transportation and stationery costs, and minimize the risk of COVID-19 transmission. While it is necessary to physically apply to the relevant port offices and submit the delivery note

to start the port exit procedures for the goods whose customs clearance process has been completed, the application and delivery order delivery/presentation procedures at the port authorities have been transferred to the electronic environment.

Automation of Customs Declaration and Tax Rolls

Instead of manually logging in the information on the declaration and tax receipt into the SAP program for the recognition of customs declarations, information entry processes have been digitized and automated to eliminate errors and accelerate the process. The integration of the SAP program and the Evolution system, which is used for customs declaration issuing, was completed and accounting records were created automatically.

Digital Archive

Instead of physically archiving all documents and permits subject to customs declaration, digital archive infrastructure has been implemented and only the documents that should be original copies are kept in the physical archive, and all other documents are stored electronically. With the designed digital archive, the amount of physical documents transferred and stored between units has been significantly reduced, saving on stationery expenses and labor, and reducing the space creation and maintenance costs for the storage of physical documents.

CENTRALIZATION OF WAREHOUSES

Arçelik combines its existing warehouses under the roof of larger central warehouses to effectively meet the increasing logistics needs of its globally expanding field of activity and establishes new warehouses in regions with increasing transaction volume. The synergy created by the centralization of warehouses raises the service level and increases operational efficiency.

Defy - Danskrál Project

As a result of detailed business analysis and center of gravity studies in the South African region, the products stocked in 21 different warehouses in the same region were gathered under one roof, together with the new warehouse built in June 2021 in the city of Ladysmith. All shipments from the Ezakheni factory started to be made from Danskrál as of June. With the completion of the Danskrál project, the loading capacity and

service level increased, and operational efficiency in goods entry/exit processes increased thanks to the synergy gained by gathering stocks in a single warehouse.

Coordinated with the Danskrál project, the 3PL application was completed and a single subcontractor was used in all storage processes. With the Defy SAP program, 3PL, WMS system integration was completed, and all operations including goods acceptance, goods exit, stock management, transfers between factory and warehouse were managed by the 3PL company.

Beko - France

The central warehouse in Marennés was moved to a 15% larger warehouse in Saint-Quentin- Fallavier, which is close to the region, and the partial volume of 4 additional warehouses in the region was combined in one location. Although the process of moving to the new warehouse started at the end of 2020, it was completed in March 2021 as a result of the lockdowns due to the effect of the pandemic.

Beko - Thailand

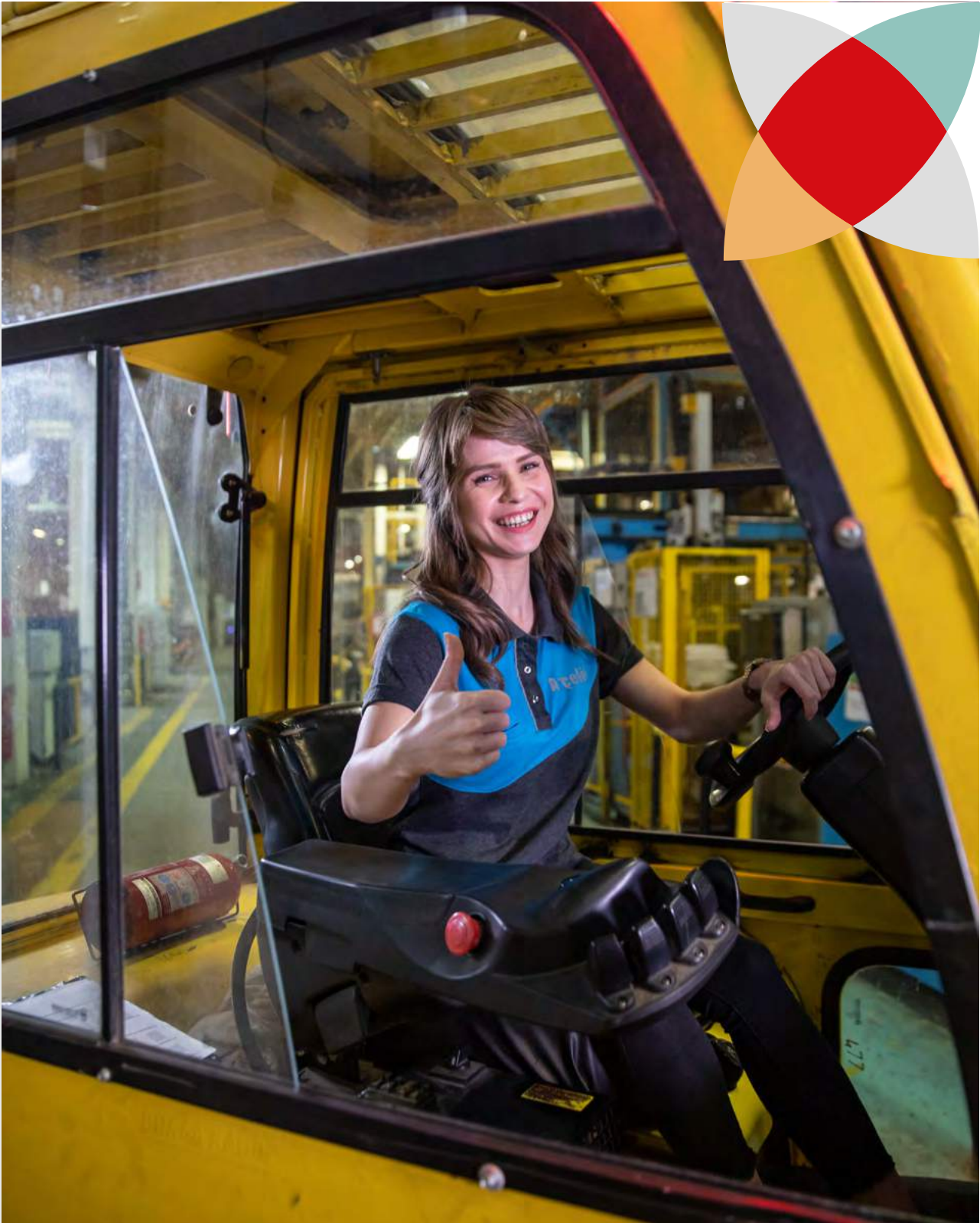
To meet the increasing capacity need and to combine the products in 4 different warehouses under the management of a single warehouse, additional space was rented on the existing campus. With the consolidation of the warehouses, the ramp and area capacities have been increased and the cost of security personnel has been saved. With the synergy brought about by warehouse consolidation, efficiency increases were achieved in operational processes and warehouse usage.

Beko Grundig - Switzerland

As a result of the feasibility studies performed in 2019, new storage was established in Dintikon district, Switzerland. Infrastructure efforts are carried out in cooperation with the distribution partner to maintain the service level in parallel with the increase in demand.

Beko - Central Asia

The Beko Central Asia subsidiary, which was established to provide better service to the developing market and customer demand in the Central Asian region, provides service with its newly established product distribution warehouse in the region.



Customer Services

15 million
Number of Services

664 Authorized Service Points

12,225 Authorized Service Employees

6,071 Authorized Service Technicians

5,243 Service Vehicle Fleet

The response rate of Arçelik Customer Call Center to its customers is 97%

A total of 350 thousand man-hours of technical and behavioral training given to 9,500 authorized service employees within the scope of the Service Academy

EXCELLENT CUSTOMER EXPERIENCE

Arçelik Customer Services adopts a customer-oriented approach, which has adopted the main principle of providing a perfect customer experience where it ensures that customer requests and suggestions of all brands served are easily conveyed through all channels, collected in a single trackable, reportable, transparent, and secure information pool, records are handled and evaluated by legal regulations and processes are constantly controlled in an appropriate, objective, fair and confidential manner. In line with this approach, Arçelik has developed a structure that controls each other by integrating all its processes with the management system and feeds its management targets through this system.

Arçelik Customer Communication Center receives requests and suggestions from customers through the call center (phone), e-mail, websites, www.arcelik.com.tr, www.beko.com.tr, www.grundig.com.tr, www.altus.com.tr, fax, letter, live chat, WhatsApp, social media, fax, Let's Solve Together platform (self-service), letter, authorized service and dealer channels, and responds through multiple communication channels. Telephone, e-mail, teams program, digiport, WhatsApp, etc. with internal customers. Effective communication is established using in-house applications.

By providing end-to-end digitalization at every point of the customer experience, service quality is maintained at the highest level. WhatsApp, chat, social media, etc. of Arçelik Group brands. communication channels are managed by the Arçelik Customer Services team, who love their job, with key performance indicators that set an example for other companies in the sector.

In 2021, the response rate of the Arçelik Customer Communication Center to its customers was 97%, and its response rate to customers within 20 seconds reached 81%.

Diversifying its traditional customer communication channels with user-friendly websites, live connection platforms,



social media programs, and applications, Arçelik offered its customers the "Let's Solve Together" service developed as a self-service communication channel in 2021. To provide good experiences to Arçelik customers and to strengthen their brand loyalty, customer recovery projects, CRM, and sales projects, cost-reducing and revenue-increasing projects with voice service operators continue to be implemented.

In line with Arçelik's digital transformation strategy, Rapid (Dealer Support Software) Call Center Service, which increases the level of automation in customer service processes, was commissioned; with the One-Touch Service Support software, service delivery to customers with IoT products commenced. According to the Customer Experience Index Results, organized by the Şikayetvar. com platform, industry-leading results are obtained.

Continuing its journey of digital transformation, Arçelik Customer Services aims to further enrich the customer experience with artificial intelligence support and bring the customer experience to perfection.

Authorized Services

Arçelik Customer Services Directorate provides service with 12,225 authorized service personnel, 6,071 authorized service technicians, and 5,243 service vehicle fleet at 664 points in total in 81 provinces of Turkey. In 2021, approximately 15 million

service units were provided. Arçelik's wide service network throughout the country with its understanding of quality service developed has become influential on the customer choices of Arçelik Group brands and reinforces customer loyalty.

To increase the management efficiency of spare parts planning, order, and warehouse processes at Arçelik authorized services in 2021, the Oasis application, which allows integrated material tracking with field application, was started to be used in the services. With the interdepartmental cargo integration established throughout Turkey, the products in stock are easily delivered to the services when needed, thus preventing possible replacement costs during the year.

Arçelik includes the Quality Alert system, which automatically analyzes the trends of quality problems experienced by customers, into the quality processes, ensures that quality problems are detected at the very beginning, and reduces costs while increasing customer satisfaction with its proactive approach in quality improvement processes.

In 2021, Arçelik commissioned the Video Support system, which authorized service technicians would apply to overcome technical problems that could not be resolved during service. The Video Support system brings experts from all product ranges to the phones of technicians and enables them to access live support with a single click. It is aimed to minimize

repetitive services and service times through this system, which enables live and visual assistance from Arçelik experts in times of need.

From the very beginning of the pandemic process, it has been aimed to document the compliance of the authorized service organization with reliable and hygienic standards, with the TSE COVID-19 Safe Service Certificate, auditing the processes by the Turkish Standards Institute (TSE). Important steps were taken at authorized services such as placing posters/ banners, signage, and warning signs explaining the ways of COVID-19 risk assessments, infection prevention, and control action plans, internal and external communication plans, the establishment of the emergency team, preparation of case management instructions, COVID-19 return to work procedure, the establishment of a temperature measurement systematic, implementation of regular training method, preventing the spread of infection, and creating cleaning and disinfection plans. All Arçelik authorized services in Turkey have passed the audits successfully and were entitled to receive the TSE COVID-19 Safe Service Certificate.

As in previous years, 40 Arçelik authorized services were awarded the Customer Friendly Organization (CFO) certificate



in 2021 as a result of the audits carried out by the Turkish Standards Institute. After the audits in the second phase of the project, the Company received Customer Friendly Brand (CFD) certificates for the Arçelik and Beko brands. Independent organizations will continue to audit our efforts in this field with a sustainable approach.

All Arçelik authorized services in Turkey have passed the audits successfully and were entitled to receive the TSE COVID-19 Safe Service Certificate.

TRAINING PROVIDED TO AUTHORIZED SERVICE EMPLOYEES

Service Academy

Technical expertise and behavioral training of Arçelik authorized service technicians and employees is carried out by the Technical Training Unit (Service Academy). Authorized service technicians who complete their specialization training receive certificates and begin to serve customers for the relevant product group.

With the pandemic period, the distant training system and contents were consolidated and all training started to be carried out synchronously and asynchronously through the Service Academy training portal. In 2021, a total of 350 thousand man-hours of technical and behavioral training was provided to approximately 9,500 authorized service employees. While training modules based on on-the-job training methods and personal measurements are implemented in the training, individual training and development are followed with a person-based training management system suitable for new educational science technologies. With the distant training modules renewed in 2021, the efficiency of training was increased and the continuity of training was ensured.

Arçelik Electrical Home Appliances Technical Service Program

Arçelik emphasizes strengthening the relationship between vocational training and employment. In line with this understanding, Arçelik has implemented the Electrical Home Appliances Technical Service Program to train human resources who closely follow the developments in the electrical household appliances sector in Turkey, know new technologies, and can easily adapt to these technologies. The company led the way in Turkey in the field of training Electrical Home Appliances Technical Service Personnel with its sector-specific practices that contribute to the establishment of the training-employment relation within the program. Within the scope of the program, it is aimed that the students will be able to become technicians in white goods and air conditioning product groups after the training they will receive in Arçelik Laboratories.

Arçelik Laboratories, equipped with measuring instruments and devices based on new technologies, were established in the field of Electrical Home Appliances Technical Service for the program carried out in cooperation with the General Directorate of Vocational and Technical Education of the Ministry of National Education of the Republic of Turkey. The first phase of the program was completed between 2011-2014, and the second phase of the program covers the years 2015-2021. The program, which started to be implemented with four vocational high schools in the 2011-2012 academic year, reached a total of 9 vocational high schools in the provinces of Istanbul, Diyarbakır, Trabzon, İzmir, Ankara, Bursa, and Tatvan as of the 2015-2016 academic year.

Within the scope of the program, 115 graduates completed the program in 2013, 112 in 2014, 226 in 2015, 252 in 2016, 227 in 2017, 228 in 2018, 139 in 2019, 161 in 2020, and 146 in 2021. In the 2020-2021 academic year, a total of 296 students, 150 of whom were in the 11th grade and 146 from the 12th grade, received training within the scope of the program. At the end of the 2020-2021 academic year, a total of 1.606 graduates were reached, and a total of 157 students were provided with employment opportunities at Arçelik authorized services upon their requests. The teacher and student training carried out within the framework of the program is conducted by



the Customer Services Technical Training-Turkey (Service Academy) unit of the Arçelik Marketing Transformation and Customer Experience Directorate within the framework of the Arçelik Turkey Service Academy Training Program. A total of 65 technical teachers, who have been working in Arçelik Electrical Home Appliances Technical Service departments since 2011, received 22,500 man-hours of technical training at Arçelik Turkey Service Academy. Training is continued to be held in line with the needs.

In 2021, a total of 350 thousand man-hours of technical and behavioral training was provided to approximately 9,500 authorized service employees.

SECTION 4
ARÇELİK AND
SUSTAINABILITY



We became the first and only company to receive the Terra Carta seal from Turkey and in our industry!

Arçelik has been awarded the Terra Carta Seal, by HRH The Prince of Wales in the United Kingdom, that recognizes global corporations who are lead-ing their industry, shape innovation and commit to combating climate change with a credible roadmaps. Arçelik became one of the first 45 companies in the world that took part in this award program.

Our Sustainability Approach

Change at global scale, and the novelties it brings with it, results in significant tides of transformation in business, like in all other aspects of life. Evolving demographics, climate change and the problems it has caused, as well as other global mega trends such as rising urbanization, constitute varied risks, opportunities and problems.

Arçelik adopts the vision "Respects the World, Respected Globally," whereby sustainability is embedded in its ways

of doing business and an integral part of its strategy. The Company focuses on the needs of the future, environment, business and society as a whole, thinking about the future in the present moment and designing technologies that make the future better. Arçelik's global operations are carried out with awareness of environmental impact in addition to direct and indirect positive economic value generated, new business opportunities, innovative goods and services.

IN TOUCH TECHNOLOGY

In Touch With Our Planet	In Touch with Human Needs	In Touch with Business
Arçelik strives to preserve resources on Planet Earth and reduces its environmental footprint through innovative products it offers and improvements it introduces in operations. It partners with various stakeholders to respond to environmental solutions such as climate crisis, plastics pollution and food waste that all have an impact on the industry. Arçelik also integrates sustainability into the products it developed, while supporting its partners across its value chain - from customers and suppliers - to reduce their environmental footprint.	Arçelik designs smart technologies that draw inspiration from the future and address the needs of society. Developing products that simplify consumers' lives and respond to the needs of all walks of life, Arçelik expands its impact area. It supports the needs of society by utilizing diverse technologies ranging from the solar hybrid refrigerators designed for the locations with limited access to power to AquaTechTM washing machines that contain programs that are faster up to 50% and more delicate than the standard washing machines and consumes 10% less energy than energy class A; from HygieneShield series that kills 99% of viruses, including coronavirus to the ventilators put into use during COVID-19 pandemic.	Arçelik transforms all its operations and builds the world of the future hand in hand with the stakeholders that it touches. Arçelik has adopted a business culture where a fair, equitable and inclusive approach focused on employees' needs, a safe working environment, and ethical values are promoted. Arçelik intends to create sustainable value across its entire supply chain and dealers alongside its operations.



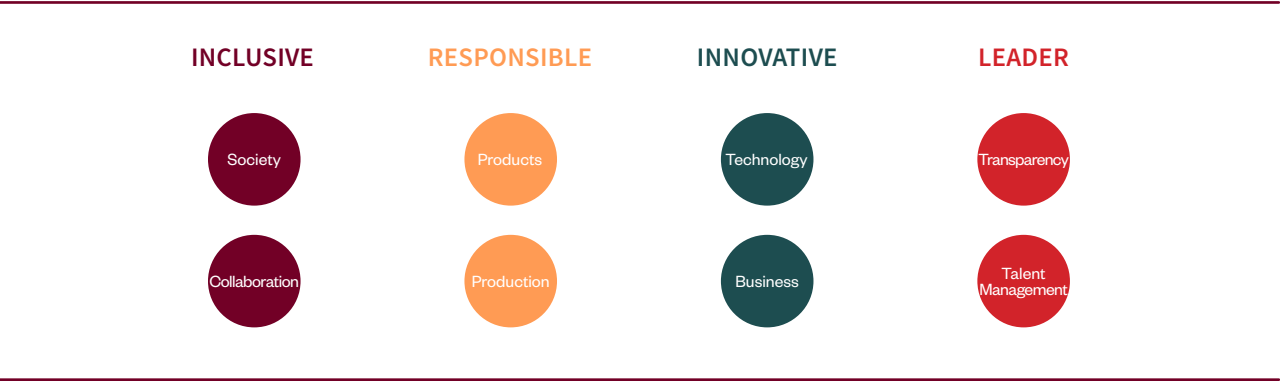
Arçelik's operations are carried out in line with the overarching sustainability approach, "In Touch Technology," with the active engagement of internal and external stakeholders in respect of short-, medium-, and long-term goals, risks, and opportunities.

Arçelik's strategy is determined in connection with current affairs in the world, and in parallel with the United Nations Sustainable Development Goals.



RESPECTING THE WORLD, RESPECTED WORLDWIDE

Sustainability is our lifestyle and at the center of of our all businesses.



SUSTAINABLE DEVELOPMENT GOALS



Arçelik's prioritized SDGs are presented in the diagram above. For further information, please visit <https://www.arcelikglobal.com/en/sustainability/our-approach/our-approach/>.

Sustainability Priorities

Arçelik determines the preferred subjects of sustainability with comprehensive methods and performs stakeholder analyses at regular intervals. It utilizes the results attained to evaluate the performance and expectations in the relevant areas.

The preferred subjects of Arçelik in the field of sustainability were determined by receiving feedback from 1,061 stakeholders in an analysis made in 2019 in this context. Short,

medium and long term targets were set out as a result of the extensive efforts of the working groups. The performance indicators for the targets designated are followed with due care within the activities. The priority issues are checked against the UN's SDGs, and the performance in these areas and the contribution made to the SDGs are shared transparently.



In 2020, the analysis of Arçelik for sustainability priorities was revised to manage the impact of COVID-19 and understand how to address the arising problems better.

The sustainability priorities of Arçelik were renewed with the significant participation of stakeholders in 2021. While performing the prioritization analysis, Arçelik first identified the issues that have an impact on the entire value chain, including society and the environment. During the evaluation process in 2019, a literature review was conducted and a long list of topics was formed, taking into account sustainability standards and global trends. Since most of the issues determined in the past period still prevail in the agenda today, the 2019 issue list was reserved. In addition to the 2019 list, new issues are included in the list this year in the light of the framework and approach offered by organizations such as the Global Reporting Initiative (GRI), Sustainable Development Goals (SDGs), ESG rating agencies, World Economic Forum Global Risks Report, Value Reporting Foundation. As a result, Arçelik's issue list increased from 23 to 35, increasing by 12 units.

After the issue was identified, stakeholders were reached through an online survey. They were asked to evaluate each issue considering the impact of Arçelik on the environment, society, and governance. Each issue is rated from Score 1 (lowest) to Score 4 (highest), with a "No Idea" option added to allow the respondent to not rate the issue if necessary. All stakeholders who participated in the online survey were asked an optional open-ended question to provide more information about the issues they chose as "very high impact (highest score)" in the first question. In total, broad participation was obtained from 10 different key stakeholder groups such as employees, consumers, suppliers, investors, private sector, public sector, civil society, academia, and 6,241 responses were collected.

To ensure equal representation of internal and external stakeholders in the prioritization analysis, only the consolidated results showing the weighted average are used. All inputs gathered through stakeholder analysis and desktop

impact studies have been used to create the prioritization matrix by the updated 2021 standards of the Global Reporting Initiative. The results of the study which is still analyzed will be given in Arçelik 2021 Sustainability Report.



Sustainability Management

Arçelik's Sustainability Council sets corporate sustainability and climate change policies and strategies, ensures they are integrated with internal business processes, and tracks sustainability performance. Chaired by CFO, the Sustainability Council convenes quarterly and is tasked with reporting the issues it deems critical to the Board. To ensure sustainability is embedded in the Company's strategies at the highest level, 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. The overall responsibility of the Group's management of sustainability-related topics rests with the Board of Directors.

The targets of Science Based Targets-Initiative are provided in the target cards of various top managers such as General Manager, Assistant General Manager responsible for Financial

and Financial Affairs, Assistant General Manager responsible for Marketing, Assistant General Manager responsible for Technology and Production, Quality, Sustainability and Government Relations Director, Purchasing Director, and Supply Product Director. You may visit <https://www.arcelikglobal.com/tr/surdurulebilirlik/yaklasimimiz/surdurulebilirlik-yonetimi/> for the composition, roles, and responsibilities of the Sustainability Council.

Reviewing risks and opportunities linked with priorities to guarantee the sustainability of Arçelik's operations is essential. As part of sustainability management, risks and opportunities are identified by working groups, presented to the Sustainability Council, and reported to the Risk Management Committee twice a year. For detailed information about the risks and opportunities from Environmental, Social, and Governance, please see [the Table of Risks and Opportunities related to TCFD Reporting and Other ESG](#), given at the end of this part. There is no lawsuit

filed against the company on ESG issues during the reporting period.

The Company provides employees with regular information and training opportunities on ESG practices and policies so as to ensure a sustainability awareness and move sustainability performance to higher levels.

In addition, Arçelik has established a Human Rights division under the umbrella of Human Resources in accordance with its Human Rights Policy and Human Rights Due Diligence Procedure. The division is in charge of performing regular audits within the company -human rights audits across all Arçelik businesses in particular, creating risk maps, ensuring improvements in due diligence activities, and reporting the types of observations as identified in due diligence procedures in the sustainability report and in other public sources. The division convenes the Human Rights Committee four times a year. The Human Rights Committee is chaired by the Assistant General Manager of Human Resources and attended by the Occupational Health and Safety, Sustainability, Quality Systems, Procurement, Ethics and Compliance, Environment, and Human Resources teams, in addition to the company's Human Rights Officer acting as the Secretary General.

Human Rights Committee Working Group has external audits done at the Group and suppliers. Findings of such audits, as well as the matters with a risk potential are examined, and corrective/preventive action plans are developed. Decisions passed by the working group are reported to the Sustainability Council that gathers quarterly chaired by the Chief Financial Officer.

Corporate policies are the most important indicators of how and in light of which principles Arçelik's operations are conducted. Entering into force upon Board decision, policies effectively enforce the performance of relevant subjects and represent Arçelik's management approach toward all sustainability topics. Opinion of all relevant stakeholder groups is actively sought in the development of policies. In accordance with the Board Decision of Arçelik A.Ş. no. 1098, it was decided to establish a separate Human Rights unit in line with the global strategies of the company. Koç Holding

Arçelik supports Task Force on Climate Related Financial Disclosures-TCFD to foster the link between climate change and its financial impact on business and operations.

Consumer Durables' President (who is also the Board member of Arçelik) is tasked with reporting the human rights strategies of Arçelik Global to the Board of Directors. You may find the policies created in this context and developed to guide sustainability activities at: <https://www.arcelikglobal.com/tr/surdurulebilirlik/politikalarimiz/politikalar/>

STAKEHOLDER ENGAGEMENT

Stakeholder opinion and feedback on Arçelik's operations are important for Arçelik in its efforts toward a better sustainability performance. Arçelik cares about stakeholder engagement in creating value through transparent and continuous communication it has with them, whilst working to embed its sustainability approach across all business processes and ecosystem for a more sustainable future.

Arçelik works with various non-governmental organizations (NGOs), public institutions, industry players, universities, opinion leaders, business partners, employees, customers and beneficiaries alike to foster inclusive decision-making process and adopt a solution-oriented approach. Platforms where the Company comes together with stakeholders are diverse, which is another way for Arçelik to enhance its sustainability performance. In addition to regular stakeholder communication for different target groups throughout the year, the Company seeks broad participation in the biennial sustainability prioritization analysis, develops activities in light of stakeholders' expectations and needs, and transparently reports all these processes.



You may find additional information on key institutions, memberships, and stakeholder communication channels that steer sustainability efforts within the scope of stakeholder participation in the Sustainability Report 2020 (https://www.arcelikglobal.com/media/6347/sustainability_report_2020.pdf).

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, Arçelik 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.

SUSTAINABILITY REPORTING

Arçelik determines priority environmental, social and governance topics, which serve as a basis of its sustainability strategy and reporting, via its prioritization study conducted once in every two years. As a result of this analysis, highest, high and medium priority themes that cross cut Company and stakeholder priorities are identified and create the framework of reporting. Key performance indicators on priorities, progress on short-, 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's "Comprehensive" option, a globally recognized framework for sustainability reporting. The report also contains the performance of compliance with the United Nations Global Compact (UNGC), Women Empowerment Principles (WEPS), and

Stakeholder Capitalism Metrics (SCM) as set by the International Business Council of the World Economic Forum (WEF).

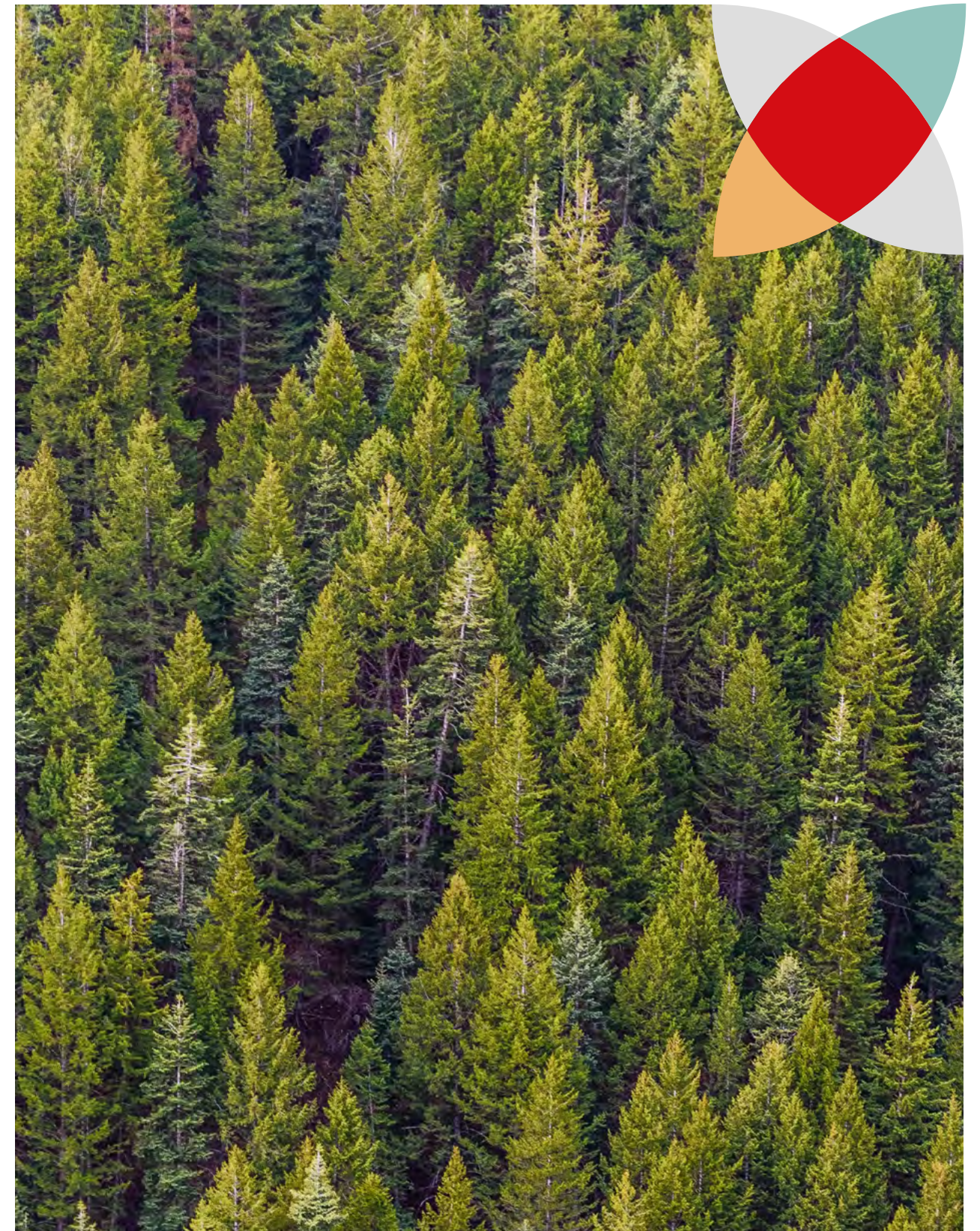
Arçelik's sustainability approach is developed in line with the United Nations' Sustainable Development Goals (SDGs), which guide the way for In Touch Technology - the Company's overarching strategy for sustainability communication. Furthermore, 2030 targets and progress versus SDGs via efforts undertaken are provided in relevant sections of the report.

Arçelik Sustainability Report also includes the climate-related risk and opportunity analysis under the Task Force on Climate-Related Financial Disclosures, as well as the progress attained towards the approved goals under Science Based Targets-Initiative (SBTi).

In an attempt to increase the reliability of the report in the eyes of external stakeholders, greenhouse gas emissions, water usage, environmental indicators including waste data in enterprises operating in Turkey, as well as social indicators including occupational health and safety, employee, and ethical data, which are critical in the fight against climate change, are subject to independent audit within the scope of sustainability reporting. The environmental and social performance indicators specified are subjected to verification in every reporting period as part of AA1000AS.

You can access Arçelik's Sustainability Reports here. <https://www.arcelikglobal.com/en/company/reports-presentations/discover/?val=3733>

Arçelik determines priority environmental, social and governance topics, which serve as a basis of its sustainability strategy and reporting, via its prioritization study conducted once in every two years.



Key Sustainability Activities

Sustainability Performance Rankings

Sustainability is one of the key priorities that Arçelik successfully integrates in all its operations and has a defining role in its business models. Arçelik's sustainability performance attains high scores from international and national rating agencies and ranks on the top places of the world's most reliable indices.

In 2021, Arçelik achieved the following:

- Arçelik ranked the top among 20 companies in Durable Household Appliances category for the third time in the *Dow Jones Sustainability Index* (86/100, Score Date: November 12, 2021). This is the fifth time in a row that Arçelik is listed on the Index that ranks the sustainability performance of the world's largest companies.
- The Company placed 57th in *Corporate Knights Global 100 Most Sustainable Corporations in the World* list. This is the second time that it has been included in the list.
- Arçelik was granted the Terra Carta Seal, presented to companies expressing commitment to their fight against climate change with tangible goals as part of the *Sustainable Markets Initiative (SMI)*. It was one of the 45 global companies included in the award ceremony of the '*Terra Carta*', which offers the basis of a recovery plan by 2030 that puts nature, people and planet at the heart of global value creation.
- Furthermore, Arçelik took place in Year Book 2022 launched by *S&P Global* to list the best performers based on the environmental, social, and governance (ESG) metrics in their respective industries.
- Arçelik scored A- in *CDP 2021* Climate Change and Water Security programs.
- It received an ESG Low Risk Rating of 12.1 from *Sustainalytics** and was evaluated that the risk of exposure to serious financial risks due to environmental, social, and governance factors is at a low level.
- Arçelik scored 50 out of 100 at the ranking of *Vigeo Eiris*, the ESG rating agency of Moody's, and ranked first in Emerging Technology-Hardware Markets. The company was also

- included in the Best Emerging Market Performers Ranking of *Vigeo Eiris* (100 Most Advanced Companies in Emerging Markets) as of July 2021.
- Arçelik, with a score of 66 out of 100 in the *EcoVadis* Sustainability Evaluation, entered the first 5% of the companies evaluated and was awarded the Gold *EcoVadis* Medal.
- The Company was granted the "Prime" degree at *ISS ESG*.
- Arçelik was included in the *BIST's Sustainability Index*, where companies traded on Borsa Istanbul with the best corporate sustainability performance are listed, for the 8th time.
- Scored 90.96 on *Refinitive ESG*, and ranked the 17th among 100 global companies in *Refinitive 2021 Diversity and Inclusion* Index. Arçelik was the only company to be included in the Index from Turkey and from its industry.
- The company has succeeded in being listed in FTSE4Good Emerging Markets Index in which the companies with high environmental, social, and governance performance are measured by *FTSE Russell***, the global index and data provider of the London Stock Exchange, since 2016.
- Arçelik has been consistently rated AAA in the *MSCI Sustainability Index* since 2016, and AA in 2015.
- Arçelik received 76/100 as a result of the assessment of *S&P ESG* that measures the current strategy of the company and the Board of Directors' level of preparation for ESG-originated future risks and opportunities. It was highlighted that the Board of Directors is at a strong level of preparation for ESG-originated risks and opportunities.

Arçelik supports the efforts of prestigious international institutions that steer the fight against climate change, and pioneers local initiatives by shaping its operations in light of its international commitments.

In 2021, Arçelik achieved the following:

- Became a signatory to the "Plastics Commitment" introduced by Global Compact Turkey in collaboration with Business, Sustainable Development Association (SKD

- Turkey), and Turkish Industry and Business Association (TÜSİAD) to increase the recycled content in all plastics used in products and components. You can find the details of the commitment here: <https://plastikgirisimi.org/storage/uploads/2021/sign/arcelik.pdf>
- It committed itself to zero carbon emission by 2050 and officially joined the *Business Ambition for 1.5°C, Race to Zero* campaign in September 2021. <https://www.unglobalcompact.org/take-action/events/climate-action-summit-2019/business-ambition/business-leaders-taking-action>
- Joined the *WEF Alliance of CEO Climate Leaders*, the world's largest CEO-led global community of climate action representing 12 industries and over 8 million employees from 25 countries. Declaring its support for the net zero goal by 2050 with this commitment, Arçelik also signed the letter which is a call to world leaders written by those companies that support the acceleration of decarbonization efforts.
- Became a member of *Climate Group EP100*, which brings together companies involved in energy efficiency activities. Refer to the following link <https://www.theclimategroup.org/ep100-members> or the section titled Fight Against the Climate Crisis for details on the targets set by Arçelik in this context.
- Became a member of *World Business Council for Sustainable Development (WBSCD)*.
- Listed on the *WEF Global Lighthouse Factory*, owing to its exemplary plants equipped with next-gen digitalization and sustainability technologies as part of its digital transformation objectives, namely Arctic Romania Washing Machine Plant and Eskişehir Refrigerator Plant.

Green Financing Sources

Conducting all its activities in line with its vision, "Respects the World, Respected Globally," and with a focus on sustainability, Arçelik reflected this approach on the financing model in 2021 with two important steps.

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**FTSE Russell (FTSE International Limited and Frank Russell Company) confirms that Arçelik was assessed independently as per FTSE4Good criteria and met the requirements for being listed on the FTSE4Good Index Series. FTSE4Good Index Series, established by global benchmark provider FTSE Russel, is intended to measure the performance of companies demonstrating solid environmental, social and governance (ESG) practices. FTSE4Good Indices are used by a variety of market participants to form and evaluate responsible investment funds and other instruments.

Green Bond: Arçelik issued a green bond worth EUR 350 million with a maturity of 5 years on international markets. This made Arçelik the first real industry company to issue a green bond from Turkey to international markets. Attracting an investors' demand four times higher than the amount of issuance, the bond's coupon rate was 3%. With the funds raised through the issuance, Arçelik aims to finance projects on energy-efficient products, circular economy solutions, energy-efficiency in production, pollution-preventing and controlling solutions, sustainable water and wastewater management, renewable energy and green buildings as part of its green financing framework under the sustainability strategy. You can find the Green Financing Framework of Arçelik here: <https://www.arcelikglobal.com/media/6294/arcelik-green-financing-framework.pdf>

Loan: Arçelik signed an 8-year loan agreement worth EUR 150 million with the European Bank of Reconstruction and Development, one of the key green finance providers in the world. The EUR 83-million portion of the loan to be extended by EBRD is the first green loan to be certified by an independent party in terms of compliance with international green borrowing principles issued by Loan Markets Association (LMA). As part of the green loans provided, Arçelik plans to finance environmental sustainability and R&D projects at its plants and introduce key projects on the path to net zero emissions across all its value chain by 2050.

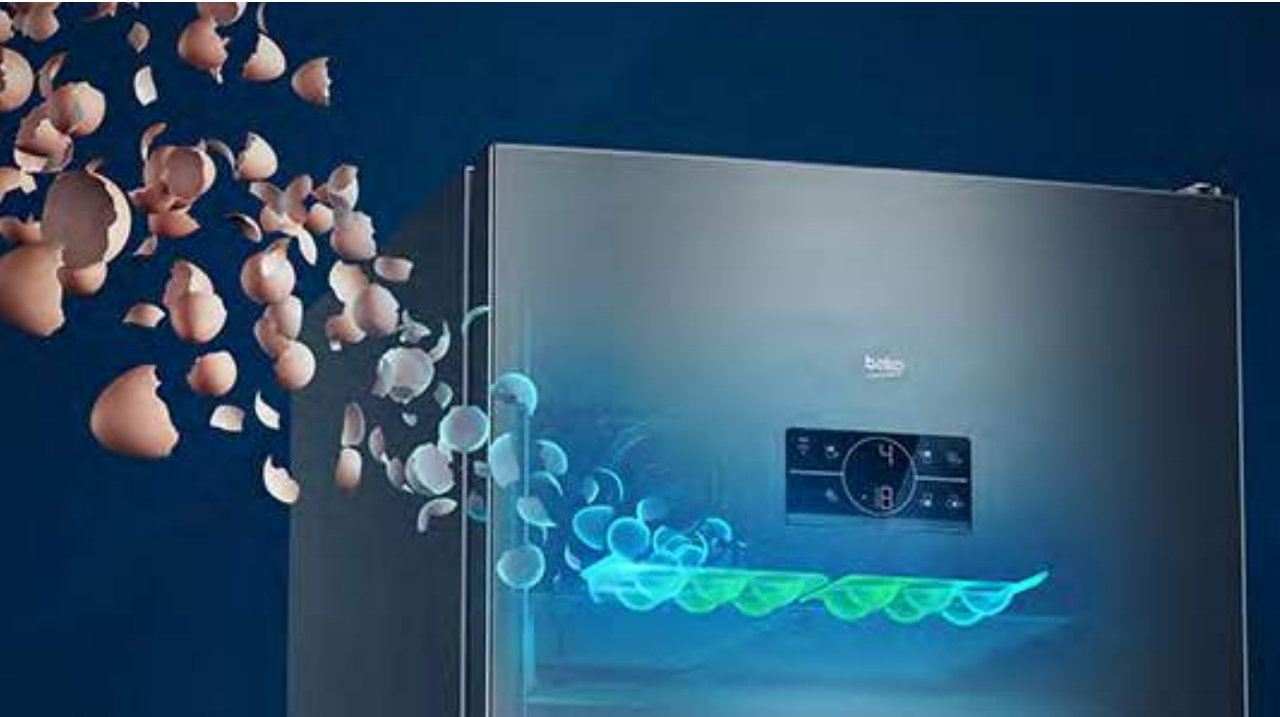
In Touch With Our Planet

Arçelik places sustainability at the core of all business strategies and operations to preserve natural resources and reduce carbon emissions.

FIGHT AGAINST CLIMATE CRISIS

Climate crisis is the greatest threat against our planet and ecosystem today. At Arçelik, climate crisis is considered a major risk factor facing the sustainability of its operations. Effectively combating climate crisis and the sustainability approach constitute the tenet of Arçelik's business strategies and operations.

Arçelik's 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 Board ensures that all decisions passed to tackle the climate crisis are put into action and embraced across the Company. Chaired by Chief Finance Officer (CFO), the Board serves as the highest organ in charge of all sustainability activities. The efforts of the Board are supported by working groups on the Environment, Energy, Green Chemicals, Climate



Change, and Sustainable Supply Chain. 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. The Sustainability Council works in close collaboration with the Corporate Governance Committee, Risk Committee, Global Ethics Committee, and Audit Committee. Koç Holding Durable Consumption Group Chair and Quality, Sustainability and Official Relations Director, who are the members of the Board, report to the Board of Directors on sustainability every quarter and ensure the development of sustainability strategies.

Exercising ultimate care in the fight against climate crisis, Arçelik contributes to national and international efforts, develops solution-oriented international partnerships, and extends supports to the steps, policies and commitments taken in this area.

Involved in the Carbon Disclosure Project (CDP), the world's most prestigious environmental initiative, since 2012, Arçelik was granted an A- score at CDP's Climate Change and Water Security Programs in 2021. In addition, the Company has attended the World Climate Conference since 2011, presenting best practices in the panels.

Arçelik is among the supporters of Task Force on Climate Related Financial Disclosures, a significant instrument for the implementation of tangible action in combating climate crisis. Arçelik supports TCFD to foster the link between climate change and its financial impact on business and operations, whilst developing parameters for alternative scenarios to monitor the potential impact of physical and transitional risks of climate change. You can find a detailed analysis of Arçelik's environmental, social, and governance (ESG) risks and their impact on Arçelik in the table given at the end of this part.

Reviewing risks and opportunities linked with priorities to guarantee the sustainability of Arçelik's operations is essential.

As part of sustainability management, the risks, and opportunities identified through the analyses of the working groups are submitted to the Sustainability Council and reported to the Risk Management Committee twice a year.

The Company provides employees with regular information and training opportunities on ESG practices and policies so as to create sustainability awareness and move sustainability performance to higher levels.

In 2021, Arçelik has committed itself to zero carbon emissions by 2050 and officially became part of Business Ambition for 1,5 C, Race to Zero in September 2021.

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Arçelik's science-based emission reduction targets were identified in parallel with Paris Agreement's scenario to keep Earth's temperature rise "well below 2°C" and approved by the Science-Based Targets Initiative (SBTi) in November 2020. Arçelik's targets prepared in conformity with the 1,5°C scenario in August 2021 were also submitted to SBTi for approval. As part of the new targets set, Arçelik is committed to reaching a 50.4% reduction versus the levels of 2018 by 2030 in Scope 1 caused by its own operations, in Scope 2 caused by the energy purchased for production, and in Scope 3 caused by the use of products sold.

Arçelik had its carbon credits accredited by the Verified Carbon Standard (VERRA) thanks to its carbon finance project for energy-efficient refrigerators. This has enabled the Company to offset direct and energy indirect (Scope 1 and Scope 2) greenhouse gas emissions of its global production plants* and attain carbon neutrality in the fiscal years of 2019 and 2020. Arçelik strives to remain carbon neutral for global production operations (for Scope 1 and Scope 2 emissions). Developing its roadmap on the path to carbon neutrality, Arçelik plans to invest some USD

(*) Singer-Bangladesh, Arçelik Manisa production plans and JVs are excluded.

50 million in renewable energy, energy efficiency, and green electricity by 2030.

In 2021, Arçelik increased its total installed capacity in renewables to 3.25 MW after the installations of solar powers plants of 1.15 MW and 0.1 MW at Eskişehir Refrigerator and Defy Jacobs plants, respectively. In line with its sustainability goals for 2030, the Company has committed a rise to 10 MW by 2025 and 15 MW by 2030 in the existing total installed capacity of renewable energy. Arçelik continued investing in energy efficiency alongside renewables in 2021, and attained EUR 774,000 in financial savings and prevented 5,514 tCO₂ greenhouse gas emissions through 228 energy efficiency projects deployed in such areas as compressed air systems, HVAC systems, lighting systems, insulation, heat recovery, efficient engine transformation and process optimization. Aiming at a 45% reduction in energy consumption per product by 2030, Arçelik has reached 19.2% in 2020. (The result obtained for 2021 will be published in the 2021 Sustainability Report. <https://www.arcelikglobal.com/tr/surdurulebilirlik/surdurulebilirlik-raporlari/tum-raporlar/>

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. The company has set the shadow carbon price as EUR 30 per ton of CO₂e in the lifetime cost analysis conducted at the investment stage to be used in this model, however, updated this price to EUR 50 per ton of CO₂e in 2021 due to the increase in the carbon price in global markets.

Arçelik prevents Scope 2 greenhouse gas emissions by purchasing 100% green electricity at its Romania plants since 2015 and Turkey plants since 2019. In 2021, Arçelik-Hitachi joint venture Thailand plant signed a long-term, 25-year renewable power purchase agreement with an offshore solar power plant in the region to meet approximately 20% of its annual electricity consumption. Beko LLC Russia plant, on the other hand, met 20% of its energy demand by purchasing green electricity in 2021. By 2030, Arçelik intends to obtain 100% of the power it needs from renewable energy sources for its global production plants.



Arçelik became a member of Climate Group-led EP100, which brings together companies involved in energy efficiency activities, in 2021. As part of this membership, Arçelik has committed to improving energy efficiency and increasing its turnover per unit of energy consumed in 2030 compared to the basis year of 2010. A commitment was expressed to obtain an ISO 50001 Energy Management System certification by 2025 for all Arçelik businesses in the world.

In an attempt to contribute to a sustainable future and development, Arçelik partners with NGOs and public institutions and conveys its gains and learnings acquired in pioneering practices. In this context, a strong representation activity is carried out in many national and international NGOs (TOBB, DEİK, TÜRKESD, APPLiA, 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.

The Company leads TÜSİAD Environment and Climate Change Working Group, Environmental Legislation Sub-Working

Group, and Green Deal Task Force, and contributes and participates in the sub-working groups on the Climate Change and Paris Agreement, Circular Economy, Carbon Pricing, Sustainable Financing, and Energy Working Group and the task forces under it.

A voluntary deal was signed between five Arçelik businesses (Electronics Business, Dishwasher Plant, Cooking Appliances Plant, Washing Machine Plant, Washing Machine and Tumble Dryer Plant) and the Ministry of Energy and Natural Resources in 2020. In 2021, two voluntary agreements were signed for Eskişehir Refrigerator Plant and Arçelik-LG. As part of the agreements, a minimum of 10% reduction in energy density of these plants within three years was committed.

In addition to the voluntary agreements, Arçelik applied to the Productivity Enhancement Projects (VAP) incentive of the Ministry of Energy and Natural Resources of Turkey with 5 projects.

The ECOFACT Project, in which Arçelik was involved as an end-user under the EU Horizon 2020 incentives, is intended to optimize the energy performance of production processes and ancillary facilities by considering time and resource constraints. The Romania Washing Machine Plant initiated a project where the aim is to process real-time data collected

from production lines and ancillary facilities through artificial learning and optimization algorithms, create a decision-making support system, and provide recommendations to the end-user on optimal conditions for processes and ancillary facilities. Another aim is to involve one of the local suppliers in Romania in the project so as to boost supplier collaboration and improve the quality of energy and environmental data sharing process for the “Lifecycle Cost Analysis,” a component of the project.

The first Arçelik store designed with sustainability concept was opened in İzmir's İstinye Park in 2021.

Featuring recycled booths and equipment, the store is 35% more efficient than standard stores thanks to the high energy efficient equipment and automation systems installed.

Short, medium and long term climate-related risks and opportunities identified by the Company are provided at the end of this section.

You can find the Climate Change Strategy of Arçelik here. https://www.arcelikglobal.com/media/6503/climate_change_strategy.pdf



ENVIRONMENTAL MANAGEMENT

Arçelik runs business processes in conformity with international product and management standards, particularly including ISO 14001 Environmental Management System and ISO 50001 Environmental Management System integrated with ISO 9001 Quality Management System. 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; since 2015 in the Găești plant in Romania; since 2016 in Russia; since 2019 in South Africa, Romania-Ulmi and Pakistan; and since 2020 in Beko Thailand. 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. Since 2019, 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 2021, the percentage of all facilities both in Turkey and abroad that are certified by ISO 14001 is 82.8%. Arçelik's Turkey facilities (Çayırova, Bolu, Ankara, Eskişehir, Çerkezköy campuses) and Sütlüce Head Office, Arctic Romania, Beko LLC Russia, Defy South Africa, Beko Thailand, Dawlance Pakistan, Arçelik-LG and Arçelik-Hitachi businesses hold ISO 14001 Environmental Management System certification.

As of the end of 2021, the rate of total plants both in Turkey and abroad that are certified by ISO 50001 is 58%. Domestic campuses of Arçelik (Ankara, Bolu, Çayırova, Eskişehir, Çerkezköy) and Sütlüce Head Office, Arçelik-LG, Arctic Romania, Beko LLC Russia and Dawlance Pakistan (DPL-2 and URIL) facilities hold ISO 50001 Energy Management System certification. The effectiveness and continuity of the

As of the end of 2021, the percentage of all facilities both in Turkey and abroad that are certified by ISO 14001 is 82.8%.

management system is guaranteed through regular audits by independent organizations with international accreditation and periodically repeated internal system controls.

In addition to the environmental activities on the product and production, several activities for compliance of the suppliers within this scope are also performed. In 2021, compliance of the suppliers involved in the strategic cooperation, with the environmental legislation, chemical aspect, and the rules of business ethics was subjected to audit regularly by the independent audit firms.

As part of the training held to raise environmental awareness and generalize it in the value chain, the environmental training within social responsibility as well as the ordinary environmental training are provided to the company staff and the employees of subcontractors. The environmental training was provided for a total of 23,330 man-hours in 2019, 16,595 man-hours in 2020, and 29,818 man-hours in 2021.

In 2021, BEYSAD members, some of whom are Arçelik suppliers, were provided information on environment and sustainability, including on the energy efficiency and renewable energy practices undertaken by Arçelik.

35 workshops were organized on energy efficiency and renewable energy at Arçelik businesses. 165 feasible projects were included in the investment plan for 2022.

Arçelik makes significant investments to reduce its environmental footprint and improve its environmental performance. In this context, environmental protection expenditure and investment amount of Arçelik was €6.42 million in 2019, €6.98 million in 2020, and €9.73 million in 2021. With the

water efficiency and waste reduction projects implemented for the facilities, financial savings of approximately €400,000 and €1,593,000 were achieved in 2019 and 2020, respectively. The financial saving amount in 2021 was €420,000.

The steps taken in water efficiency and rainwater recovery in the past 12 years resulted in the saving of 2.17 million m3 of water. This amount corresponds to the annual water consumption of approximately 2.7 million households.

ENVIRONMENTAL PERFORMANCE INDICATORS			
	2019	2020	2021
TOTAL ENERGY CONSUMPTION (GJ)*	2.320.686	2.164.461	***
DIRECT ENERGY CONSUMPTION (GJ)*	1.182.690	1.069.344	***
INDIRECT ENERGY CONSUMPTION (GJ)*	1.137.996	1.095.116	***
INDIRECT (PURCHASED) RENEWABLE CONSUMPTION (GJ)*	813.667	817.711	***
INDIRECT (PURCHASED) NON-RENEWABLE ENERGY CONSUMED (GJ)*	324.328	277.406	***
RENEWABLE ENERGY GENERATED (GJ)*	2.732	3.171	***
TOTAL WATER WITHDRAWAL (m³)**	1.489.624	1.205.154	***
WELL WATER (m³)**	768.114	584.827	***
MUNICIPAL WATER (m³)**	692.567	557.714	***
RAINWATER (m³)**	28.943	62.613	***
DISCHARGED WATER (m³)**	1.225.295	1.040.329	***
TOTAL AMOUNT OF WASTE (TON)**	113.,465	103.263	***
DIRECT (SCOPE-1) GREENHOUSE GAS EMISSIONS (TON CO₂e)*	81.,682	71.583	***
INDIRECT-ENERGY (SCOPE-2) GREENHOUSE GAS EMISSIONS (TON CO₂e)*	53.618	43.635	***
INDIRECT-OTHER (SCOPE 3) GREENHOUSE GAS EMISSIONS (TON CO₂e)*	6.262.807	25.665.521	***

(*)Energy and greenhouse gas data scope:
2019: Arçelik Turkey, Arctic Gaesti and Ulmi Romania, Beko LLC Russia, Defy South Africa, Beko Thai, Dawlance Pakistan, Beko China, Beko England, Beko France, Grundig Nordic AB, Grundig Nordic AS
2020: Arçelik Turkey, Arctic Gaesti and Ulmi Romania, Beko LLC Russia, Defy South Africa, Beko Thai, Dawlance Pakistan, Beko England, Beko France, Grundig Nordic AB, Grundig Nordic AS, Beko Poland, Beko Grundig Germany
(**)Water and waste data scope:
2019: Arçelik Turkey, Arctic Gaesti Romania, Beko LLC Russia, Defy South Africa, Beko Thai, Beko China, Beko England, Beko France, Grundig Nordic AB, Grundig Nordic AS
2020: Arçelik Turkey, Arctic Gaesti and Ulmi Romania, Beko LLC Russia, Defy South Africa, Beko Thai, Beko England, Beko France, Grundig Nordic AB, Grundig Nordic AS, Beko Poland, Beko Grundig Germany
(***) These figures are at the stage of external auditing as the Arçelik 2021 Sustainability Report is prepared. The 2021 Sustainability Report containing audited figures will be shared with all stakeholders on www.arcelikglobal.com.

MANAGEMENT OF WATER RISKS

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.

Arçelik's ESG risks which include water risks, as well as their impact on financials, are monitored, measured and managed with an integrated understanding, and in accordance with TFCD reporting standards. Physical risk assessments are based on Trucost, which looks into Arçelik's and suppliers' asset-level physical risks and take climate threats into account such as water stress, floods, heatwaves and cold waves, hurricanes, rising sea levels, as well as their impact on Arçelik's operations. The year 2020 is taken as a basis, and estimates for the fiscal years of 2030 and 2050 are studied through High Climate Change Scenario [RCP 8,5], Moderate Climate Change Scenario [RCP 4,5], and Low Moderate Scenario [RCP 2,6]. As per Trucost Physical Risk Scenario Analysis, Arçelik's general physical risk score is moderate, and its primary risk is water stress. Arçelik suppliers' primary physical risks are also linked to water stress, according to Trucost.

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, 17 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. Water Efficiency Report was prepared for International Finance Corporation (IFC) and Arçelik production facilities and improvement areas in respect of water efficiency were determined. In line with the outputs of the project, the

water target of Arçelik for 2030 was designated. As part of risk adaptation plans, Arçelik set the target of *70% in the ratio of recycled water at all of its production plants by 2030.
(*) *Recycled water ratio = Amount of water recycled/Total water withdrawn*

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.

Emissions for the parameters of SO₂, TOC, VOC, and NO_x as per the most recent emission analyses carried out by an accredited lab on Arçelik's operations in Turkey are provided in the table below. Emission values of all plants are below legal thresholds.

AIR EMISSIONS (TON/YEAR)	2021
SO ₂	1.8
TOC	36.1
NO _x	387.5

WASTE MANAGEMENT

Arçelik uses innovative approaches and practices to reduce manufacturing waste and minimize 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.

Arçelik contributes to the sustainable generalization of zero waste awareness by continuing its education, information, and rewarding activities and, in line with this understanding, supports the Zero Waste Project of the Ministry of Environment, Urbanization and Climate Change.

RECYCLABILITY RATES OF RAW MATERIALS AND OTHER MATERIALS USED IN ARÇELİK PRODUCTS	
MATERIAL	STATUS
METALS	100%
PLASTICS	100%
GLASS	100%
CHEMICALS*	Non-recyclable
RUBBER	100%
OTHERS	81%
COMPONENTS	80%

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

ARÇELİK PRODUCTS' RECYCLABILITY RATES	
PRODUCT	STATUS
WASHING MACHINE	99%
CONDENSER TUMBLER DRYERS	98%
REFRIGERATORS	99%
DISHWASHERS	84%
ELECTRONIC DEVICES	88-92%
OVENS	91%

WASTE ELECTRIC AND ELECTRONIC APPLIANCES RECYCLING PLANTS

Arçelik fulfills its obligations within the framework of the Waste Electric and Electronic Equipment Control Regulation. Waste Electric and Electronic Equipment (WEEE) recycling facilities were established in Eskişehir and Bolu in 2014 to re-introduce 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 1.6 million WEEE units were recycled from 2014 to 2021 in the WEEE recycling facilities in Eskişehir and Bolu, resulting in a total energy savings of 397 GWh. A total of 195,000 tons of CO₂e were prevented by recycling waste products; 8.1 million tons of water were 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 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.

No penalties were imposed due to incompliance with environmental laws during the reporting period.

ECO-FRIENDLY PRODUCTS

Arçelik encourages more efficient use of the resources on Earth by promoting its approach for responsible production and responsible consumption in all its processes.

Aiming at lower amounts of natural resources used, the Company continued efforts in 2021 to increase the content of recycled plastics in its products, broaden the use of recycled/recyclable materials in product packaging, and introduce bio-composite materials fit for recycling in 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 wishing nets and 150 tons of textile waste were recycled in 2021 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 the first quarter of 2022. CO₂ emission per unit is reduced by 6 kg with bioplastic materials and Bio-Cool insulation materials.

Small Home Appliances Manufactured From Bio-Composite Materials

“Bio” components manufactured of biomaterials are also used in small domestic appliances. Handles of the Newline teapot were made of tea fibers, while Telve Duo coffee machine featured coffee grounds in order to reduce the use of plastics. These innovative and eco-friendly products were launched in 2021.

r-PET Usage

“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 2021, with washing machines and washer-dryer machines



sold worldwide, 52 million recycled PET bottles were used in a manner to contribute to the circular economy. In addition, formulae containing recycled PET content from plastic bottles received approval for serial production and were deployed as of the end of 2021. The plan is to use recycled PET in all the washing machine tubs except for American products. 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 4.8 million recycled PET bottles in 2021. A new formula was studied for PET content recycled from plastic bottles planned for use in the upper frame and front bedding of tumblers, while the serial production of these raw materials started in 2021. By this means, approximately 15 million recycled PET bottles have been reintroduced into production in the dryer machines in an added-value way as of the end of 2021, contributing to the environment and nature. Nearly 130 million plastic bottles were recycled from 2017, starting year of the project, to the end of 2021.

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 develop this technology together with companies within and outside the sector, NGOs, universities and all stakeholders.

Small Domestic Appliances Manufactured of High-Performance Recycled Plastics

The rate of recycled plastic in Atak vacuum cleaners and Jaguar vacuum cleaners, which were developed with the aim of reducing the use of new plastic materials by increasing the recycled plastic usage rate, was improved in 2021. Accordingly, the rate is now 52% in Atak vacuum cleaners and 42% in Jaguar vacuum cleaners, up from 31% and 17%, respectively, in 2020. In consumer electronics, Jam Earth bluetooth speaker, featuring 100% recycled plastics in its body, was offered for sale in Turkey, Germany, France and Spain. In 2021, almost 263 tons of recycled plastic were used in vacuum cleaners, bluetooth speakers, and kitchen products.

Using Plastics Obtained from Recycling the Dishwasher Parts Collected at Arçelik's WEEE Recycling Facilities Back in the New Dishwashers

Waste Electric and Electronic Equipment (WEEE) Recycling Plants play a key role in developing circular economy solutions focused on re-using and recycling waste and reducing the amount of waste sent to sanitary landfills. In this project, various plastic parts inside dishwashers, expected to deliver high thermal resistance and strength, were recycled from the parts of dishwashers collected at Arçelik's WEEE plants. For these plastics to be used in serial production, various process optimizations were introduced alongside R&D efforts to ensure the sustainable production of the material. Fan parts were produced by recycling 568 dishwashers sent from WEEE recycling facilities, in 2021 as part of the project. Thanks to the closed loop model that is in use, petroleum-based virgin raw materials have been reduced, resulting in lower carbon footprint.

Plastic parts of the refrigerators and dishwashers produced through the recycling of packaging waste
Polyethylene-based packaging waste coming from Arçelik refrigerators and dishwashers was reverted back to the granular form. With R&D formulations, recycled polypropylene plastics were used to create compounds. The production of such eco-friendly plastics commenced in 2021. Thus, about 79 tons of packaging waste were used in refrigerators and dishwashers of Arçelik in a year.

ECO-FRIENDLY TECHNOLOGIES

ECO-FRIENDLY TECHNOLOGIES IN DISHWASHERS

InterAct
High-tech InterActCT that automatically selects the ideal program optimizes the selection process and offers unique solutions to users in terms of water and energy savings. InterAct, the highest segment in high quality products, enables users to use only a single button in their dishwasher experience and interaction with the machine, and eliminates unnecessary consumption caused by wrong program selections. This is how the product offers a unique customization alternative, and carries the dishwashing experience to the highest standards.

NatureDry
Intended to bring the drying performance to higher levels, NatureDry achieves this target without consuming energy. The product enables the door to automatically open when there is little time left until program completion, allowing humid air to be discharged and fresh air to be inserted and thus helping natural air circulation. This helps the user to save energy.

A Energy Class Dishwasher
The A-energy class is the highest level in energy labels. Featuring heat pump technology, this dishwasher offers energy class A and is now on the market. A energy class dishwasher consumes 47% less energy compared to a product in the F class.

AutoDose
AutoDose blazes a new trail in dishwashers' interaction with the environment by detecting the level of stain automatically and optimizing the use of detergents. Enabling up to 28%* less

amount of detergents to be used in one wash, AutoDose also prevents the accumulation of detergent waste.
(*)for less stained dishes and gel detergents



MaxiDry
Bringing drying performance to the highest level, this technology eliminates droplets and dampness on glasses, utensils, pots, and even plastics. The need for rinse aids to improve drying performance is eliminated with MaxiDry, which replaces them with a more eco-friendly approach.

ECO-FRIENDLY TECHNOLOGIES IN WASHING MACHINES AND WASHER DRYERS

AquaTech™
Long and high-temperature programs that wear out laundry and increase energy consumption are now a thing of the past thanks to AquaTech™. Thanks to a special blade detection

system equipped with water jets inside the tumbler, it is placed at the highest position during the wash and releases the right mix of detergent and water directly onto the laundry. This helps clean the laundry with the pressure of water rather than that of tumbler rotation.

With up to 50% faster and more sensitive programs, AquaTech™ Plus consumes 10% less energy compared to the A energy class and delivers an impeccable cleaning performance.

AutoProgram
AutoProgram sets the right program by detecting the textile, level of stain and how full the machine is with the help of the sensors inside the machine. This way, it offers the best washing experience and prevents excess use of water.

AutoDose
AutoDose is a technology that automatically gives the ideal dosage of detergents and softeners as per the type and amount of laundry. This results in water, energy and detergent savings for the user. The sensor detects the textile, notifies the machine on the amount of detergents and softeners required for each wash of this textile, and ensures such amount is used from the pre-filled detergent dispenser. This allows the user to continue their washing experience up to 20 times without having to re-fill the detergent section.

Cool Care
Featuring a special algorithm, DuoSpray technology and ProSmart Inverter engine, Cool Care enables the machine to wash at 20°C, while saving 75% of energy without compromising on the washing performance compared to cotton laundry washes at 40°C.

Inverter Eco Motor
ProSmart™ Inverter motors offer efficiency and energy saving together. This durable and eco-friendly technology offers a much quieter user experience and minimizes energy consumption.

ECO-FRIENDLY TECHNOLOGIES IN TUMBLE DRIERS

IronFinish
An element of the laundry care process, iron leads to loss of time and energy for users. Thanks to the emission in the right amount and at the right time and the optimum air circulation generated in tumbler, IronFinish technology ends this challenge. It makes garments ready for "being worn" by removing wrinkles from clothes to a large extent at the end of the drying process. Ultimately, the troublesome ironing work for casual clothes is eliminated. In this way, this technology makes an environmental contribution to laundry care by diminishing the energy consumption of iron.

Enerji Tasarruflu Kurutma Makineleri
A+++ tumble dryers consume 69% less energy than the C energy class.



Advanced Heat Pump Technology (EcoGentle™ Technology)

Owing to consuming 10% less energy, tumble dryers with heat pump technology achieve 73% of energy saving, compared to the vented products in class C and offer users drying experience at lower temperatures. In addition to being the most energy-efficient tumble dryer, it extends the life of garments through drying at a lower temperature.

ECO-FRIENDLY TECHNOLOGIES FOR KEEPING FOOD FRESH

Aeroflow

Thanks to its seamless design, Aeroflow technology maintains the temperature swing at minimum level inside the whole cooler, thereby keeping food fresh for a longer time. Thus, it achieves the minimization of food waste. Aeraflow technology that also provides the advantages such as keeping loss of fluid in the food at minimum and preventing freezing of food as enables users to store food in refrigerator smoothly as well as being budget- and environment-friendly.

Energy Efficient Refrigerator

The new energy classes in the 60 cm and 70 cm bottom freezer refrigerators are offered to users. Among the 60 cm bottom freezer refrigerators with No Frost operation, the high energy-efficient models in energy class C consume 49% less energy than those in energy class F.

Solar Hybrid Panel Refrigerator

Developed for the users with no access to uninterruptible electricity, the sustainable, safe and affordable solar hybrid panel refrigerator offers a cooling system solution which alternately utilizes the electricity generated from electric network and solar power. The solution to an existing need is provided by increased insulation and the use of renewable energy sources in the solar refrigerator and a new approach to cooling systems is introduced.

HarvestFresh

To create a natural living space in the crisper drawer, HarvestFresh uses the three primary colors, blue, green and red needed by fruits and vegetables, periodically and homogeneously. In this way, levels of vitamins C and A are

maintained for a longer time and users and their families are encouraged to live a healthy life by consuming the fruits and vegetables with high nutritional value.

FullFresh+®

Loss of moisture and fluid is one of the major reasons for shortening the shelf lives of fruits and vegetables, and the rise in the resultant food waste. Developed to resolve this problem precisely, FullFresh+® maintains the moisture level up to 90% and hinders the formation of water drops by means of the perforated roof. Thus, vegetables and fruits are kept fresh 3 times longer and food waste is averted significantly through increased storage period.

MultiZone

MultiZone technology allows users to save space and energy by altering storage temperature of the refrigerator freezer compartment as they wish. With MultiZone technology, the refrigerator can be used in 5 different modes based on the choice of user. Freezer section of the refrigerator can be optionally used as refrigerator, freezer or in off mode. Users can keep only the freezer compartment in either refrigerator or freezer mode to suit their needs after turning off the refrigerator compartment. In this way, they contribute to both the environment and their budget through energy saving.

Energy Efficient Oven

All newly-launched ovens consist of the products in energy classes A and A+. The ovens in energy class A+ consume 14% less energy than the products rated A.

Divide & Cook

Divide & Cook that allows users to cook 2 different dishes in a single oven through a divider placed inside is not content with creating solutions for simultaneously-emerging different needs. Besides, it enables them to manage the spaces based on their needs. Users can save energy by using only the upper or lower sections if they wish. Adjustable temperature difference between the sections may go up to 80°C. Thanks to the 2 fans, excellent results are achieved.

Inverter Motor

The motor technology used in the sloped and T-shaped cooker hood is designed to be more efficient and more

durable and to run at a lower noise level. Thus, user enjoys using an improved product while making energy saving.

Eco Remote Controller

Eco Remote Controller is made of recycled plastic in whole. Eco Button on the device allows user to choose eco settings easily. It is possible to switch to eco modes by pushing the Eco Button. Efficient use of all functions that consume energy in TV is facilitated. Pleasure of watching TV can be retained with minimum energy consumption.

Ambient Light Sensor

Light sensor adjusts screen brightness to an appropriate level, considering the ambient light. Thus, energy consumption is decreased by up to 10%. Thanks to the optimized screen light, the user has an energy-efficient watching experience without the need for any additional adjustment.

Energy Management of Air Conditioner with HomeWhiz

At all times, 23% of energy consumption in houses originate from the devices that are not powered off.* HomeWhiz offers an environmentalist solution for such consumption. HomeWhiz allows user to monitor the energy consumption of air conditioner, thereby raising the awareness of reducing consumption. Based on the real data collected, it makes consumers smart suggestions about how to consume less energy. It is planned to put this application into use for white goods in 2022.

(*) Data from a certain regional study was used. Received from the study of US Natural Resources Defence Council. (<https://www.nrdc.org/sites/default/files/home-idle-load-IP.pdf>)

Smart Home Appliances and HomeWhiz Rule Sets

To prevent the unnecessary energy consumption, the rules sets that achieve energy saving for smart home appliances and white goods via HomeWhiz are generated, automizing the processes for homes. HomeWhiz enables the air conditioner to turn off automatically when a window is opened. In case it is perceived based on the data from motion sensors that there is nobody in the house, smart light bulbs are turned off. Ambient temperature can be monitored and changed remotely through HomeWhiz in line with the information gathered with temperature and moisture sensors, and the data on user habits.



Sustainable Consumer Services with IoT

Thanks to the Support Service used by means of HomeWhiz, after-sales processes are improved for Wi-Fi connected white goods. Consumers can contact with the Call Center by pushing the button on the product. The necessary data about the relevant product is sent to the technical service by means of Support Service, so the service team can either find a solution for the problem with a single visit or fix the problem remotely. Thus, the carbon emission arising from the service processes is significantly reduced and the product life is extended.

Sustainable Packaging Activities

Arçelik focuses on the consumption of less resources and the use of recycled/recyclable materials in packaging processes. Volume and weight of the product packages are designed to generate minimum waste. Furthermore, works on recycling are performed to diminish the environmental effect of packaging processes. Arçelik established a working group, including the whole plant and central R&D with the aim of switching to sustainable package alternatives and terminating the use of expanded polystyrene (EPS) in packages predominantly. For all of the small and large home appliances, the efforts for the replacement of EPS by sustainable material alternatives continue. Arçelik keeps working on the use of 100% recycled/recyclable cardboards in boxes of the products manufactured for all global operations. The activities about the use of eco-friendly product packages carried out in 2021 are listed below.

- A total of 27,146 tons of recycled cardboard boxes were utilized in packaging at all facilities of Arçelik around the world. Thus, the cutting of 461,484 trees was avoided. It was aimed to create awareness among the end users by enlightening them with the information on boxes of the products used within the project and, performing social media communication.
- In categories of cookers, hoods, small home appliances, and consumer electronics, the use of polystyrene was ended and 324 tons of 100% recycled/recyclable cardboards and 40 tons of viol materials made of 100% recycled paper were used. For all of the small and large home appliances, the works on the replacement of polystyrene by sustainable material alternatives proceed.

- About 28 million recycled plastic bottles were utilized in the packing strips for white goods.
- Transition to the use of recycled paper in user manuals for all product groups produced in Turkey was completed.
- Approximately 40 tons of recycled plastic were used in the bags for accessories and products. Besides, the project for encouraging their general use in all products continues.

Sustainable Supply Chain

In 2021, 141 tons of CO₂e greenhouse gas emissions were prevented by raising the through freight rates for the route from finished product storages to domestic storages. The pallets and cardboards left from the materials supplied by the facilities from abroad were used, thereby avoiding the cutting of 1,435 trees in return for 43 tons of paper and 184 tons of pallets.

Arçelik that increased the seaway usage rate in the international shipping operations to 89% in 2021 set the target for 2022 as 90%. As part of this, the company attaches priority to railway transport as well. It aims to boost the railway usage rate in 2022. For transportation from storages to Turkish ports, the use of railways began as an alternative to the use of highways. Thus, cost advantage was obtained in domestic shipments and an environmental contribution was made with low-emission transport.



In Touch with Human Needs

Arçelik aims to make life better for all stakeholders and strengthen the local communities with its sustainable technological and innovative products.

Arçelik performs value adding activities that make difference in socioeconomic and cultural structure as well, while exhibiting a solution-oriented approach to social problems. Arçelik performs activities in line with its "Partnerships for Objectives" purpose and puts different social projects into practice with the goal of leaving a better world for future generations. Voluntary participation of each member of the big Arçelik Family that operates in different geographical locations plays a substantial role in sustainability and achievement of the Company's volunteering-based social projects. Production facilities and sales and marketing offices carry out the projects which leave a mark on social progress of the relevant region as well as developing new business opportunities.

Arçelik carries on business in a wide geography around the world. Besides, the company contributes to social development in financial inclusion and access to financing with the employment and economic activities generated by it,



especially in the developing regions that contain its production facilities. It creates economic value for financial development of the ecosystem influenced by its activities.

CORPORATE CITIZENSHIP STRATEGY

Arçelik targets applying the corporate citizenship approach adopted, social development and leaving a better world for future generations. The corporate citizenship strategy of Arçelik focuses on creating value for society and environment and working purposefully with its global brands, developing smart technologies and solutions that will contribute to needs and priorities of the communities who reside in its operational regions, and supporting sustainability and social responsibility by developing cooperations to expand its area of influence.

See: https://www.arcelikglobal.com/media/5759/22-07-kurumsalvatandas-likpolitikasi_son.pdf

SOCIAL DEVELOPMENT APPROACH

Arçelik regards sustainability as an indivisible part of its business model, and a lifestyle. The company engages in activities with the focus on developing itself, the industry where it does business and all ecosystems affected by it, and leaving a sustainable life in the world. It works to establish the inspirational business and life world of future together with its employees and other stakeholders by making innovativeness and digitalization as the new focal points. Arçelik has adopted a business culture where a fair, equitable and inclusive approach focused on employees' needs, a safe working environment, and ethical values are promoted. Arçelik aims to create sustainable value not only within its own operations, but also in the whole value chain.

The model adopted by Arçelik has a multi-stakeholder structure at all stages from the design of social development projects to their implementation.

The subjects that Arçelik attaches priority in the light of its social responsibility philosophy are gender mainstreaming and women empowerment; qualified education; climate action; industry, innovativeness and infrastructure; responsible production and consumption; health and quality life.

Social volunteering is one of the fundamental values of Arçelik. Production facilities and sales and marketing offices

of Arçelik in various countries carry out the projects for social development of the region while creating new job opportunities.

Voluntary participation of each member in the big Arçelik Family that spread to the world has a significant impact on continuous projects of the company.

Arçelik set its objectives regarding gender mainstreaming and women empowerment as part of the UN Women Action Coalition. Furthermore, it holds gender mainstreaming seminars and sessions on equitable parent approach as well as conducting the projects of Kizcode, You Are an Engineer and You Are with Us, Beko100 Women Dealers, 500 Women Technicians, Equal Dictionary. Preparations for the following activities are made: "Arctic Woman Community" program within Arctic Romania, Social Gender Awareness seminars within Singer Bangladesh and the mentorship programs that encourage women's solidarity.

As part of the education projects, the company implements A Ticket For Your Future, I Design Future for My Country, Capture the Future, SheMate, Father Support and FIT4FoF programs. Digital Wings Project and Arçelik Retail Academy are included in the Social Development projects.

Several projects for supporting community health care and local communities are conducted in the other countries where the companies of Arçelik Group operate. The company promotes the following programs about responsible consumption as Grundig brand: Respect to Food, Food for Soul and Feed Your Soul. Moreover, Arçelik is a sponsor for BASE exhibition, The Culinary Arts Academy and sports clubs.

Detailed information about the projects and programs of Arçelik that improve life are given below.

GENDER MAINSTREAMING AND WOMEN EMPOWERMENT

One of the preferred pillars of Arçelik's corporate citizenship strategy is to contribute to women empowerment in business and social life and to increase the awareness of gender mainstreaming.

In addition to the processes applied to achieve gender mainstreaming, quantitative and qualitative KPIs (key performance indicators) were determined in Arçelik for the purpose of preventing the existing gender inequality in STEM (Science, Technology, Engineering, Mathematics) and in management levels, empowering the woman employees in labor force and creating an equal and fair work environment. Such KPIs were integrated into the operations of human resources, particularly recruitment and skill management.

In line with the KPI objectives, Arçelik monitors the number of woman employees and woman managers in the labor force and in management levels as well as the number of woman employees in STEM and encourages the woman staff who get ahead on this path. Recruitment, promotion, appointment and rotations processes are followed up, and department/function-based actions are set when required.

Arçelik adapted its sustainability road map to Goal 5 of the United Nations' Sustainable Development Goals (SDGs) that regards achieving gender equality as a fundamental human right, thereby consolidating its call for ensuring gender equality and empowering women. Arçelik has been a signatory of United Nations Women's Empowerment Principles (UNWEPS) since 2017. As part of this, it generates projects on a global scale or for Turkey, develops

collaborations and organizes the seminars that raise awareness in society.

Gender Mainstreaming Seminars

With the aim of creating awareness of the causes and effects of gender mainstreaming, the Company holds gender mainstreaming seminars for its employees. Since commencement of the program in 2015, a total of 22 thousand 343 people have attended the seminars that evaluate the impact of inequality and discrimination between woman and male roles on private and business lives.

Kizcode

To raise the predisposition of girls to technology and digitalization and develop their skills, Arçelik introduced Kizcode training program for employees' daughters aged 11-15. As part of Kizcode, training sessions on coding and animation are held and projects of the participants are subjected to evaluation on different platforms. Participation of 434 girls in Kizcode program has been ensured since 2018. It is planned to maintain the program by updating its content in 2022, considering the technological advancements.

Equitable Parent Approaches

Arçelik organizes information sessions for its employees with the aim of enriching parents' relationships and communication

skills for their children, with the values of gender mainstreaming. A total of 403 Arçelik employees attended the sessions held in 2021. Different contents of Koç Akademi which suit the purpose of this program and encourage parents were presented to the employees to support the program as well.

In addition to Arçelik's programs for its domestic staff, several gender mainstreaming projects are put into practice in the foreign countries subjected to the company's operations.

Arctic - Romania

Arctic Romania collaborates with women's institutes and applies social responsibility projects to raise women's visibility in society. The company supports woman employees in balancing their business and private lives and being more active in business life. In 2021, Arctic implemented "Arctic Women Community" program for its woman employees to form a leadership organization structure balanced between genders and to make a cultural transition with no gender gap. Finance training and talent program as well as the mentorship program that allows working mothers to tell new mothers their experiences were performed with the attendance of 85 employees.

Singer - Bangladesh

Singer Bangladesh organized "Social Gender Awareness" seminars for its employees. By means of such seminars, it was aimed to create awareness of the following points: results of gender inequality, the factors that affect labor force participation of women and the initiatives for raising women's visibility in business world. As part of the Women Leadership program for the woman leaders in business life, women's solidarity in the workplace is promoted through the mentorship programs that allow working mothers in management position to pass on their experiences to new mothers. Sexual Harassment Policy was put into practice for the purpose of providing a workplace environment that makes woman employees feel safe.

Dawlance - Pakistan

Dawlance empowers woman employees as well as implementing a mentorship program that enables working mothers to pass on their experiences to new mothers to

encourage gender equality at the workplace. A conference with the subject "women in business life and leadership" was held for woman employees. Equal wage for equal work policy was followed to achieve equal opportunity in employment. For this purpose, woman employees were hired for the first time and plants were encouraged to recruit woman employees. Infrastructural changes were made to offer a more comfortable workplace environment to woman employees. In addition, the Sexual Harassment Policy was introduced to provide a workplace environment that makes woman employees feel safe.



You Are an Engineer and You Are with Us

With "You Are an Engineer and You Are with Us" program for the woman university students who study in engineering faculties and faculties of science, Arçelik aims to encourage the woman students who are engineer candidates to work in the fields of technology and innovation, and to raise awareness in the new generation R&D fields.

In 2021, the second edition of the program "You Are an Engineer and You Are with Us" carried out with the participation of 60 junior and senior undergraduate students who have education in 22 different engineering departments of 19 leading universities, digital workshops, project preparation





and presentation activities, mentorship support and seminars were held.

These engineer candidates joined the activity of forming opinions on R&D project as the teams of different disciplines in order to experience the training on agile transformation, design-driven thinking, data visualization which will make difference in future, and advanced data analytics that they received during the online workshop. Projects were presented and experiences were passed on as part of the program which brought the students who developed products and project ideas themed "Life at Home," and Arçelik R&D director and managers together. Within the program, students are supported via the seminars which will contribute to their career development during one year, and the mentorship activities of the expert engineers in Arçelik. Furthermore, they are involved in a real R&D project.

A total of 11 students from the leading universities who were selected for the program in 2021 started professional business life at Arçelik as project assistant, project engineer and engineer.

Beko 100 Women Dealers

100 Woman Dealers project under Beko brand was applied by Arçelik that aims to empower woman entrepreneurs in social and economic lives and make them successful entrepreneurs.

The aim of Beko 100 Women Dealers project commenced in March 2019 is to overcome the perception "Dealership Is a Male-Specific Business" and to encourage women to become entrepreneurs based on the gender mainstreaming principles of Koç Group.

Without seeking for industrial experience, the target group contains all woman entrepreneurs from all corners of Turkey who are willing to go into commercial life and have investment opportunity. A sustainable, profitable and long-term investment opportunity is offered with the support given to women entrepreneurs within the dealership ecosystem. Beko offers women entrepreneurs the chances that achieve positive discrimination, facilitating their involvement in commercial life more easily.

As part of the project, women entrepreneurs are empowered by means of training on finance, product and sales, and mentorship activities while being assisted with finding suitable store location, decoration and rent support, free cash register obtained from TOKEN financial technologies and extra display package discounts.

Applications for the project are made through the online application form on Beko's website. Sales teams of Beko assess these applications and make face-to-face interviews.

Within Beko 100 Women Dealers project, 68 new stores were included in Beko retail network by entering into commercial agreement with 61 woman entrepreneurs. The Beko stores opened by these women entrepreneurs contributed to domestic economy with a retail turnover of 433 million Turkish lira. A total of 255 people, more than half of whom comprised women were employed as well.

500 Women Technicians

500 Women Technicians project was put into practice with the aim of reintroducing the women employees in customer consultant position at Arçelik authorized services who came

out with the centralization of Arçelik Call Center, to labor force effectively. The project targets prevention of labor loss, maintenance of employment, raising of the women technician rate through promoting the services in women employment, and empowerment of women's involvement in social and economic lives.

Thanks to this project that promotes quality training and gender equality items in Sustainable Development Goals, Arçelik alters the prejudice that women can perform only office works, by bringing professional achievements and technical expertise of women to the fore, and empowers them in social and economic lives.

Arçelik envisages that woman technicians will be a positive role model both for women society and young generations and "I can succeed, too" phenomenon will be engraved.

As of September 2020, technical expertise training sessions started for the women employees in Arçelik authorized services who wanted to join this transformation. The women technician candidates who completed training successfully were qualified for expertise and began to serve as a technician in the field.

With the project that boosted the number of women technicians to 477 in 2021, the rate of women technicians in Arçelik



authorized services increased from 1.5% to 8%. In 2021, the rate of women technicians in the whole technician group went up to 18%.

500 Women Technicians project which gives women equal opportunities in technical expertise strengthens women's position in Arçelik authorized services and before customers as well as increasing social awareness. It is forecasted that the project will contribute to the following points by means of the woman technicians whose number will rise in years and who will contact more customers: increase in social awareness, change in the traditional perspective of society, and that gender mainstreaming as part of "HeForShe" movement will help in reaching the target of countries' development, humanitarian progress and emergence of fairer societies.

Equal Dictionary

Introduced for the purpose of ensuring gender mainstreaming by using the power of technology, Equalize with Equal Dictionary Project continued in 2021 as well. The Equal Dictionary keyboard used in mobile devices and dictionaries warns user or offers alternative discourses to the user in presence of the gendered statements which underrates women or men and creates discrimination in language. Mobile application of the project was downloaded 26,155 times as of the end of 2021 and language was equalized by correcting numerous words hundred thousand times.

TRAINING PROJECTS

Arçelik believes that education is the key element for achieving social development and building a bright future. The company began to develop and implement its social projects in 2021.

A Ticket For Your Future

A Ticket for Your Future Program was commenced with the aim of bringing qualified students abroad back to Turkey. The scope of the project was enhanced as of 2022, considering the trends in talent acquisition and the expectations of the candidates from companies. It is aimed to bring the eligible students abroad in both our country and our company as human resources. For this purpose, the successful Turkish junior and senior students or graduate or doctoral students who study abroad are reached. Of 46 participants included in

the program of the last period, seven began to work at Arçelik. Our project delayed in 2020 and 2021 due to pandemic will be implemented again, taking the conditions of pandemic into account.

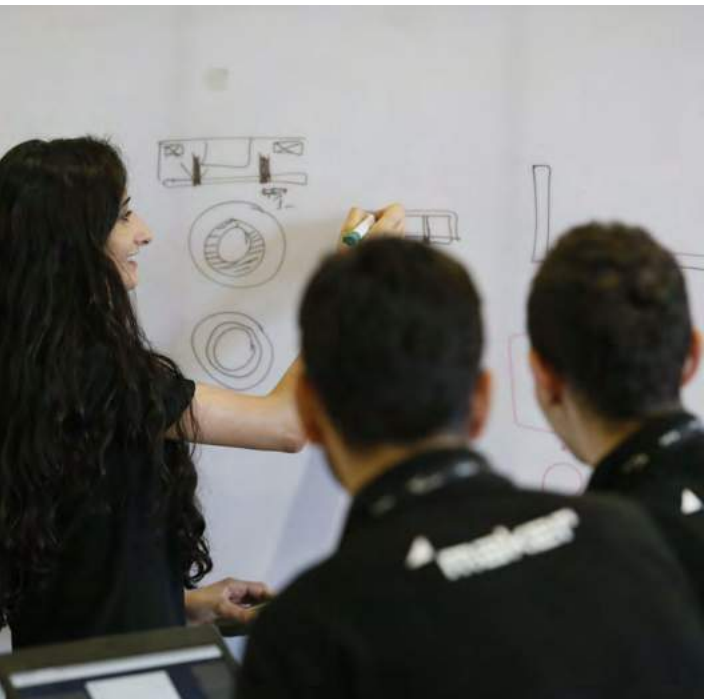
For My Country: I Design The Future

Arçelik performs different activities with its employees and dealers with the aim of supporting I Design Future for My Country Project of Koç Holding. With the seminars held as part of the project, guidance is given to employees for preparing them for the future and structuring their relationships with technology. The aim is to provide an environment for designing a fairer, more equal, and more embracing future to be achieved with technological opportunities.

In 2021, 765 people attended the program.

C@pture the Future Workshop

Workshops on coding, robotics, and 3D design are held for high school students as part of the collaboration between Arçelik and MESS. In 2020, 133 people attended the workshops commenced in 2019 to introduce the young students with coding, raise their awareness of digitalization, develop technology literacy and enable them to comprehend algorithmic logic. A total of 730 participants took place in the workshops to date. It is planned to switch to online workshop classes from face-to-face classes in 2022.



SheMate Mentorship Program

SheMate Mentorship Program allows working mothers in Arçelik to pass on their experiences to new mothers. It was designed to ease the adaptation of women to work after birth, generate the motivation to manage motherhood and career together, strengthen the idea of going back to work among women, and ensure the feeling of women's solidarity. A total of 55 people were matched within the Program started in 2017. Reviewed for redesigning with the perspective of employee experience in 2021, SheMate Mentorship Program will be enriched through various training sessions in 2022.

Father Support Program

The aim of Father Support Program introduced by Arçelik is to contribute to emergence of democratic behaviors in family. The program contains the steps for bringing fathers in the skills of effective communication with their children as well as positive behaviors regarding the needs of their children. Switching to online classes is planned in 2022 within the Program which was implemented face to face before.

FIT4FoF Project

Arctic S.A. is a member of the European Project. Arctic Team works with the European Consortium to discover and analyze new professions of the future and set their standards. As part of FIT4FoF project, Arctic performed long-term research activities to determine and develop the work skills needed by operators. After three years, the FIT4FoF project will end with a final activity within Skillman International Forum in which outcomes and the best practices will be communicated. Thus, several major activities were introduced via Arctic Pilot this year for the purpose of assessing and standardizing digital competencies of the operators. Pilot training modules focus on improving Arctic and Arçelik values, the skills required in Industry 4.0 (the Fourth Industrial Revolution) and MES Tablet skills. In February, the final technical and financial report will be published and the last meeting with the representative of the European Commission will be held.

SOCIAL DEVELOPMENT PROJECTS

Digital Wings Project

Arçelik Laboratories, Digital Wings Project targeted to be implemented in 81 provinces of Turkey under Arçelik and Beko brands in cooperation with the Ministry of National Education aims to raise generations with high self-confidence equipped with the competences of the 21st century. Started with an instruction training for 200 teachers from 100 schools in 2020, the Project was adjourned owing to the suspension of face-to-face education in pandemic. Alternative contents were developed for technology-design, information technologies and software courses within the Digital Wings Project envisaged to start in the second semester of 2021-2022 academic year. Content development of the Project was completed in 2021 with the aim of allowing young people to know the new-generation technologies and gain the qualifications required by new professions. It was presented to T.R. the Ministry of National Education.

Arçelik Retail Academy

Arçelik Retail Academy was founded with the vision of strengthening the position of Arçelik brands at point of sales in Turkey, communicating the modern retail approaches and applications at these points in accordance with the brand strategies and ensuring continuity of the performance development.

In the forthcoming new digitization age that will make the impact of technology felt further, the academy aims to create more development opportunities for the target dealers with the new-generation technological training applications to be performed there as well as the interactive application-oriented face-to-face training (in-class, store training, etc.) given since the establishment date, and remote training portal.

In this way, customer experience and satisfaction will be elevated with the practices offered in stores, the innovations for distinctive products and trained dealer team, thereby raising the overall success.

In 2021, a total of about 15,000 participation in webinar training actualized with 4,357 single people and 187 sessions. Besides,

4,320 different individuals completed at least one remote training activity whereas 6,104 different individuals completed at least one training activity.

In 2021 academic year, the participants who attended the training programs within the Academy were graduated from the following programs successfully and received certificates of the relevant program: 113 people (Next Generation Leadership Program), 235 people (Effective Management Program) and 1,050 people (Sales Specialty Program).

The contents generated within it, the dramatization applications and instant data trace (dashboard) activities are the other project titles completed by the Academy under training technology in 2021.

SUPPORT TO COMMUNITY HEALTH CARE AND LOCAL COMMUNITIES

Defy - South Africa

To pioneer a brighter future, Defy aims to create a significant impact on life of the disadvantageous young people who live around the outskirts of Cape Wineland, in collaboration with Franschhoek Hospitality Academy. The opportunity to work at one of the associates of Defy is offered to the students deprived of access to education or the necessary financial resources for education after high school after they receive training on hotel management. With the expertise that the students gain through training, and job security provided, they get support in having regular income, a stable life and the chance of a promising start. In line with the spirit of leadership which played role in the creation of Defy brand, and the purpose for assisting society in its regions of operation, Defy gave support by donating white goods to Franschhoek Hospitality Academy, contributing to monthly staff expenses and granting chef uniforms for the class in 2021.

Defy - Africa Hackathon

Defy that blazed a trail in building a sustainable future in Africa held Africa's largest hackathon in 2021 with the aim of promoting the brightest ideas of the African people about financial solutions, sustainable life, and healthy life for their

continent. A total of 50 countries from a wide area, including Africa, America, Europe, and Australia attended the initiative that hosted over 1,000 contestants and more than 100 business partners.

Arctic-Romania

"Arctic for Health" campaign launched in 2020 to bolster the devoted efforts of health care professionals in the presence of the crisis led by Covid-19 pandemic were continued in 2021 as well. As part of "Arctic for Health" campaign, the hospitals were supported by means of aid in kind and financial aid. A total of 56 white goods, including 26 air conditioners and 30 fridges were donated to Grigore Alexandrescu Emergency Hospital. Furthermore, financing assistance for oxygen therapy was given to Găești Hospital. Arctic raised the awareness of promoting the healthcare system before the business partners and other companies with plants in the region. The company organized the creation of fund valued at 290 thousand Ron for the purpose of meeting two-month oxygen requirement of Găești Hospital together with the companies that supported the campaign. Arctic was granted an honor award by the Romanian Red Cross for donating white goods to the Red Cross in pandemic.

Elektra Bregenz-Australia

Within a cooperation between Elektrabregenz and ProJuventute, a non-governmental organization founded to protect the homeless and needy children in Austria, Elektrabregenz provides support to the orphanages and child homes by donating kitchen items to these places and through the renovation of orphanages performed by ProJuventute. Elektrabregenz that changed the scope of this cooperation by going beyond the product donations makes contribution to the programs of ProJuventute for increasing the social awareness as well. To achieve a secure, consistent and sustainable social synergy, the said cooperation between Elektrabregenz and Projuventute was extended to the end of 2022.

Dawlance-Pakistan

As part of the CSR initiative “Dawlance for Humanity” that focuses on environmental and social sustainability, Dawlance signed a memorandum of understanding with WWF Pakistan and planted 5,000 Mangrove trees in July 2021. Moreover,

activities of the company for planting 10,000 trees in the vicinity of Karachi began in September.

The company gave support to 12-year-old and ambitious mountaineer Selena Khawaja who was getting ready for climbing to "Broad Peak Summit (Karakoram mountain range)” under the guidance of her father, Yousuf Khawaja and mentorship of her mountaineer idol Vanessa O'Brien. Selena is an assiduous voice who expresses the environmental sustainability mission of Dawlance. She pointed to the significance of this mission during her summit climb.

RESPONSIBLE CONSUMPTION

Grundig - Respect Food Initiative

In parallel with the sustainability vision, Grundig utilizes all opportunities and organizes campaigns to create the awareness of food waste together with the Respect Food Initiative. Grundig, which focuses on continuously raising the awareness of food waste during the year, consolidates its stance with the campaigns it organized to point out the food waste on special days such as the International Day of Awareness of Food Loss and Waste on September 29 and World Food Day on October 16. In these periods of special days chosen for the food waste problem in 2021, Grundig launched the campaign to encourage everyone to take steps against food waste and focused on creating awareness of food waste. As part of the campaign, posts were shared on social media before consumers to draw attention to the awareness of food waste reality and increase the awareness of the relevant reduction methods while performing activities to heighten the awareness of food waste among employees of the company. Implemented with the contribution and strong media assistance of Massimo Bottura, Grundig brand ambassador and Goodwill Ambassador of the UN Environment Programme, the campaign reached a total of 26.8 million people in five countries including Italy, Spain, Romania, France, and Norway. Besides, this awareness figure was boosted with the shares made on the pages of the partners such as Massimo Bottura Food for Soul, and of the other countries. Major campaign was supported through the influencer campaign started in Romania, Spain and Italy, thereby reaching 50 million people.



Grundig - Food for Soul

Grundig focusing on SDGs has been maintaining its cooperation with the non-governmental organization Food for Soul commenced since 2016, within the scope of the activities for fighting against food waste. Organized by Chef Massimo Bottura, Food for Soul movement establishes Refettorios, namely public soup-kitchens that serve meals for the needy people to avoid food waste. Thanks to the Refettorios generated by this organization promoted in cooperation with Grundig, waste of 1,112 tons of food was avoided and food requirement of over 2.45 million needy people was met in 2021.

Grundig focuses on sustainability in more than 60% of its social media content. The company aims to raise awareness among its followers by sharing posts regarding wood waste regularly as part of its annual communication calendar.

Grundig Turkey - Feed Your Soul

In 2021, Grundig Turkey brought a new perspective to communication of sustainability with Feed Your Soul awareness movement that the company started in the last quarter of 2017 by centering upon "its purposeful brand positioning.” Interviews were made with the youth who live sustainability based on Feed Your Soul philosophy and create difference by contributing to the world with the steps taken. These interviews generated reactions among the target audience after being published on social media. As a brand that succeeded in being an opinion leader, Grundig Turkey

with about 800,000 followers on all online platforms is getting ready for the projects which will make difference in 2022.

SPONSORSHIPS

Grundig - BASE

As part of "Feed Your Soul" project that aims the communication of sustainability, Grundig was a sponsor of BASE exhibition where the works of the students in fine arts faculty and of the newly graduates are exhibited. The artists who just study or were recently graduated were boosted within the project while the reflection of sustainability on life from their viewpoints was offered to art lovers.

Grundig- Culinary Arts Academy

Within the sponsorship support given to the Culinary Arts Academy (MSA) by Grundig since 2019, Grundig products were used at MSA in 2021 as well. Furthermore, the product development and product research/development processes that contain all brands of Arçelik Group were maintained by taking the advantage of MSA experience.

Beko - Sports Clubs

Beko keeps promoting sports for approximately 30 years with the aim of contributing to raising of healthy generations. Beko sponsors Besiktas Gymnastics Club and continues the cooperation with Fenerbahçe Men's Basketball team successfully.

In Touch with Business

Arçelik provides guidance to its employees, customers, and suppliers in making sustainable choices, using its accumulation of knowledge on the path of sustainability.

Arçelik gets ahead with firm steps to achieve its goal to ride high at all times, in view of the developments in the world, and to hand the values it created down to the next generations. The company generates a sound company culture in which the mentality of inclusion and diversity is exhibited ideally without compromising honesty based on "Respectful to the World, Respectable in the World" vision. Thus, it offers its employees equality of opportunity to make them feel valuable and esteemed.

Arçelik that believes in the power of diversity set the common goal to create a reliable and sustainable value chain all around the world by bringing individuals with different experiences and perspectives together and offering promotive environments which are appropriate for generating new ideas and solutions.

HUMAN RIGHTS AND EMPLOYEES' RIGHTS

Arçelik offers its employees a fair and equal work environment in which human rights and employees' rights are at the forefront. It bases on requirements of the initiatives within the United Nations Global Compact (UNGC) and the International

Labour Organization (ILO) of which it is a voluntary participant while determining its approach and attitude to human rights and employees' rights. Furthermore, the company transparently reports all of its activities performed on this basis. Global Human Rights Policy and Global Anti-Discrimination and Anti-Harassment Policy were prepared and entered into force in 2021.

All of the human resources processes that range from recruitment to salary process are carried out pursuant to equality principle. In line with the success-related merit and equal opportunity principle, a fair work environment is provided, considering the criteria of suitability for job such as education, knowledge, skill, competence and experience. Any kind of discrimination based on ethnical origin, language, religion, age, gender, sexual orientation, nationality, disablement and cultural differences is not allowed. You can find the policies on Human Rights and Employees' Rights on the website. <https://www.arcelikglobal.com/en/company/about-us/global-code-of-conduct/>

Arçelik respects the freedom of its employees to become member to union and to draw up a collective labor contract. All of the hourly-paid employees in Arçelik are covered by the collective labor contract. Arçelik is a member of Turkish Employers' Association of Metal Industries (MESS) for its operations in Turkey.

Arçelik looks after the union rights of its employees as part of the international operations as well and regards their membership preferences.

Arçelik tightly obeys the legislations that regulate the business life in the countries where its operations and suppliers' operations take place. It shall not tolerate child employment, forced labor and involuntary servitude. It is subjected to the supervisions of Business Social Compliance Initiative (BSCI) and Suppliers Ethical Data Exchange (Sedex).

The following topics are monitored as part of BSCI's supervisions: social management system, employee engagement, freedom of association and collective bargaining, anti-discrimination, fair salary, working hours, occupational health and safety, prevention of precarious work, prevention of

forced labor and child employment, environment protection and ethical business conducts. Arçelik acts in accordance with the relevant legislations and requirements in the countries where it operates. The company supervises its suppliers to ensure that principles of human rights and employees' rights and equal opportunity are put into practice throughout the whole supply chain.

HUMAN RESOURCES PRACTICES

Arçelik looks out for well-being of its employees not only in business life but also in whole life. Arçelik aims to embed the work-private life balance in company culture and to raise happiness and motivation of its employees through Flexible Working Hours and Hybrid Work Model implemented on a global scale.

EQUAL OPPORTUNITY AND INCLUSION

In parallel with the mentality of equal opportunity and inclusion, Arçelik encourages all groups, particularly girls and disabled individuals, to join society and economic life.

It strives to elevate the woman employee rate and increase the awareness of gender mainstreaming by promoting women empowerment and their active engagement in business life. Women employment in suppliers' or dealers facilities, and stores, as well as the offices and production facilities of Arçelik is prompted.

Arçelik gives support to Sheltered Workshops for Intellectually Disabled People (Z.E.K.İ) founded at Manisa Organized Industrial Zone in 2017 to enable the intellectually disabled youth to join work life and to achieve their reintegration into society. In 2021, in Manisa facility of Arçelik, the work team composed of 8 disabled employees and 1 private instructor assumed the duties of taping drainage pumps and fixing sponge and cap onto the drain hose as part of refrigerator production. Global data on the disabled employees in Arçelik is given in Arçelik Sustainability Report.

TALENT MANAGEMENT

Arçelik that keeps investing on a global scale continues to grow with its modern, human rights-abiding and participative work culture and talented employees.



Arçelik implements different global processes that will develop talents of its employees. Arçelik's approach to talent management is based on placement of correct people to correct jobs, objective performance evaluation, an effective strategic planning of human resources, career management and the training programs for competence development.

Development and performance of the employees are monitored via different processes and tools of human resources. A development- and feedback-oriented performance management that centers upon the employee needs is applied. Outputs of the performance management are utilized to prepare the plans that support career development of employees. Development course of the employees prepared for leadership roles is followed up closely through the practices of Assessment Center.

Training and development programs are designed to boost the employee performance in line with the vision and business objectives of Arçelik. Current and future needs of the employees are determined, considering the work needs and requirements of different positions.

Training activities are managed in three main categories: "Talent in You," "Leader in You," and "Future in You."

Training and Development Programs

Talent in You: It is made up of the programs prepared to promote the personal and professional development of the employees at all levels. Within the program, employees receive training on orientation, development of technical and professional competences, foreign language solutions, social responsibility and hobbies.

Leader in You: It consists of the programs that support the leadership development processes of the employees in management positions. As part of the program, training on the development of managerial competences and leadership skills is provided to managers.

Future in You: It contains the training and development programs that focus on preparing the employees and managers in the leadership positions for their future roles.

Corporate Volunteering Projects

Several projects regarding Gender Mainstreaming, Technology and Digitalization, education and equality of opportunity and Sustainable Life that are preferential for Arçelik were designed to be put into practice in 2022. With the aim of creating awareness of the causes and effects of gender mainstreaming, the Company holds gender mainstreaming seminars for its employees. Since commencement of the program in 2015, a total of 22 thousand 343 people have attended the seminars that evaluate the impact of inequality and discrimination between female and male roles on private and business lives.

Arçelik Wellbeing Activities

Activities in various fields are performed throughout the year to protect the well-being of the employees. Physical and mental health of the employees are supported by online nutrition coaching, online exercises and webinars about different topics. The webinar series held in different periods of 2021 aimed to create awareness of wellbeing among the employees.

Arçelik Hobby Clubs

With 11 hobby clubs for different areas of interest, Arçelik Hobby Clubs aim employees to spend time together outside of work, strengthen their relations with common hobbies, find new hobbies or improve their existing ones.

Arçelik Sports Clubs for Employees

Established with the voluntary participation of about 800 employees within the plants and affiliates, Arçelik campus contains 24 sports teams from 17 branches. These teams attend various organizations on behalf of the Company according to their activity plans. Domestic sales/service representatives participate in certain external organizations as well as the sports teams during the year. Charity events about the subjects set by the other companies of Koç Group and the Global communication team are performed as part of the said activities. Well-attended online events and online sports courses are held with Koç Group Sports Club throughout the periods in which coming together is unfavorable due to pandemic.

ETHICS AND COMPLIANCE

All of the business models adopted by Arçelik have been based on ethical principles and code of conduct since the



establishment date of the company. The map of behaviour model for the companies of Koç Group was shaped by the following discourse of its founder Vehbi Koç: "Our norm is to observe the superior business ethics and the virtuous working principles. Acting in good faith and broad-mindedly and abiding the laws and ethics at all times is the principle we adopted."

Arçelik aims to lead all of its employees, including the ones who act on behalf of Arçelik and the business partners in its ecosystem, under the guidance of its founder.

Arçelik reorganized the Code of Ethics and Application Principles as "Global Business Ethics and the related Policies" and were put into use with the decision of the Board for the purpose of meeting the needs arising from its global growth in 2019.

Key elements of Arçelik Global Compliance Program were specified as follows: protection, detection and reaction. All employees and business partners of Arçelik are informed and encouraged to follow ethics and rules of compliance. Leaders

and managers of Arçelik's global organization are responsible for leading employees by exhibiting exemplary behaviours, and making business decisions in line with the Global Business Ethics and the related Policies. Arçelik CEO is the head of Arçelik Global Ethics Committee.

Arçelik Legal and Compliance Director reports Arçelik Global Compliance Program and the decisions of Global Ethics Committee to Koç Holding Consumer Durables' President quarterly. Koç Holding Consumer Durables' President who is a Board member in Arçelik as well is responsible for communicating the activities of Global Ethics Committee and compliance agenda of the Company to Board of Directors.

Arçelik Global Compliance Program that targets setting the minimum standard during generation process is reviewed based on the changing needs of the Company and updated in line with the actual objectives. In 2021, Global Sanctions and Export Controls, Global Human Rights, Global Anti-Discrimination and Anti-Harassment Policies were included in the program and some of the existing policies were revised.

Global Business Ethics and the related Policies are handed to employees against signature as of the start date of employment. In addition, training on Global Business Ethics and the related Policies is provided to all new employees and their status for completion of training is checked regularly.

In 2021, the Company automatized the Interrogation Process for Banned Party via the compliance system to confirm that the business partners among all third persons are not banned and



are not included in the lists of embargoed countries, as part of the Compliance Program.

To increase the awareness of compliance risks, Arçelik holds online interactive training. Content of this training included anti-discrimination and prevention of human rights violations as well as Global Business Ethics and the related Policies, including anti-bribery and anti-corruption. Besides, the training for Top Management takes place with one-to-one sessions.

The notices on the actions that do not comply with Global

Business Ethics and the related Policies can be made via either e-mail or web-site-based ethics line. In the countries of production, ethics hotline is used in addition to such channels. Arçelik undertakes to protect the notice owners by addressing all notices in confidence.

BRIBERY AND CORRUPTION

Arçelik declares the prevention of bribery and corruption in line with its Global Anti-Bribery and Anti-Corruption Policy, and its commitment to the principles of compliance to the relevant anti-bribery laws.

Arçelik, the affiliate company of Koç Holding is one of the signatories of the United Nations Global Compact that aims to fight with corruption and bribery across the world.

Pursuant to its Global Anti-Bribery and Anti-Corruption Policy, Arçelik never exhibits improper actions such as receiving and giving bribe. Employees are not allowed to offer or accept any gift or payment that can be perceived as a bribe. In case of bribery demand or offer, employees are supposed to report the said subject to Global Compliance Management.

Arçelik does not show tolerance towards corruption, peculation, facilitating payment and bribery on any account. All financial records reflect expenses completely and clearly. It is unlikely to include unrecorded accounts and wealth in its systems.

Arçelik acts in compliance with all anti-bribery laws in effect, including the local laws in the countries where it operates. Maximum effort is made to ensure all of the Arçelik employees complete the training regarding bribery and corruption every year.

You can find Arçelik Global Anti-Bribery and Anti-Corruption Policy here.

https://www.arcelikglobal.com/media/5516/4_global-antibribery-and-corruption-policy_.pdf

PROTECTION OF PERSONAL DATA

The standards on the protection of personal data are defined within the frame of Global Business Ethics and the related Policies. Data Privacy Officer (DPO) assigned as the Global Compliance Manager controls all of the personal data processing activities of Arçelik and its affiliates, and ensures that they are processed legally.

Arçelik processes personal data of all stakeholders, including its affiliate companies and affiliates, customers, suppliers, employees and subcontractors with whom it is in a commercial relationship. The whole personal data are processed and protected in compliance with legislations. In case that the effective laws require protection at a more advanced level than policies of Arçelik, the Company should obey the relevant laws and regulations.

CUSTOMER SATISFACTION

Arçelik keeps its service quality at the highest level with a customer-oriented approach that targets Excellent Customer Experience by achieving end-to-end digitalization at any point of the customer experience.

Arçelik has customer services through which the customers of its brands are allowed to communicate their requests and suggestions via any channel, including call center, e-mail, corporate websites, fax, letter, social media, dealer, WhatsApp and livechat without making customer profile discrimination. The related unit responds to the sent requests and suggestions of customers in 24 hours. The whole process is pooled in a monitorable, reportable, transparent and safe system. The records are addressed and evaluated in a legal, proper, objective, fair and confident way. Thus, related improvements are made to achieve customer satisfaction.

Arçelik that aims to carry the impact of its products and services on customers, a step further at all times performs surveys on customer satisfaction and customer loyalty, and visits and supervises dealers as mystery shopper every year.

After-sales service processes of Arçelik are managed through ISO 1002 Customer Satisfaction Quality Management System and measured with Net Promoter Score (NPS) routinely.

Corrective and preventive activities are carried out in line with the feedbacks from customers.

You can access Arçelik Customer Satisfaction Policy from here.

<https://www.arcelikglobal.com/media/5257/mu-s-terimemnuniyetipolitikasi.pdf>

Arçelik performs surveys on customer satisfaction and customer loyalty, and visits and supervises dealers as mystery shopper every year.



OCCUPATIONAL HEALTH AND SAFETY

Arçelik set its Occupational Health and Safety (OHS) objective as "Zero Occupational Accident, Zero Occupational Disease" based on the company vision "Respectful to the World, Respectable in the World," and issued the objective by means of Arçelik OHS Policy.

Arçelik aims to reach zero occupational accident and zero occupational disease objective by utilizing the modern technologies and digital solutions as well as the projects that will strengthen OHS culture.

It focuses on innovation and technology, working on the systems that will adapt to the rapidly-changing working environments in the industry, empower the current OHS practices and minimize human error. The projects on automatic stop systems that will prevent employees from sustaining an injury during human-machine interaction are conducted coordinately with the teams from headquarters and plant.

OHS CERTIFICATES

Arçelik Head Office, Dishwasher Plant, Washing Machine Plant, Refrigerator Plant, Compressor Plant, Cooking Appliances Plant, Electronics Business, White Goods Engine and Small Home Appliances Facility, Tumble Dryer Plant; Russia Beko LLC Plant, Romania Arctic Plants, South Africa Defy Plants, Pakistan Dawlance Plants and Beko Thailand Plant have ISO 45001 Occupational Health and Safety Management System Certificate. OHS activities are audited and documented by an independent accredited audit institution within ISO 45001 OHS Management System. Similarly, audit and documentation of the activities as part of pandemic are carried out by independent accredited audit institutions. Dishwasher Facility, Washing Machine Facility, Refrigerator Facility, Compressor Facility, Cooking Appliances Facility, Electronics Facility, Tumble Dryer Facility, White Goods Engine and Small Home Appliances Facility have the COVID-19 Safe Production Certificate.



OHS ACTIVITY PLAN

- After the risk evaluation activities in 2021, the following main activities were determined to prevent and reduce risks as a result of the meetings made with Arçelik OHS Committee.
- Digital Transformation of OHS Processes,
- Projects on Safety of Machinery and QR Check Lists
- Project of Safe Working with Industrial Transport Vehicles
- Projects on OHS Safety Culture
- Projects on Starting a Bench Work
- Project on Preparation and Application of Remote OHS Control Module
- Risk Evaluation Studies for Shipping, Transportation, and Driving Safety
- Driving Safety Training
- Risk Evaluation Activities for Process Safety and Training
- Assessment Activities for Inspection, Control and Maintenance
- Process Improvement Activities for Change Management

In 2021, the Lost Time Injury Frequency Rate* of the employees working in Arçelik's global operations was 1.37 while that of the employees of the subcontractors was 2.72 and the Lost Time

Injury Frequency Rate of Arçelik employees and employees of the subcontractors was 1.57. The Occupational Disease Incidence Rate of the employees was 0.10 whereas that of the employees of the subcontractors was 0.

In 2021, our employees and employees of the subcontractors received 456,145 hours and 17,108 hours of OHS training, respectively.

With its Occupational Health and Safety objective as "Zero Occupational Accident, Zero Occupational Disease", Arçelik creates a healthy and safe working environment for its employees, stakeholders and suppliers in all the geographies in which it operates.

* Data calculated over 1 million hours.

TCFD Disclosure on Climate Related Risks and Opportunities Strategy

The climate-related as well as other ESG-related risks and opportunities, and thus the strategy of the Group related to each item, are disclosed in detail below.

ACTIONS TO MITIGATE TRANSITION RISKS AND IMPACTS

The possible effects of the transition to a low car-bon economy on Arçelik's operations are analyzed in terms of policy, market, reputation, and technol-ogy risks. The external Trucost ESG methodology is used for policy risk and the associated carbon price. The remaining market, reputation, and technology risk analyses are based on Arçelik's in-house ex-pertise, the International Energy Agency (IEA) STEPS Scenario, Sustainable Development Sce-nario (SDS), and IEA Net Zero 2050 Scenarios were used for these analyses.

Risk Type	Explanation	Strategy & Opportunities	Impact	Related Materiality Issues
Policy Risk	<ul style="list-style-type: none">• In conducting the policy-related risks and the price of carbon, Trucost ESG Analysis services have been utilized, including the Corporate Carbon Pricing Tool, which analyzes the carbon price risks premium based on High, Medium and Low carbon price scenarios based on the responsiveness level of each scenario to limit the warming to 2 degrees Celcius. The scenario analyses are based on 2030 and 2050 projections. In the high carbon price scenario for 2030, Scope 3 emissions is the largest contributor to Arçelik's carbon pricing risk.• Arçelik's risks are included but not limited to the introduction of strict measures by policymakers to keep up with the Paris Agreement and to achieve net zero emissions by 2050, such as the EU Green Deal and ETS schemes:• Rising direct and indirect carbon pricing risk based on increased regulatory costs in various countries, increased price of carbon (both voluntary and ETS credits) as well potential carbon taxes and their potential operational cost impact on Arçelik's net zero emissions by 2050 roadmaps• Rising costs on Arçelik's key production inputs such as steel and glass and potential impact on Arçelik's exports from non-EU countries into the EU due to the application of the Carbon Border Adjustment Mechanism within the EU Green Deal• Increased green electricity prices and the impact on Arçelik's net zero emissions by 2050 roadmap	<ul style="list-style-type: none">• Arçelik is committed to reach net zero emissions in the value chain by 2050.• In November 2020, Arçelik's initial Science Based Targets in line with a well below two-degree scenario were approved. In 2021 August, Arcelik submitted to the approval of SBTi for its targets to be in line with 1.5°C scenario. In line with our revised ambition, we are now committed to reducing our absolute Scope 1, 2 and 3 emissions by 50.4% each by 2030.• Arçelik has become carbon neutral global production operations for 2019 and 2020 fiscal years by offsetting its own VCS accredited carbon credits obtained through Arçelik's Carbon Financing for Energy Efficient Refrigerators Project".• We aim to invest minimum \$50 million until 2030 in renewable energy, energy efficiency and green electricity.• Arçelik became a member of Energy Productivity 100 (EP100) in 2021, which brings together a growing group of energy-smart companies improving their energy productivity to lower their GHG emissions. Thanks to this membership, Arçelik is committed to double our energy productivity by 2030, compared to 2010 baseline and obtain the ISO 50001 Energy Management System certificate in all global production facilities by 2025.• In addition to purchasing 100% green electricity in Turkey and Romania operations, in 2021, 20% of the purchased electricity in Russia and 15% of purchased electricity in the Arçelik-Hitachi Thailand plants is supplied from renewable energy sources. Thus, the proportion of green electricity in Arçelik Global's total electricity consumption reached 64%. Arçelik's target is to increase the coverage to 100% to purchase green electricity in all countries where Arçelik has production facilities (based on the availability of green electricity in those countries) by 2030.• Each year, hundreds of energy efficiency projects are carried out in production. This amounts to approximately more than 5,000 tons of GHG emission reductions annually.• Due to the aggressive long term transition plan to the renewable electricity generation in own operations, Arçelik is confident it will increase its share of renewable electricity generation in terms of Scope 1 & 2 emissions.• As of 2020, Arçelik has implemented the Internal Shadow Carbon Price mechanism to drive various expenditure decisions that would result in a reduction of Arçelik's direct and indirect emission from our global business operations. 50 EUR per ton CO₂e carbon price is applied in the feasibility stage of the investments which are higher than 50k EUR capital cost and 50 kW capacity.• Arçelik issued 350 M EUR of Green Bonds in 2021. We aim to use the bond to finance its Eligible Green Projects, including its energy-efficient, eco-efficient and circular economy adapted products and the promotion of energy efficiency in production in line with our 2030 SBT and 2050 net zero emissions target.	Term: Medium-Long Term Financial Impact: High Likelihood: High	Climate Crisis
Market and Technology Risk	<ul style="list-style-type: none">• Based on IEA STEPS, SDS and Net 2050 scenarios, it is evident that there will be a shift in demand to more energy-efficient appliances as efforts to keep the global warming within 2 degree Celcius increase. Especially considering the SDS and the Net 2050 scenario, the shift in demand to energy-efficient appliances even in countries where there is no current regulation in place might be faster than expected.• In homes, 40% of energy consumption is related to household appliances.• Electricity use will soar as the global middle-class demands more major domestic appliances such as refrigerators, washing machines and air-conditioners.• Product use phase is an important step for our downstream risk assessment since it constitutes nearly 99% of GHG emissions in Arçelik's value chain.• Considering low dishwasher/washing machine penetration rates in countries like Pakistan, India, and Bangladesh where Arçelik has production facilities, this effect will be much higher.• Currently there are different minimum energy labeling requirements in different countries. Regulations such as the EU Energy Labeling Requirements might also be introduced soon in the developing markets.• There might be increasing investment needed to use Best Available Technology to stay ahead of regulation and put on the market the best energy class products.	<ul style="list-style-type: none">• In line with Arçelik's Science Based Targets, Arçelik aims to follow a strategy to provide the best energy efficiency class ahead of legislation in the developing countries we operate in, such as South Africa, Pakistan, India, and Bangladesh.• In order to keep up with the Science Based Targets set for 2030, Arçelik might incur an increase in operational costs and increased investment need.• Arçelik's growth will predominantly be focused in Southeast Asia and other emerging markets. Investments in PU installation technologies with significantly smaller global warming potential, investments in heat pump technologies and transition from HFCs will play a crucial part for producing energy-efficient products that exceed regulations in the market. Arçelik Scope 3 emissions make up 99% of the entire emissions generated. The impact of Scope 1 and 2 emissions is very limited. 80% of the Scope 3 emissions generated in Arçelik result from the use phase of the products, interlinked to the energy efficiency levels of the products. The challenge comes from the Scope 3 target to reduce emissions generated from the use phase of the products by 15% in 2030 compared to a 2018 baseline. In August 2021, in line with our ambitious net zero targets, we revised the targets according to 1.5°C scenario and we have very aggressive homework to do we need to reduce emissions including Scope 1,2,3 by 50.4% until 2030 from a 2018 base year.• Arçelik is well positioned to respond to regulatory changes for energy-efficient products, starting with the EU Energy Efficiency Legislation as of March 2021.• Based on its previous experience in producing energy-efficient products ahead of the legislation, as in the example of DEFY, in South Africa, Arçelik is well positioned to take advantage of the demand for energy-efficient appliances to meet up with the Paris Agreement.• In 2011, after the acquisition of DEFY in South Africa, Arçelik invested heavily in innovation and product energy efficiency.• As a result, the average energy efficiency class of our refrigerator sales in South Africa increased from "E" to "A" in 5 years; that means a more than 50% decrease in energy consumption. Now, we have upgraded our refrigerator product range to A+. The minimum energy efficiency standard in South Africa is B (and C for freezers). The gap between what we offer at minimum and the legal limit speaks of more than a 40% energy saving. We are the market leader by far in South Africa, and we are adapting quickly for the upcoming stricter minimum energy performance specifications.• We acquired the leading white goods company Dawlance in Pakistan three years ago, where 70% of the population either have no access to the power grid or suffer daily power cuts. Currently, there is no regulatory mandate for energy efficiency standards and labeling of home appliances. Many fridges are still made containing fluorinated refrigerant gases (HFCs). We started introducing high-quality, energy-efficient and "affordable" products that meet the highest environmental standards.	Term: Medium-Long Term Financial Impact: High Likelihood: High	Climate Crisis

Risk Type	Explanation	Strategy & Opportunities	Impact	Related Materiality Issues
Reputation and Market Risk, Failure to Transition to a Low Carbon Economy	<ul style="list-style-type: none">There is increasing demand from investors and national/international sustainability indices for companies to commit to Scienced Based Targets and adopt TCFD implementations. The most significant investors and fund management companies are making ESG performance part of their investment criteria.The most reputable international credit agencies are including climate-related risks in their sovereign credit ratings and on a sectoral basis.Arçelik is a publicly traded company, with the majority of the shares held by European investors. We see an increasing trend of investor demand on explanation of our sustainability strategy and solid GHG reduction plans.Any failure from Arçelik's end to meet its Science Based Targets or fall behind in successfully implementing a thorough ESG perspective in all areas of the business that puts sustainability at the core might result in reputational damage."	<p>Arçelik is one of the pioneers in its industry and also among other sectors globally in terms of putting sustainability at the center of its way of doing business. There is Board-level support to transform not only the company but also its value chain. Arçelik has a solid roadmap to execute its approved Science Based Targets to contribute to the transition to a low-carbon economy. In 2021, Arçelik also committed to net zero emissions in the value chain by 2050 and was officially joined in the Business Ambition for 1.5°C and the Race to Zero in September 2021.We do not see a reputational risk, but rather we see an opportunity to keep on being a pioneer in our industry and to provide our investors, customers, and consumers with solutions, products, and services that put sustainability at the core of operations. Some of Arçelik's achievements are provided below:</p> <ul style="list-style-type: none">Scored 86/100 in the 2021 S&P Global Corporate Sustainability Assessment (Score date: November 12, 2021). Achieved the highest score out of 20 companies assessed in the DHP Household Durables Industry.Inclusion as 57th in Corporate Knights Top 100 Most Sustainable Companies List announced in January 2022. Listed for the second consecutive year)19th on The Real Leaders Top 200 Impact Companies of 2021.Low Risk Ranking by Sustainalytics (12,1, Score date: December 9, 2021)A- in Climate Change and Water Security Programs of Carbon Disclosure Project (CDP) 2021Became one of the 45 global companies awarded the Terra Carta seal and the first and only global company from its industry and Turkey.	Term: Short Term Financial Impact: Low Likelihood: High	Climate Crisis
Physical Risks	The climate-related physical risk scenarios are based on the Trucost ESG Analytics.			
Risk Type	Explanation	Strategy & Opportunities	Impact	Related Materiality Issues
Physical Risks	<p>The physical risk assessments are based on the Trucost Approach that leverages physical risks of Arçelik at the asset level, as well as its suppliers, taking into consideration climate hazard indicators such as water stress, flood, heatwaves, coldwaves, hurricane, sea level rise, etc and their impact on Arçelik's operations. The High Climate Scenario (RCP 8.5), the Moderate Climate Scenario (RCP 4.5) and the Low Climate Scenario (RCP 2.6) are taken into consideration with a forecast for the 2030 and 2050 fiscal years from a 2020 baseline. According to the Trucost Physical Risk assessment, Arçelik's overall physical risk score is moderate, main risk item being water stress. India, Romania, Turkey (Ankara and Çayirova) sites are prone to high water stress risk. Based on Trucost analysis, Arçelik's suppliers main physical risks are related to water stress as well.</p> <ul style="list-style-type: none">Due to these risks, Arçelik might potentially incur reduced revenue and market loss from decreased production capacity, logistics problems, and supply chain interruptions. There might also be a potential CAPEX need in case of damage to production facilities or at a supplier/customer site."	<ul style="list-style-type: none">Our production facilities are based in more than one location in order to manage business interruption risks better.During new acquisition or green field investment decisions, land resilience is also factored into the due diligence process.In order to manage business interruption risks resulting from disruption of Arçelik's supply chain during a potential physical risk, Arçelik takes necessary precautions to diversify its supply chain. Arçelik also gained experience in terms of diversifying the supply chain based on the shortages created by the COVID-19 pandemic.Based on the results of the physical risk assessment, water stress was the main risk item for Arçelik. For risk adaptation, Arçelik has set its target to increase the water recycling ratio * to 70% in all production plants by 2030 aiming to achieve closed loop water system in production. (* Water recycling ratio = Total recycled water/Total water withdrawal.)Arçelik became a CEO Water Mandate signatory at the beginning of 2022.The Insurance Management Team under the Enterprise Risk Directorate calculates financial and non-financial risks related to the consequences of climate events such as floods, storms, tsunami, earthquakes, etc. based on countries where Arçelik production facilities are located in correlation with all related bodies within the company.Arçelik has several lines of insurance policies globally including Third Part and Pollution policies, all risk Property Damage and Business Interruption policies for the physical and non-physical risks in place to mitigate the adverse consequences as much as possible.Based on modeling studies, in case any event occurs related with business interruption, compensation methodologies are already defined accordingly.	Term: Medium-Long Term Financial Impact: Low Likelihood: High	Climate Crisis
Other ESG Risks and Opportunities				
Risk Type	Explanation	Strategy & Opportunities	Impact	Related Materiality Issues
Pandemic Risk	<p>Based on the World Economic Forum 2021 Global Risks Report, infectious diseases are now number one on the list in terms of impact. Covid-19 has major effects on humanity and its impacts still continue to challenge our everyday lives in a number of ways. We believe that either Covid-19 or other infectious diseases may continue to threaten humanity in the coming future as the risk related to the climate crisis deepens. Covid will continue to be a risk item and the probability of other infectious diseases will continue to have the following risks on Arçelik's operations:</p> <ul style="list-style-type: none">Risks related to the health and well being of Arçelik employees, especially in production where remote working is not an option.Risks related to the health and well being of Arçelik suppliers, dealers, customers, and consumersDisruption of essential production and service processesBusiness continuity risk due to interruption of activities related to procurement, production, and sales stemming from unprecedented shocks worldwide. (We had to temporarily halt our production and sales activities in Pakistan, Bangladesh, and South Africa due to the curfews declared by official authorities to combat the pandemic. These activities affected our sales region wide but the impact was limited. We are aware that potential restrictions in other regions may adversely impact our supply chain and create additional risks for production and sales)."	<p>Our strategy to combat the pandemic crisis focused on the following items. We will continue to follow our business continuity plans to ensure the safest continuity of our operations. We generated social value by producing ventilators. The hygiene series that eliminates the virus was also a great achievement from our end.</p> <ul style="list-style-type: none">Business continuity plans in place include but are not limited to the below mentioned items:Coverage by several global insurance policies to protect the potential risks factors including Third Party and Pollution policies, all risk Property Damage and Business Interruption policies for the physical and non-physical risks in place to mitigate the adverse consequences as much as possible.Based on modeling studies, in case any event occurs that is related to business continuity, compensation methodologies are already defined accordingly.Hybrid working model which requires us to keep the rate of employees present in our offices between 25% and 60% of the workforce.Securing high-level hygiene practices in our production facilities, supply chain stores and authorized services.PCR scans and health surveys in order to avoid contamination.Creating Shared Value Through Innovations:Production and donation of ventilatorsInvention of the Hygiene Shield Product Line with UV Hygiene Technology that provides more than 99% virus reduction	Term: Short-Medium Term Financial Impact: Medium Likelihood: High	Talent Management Products that Create Environmental and Social Value Healthy Living

Other ESG Risks and Opportunities				
Risk Type	Explanation	Strategy & Opportunities	Impact	Related Materiality Issues
Technology and Reputation Risk, Digitalization, Connected Devices and Cybersecurity	<ul style="list-style-type: none">Connected appliances, data ownership, cybersecurity, smart home systems, AI, IoT, 5G/6G and cloud computing are among digitalization trends that will affect the home appliance industry.The number of connected appliances put on the market by Arçelik Group is steadily increasing and in the medium term, we expect the number of countries where the connected appliances are sold to reach almost 140 countries where we are operating, amounting to millions of connected appliances. The more the number of connected appliances increases, the more the risk of managing the operations successfully grows. Customers need to be properly informed of the type of data collected and where this data can be potentially used.We need the infrastructure in place to store and secure the data and we need to comply with the different standards posed in each country in terms of data storage. For instance, the UK has a different standard than the EU and other individual countries such as Singapore also set their own standards. We will need to comply with all standards posed by these countries, which will mean additional operational burden.The fact that there is a lack of common standardization guidelines and of third-party companies making local/international tests makes it harder for producers to cope and comply with different requirements. In that regard, the test expenses related to different standards are highly likely to increase Arçelik's operational costs.We see digitalization, connected devices and the related cybersecurity risks as interconnected. We need to keep up with the demand for connected devices in order not to fall back against the competition and we also need to provide the most secure experience to our customers to secure our reputation and to refrain from any regulatory fines and business loss for our failure to do so.As a global company international data flows are essential for our operations particularly in light of rising digitalization trend in post COVID-19 period. On the other hand, fragmentation on the data privacy issues in local markets that we operate and possible data localisation obligations cause barriers to the flow of the data which jeopardize our competitiveness. This represent an important risk in demonstrating compliance and also cause risk of additional investment cost to localise data storage.	<ul style="list-style-type: none">Together with the Sustainability team, the specialized IoT team in Arçelik closely follows regulations posed by different countries and also regulations in the EU (GDPR) and continues advocacy activities in countries that we operate in for setting predictable rules on data flows in line with the GDPR, which promotes the protection of personal data while not creating extra burden on business.Arçelik implements ETSI 303645 IoT security standards for connected products. Although most of the countries take the ETSI EN 303 645 standard as a reference, some countries such as China and the USA may differ in their national markets. Dealing with different applications by countries, designing products in accordance with different technical standards carries risks in terms of configuration management, technical infrastructure and process management.The IoT team also has proactive studies in place to monitor the vast amount of data to be generated in the future from connected devices and to use the data to the benefit of our customers and our business.Cybersecurity risks are closely monitored by the Enterprise Risk Directorate and Risk Management Committe.A cyber risk project has been conducted with consultancy of AON anbd its group company Stroz Friedberg. The project mainly aimed to identify the cyber risk profile of Arcelik and determine the performance of current risk control strategies. In addition, our balance sheet exposures resulting from the identified cyber risk scenarios have been evaluated.The Global Cybersecurity Insurance Policy started to cover the cyber risks and business interruption risks to minimize our exposure ro risks related to use of personal data as of 2020.A hardware security module is integrated into our connected devices. We are the pioneer in our industry to integrate this module in the devices. In 2018, Arçelik was selected as the security champion in the UK by IoT Security Foundation.In 2021, based on the ""Evidencing the Cost of the UK Government's Proposed Regulatory Interventions for IoT"" report prepared by RSM UK Consulting LLP, YouGov and the European Center for International Political Economy for DCMS, the Beko Homewhiz 2018 IoT Security Champion Smart Dishwasher has been selected as the only product to meet the UK market's cybersecurity criteria.In order to ensure secure smart home technology for our customers, HomeWhiz appliances are certified by VDE. The secure HomeWhiz servers ensure access to smart appliances is subject to strict authorization checks. Arçelik is also certified by Common Criteria, which is the internationally recognized cybersecurity certification at EAL2 level.Arçelik New IOT products' cybersecurity performance was tested by ISTEÇ, (IoT Security Test and Evaluation Center) in Turkey.Arçelik Electronic Plant's IIOT/OT network infrastructure's cybersecurity resilience was tested against malicious attacks by ISTEÇ in Turkey"	Term: Short-Medium Term Financial Impact: Medium Likelihood: High	Data Security Digitalization and Customer Experience New Generation Operations
Policy Risk, WEEE Fees	<ul style="list-style-type: none">The WEEE issue is a complex one, with a lot factors affecting the collection rate. The municipality collection infrastructure, consumer habits, unofficial collection streams, and the ability of the responsible organizations collecting the waste on behalf manufacturers all effect the collection rate. Based on the concept of Extended Producer Responsibility, Arçelik is responsible for the proper collection and treatment of the end-of-life products once they are put on the market by Arçelik. Arçelik has a risk in not reaching WEEE collection targets and not effectively securing WEEE collection due to illegal collectors.A Modulated Fee, which is expected to be commissioned in Europe in the near future, will be applied by taking into account products' durability, reparability, reusability, and recyclability and the presence of hazardous substances, thereby taking a life-cycle approach. Arçelik may face the risk of high modulated fee payments.	<ul style="list-style-type: none">In Turkey, Arçelik has two WEEE recycling facilities. With take-back campaigns, Arçelik collects old products from the market regardless of their brand.The collected old products are recycled in Arçelik's WEEE recycling facilities and contribution to a circular economy Since 2014, energy saving equivalent to 52 64 wind turbines with a 2,5MW capacity and water saving equivalent to daily water consumption of 8,1 million households have been obtained.In countries outside of Turkey, we work with collective schemes which are responsible to collect and recycle the WEEEs. We are closely monitoring the collection rates and make scenario analysis based on the collection rates.Arçelik works on increasing durability, reparability, reusability of our products, and alterantive end of life stages to contribute circular economy.Arçelik is considering the feasibility of expanding its WEEE facilities in other countries.Arçelik is working on introducing refurbished products in the Turkish and European markets.	Term: Short Term Financial Impact: Medium Likelihood: High	Waste Management Circular Economy
Market Risk, Introduction of ICT Tools	<ul style="list-style-type: none">Risk of falling behind and not reaping the benefit of new technologies and losing interaction with the customer in terms of circular economy business models.	<ul style="list-style-type: none">Arçelik is involved in a EU H2020 project called ""CSERVEES"", which aims to boost circularity in the electrical and electronic sector.For the CSERVEES demo project, together with our partner Circularise, we are using blockchain technology to create a digital twin of the recycled material and enabling suppliers to provide certification related to their raw material, manufacturers to trace the parts and even customers to trace the recycled parts in the product via QR codes integrated in the product and/or product parts.The digital twins of the raw material will be produced via blockchain and with the QR code integrated at the back cover of the TV and in the washing machines, the end users will be able to get information on which type of recycled material has been used, as well as information on Arçelik and its circular economy efforts, etc. We especially see an opportunity for the end-of-life products in the dismantling process, since this could give us the opportunity to trace the formula of the plastic parts and whether they are Arçelik products or not.We are working with our project partner Circularise to expand our partnership outside the scope of the CSERVEES project to implement this technology in serial production. We especially see an opportunity in terms of the marketing benefits and interaction with the customers to tell them about our sustainability journey using QR codes.	Term: Short Term Financial Impact: Low Likelihood: High	Circular Economy Products with Environmental and Social Benefit New Generation Operations

Other ESG Risks and Opportunities				
Risk Type	Explanation	Strategy & Opportunities	Impact	Related Materiality Issues
Policy and Market Risk, Plastic Pollution	<ul style="list-style-type: none">• According to the 2021 Circularity Gap Report, to keep the economy thriving and to live in a habitable world, global circularity needs to be doubled from the current 8.6% to 17%.• Due to the severity of the plastic crisis, countries have started to implement measures to tackle the plastic pollution problem, especially in terms of packaging.• There is increasing demand from customers for products that use recycled materials and recycled packaging.• The major risks from operational perspective are defined below:• Regulations (i.e. Eco Design Directive) which force industries to prevent plastic pollution and increase recycled plastic usage• Regulations prohibiting import of recycled plastic and industrial symbiosis• Rising costs due to upcoming regulations and introduction of potential taxes on increasing recycled content in the products and in packaging.• Fluctuating recycled plastic raw material price• Quality, durability and hazardous chemicals management concerns in using recycled plastic• Scarcity of plastic recycling infrastructure in countries where we operate• Introduction of regulations on producers of washing machines related to microplastic filters in France as of 2025.• Starting from March 1, 2021, EU Eco Design Directive to take into consideration the feasibility studies on mandatory requirement of having a microfiber filter in washing machines.• California, USA, beginning from January 2022 to impose integrating a filter system in all washing machines and laundromats, including laundry services in all machines owned or operated by a state entity. The implications on household appliances are not clear yet, but they are being worked on.• There are taxes planned to be introduced in UK, Italy and Spain on plastic packaging. According to the regulation, which is stated to be valid as of April 2022 by the UK, all plastic packaging will need to have at least 30% recycled content and for those packaging that does not contain at least 30% recycled content, a fee of 200 pound per tons will be applicable.Similar regulations are likely to become widespread in other countries as well. In this case, Arçelik may encounter high packaging costs."	<ul style="list-style-type: none">• Arçelik produces some of the most innovate products in the market which try to find solutions to the plastics pollution, especially saving oceans from plastic pollution.• We have set our 2025 and 2030 targets to increase the recycled and bio-plastic content in products to 20% in 2025 and 40% in 2030.• We have also set interim targets to increase the recycled plastic metric tons from 3,000 in 2021 to 15,000 as of the end of 2023.• Please refer to Planet, Recycled Plastics for further information on Arçelik's innovative product range that uses recycled plastics as well as bio-plastics.• Arçelik is expanding its recycled plastics studies to include chemical recycling studies and is cooperating with some of the most reputable partners in this area.• Arçelik is also exploring opportunities to use recycled materials from its own WEEE recycling facilities in products to completely close the loop in production.• We are developing formulas to use packaging waste and turn it into a component to be used in our products.• A working group involving all factories and the central R&D has been established to switch to sustainable packaging alternatives and to mainly end the EPS consumption in packaging. In 2021, EPS has been replaced with recycled and recyclable cardboard or molded pulp in hob, hood, small domestic appliances and consumer electronics categories. There are ongoing studies in each and every global factory network.	Term: Short Term Financial Impact: Low Likelihood: High	Circular Economy Products with Environmental and Social Benefit
Reputation and Market Risk, Human Rights and Ethics in the Entire Value Chain	<ul style="list-style-type: none">• Reputation risk arising from potential human rights violations across own operations and in the value chain.• Pressure from key stakeholders to prove that companies handle the human rights risks in a responsible and accountable way throughout their own operations and supply chain.• Risk of losing brand and company reputation, employee commitment, customer loyalty, business partners, trust, and revenue, financial loss, occurrence of legal consequences, potential disruptions in the supply chain in case of a crisis, potential human rights violation.	<ul style="list-style-type: none">• All our employees and business partners, including our temporary employees and interns, are obliged to comply with the Global Code of Conduct and Related Code Policies, and we expect them to internalize and follow these rules. In 2020, we communicated the Global Code of Conduct and related policies in 18 languages and completed the launch globally.• The Global Ethics Committee is led by the CEO. Koc Holding Consumer Durables President, who is in the Board of Arçelik, is responsible to report the the Board about the activities of the Global Ethics Committee and future compliance agenda of the Company.• The Code of Conduct commits to comply with UN Global Compact, OECD Guidelines for Multinational Enterprises and Universal Declaration of Human Rights.• Arçelik Global Human Rights Policy commits to comply with ILO Declaration on Fundamental Principles and Rights at Work, OECD Guidelines for Multinational Enterprises, UN Global Compact, UN Guiding Principles on Business and Human Rights, Universal Declaration of Human Rights, Women's Empowerment Principles and Worst Forms of Child Labor Convention.• In terms of Ethics and Human Rights, Arçelik operations and Arçelik suppliers are audited by independent auditors.• In accordance with Human Rights Policy (linklenmeli: https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf) and Human Rights Due Diligence Process (linklenmeli: https://www.arcelikglobal.com/media/6508/human_rights_due_diligence.pdf), Human Rights Department has been established within the Human Resources. This department is also responsible for convening Human Rights Committee, chaired by Chief People Officer.	Term: Short-Medium Term Financial Impact: Low Likelihood: Low	Ethics and Transparency Corporate Governance Responsible Purchasing and Supply Chain Management
Reputation and Market Risk, Conflict Minerals	Lack of conflict minerals integrated supplier management	<ul style="list-style-type: none">• In 2016, in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Arçelik initiated the Conflict Minerals Project to closely monitor suppliers of conflict minerals as part of the strategy to mitigate the related risks.• Arçelik has own Conflict Minerals Management Program which is compliant with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas.• Please refer to Arçelik's Conflict Minerals Policy and Conflict Minerals Due Diligence Report 2021 for further information. <p>For Policy: https://www.arcelikglobal.com/media/5395/catismamineralleripolitikasi.pdf For Report: https://www.arcelikglobal.com/media/6778/arcelik_conflict_minerals_report_2021.pdf</p>	Term: Short-Medium Term Financial Impact: Medium Likelihood: Medium	Ethics and Transparency Corporate Governance Responsible Purchasing and Supply Chain Management

Other ESG Risks and Opportunities				
Risk Type	Explanation	Strategy & Opportunities	Impact	Related Materiality Issues
Reputation and Market Risk, Sustainable Supply Chain	<ul style="list-style-type: none">Increasing demand from investors, customers and international sustainability indices to have a robust supplier ESG management program in place to mitigate risks that might arise in the supply chain and to transform the industry by setting sustainability targets and making transparent reporting not only for Arçelik operations but also for our suppliers.Any failure to establish a robust ESG strategy in terms of supplier management might result in reputational risk as well as business loss from Arçelik's end.Risk of not taking action together with its suppliers in line with Arçelik's Net Zero Emissions commitment and other sustainability targets."	<ul style="list-style-type: none">Arçelik works in close collaboration with suppliers to improve ESG activities of the suppliers, which leads to contributions to the environment and the society. Please refer to Sustainable Supply Chain for further information on value created with the suppliers.Arçelik has set long-term sustainability targets for suppliers. Suppliers are required to act in line with these targets.Arçelik conducts a Supplier Sustainability Index in order to understand the supplier-related ESG risks and opportunities. The index covers a variety of questions focused on ESG performance. Suppliers that receive an insufficient score from the Index are categorized as High-Risk suppliers. These suppliers are asked to provide Arçelik with risk mitigation plans.Supplier ethics and human rights audits are also performed by third-party auditors.Arçelik is among the signatories of APPLIA's Corporate Social Responsibility Code of Ethics and also abides by the UN Global Compact, of which Koc Holding is a signatory.Arçelik also has a Responsible Purchasing Policy that is compliant with the Arçelik Global Code of Conduct and requires suppliers to abide by the rules set forth in the Policy, such as carrying out activities respecting human rights.Arçelik shared a letter about its sustainability strategy with all suppliers. By asking suppliers to sign this letter, Arçelik encourages them to determine the number of suppliers that will accompany it on its sustainability journey and set energy, water, waste and greenhouse gas emission reduction targets. Around 200 suppliers have signed this letter and declared their intention as of the date of this report."	Term: Short-Medium Term Financial Impact: Low Likelihood: Medium	Responsible Purchasing and Supply Chain Management
Reputation Risk, Employee Engagement	<ul style="list-style-type: none">Not being able to attract and retain the best talent due to lack of communication of ESG strategies to the employeesRisk of not raising the next generation workforce in line with the company culture and requirementsRisk of inadequate investment to employee developmentInadequate actions for women empowerment in the workplace, especially in STEM-related fieldsInability to react to adverse labor consequences of technological advancements"	<ul style="list-style-type: none">Long-term ambitious targets to provide the best working environment for employees. Targets include employee satisfaction and work/life balanceLeadership and hourly training targets for employeesTargets to raise the next generation female directors in science, innovation, engineering-related fieldsIncorporating cultural commitments into global and local practices <p>Talent Management Strategies: Training such as Leader in You, Talent in You, and Future in You programs to equip employees with the competencies required to function the best in their role Supporting gender diversity, encouraging women, training the future women leaders with Women's Impact initiatives Technical Academy 4.0 program to equip hourly workers with the skills to embrace Industry 4.0 production strategies and mitigate adverse consequences of technological advancements on labor Tech Pro Academy to develop engineering skills</p> <p>Digital Training Programs A Ticket for Your Future, a reverse brain drain project to attract the best talent in foreign countries back to Turkey University-Industry Cooperation: Employing students doing a Master's thesis as part-time employees. Students employed in this manner write their thesis in a subject related to Arçelik.</p>	Term: Short-Medium Term Financial Impact: Low Likelihood: Low	Talent Management Corporate Governance New Age Operations Equal Opportunity and Diversity Health and Well Being Social Investment Programs
Company and Brand Reputation Risk	<p>Pressure from customers, especially millenials, on demand for responsible business and creating shared value with communities and other businesses.</p> <ul style="list-style-type: none">Risk of losing company and brand reputation as well as customers/investors in the event the investors and customers are not satisfied with the ESG integration strategies of the companies and the brands.Risk of not providing innovative and sustainable product portfolio for customers.Risk of not creating shared value for the customers served and the stakeholders who are a part of our value chain.Lack of employee engagement in the absence of a strategy showing employees the financial, societal and environmental outcomes of business with purpose.Losing employees due to lack of sustainability engagement and pay linked to sustainability"	<ul style="list-style-type: none">Brands with purpose: Sustainability is integrated into the core strategy of Grundig and Beko Brands. Grundig focuses on respecting nature and respecting food and food waste, Beko focuses on healthy living lifestyles, wellness and the fight against obesity and unhealthy eating choices.Using responsible innovation, Arçelik touches customers' lives with products that create solutions to some of the most complex sustainability issues, such as plastic pollution and energy consumption. Washing machine tubs and air conditions produced using recycled PET bottle, oven parts produced using recycled waste fishnets, the microfiber filter and the solar fridge are some examples that create mutual value.Arçelik's Sustainability as a Business Model strategy focuses on engaging employees in the core strategy of the company. With Arçelik's distinction from the competition with innovative product solutions offered and the best results achieved in the global indices, employees see first hand that sustainability pays off. The strategy is to enhance the image of Arçelik and create employee satisfaction and make candidates want to work in Arçelik due to its effective ESG strategy and solutions.Sustainability targets related to GHG reduction, improving circularity, and improving other ESG criteria are included in the balance score cards of different departments such as Factory Product Directors, Purchasing Director, Chief Marketing Officer and the employees reporting to them.	Term: Short-Medium Term Financial Impact: Low Likelihood: Low	Customer Satisfaction and Communication



We Became the First
Real Sector Company
to Issue Green Bonds
from Turkey!

Continuing all its activities with a focus on sustainability with the vision of 'Respectful to the World, Respectable in the World', Arçelik has also carried these efforts to the financing model, becoming the first real sector company to issue green bonds from Turkey to international markets.

Board of Directors



RAHMI M. KOÇ

Chairman of the Board of Directors

Koç studied Business Administration at John Hopkins University (USA). In 1958, he started his professional life in Otokoç, Ankara within Koç Group. After being Chairman of the Executive Committee in 1980, he started to serve as the Chairman of the Board of Directors in 1984. He has been the Honorary Chairman of Koç Holding since 2003. Rahmi M. Koç continues to serve as the Chairman of the Board of Directors and the Board Member in other companies of Koç Group as well as Koç Holding. The numerous social and professional associations Koç served are listed below:

- Metropolitan Museum of Art, New York - Honorary Member of the Board of Trustees
- Co-Chairman of the Business Advisory Council for South East Europe
- Vice Chairman of the Board of Trustees of Vehbi Koç Foundation
- Honorary Chairman of the Board of Trustees of Koç University
- Rahmi M. 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
- Founding Member and Honorary Chairman 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 AG 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

The titles and awards given to Dear Rahmi M. Koç are as follows:

- "Honorary Doctorate" degrees from Johns Hopkins University (Baltimore-Maryland), Eskişehir Anadolu University, İzmir Ege University, Ankara Bilkent University, Köstence Ovidius University, and Aydın Adnan Menderes University
- "Order of Merit" from the President of the Turkish Republic
- "Grosses Verdienst Kreutz (Germany Great Service)" Award from the German Government
- "Order of High Merit of the Italian Republic"
- "Order of High Merit of the Austrian Government"
- "(Honorary) Commander of the Most Excellent Order" from the British Empire (CBE)"
- "Officier dans l'Ordre National de la Legion D'Honneur," the highest medal awarded by the French government
- "Lifetime Achievement Award" from FIRST, the worldwide-known international relations organization
- Medal of the US-based Foreign Policy Association (FPA), one of the world's most respected think-tank organizations with a 100-year history
- "Hadrian Award" granted to Koç Family by the World Monuments Fund
- Carnegie (New York) Medal of Philanthropy granted to Koç Family
- BNP Paribas (Paris) Philanthropy Award granted to Koç Family
- "Outstanding Service Award in Decorative Arts" granted to Koç Family at the 16th "Iris Foundation Awards"

Rahmi M. Koç who is a non-executive board member is not an independent member pursuant to the Corporate Governance Principles of the CMB.



ÖMER M. KOÇ

Vice Chairman of the Board

Koç was graduated from Columbia College (USA) with a B.A. degree in 1985. He worked at Kofisa Trading for one year. In 1989, he received his MBA degree at Columbia Business School. After serving in Ramerica Intl. Inc., he joined the Koç Group in 1990. He served as Finance Coordinator and Vice President and President of the Energy Group at Koç Holding. He became the Board Member of Koç Holding in 2004. In 2008, he became Vice Chairman of the Board. Since February 2016, he has been serving as the Chairman of the Board of Koç Holding. Ömer M. Koç also serves as the Vice President of TÜSİAD High Advisory Council, Chairman of Turkish Educational Foundation Board of Trustees and Chairman of the Board of Directors of Geyre Foundation, Chairman of Yapı Kredi Kültür Sanat Yayıncılık, Tüpraş and Tofaş Board of Directors and Board Member in several companies of Koç Group.

Mehmet Ömer Koç who is a non-executive board member is not an independent member pursuant to the Corporate Governance Principles of the CMB.



SEMAHAT S. ARSEL

Board Member

Semahat Arsel 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 Sevim Arsel Nursing Education and Research Center, and the Founder of the Koç University School of Nursing. She also serves as the Board Members of other Koç Group companies. On the other hand, she is a Member of the Board of Trustees of the Educational Volunteers Foundation of Turkey (TEGV). Semahat Arsel was granted an "Honorary Doctorate" degree from İstanbul University.

Semahat S. Arsel who is a non-executive board member is not an independent member pursuant to the Corporate Governance Principles of the CMB.

**ALİ Y. KOÇ****Board Member**

He received his bachelor's degree from the Management Faculty of Rice University (USA) and MBA from Harvard Business School (USA). He started his career at American Express Bank within the Management Trainee Program. He served as an Analyst at Morgan Stanley Investment Bank between 1992 and 1994. He began to work as the New Business Development Coordinator at Koç Holding Strategic Planning Group in 1997. He served as the President of the Koç Information Technology Group and the Corporate Communication and Information Technology Group until 2010. Ali Y. Koç who served as the Board Member at Koç Holding for over 8 years was still the Vice Chairman of Koç Holding Board of Directors since February 2016. Since April 2016, he has also been serving as the Chairman of the Board of Directors of Koç Financial Services and Yapı Kredi Bank. Ali Y. Koç is also the Chairman of the Board of Directors of other Koç Group companies, including Ford Otosan and Otokar. Besides, he contributes to the country's social and economic development and currently is the President of Fenerbahçe Sports Club, Board Member at the National Competition Research Association (URAK), Executive Committee Member of the European Club Association (ECA), and the Board Member of Endeavor Turkey. Ali Y. Koç who is also the Member of the Global Advisory Board of Harvard University, Bank of America, and Council on Foreign Relations serves a Member of the Panel of Senior Advisers at Chatham House and represents Turkey at the Confederation of British Industry (CBI).

Ali Y. Koç who is a non-executive board member is not an independent member pursuant to the Corporate Governance Principles of the CMB.

**LEVENT ÇAKIROĞLU****Board Member**

Levent Çakiroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from the 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 the 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 the Financial Group Coordinator. He served as the CEO of Koçtaş between 2002 and 2007 and as 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 2010. Çakiroğlu has been appointed as the CEO of Koç Holding in April 2015. He currently serves in the same position. Levent Çakiroğlu, who has also been a Member of the Board of Directors of Koç Holding since April 2016, is the Chairman of the Board of Directors of Arçelik LG and TürkTraktör as well as the Vice Chairman of Otokar and Yapı ve Kredi Bankası, and the Board Member at various Koç Holding companies.

Levent Çakiroğlu who is a non-executive board member is not an independent member pursuant to the Corporate Governance Principles of the CMB.

**ROBERT SONMAN****Board Member**

He graduated from the School of Architecture in Canada McGill University and completed his Master's Degree at the same school. He is working as a Board of Chairman at Burla Group of Companies which holds a shareholding in Arçelik A.Ş. He has been a Board member at Arçelik A.Ş. since April 1994. He speaks English and French. Robert Sonman who is a non-executive board member is not an independent member pursuant to the Corporate Governance Principles of the CMB.

**DR. FATİH KEMAL EBİÇLİOĞLU****Board Member**

After graduating from Ankara University Faculty of Political Science Department of International Relations and receiving a Master's degree in Finance from the Virginia Commonwealth University, he earned a Ph.D. degree in Finance-Accounting from Ankara University Faculty of Political Science. Between 1989 and 2002, he worked as Assistant Accounting Specialist, Accounting Specialist, and Senior Accounting Specialist at the Ministry of Finance. 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 a Financial Coordinator. He served as Audit Group Coordinator of Koç Holding between 2004 and 2005, and Assistant General Manager of Arçelik between 2005 and 2015. He has been the President of the Consumer Durables Group at Koç Holding since February 2015. Fatih Ebiçlioğlu is also the Board Member of Arçelik. Furthermore, he served as the Chairman of the Board of Directors and the Board Member at several Koç Group companies. In addition, he is the Board Member of the Turkish Industry and Business Association (TÜSİAD) and the Turkish Exporters Assembly (TİM).

Fatih Kemal Ebiçlioğlu who is a non-executive board member is not an independent member pursuant to the Corporate Governance Principles of the CMB.

**HAKAN H. BULGURLU****Board Member**

Hakan Bulgurlu, who completed his undergraduate education in the Department of Economics and Mechanical Engineering at the University of Texas, received his master's degree from Northwestern University, Kellogg School of Management, and Hong Kong University of Science and Technology. Bulgurlu, who started his career at Koç Holding in 1995, worked in different positions in the Asia-Pacific region and led the Asia-Pacific foreign trade and supply operations of the Holding for 13 years in Hong Kong. Bulgurlu, who was the General Manager of Arçelik-LG, which has the largest air conditioner production facility in Europe and the Middle East between 2007 and 2010, joined Arçelik in 2010 and has been the CEO of Arçelik since 2015. Bulgurlu, a member of the Climate Leaders CEO Alliance within the World Economic Forum (WEF), is among the founding members of Amstel Dialogue, which was established with the aim of accelerating the innovation process in Europe, in addition to his duty as a Member of the Executive Committee of the European Association of Home Appliance Manufacturers (APPLiA). Bulgurlu is a Member of the Board of the Turkish Foreign Trade Association (TURKTRADE) and is the Deputy Chairman of the Foreign Economic Relations Board (DEIK) Turkey - China Business Council.

Hakan Hamdi Bulgurlu who is a executive board member is not an independent member pursuant to the Corporate Governance Principles of the CMB.

**KÂMİL ÖMER BOZER****Board Member**

Kamil Ömer Bozer studied at the Department of Business Administration in the Middle East Technical University, and then he obtained his MBA/finance master's degree at Georgia State University. He started his work life as a Trainee at Koç Holding A.Ş. in 1983. He became the Assistant General Manager of Maret A.Ş. in 1990 and the General Manager of Düzey A.Ş. in 1995 before he became the General Manager of Migros Türk T.A.Ş. in 2002. He was appointed as the Chairman of Koç Holding A.Ş. Food, Retail and Tourism Group in September 2004. He served as the Chairman of Koç Holding A.Ş. Tourism, Food and Retail Group until April 2011 in which he willingly ended his executive position in his career.

Following this date, Kamil Ömer Bozer served as the independent Board Member at Coca Cola içecek, Anadolu Efes, Adel Kalemçilik, Anadolu İsuзу, Carrefoursa and Boyner Holding. He is still the Board Member at Coca-Cola İçecek A.Ş., Adel Kalemçilik Ticaret ve Sanayi A.Ş., Anadolu Etap A.Ş., Anadolu İsuзу A.Ş., Kamil Yazıcı Yönetim ve Danışmanlık A.Ş. and Boyner Holding, and the Independent Board Member at TÜPRAŞ A.Ş. and Dardanel A.Ş. He is also an Independent Board Member of Arçelik A.Ş. since March 19, 2018.

Kamil Ömer Bozer has the qualifications of being independent as defined in the Capital Market Board's Corporate Governance Principles.

**M. M. GÜLAY BARBAROSOĞLU****Board Member**

Prof. Dr. M. M. Gülay Barbarosoğlu graduated from Robert College in 1974. She got her bachelor's degree from the Department of Industrial Engineering in Boğaziçi University in 1978, and her doctorate degree in 1985 from the same department and university. She became a professor of industrial engineering in 2000. She designed and gave lectures in the areas of mathematical programming and optimization, logistics, operation and production planning, and decision-making theories.

Prof. Dr. M. M. Gülay Barbarosoğlu served as the Rector of Boğaziçi University from 2012 to 2016, and Vice Rector responsible from research at Boğaziçi University from 2008 to 2012. She undertook various administrative tasks at Boğaziçi University. 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 (CENDIM), and chair of the Department of Industrial Engineering and Financial Engineering Programme.

Prof. Dr. M. M. Gülay Barbarosoğlu who undertook significant international tasks was a member of the Board of Directors of European University Association from 2013 to 2017. 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 organizations. Prof. Dr. Barbarosoğlu is a founder member of the EURO Organisational Planning European Working Group and a member of the Institute of Management Sciences (INFORMS), American Production and Inventory Control Society (APICS), and International Industrial Engineering and Production Management (IEPM). Prof. Dr. Barbarosoğlu who places great importance on civil society activities worked actively to establish the Neighbourhood Disaster Volunteers (MAG) and served as a member and chair of the Board there. Prof. Dr. M. M. Gülay Barbarosoğlu retired from Boğaziçi University in December 2016.

Müzeyyen Münire Gülay Barbarosoğlu has been an independent Board member of Arçelik A.Ş. since March 25, 2020.

Müzeyyen Münire Gülay Barbarosoğlu has the qualifications of being independent as defined in the Capital Market Board's Corporate Governance Principles.

**AHMET TURUL****Board Member**

Ahmet Turul graduated from the Faculty of Political Sciences at Ankara University in 1980. After working as an Assistant Public Accountant and Public Accountant at the Ministry of Finance from 1980 to 1988, he worked as the Deputy Coordinator of Financial Affairs and Coordinator of Financial Affairs at Koç Holding A.Ş. between 1988 and 1999; as the Assistant General Manager of Financial Affairs at Koç Tüketici Finansmanı A.Ş. between 1999 and 2002; and as the Assistant General Manager of Financial Affairs at Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş. from 2002 to 2010.

Ahmet Turul has been a Member of the Board at Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş. since 2010. Besides, he still serves as the Member of the Advisory Board of the Insurance Association of Turkey (TSB) and the Member of Tax Council as the representative of TSB.

Ahmet Turul worked as an Independent Member of the Board at Tüpraş-Türkiye Petrol Rafinerileri A.Ş. from 2014 to 2019.

He has been working as an independent member of the Board at Arçelik A.Ş. since March 19, 2019.

Ahmet Turul has the qualifications of being independent as defined in the Capital Market Board's Corporate Governance Principles.

**TUĞRUL FADILLIOĞLU****Board Member**

Tuğrul Fadillioğlu graduated from the Department of Mechanical Engineering at Boğaziçi University in 1982. After working as the Product Development Engineer, Production Engineer, Chief of Moulding House, Technical Manager of the Washing Machine Plant, Quality Assurance Manager of the Washing Machine Plant, Manager of the Vacuum Cleaner Plant in İzmir, Assistant General Manager of Small Appliances, and the Founding Director of the Vacuum Cleaner and Motor Plant from 1982 to 2002, he served as the Assistant General Manager of Operations and Technology at Tanı Pazarlama Hizmetleri A.Ş. from 2002 to 2004, and then as the General Manager at the same company from 2004 to 2009. Fadillioğlu assigned to Zer A.Ş. as the General Manager in 2009 served in this position until his retirement in 2014. During this period, he also worked as a Board Member at Tanı Pazarlama Hizmetleri A.Ş.

From 1995 to 2000, the period he lived in İzmir, Tuğrul Fadillioğlu worked as the Founding President of İzmir Branch of the Turkish Quality Association (KalDer). During his last year, 2000, he served as the Council Member of the Chamber of Industry of the Ege Region.

After his retirement, Fadillioğlu served as a top manager and board member at various institutions, and as the General Coordinator of the Turkish Quality Association (KalDer). Now, he is the Vice Chairman of the Board at CCA Kurumsal Değişim Akademisi Danışmanlık ve Eğitim Hizmetleri A.Ş., of which he is one of the cofounders.

Tuğrul Fadillioğlu has not taken on any other duties at Arçelik A.Ş. or its subsidiaries for the last five years. He has no relation with the executive managers of Arçelik A.Ş. He does not hold, directly or indirectly, any share over 5% in the capital of Arçelik A.Ş., he has no employee representation and he does not have any commercial relationship with Arçelik A.Ş.

Tuğrul Fadillioğlu has been the Independent Board Member of Arçelik A.Ş. since March 25, 2020.

Tuğrul Fadillioğlu has the qualifications of being independent as defined in the Capital Market Board's Corporate Governance Principles.

Management 2021



HAKAN H. BULGURLU
Chief Executive Officer

Hakan Bulgurlu, who completed his undergraduate education in the Department of Economics and Mechanical Engineering at the University of Texas, received his master's degree from Northwestern University, Kellogg School of Management, and Hong Kong University of Science and Technology. Bulgurlu, who started his career at Koç Holding in 1995, worked in different positions in the Asia-Pacific region and led the Asia-Pacific foreign trade and supply operations of the Holding for 13 years in Hong Kong. Bulgurlu, who was the General Manager of Arçelik-LG, which has the largest air conditioner production facility in Europe and the Middle East between 2007 and 2010, joined Arçelik in 2010 and has been the CEO of Arçelik since 2015. Bulgurlu, a member of the Climate Leaders CEO Alliance within the World Economic Forum (WEF), is among the founding members of Amstel Dialogue, which was established to accelerate the innovation process in Europe, in addition to his duty as a Member of the Executive Committee of the European Association of Home Appliance Manufacturers (APPLiA). Bulgurlu is a Member of the Board of the Turkish Foreign Trade Association (TURKTRADE) and is the Deputy Chairman of the Foreign Economic Relations Board (DEIK) Turkey - China Business Council.



POLAT ŞEN
Chief Financial Officer

Polat Şen completed his undergraduate studies at Marmara University, Department of Economics in 1998, and his master's degree at Bradford University, Department of International Finance in 1999. He completed the Harvard Business School Advanced Management Program in 2016. Şen, who started his career as an Audit Assistant at Koç Holding A.Ş. Audit Group Presidency in 2000, worked as Koç Holding A.Ş. Audit Specialist between 2002-2004. Şen, appointed as the Internal Audit Manager of Arçelik A.Ş. in 2004 and as the Finance and Financial Affairs Group Director of Grundig Elektronik/Grundig Multimedia BV in 2008, served as the Finance and Financial Affairs Director of Grundig Multimedia BV between 2009-2010. Polat Şen, who served as the Purchasing Director between 2010-2015, has been working as Chief Financial Officer since February 2015.



C. CAN DİNÇER
Chief Commercial Officer - Turkey, Pakistan, Bangladesh, India

Can Dinçer completed his undergraduate degree at Istanbul Technical University, Department of Mechanical Engineering in 1989, and his master's degree at the US Stevens Institute of Technology, Department of Business Administration in 1993. He completed the Harvard Business School Advanced Management Program in 2017. Dinçer, who started his career in 1993 as a Training Staff in the Finance Department of Arçelik A.Ş. worked as a Regional Sales Officer in the Export Department in 1995. He worked as an International Sales Manager between 2000-2005 for CIS and Other Countries, International Sales Director between 2005-2009 for Non-European Markets and Sales Director between 2009-2012 for Europe, America, Asia-Pacific and between 2012-2015 for Subsidiaries, America, Asia-Pacific, Assistant General Manager - Commercial Turkey between 2015-2017. Can Dinçer has been working as Chief Commercial Officer - Turkey, Pakistan, Bangladesh, India- since January 2018. In addition to this role, he was appointed as the General Manager of Arçelik Pazarlama A.Ş. as of 30 December 2016. Can Dinçer is married and has two children.



TOYGAN PULAT
Chief People Officer

Toygan Pulat completed his undergraduate education at the Department of Industrial Engineering at Middle East Technical University in 1994 and his master's degree from the Department of Business Administration at Bilkent University in 1996. He studied Human Resources Management at McMaster University in Canada in 1999-2000. Starting his career as a Project Engineer at Philips in 1996, Pulat has more than 25 years of work experience in multinational companies operating in the consumer goods, beauty and personal care, and telecom sectors. Toygan Pulat has been working as Chief People Officer since June 2021.

**NİHAT BAYIZ***Chief Production and Technology Officer*

Nihat Bayız completed his undergraduate degree at the Department of Mechanical Engineering at Middle East Technical University in 1993. He completed the Harvard Business School Management Program in 2016. Bayız, who started his career as a Research and Development Engineer in the R&D Department of Aselsan A.Ş. in 1993, worked as an Engineer in the Production and Engineering Department in 1994. He served as Arçelik A.Ş. R&D Director between 2017-2020. Nihat Bayız has been working as Chief Production and Technology Officer since 2021. Bayız is a member of Koç University Arçelik Creative Industry Research Center (KUARC), Koç University Engineering Department Advisory Board and Middle East Technical University Micro-Electromechanical Systems Research and Application Center, and is also a member of YPO-Romania.

**M. RAGIP BALCIOĞLU***Chief Commercial Officer - Europe, the Middle East, North Africa, Americas*

Ragıp Balcıoğlu completed his undergraduate degree at Istanbul Technical University, Department of Industrial Engineering in 1989, and his master's degree from Koç University, Department of Business Administration in 1996. He completed the Harvard Business School Advanced Management Program in 2019. Ragıp Balcıoğlu started his professional life in 1990 at Data Hidrolik Makine Sanayi A.Ş. as a Marketing Manager. Balcıoğlu, who worked as the Imported Material Planning and Purchasing Specialist at Arçelik A.Ş. between 1992-1996, was appointed as the Commercial Manager of Beko England in 1996. Appointed as Product Marketing Manager at Beko Plc in 2003, Balcıoğlu served as Product Marketing Director in 2004 and Product Management and Supply Director in 2006. He worked as Sales Director at Beko Plc between 2008-2010, as the UK and Ireland Country Manager at Arçelik A.Ş. and General Manager at Beko Plc between 2011-2015, and as Commercial International Assistant General Manager at Arçelik between 2015-2017. Balcıoğlu has been serving as Chief Commercial Officer - Europe, the Middle East, North Africa, Americas - since January 2018.

**UTKU BARIŞ PAZAR***Chief Strategy & Digital Officer*

Utku Barış Pazar completed his undergraduate degree at the Department of Electrical and Electronics Engineering at Middle East Technical University in 2000 and his master's degree at Emory University, Goizueta Business School in 2010. He completed the Advanced Business Program at Harvard Business School in 2022. He started his career at Nokia Networks in 2000, held various positions at Nokia (Siemens) Networks - North America and McKinsey & Company, and then served as Assistant General Manager of Technology Management and Technical Services at Doğuş Media Group. Utku Barış Pazar joined Koç Group in 2015 as Strategic Planning Director of Arçelik A.Ş. and was assigned as Strategy and Business Development Director of Koç Holding A.Ş. in 2016. Utku Barış Pazar has been working as Chief Strategy & Digital Officer at Arçelik A.Ş. since 2018. In addition to this role, he is also the Chairman of the TÜSİAD Software Working Group.

**ZEYNEP YALIM UZUN****Chief Marketing Officer*

Zeynep Yalım Uzun completed her undergraduate degree in Economics and Psychology at Agnes Scott College in the USA. Uzun started her career as a Training Staff at Şark Sigorta in 1990 and started to work as Komili Brand Manager at Unilever in 1992. She was appointed to Unilever Poland in 1998 and served as the Central and Eastern Europe Marketing Manager of the Rama brand in the geography of 22 countries. Returning to Turkey in 2001, Uzun served as Knorr and Calve Marketing Manager, Home Care Category Marketing Manager, and Unilever Africa, the Middle East and Turkey Home Care Category Director. Between 2007 and 2012, she served as Unilever Turkey Home and Personal Care Group Vice President and Unilever Turkey Board Member. Between 2012 and 2017, she served as the Global Vice President of Omo, one of the biggest brands of Unilever, based in London. Zeynep Yalım Uzun was appointed as Chief Marketing Officer of Arçelik A.Ş. in October 2017. Uzun, who was selected as one of the 20 women who made a difference in the marketing world in Europe in the "Women to Watch Europe" list in 2020 by Advertising Age, one of the most respected publications in the marketing world, is also a Founding Member of Turkishwin and a Member of the Advisory Board at Bin Yaprak. In addition to being one of the "Women in the Board of Directors" mentees, she is also a member of the Board of Trustees of the Koruncuk Foundation for Children in Need of Protection.

(*) Zeynep Yalım Uzun resigned from her position as Arçelik Chief Marketing Officer as of 31.12.2021 and transferred her duty to Akin Garzanlı.

Risk Management and Internal Audit

RISK MANAGEMENT AND RISK MANAGEMENT COMMITTEE STUDIES

The Board of Directors creates risk management and internal control systems to determine the risks that may affect the Company's stakeholders, primarily the shareholders, to minimize their impact and probabilities, and periodically reviews their effectiveness.

In line with the decision taken at the Board of Directors Meeting of Arçelik A.Ş. dated 16.07.2010, as part of compliance with Article 378 of the Turkish Commercial Code No. 6102 and the Corporate Governance Communiqué of the CMB and in order to ensure the effective functioning of the committees within the Board of Directors; a Risk Management Committee has been established in order to carry out works for early detection of risks that may endanger the existence, development, and continuation of the Company, to take necessary actions regarding the identified risks, and to manage risks. The Chairman of the Committee is Independent Board Member M. Gülay Barbarosoğlu and the other member is Fatih K.Ebiçlioğlu, Member of the Board of Directors.

The Risk Management Committee advises the Board of Directors for early detection and evaluation of risks that may affect the Company, calculating their effects and possibilities, managing and reporting these risks in accordance with the Company's enterprise risk appetite, taking necessary measures to reduce the effects and possibilities of the identified risks, and, in this direction, the establishment of effective internal control systems. In this context, the Risk Management Committee held six meetings in 2021. Enterprise Risk Management and Finance Directorate, operating within the structure of the Finance and Financial Affairs Deputy Directorate General, manages, coordinates, and oversees financial, strategic, operational, compliance, and external risks that may affect the Company through the risk management system it has established and reports to the Risk Management

Committee. While the Finance and Enterprise Risk Management Directorate reports to the Risk Management Committee, the Internal Audit Management conveys information to the Audit Committee, and both units are functionally independent of each other.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

Arçelik adopted the “Triple Line of Defense” approach in its Internal Control Systematics. The Internal Audit Directorate, operating within the structure of the General Directorate of Finance and Financial Affairs, carries out audits in order to evaluate and improve the effectiveness of internal control and governance processes and regularly shares the results with the Audit Committee.

The main duty of the Audit Committee is to report to the Board of Directors in writing its evaluations regarding the Company's accounting, reporting, and internal control systems, the effectiveness of the independent audit processes, and the compliance of the annual and interim financial statements to be announced to the public in line with the accounting principles adopted by the Company and the authenticity thereof. The Audit Committee consists of at least two members. The Chairman and Members of the Committee are selected from among the Independent Members of the Board of Directors. The Audit Committee convenes at least four times a year, at least once every three months.

ENTERPRISE RISK MANAGEMENT

Arçelik AŞ Enterprise Risk and Insurance Management, which determines the compatibility of company risks with corporate targets and strategies as its main framework matches strategies and targets with risks. In this process, best practices on a global scale, especially the ISO 31000 Risk Management Standard and the COSO Enterprise Risk Management Framework are considered. All identified risks are prioritized by taking into account metrics such as risk score, financial impact, etc. In

this way, it is determined which risks should be focused on, risk management is applied at every level of function and operations, and it is ensured that the Senior Management is intertwined with the decision-making mechanisms. Within the scope of risk management activities, risk awareness of all employees is increased and it is encouraged to bring the issues that may pose a risk to the agenda through the risk suggestion system.

Arçelik A.Ş. Enterprise Risk and Insurance Management takes into account environmental, social, and governance risks, oversees climate change, occupational health and safety, and dissemination of the Company culture to all employees, and participates in the projects carried out by regularly exchanging information with the relevant units of the Company in the follow-up of these risks. Practices are developed, where new values are created for the company and its stakeholders, opportunities are taken into account as well as risks, gap

analysis studies are carried out, and the risk appetite of the Board of Directors and Senior Management is regarded. The Enterprise Risk and Insurance Management process is carried out in all businesses, central units, and foreign subsidiaries of the Company in an integrated manner with all business processes and within the framework of a structure that affects the performance evaluation processes of risk officers.

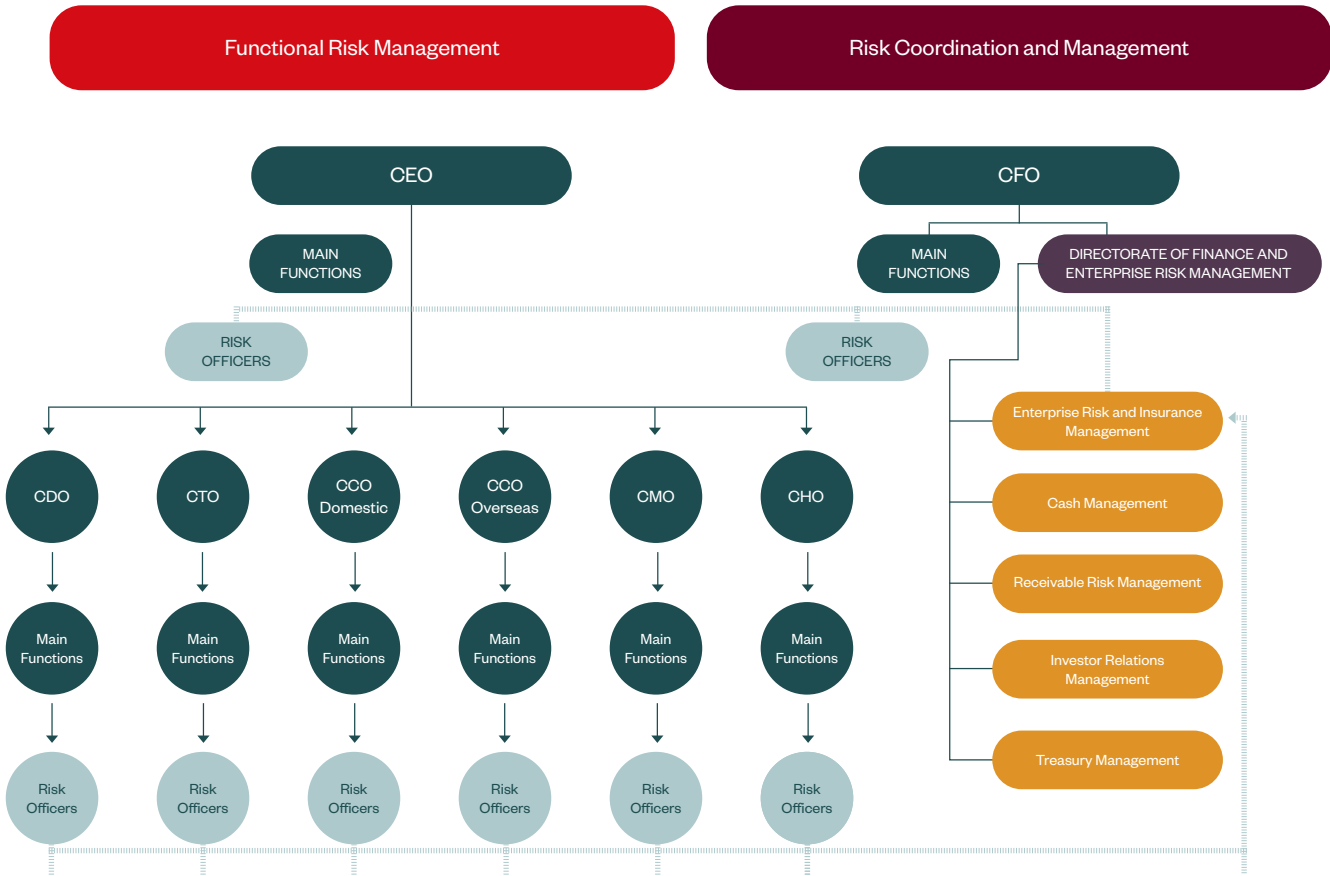
RISK COORDINATION AND SUPERVISION

Global risk coordination and supervision of Arçelik A.Ş. headquarters and Group companies are provided by the Finance and Enterprise Risk Management Directorate, which is reporting to the Finance and Financial Affairs Deputy Directorate General.

The risk management organization of Arçelik A.Ş. is shown in the table below:

ARÇELİK A.Ş. BOARD OF DIRECTORS RISK COMMITTEE

Chairman: Independent Board Member **Member:** Board Member



FUNCTIONAL RISK MANAGEMENT

The directors and country managers in the Senior Management team are responsible for managing the risks of their own organizations and completing the actions that mitigate the impact and probability of the risk attributed to their organizations within the scope of mitigating the risks of different organizations.

TRAINING

In order to increase risk culture and awareness throughout the organization, enterprise risk management training is given to directors in the Senior Management organization, country managers working in Group companies, and risk officers working in organizations.



ENTERPRISE RISK MANAGEMENT SYSTEMS

In 2021, the Enterprise Risk Management Directorate reporting to the Finance and Financial Affairs Deputy Directorate General was restructured as the Finance and Enterprise Risk Management Directorate. In the new Enterprise Risk Organization, the Enterprise Risk Management and the Enterprise Risk Management and Insurance Management departments under the Finance Directorate were merged, resulting in a more effective structure.

Since both Enterprise Risk Management and Insurance Management are followed up by the same team, a proactive decision-making process was intended. The direct cooperation of the Insurance Management team with potential insurance

companies ensures that the risks of the Arçelik Group are transferred to local and global insurers in the most accurate way. Arçelik Group has the ability to design insurance programs and structure; it determines coverage, including overseas risks, and optimizes the insurance program by negotiating with insurers and brokers. Thus, by preparing various risk scenarios under different models and deciding on the best risk model to be applied, the new strategic insurance model is successfully implemented in accordance with all legal requirements.

In addition to the creation of a new Enterprise Risk Organization, the new structure of the Enterprise Risk Management Framework has been prepared. In the new Enterprise Risk Management Framework, emphasis is placed on risk scenario analyses in which variables considered in strategic decision-making processes are simulated. In risk scenario analysis, it is possible to take a more active role in decision-making mechanisms by calculating the financial results of risks.

- With the new Enterprise Risk Management Framework, it is aimed to:
- Identify uncertainties in strategic decision-making processes more effectively,
 - Demonstrate the end-to-end impact of risks across the entire value chain of the Company in a holistic manner,
 - Ensure that all risk-affected units are more actively involved in the process

Risks are defined and prioritized in Arçelik A.Ş. in five main categories: financial, strategic, operational, compliance, and external. Through risk management software, the root causes of risks matched with the Company's strategies and objectives are revealed, and impact and probability analyses are performed; in line with these analyses, actions to reduce the impact and probability of risk are defined and reviewed. All activities related to risk management and risks are periodically reported to the Risk Management Committee. The evaluations regarding the material risks and the important actions taken are followed up by the Senior Management.

PROMINENT RISKS THROUGHOUT THE WORLD

Emerging risks are proactively followed, their possible long-term effects on the Company are evaluated, and the Senior

Management and Risk Management Committee are regularly informed about the issues. In this framework, risks stemming from the pandemic (health risks, supply chain risks, etc.) stand out both in terms of impact and probability. Moreover, the risks of loss of reputation/brand damage, failure in adapting to innovation pace, cyberattacks, and information security come to the forefront as the globally rising risks.

Access to raw materials became difficult after the pandemic due to problems in the supply chain (problems in container availability, insufficient number of drivers due to the pandemic, inoperative ports, etc.); as a result of the increase in global demand and the constraints faced by suppliers due to force majeure, raw material base prices increased more than expected. Risks and restrictions related to the pandemic have increased the risks of cyberattacks, along with the change in the way many people work (remote, hybrid, etc.). Measures are taken within the scope of Information Technologies and operational processes, projects are carried out, strategic cyber security cooperations are developed, awareness training on information security are carried out and controls are made with periodic tests in order to prevent the loss of reputation, income, market share and brand value that may be caused by cyberattacks and information security risk.

Today, the climate crisis is the greatest threat to our planet and ecosystem. We regard climate risk as a fundamental risk for the sustainability of our activities. You can see the analysis of the impacts of Arçelik's climate crisis strategy, business plans, risks, and opportunities on its operations in the section "In Touch With Our Planet."

In order to effectively manage the risks related to the speed of innovation, projects are carried out in which all processes of Arçelik's global geography and central management are handled in a holistic manner, and it is ensured that the actions that reduce the impact and probability of risks are handled in a way that covers the entire geography.

Please see the [Table of Risks and Opportunities related to TCFD Reporting and Other ESG](#) for information about the risks and opportunities regarding Environmental, Social, and Governance.

THE RISK OF PANDEMIC

Arçelik closely follows the developments in the COVID-19 outbreak on a national and international scale. All risks associated with the pandemic are handled in a way that covers the health of employees, stakeholders, business partners, and consumers in all geographies, without disrupting production and services for the basic needs of society. Even if there are disruptions in activities due to the pandemic that has affected the whole world in supply, production, and sales processes, the Business Continuity Plan continues uninterrupted within the scope of extensive measures taken for the health of employees. While central offices switched to working from home, production facilities, stores, authorized services, and supply chain operations continued their activities within the framework of high-level hygiene rules. In all production facilities, in order to minimize the effects of COVID-19 and to keep work areas under control, TSE COVID-19 Safe Production Certificate was obtained for Turkish Enterprises, in addition to conducting internal audits. By conducting online audits for suppliers, Arçelik contributed to both company and public health processes.

- In addition to all the measures taken in 2020, in 2021;
- Gaining rapid antigen test capability, health checks of people at the entrance to workplaces were carried out more effectively.
 - With the encouragement of vaccination in the workplaces and on-site vaccination activities, the vaccination rate of 86% globally being 99% in the country and 74% abroad, has been attained and these rates are increasing day by day.

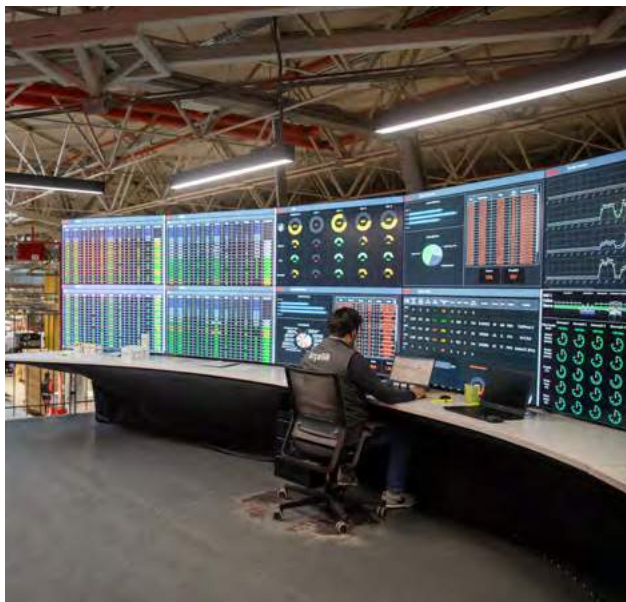


Production and sales activities in Romania, Pakistan, Bangladesh, South Africa, and Russia were temporarily suspended due to the curfew declared by the official authorities as part of the fight against the pandemic. These activities, which were temporarily suspended, affected these geographies and had a limited impact on consolidated production and turnover. With the awareness that these mandatory restrictions may adversely affect supply chain processes and create additional risks for sales, close contact with suppliers has been maintained. Actions to reduce the impact and probability of risks are discussed in a manner covering all geographies.

In order to reduce the devastating impact of the pandemic on globally designed supply chains, projects are carried out on issues such as the evaluation of resource diversity and localization efforts from different geographies, and actions have been taken to reduce the impact and probability of these risks.

CYBER RISK MANAGEMENT

Risk control strategies and the cyber risk profile of Arçelik A.Ş. are determined and works are carried out within the scope of the project conducted to transfer/reduce cyber risk. With the participation of all relevant units, including the Information Technologies Directorate, various tools, primarily the cyber risk insurance policy, were put into use in order to reduce the impact and probability of the risk.



BUSINESS CONTINUITY MANAGEMENT

In accordance with the ISO 22301 Standard, the General Directorate continues and extends the Business Continuity Management Project which is carried out in order to maintain the products and services of some factories and subsidiaries at an acceptable level after a possible interruption. Within the framework of the project, it is aimed to manage an unexpected business interruption and crises within the scope of the emergency, crisis management, and business recovery management plans, quickly and effectively, and to ensure business continuity by eliminating the effects on the Company's facilities, operations, financials, reputation, and stakeholders. Within this scope, it is aimed to ensure effective and timely use of resources, as well as effective internal and external stakeholder communication in the crisis environment.

INSURANCE MANAGEMENT

Responsibility of insurance management covers the assessment and management of possible operational risks that are or may be incurred. The insurance management process basically consists of the detection, measurement, evaluation, monitoring, control, and mitigation of operational risks, reporting and management processes, including damage management processes. All insurance and operational activities of the Group are monitored within the framework of predetermined rules, and necessary works are carried out in order to transfer all transferable risks to local and international insurers.

In 2021, the Enterprise Risk Management and Insurance Management departments under the Finance and Enterprise Risk Management Directorate were merged, resulting in a more effective working structure. Since both Enterprise Risk and Insurance Management are followed up by the same team, a proactive decision-making process is at work. The direct cooperation of the Insurance Management team with potential insurance companies ensures that the risks of the Arçelik Group are transferred to local and global insurers in the most accurate way. The Insurance Management team designs the Arçelik Insurance Program on a global scale, including its foreign subsidiaries; negotiates with reinsurers, insurers and brokers and ensures the creation of programs tailored to the needs of the Arçelik Group. Arçelik Group makes "Service Level

Agreements (SLA)" with insurance companies on a global scale in order to manage all of its processes. Globally, claims in all insurance branches, including product liability claims, are coordinated centrally and exclusively.

There are insurance policies in various branches in order to cover the losses that may arise in case risks substantiate. Modeling studies are carried out in order to select the best risk transfer methods that can be applied within the framework of local and international legal rules and to determine the scope of coverage that best meets operational risks in policies. The collaterals that the Arçelik Group may need in line with changing and developing conditions are regularly reviewed and more efficient use of Arçelik Group's resources is ensured. In order to form a part of operational risk management, commercial contracts to which the Group is a

party (for example, sales & agency and purchasing contracts) are reviewed within the framework of liability and indemnity conditions, and necessary insurance coverage is ensured to be obtained. Necessary modeling studies are carried out to include risk transfer for the needs of the Group within the scope of the emergency, crisis management, and business recovery management, and processes are managed in cooperation with all relevant units.

Within the scope of the Digital Transformation Project, it is aimed to monitor and report operational risks more effectively and efficiently. Additionally, in order to minimize the operational risks of the Group, work is carried out in coordination with all relevant units at home and abroad, and various training sessions are organized in line with the needs.



Receivable Risks

INTERNATIONAL RECEIVABLE RISK

Consolidated receivable risks arising from the direct exports of Arçelik A.Ş. and the local sales and/or exports of the Group companies are managed by the International Receivables Risk Management. Global Risk Management Policies have been established for the management and standardization of consolidated receivable risks, and all companies act within the framework of these policies. The needs and risks in parallel with the widespread growth in wide geography are determined, and agreements are made to provide conditions suitable for all circumstances in order to prevent possible damages, and these risks are transferred to Global Credit Insurance Institutions. In addition to Global and Local Credit Insurance Policies, other guarantee instruments such as letters of credit, letters of guarantee, etc. are also used, and the counterparty bank risks of these guarantees are transferred within the framework of Global Risk Management Policies. Within the framework of the Global Risk Management Policies established, monthly consolidated receivable risks are reported to the committees consisting of the Company's Senior Management, and the risks followed within the framework of the determined methodology are evaluated and approved by the relevant committees. In order to support the comprehensive analysis of Receivable Risks, risk scores are calculated on a customer basis and the whole process can be monitored in a consolidated manner in the ERP environment. Pre-purchase receivable risks of newly added companies are analyzed in detail and necessary arrangements are made to comply with Global Risk Management Policies.

DOMESTIC RECEIVABLES RISK

The adequacy of the collateral provided by the dealers/ customers is monitored to follow up the receivable risk arising from the domestic sales, the receivable risks are reported monthly and evaluated with the participation of the Senior Management every quarter of the year.

PRODUCT SAFETY RISK

Regular reviews are carried out by the Product Safety Department in order to eliminate the risks that may arise during

the life cycle of the products before the products come onto the market. Design, quality, production, and supply processes are evaluated and audited in terms of product safety. In this way, it is aimed to trigger improvement in products and processes.



FINANCIAL RISKS

Financial risks, which are addressed in three categories as Liquidity Risk, Interest Rate Risk, and Exchange Rate Risk, are managed with the following application principles.

LIQUIDITY RISK

Liquidity management at Arçelik A.Ş. is based on the alignment of the balance sheet and cash flow. Short-term liquidity management is carried out with the alignment of receivable and debt maturities and effective stock management, and a calculated cash level is maintained in order to eliminate any

risk factor in the balance sheet. For medium and long-term liquidity, it is observed that the average debt is kept above a certain maturity through different financial resources, based on market and sector dynamics. Through the foreign cash pool created, the centrally-executed liquidity management ensures that the Group's cash is used in the most appropriate way. This pool also serves as a stock in trade to meet the short-term cash needs of the subsidiaries.

In 2021, a more balanced structure was achieved in the balance sheet by obtaining long-term and affordable loans. Efforts have also been made to obtain a loan from the International Finance Corporation (IFC) covering Arçelik A.Ş. and Singer.

INTEREST RATE RISK

Fluctuations in interest rates due to interest-sensitive assets and liabilities in the company's balance sheet pose a significant risk in terms of financial results. This risk is managed by establishing a fixed-variable balance in the balance sheet, balancing the amounts and maturities of interest-sensitive items, using on-balance sheet methods, or by using derivative financial instruments when necessary.

In this context, emphasis is placed on the compatibility of not only the maturities of receivables and payables but also the interest rate change periods.

EXCHANGE RATE RISK

Arçelik A.Ş. is exposed to a significant exchange rate risk as it carries out its production and sales activities in different currencies in many countries. As of December 2021, a total of 39 currencies are used in commercial operations. In order to minimize the exchange rate risk and centralize it, intra-Group commercial relations are carried out on the basis of the functional currency of the subsidiaries.

Currency risk is managed centrally. The main principle in the management of currency risk is to maintain a foreign exchange position level close to zero, in a way that will be least affected by exchange rate fluctuations. Forecasts of future foreign exchange positions are collected from each company on a monthly basis, and the expected risk in the balance sheet is minimized by the Central Treasury Management by using on-balance sheet methods and derivative instruments.

RATING GRADE

Fitch Ratings downgraded Long-term Foreign and Local Currency Issuer Default Ratings of Arçelik A.Ş. from "BB+" to "BB" on February 11, 2022. The outlook is stable.

On March 22, 2021, S&P Global Ratings upgraded Arçelik's Long-term Local Currency Issuer Default Ratings from "BB" to "BB+," and the outlook was downgraded from stable to negative on December 20, 2021.



Profit Distribution Proposal

Dear Shareholders,

The financial statements for the January 1-December 31, 2021 accounting period, which were prepared by our company based on Turkish Financial Reporting Standards (TFRS) and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. are presented in the annual report.

As a result of the examination of the said financial statements and the financial statements of Arçelik A.Ş. prepared in line with the provisions of Tax Procedure Law (TPL), it was seen that;

According to TFRS, the net profit of the Company is 3,251,008,842.82 TL and the current year profit is 3,535,004,341.59 TL in accordance with Tax Procedure law,

a) The 5% portion of legal reserves which has to be allocated according to Article 519 of the Turkish Commercial Code, will not be allocated for 2021 since legal reserves amount as of 31.12.2021 according to Tax Procedure Law reached 20% of the capital,

In accordance with TFRS, distributable profit is 3,251,008,842.82 TL which is the sum of net profit of 3,290,490,017.88 TL plus the donations of 39,481,175.06 TL;

Net profit of 3,535,004,341.59 TL is the distributable profit according to financial statements prepared on the basis of Tax Procedure Law;

Accordingly;

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 March 27, 2014; considering market expectations, our Company's long-term strategies, investments and financing policies, profitability and cash status, the dividend amount is decided as below;

1,500,000,000.00 TL first dividend payable to shareholders,
146,621,358.98 TL portion of legal

reserves,

c) Total amount of 1,500,000,000.00 TL which is the sum of the first dividend shall 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 based on Tax Procedure Law, the total dividend of 1,500,000,000.00 TL shall be paid to the shareholders from the current year's other earnings and the amount of the secondary general legal reserve of 146,621,358.98 TL shall be met from current year's other earnings;

e) According to the financial statement prepared based on Tax Procedure Law, the dividend paid to the shareholders of the current year profit and the remaining 1,888,382,982.62 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 1,500,000,000.00 TL and the general legal reserve amount of 146,621,358.98 TL is covered from the net profit is transferred to the past year profits of 1,604,387,483.84 TL;

f) To our shareholders which are full taxpayer institutions or limited taxpayer institutions obtaining dividend through a workplace or permanent representatives in Turkey; for the shares with a nominal value of 1.00 TL, the dividend shall be paid at the rate of 221.98274% and 2.2198274 TL gross=net cash for shares at the nominal value of 1.00 TL, and a gross cash dividend of 2.2198274 TL at the rate of 221.98274%, and a net cash dividend of 1.9978446 TL at the rate of 199.78446% ;

g) The dividend payment date is determined as March 28, 2022;

It has been decided to submit our shareholders for approval at the General Assembly.

We extend our best wishes for 2022 to our country and company.

Sincerely,

Rahmi M. Koç
Chairman of the Board of Directors

Arçelik



Statement of Independence

INDEPENDENCE STATEMENTS OF
INDEPENDENT BOARD MEMBER
CANDIDATES

JANUARY 14, 2022

I do declare that I am a candidate for assuming the role of an “independent member” in the Board of Directors of Arçelik A.Ş. (Company), within the criteria stipulated in the legislation, the articles of association, and the Capital Markets Board’s Corporate Governance Communiqué, and in this context;

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past 5 years between the Company, Subsidiaries where the Company holds control or significant power over management or Partners that hold significant power in the Company and the legal entities where such Partners hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were 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 stocks (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 company’s audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years;

c) I have the 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 do not work on a full-time basis at public agencies and institutions after my appointment as a member except for the

lecturer position at universities in line with applicable laws;
d) I am considered a resident in Turkey according to the Income Tax Law no.193 dated 31/12/1960,

e) I possess strong ethical standards, professional credibility, and experience that are necessary for making positive contributions to the Company’s operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

f) I will make sufficient time for keeping track of the company’s activities and for fully performing my duties on behalf of the company,

g) I have not been a member of the Board of Directors of the company for more than six years in total within the last decade,

ğ) I am not serving as an independent board member on more than three companies, which are controlled by the company or by shareholders having management control over the company, and on not more than five listed companies in total,

h) I am not registered and announced as a Board Member representing a legal entity.

and I solemnly declare the issues listed above.

NAME-SURNAME: **Kamil Ömer BOZER**

SIGNATURE:



JANUARY 14, 2022

I do declare that I am a candidate for assuming the role of an “independent member” in the Board of Directors of Arçelik A.Ş. (Company), within the criteria stipulated in the legislation, the articles of association, and the Capital Markets Board’s Corporate Governance Communiqué, and in this context;

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past 5 years between the Company, Subsidiaries where the Company holds control or significant power over management or Partners that hold significant power in the Company and the legal entities where such Partners hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were 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 stocks (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 company’s audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years;

c) I have the 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 do not work on a full-time basis at public agencies and institutions after my appointment as a member except for the lecturer position at universities in line with applicable laws;
d) I am considered a resident in Turkey according to the Income Tax Law no.193 dated 31/12/1960,

e) I possess strong ethical standards, professional credibility, and experience that are necessary for making positive contributions to the Company’s operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

f) I will make sufficient time for keeping track of the company’s activities and for fully performing my duties on behalf of the company,

g) I have not been a member of the Board of Directors of the company for more than six years in total within the last decade,

ğ) I am not serving as an independent board member on more than three companies, which are controlled by the company or by shareholders having management control over the company, and on not more than five listed companies in total,

h) I am not registered and announced as a Board Member representing a legal entity.

and I solemnly declare the issues listed above.

NAME-SURNAME: **Müzeyyen Münire Gülay Barbarosoğlu**

SIGNATURE:



INDEPENDENCE STATEMENTS OF
INDEPENDENT BOARD MEMBER
CANDIDATES

JANUARY 14, 2022

I do declare that I am a candidate for assuming the role of an “independent member” in the Board of Directors of Arçelik A.Ş. (Company), within the criteria stipulated in the legislation, the articles of association, and the Capital Markets Board’s Corporate Governance Communiqué, and in this context;

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past 5 years between the Company, Subsidiaries where the Company holds control or significant power over management or Partners that hold significant power in the Company and the legal entities where such Partners hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were 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 stocks (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 company’s audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years;

c) I have the 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 do not work on a full-time basis at public agencies and institutions after my appointment as a member except for the

lecturer position at universities in line with applicable laws;
d) I am considered a resident in Turkey according to the Income Tax Law no.193 dated 31/12/1960,

e) I possess strong ethical standards, professional credibility, and experience that are necessary for making positive contributions to the Company’s operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

f) I will make sufficient time for keeping track of the company’s activities and for fully performing my duties on behalf of the company,

g) I have not been a member of the Board of Directors of the company for more than six years in total within the last decade,

ğ) I am not serving as an independent board member on more than three companies, which are controlled by the company or by shareholders having management control over the company, and on not more than five listed companies in total,

h) I am not registered and announced as a Board Member representing a legal entity.

and I solemnly declare the issues listed above.

NAME-SURNAME: **Tuğrul Fadilloğlu**
SIGNATURE:

JANUARY 14, 2022

I do declare that I am a candidate for assuming the role of an “independent member” in the Board of Directors of Arçelik A.Ş. (Company), within the criteria stipulated in the legislation, the articles of association, and the Capital Markets Board’s Corporate Governance Communiqué, and in this context;

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past 5 years between the Company, Subsidiaries where the Company holds control or significant power over management or Partners that hold significant power in the Company and the legal entities where such Partners hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were 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 stocks (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 company’s audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years;

c) I have the 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 do not work on a full-time basis at public agencies and institutions after my appointment as a member except for the

lecturer position at universities in line with applicable laws;
d) I am considered a resident in Turkey according to the Income Tax Law no.193 dated 31/12/1960,

e) I possess strong ethical standards, professional credibility, and experience that are necessary for making positive contributions to the Company’s operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

f) I will make sufficient time for keeping track of the company’s activities and for fully performing my duties on behalf of the company,

g) I have not been a member of the Board of Directors of the company for more than six years in total within the last decade,

ğ) I am not serving as an independent board member on more than three companies, which are controlled by the company or by shareholders having management control over the company, and on not more than five listed companies in total,

h) I am not registered and announced as a Board Member representing a legal entity.

and I solemnly declare the issues listed above.

NAME-SURNAME: **Ahmet Turul**
SIGNATURE:

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 REPORT: 01/03/2022
RESOLUTION NO: 1106

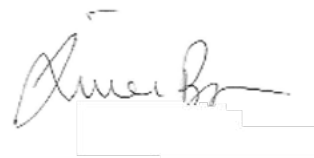
Attached is presented our Annual Report for the year 2021 prepared by in accordance with Turkish Commercial Code and CMB Financial Reporting Communique numbered as II-14.1 and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. according to Capital Markets Board Regulations including the Corporate Governance Principles Compliance Report. We hereby announce and declare that in accordance with the CMB 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 date
- 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

1 March 2022



K. Ömer BOZER

Chairman of the Audit Committee



Polat ŞEN

Chief Financial Officer



Ahmet TURUL

Member of the Audit Committee



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 FINANCIAL
STATEMENTS: 26/01/2022
RESOLUTION NO: 1093

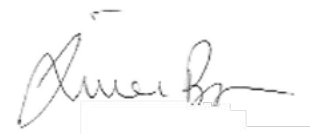
Under the Capital Markets Board Regulations, within the framework of the information provided to us in relation to our tasks and responsibilities related to the Company, we hereby announce and declare that the consolidated Balance Sheet, Statement of Income, Statement of Other Comprehensive Income, Statement of Cash Flow and 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 01.01.2021-31.12.2021 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 2022



K. Ömer BOZER

Chairman of the Audit Committee



Ahmet TURUL

Member of the Audit Committee



Polat ŞEN

Chief Financial Officer

Ordinary General Assembly Agenda

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF ARÇELİK ANONİM ŞİRKETİ DATED MARCH 23, 2022

- 1. Opening and election of the Chairman of the Meeting,
- 2. Reading out of, discussions on and approval of the Annual Report 2021 of the Board of Directors,
- 3. Reading out of the Summary of the Independent Audit Report for the fiscal year 2021,
- 4. Reading out of, discussions on and approval of the Financial Statements for the fiscal year 2021,
- 5. Acquittal of the members of the Board of Directors separately regarding the activities of the Company in 2021,
- 6. Approval, revision, or rejection of the proposal of the Board of Directors on the distribution of profits for 2021 and date of the profit distribution which was prepared as part of the Company's profit distribution policy,
- 7. Submission of the share buyback transactions performed as per the Board decision, for the information and approval of the shareholders,
- 8. Determination of the number of Board Members and their term in office, carrying out the election according to the determined number of members and election of the Independent Board Members,
- 9. Informing the Shareholders about the "Wage Policy" for Board Members and Top Managers, and the payments made within the policy, and approval of the information given as per the Corporate Governance Principles,

- 10. Determination of the annual gross wages of the Board members,
- 11. Approval of the Board of Directors for selection of the Independent Audit Company pursuant to Turkish Commercial Code and regulations of the Capital Markets Board,
- 12. Informing the shareholders on the donations made by the Company in 2021 and determining the upper limit for the donations to be made in 2022,
- 13. Informing the shareholders on the income or interests obtained from guarantees, pledges, encumbrances, and sureties instituted by the Company and its affiliates in favor of the third persons, according to the regulations laid down by the Capital Markets Board,
- 14. Granting permission to the shareholders holding the management control, the members of the Board of Directors, the senior managers and their spouses and blood relatives and relatives by virtue of marriage up to second degree in accordance with Articles 395 and 396 of the Turkish Commercial Code and submitting the transactions carried out in this context during 2021 to the shareholders' knowledge in line with the Capital Markets Board Corporate Governance Communique,
- 15. Informing the shareholders about the transition of the company to a low-carbon economy,
- 16. Wishes and comments.

Subsidiary Report

AFFILIATION REPORT PREPARED AS PER ARTICLE 199 OF TURKISH COMMERCIAL CODE

As per Article 199 of the Turkish Commercial Code no. 6102 that entered into force on July 1, 2012, the Board of Directors of Arçelik A.Ş. is responsible for issuing a report in the first three months of the activity period about the relations between Arçelik A.Ş. and the Company's controlling shareholder and the affiliates of the controlling shareholder in the previous activity period, and; including the conclusion of this report in the Annual Report. The necessary explanations about the transactions of Arçelik A.Ş. with the related parties are given in footnote no. 33 of the financial report. Arçelik A.Ş. Board of Directors states in the report dated February 22, 2022: "We have reached the conclusion based on the circumstances we knew about at the time of making the transaction or taking the measure or avoiding the measure; in all transactions between Arçelik A.Ş. and its controlling shareholders and the affiliates of the controlling shareholders in 2021, appropriate consideration was provided in each transaction, and there were no measures, taken or avoided, that could cause loss for the company, and within this scope, there were no transactions or measures that would require offsetting."

Corporate Governance Principles Compliance Statement

Implementation of the “Corporate Governance Principles” issued by the Capital Markets Board (“CMB”) is significant, especially from the aspect of the credibility and financing opportunities of the publicly traded companies. Arçelik A.Ş. is aware of its responsibilities towards its stakeholders as one of Turkey's valuable publicly traded companies. Within this framework, the said principles were adopted by the Company and it exercises due diligence with regard to compliance with the Capital Markets Law (“CML”) and the secondary regulations and resolutions of the Capital Markets Board (“CMB”).

The Company duly adopted and implemented the mandatory principles as part of the Corporate Governance Communiqué no. II-17.1 which was in effect in 2021 while complying with most of the principles with which compliance is not mandatory. Although full compliance in Corporate Governance Principles is targeted, this has not been achieved yet due to the reasons such as the difficulties in applying some of the principles, the discussions about compliance with several principles that are made both in our country and globally, and that certain principles do not align with the current structure of the market and Company. The works on the principles that have not been put into practice yet are in progress and it is planned to be implemented after the completion of administrative, legal, and technical infrastructure works in a way that will contribute to the effective management of our Company.

Comprehensive activities performed within our company as part of the Corporate Governance Principles, the principles that were not complied by the relevant departments, and conflicts of interest (if any) arising from this are explained below.

In 2021, Corporate Governance activities were performed particularly to achieve compliance with the Capital Markets Law that includes the new regulations about CMB's Corporate Governance Principles, and with the Communiqués based on this Law. In our Ordinary General Meeting held in 2021, our Board of Directors and our Committees were formed in line with the requirements in the Corporate Governance Communiqué. Before

the general assembly meeting, the candidates for independent membership were determined and publicly announced, and the election was completed in accordance with the regulations. The established committees of the Board of Directors carry out their activities effectively. Wage Policy for the Board Members and Executive Managers was set again and approval of the shareholders was taken in the Ordinary General Assembly Meeting. In the prepared general assembly information document and principles, the general assembly information such as privileged shares, voting rights, organizational changes, resumes of Board member candidates, remuneration policy of the board of directors and senior executives, and other information that needs to be disclosed were presented to our investors 3 weeks before the last Ordinary General Assembly dated 23.03.2021. In addition, our Company's corporate website and annual report were reviewed and the necessary revisions were made to achieve full compliance with the principles.

In addition to the works on corporate governance performed in 2021, “Diversity Policy of Arçelik A.Ş. Board of Directors” was approved. As part of this, it will be pursued that priority is given to the female candidates among the candidates with the same level of knowledge, experience, and competency. It is aimed to achieve 25% as the minimum rate of the female members at Arçelik Board of Directors within five years. In line with the ongoing practices of Arçelik A.Ş. Board of Directors, working principles of the board were prepared within the frame stated in the Corporate Governance Principles, and approved by the board of directors. The activities of the committee members for 2021 were evaluated by the Board of Directors. Besides, it is ensured that the achievement level of the targets related to Company strategies as well as the financial and operational indicators are measured and their results are reflected on the performance and reward system.

In the coming period, compliance activities will be carried out considering the changes in regulations and practices. The Pending Corporate Governance Principles Arçelik A.Ş. believes

in the importance of full compliance with 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 have not yet been 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 principal institutions to which donations are granted. The balance which is not detailed in the informing document consists of the various donations that were granted to the various institutions and organizations and were not significant information in nature for investors. Although general assembly meetings are open to the public under ordinary circumstances concerning principle 1.3.11, our shareholders were first taken in the meeting hall in the general meetings held in 2021, considering the pandemic and the restrictions on gathering as groups stipulated in the relevant regulations of public authorities, in order to protect the community health.

- Concerning principle no. 1.5.2; minority rights were not given to those that have less than one-twentieth of the capital in the articles of association, however, the said minority rights were given within the framework of general regulations in the legislation. No request was received regarding this issue from the investors. The examples of the best practices are followed and no change in the near future in this respect is considered.
- Concerning principle no. 4.4.7 and as described in the section of Structure and Formation of the Board of Directors, due to the significant contribution of the work experience and sectoral experience of the members of the board of directors to the Board of Directors, the members of the board of directors are not restricted from taking other positions outside the company. The resumes of the members of the board of directors are included in our annual report. Considering

the effective efforts of the board of directors, any change in this application, which was deemed to cause no drawback for corporate governance, is not planned in the short term.

- Concerning principle no. 4.5.5; the assignment of duties within the committees is performed in accordance with relevant regulations, taking into consideration the know-how and experience of our members of the board of directors. Only one independent member of the board of directors has been assigned to duty in two committees at once. The members serving in multiple committees ensure inter-committee communication between committees working on related issues and increase the opportunities for cooperation. It was evaluated, considering the knowledge and experience of the board members that the current committee structure is effective; any need for change in the short term is not projected.
- Concerning principle no. 4.6.5, payments made to the members of the board of directors and managers with administrative responsibility are publicly disclosed in accordance with the general practices set out in our Ordinary General Assembly meeting and in the footnotes of our financial statements. The market practices regarding the subject deemed important for the confidentiality of personal information are monitored closely and acting in line with the widespread application is envisaged.
- The 2021 Corporate Governance Compliance Report (CGCR) and the Corporate Governance Information Form (CGIF), prepared in accordance with Decision No. 2/49 of the CMB dated January 10, 2019, with the approval of our Company's Board of Directors are included in this report. The documents in question can be found via our Company's corporate governance page on the Public Disclosure Platform. <https://www.kap.org.tr/tr/cgif/4028e4a240e95dc90140ed55b43900cf>
- Efforts to ensure full compliance with the Corporate governance principles are ongoing, and a corporate governance action plan has been developed to focus on areas that still need improvement in corporate governance implementations as determined in the Corporate Governance Rating Report for Arçelik A.Ş. prepared by SAHA.

Sustainability Principles Compliance Statement

Arçelik adopts sustainability as a business model with its vision of “Respect for the World, Respectable in the World.” With this understanding, it aims to continuously improve its performance by incorporating good practices within the scope of sustainability management. The majority of the principles and good practices stated in the "Sustainability Principles Compliance Framework" put into effect in 2020 by the Capital Markets Board (CMB) are currently managed by Arçelik in an active manner, and the performance on the subject is regularly reviewed and evaluated and remedial practices are implemented. Considered in this context, the majority of the principles specified in the "Sustainability Principles Compliance Framework" of the CMB 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 efforts to provide a set of practices that will respond to different expectations in the obligations to which it is subject and difficulties experienced in practice. It is aimed to review the sustainability targets and key performance indicators towards the principles which are considered as requiring improvements. Within this framework, it is aimed to ensure full compliance with the relevant principles. The practices regarding the principles within the scope of the CMB Sustainability Principles Compliance Framework are included in the "Sustainability" section of the Arçelik Annual Report. In addition, the Sustainability Report on the Arçelik corporate website, as well as the website content and detailed information, are submitted for the evaluation of the relevant stakeholders. The explanations regarding the principles for which full compliance cannot be achieved within the scope of the shared information are as follows:

- Environmental, Social, and Governance Key Performance Indicators are presented to stakeholders in detail within the scope of the annual “Sustainability Report.” Since there is no verifiable local and international sector comparison

data for all these indicators, it is not possible to share all the indicators in this way. The sectoral evaluation of international sustainability indices covering Arçelik is shared in the relevant sections of the annual report.

- The sharing of information on greenhouse gas emissions, waste generation, energy, and water use from the Environmental Principles within the scope of the Compliance Framework in the manner and in the breakdown specified in the Framework is provided within the scope of the “Sustainability Report.” The reason for sharing the relevant information as in the annual report is that the verification process of the data provided in this context is still continuing. Upon completion of the verification process, the relevant information will be presented to the stakeholders within the scope of the Sustainability Report as stated.
- Impacts on biodiversity are followed up and monitored under the responsibility of the relevant departments. Detailed reporting on the impacts within the scope of the subject will be shared with our stakeholders within the scope of the sustainability report in the upcoming periods.

PRINCIPLE HEADLINE	PRINCIPLE EXPLANATION	RELEVANT SECTION OF ANNUAL REPORT, PAGE NUMBER	REFERENCE
A1. Strategy, Policies and Goals	The Board of Directors determines the ESG material issues, risks and opportunities and develops ESG policies accordingly. For effective implementation of the aforementioned policies, internal directives, business procedures, etc. may be prepared. The Board of Directors takes decisions regarding these policies and discloses them to the public.	Sustainability Management p.134	https://www.arcelikglobal.com/tr/surdurulebilirlik/yaklasimimiz/surdurulebilirlik-yonetimi/ https://www.arcelikglobal.com/tr/surdurulebilirlik/politikalarimiz/politikalar/
A1. Strategy, Policies and Goals	Designates the Partnership Strategy in conformance with the ESG policies, risks and opportunities. Determines its short and long-term goals in line with the partnership strategy and ESG policies and discloses them to the public.	Sustainability Management p.134	
A2. Implementation/ Follow-up	Determines the committees/units responsible for the implementation of ESG policies and discloses them to the public. The responsible committee/unit reports the activities carried out within the scope of the policies to the Board of Directors at least once a year, and in any case, within the maximum periods determined for the public disclosure of the annual activity reports in the relevant regulations of the Board.	Sustainability Management p.134	
A2. Implementation/ Follow-up	Creates implementation and action plans in line with the short and long-term goals established and discloses them to the public.	Sustainability Priorities p. 132 2020 Sustainability Report, p. 24	https://www.arcelikglobal.com/media/6347/sustainability_report_2020.pdf
A2. Implementation/ Follow-up	Determines the Key Performance Indicators (KPI) of ESR and announces them on a yearly basis. In the presence of verifiable data, it presents the KPIs with comparisons of the local and international sectors.	Sustainability Principles Compliance Statement, p. 218 2020 Sustainability Report p.10-20	https://www.arcelikglobal.com/media/6347/sustainability_report_2020.pdf
A2. Implementation/ Follow-up	Discloses the innovation activities that improve the sustainability performance for business processes or products and services.	R&D and Innovation, p. 90 Eco-Friendly Products, p. 148 Eco-Friendly Technologies, p. 150	
A3. Reporting	Reports its sustainability performance, goals and actions at least once a year and discloses them to the public. Provides information on sustainability activities in the annual report.	Sustainability Reporting, p. 136 Corporate website 2020 Sustainability Report	https://www.arcelikglobal.com/tr/surdurulebilirlik/surdurulebilirlik-raporlari/tum-raporlar/
A3. Reporting	It is essential to share information that is important for stakeholders to understand the position, performance and development of the partnership in a direct and concise manner. It can also present detailed information and data on the corporate website, and prepare separate reports that directly meet the needs of different stakeholders.	Stakeholder Engagement, p. 135 Sustainability Reporting, p. 136 Corporate website	https://www.arcelikglobal.com/tr/surdurulebilirlik/genel-bilgi/
A3. Reporting	Pays maximum attention in terms of transparency and reliability. Within the scope of a balanced approach, objectively announces all kinds of developments on primary issues regarding disclosures and reporting.	Stakeholder Engagement, p. 135 Sustainability Reporting, p. 136 2020 Sustainability Report p. 24, p. 32	https://www.arcelikglobal.com/media/6347/sustainability_report_2020.pdf
A3. Reporting	Provides information about which of its activities are related with the United Nations' (UN) Sustainable Development Goals for 2030.	Our Sustainability Approach, p.130	
A3. Reporting	Provides information regarding the lawsuits filed and/or concluded against environmental, social and corporate governance issues.	Sustainability Management, p.134	
A3. Reporting	If verified by independent third parties (independent sustainability assurance providers), it discloses its sustainability performance measurements to the public and strives to promote such verification processes.	Sustainability Reporting, p. 136	

PRINCIPLE HEADLINE	PRINCIPLE EXPLANATION	RELEVANT SECTION OF ANNUAL REPORT, PAGE NUMBER	REFERENCE
B. Environmental Principles	Declares the policies and practices, action plans, environmental management systems (known by the ISO 14001 standard), and programs in the field of environmental management.	In Touch With Our Planet, p.140 Environment Management, p.144	
B. Environmental Principles	Complies with environmental laws and other relevant regulations and announces them.	In Touch With Our Planet, p.140 Environment Management, p.144 Compliance with National and International Environmental and Energy Regulations, p.147	
B. Environmental Principles	Explains the limitations regarding the boundaries, reporting period, reporting date, data collection process and reporting conditions of the environmental report to be prepared within the scope of the Sustainability Principles.	In Touch With Our Planet, p.140 Environment Management, p.144	
B. Environmental Principles	Declares the highest level person responsible, and relevant committees and their tasks in the partnership on the issue of environment and climate change.	In Touch With Our Planet, p.140 Environment Management, p.144 Fight Against Climate Crisis, p.140	
B. Environmental Principles	Announces the incentives it offers for the management of environmental issues, including the achievement of objectives.	Sustainability Management, p.134 Stakeholder Engagement, p.135	
B. Environmental Principles	Explains how environmental problems are integrated into business goals and strategies.	In Touch With Our Planet, p.140 Sustainability Management, p.134 Environment Management, p.144	
B. Environmental Principles	Discloses the sustainability performance regarding business processes or products and services, and the activities carried out to improve this performance.	In Touch With Our Planet, p.140	
B. Environmental Principles	Describes how it manages the environmental issues and how it integrates the suppliers and customers into its strategies, not just in terms of direct operations but throughout the partnership value chain.	Stakeholder Engagement, p.135 In Touch With Our Planet, p.140 In Touch With Our Business, p. 166 Sustainable Supply Chain, p.154	
B. Environmental Principles	Explains whether it is included in the policy-making processes on environmental issues (sectoral, regional, national and international), its cooperation with the associations, related organizations and non- governmental organizations it is a member of, and the tasks it has undertaken, if any, and the activities it supports regarding environmental issues.	Fight Against Climate Crisis, p.140	
B. Environmental Principles	In the light of environmental indicators (greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect) 1), air quality	In Touch With Our Planet, p.140 Environment Management, p.144	
B. Environmental Principles	Periodically reports information on environmental impacts in the light of energy management, water and wastewater management, waste management, biodiversity impacts in a comparable manner.	In Touch With Our Planet, p.140 Sustainability Principles Compliance Statement, p.218	
B. Environmental Principles	Discloses the details of the standard, protocol, methodology and base year it uses to collect and calculate its data.	In Touch With Our Planet, p.140 Environment Management, p.144	
B. Environmental Principles	Explains the status of the environmental indicators (increase or decrease) for the reporting year in comparison with previous years.	In Touch With Our Planet, p.140 Environment Management, p.144	
B. Environmental Principles	Sets short- and long-term goals to reduce its environmental impact and discloses these goals. It is recommended that these goals be determined based on science as suggested in the United Nations Conference of the Parties on Climate Change. If there is an actual progress in the reporting year according to the targets set before, it provides information on the subject.	Fight Against Climate Crisis, p.140	

PRINCIPLE HEADLINE	PRINCIPLE EXPLANATION	RELEVANT SECTION OF ANNUAL REPORT, PAGE NUMBER	REFERENCE
B. Environmental Principles	Explains its strategy and actions to combat the climate crisis.	Fight Against Climate Crisis, p.140	
B. Environmental Principles	Explains the program or procedures to prevent or minimize the potential negative impact of the products and/or services it offers; explains the actions of third parties toward reducing greenhouse gas emissions.	In Touch With Our Planet, p.140 Fight Against Climate Crisis, p.140 Environment Management, p.144 Eco-Friendly Products, p.148	
B. Environmental Principles	Explains the actions taken to reduce its environmental impacts, the total number of projects and initiatives carried out, and the environmental benefits/gains and cost savings they provide.	In Touch With Our Planet, p.140 Fight Against Climate Crisis, p.140 Environment Performance, p.145 Management of Water Risks, p.146 Waste Management, p.146 Waste Electric and Electronic Appliances Recycling Plants, p.147 Eco-Friendly Products, p.148 Eco-Friendly Technologies, p.150	
B. Environmental Principles	Reports the total energy consumption data (excluding raw materials) and details the energy consumption as Scope-1 and Scope-2.	In Touch With Our Planet, p.140 Fight Against Climate Crisis, p.140 Environment Performance, p.145	
B. Environmental Principles	Provides information on the heat, steam, cooling, and the electricity generated and consumed in the reporting year.	In Touch With Our Planet, p.140 Environment Performance, p.145	
B. Environmental Principles	Conducts studies toward increasing the use of renewable energy and transition to zero or low carbon electricity, and discloses these studies.	Fight Against Climate Crisis, p.140	
B. Environmental Principles	Discloses the renewable energy production and usage data.	In Touch With Our Planet, p.140 Fight Against Climate Crisis, p.140 Environment Management, p.144	
B. Environmental Principles	Designs energy efficiency projects and discloses the amount of reduction in energy consumption and emission, owing to these studies.	In Touch With Our Planet, p.140 Fight Against Climate Crisis, p.140 Environment Management, p.144 Eco-Friendly Products, p.148	
B. Environmental Principles	Reports the amount of water withdrawn, used, recycled and discharged from underground or aboveground, its sources and procedures (total water withdrawal by source, the water resources affected by water withdrawal, the percentage and total volume of the recycled and reused water, etc.).	In Touch With Our Planet, p.140 Environment Management, p.144 Management of Water Risks, p.146	
B. Environmental Principles	Explains whether operations or activities are included in any of the carbon pricing systems (Emissions Trading System, Cap-and-Trade or Carbon Tax).	Fight Against Climate Crisis, p.140	
B. Environmental Principles	Discloses the carbon credit information accumulated or purchased during the reporting period.	Fight Against Climate Crisis, p.140	
B. Environmental Principles	Discloses the details if carbon pricing is implemented within the partnership.	Fight Against Climate Crisis, p.140	
B. Environmental Principles	Discloses all mandatory and voluntary platforms on which its environmental information is announced	Sustainability Reporting, p.136 Key Sustainability Activities, p.138	

PRINCIPLE HEADLINE	PRINCIPLE EXPLANATION	RELEVANT SECTION OF ANNUAL REPORT, PAGE NUMBER	REFERENCE
C1. Human Rights and Employee Rights	Formulates the Corporate Human Rights and Employee Rights Policy, which is fully compliant with the Universal Declaration of Human Rights, the ILO Conventions that Turkey has confirmed, and the legal framework and regulations governing the human rights and working life in Turkey. Discloses the policy in question and the roles and responsibilities associated with its implementation.	Human Rights and Employee Rights, p.166	
C1. Human Rights and Employee Rights	Provides equal opportunity in recruitment processes. Taking the effects of the supply and value chains into account, it includes fair labor, improvement of labor standards, women's employment, and inclusion issues (such as gender, religious belief, language, race, ethnic origin, age, disability, refugee, etc.) in its policies.	Human Rights and Employee Rights, p.166 Equal Opportunity and Inclusion, p.167	
C1. Human Rights and Employee Rights	Describes the measures taken along the value chain to observe the rights of certain fractions sensitive to economic, environmental, social factors (low-income groups, women, etc.) or to observe minority rights/equal opportunity.	Human Rights and Employee Rights, p.166 Human Resources Practices, p.167	
C1. Human Rights and Employee Rights	Reports developments regarding discrimination, inequality, human rights violations, practices to prevent and correct forced labor. Discloses the regulations for not employing child labor.	Human Rights and Employee Rights, p.166 Human Resources Practices, p.167	
C1. Human Rights and Employee Rights	Explains policies regarding investment in employees (training, development policies), compensation, vested benefits, right to unionize, work/life balance solutions, and talent management. Determines dispute resolution processes by creating mechanisms for employee complaints and dispute resolution. In addition, it regularly announces the activities carried out to ensure employee satisfaction.	Human Rights and Employee Rights, p.166 Human Resources Practices, p.167 Talent Management, p.167	
C1. Human Rights and Employee Rights	Creates occupational health and safety policies and discloses them to the public. Discloses the precautions taken to prevent work accidents and to preserve health, and the accident statistics.	Occupational Health and Safety, p.172	
C1. Human Rights and Employee Rights	Creates personal data protection and data security policies and discloses them to the public.	Protection pf Personal Data, p.170 Corporate Website-Policies	https://www.arcelikglobal.com/media/5164/05_2020-bilgiguvenligi_politikasi.pdf https://www.arcelikglobal.com/tr/surdurulebilirlik/politikalarimiz/politikalar/
C1. Human Rights and Employee Rights	Creates an ethics policy (including practices regarding work, work ethics, compliance processes, advertising and marketing ethics, public briefing, etc.) and discloses it to the public.	Ethics and Compliance, p.168 Corporate Website	https://www.arcelikglobal.com/tr/sirket/hakkimizda/global-is-etigi-ilkeleri/
C1. Human Rights and Employee Rights	Explains its activities within the scope of social investment, social responsibility, financial inclusion and access to finance.	In Touch with Human Needs, p.156	
C1. Human Rights and Employee Rights	Organizes informational meetings and training programs for employees on ESG policies and practices.	Sustainability Management, p.134 Environment Management, p.144	
C2. Stakeholders, International Standards and Initiatives	Carries out its activities in the field of sustainability by taking the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and non- governmental organizations, etc.) into account.	Stakeholder Engagement, p.135 Sustainability Reporting, p.136 2020 Sustainability Report, p.124	https://www.arcelikglobal.com/media/6347/sustainability_report_2020.pdf
C2. Stakeholders, International Standards and Initiatives	Formulates a customer satisfaction policy regarding the management and resolution of customer complaints and discloses it to the public.	Customer Satisfaction, p.171 Corporate Website	https://www.arcelikglobal.com/media/5257/mu-s-terimemnuniyetipolitikasi.pdf

PRINCIPLE HEADLINE	PRINCIPLE EXPLANATION	RELEVANT SECTION OF ANNUAL REPORT, PAGE NUMBER	REFERENCE
C2. Stakeholders, International Standards and Initiatives	Conducts a continuous and transparent communication with stakeholders; explains the purpose, the subject and the frequency of the communication with the stakeholders, and the progresses in sustainability activities.	Stakeholder Engagement, p.135 2020 Sustainability Report, p.124	https://www.arcelikglobal.com/media/6347/sustainability_report_2020.pdf
C2. Stakeholders, International Standards and Initiatives	Discloses 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), The Task Force on Climate-Related Financial Disclosures (TCFD), etc.) to the public.	Sustainability Reporting, p.136 Fight Against Climate Crisis, p.140	
C2. Stakeholders, International Standards and Initiatives	As a signatory or a member, it discloses the international organizations or principles (Equator Principles, United Nations Environment Programme - Finance Initiative (UNEP-FI), United Nations Global Compact (UNGC) Principles, United Nations Principles for Responsible Investment (UNPRI), etc.), and the international principles it has adopted (International Capital Market Association (ICMA) Green/Sustainable Bond Principles) to the public.	Sustainability Reporting, p.136	
C2. Stakeholders, International Standards and Initiatives	Makes concrete efforts to be included in the Borsa Istanbul Sustainability Index and in international sustainability indexes (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indexes, etc.)	Sustainability Performance Rankings, p.138	
Corporate Governance Principles	Makes maximum effort to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles within the scope of the Capital Markets Board Communiqué on Corporate Governance, numbered II-17.1.	Sustainability Principles Compliance Statement, p.218	
Corporate Governance Principles	Takes the sustainability issue, the environmental impacts of its activities and the relevant principles into account when determining its corporate governance strategy.	Sustainability Management, p.134	
Corporate Governance Principles	As stated in the Corporate Governance Principles, it takes the necessary measures to comply with the principles regarding the stakeholders and to strengthen the communication with them. The Company also seeks the views of the stakeholders when determining the measures and strategies in the field of sustainability.	Sustainability Principles Compliance Statement, p.218	
Corporate Governance Principles	Works on raising awareness on the issue of sustainability and its importance through social responsibility projects, awareness activities and trainings.	In Touch with Human Needs, p.156 Sustainability Management, p.134	
Corporate Governance Principles	Strives to become a member of the international standards and initiatives on sustainability and to contribute to activities.	Sustainability Performance Rankings, p.138 2020 Sustainability Report	https://www.arcelikglobal.com/media/6347/sustainability_report_2020.pdf
Corporate Governance Principles	Discloses the policies and programs regarding the fight against bribery and corruption, and the principle of tax integrity.	Bribery and Corruption, p.170	https://www.arcelikglobal.com/media/5517/4_global-rusvet-ve-yolsuzlukla-mucadele.pdf

Corporate Governance Compliance Report

	Company Compliance Status					
	Yes	Partial	No	Exempted	No 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 - Management did not enter into any transaction that would complicate the conduct of special audit.	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				The agenda of the General Shareholders' Meeting included a separate item for the total amount of the donations and contributions made and major donations were explained in the general assembly information document. The remaining amount for which the details were not provided, includes donations to various parties which were not deemed as material information. We foresee to continue with the current practice of disclosing only the material amounts.
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	No 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	Dividend distribution has been made.
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	No 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					

	Company Compliance Status					
	Yes	Partial	No	Exempted	No Applicable	Explanation
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					
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					
3.3.8 - 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	No 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	No Applicable	
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	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					In 2021, Arçelik A.Ş. Diversity Policy of the Board of Directors has been approved, and in principle, it is aimed that the rate of female members in the Arçelik Board of Directors will reach a minimum of 25% within 5 years.
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					In 2021, the Board of Directors held an actual meeting twice and the rate of attendance was 96%, 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	No Applicable	
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
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	No 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					
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	In 2021, Arçelik attended 10 investor conferences & roadshows in and outside of Turkey, also held 208 investor & analyst meetings and 4 investor webcasts relating to financial statements.
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/en/Bildirim/911556
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Yes, 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)	The PDP link regarding common and continuous related party transactions can be found at: https://www.kap.org.tr/en/Bildirim/911554
The name of the section on the corporate website that demonstrates the donation policy of the company	The upper limit for donations and grants is determined every year at the General Assembly and there is no other policy.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	The PDP link related to the General Shareholder's Meeting where the upper limit for donations are set https://www.kap.org.tr/en/Bildirim/920058
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	Although the general assembly meetings are open to the public under ordinary conditions, our shareholders were primarily accepted to the meeting hall in the general assembly held in 2021, in order to protect public health under the current pandemic conditions.

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	%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.	-
Yönetim kurulunun genel kurula kârın dağıtılmamasını teklif etmesi halinde ilgili genel kurul tutanağının yer aldığı KAP duyurusunun bağlantısı	Kar payı dağıtılmıştır.
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Company / Investor Relations / Policies / Dividend 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.	Dividend has been distributed.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	Dividend has been distributed.
General Assembly Meetings	
General Meeting Date	23/03/2021
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	%85
Percentage of shares directly present at the GSM	%0
Percentage of shares represented by proxy	%85
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	Company / Investor Relations / General Meeting / 23.03.2021 Ordinary General Meeting
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	No question within the scope of Corporate Governance Principle 1.3.5 has been received.
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	0
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/en/Bildirim/920058

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.	Company / Investor Relations / Company Information, Financial Summary, Financial Reports & Presentations, Stock Information, Corporate Governance, Investor Event Calendar, Policies, Merger& Partial Demerger and 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 Information / Real and legal persons with indirect shareholding higher than 5%
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	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 / 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 / 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	Corporate Governance / Other Disclosures
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	Corporate Governance / Other Disclosures
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	Corporate Governance / Other Disclosures
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%	Corporate Governance / Other Disclosures
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	Corporate Governance / Stakeholders / 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	Albeit a policy devoted specifically to this subject, all rights of the stakeholders of Koç Group companies are managed in accordance with national and international legal norms.
The number of definitive convictions the company was subject to in relation to breach of employee rights	0
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	https://www.arcelikglobal.com/en/company/about-us/global-code-of-conduct/ and www.ethicsline.net
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 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.	It is available on our corporate website with the title of Company/ Policies/ Declaration on Equality at Work. In addition, the issue of equal opportunity in recruitment is emphasized in the Global Code of Business Ethics. https://www.arcelikglobal.com/media/5510/1_global-code-of-conduct_.pdf
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.	It is available on our corporate website with the title of Sustainability / InTouch / Areas / Diversity and Inclusion
The number of definitive convictions the company is subject to in relation to health and safety measures	5
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	It is available on our corporate website with the title of Company/ Policies/ Global Code of Business Ethics. https://www.arcelikglobal.com/media/5510/1_global-code-of-conduct_.pdf
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.	Sustainability /Reports and Presentations / Sustainability Report
Any measures combating any kind of corruption including embezzlement and bribery	Principles related to the subject are included in the Global Code of Business Ethics.

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	30.12.2021
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 / Board of Directors / 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	https://www.kap.org.tr/en/Bildirim/951457
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 Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent 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 Çakıroğlu	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	Non-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/en/Bildirim/911556	Considered	No	Yes
Müzeyyen Münire Gülay Barbarosoğlu	Non-executive	Independent director	19/03/2018	www.kap.org.tr/en/Bildirim/911556	Considered	No	Yes
Ahmet Turul	Non-executive	Independent director	19/03/2019	https://www.kap.org.tr/en/Bildirim/911556	Considered	No	Yes
Tuğrul Fadilloğlu	Non-executive	Independent director	25/02/2020	https://www.kap.org.tr/en/Bildirim/911556	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)	2
Director average attendance rate at board meetings	%96
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	7 dsays
The name of the section on the corporate website that demonstrates information about the board charter	Arçelik Board Working Principles is not a publicly availabe document..
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 / Board of Directors / 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/en/Bildirim/926457

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	Board member
Other	Executive Committee	Aykut Ümit Taftalı	No	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 / Board of Directors / 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 / Board of Directors / Number, Structure and Independence of the Committees Established by the Board of Directorsı			
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 / Board of Directors / 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..			
4.6. Financial Rights Specify					
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.		Company / 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 / Board of Directors / 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		%67	%33	6	6
Committee of Early Detection of Risk		%100	%50	6	6
Other	Executive Committee	%100	%0	12	12

Explanations on Corporate Governance

INVESTOR RELATIONS DIVISION

The duties of the Investor Relations Department, which provides communication between the company and the investors, are carried out by Finance & Enterprise Risk Director Özkan Çimen, Investor Relations Senior Specialist Öktem Söylemez and Capital Markets Legislation Compliance Senior Specialist Begüm Olgaç under the management of Chief Financial Officer Polat Şen. In the Board of Directors' Decision dated 09.04.2021, it was decided to appoint Polat Şen as a member of the Corporate Governance Committee.

The licenses of the people in the Investor Relations Department in 2021 are given below:

Name-Surname	Position	Licence Certificate Type	Licence Certificate No.
Polat Şen	Chief Financial Officer / Corporate Governance Committee Member	-	-
Özkan Çimen	Finance and Enterprise Risk Director	-	-
Öktem Söylemez	Senior Specialist - Investor Relations	Capital Market Activities Level 3 License / Corporate Governance Rating License / Derivative Instruments License / Credit Rating License	208683 / 701667 / 308275 / 602990
Begüm Olgaç	Senior Specialist - Compliance to the Capital Markets Legislation	Capital Market Activities Level 3 License / Corporate Governance Rating License / Derivative Instruments License	208461 / 702124 / 307408

The contact information of the Investor Relations Department responsible for 2021 is below:

Polat Şen
Chief Financial Officer
0212 314 31 00
polat.sen@arcelik.com

Özkan Çimen
Finance and Enterprise Risk Director
0 212 314 39 01
ozkan.cimen@arcelik.com

Öktem Söylemez
Senior Specialist - Investor Relations
0 212 705 96 81
oktem.soylemez@arcelik.com
Begüm Olgaç
Senior Specialist - Compliance to the Capital Markets Legislation
0 212 314 39 56
begum.olgac@arcelik.com

Fax: 0 212 314 34 82
e-mail: investorrelations@arcelik.com
yatirimciiliskileri@arcelik.com

Communications providing detailed information to investors regarding the activities of the Company in 2021 are summarized below.

Number of investor conferences and roadshows attended:	10
Number of meetings with investors and analysts:	208
Number of teleconferences regarding financials announced at the end of 2020 and 9 months of 2021:	4
Number of meetings and events organized for the press:	14

The main activities carried out in the Investor Relations Department are as follows:

- Ensuring that shareholders' records are reliable, secure and up to date, Answering shareholders' written information requests both in writing and verbally about the Company – apart from those that interfere with trade secrets and that are not publicly announced,
- Ensuring that the General Assembly Meeting is held in conformity with the applicable legislation, the Articles of Association, and other internal regulations of the Company, Preparing documents that the shareholders may make use of at the General Assembly meetings,
- Keeping a record of the voting results, and ensuring that reports about the results are sent to the shareholders, Overseeing and tracking all issues regarding public disclosure, including the legislation and the disclosure policy of the Company.
- Informing the investors by attending the meetings held at the company headquarters and the conferences and meetings organized by various institutions at home and abroad, Informing the analysts who make evaluations about the company,
- Meeting the information requests of academics who conduct research on the company and the sector, to prepare the content of the investor relations section of the company's corporate website (www.arcelikglobal.com) in Turkish and English, to update it as frequently as possible, and to provide information about the Company to the shareholders via the internet. to ensure fast and easy access,
- Making available the information and disclosures that may have an impact on the use of the shareholder rights – to the use of the shareholders on the company website in an up-to-date manner,
- Informing the public by making the necessary Material Disclosures through KAP (Public Disclosure Platform), taking into account the Communiqué No. II-15.1 of the Capital Markets Board (CMB),

- Following the changes in the legislation related to the Capital Market Law and bringing them to the attention of the relevant units within the Company,
- Representing the Company before the Capital Markets Board, Borsa Istanbul and Central Registry Agency.

The report prepared on the activities of the Investor Relations Department in 2021 was approved by the Corporate Governance Committee on 02.02.2022 and presented to the Board of Directors.

Exercise of Shareholders' Right to Obtain Information
Legislation, articles of association and other in-house regulations are complied with in exercising shareholder rights, measures are taken to ensure the exercise of these rights, and all shareholders are treated equally. At Arçelik A.Ş., the Investor Relations Department is carried out under the Finance and Financial Affairs Assistant General Manager. The main purpose of the company is to ensure that the shareholders' right to obtain information is fulfilled fairly and completely. In addition, the Company fulfills the rights of the shareholders arising from the partnership completely and as soon as possible.

No discrimination is made between shareholders regarding the exercise of the right to obtain and review information on the Company. Each shareholder has the right to obtain and evaluate information.

Questions directed to the Investor Relations Department aside from confidential information and trade secrets are responded to, via telephone or in writing after consulting with the most relevant person in the related subject matter. As explained in the section titled "Corporate Website and Its Content" of this report, all kinds of information and explanations that may affect the exercise of shareholder rights are included on the corporate website.

In order to expand the shareholders' right to obtain information and to exercise their rights in a healthy manner, the necessary information and documents, as well as the financial statements, are constantly updated and made available to the shareholders in Turkish and English on the Company's corporate website (www.arcelikglobal.com). Written and verbal information requests received from the shareholders during the period were answered verbally or in writing, without any discrimination between the shareholders, within the scope of the Capital Market Legislation.

Material event disclosures, financial statements and other information about the Company, which are obliged to be announced with the Public Disclosure Platform, are also sent in electronic form with electronic signature.

Although the Articles of Association do not govern the right of individual shareholders to demand a special auditor, under Article 438 of the Turkish Commercial Code, one may be requested from the General Assembly to clarify certain events even if the issue is not on the agenda. This request can be made if it is necessary for every shareholder to be able to exercise their shareholder rights, and if the right to receive and evaluate information concerning the events in question has been previously exercised. To date, no shareholder has submitted such a request. In addition, the activities of the Company are periodically inspected by the Independent Auditor, PwC Independent Auditing, and Independent Accountant Mali Müşavirlik A.Ş. that were elected at the General Assembly.

Companies in Turkey are obliged to elect an independent auditor pursuant to Article 400 of the Turkish Commercial Code. The auditor, who has been elected as an auditor for the same company for a total of seven years within ten years, cannot be re-elected as an auditor unless three years have passed.

General Assembly Meetings

In addition to legislation and all methods set forth, the announcement of the General Assembly meeting is made at least three weeks prior to the meeting via all kinds of communication tools including electronic communication to reach as many shareholders as possible. Articles of Association have been drawn up accordingly. Along with the general assembly meeting announcement, the following issues are

announced to the shareholders, as well as the notifications and explanations required by the company in accordance with the legislation, on the website of our company:

- a) The total number of shares and voting rights reflecting the shareholding structure of the company as of the date of the announcement,
- b) Changes in the management and activities of the company and its subsidiaries that have taken place in the previous accounting period or planned for the next accounting period, which will significantly affect the activities of the company,
- c) If there is dismissal, replacement or election of the members of the board of directors on the agenda of the general assembly meeting, the grounds for dismissal and replacement, information about the persons to be nominated for the membership of the board of directors;
- d) The Requests of Shareholders, the Capital Markets Board (CMB) and/or Other Public Institutions or Organizations, with which the Company is concerned, for Inclusion of Articles into the Agenda,
- e) In the event of an amendment to the Articles of Association featuring on the agenda, the former and new versions of the amendments to the Articles of Association, along with the resolution of the Board of Directors.

In relation to the fulfillment of the obligation in (c) clause, the persons to be nominated for the membership of the board of directors; information about their backgrounds, the duties they have held in the last ten years and the reasons for leaving, the nature and level of importance of their relations with the company and its related parties, whether they have independence and similar issues that may affect the company's activities if these persons are elected as members of the Board of Directors.

All of the shares constituting the capital of the company are registered. Before the General Assembly, an information document is prepared regarding the agenda items and announced to the public via the Public Disclosure Platform and the corporate

website. Pursuant to the Articles of Association, General Assembly meetings are held open to the public, including stakeholders and the media, without the right to speak.

The company held 1 Ordinary General Assembly Meeting in 2021.

At the Ordinary General Assembly Meeting held on March 23, 2021, where the activities of 2020 were discussed, 57,395,118,514 shares (84.9%) out of the total of 67,572,820,500 shares of the Company's capital were represented physically and electronically at the meeting. Company shareholders (directly or by proxy) and stakeholders attended the meeting. Representatives of various brokerage houses and banks that provide clearing and custody services also attended the meetings as part of the audience. During the General Assembly Meetings, questions asked by the shareholders are answered. If the question was not related to the agenda or was so comprehensive that it could not be answered immediately, the investor relations department responded to them. Although there is no question from the investors on this subject at the General Assembly on March 23, 2021, if there is, the said questions are answered by the Investment Relations Department and published on the company's website.

- Pursuant to the Articles of Association, the announcement of the General Assembly Meeting is published on the Public Disclosure Platform, in the Turkish Trade Registry Gazette, on the corporate website, on the Electronic General Assembly System, on the e-Company, in a way to reach as many shareholders as possible, in addition to the procedures stipulated by the legislation. It was announced at least three weeks before the date of the General Assembly. Corporate Governance Principles are complied with in all notifications. The financial statements.
- All notifications are complied with Corporate Governance Principles.
- The financial statements and reports, including the Annual Activity Report, the profit distribution proposal, the informative document prepared regarding the agenda items of the General Assembly and other documents that form the basis of the agenda items, the final version of the Articles of Association and the amendment text if the Articles of Association is to be amended, and justification; From the

- date of the announcement made for the invitation to the General Assembly Meeting, it is kept open for inspection at the Company's headquarters and on the corporate website, where the shareholders can reach it most easily.
- The agenda topics of the Company's General Assembly are expressed clearly and in a way that does not lead to different interpretations. Information to be given before the general assembly meeting is given by referring to the relevant agenda items.
 - For those who will have themselves represented by proxy before the General Assembly, samples of the power of attorney are included in the announcement text and are available on the corporate website.
 - Before the meeting, the voting procedure is announced at the meeting and presented to the information of the shareholders on the website.
 - At the General Assembly held on March 23, 2021, the Company did not receive any request by the shareholders to add an item to the agenda.
 - General Assembly Meetings are held in a way that does not cause inequality among the shareholders, at the least possible cost for the shareholders, and in the least complicated procedure. It is made easier for the shareholders residing in the country or abroad to attend the meeting, thus enabling them to attend the General Assembly.

In addition, all documents that foreign shareholders may need to inform them about the General Assembly and the agenda texts are translated into English and sent through the banks that carry out clearing and custody transactions for these shareholders in our country and posted on the Company's website.

In order to increase and facilitate participation in the General Assembly, care is taken to hold the meeting in a central place of the city. The number of participants is followed over the years and the meeting place is determined according to the number of participants. The Ordinary General Assembly Meeting held on 23.03.2021 was held at the address “Divan İstanbul Elmadağ, Asker Ocağı Caddesi No: 1 34367 Şişli İstanbul.” The venue where the meeting is held has the characteristics to allow the participation of all shareholders. Invitations to the General Assembly Meetings are made by the Board of Directors in accordance with the provisions of the Turkish Commercial

Code (TTK), the Capital Markets Law and the Company's Articles of Association. As soon as the Board of Directors' decision is made to hold the General Assembly, a statement is made on the Public Disclosure Platform and the public is informed.

According to CMB regulations, financial statements must be disclosed to the public within 11 weeks from the end of the accounting period. The company, on the other hand, announces its financial statements in a shorter period of time. Financial statements for the end of 2021 are also available in the fourth week of the year. Following the announcement of the results, the work of the General Assembly begins, and the General Assembly convenes after the necessary legal procedures are completed. This year's General Assembly will convene within three months after the accounting period. Subjects in the agenda of the general assembly meeting shall be handled impartially and in detail, through an explicit and comprehensible method; shareholders shall be given opportunities to explain their ideas and ask questions under equal conditions, and a healthy discussion environment shall be created. Members of the Board of Directors who are the subject matter experts on the agenda items, other relevant persons, officials who have a responsibility in the preparation of the financial statements, and the statutory auditors attend the General Assembly meeting to provide the necessary briefings and to address any questions.

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

Shareholders holding the management control, members of the Board of Directors, managers with administrative responsibility, and their spouses and relatives by blood and marriage up to the second degree have been granted the permission in the General Assembly to be able to carry out the works falling within the scope of the Company's field of activity within the scope of Articles 395 and 396 of the Turkish Commercial Code. The General Assembly is informed about the realized transactions if any. In 2021, within the scope of principle number 1.3.6 of the Corporate Governance Communiqué, there has been no significant transaction that may cause a conflict of interest between the said persons and the publicly traded company or its subsidiaries.

Pursuant to paragraph 4 of article 415 of the Turkish Commercial Code numbered 6102 and paragraph 1 of article 30 of the Capital Market Law numbered 6362, the right to attend the general assembly and to vote is not subject to the condition of depositing its shares. In this framework, if our shareholders want to attend the General Assembly Meeting, there is no need for them to have their shares blocked at the Central Registry Agency. The votes of the shareholders on the agenda items at the General Assembly Meeting are recorded in the minutes. Each agenda item is voted on separately at the meeting. Our General Assembly is held under the supervision of the Ministry of Commerce Representative.

The General Assembly is informed about the donations and aids made by the company to foundations and associations with a separate agenda item. In the ordinary general assembly meeting held in 2021, information was given about the donations and aids made in 2020 with a separate agenda item in the general assembly. At the General Assembly, the upper limit for donations that can be made in 2021 was determined as 0.3% (three per thousand) of the previous year's revenue, and it was decided to adopt the Arçelik Global Donation and Sponsorship Policy.

Minutes of the General Assembly Meeting are available on the corporate website, and also at the Company's headquarters, these minutes are open to the inspection of the shareholders, and copies are made available to those who request them.

Voting Rights and Minority Rights

The voting procedure at the General Assembly Meetings is announced to the shareholders at the beginning of the meeting. Practices that make voting rights difficult are avoided in the company, and every shareholder, including cross-border shareholders, is provided with the opportunity to exercise their voting rights physically or electronically in the easiest and most appropriate way.

There is no privilege in the Articles of Association regarding the use of voting rights in the company. Each share has one voting right. Among the shareholders of the Company, there is no legal person who is a subsidiary of the Company. No provision in the Articles of Association prevents a non-shareholder from voting by proxy as a representative.

The shareholders representing the minority shares form the Management together with the majority shareholders, with their participation in the General Assembly. In 2021, our Company received no criticism or complaint regarding this matter. Minority rights are not determined by the Articles of Association as less than one-twentieth of the capital.

Dividend Right

Dividend Right at the Ordinary General Assembly held on 27.03.2014. Our dividend distribution policy, approved by the shareholders as an agenda item, has been determined as follows:

“Our company is subject to the provisions of the Turkish Commercial Code, Capital It distributes profits within the framework of Market Regulations, Tax Regulations and other relevant regulations and the article related to profit distribution in our Articles of Association. In profit distribution, a balanced and consistent policy is followed between the interests of the shareholders and the Company in accordance with the Corporate Governance Principles. In principle, as long as the relevant regulations and financial possibilities allow, a minimum of 50% of the distributable period profit calculated within the framework of the Capital Markets Regulations, as long as it can be met from the resources available in our legal records, taking into account market expectations, our long-term company strategy, investment and financing policies, profitability and cash situation. and/or distributed as bonus shares. It is aimed to distribute profits within one month at the latest following 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 the dividend in installments in accordance with the Capital Markets Regulations. According to the Company's Articles of Association; The Board of Directors may distribute advance dividends, provided that it is authorized by the General Assembly and complies with the Capital Markets Regulations.”

The profit distribution policy of the company is included in the Annual Report and is disclosed to the public via the corporate website.

The profit distribution of the company is made in accordance with the TCC and CMB and within the legal deadlines. According to our financial statements for the 01.01.2020

– 31.12.2020 accounting period, Arçelik A.Ş. Prepared by the management based on Turkish Financial Reporting Standards (TFRS), PwC Independent Auditing and Independent Accountant Mali Müşavirlik A.Ş. According to the financial statements for the 01.01.2020 - 31.12.2020 accounting period audited by the Company, there is a net profit of 2,847 million TL belonging to the parent company, and 2,942 million TL current year profit according to the TPL records; The proposal of the Board of Directors to distribute a total of 1,500 million TL dividend to be paid in cash to the shareholders and to determine the dividend payment date as 29.03.2021 has been submitted for approval.

The dividend distribution proposal of the Board of Directors was accepted by majority vote, with an affirmative vote of TL 572,838.495.14 against a rejection vote TL of 1,112,690.

Dividend payments started on March 29, 2021, and were completed on March 31, 2021.

Transfer of Shares

The Articles of Association do not contain practices that make it difficult for shareholders to transfer their shares, and there are no special provisions restricting the transfer of shares. Capital Markets Board regulations are applied for the transfer of the Company's registered shares traded on the stock exchange.

PUBLIC DISCLOSURE AND TRANSPARENCY

Corporate Website and Its Content

The Company actively uses the corporate website www.arcelikglobal.com, as stipulated by the CMB Principles, to maintain its relations with the shareholders more effectively and quickly and to be in constant communication with the shareholders. The information contained herein is constantly updated. Information given on the Company website is consistent with and is the same as the disclosures made as per the relevant legislation provisions, and it does not include inconsistent or inaccurate information.

On the company website; In addition to the information that is required to be disclosed in accordance with the legislation; trade registry information, partnership and management structure as of the latest situation, no privileged shares, the

date and number of trade registry gazettes where the changes were published, the final version of the company's articles of association, material disclosures, financial reports, annual reports, prospectuses and other public disclosure documents, general The agenda of board meetings, list of attendees and meeting minutes, proxy voting form, profit distribution policy, information policy, wage policy, board diversity policy, donation and sponsorship policy and other policies, business ethics principles and answers to frequently asked questions are included. Within this context, information pertaining to the last 5 years at least is published on the website. The corporate website has been arranged in Turkish and English in the content and manner stipulated by the CMB Principles.

The Investor Relations Department is responsible for preparing the content of the Investor Relations section of the corporate website, updating the changed information and adding additional information. Efforts to ensure that the corporate website provides better service to investors are regularly followed up and continued.

The company is controlled by its parent Koç Holding A.Ş., the Koç Family and the companies owned by them.

Annual Report

The Board of Directors of the Company prepares the annual report in such a way as to ensure that the public has access to complete and accurate information about the company's activities and in detail with the information listed in the Corporate Governance Principles.

In addition to the matters specified by relevant legislation and in other sections of Corporate Governance Principles, in the annual reports;

- a) Information on the duties they have held outside the company in the CVs of the Members of the Board of Directors and the independence declarations of the independent members,
- b) Evaluation of the Board of Directors regarding the working principles and effectiveness of the committees, including the committee members of the Board of Directors committees, the frequency of their meetings and the activities carried out,

- c) Number of meetings of the Board of Directors and participation of members of the Board of Directors to such meetings,
- d) Information on legislative and regulatory changes that may have a material impact on the Company's activities,
- e) Information on major lawsuits filed against the Company and potential outcomes,
- f) Information about the conflicts of interest between the company and the institutions from which it provides services such as investment consultancy and rating,
- g) Information on cross-shareholdings that exceed 5% of direct ownership of the Company's share capital,
- h) Information on fringe benefits and Professional development of employees as well as other corporate social responsibility activities related to the Company's operations that have social and environmental impacts.

STAKEHOLDERS

Informing the Stakeholders

Informing the Stakeholders related to the Company are mainly used to express the third parties who have direct relations with the Company. Stakeholders are informed about matters that concern them by inviting them to meetings or using telecommunication tools when necessary. The Company respects and protects the rights of stakeholders acquired through legislation, mutual agreements and contracts, taking into account that it will be to the benefit of the Company, in the long run, to cooperate with stakeholders.

The corporate governance structure of the company allows all stakeholders, including employees and representatives, to convey their concerns regarding illegal and unethical transactions to the management. Among the duties of the Audit Committee is the examination of complaints received by the Company. In addition, the Internal Audit Management evaluates the complaints and forwards them to the Audit Committee.

The methods and criteria to be applied in examining

and concluding the complaints received by the company regarding the accounting and internal control system and the independent audit of the company, and evaluating the statements of the company employees on accounting and independent audit matters within the framework of the confidentiality principle are determined by the committee responsible for the audit.

Employees of the company and approximately 3,000 dealers constituting the dealership organization throughout Turkey constitute an important interest group that has direct relations with the Company. In order to make the system more effective by informing the company employees on practices, communiqués, circulars, regulations and written information on a regular basis, it also informs its dealers with its circular, about the practices and campaigns, Company policies, targets and economic developments, and by listening to the problems of its dealers, It organizes "Dealer Meetings" regularly throughout the year.

Relations with employees within the scope of the Collective Agreement are carried out through union representatives. The company is a member of MESS (Turkish Metal Industrialists' Union) as an employer's union, and the company's blue-collar employees are members of the Turkish Metal Union. The Collective Bargaining Agreement, valid between September 1, 2021 - August 31, 2023, covering our unionized employees working in all Arçelik businesses, was signed on January 12, 2022.

Human Resources Policy

As the Arçelik Family, we take into account the developments in the world and, with our vision of Respect for the World, Respect for the World, which we have set for ourselves, we are moving forward to achieve our goal of always being successful and transferring the values we have created to future generations in a sustainable way. To ensure that we walk with the vision of “Respect for the World, Respect for the World,” to act without sacrificing honesty, to provide a workplace environment where there is no discrimination or injustice, and where decent people work in safe and good conditions, with different backgrounds, cultures, different experiences and perspectives. It is our common desire to develop new ideas and solutions by bringing individuals together and to create a reliable and sustainable value chain all over the world.

Arçelik Human Resources Policies, which are in line with company strategies and determined in the light of common values and business ethics, have been documented and shared with its employees in its subsidiaries in Turkey and abroad. The Assistant General Manager of Human Resources is in charge of determining and managing the principles of the Company's human resources policy, and managing relations with employees. In addition, the Human Resources Assistant General Manager is responsible for the implementation of human rights principles, which are regulated, periodically reviewed and revised when necessary, by the Legal and Compliance Directorate.

Our basic principles that guide Human Resources policies are as follows; Human Resources practices act in line with these principles.

- There is a global/local balance in Human Resources systems and practices. As a company operating on an international platform; we respect local regulations, practices and requirements. In cases where Human Resources policies and practices conflict with local legislation, the relevant country's legal regulations are taken into account.
- Arçelik respects the freedom of its employees to become a member of a union and to draw up collective labor contracts.
- Human Resources policies, Arçelik A.Ş. It is in line with business strategies and includes future needs as well as current organizational needs.
- All Human Resources processes and practices are compatible with and support human rights, and these principles are; non-discrimination and providing equal opportunities within the Company. Arçelik A.Ş. never discriminates against ethnic origin, race, language, religion, age, gender, sexual orientation, nationality, disability, cultural difference or political opinion. This principle is accepted throughout the company and to date, no official complaints have been received from employees that they have experienced discrimination. Arçelik sets binding rules for the Global Business Ethics Principles and related Policies, Arçelik Personnel Regulation and all relevant policies, and ensures that these rules are applied in order to permanently prevent all kinds of discrimination and internal

physical, mental and emotional maltreatment that may occur among employees.

It is ensured that all candidates have equal opportunities in the recruitment process. In this context, we have many different applications and depending on the job size of the position, different criteria are applied with different measurement and evaluation techniques and processes.

In all Human Resources applications; fairness, consistency and reliability are based on. In line with this principle, the job descriptions, wage, performance and reward systems criteria of the company employees are announced to the employees in line with the determined calendar and it is ensured that they are equally known by all employees. In line with organizational competency needs, a variety of training programs are developed to address the development needs of all employees with monthly and hourly wages and are offered starting from their employment. Within the scope of the training process that starts with orientation, functional competencies are strengthened/supported by academies and technical trainings, and social skills are strengthened/supported by competency trainings. The global spread of the solutions offered through online education platforms is increasing.

Career planning of employees is made in line with their knowledge, skills and competencies. At the annual human resources planning meetings, critical positions and the talents and competencies that will carry the company to the future are determined, the performances of potential employees are monitored, their development is supported, and they are thus prepared for their possible future roles. Succession plans of all management positions are created and potential employees are placed in these plans. In this way, candidates for management positions are both trained and situations that would hinder the company's management in case of possible management changes are prevented.

While creating recruitment policies and making career plans, the principle of providing equal opportunities to people with equal conditions inside and outside is adopted. An internal advertisement system is applied in order to offer priority opportunities to our internal candidates. In cases where it is anticipated that changes in managerial positions may

disrupt the company management, internal candidates in the succession plans are evaluated to determine the new managers to be appointed.

In order to continuously improve the Human Resources standards; Human Resources practices are reviewed systematically and regularly, and Human Resources processes are restructured in line with the feedback and the latest developments.

In order to keep our employees constantly informed, regular briefing meetings are held for employees on issues such as the financial situation of the Company, wages, career, education and health.

At Arçelik A.Ş., opinions are obtained from the relevant union and consensus is reached before decisions to be taken regarding human resources policy changes and system revisions concerning unionized employees. All unionized employees are informed about the changes made.

- Within the framework of legal regulations, the personal information of our employees is protected and confidentiality is ensured. While Arçelik A.Ş. aims to meet current and future business needs during the recruitment and placement process, it provides equal opportunities to all candidates with appropriate education, knowledge, skills, competence and experience in line with ethical principles.

ŞThe 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. While planning the current and future development needs of employees in line with business needs, it is aimed to use internal resources effectively and efficiently. In line with the company's training and development policy, the development of employees is supported by revised content on an annual cycle.

Arçelik A.Ş. believes that the basis of organizational success is teamwork and cooperation along with individual success. In this direction, the Company uses different development methods to improve the performance of its employees in line with its objectives. Studies carried out in this area are included in the Global Organization section of the Annual Report.

Arçelik A.S. In order to increase the motivation, commitment and productivity of its employees, to implement best practices and to encourage prominent critical behaviors, it evaluates and rewards all kinds of achievements, inventions and/or suggestions that will provide benefits and ensures its recognition within the Company. The approach in wage management is to determine a fair employment policy with laws and competitive understanding.

Being aware of the fact that commitment to work organization is one of the determining factors of happiness in business life, Arçelik continues to conduct online surveys every year in Turkey and every two years in foreign countries. Studies carried out in this area are included in the Activities section of the Annual Report.

Arçelik, which puts a strong employee experience in its focus, continues to listen to the voices of its employees while implementing its actions. It listens to the views of its employees throughout the year and prioritizes actions through different tools such as one-on-one interviews, listening surveys, and focus group studies. We aim to create a sustainable, developing, inclusive and egalitarian working environment with our Human Resources practices, and we shape our activities in this direction. In the Global Organization section of the Annual Report, there are detailed explanations about our general HR Practices. The sustainability section includes the activities we carry out in line with this purpose.

Industrial Relations

As part of its industrial relations policy, Arçelik A.Ş. always respects and supports employees' right to organize and unionize. The company takes care to maintain a peaceful environment in the workplace by acting in harmony with the requirements of the legislation and collective agreements within the framework of the trust relationship it has established with employees and unions. Local conditions, customs and practices applicable in the regions and countries in which the Company operates are taken into account, even if they are not included in the contracts, in order to maintain a peaceful business environment.

Within the framework of industrial relations policy, trade unions are considered as social stakeholders, not counterparties. For this reason, the Company always attaches

great importance to maintaining good relations with trade unions and acting together with them. Working in better conditions for social stakeholders is an important goal for the Company. In this context, in addition to complying with the laws, other social benefits such as better working conditions, occupational health and safety, birth, death, education and marriage support are included in the collective agreements and care is taken to implement them.

In order to ensure work peace and continuity in line with the relevant provisions of the Collective Bargaining Agreement, the social rights applied to all employees in Arçelik Turkey, regardless of whether they are unionized or non-union, are as follows:

- YA total of 4 salary bonuses per year,
- Fuel allowance,
- "Leave allowance" before annual leave,
- "Holiday allowance" before religious holidays,
- Monthly payment under the name of child benefit,
- Payments made per case; maternity benefits, marriage benefits, death benefits, military service benefits and education benefits.
- Social leave per case; Marriage Leave, Death Leave, Maternity Leave, Natural Disaster Leave
- Vehicle and meal allowance in kind,
- Supplementary Health Insurance,
- Annual leave days applied to employees are specified in the Collective Bargaining Agreement. The right to leave over the legal period applies to all unionized and non-unionized employees.
- According to the job to be started by unionized employees, the level of employment and wages are applied as determined in the collective agreement.

A Collective Bargaining Agreement with the effective period of 01.09.2021-31.08.2023 was signed on 12 January 2022 between the Turkish Metal Industrialists' Union (MESS), of which we are a member and the Turkish Metal Workers Union.

Accessible Energy

Our founder Vehbi Koç's statement "Our most valuable asset is our human resources" is one of the most fundamental elements that determine our Arçelik corporate vision. Protecting the health and safety of our employees and visitors at our facilities is our

top priority. In this direction, we manage our OHS activities in accordance with the relevant legislation requirements, Arçelik OHS Policy and the goal of continuous improvement.

Arçelik Occupational Health and Safety Policy:

- To create healthy and safe working conditions with zero work accidents and zero occupational disease approach,
- Identifying and eliminating danger, risk and near-miss situations in the working environment, Providing necessary communication activities to understand the needs and expectations of our employees and other relevant parties in the field of OHS,
- Continuously improving our OHS performance by using the best available technologies,
- Taking proactive measures by making the necessary plans for possible emergencies, Providing opportunities for all necessary OHS trainings and following the effectiveness of the trainings,
- Promoting the lessons learned and best practices in OHS issues and disseminating them in all our fields of work,
- Within the scope of our OHS Management System, monitoring and improving the OHS performances of contractor companies, identifying OHS-related opportunities, and evaluating them by integrating them into our processes and practices,
- Achieving a successful OHS performance, setting targets, creating action plans, following the realization levels, creating a culture in which our policy and the habit of working in a safe and healthy way are internalized, and providing the necessary resources for this,
- Acting in accordance with national and international legal regulations and other obligations regarding OHS in all geographies where we operate, in new investments and operations,
- Basing our OHS activities on continuous improvement by ensuring the participation of all levels of the organization and our stakeholders.

All company employees, stakeholders and contractors are obliged to work in line with Arçelik OHS Policy requirements.

In order to fulfill this obligation, we manage our OHS-related activities and work with all our strength to be an exemplary organization in terms of occupational health and safety in our sector and in the world.

In line with our OHS Policy, OHS issues are included in the targets of the relevant departments and employees with the performance management system and monitored throughout the year. With the issues determined within the scope of the "Arçelik Occupational Health and Safety Action Plan" and the projects developed in connection with these issues each year, it is aimed not only to ensure the continuity of compliance with the relevant legislation but also to prevent a possible occupational accident and health problem.

In 2021, the Lost Day Accident Frequency** working in Arçelik's global operations was 1.37, the Lost Day Accident Frequency* for contractor company employees was 2.72, and the total Lost Day Accident Rate* for Arçelik employees and contractor company employees was 1.57. While the Occupational Disease Frequency Rate is 0.10 for the employees, it is 0 for the employees of the contractor company. In 2021, a total of 456,145 hours of OHS training was provided to all our employees and 17,108 hours to our contractor employees.

*Data based on 1 million hours.

Arçelik supports its employees to communicate with each other and with their managers on this matter and fulfills its duty of guidance on OHS issues.

At Arçelik, which sets the goal of "zero work accident and zero occupational disease" for all its employees, engineering solutions such as safety and automation systems to prevent work accidents and occupational diseases at the source at the design and planning stage, employment and periodic health checks and personal protective equipment. Different methods and tools are used until the use of equipment.

In 2021, a total of 204,538 person*hour OHS trainings were organized for 16,594 employees on regulatory requirements and technical issues, with wide-ranging participation by occupational safety experts and workplace physicians at all Arçelik facilities.

After the ISO 45001, Occupational Health and Safety Management System Standard audits were carried out in our foreign and domestic locations in 2021, the validity of the global management system certificate was maintained for the Headquarters and all our production facilities.

In order to evaluate our efforts to protect the health and safety of our employees during the pandemic period, a 'Safe Production Certificate' was obtained for Arçelik's domestic production facilities as a result of the audits carried out by independent accredited audit institutions. With the follow-up inspections carried out by TSE in 2021, the continuation of the TSE Safe Production Certificate was ensured.

Code of Ethics and Social Responsibility

The Company aims to satisfy its customers, to provide products and services of universal quality and standards by using natural resources effectively and to contribute to economic and social development. In this way, it aims to be a symbol of reliability, continuity and prestige for its customers, shareholders, employees, suppliers, dealers and authorized services - in short, all its stakeholders - on a national and global scale.

The principle of Koç Group Companies is well-reflected in the spoken word of Vehbi Koç, the founder of the Koç Group;

- Our Customers are the focus of everything we do.
- To be “the best” is our ultimate goal.
- Our most important asset is our people.
- Creation of wealth for continuous development is our key objective.
- We aspire to strengthen the Turkish economy from which we derive our own strength.
- Honesty, integrity, and superior business ethics are the foundations of our business conduct.

With the Global Business Ethics Principles and Related Policies, which are based on these principles, it is aimed to guide our Company employees and those acting on behalf of the Company in their decisions and behaviors while performing their duties.

In 2019, Arçelik A.Ş. Code of Ethical Conduct and Implementation Principles were rearranged as the Global Business Ethics Principles and related Policies in line with the growing and expanding structure of Arçelik A.Ş., and their dissemination to all our subsidiaries was completed in 2020. In order to inform the Legal and Compliance Directorate about actions that are not in line with our renewed Global Business Ethics Principles and relevant Policies, mechanisms

that can be notified via the Ethics Hotline for our production countries and via e-mail and website-based Ethics Line for all other countries have been put into practice. At Arçelik A.Ş., we are committed to treating all notifications confidentially and protecting notification owners.

In order to fully comply with the Global Business Ethics Principles framework, as Arçelik Legal and Compliance Directorate, we have created comprehensive training programs, both face-to-face and online, to cover all our employees. Content of this training included anti-discrimination and prevention of human rights violations as well as Global Business Ethics and the related Policies, including anti-bribery and anti-corruption. We held trainings on Global Business Ethics Principles and Related Policies in one-on-one sessions for our senior management. By training 1760 more people in 2021, we have provided live broadcast training to more than 11 thousand of our employees on the Global Business Ethics Principles and Related Policies since the day it was published. In addition, Personal Data Protection training was given to more than 1500 employees in 18 European countries, Russia and Turkey in 2021.

Arçelik A.S. complies with the human and employee rights directives of international initiatives of which it is a voluntary participant, and ensures that its approaches and practices are audited by independent audit institutions. The company complies with the principles of human rights and labor standards set forth in the United Nations Global Compact, of which Koç Group is a signatory, and presents its performance in this field to the opinions of its stakeholders with its annual and sustainability reports.

With our updated Business Ethics Principles, Arçelik undertakes to act in accordance with the principles set out in the United Nations Global Compact, OECD General Principles on Multinational Enterprises and the Universal Declaration of Human Rights, regardless of whether these principles are adopted in the countries in which it operates.

Everyone working in our company is accepted equally, regardless of ethnic origin, race, language, religion, age, gender, nationality, disability and cultural difference. This approach, which started with our employment policy, is

based on the principles of the right person for the right job, equal pay for equal work, merit-based on success and equal opportunity for everyone. The principles of respect for human and employee rights are at the center of all our human resources processes. In this direction, we offer our employees an equal opportunity, mutual trust, anti-discrimination, respect for human rights and fair working environment. We undertake to comply with all laws and rules in order to provide equal rights in the entire value chain and not to discriminate, we ensure that we work in a way that avoids discrimination in the business environment, and we ensure that "No Child Labor and Forced and Compulsory Employment" is ensured by the labor legislation and policies created within this framework. We are sensitive about keeping these policies implemented in our company alive in the relations of all our stakeholders and our employees. All of our employees are expected to exhibit attitudes and behaviors that will ensure the cultural integrity of our company and to protect and develop the reputation of our Company and the reliability of its corporate structure. All of our employees and business partners, including our temporary employees, are obliged to comply with the Global Business Ethics Principles and related Policies. Global Business Ethics Principles and related Policies are disclosed to the public in detail on our Company's website. <https://www.arcelikglobal.com/en/company/about-us/global-code-of-conduct/>

Arçelik A.Ş. Global Business Ethics Principles and related Policies are delivered to their employees against signature upon their employment. In addition, training on Global Business Ethics and the related Policies is provided to all new employees and their status for completion of training is checked regularly.

In order to ensure the continuity of this system we have created, our ethical code of conduct, which is based on the basic principles set by Vehbi Koç, the founder of the Koç Group, is of great importance. The functioning and sound implementation of the Global Business Ethics Principles and Related Policies Arçelik A.Ş. are realized through the Global Ethics Committee established within the body. The Global Ethics Committee is led by our CEO, reflecting that senior management's approach is directly related to the ethical culture.

The Global Ethics Committee consists of the CEO (President), CFO, Legal and Compliance Director, Executive Vice President of Human Resources and relevant Executive Vice Presidents. The Law and Compliance Directorate is responsible for arranging, periodically reviewing and revising human rights principles, and Human Resources is responsible for the implementation of these principles. At the same time, informing all employees of the Global Business Ethics Principles and Related Policies, ensuring that employees attach the necessary importance to these rules, and showing the necessary effort and leadership in complying with these rules are among the main duties and responsibilities of employees in the management role.

Business Ethics Principles shape Arçelik's activities globally. Therefore, the responsibility of the Business Ethics Principles and Related Policies arising from our daily business practices belongs to the country manager of each geographical operation and covers all commercial and functional activities in this geography, and this responsibility is ultimately entrusted to our CEO. "CEO Responsibility" applies to all Global Business Ethics Principles and Related Policies. All group companies, functions and all line managers must comply with these rules.

All stakeholders are expected to comply with the Global Business Ethics Principles and Related Policies.

Arçelik A.Ş. is among the companies that signed the Corporate Social Responsibility Ethics Agreement (Code of Conduct) created by the European Home Appliance Manufacturers Association (APPLIA). The Code of Ethics ensures a sustainable performance in terms of working conditions, environmental laws and standards stipulated by applicable national laws and relevant international agreements.

At the same time, it is ensured that the production facilities are audited by independent auditing organizations according to the criteria of BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange), which are widely accepted in the European Union, and compliance reports are obtained as a result of regular audits. At Arçelik, the Sustainability Board, chaired by the CFO, is responsible for the management of sustainability issues,

the determination of climate crisis policies and strategies according to risks and opportunities, the integration of sustainability with business processes and monitoring of sustainability performance. To ensure sustainability is embedded in the Company's strategies at the highest level, 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. Durable Goods Group President is also a member of Arçelik's Board of Directors, and actively carries out his duties as a Member of the Board of Directors responsible for overseeing Arçelik Global's cyber security strategy, and in the Information Security Committee.

In accordance with the Arçelik Board of Directors decision numbered 1098, it was decided to establish a separate Human Rights unit in line with the company's global strategies. Durable Goods Group President, also a member of the Arçelik Board of Directors, has been tasked with reporting Arçelik Global's human rights strategies to the Board of Directors.

"The company works to fulfill its responsibilities with its employees and all business partners, deriving its strength from its corporate values and the principle of "We exist as long as our state and country exist." as determined by its late Founder, Vehbi Koç."

Arçelik's corporate social responsibility approach is based on respect for society and the goal of leaving a better world to future generations. Arçelik implements different social projects sensitive to human needs, both in the geographies where it operates and in other regions. Corporate social responsibility activities at Arçelik focus on the following issues:

- Creating value for society and the environment with its global brands and working purpose-oriented
- Developing smart technologies and solutions that respond to the local needs and priorities of communities in the regions where it operates
- Going beyond the industry to expand its sphere of influence, building partnerships involving different stakeholders, supporting sustainability and social responsibility

Arçelik's understanding of corporate social responsibility is in line with the UN Sustainable Development Goals and recognizes that all 17 SDGs are interrelated and important to each other. The company's corporate social responsibility strategy focuses on supporting seven global goals: Health and quality of life, Quality education, Gender equality, Decent work and diversity, Responsible production and consumption, Climate Action, Partnerships for causes. Arçelik also contributes to Goal 17 with its multi-stakeholder approach based on working with public institutions and non-governmental organizations.

The company works with all its stakeholders in production and non-production processes, with innovative product development and production approach focused on protecting the environment and natural assets. Within the framework of its activities, it undertakes within the framework of the Global Business Ethics Principles that compliance with national and international legal obligations for the protection of the environment and human health is the minimum standard. It provides regular training to its employees in order to increase sensitivity in the protection of the environment and natural resources and combating climate change.

The corporate citizenship approach, which is discussed in detail in the Arçelik and Sustainability section of the report, is based on the goal of respecting society and leaving a better world for future generations.

As part of the company's corporate social responsibility approach, Arçelik's three biggest brands focus on leading change and improving lives with their own social projects. These projects have been implemented in order to create maximum social impact in line with the company's priorities in the field of corporate citizenship while reinforcing the reputation of each brand in the field of social responsibility and expanding its customer pool.

Arçelik sees corporate volunteering as a fundamental element of its corporate citizenship. By 2030, it undertakes to establish at least one corporate volunteering platform in every country where it operates and to ensure that more than 50% of its employees participate in volunteering activities. These activities aim to focus on:

- Promoting gender equality and women's empowerment
- Ensuring the acquisition of technical skills through education and training

- Ensuring the acquisition of digital skills and competencies
- Raising awareness on environmental sustainability, especially plastic and climate crisis

Impact measurement and communication Arçelik measures its impact on both the environment and society within the framework of its approach to continuously improving its corporate citizenship performance and sustainability activities. Arçelik aims to conduct a social impact assessment for each social project. Arçelik communicates its corporate social responsibility approach and performance to all its stakeholders through its Sustainability Report, its corporate website and social media channels.

The company's sustainability approach; is to act by considering the social, economic, environmental and ethical dimensions of its activities, to follow these dimensions by integrating them with corporate business goals, to manage its activities with sustainability principles within the framework of the corporate policies and strategies it has created. The company considers risks and opportunities related to sustainability and the expectations of internal and external stakeholders as important inputs in its activities.

While the Corporate Brand and Projects Management is responsible for the coordination and reporting of Arçelik's corporate citizenship programs, the General Manager is responsible for the company's social and environmental performance. Under the leadership of the Strategic Communication Group Manager under the Global Communications Directorate, the team works in close cooperation with both internal and external stakeholders and implements social projects in line with the issues Arçelik considers important. Employee volunteering programs carried out within the scope of these corporate citizenship projects are coordinated by the Social Clubs Management working under the Human Resources Directorate.

At Arçelik, the Sustainability Board, chaired by the CEO, is responsible for the management of sustainability issues, the determination of climate crisis policies and strategies according to risks and opportunities, the integration of sustainability with business processes and monitoring of sustainability performance. In the Board formed with the participation of Arçelik Senior Management, the members of the board control and coordinate the sustainability activities

in their areas of responsibility and chair the Sustainability Working Groups. In order to ensure the implementation and dissemination of the decisions taken by the Sustainability Board and to report the relevant developments, 5 different working groups have been established: Environment, Energy, Green Chemistry, Sustainable Supply Chain and OHS. Risk and opportunity studies, which are formed as a result of the outputs of the Working Groups and submitted to the Sustainability Board, are reported to the Risk Management Committee twice a year. To ensure sustainability is embedded in the Company's strategies at the highest level, 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. 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 effective and transparent manner, Arçelik has been publishing a Sustainability Report every year since 2008 in accordance with the Global Reporting Initiative (GRI). Arçelik 2020 Sustainability Report, prepared according to the GRI Standards Core option, includes the company's ethics and compliance system, stakeholder management, talent management, responsible production and consumption, R&D and innovation, sustainability management in the value chain, gender equality, education and other social issues. includes work on development. The activities carried out by the company within the scope of the climate crisis are included in the relevant sections of the Annual Report.

Annual and Sustainability reports can be accessed from the www.arcelikglobal.com/website.

STRUCTURE AND CONSTITUTION OF THE BOARD OF DIRECTORS

Members of the Board of Directors

BoD Name-Surname	Position	Independence Status	Date of Election	Term of Office	Duties in the Board of Directors and Committees	Duties Outside the Company
Mustafa Rahmi Koç	Chairman	Not Independent Member	23.03.2021	1 year	Chairman of the Board of Directors, Chairman of the Executive Committee	Board Membership in and Outside the Group
Mehmet Ömer Koç	Vice Chairman	Not Independent Member	23.03.2021	1 year	Vice Chairman, Executive Committee Member	Memberships in Group Companies
Semahat Sevim Arsel	Member	Not Independent Member	23.03.2021	1 year	Board Member, Executive Committee Member	Memberships in Group Companies
Yıldırım Ali Koç	Member	Not Independent Member	23.03.2021	1 year	Board Member, Executive Committee Member	Memberships in Group Companies
Levent Çakıroğlu	Member	Not Independent Member	23.03.2021	1 year	Board Member Corporate Governance Committee Member	Memberships in Group Companies
Robert Sonman	Member	Not Independent Member	23.03.2021	1 year	Board Member	Board Member at Companies Outside the Group
Fatih Kemal Ebiçlioğlu	Member	Not Independent Member	23.03.2021	1 year	Board Member, Risk Management Committee Member	Memberships in Group Companies
Hakan Hamdi Bulgurlu	Member/CEO	Not Independent Member	23.03.2021	1 year	Board Member	Memberships in Group Companies
Kâmil Ömer Bozer	Member	Independent member	23.03.2021	1 year	Board Member, Chairman of the Audit Committee	Board Membership in and Outside the Group
Müzeyyen Münire Gülay Barbarosoğlu	Member	Independent member	23.03.2021	1 year	Board Member, Chairman of the Risk Management Committee	-
Ahmet Turul	Member	Independent member	23.03.2021	1 year	Board Member Chairman of the Corporate Governance Committee Audit Committee Member	Board Member at Companies Outside the Group
Tuğrul Fadilloğlu	Member	Independent member	23.03.2021	1 year	Board Member	Board Member at Companies Outside the Group

The table above summarizes the information about our current Board Members, all of whom do not take part in the execution according to the definition made in the CMB Corporate Governance Principles, except for the Company's General Manager, Hakan Hamdi Bulgurlu.

According to the Articles of Association, the business of the Company is carried out by a Board of Directors consisting of at least five members to be elected by the decision of the General Assembly within the framework of the Turkish Commercial Code and Capital Markets Board regulations. The General Assembly of the company, dated 23.03.2021, decided that the Board of Directors should consist of 12 members, including 4 independent members.

In accordance with the Regulation on the Structure of the Board of Directors in Article 4.3 of the Capital Markets Board's Corporate Governance Principles, the necessary arrangements for the inclusion of independent members in the Board of Directors were accepted by amending the Articles of Association at the Ordinary General Assembly held on 29.03.2012.

Members of the Board of Directors are determined in such a way as to enable them to work productively and constructively, to take quick and rational decisions, and to organize the work of the committees effectively.

Permission was obtained from the General Assembly dated 23.03.2021, within the scope of Articles 395 and 396 of the Turkish Commercial Code, for the Members of the Board of Directors to carry out the works that fall within the scope of the Company in person or on behalf of others, and to become partners in companies that carry out such works.

The duties of the Chairman of the Board of Directors and the General Manager are carried out by separate persons. Care is taken to ensure that the members of the Board of Directors allocate the necessary time for company affairs, and there is no restriction on taking on other duties or duties outside the company. There is no need for such a limitation, especially due to the significant contribution of the independent members' work experience and sectoral experience to the Board of Directors. Before the General Assembly, the members' CVs and the duties he/she performs outside the company are submitted to the information of the shareholders. The CVs of the Members of the Board of Directors, General Manager and Assistant General Managers are included in the Annual Report.

In our company, the duties of the Nomination Committee and the Remuneration Committee are fulfilled by the Corporate Governance Committee. The number of independent member candidates submitted to the Corporate Governance Committee for the General Assembly dated 23.03.2021 is 4, and their declarations of independence and resumes were evaluated in the Corporate Governance Committee's decision dated 04.01.2021 and the Board of Directors dated 18.01.2021, and all of them were independent member candidates. were determined as. For 4 independent member candidates (Kamil Ömer Bozer, Müzeyyen Münire Gülay Barbarosoğlu, Ahmet Turul

and Tuğrul Fadilloğlu), these 4 candidates were approved by the General Assembly dated 23.03. were elected members. There was no situation that abolished independence in the activity period of 2021.

Following the General Assembly Meeting dated 23.03.2021, in which the Members of the Board of Directors were elected, the Chairman and Deputy Chairman of the Board of Directors were determined by taking a decision regarding the division of duties.

Our Board Members are experienced people who have worked professionally for many years. The Company benefits from the knowledge and experience of the Members of the Board of Directors at the highest level. The member of the Board of Directors can express their opinion freely, without any influence.

It is believed that ensuring diversity in terms of knowledge, experience and point of view at our Board of Directors will contribute positively to the activities of the Company and the effective functioning of the Board of Directors. As an indication of this, on May 25, 2021, With the approval of the "Board Diversity Policy," in the nomination process for the Board of Directors, it is aimed to give priority to female candidates among candidates with the same qualifications in terms of knowledge, experience and competence is targeted. Currently, there are 2 female members in our Board of Directors, Ms. Semahat Sevim Arsel and Ms. Müzeyyen Münire Gülay Barbarosoğlu, and our female member rate is at the level of 17%.

Operating Principles of the Board of Directors

The Board of Directors convenes as long as the Company's business requires. Due to the COVID-19 epidemic in 2021, the Board of Directors held one actual meeting (100% participation rate) and one online meeting (92% participation rate), and the average participation rate in these 2 meetings was 95.8%. Except for the decisions taken at the said meeting, all of the other decisions were taken by the circulating method. In these meetings, Arçelik A.Ş. was possible to make strategic evaluations by obtaining sufficient and transparent information about its strategy and activities; In addition, the members of the board of directors were regularly informed about the company's performance and developments. The Board of Directors took 44 Board resolutions throughout the year. Independent members of the board of directors participated in all the decisions taken. The

counter opinions declared and the reasons for the dissenting votes cast in the meetings of the Board of Directors are entered into the resolution minutes. The reasons for the opposite opinions are declared publicly in detail. Each member of the Board of Directors is entitled to a single voting right. However, there is no such public announcement in the year 2021 since there exists no such opinion was declared.

The agenda of the Board of Directors Meetings is determined by notifying the Company's Senior Management and Members of the Board of Directors, by the relevant units, of the issues that the relevant legislation has ordered to be resolved by the Board of Directors. Apart from this, the meeting agenda is determined when any of the Members of the Board of Directors notifies the Company's senior management about taking a decision on a matter of importance. Matters requested to be discussed at the Company's Board of Directors are gathered at the Finance and Financial Affairs Assistant General Manager, and the agenda is set by consolidation.

Arçelik A.Ş. In order to determine the agenda of the Board of Directors Meetings, to prepare the decisions of the Board of Directors, to inform the Members of the Board of Directors and to provide communication, Assistant General Manager of Finance and Financial Affairs has been appointed.

Meetings of the Board of Directors are held at the company headquarters or at a convenient place in the city where the headquarters is located. Important Board of Directors Decisions are announced to the public via the Public Disclosure Platform, and the aforementioned material disclosures are posted on the website in Turkish and English.

The Company has subsidiaries and associates. The Members of the Board of Directors of the Company are not restricted from taking these duties outside the Company, considering that it would be in the Company's interest to also take part in the management of these companies.

The regulations regarding the Company's Board of Directors are clearly defined in the Articles of Association. Signing authority is detailed in the company's signature circular. The Board of Directors evaluates whether there is a possibility of a conflict of interest while overseeing the activities of the Company

and if there are, the consequences of such conflict of interest for the Company and takes the necessary decisions to act in the best interests of the Company. In addition to compliance with regulations in related party transactions, possible risks of fraud are evaluated by the Board of Directors and related party transactions are handled meticulously.

Arçelik Board of Directors governs and represents the Company by taking strategic decisions, maintaining an optimal balance between risk, growth and return, pursuing a rational and prudent risk management approach, and giving priority to the Company's long-term plans. In the year-end performance evaluation process, in addition to the financial and operational indicators, the realization level of the targets for the realization of the Company's strategies is also measured, and it is ensured that these constitute an input to the performance and reward system.

The Board of Directors has a pioneering role in maintaining effective communications between the Company and its shareholders and eliminating and resolving potential conflicts. To this end, the Board of Directors works in close cooperation with the Corporate Governance Committee and the Investor Relations Department.

There is “manager liability insurance” for the members of our Company's Board of Directors and our senior managers.

Our Company's revised "Remuneration Policy for Board Members and Senior Executives,” which includes all kinds of rights, benefits and wages provided to the members of the Board of Directors and senior executives, as well as the criteria used in their determination and the principles of remuneration, is available on the company's website.

Number, Structure and Independence of Committees Established within the Board of Directors

According to the Articles of Association, the Board of Directors may form advisory, coordination, audit and similar committees or sub-committees consisting of its members and/or non-members on matters it deems appropriate, provided that they comply with the provisions of the relevant legislation.

In the election of the members of the committees formed

after the Ordinary General Assembly dated 23.03.2021, the provisions specified in Article 4.5 of the CMB Corporate Governance Principles were applied.

In 2021, all board committees fulfilled their duties and responsibilities within the scope of Corporate Governance Principles and their working principles; collected in accordance with work plans. During the work of the committee, opinions were obtained from the company managers and independent auditors when necessary. Reports containing information about the work of the committees and the results of the meetings held throughout the year were presented to the board of directors.

The Board of Directors is of the opinion that the expected benefit from the work of the board committees has been achieved.

Duties, Responsibilities and Working Principles of the Audit Committee;

In order for the Board of Directors to fulfill its duties and responsibilities in a healthy manner, an “Audit Committee” has been formed in the company. The Audit Committee carries out its activities on a regular basis as stipulated in the Capital Markets Legislation and CMB Corporate Governance Principles. Audit Committee members are selected from the independent members of the board. This committee was formed of 2 members, Kamil Ömer Bozer was appointed as the Chairman and Ahmet Turul was appointed as the member. The Audit Committee, established within the Company, held 4 meetings in 2021 in order to monitor the functioning of the accounting and reporting systems in our company within the framework of the relevant laws and regulations, the disclosure of financial information to the public, the operation and effectiveness of the independent audit and internal control system.

- Working principles of the Audit Committee;
- Designating the independent auditing firm, drawing up the independent auditing agreements and initiating the audit process as well as overseeing the activities of the independent auditing firm at each stage,
 - Evaluating the situation of the independent auditor against the independence criteria, the declaration of

- independence and the additional services that can be obtained from the independent audit firm,
- The findings to be reached within the scope of the independent audit conveyed to the Committee by the independent audit firm, important issues related to the accounting policy and practices of the partnership; alternative application and public disclosure options within the framework of the CMB's accounting standards and accounting principles, which were previously communicated to the Company management by the independent auditor; their possible consequences and proposal for implementation; Evaluating important correspondence with the partnership management,
 - Reviewing and concluding the complaints communicated to the Company concerning the Company’s accounting and internal control systems as well as independent audit processes and establishing the methods and the criteria to be implemented for handling the communications of the Company’s employees with respect to accounting, reporting, internal control, and independent audit processes under the confidentiality principle,
 - Obtaining the opinions of the executives of the Company and the independent auditors regarding the conformity of the annual and interim financial statements to be disclosed to the public with the accounting principles implemented by the Company and the truth as well as the accuracy thereof and communicating the same to the Board of Directors in writing together with its assessments,
 - Fulfilling the other duties assigned/to be assigned to the Committee by the CMB regulations and the Turkish Commercial Code are the duties of the Committee.

Detailed information on the Duties, Responsibilities and Working Principles of the Audit Committee can be found on our company's website at www.arcelikglobal.com

Corporate Governance Committee Duties, Responsibilities and Working Principles;

In accordance with the Corporate Governance Principles published by the Capital Markets Board, a Corporate Governance Committee has been established within the Company to monitor the company's compliance, to carry out improvement studies and to offer suggestions to the Board of Directors. The duties of the Nomination Committee and the

Remuneration Committee are also carried out by the Corporate Governance Committee. On April 9, 2021, independent board member Ahmet Turul was appointed as the Chairman of the Corporate Governance Committee, and Levent Çakıroğlu, a member of the board of directors, and Polat Şen, who headed the Investor Relations Department. The Corporate Governance Committee held 7 meetings in 2021.

The Corporate Governance Committee evaluated the Company's corporate governance practices and the Corporate Governance Principles Compliance Report in 2021, and also provided information to the Board of Directors about the activities of the Investor Relations Unit. In addition, the Corporate Governance Committee, which also undertakes the duties of the Nomination Committee and the Remuneration Committee, has worked on the efficiency of the work of the board of directors and the determination of independent Board member candidates, and the benefits provided to the members of the Board of Directors and senior executives.

- Corporate Governance Committee Working Principles;
- Establishing whether the Corporate Governance Principles are being implemented and if not, determining the reasons thereof as well as the conflicts of interest arising from any non-compliance with these principles fully and making recommendations to the Board of Directors to improve the corporate governance practices;
 - Overseeing the work of the investor relations unit.
 - Reviewing the Corporate Governance Principles Compliance Report to be disclosed to the public and checking whether the information provided therein is accurate and consistent with the information that the Committee possesses;
 - Ensuring that the Corporate Governance Principles are developed, adopted, and implemented within the Company as well as conducting studies with respect to the matters for which they are not implemented and making recommendations to the Board of Directors for improving the level of compliance.
 - Following the Corporate Governance Principles in the world and making suggestions to the Board of Directors in order to implement the necessary elements within the Company,

- Establishing a transparent system to determine, assess and train suitable candidates for the membership of the Board of Directors and the executive positions having administrative responsibility as well as conducting studies in order to determine policies and strategies related thereto;
- Evaluating the proposals of candidates for independent membership, including the management and investors, by taking into account whether the candidate fulfills the independence criteria and submitting its evaluation to the approval of the board of directors.
- In case of a vacancy in the independent board of directors memberships, in order to ensure that the minimum number of independent members is restored, making an evaluation for the election of independent members for the vacant memberships to serve until the first general assembly meeting to be held, and submitting the result in writing to the board of directors.
- Evaluating the structure and effectiveness of the Board of Directors regularly, and advising the Board on necessary changes that may be introduced in this regard.
- Determining and overseeing the approaches, principles and practices on the issue of performance evaluation and career planning of the Members of the Board and the senior executives.
- Determining the recommendations of the members of the Board of Directors and senior executives regarding the principles of remuneration, taking into account the long-term goals of the company, and monitoring them.
- Determining the criteria that can be used in remuneration in connection with the performance of the company and the member.
- It is the Committee's duty to present its proposals to the Board of Directors regarding the remuneration to be paid to the members of the Board of Directors and senior executives, taking into account the degree of attainment of the criteria.

The Committee convenes as often as required by the duties assigned itself.

Detailed information on the Corporate Governance Committee's Duties, Responsibilities and Working Principles can be found on our company's website at www.arcelikglobal.com

Risk Management Committee Duties, Responsibilities and Working Principles;

Early detection and evaluation of all kinds of financial, strategic, operational, compliance and external risks that may affect our company, calculating their effects and possibilities, managing these risks in accordance with the Company's enterprise risk appetite, regularly reporting the risks and taking them into account in decision mechanisms, and establishing effective internal control systems in this direction. Independent member of the board of directors, Müzeyyen Münire Gülay Barbarosoğlu, was elected as the Chairman of the Risk Management Committee, which was established in order to advise and make recommendations to our Board of Directors on issues and integration. The Risk Management Committee held 6 meetings in 2021.

Risk Management Committee Working Principles;

- Identifying, evaluating and monitoring existing and potential risk factors that may affect the achievement of the company's goals within the framework of the Enterprise Risk Management (ERM) systematic, and determining the principles for the management of the relevant risks in accordance with the company's risk-taking profile, ensuring that they are used in decision mechanisms,
- Determining the risks that will be kept and managed, shared or completely eliminated in the company, according to probability and impact calculations,
- Integrating the risk management and internal control systems into the corporate structure of the Company,
- Reviewing the risk management systems and monitoring the implementation of the practices in the relevant departments that take responsibility for the management of risks, in accordance with the committee's decisions,
- Early detection of technical bankruptcy and warning the Board of Directors on this matter, developing suggestions for measures,
- Fulfilling the other duties assigned/to be assigned to the Committee by the CMB regulations and the Turkish Commercial Code are the duties of the Committee.

Detailed information on the Duties, Responsibilities and Working Principles of the Risk Management Committee can be found on our company's website at www.arcelikglobal.com

Duties, Responsibilities and Working Principles of the Executive Committee;

An Executive Committee has been established to make recommendations and suggestions to the Board of Directors in order to increase the efficiency of the Board of Directors by ensuring effective coordination between the Board of Directors and the administrative structure and to ensure efficiency in investment and business development in areas compatible with its strategic goals. The purpose of this committee is to monitor the developments in the Company and its sector more closely and to inform the Board of Directors when necessary since the Board of Directors cannot convene at the desired frequency and time; To ensure coordination between the administrative structure of the company and the Board of Directors; To provide suggestions for the development of appropriate strategies for the company and the effectiveness of activities. On April 9, 2021, the Chairman of the Executive Committee, Mustafa Rahmi Koç, and members of the Board of Directors, Semahat Sevim Arsel, Mehmet Ömer Koç, Yıldırım Ali Koç, Caroline N. Koç and Aykut Ümit Taftalı, were appointed by the Board of Directors on April 9, 2021.

Working Principles of the Executive Committee;

- Ensuring that the necessary preparations, analyses and evaluations are completed on issues such as the impact on activities, financial dimension, legal situation, compliance with strategic priorities, before the important issues to be decided by the Board of Directors are submitted to the approval of all members,
- Ensuring the transfer and dissemination of the issues related to the General Assembly or Board of Directors resolution to the Company management within the framework of the determined directives and policies,
- Checking that the company's activities are carried out in accordance with the decisions of the Board of Directors and annual business plans,
- Evaluating the effects of the developments in the economic, social and political environment in the sector in which the company operates, to determine the strategies to increase the competitive power,
- Identifying the opportunities that may arise by monitoring the dynamics of the sector, in line with the determined strategies

- Monitoring the strengths and weaknesses of the company with internal analyzes and opportunities and threats with external analyzes,
- Searching for internal and external growth opportunities that will enable the company to achieve its strategic goals,
- Observing the functionality of the system that will enable the creation of company work programs, making the necessary revisions according to the developments in the external environment and using them as a performance criterion,
- The Committee's duties are to follow up the management of the strategies and projects adopted by the Board of Directors and to evaluate important legal developments and their effects that may affect the activities.

Detailed information on the Duties, Responsibilities and Working Principles of the Executive Committee can be found on our company's website at www.arcelikglobal.com.

Board Committees did not need to benefit from independent expert opinions regarding their activities in 2021.

The areas of duty, working principles and the members of these committees are published in detail on our Company's website (www.arcelikglobal.com) and disclosed to the public.

Financial Rights

Our Company's "Remuneration Policy for Members of the Board of Directors and Senior Executives," which includes all kinds of rights, benefits and wages provided to the members of the Board of Directors and senior executives, as well as the criteria used in their determination and the principles of remuneration, was first published three weeks after our Ordinary General Assembly dated 29.03.2012. It was presented to our partners for review on our website through the "Information Document" published earlier and was put into practice following the said General Assembly. The said policy, which is also included in the agenda of the Ordinary General Assembly where the activities of the year 2020 are discussed and disclosed to the public on our Company's website, will be included in the agenda of the Ordinary General Assembly meeting where the activities of the year 2021 will be discussed and submitted to the opinion of the shareholders. The sum of the payments made within the framework of the Remuneration Policy for the Members

of the Board of Directors and Senior Executives is evaluated each year by the Corporate Governance Committee and the Board of Directors. In our financial statement footnotes, the payments made to the Members of the Board of Directors and senior executives are disclosed to the public in parallel with the general practices. There are no transactions that may cause a conflict of interest, such as lending to our members of the Board of Directors or executives by the Company, granting loans, giving guarantees in their favor.

Remuneration of Independent Board Members is not made by stock options or performance-based payment methods.

Strategic Goals of the Company

The Company's Board of Directors keeps the risk, growth and return the balance of the company at the most appropriate level with its strategic decisions, and manages and represents the company by considering the long-term interests of the company with a rational and prudent risk management approach. The Board of Directors defines the strategic goals of the company, determines the human and financial resources that the company will need, and monitors the performance of the management. The Board of Directors supervises the compliance of the Company's activities with applicable legislation and the Company's Articles of Association, internal regulations and policies. The Mission, Vision and Main Business Goals of the Company are stated below:

- Company mission; In line with Koç Group values, goals and strategies; By expanding its product portfolio, meeting the expectations of its stakeholders, by using all resources in the most effective way, by developing, producing, presenting and providing after-sales services with reliable products that meet the needs of customers by exceeding their needs, facilitate their home life, and provide after-sales services, ensuring the satisfaction and long-term loyalty of customers and employees, and to strengthen product lines and expand geographical boundaries.
- At the same time, developing environmentally friendly products to protect the Earth's resources and reduce the environmental footprint of all stakeholders in the value chain, developing smart technologies for the society to reach a better standard of living and supporting programs that will increase social benefit,

- It is strategically aimed to design inclusive, equitable and inspiring experiences that will create sustainable value for Arçelik employees, suppliers, dealers and customers.

Setting strong targets in this direction in order to build a sustainable future with the power of technology and innovation behind it, Arçelik's vision is to be “Respect for the World, Respect for the World.”

The company's main business objectives are as follows:

- Achieving sustainable growth by growing in existing markets and entering new markets
- Maintaining the level of profitability that will ensure sustainable growth
- Being focused on R&D, innovation, quality, design, brand and customer
- Increasing the ability to offer products, solutions and technologies that add value to the customer and society, that are pioneering, innovative, sensitive to the environment and climate change throughout the product life cycle.
- Developing and retaining global organization and talents by managing differences with a people-oriented approach.

The company's vision and main business objectives are evaluated and approved by the Board of Directors. These targets are announced to the public through PDP, annual report, website, informative meetings, announcements, and appropriate communication tools.

During the Board of Directors Meetings held periodically in accordance with the Company's Articles of Association, the Company's targets and activities are followed up, including the performance of the previous period. The current situation of the company is reviewed, and new targets and strategies are developed if deemed necessary as a result of current conditions.

Risk Management and Internal Control Mechanism

The Board of Directors creates risk management and internal control systems to determine the risks that may affect the Company's stakeholders, primarily the shareholders, to minimize their impact and probabilities and reviews their effectiveness.

In line with the decision taken at the Board of Directors Meeting

of Arçelik A.Ş. dated 16.07.2010, as part of compliance with Article 378 of the Turkish Commercial Code No. 6102 and the Corporate Governance Communiqué of the CMB and in order to ensure the effective functioning of the committees within the Board of Directors; a Risk Management Committee has been established to carry out works for early detection of risks that may endanger the existence, development, and continuation of the Company, to take necessary actions regarding the identified risks, and to manage risks. Independent Member of the Board of Directors, Ms. MM Gülay Barbarosoğlu, is the Chairman of the Committee. The other member of the committee is the Member of the Board of Directors, Mr. Fatih Kemal Ebiçlioğlu.

The Risk Management Committee held 6 meetings in 2021. The Risk Management Committee advises the Board of Directors for early detection and evaluation of risks that may affect the Company, calculating their effects and possibilities, managing and reporting these risks in accordance with the Company's enterprise risk appetite, taking necessary actions to reduce the effects and possibilities of the identified risks, and, in this direction, the establishment of effective internal control systems.

Enterprise Risk Management Directorate, operating within the structure of the Finance and Financial Affairs Deputy Directorate General, manages, coordinates, and oversees financial, strategic, operational compliance, and external risks that may affect the Company through the risk management system it has established and reports to the Risk Management Committee.

In order for the internal control mechanism to be carried out in a healthy manner, information is conveyed to the Audit Committee by the Internal Audit Management, which was formed under the Finance and Financial Affairs Assistant General Management, through meetings held throughout the year. The Committee constantly monitors the functioning and effectiveness of the system and conveys the problems and solution proposals regarding the risk management and internal control mechanism to the Board of Directors when necessary.

Other Remarks

Information on the Extraordinary General Assembly Meeting Held During the Year,

No Extraordinary General Assembly meeting was held during the year.

Changes in the Organization, Capital and Shareholding Structures During the Year

The current organizational structure of Arçelik is revealed on page 43 of the annual report. There are no significant changes in 2021.

Information on lawsuits filed against the Company and their possible outcomes that may affect the financial status and activities of the Company:

There are no lawsuits brought against our Company that may affect the financial situation and activities of our Company, including those on environmental, social and corporate governance issues.

Information about administrative or judicial sanctions imposed on the Company and the members of the governing body due to practices in violation of applicable legislation

There are no administrative or judicial sanctions imposed on the Company and the members of the management body due to practices contrary to the provisions of the legislation.

Information on any amendments in the regulations that might have significant impacts on the activities of the Incorporation

There are no legislation changes having a critical impact on company activities.

Information on the conflicts of interest of the Company with the service providers such as investment advisors and rating agencies, and the precautions are taken by the Company to prevent these conflicts of interest:

There are no issues to result in a conflict of interests between the institutions that the Company is getting services on investment consultancy and rating.

Information on the amendments to the Articles of Association made during the period

In order to extend the validity period of the Registered Capital Ceiling in 2021, the 6th article of the Company's Articles of Association, titled “Capital,” has been amended.

The amendments to the articles of association approved by the Capital Markets Board on February 3, 2021, and approved by the Ministry of Commerce on February 15, 2021, and approved at the General Assembly on March 23, 2021, were registered by the Istanbul Trade Registry on April 9, 2021.

Evaluation of the Turkish Commercial Code within the scope of Article 376

It has been evaluated whether the company's capital is unrequited within the scope of article 376 of the Turkish Commercial Code; Arçelik A.Ş., which is 675,728,205 TL. As of 31.12.2021, it has been concluded that the issued capital maintains its existence with the shareholders' equity falling to 19.4 billion TL as of 31.12.2021 and the debt structure of the Company with a Net Financial Debt/Equity Ratio of 0.79 is suitable for the continuation of operations in a healthy way.

Information on Mutual Affiliates with Direct Capital Participation Ratio Exceeding 5%

There is no mutual participation relationship.

SECTION 6
CONSOLIDATED
FINANCIAL TABLES
AND INDEPENDENT
AUDITOR'S REPORT



Arçelik Anonim Şirketi
January 1 - December 31, 2021
Consolidated Financial Statements Together
With Independent Auditor's Report

Independent Auditor's Report



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 2021 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 2021, 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 (including International Independence Standards) (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.



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>Accounting for business combination - Arçelik Hitachi Home Appliances B.V.</p> <p>On 1 July 2021 ("closing date"), in return for TRY3,074,608 thousand the Group acquired 60% of the total shares of Arçelik Hitachi Home Appliances B.V., which was previously owned by Hitachi Global Life Solutions Inc. ("Hitachi GLS"), in accordance with the Share Purchase Agreement signed with Hitachi GLS on 16 December 2020.</p> <p>Consequently, Arçelik Hitachi Home Appliances B.V. and its subsidiaries ("Hitachi Home Appliances") became subsidiaries of the Group and have been consolidated using the full consolidation method. This transaction is recognized as a business combination in the framework of TFRS 3 "Business Combinations".</p> <p>The fair value of identifiable assets and liabilities in the consolidated balance sheet of Arçelik Hitachi Home Appliances B.V. and the resulting goodwill, which were recognized during the accounting application of such acquisition, are material to the consolidated financial statements. In addition, significant judgments and estimates (such as return on equity, multiplier value, control premium discount rate, discount rate used to calculate the capital cost of dividend payments and growth rates, etc.) are used in the purchase price allocation exercise, which the Group management had performed by the valuation experts. These judgments and estimates, used to calculate fair value, had a significant impact on the consolidated financial statements. Therefore, accounting for this acquisition is a key matter for our audit.</p> <p>Please refer to notes 2.3 and 3 of the consolidated financial statements for the relevant disclosures, and the accounting policy related to recognizing business combinations.</p>	<p>We performed the following auditing procedures in relation to the accounting for this business combination:</p> <ul style="list-style-type: none"> Examining the share transfer agreements and evaluating the impacts thereof on recognizing the transaction, Performing audit procedures based on the relevant auditing standards, on Arçelik Hitachi Home Appliances B.V. closing date balance sheet, which was the basis of the purchase price allocation exercise, By involving our valuation experts and comparing similar domestic and international transactions, assessing the completeness, measurement techniques and accuracy of the intangible fixed assets identified as part of the purchase price allocation exercise, By involving our valuation experts, testing significant judgements used in the purchase price allocation exercise including return on equity, multiplier value, control premium discount rate, and discount rate used to calculate the capital cost of dividend payments and growth rates, and benchmarking these against the rates used in the industry, Inquiry with the Group management to evaluate future plans and explanations used in these studies within the framework of macroeconomic data,



3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> By involving our valuation experts, testing the market sensitivity of the assumptions used in the Group's purchase price allocation exercise and assessing the appropriateness of the fair value adjustments and intangible assets identified as a result of the exercise, Testing the mathematical accuracy of the calculations carried out as a result of the above-mentioned studies and assessing the compliance of the accounting entries with TFRS, Examining the disclosures in the consolidated financial statements in relation to recognising the business combination and evaluating the adequacy of information provided therein against the TFRS requirements. <p>We had no material findings related to the accounting for business combination as a result of these procedures.</p>



3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<p>Recoverability of trade receivables</p> <p>Trade receivables from third parties amounting to TL 23,188,103 thousand as of 31 December 2021, 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, 9 and 34 of the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy.</p>	<p>We performed the following auditing 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, 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 16,828,699 thousand as of 31 December 2021, 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 11 of the consolidated financial statements for the Group's disclosures on this provision, including the related accounting policy.</p>	<p>Auditing 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 2,617,183 thousand and TL 2,844,448 thousand, respectively, in the consolidated financial statements as of 31 December 2021. 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, 2.4, 14 and 15 of the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.</p>	<p>We performed the following auditing 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, Comparing forecasted cash flows for each CGU with its historical financial performance, Through involvement of our 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 actions taken to eliminate threats or safeguards applied.

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 2021 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 26 January 2022.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.


Cihan Harman, SMMM
Partner

Istanbul, 26 January 2022

Arçelik Anonim Şirketi

January 1 - December 31,
2021 Consolidated Financial
Statements Together With
Independent Auditor's Report

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ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS OF DECEMBER 31, 2021

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

		Audited	
	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	5	16,014,589	12,002,246
Trade receivables			
-Due from related parties	33	269,306	103,153
-Trade receivables, third parties	9	23,142,238	12,046,292
Derivative instruments	8	16,094	27,354
Inventories	11	16,828,699	7,095,622
Prepaid expenses	20	648,799	496,783
Current income tax assets	21	415,431	143,032
Other current assets	23	2,259,652	1,146,367
Total current assets		59,594,808	33,060,849
Non-current assets:			
Financial investments	6	10,531	5,614
Trade receivables			
-Trade receivables, third parties	9	45,865	68,225
Derivative instruments	8	19,157	-
Investments accounted for using the equity method	12	855,409	648,016
Property, plant and equipment	13	13,125,336	7,296,568
Intangible assets			
-Goodwill	15	2,844,448	989,060
-Other intangible assets	14	6,573,315	3,563,944
Prepaid expenses	20	186,057	83,484
Deferred tax assets	31	1,823,680	833,284
Total non-current assets		25,483,798	13,488,195
Total assets		85,078,606	46,549,044

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS OF DECEMBER 31, 2021

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

		Audited	
	Notes	December 31, 2021	December 31, 2020
LIABILITIES			
Current liabilities:			
Short-term borrowings	7	10,584,261	4,840,622
Short-term portion of long-term borrowings	7	2,459,839	5,390,255
Trade payables			
-Due to related parties	33	1,592,704	995,829
-Trade payables, third parties	9	18,076,327	8,649,373
Derivative instruments	8	245,292	8,266
Employee benefit obligations	22	775,090	492,554
Other payables			
-Other payables, third parties	10	1,245,608	726,074
Current income tax liabilities	31	55,292	7,736
Provisions			
-Other provisions	18	2,087,963	977,478
Other current liabilities	23	3,379,248	1,738,729
Total current liabilities		40,501,624	23,826,916
Non-current liabilities:			
Long-term borrowings	7	19,535,399	6,844,348
Provisions			
-Provision for employee benefits	19	935,609	419,517
-Other provisions	18	439,072	289,640
Deferred tax liabilities	31	1,528,994	563,071
Other non-current liabilities	23	1,082,693	581,706
Total non-current liabilities		23,521,767	8,698,282
Total liabilities			
		64,023,391	32,525,198

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS OF DECEMBER 31, 2021

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

		Audited	
	Notes	December 31, 2021	December 31, 2020
EQUITY			
Paid-in capital	24	675,728	675,728
Adjustment to share capital	24	468,811	468,811
Treasury shares	24	(1,215,266)	-
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		(396,514)	(298,280)
-Revaluation/ remeasurement of intangible assets		6,900	-
-Other gains/ losses on revaluation and remeasurement		6,109	4,918
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		11,381,483	5,225,745
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(1,835,770)	(966,053)
-Gains/ losses on cash flow hedges			
Gains/ losses on revaluation and reclassification		15,080	(3,072)
Balancing account for merger capital		14,507	14,507
Restricted reserves	24	1,771,002	409,115
Retained earnings		5,425,850	5,439,898
Net income for the period		3,064,674	2,847,839
Equity holders of the parent		19,383,483	13,820,045
Non-controlling interest		1,671,732	203,801
Total equity		21,055,215	14,023,846
Total liabilities and equity		85,078,606	46,549,044
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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, 2021

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Audited	
		2021	2020
Net sales	4,25	68,184,437	40,872,483
Cost of sales	26	(47,706,092)	(27,066,110)
Gross profit		20,478,345	13,806,373
General administrative expenses	26	(3,106,770)	(2,175,948)
Marketing expenses	26	(11,919,993)	(7,469,259)
Research and development expenses	26	(444,068)	(318,211)
Other income from operating activities	27	5,776,423	1,769,360
Other expenses from operating activities	27	(3,763,793)	(760,019)
Operating profit		7,020,144	4,852,296
Income from investment activities	28	316,840	240,668
Expenses from investment activities	28	(9,579)	(64,485)
Share of profit/loss of investments accounted for using the equity method	12	(44.514)	41.226
Operating income before financial income/(expense)		7,282,891	5,069,705
Financial income	29	11,309,358	3,852,496
Financial expenses	30	(14,969,635)	(5,424,296)
Profit from continuing operations before tax		3,622,614	3,497,905
Tax income/(expense), continuing operations			
- Taxes on expense	31	(759,496)	(481,032)
- Deferred tax income/(expense)	31	387,891	(137,884)
Net income		3,251,009	2,878,989
Attributable to			
Non-controlling interest		186,335	31,150
Equity holders of the parent		3,064,674	2,847,839
Earnings per share (kurus)	32	4.608	4.214

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, 2021

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Audited	
	2021	2020
Net income	3,251,009	2,878,989
Other comprehensive income		
Not to be reclassified to profit or loss	(121,942)	(85,090)
Gain/ loss arising from defined benefit plans	(127,324)	(87,480)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(2,727)	(215)
Revaluation of intangible assets	6,900	-
Other gain/ losses not to be reclassified to profit or loss	1,209	2,605
Not to be reclassified to profit or loss, tax effect	31,815	17,396
Gain/ loss arising from defined benefit plans, tax effect	31,817	17,526
Other gain/ losses not to be reclassified to profit or loss, tax effect	(2)	(130)
To be reclassified to profit or loss	5,102,508	1,365,694
Currency translation differences	6,083,850	1,618,076
Other comprehensive income related with hedges of net investments in foreign operations	(1,129,501)	(362,658)
Other comprehensive income related with cash flow hedge	19,157	66,180
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	129,002	44,096
-Currency translation differences of investments accounted for using the equity method	125,217	38,689
Gain/loss from cash flow hedges of investments accounted for using equity method	3,785	5,407
To be reclassified to profit or loss, tax effect	254,994	57,974
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	259,784	72,532
Other comprehensive income related with cash flow hedge, tax effect	(4,790)	(14,558)
Other comprehensive income/ (loss) (net of tax)	5,267,375	1,355,974
Total comprehensive income	8,518,384	4,234,963
Attributable to:		
Non-controlling interest	239,680	73,202
Equity holders of the parent	8,278,704	4,161,761

The accompanying notes form an integral part of these consolidated financial statements.

	Paid-in capital	Adjustment to share capital	Treasury shares	Share premium/discount	Balancing account for merger capital	Gain/(loss) arising from defined benefit plans	Gains/ losses on financial assets measured at fair value throughout comprehensive income	Gains/ losses on hedge	Revaluation fund of intangible assets	Currency translation differences	Restricted reserves	Retained earnings	Net income	Equity holders of the parent	Non-controlling interest	Total equity
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	924,833	9,658,284	157,685	9,815,969
Transfers	-	-	-	-	-	-	-	-	-	-	-	924,833	(924,833)	-	-	-
Total comprehensive income	-	-	-	-	-	(70,169)	2,475	(233,097)	-	1,614,713	-	-	2,847,839	4,161,761	73,202	4,234,963
Net income	-	-	-	-	-	-	-	-	-	-	-	-	2,847,839	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 paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(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	2,847,839	13,820,045	203,801	14,023,846
Balance at January 1, 2021	675,728	468,811	-	889	14,507	(298,280)	4,918	(969,125)	-	5,225,745	409,115	5,439,898	2,847,839	13,820,045	203,801	14,023,846
Transfers	-	-	-	-	-	-	-	-	-	-	146,621	2,701,218	(2,847,839)	-	-	-
Total comprehensive income	-	-	-	-	-	(98,234)	1,191	(851,565)	6,900	6,155,738	-	-	3,064,674	8,278,704	239,680	8,518,384
Net income	-	-	-	-	-	-	-	-	-	-	-	-	3,064,674	3,064,674	186,335	3,251,009
Other comprehensive income	-	-	-	-	-	(98,234)	1,191	(851,565)	6,900	6,155,738	-	-	-	5,214,030	53,345	5,267,375
Subsidiary acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,241,473	1,241,473
Dividends	-	-	-	-	-	-	-	-	-	-	-	(1,500,000)	-	(1,500,000)	(13,222)	(1,513,222)
Increase/decrease due to acquisition of treasury shares	-	-	(1,215,266)	-	-	-	-	-	-	-	1,215,266	(1,215,266)	-	(1,215,266)	-	(1,215,266)
As of December 31, 2021	675,728	468,811	(1,215,266)	889	14,507	(396,514)	6,109	(1,820,690)	6,900	11,381,483	1,771,002	5,425,850	3,064,674	19,383,483	1,671,732	21,055,215

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	1 January - 31 December 2021	1 January - 31 December 2020
Audited			
Cash flows from operating activities:			
Net income:		3,251,009	2,878,989
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for depreciation and amortisation expense	26	1,845,682	1,221,994
Adjustments for impairment loss	36	119,355	182,697
Adjustments for other provisions	36	2,655,046	856,376
Adjustments for interest income	29	(217,672)	(231,593)
Adjustments for interest expense	30	1,817,588	1,341,916
Adjustments for income arised from government grants	27	(90,990)	(109,988)
Adjustments for unrealised foreign exchange losses (gains)	29,30	1,639,073	89,246
Adjustments for fair value (gains) losses on derivative financial instruments	29,30	436,011	364,222
Adjustments for undistributed profits of investments accounted for using equity method	12	44,514	(41,226)
Adjustments for tax expense/income	31	371,605	618,916
Adjustments for losses (gains) on disposal of non-current assets	28	(15,310)	1,705
Adjustment for bargained acquisition profit	28	(234,997)	-
Other adjustments to reconcile profit (loss)	29,30	(14,723)	8,009
Adjustments for losses (gains) on disposal of interests in associates or joint ventures	28	(930)	-
Adjustments for dividend (income) loss		(342)	(93)
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	28	(55,682)	(226,498)
Adjustments regarding net profit reconciliation for the period		11,549,237	6,954,672
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(10,244,163)	(2,781,751)
Adjustments for decrease (increase) in inventories		(8,778,570)	(1,550,665)
Decrease (increase) in prepaid expenses		(121,529)	(286,948)
Adjustments for increase (decrease) in trade payables		8,066,660	4,427,202
Increase (decrease) in employee benefit liabilities		(68,446)	(75,730)
Adjustments for increase (decrease) in other operating payables		(89,181)	(37,894)
Increase (decrease) in government grants and assistance		51,304	53,400
Other adjustments for other increase (decrease) in working capital		(494,036)	(113,935)
Income taxes refund (paid)		(498,723)	(167,446)
Cash flows from operating activities		(627,447)	6,420,905
Investing activities:			
Cashflow used in obtaining control of subsidiaries or other businesses	3	(2,136,004)	-
Cash inflows related to sales that will result in loss of control of subsidiaries		323,703	275,778
Cash outflows due to share acquisition or capital increase in affiliates and / or joint ventures	12	(140,840)	(35,228)
Cash outflows from purchases of property, plant and equipment and intangible assets		(2,515,344)	(1,735,316)
Cash inflows from sale of property, plant and equipment and intangible assets		70,244	172,913
Dividends received		11,507	93
Cash inflows due to sale of shares in associates or joint ventures or capital reduction		3,136	-
Cash flows from investing activities		(4,383,598)	(1,321,760)
Financing activities:			
Proceeds from borrowings	7	12,510,560	4,212,527
Repayments of borrowings	7	(9,522,410)	(3,614,211)
Bonds issued	7	6,632,916	-
Payments of lease liabilities	7	(635,575)	(303,233)
Dividends paid		(1,513,222)	(27,086)
Cash inflows from derivative instruments (net)		(204,839)	(399,379)
Cash outflows from acquisition of treasury shares	24	(1,215,266)	-
Interest paid		(1,493,546)	(1,399,666)
Interest received		229,017	231,696
Other inflows (outflows) of cash	30,31	14,723	(8,009)
Cash flows from financing activities		4,802,358	(1,307,361)
Net increase/(decrease) in cash and cash equivalents before currency translation differences		(208,687)	3,791,784
Effect of currency translation differences		4,232,375	1,273,505
Net increase/(decrease) in cash and cash equivalents		4,023,688	5,065,289
Cash and cash equivalents at January 1	5	11,988,227	6,922,938
Cash and cash equivalents at December 31	5	16,011,915	11,988,227

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

(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-six 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 24).

The Company's head office is located at: Karaağaç Caddesi No: 2-6 Sütlüce 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, 2021, the publicly listed shares are 25.15% of the total shares. (December 31, 2020: 25.15%)

The average number of personnel employed by categories in the Group in 2021 is 8,960 monthly paid (1 January – 31 December 2020: 7,979) and 30,527 hourly paid (1 January – 31 December 2020: 25,848) totalling to 39,487 (1 January – 31 December 2020: 33,827).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Continuing operations as of balance sheet date:			
Arçelik Pazarlama A.Ş.	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
Arch R&D Co. Ltd.	China	R&D	Developing technology and design
Ardutch B.V.	Netherlands	Investment	Holding
Arcwaste	Romania	Service	
Ardutch B.V. Taiwan (Taiwan Branch) (*)	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd.	New Zealand	Sales	Consumer Durables
Beko A and NZ Pty Ltd. (New Zealand Branch) (*)	New Zealand	Sales	Consumer Durables
PT Beko Appliances Indonesia	Indonesia	Sales	Consumer Durables
Beko APAC IBC Co. Ltd.	Malaysia	Sales	Consumer Durables
Beko APAC IBC Co.	Thailand	Service	Service
Beko Balkans D.O.O	Serbia	Sales	Consumer Durables/Electronics
Beko Central Asia LLC	Kazakhstan	Sales	Consumer Durables
Beko Egypt Trading LLC	Egypt	Sales	Consumer Durables
Beko Electronics España S.L.	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S.	France	Sales	Consumer Durables/Electronics
Beko Grundig Deutschland GmbH	Germany	Sales	Consumer Durables/Electronics
Beko Grundig Schweiz GmbH	Switzerland	Sales	Consumer Durables/Electronics
Beko Grundig Deutschland GmbH (Croatia Branch) (*)	Crotaia	Sales	Consumer Durables/Electronics
Beko Gulf FZE	United Arab Emirates	Sales	Consumer Durables/Electronics
Beko Home Appliances Portugal, Unipessoal LDA	Portugal	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd.	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Israel Household Appliances Ltd.	Israel	Marketing	Consumer Durables
Beko Italy SRL	Italy	Sales	Consumer Durables/Electronics
Beko Russia LLC	Russia	Production/Sales	Consumer Durables/Electronics
Beko Morocco Household Appliances	Morocco	Sales	Consumer Durables/Electronics
Beko UK Plc.	England	Sales	Consumer Durables/Electronics
Beko Ireland (UK Branch) (*)	Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Pilipinas Corporation.	Republic of the Philippines	Sales	Consumer Durables
Beko Spolka Akcyjna	Poland	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd.	China	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O.	Slovakia	Sales	Consumer Durables/Electronics
Beko Thai Company Ltd.	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC.	Ukraine	Sales	Consumer Durables
Beko US INC.	United States of America	Sales	Consumer Durables
Beko Electrical Appliances Co. Ltd.	China	Production/Sales	Consumer Durables
Dawlance Private Ltd.	Pakistan	Production/Sales	Consumer Durables
Defy (Botswana) Proprietary Ltd.	Botswana	Sales	Consumer Durables
Defy (Namibia) Proprietary Ltd.	Namibia	Sales	Consumer Durables
Defy (Swaziland) Proprietary Ltd.	Swaziland	Sales	Consumer Durables
Defy Appliances Proprietary Ltd.	Republic of the South Africa	Production/Sales	Consumer Durables
Defy Sales East Africa Limited	Republic of the South Africa	Sales	Consumer Durables
DEL Electronics Private Ltd.	Pakistan	Sales	Consumer Durables

ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS (CONTINUED)

Beko Grundig Österreich AG	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G.	Switzerland	Sales	Electronics
Grundig Multimedia B.V.	Netherlands	Investment	Holding
Grundig Nordic AB.	Sweden	Sales	Consumer Durables/Electronics
Grundig Nordic AB (Finland Rep Office) (*)	Finland	Sales	Consumer Durables/Electronics
Grundig Nordic AS	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AS (Denmark Branch)	Denmark	Sales	Consumer Durables/Electronics
Pan Asia Private Equity Ltd.	British Virgin Islands	Investment	Holding
PT Home Appliances Indonesia	Indonesia	Sales	Consumer Durables
PT Beko Appliances Indonesia	Indonesia	Sales	Consumer Durables
Retail Holdings Bhold B.V	Netherlands	Investment	Holding
Arctic SA	Romania	Production/Sales	Consumer Durables/Electronics
Singer Bangladesh Limited	Bangladesh	Production/Sales	Consumer Durables/Electronics
United Refrigeration Industries Ltd.	Pakistan	Production/Sales	Consumer Durables
Vietbeko Limited Liability Company	Vietnam	Sales	Consumer Durables
Arçelik Üretim ve Teknoloji A.Ş	Turkey	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances B.V. ("AHHA")	Netherlands	Investment	Holding
Arçelik Hitachi Home Appliances (Shanghai) Co., Ltd. ("AHSH")	China	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances IBC Co. Ltd.	Thailand	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (China) Ltd. ("AHSH")	China	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd. ("AHSG")	Singapore	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Thailand) Ltd. ("AHTH")	Thailand	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Malaysia) Sdn. Bhd. ("AHMY")	Malaysia	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Middle East) Fze ("AHME")	United Arab Emirates	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Vietnam) Co. Ltd. ("AHVN")	Vietnam	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Hong Kong) Limited ("AHHK")	Hong Kong, China	Sales	Consumer Durables
Arçelik Hitachi Taiwan Home Appliances Sales Ltd. ("AHTW")	Taiwan	Sales	Consumer Durables
PT. Arçelik Hitachi Home Appliances Sales Indonesia ("AHID")	Indonesia	Sales	Consumer Durables

(*) Branches of the Subsidiary, which operate in a different country, are separately presented.
(1) The Company title have been changed on October 1, 2021 and The Company's former title Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş has been registered as Arçelik Üretim ve Teknoloji A.Ş.
(2) Purchased on July 1, 2021.
(3) Elektra Bregenz AG's title has been registered as "Beko Grundig Österreich AG" on January 11, 2022.

Ceased operations as of reporting date:	Country of incorporation	Core business	Nature of business
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
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
Arçelik Hitachi Home Appliances B.V.	Holland	Investment	Holding

Approval of consolidated financial statements

These consolidated financial statements as of and for the year ended 31 December 2021 has been approved for issue by the Board of Directors on 26 January 2022. These consolidated financial statements will be finalised following their approval in the General Assembly.

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, 2021 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, 2021. 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 2021:

Amendments to IFRS 7 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 Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. These amendments have no material impact on the Group’s consolidated financial statements.

Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the Practical expedient; as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021.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.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation (Continued)

New and amended standards and interpretations (Continued)

Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities; effective date deferred until accounting periods starting not earlier than 1 January 2024. 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.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

These amendments are not expected to have a material impact on the financial statements of the Group and its performance.

ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

(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 AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

(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)

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, 2021 and December 31, 2020 (%) and their functional currencies:

Continuing operations as of balance sheet date:		December 31, 2021		December 31, 2020	
	Functional currency	Ownership Interest	Effective shareholding	Ownership Interest	Effective shareholding
Arch R&D Co. Ltd.	Chinese Yuan	100	100	100	100
Arctic SA	Romanian Lei	96,72	96,72	96,72	96,72
Arcwaste	Romanian Lei	96,72	96,72	96,72	96,72
Ardutch BV	Euro	100	100	100	100
Ardutch BV (Taiwan Branch)	Taiwanese Dollar	100	100	100	100
Beko APAC IBC Co. Ltd.	Thai Baht	100	100	100	100
Beko A and NZ Pty Ltd.	Australian Dollar	100	100	100	100
Beko A and NZ Pty Ltd. (New Zealand Branch)	New Zealand Dollar	100	100	100	100
Beko Balkans d.o.o	Serbian Dinar	100	100	100	100
Beko Electrical Appliances Co. Ltd.	Chinese Yuan	100	100	100	100
Beko Central Asia LLC	Kazakhstan Tenge	100	100	100	100
Beko Grundig Deutschland GMBH	Euro	100	100	100	100
Beko Grundig Deutschland GMBH (Crotaia Branch)	Croatian Kuna	100	100	100	100
Beko Egypt Trading LLC	Egyptian Lira	100	100	100	100
Beko Electronics Espana SL	Euro	100	100	100	100
Beko France SAS	Euro	100	100	100	100
Beko Gulf FZE	Dirham	100	100	100	100
Beko Home Appliances Portugal, Unipessoal LDA	Euro	100	100	100	100
Beko Hong Kong Ltd.	US Dollar	100	100	100	100
PT Beko Appliances Indonesia	Indonesian Rupiah	100	100	100	100
Beko Israel Household Appliances Ltd.	New Israeli Shekel	100	100	100	100
Beko Italy SRL	Euro	100	100	100	100
Beko Appliances Malaysia SDN. Bhd.	Malaysian Ringgit	100	100	100	100
Beko Morocco Household Appliances	Moroccan Dirham	100	100	100	100
Beko Spolka Akcyjna	Polish Zloty	100	100	100	100
Beko Pilipinas Corporation	Philippine Peso	100	100	100	100
Beko Russia LLC	Russian Ruble	100	100	100	100
Beko Shandhai Trading Co. Ltd.	Chinese Yuan	100	100	100	100
Beko Slovakia SRO	Euro	100	100	100	100
Beko Grundig Schweiz Gmbh	Swiss Franc	100	100	100	100
Beko Thai Company Ltd.	Thai Baht	100	100	100	100
Beko UK PLC	British Pound	100	100	100	100
Beko Ireland (UK Branch)	Euro	100	100	100	100
Beko Ukraine LLC	Ukrainian Hryvna	100	100	100	100
Beko US	US Dollar	100	100	100	100
Dawlance Private Ltd.	Pakistani Rupee	100	100	100	100
Defy Appliances Proprietary Ltd.	South Africa Rand	100	100	100	100
Defy Botswana Proprietary Ltd.	Botswana Pula	100	100	100	100
Defy Namibia Proprietary Ltd.	Namibian Dollar	100	100	100	100
Defy Swaziland Proprietary Limited	Svazi Lilangeni	100	100	100	100
Defy Sales East Africa Limited	South Africa Rand	100	100	100	100
DEL Electronics Private Limited	Pakistani Rupee	100	100	100	100
Beko Grundig Österreich AG	Euro	100	100	100	100
Grundig Multimedia AG	Euro	100	100	100	100
Grundig Nordic AS	Norwegian Krone	100	100	100	100
Grundig Nordic AS (Denmark Branch)	Danish Krone	100	100	100	100
Grundig Nordic AB	Swedish Krona	100	100	100	100
Grundig Nordic AB (Finland Rep Office)	Euro	100	100	100	100
Beko Grundig Schweiz GmbH	Swiss Franc	100	100	100	100
International Appliances(**)	Bangladeshi Taka	-	-	56,99	56,99
Pan Asia Private Equity Ltd.	US Dollar	100	100	100	100
Arçelik Pazarlama A.Ş.	Turkish Lira	100	100	100	100
PT Home Appliances Indonesia	Indonesian Rupiah	67	67	67	67
PT Beko Appliances Indonesia	Indonesian Rupiah	100	100	100	100
Retail Holdings Bhold BV	Euro	100	100	100	100
Singer Bangladesh Ltd.	Bangladeshi Taka	56,99	56,99	56,99	56,99
United Refrigeration Industries Ltd.	Pakistani Rupee	100	100	100	100
Vietbeko Limited Liability Company	Vietnamase Dong	100	100	100	100
Arçelik Üretim ve Teknoloji A.Ş.	Turkish Lira	100	100	-	-
Arçelik Hitachi Home Appliances IBC Co. Ltd.	Euro	60	60	-	-
Arçelik Hitachi Home Appliances (Shanghai) Co. Ltd. ("AHSH")	Chinese Yuan	57	57	-	-
Arçelik Hitachi Home Appliances (Thailand) Ltd. ("AHTH")	Thai Baht	50,4	50,4	-	-
Arçelik Hitachi Home Appliances Sales (China) Ltd. ("AHCN")	Chinese Yuan	60	60	-	-
Arçelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd. ("AHSG")	Singapore Dollar	60	60	-	-
Arçelik Hitachi Home Appliances Sales (Malaysia) Sdn. Bhd. ("AHMY")	Thai Baht	60	60	-	-
Arçelik Hitachi Malaysia	Malaysian Ringgit	60	60	-	-
Arçelik Hitachi Home Appliances Sales (Middle East) FZE ("AHME")	Dirham	60	60	-	-
Arçelik Hitachi Home Appliances Sales (Vietnam) Co. Ltd. ("AHVN")	Vietnamese Dong	60	60	-	-
Arçelik Hitachi Home Appliances Sales (Hong Kong) Ltd. ("AHHK")	Hong Kong Dollar	60	60	-	-
Arçelik Hitachi Home Appliances Sales (Taiwan) Ltd. ("AHTW")	Taiwanese Dollar	60	60	-	-
PT. Arçelik Hitachi Home Appliances Sales Indonesia ("AHID")	Indonesian Rupiah	40,5	40,5	-	-
Wat Motor Sanayi ve Ticaret A.Ş. ("Wat Motor")(*)	Turkish Lira	-	-	100	100

(*) The Group has sold 100% owned subsidiary Wat Motor Sanayi ve Ticaret A.Ş. for a total price of TRY 369.8 million, o its shareholders Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. on 30 November 2021.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation (Continued)

Consolidation principles (Continued)

	December 31, 2021		December 31, 2020	
Ceased operations as of balance sheet date:				
Beko Cesko	100	100	100	100
Grundig Austria	100	100	100	100
Grundig Portugal	100	100	100	100

(**) International Appliances have been merged with Singer Bangladesh in the first quarter of 2021.

(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, 2021 and 2020 (%):

	2021	2020
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Voltbek	49.00	49.00
Tanı Pazarlama(*)	-	32.00

(*) The Group has sold 32% owned associate Tanı Pazarlama İletişim Hizmetleri A.Ş. to Yapı ve Kredi Bankası A.Ş. on 30 November 2021.

(e) Financial assets in which the Group has ownership 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 classified as financial assets measured at fair value through other comprehensive income in the consolidated financial statements.

(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.

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.

Group has applied consistent accounting policies in the preparation of consolidated financial statements presented the Group does not have any other significant changes in accounting policy and accounting estimates in the current period.

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 33).

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 9).

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Trade receivables (Continued)

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.

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 11).

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.

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 7). 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.

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 34).

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 5). 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.

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 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 13). 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 14).

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.

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, patents and trademark usage right

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 (5, 8, 12, 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

The Group reflects a right-of-use asset and a lease liability in its financial statements at the actual commencement date of the lease.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (Continued)

Leases (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 by applying cost method:

- a) After netting-off accumulated depreciation and 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.

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. The Group do not have significant lease contracts with extension and termination options that are not included in the lease liability since they are not reasonably certain.

The Group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment. As result of the evaluations performed in the current period, there is no lease obligation or right of use assets arising from the inclusion of extension and early termination options in the lease period

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.

The Group – as a lessor

The Group's activities as a lessor are not material.

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 15). 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.

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 14). Other borrowing costs shall be recognized as an expense in the period it incurs (Note 30).

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 31).

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.

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 19).

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.

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 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 25). 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.

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.

Provisions

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.

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 18).

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 18).

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 17).

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.

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 4).

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 assumptions

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 14 and 15). 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 expenses

The Group recognizes warranty provisions for products under the scope of the warranty terms based the estimations using past statistical information (Note 18).

NOTE 3 - BUSINESS COMBINATION

i) On June 30, 2021 the Group has acquired 100% of the shares of Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş. and has changed the title as Arçelik Üretim ve Teknoloji A.Ş. (“Arçelik Üretim ve Teknoloji”) on October 1, 2021.

Arçelik Üretim ve Teknoloji produces washing machine and cooling in 2 manufacturing facilities under the name of Whirlpool Brand, this acquisition is expected to increase the total capacity of cooling and washing machine production approximately 20%.

Based on the share transfer agreement, the purchase price TRY 811.5 million paid at the date of the transaction has been recalculated due to changes in the amount of net assets purchased excluding property, plant and equipment as a result of the audited closing June 30, 2021 dated balance sheet and additional TRY 5.2 million had been paid. As a result of evaluations, VAT receivables of Arçelik Üretim ve Teknoloji's closing balance will be collected or set off until 2023. It consists of the possible contingent payment price. The total amount of TRY 94.7 million calculated according to the best estimates made by the Group management as of 31 December 2021 is included in the purchase price and considered in the goodwill calculation in the provisional purchase accounting application. The payment term of the amount involved to be paid is predicted as less than 1 year as of December 31, 2021, and the net present value calculation effect is insignificant. Within the scope of TFRS 3, the differences that will occur due to operational results in the following period in the amount accounted as contingent payment will be recognized in the consolidated statement of profit or loss.

The fair values of identifiable assets and liabilities in accordance with TFRS 3 arising from the acquisition are as follows:

Cash consideration	816,739
Contingent consideration and deferred purchase price (Note 23)	94,705
Total consideration	911,444
Cash and cash equivalents	450,054
Trade receivables	218,279
Inventories	464,996
Other current assets	312,374
Property, plant and equipment (Note 13)	934,816
Intangible assets (Note 14)	5,154
Deferred tax assets (Note 31)	46,124
Trade and other payables	(1,090,908)
Other liabilities	(88,692)
Deferred tax liability (Note 31)	(105,756)
Total value of identifiable net assets (100%)	1,146,441
Gain from a bargain purchase (Note 28)	(234,997)
Total consideration	911,444

NOTE 3 - BUSINESS COMBINATION (CONTINUED)

After the acquisition date, total sales of Arçelik Üretim ve Teknoloji was amounting to TRY 1,533,231 in condensed consolidated profit or loss statement while its contribution to net profit was TRY 23,543.

Had the financial statements of Arçelik Üretim ve Teknoloji been consolidated since January 1, 2021, the consolidated sales and net profit of Arçelik Group would have been higher by TRY 1,408,996 and TRY 23,532 respectively.

As of December 31, 2021, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 1,235.

The details of cash outflow due to acquisition are as follows:

Total consideration in cash	816,739
Cash and cash equivalents – acquired	(450,054)
Cash outflow due to acquisition of subsidiary (net)	366,685

ii) Share purchase agreement has been signed between the Group 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. Following the stated agreement, Joint Venture Agreement, Master Brand Agreement and other related agreements has been signed. In this context, Hitachi GLS has incorporated a new company in the Netherlands and transferred all the assets and home appliances business lines owned by its 11 subsidiaries to the new company. Arçelik acquired 60% of the shares of this company on July 1, 2021. Transaction value is calculated as USD 350.2 million including all minority rights on a cash-free and debt-free basis for 60% of the shares.

The fair values of the assets and liabilities for which the purchase price is acquired, within the scope of IFRS 3, are summarized in the table below:

Total consideration	3,074,608
Cash and cash equivalents	1,305,289
Trade receivables	1,216,146
Inventories	821,130
Other current asset	255,164
Financial investments (Note 6)	20,627
Property, plant and equipment (Note 13)	799,872
Intangible assets (Note 14)	1,410,678
Right of use assets (Note 13)	49,986
Deferred tax assets (Note 31)	136,454
Deferred tax liability (Note 31)	(295,724)
Financial borrowings and lease liabilities (Note 7)	(56,073)
Trade and other payables	(2,089,958)
Other liabilities	(469,908)
Total value of identifiable net assets (100%)	3,103,683
Corresponding to 60% share purchased	1,862,210
Goodwill (Note 15)	1,212,398
Total consideration	3,074,608

NOTE 3 - BUSINESS COMBINATION (CONTINUED)

After the acquisition date, total sales of Arçelik Hitachi was amounting to TRY 4,868,534 in condensed consolidated profit or loss statement while its contribution to net profit was TRY 290,135.,

The fair value of the non-controlling interests has been measured on the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets.

Had the financial statements of Arçelik Hitachi been consolidated since January 1, 2021, the consolidated sales and net profit of Arçelik Group would have been higher by TRY 4,108,139 and TRY 320,911 respectively.

As of December 31, 2021, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 96,645.

The details of cash outflow due to acquisition are as follows:

Total consideration in cash	3,074,608
Cash and cash equivalents – acquired	(1,305,289)
Cash outflow due to acquisition of subsidiary (net)	1,769,319

NOTE 4 - 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.

Information about the operational segments is as follows. Gross profitability is evaluated regarding the performance of the operational segments.

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NOTE 4 - SEGMENT REPORTING (CONTINUED)

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2021 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	53,109,742	5,578,303	9,496,392	68,184,437
Gross profit	16,410,538	1,073,278	2,994,529	20,478,345
Depreciation and amortization	1,450,864	219,174	197,282	1,867,320
Capital expenditures	2,100,824	324,749	111,409	2,536,982

(*) The Group recognised net sales amounting to TRY 68,155,349 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2021 (2020: TRY 40,841,648).

b) 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

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash in hand	5,068	843
Cash at banks		
- demand deposits	3,705,276	1,094,544
- time deposits	11,964,444	10,710,844
Cheques and notes	126,371	83,672
Other	210,756	98,324
Cash and cash equivalents in cash flow statement	16,011,915	11,988,227
Interest income accruals	2,674	14,019
	16,014,589	12,002,246

The maturity breakdown of cash and cash equivalents is as follows:

Up to 30 days	15,484,875	11,543,147
30-90 days	529,714	459,099
	16,014,589	12,002,246

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NOTE 6 - FINANCIAL INVESTMENTS

Fair value gain/ losses of financial assets reflected to other comprehensive income

	December 31, 2021	December 31, 2020
Financial assets that its fair value gain/losses of reflected to other comprehensive income	10,531	5,614
Total	10,531	5,614

	December 31, 2021	December 31, 2020
Tat Gıda Sanayi A.Ş.	5,582	5,535
E&E Recycling, INC (*)	2,829	-
Thai Refrigeration Components Co., Ltd.(*)	2,041	-
Other	79	79
	10,531	5,614

(*) Due to acquisition of Hitachi Global Life Solutions Inc realized. at July 1, 2021 (Note 3). 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.

Financial assets that its fair value gain/losses of reflected to other comprehensive income

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 47 (December 31, 2020: TRY 2,475) and net of deferred tax effect amounting to TRY 2 (December 31, 2020: TRY 130) 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, 2021.

The details of financial investments for the years ended December 31, are as follows:

	2021	2020
As of January 1	5,614	3,009
Change in fair value	1,209	2,605
Acquisition	20,627	-
Disposal	(26,971)	-
Currency translation differences	10,052	-
As of December 31	10,531	5,614

NOTE 7 - BORROWINGS

a) Short-term borrowings

	December 31, 2021	December 31, 2020
Short-term bank borrowings	10,002,990	4,518,863
Short-term lease liabilities	330,258	201,043
Payables due to factoring activities (*)	251,013	120,716
Total short-term borrowings	10,584,261	4,840,622
Short-term portion of long-term bank borrowings and interest accruals	2,244,370	1,132,201
Short term portion of long-term bond issued and interest accruals (**)	215,469	4,258,054
Total short-term portion of long-term borrowings	2,459,839	5,390,255

(*) Factoring liabilities are amounting to TRY 126,892 denominated in EUR (December 31, 2020: TRY 69,062), TRY 124,121 denominated in GBP (December 31, 2020: TRY 51,654) and interest rates are between 0.6 % for EUR (December 31, 2020: 0.6%) and 0.62 % for GBP (December 31, 2020: 0.62 %).

(**) Long term bonds issued:

2021:
The Company issued bond amounting to TRY 1.2 billion quoted in Borsa Istanbul with quarterly interest payment on February 12, 2021, Maturity of the bond is February 10, 2023 and coupon rate is TRYREF+140.

The Company issued bond amounting to TRY 300 million quoted in Borsa Istanbul with quarterly interest payment on April 29, 2021, Maturity of the bond is April 27, 2023 and coupon rate is TRYREF+130.

The company issued green bond amounting to EUR 350 million, quoted in Ireland Stock Exchange with annual interest payment. Maturity of the bond is May 27, 2026 and coupon rate is 3%. The Group has a commitment to finance its projects within the scope of the Green Financing Framework, which it has created based on its sustainability strategy, with the funds obtained from the green bond issuance.

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%.

As of December 31, 2021, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
EUR	0.6	242,553,933	3,561,249
TRY	19.1	3,169,723,003	3,169,723
PKR	9.4	19,409,154,948	1,402,736
BDT	5.1	4,655,114,297	704,784
ZAR	5.1	404,169,082	329,208
USD	1.8	20,475,360	265,719
RUB	8.4	1,405,382,740	243,173
AUD	3.3	24,265,320	227,973
RON	3.4	22,067,184	65,094
NOK	1.6	22,717,120	33,331
			10,002,990

NOTE 7 - BORROWINGS (CONTINUED)

b) Long-term borrowings

As of December 31, 2021, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.5	2,247,044,734	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

b) Long-term borrowings

	December 31, 2021	December 31, 2020
Long-term bonds issued	13,119,453	3,667,163
Long-term bank borrowings	5,311,582	2,461,293
Long-term lease liabilities	1,104,364	715,892
	19,535,399	6,844,348

As of December 31, 2021, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	16.6	3,666,320,853	3,666,321
EUR	2.2	213,178,399	3,129,949
ZAR	5.8	500,000,000	407,265
PKR	8.1	4,876,397,137	352,417
Short-term portion of long-term loans and interest accruals			7,555,952 (2,244,370)
			5,311,582

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
Short-term portion of long-term loans and interest accru-als			3,593,494 (1,132,201)
			2,461,293

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NOTE 7 - BORROWINGS (CONTINUED)

b) Long-term borrowings (Continued)

As of December 31, 2021, 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	505,940,653	6,565,845
EUR	3.0	353,898,916	5,225,415
TRY	19.9	1,543,662,462	1,543,662
			13,334,922
Interest accruals of long-term bonds issued			(215,469)
			13,119,453

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
Interest accruals of long-term bonds issued			7,925,217 (106,468)
			7,818,749

The payment schedule of the principal amounts of long-term bank borrowings and bonds is as follows:

	December 31, 2021	December 31, 2020
2022	-	1,138,782
2023	10,935,200	4,319,941
2024	453,368	208,782
2025 to 2029	7,050,569	464,038
	18,439,137	6,131,543

The analysis of borrowings and bonds issued in terms of periods remaining to contractual re-pricing dates is as follows:

	December 31, 2021	December 31, 2020
Up to 3 months	8,833,569	3,296,338
3 - 12 months	5,036,068	6,840,891
1-5 years	14,298,812	4,981,856
Over 5 years	2,233,058	679,320
	30,401,507	15,798,405

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NOTE 7 - BORROWINGS (CONTINUED)

As of December 31, 2021, and 2020, financial debt reconciliation is as follows:

2021	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	(916,935)	(10,029,834)	(6,128,456)	(17,075,225)
Cash flows	635,575	1,189,195	(10,810,261)	(8,985,491)
Transfer	-	(2,865,274)	2,865,274	-
Changes in interest accruals	(67,017)	(257,025)	-	(324,042)
Changes in factoring liabilities	-	(130,297)	-	(130,297)
Changes in lease liabilities	(594,345)	-	-	(594,345)
Acquisition	56,073	-	-	56,073
Currency translation adjustments	(547,973)	(620,607)	(4,357,592)	(5,526,172)
Financial debt as of December 31	(1,434,622)	(12,713,842)	(18,431,035)	(32,579,499)

2020	Lease Li-abilities	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	331,687	(930,003)	(295,083)
Transfer	-	(3,746,937)	3,746,937	-
Changes in interest accruals	(59,922)	117,672	-	57,750
Changes in factoring liabilities	-	5,250	-	5,250
Changes in lease liabilities	(271,465)	-	-	(271,465)
Currency translation adjustments	(153,361)	(763,034)	(700,146)	(1,616,541)
Financial debt as of December 31	(916,935)	(10,029,834)	(6,128,456)	(17,075,225)

NOTE 8 - 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, 2021			December 31, 2020		
	Contract amount	Fair value assets /(liabilities)		Contract amount	Fair value assets /(liabilities)	
<u>Short-term derivative instruments</u>						
<i>Held for trading:</i>						
Foreign currency forward transactions	16,679,404	14,103	(145,352)	1,863,257	9,845	(267)
Foreign currency swap contracts	6,560,163	1,991	(99,940)	8,764,899	17,509	(5,084)
<i>Cash flow hedge:</i>						
Interest rate swap contracts (*)	-	-	-	1,000,000		(2.915)
Short-term derivative instruments, net	16,094	(245,292)		27,354	(8,266)	(8.266)
<u>Long-term derivative instruments</u>						
<i>Cash flow hedge:</i>						
Interest rate swap contracts (**)	300,000	19,157	-	-	-	-
Long-term derivative instru-ments,net	19,157	19.157	-	-	-	-

(*) As of December 31, 2021, interest rate swap transactions realized for the exchange of floating rate instalment payments of long term bond issued amounting to TRY 300 million on 29 April 2021 and maturity of the bond is April 27 2023, with a fixed rate instalment payment for the purpose of cash flow hedge (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).

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2021	December 31, 2020
Short-term trade receivables:		
Trade receivables	22,291,306	10.925.282
Notes receivables	1,164,206	1.246.101
Cheques receivables	414,337	384.202
Short-term trade receivables (gross)	23,869,849	12.555.585
Provision for expected credit loss	(439,696)	(300.665)
Unearned credit finance income	(287,915)	(208.628)
Short-term trade receivables (net)	23,142,238	12.046.292

As of December 31, 2021, the Group has offsetted TRY 2,366,439 (December 31, 2020: TRY 1,238,538) 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 338,435 related with its local bank borrowings (December 31, 2020: TRY 124,268).

The movements of expected credit loss for the years ended December 31, are as follows:

	2021	2020
As of January, 1	300,665	232,307
Current year additions (Note 27)	59,835	58,484
Provisions no longer required (Note 27)	(34,779)	(14,188)
Acquisitions	30,495	-
Write-offs (*)	(35,779)	(18,385)
Sale of subsidiary	(166)	-
Currency translation differences	119,425	42,447
As of December, 31	439,696	300,665

(*) 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.

Long-term trade receivables	December 31, 2021	December 31, 2020
Trade receivables	101.746	126.885
Unearned credit finance income	101,746	126,885
	45,865	68,225

	December 31, 2021	December 31, 2020
Short-term trade payables:		
Trade payables	16,296,508	8,149,453
Debt accruals	1,986,561	679,971
Unearned credit finance charges	(206,742)	(180,051)
	18,076,327	8,649,373

NOTE 10 - OTHER PAYABLES

	December 31, 2021	December 31, 2020
Taxes and duties payable	971,148	600,045
Dividend payables to shareholders	46,414	31,187
Deposits and guarantees received	16,948	4,303
Other	211,098	90,539
	1,245,608	726,074

NOTE 11 - INVENTORIES

	December 31, 2021	December 31, 2020
Raw materials and supplies	6,781,587	2,873,767
Work in progress	466,732	202,444
Finished goods	7,180,847	3,244,160
Trade goods	2,626,519	898,108
Inventories (gross)	17,055,685	7,218,479
Provision for impairment on inventories	(226,986)	(122,857)
Inventories (net)	16,828,699	7,095,622

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 395,880 related with its local bank borrowings (December 31, 2020: 128,501).

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	December 31, 2021	December 31, 2020
Raw materials and supplies	87,605	28,964
Finished goods	106,040	79,800
Trade goods	33,341	14,093
	226,986	122,857

Movements of provision for impairment on inventories for the periods ended December 31 are as follows:

	2021	2020
As of January 1	122,857	91,826
Current year additions (Note 26)	59,520	75,510
Realized due to sales of inventory	(83,083)	(51,373)
Sale of subsidiary	(254)	-
Acquisitions	36,494	-
Currency translation differences	91,452	6,894
As of December 31	226,986	122,857

NOTE 12 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2021		December 31, 2020	
	%	TRY	%	TRY
VoltBek	49.0	307,880	49.0	202,788
Koç Finansman	47.0	289,570	47.0	228,601
Arçelik - LG	45.0	237,544	45.0	197,317
Ram Dış Ticaret	33.5	20,415	33.5	16,843
Tanı Pazarlama(*)	-	-	32.0	2,467
		855,409		648,016

(*) The Group has sold 32% owned associate Tanı Pazarlama İletişim Hizmetleri A.Ş. to Yapı ve Kredi Bankası A.Ş. on 30 November 2021.

The movements of associates for the years ended December 31, are as follows:

	2021	2020
As of January 1	648,016	526,499
Shares of income/loss of associates	(44,514)	41,226
Shares of other comprehensive income/loss of associ-ates	1,058	5,192
Gross profit elimination on inventory	(1,838)	1,182
Share participation in associates	140,840	35,228
Cash dividend from associates	(11,165)	-
Disposal of shares on associates	(2,205)	-
Currency translation difference	125,217	38,689
As of December 31	855,409	648,016

Shares of income/loss from investments accounted for using the equity method:

	2021	2020
Koç Finansman	61,684	44,672
Arçelik – LG	44,747	47,823
Ram Dış Ticaret	10,304	8,014
Tanı Pazarlama	(285)	667
VoltBek	(160,964)	(59,950)
	(44,514)	41,226

Aggregated summary figures of the financial statements of associates and joint venture:

December 31, 2021	Koç Finansman	Ram Dış Ticaret	Voltbek	Other	Total
Total assets	4,825,845	2,494,769	2,785,492	1,516,591	11,622,697
Total liabilities	4,209,739	2,433,828	2,157,165	988,716	9,789,448
Net sales	800,165	5,043,644	1,060,018	2,158,114	9,061,941

December 31, 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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	January 1 2021	Subsidiary sales (*)	Additions	Disposals	Transfer (***)	Acquisition (**)	Currency Translation Differences	December 31, 2021
Cost								
Land	303,471	-	6,794	(908)	-	381,268	161,874	852,499
Land improvements	57,680	(237)	5,303	(11)	100	-	13,981	76,816
Buildings	3,346,003	(477)	263,930	(174,332)	39,755	371,330	1,888,100	5,734,309
Machinery, equipment and moulds	7,604,352	(145,958)	763,374	(152,776)	751,144	822,890	3,375,459	13,018,485
Motor vehicles and fixtures	1,473,446	(5,756)	483,427	(153,382)	176,577	175,794	876,184	3,026,290
Leasehold improvements	133,836	(688)	15,788	(433)	-	-	72,590	221,093
Construction in progress	931,949	(840)	824,063	(28,953)	(961,394)	33,392	223,919	1,022,136
	13,850,737	(153,956)	2,362,679	(510,795)	6,182	1,784,674	6,612,107	23,951,628
Accumulated depreciation:								
Land improvements	(42,729)	187	(6,537)	11	-	-	(11,069)	(60,137)
Buildings	(927,786)	122	(363,016)	136,845	(3,635)	-	(703,380)	(1,860,850)
Machinery, equipment and moulds	(4,486,252)	84,676	(786,920)	152,342	-	-	(2,123,530)	(7,159,684)
Motor vehicles and fixtures	(989,944)	3,264	(271,672)	91,810	(2,678)	-	(438,749)	(1,607,969)
Leasehold improvements	(107,458)	11	(10,887)	433	-	-	(19,751)	(137,652)
	(6,554,169)	88,260	(1,439,032)	381,441	(6,313)	-	(3,296,479)	(10,826,292)
Net book value	7,296,568	(65,696)	923,647	(129,354)	(131)	1,784,674	3,315,628	13,125,336

(*) The disposals are related to the sale of WAT Motor shares on November 30, 2021 (Note 2)
(**) Due to acquisition of Hitachi Global Life Solutions Inc realized at July 1, 2021 and acquisition of Arçelik Üretim ve Teknoloji A.Ş. realized at June 30, 2021 (Note 3).
(***) Consists of transfers amounting to TRY 131 from property, plant and equipment to other intangible assets (Note 14).
There is no mortgage on property, plant and equipment as of December 31, 2021 (December 31, 2020: None).

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As of December 31, 2021 and December 31, 2020 the details of right-of-use assets recognized in the consolidated financial statements are as follows:

	December 31, 2021	December 31, 2020
Land improvements	5,031	2,641
Buildings	1,168,052	759,186
Machinery, equipments and moulds	36,801	30,718
Motor vehicles	207,616	76,036
Total right-of-use	1,417,500	868,581

Additions to rights-to-use assets for the year ended December 31, 2021 TRY 463,515 (2020: 285,705), depreciation expenses are TRY 387,854 (2020: TRY 272,943).

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	January 1 2020	Subsidiary sales (*)	Additions	Disposals	Transfer (***)	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

(*) The 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 128.2 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 28).
In addition, as a result of the evaluation, The Company has set aside a provision for impairment of TRY 22 million for its fixed assets which is not expected to provide economic benefits in the future, and is accounted for under expenses in investment activities (Note 28).

NOTE 14 - OTHER INTANGIBLE ASSETS

	January 1 2021	Subsidiary sales (*)	Additions	Disposals	Transfer (***)	Acquisition (**)	Revaluation increase	Currency Translation Differences	December 31, 2021
Cost:									
Brands	1,746,059	-	-	-	-	-	-	871,124	2,617,183
Development costs	2,079,653	(49,082)	525,286	-	-	-	-	2,555,857	2,555,857
Computer software and rights	503,539	(2,624)	111,879	(13,625)	131	35,149	-	297,160	931,609
Trademark licenses and patents	141,645	-	653	(9)	-	-	-	45,558	187,847
Customer relationships	659,771	-	-	-	-	1,362,470	-	382,278	2,404,519
Memberships	-	-	-	-	-	18,213	6,900	8,532	33,645
	5,130,667	(51,706)	637,818	(13,634)	131	1,415,832	6,900	1,604,652	8,730,660
Accumulated depreciation:									
Development costs	(1,058,831)	15,823	(188,248)	-	-	-	-	-	(1,231,256)
Computer software and rights	(309,838)	2,431	(76,408)	8,861	-	-	-	(90,095)	(465,049)
Trademark licenses and patents	(69,296)	-	(12,348)	9	-	-	-	(35,945)	(117,580)
Customer relationships	(128,758)	-	(151,284)	-	-	-	-	(63,418)	(343,460)
	(1,566,723)	18,254	(428,288)	8,870	-	-	-	(189,458)	(2,157,345)
Net book valuer	3,563,944	(33,452)	209,530	(4,764)	131	1,415,832	6,900	1,415,194	6,573,315

(*) The disposals are related to the sale of WAT Motor shares on November 30, 2021 (Note 2)
(**) Due to acquisition of Hitachi Global Life Solutions Inc realized at July 1, 2021 and acquisition of Arçelik Üretim ve Teknoloji A.Ş. realized at June 30, 2021 (Note 3).
(***) Consists of transfers amounting to TRY 131 from property, plant and equipment to other intangible assets (Note 13).
As of December 31, 2021, total amount of capitalized borrowing cost is TRY 5,481 (December 31, 2020: 1,225).

	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

(*) The disposals are related to the sale of Token shares on April 30, 2020 (Note 2)

NOTE 14 - OTHER INTANGIBLE ASSETS (CONTINUED)

The carrying values of the brands of the Group are as below:

	December 31, 2021	December 31, 2020
Grundig (*)	1,182,668	775,239
Defy (*)	799,251	524,105
Dawlance(*)	485,766	323,933
Beko	81,040	81,040
Other brands (*)	68,458	41,742
	2,617,183	1,746,059

(*) Values of brands in their original currencies are same as of December 31, 2021 and 2020 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, 2021. 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% 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 6.70 % to 14.30 % discount rates.

Fair value of brands is around 13.3 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 10.6 of carrying value of these asset. As a result of these sensitivity analysis, the Group did not identify any impairment.

NOTE 15 - GOODWILL

	2021	2020
As of January 1	989,060	808,786
Acquisitions (Note 3)	1,212,398	-
Currency translation differences	642,990	180,274
As of December 31	2,844,448	989,060

Details of goodwill are as follows:

	December 31, 2021	December 31, 2020
Hitachi	1,212,398	--
Defy	661,997	408,708
Singer	574,437	330,498
Dawlance	375,925	236,468
Other	19,691	13,386
	2,844,448	989,060

NOTE 15 - 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, 2021.

The projection period for the purposes of goodwill impairment testing is approved by the management as 5 years between January 1, 2022 and December 31, 2026.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 4.0% - 5.0% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 13.20% - 14.30% 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 34% 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 22.5%. Had the compound average growth rate been assumed to be 21.5%, the recoverable amount would have been calculated as 7% 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 5.0%. Had the rate been assumed to be 4.0%, the recoverable amount would have been 24% 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 13.20%. Had the rate been assumed to be 14.20%, the recoverable amount would have been 15% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 15 - GOODWILL (CONTINUED)

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 215% 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 41%. Had the compound average growth rate been assumed to be 40%, the recoverable amount would have been calculated as 180% 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 4%. Had the rate been assumed to be 3%, the recoverable amount would have been 191% 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 14.30%. Had the rate been assumed to be 15.30%, the recoverable amount would have been 176% 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, 2021, in order to test the impairment of the goodwill generated during the acquisition of Singer, its public affiliate. As of December 31, 2021, the market value of the company is 61% 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 29% above the total of goodwill and book value and no provision for impairment is required.

NOTE 16 - 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, 2021 are as follows:

- i) Research and development incentive premiums taken or certain to be taken amounts to TRY 14,568 (December 31, 2020 TRY 6,772).
- ii) Brand support incentive (known as “Turquality”) received from Republic of Turkey Ministry of Trade amounts to TRY 19,720 (December 31, 2020: TRY 19,468).

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NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2021, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 2,360,301,160 (December 31, 2020: USD 321,306,330). 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, 2021	December 31, 2020
Collaterals obtained	7,103,500	4,852,845

Collaterals/ pledges/ mortgages/bill of guarantees (“CPMB”) position of the Group as of December 31, 2021 and December 31, 2020 are as follows:

CPMB's given by the Company	December 31, 2021	December 31, 2020
A. CPMB's given for Company's own legal personality	610,026	300,894
B. CPMB's given on behalf of fully consolidated com-panies	3,004,407	1,625,843
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	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
Total	3,614,433	1,926,737

TRY equivalents of CPMB given as of December 31, 2021 and December 31, 2020 are as follows on original currency basis are as follows:

CPMB's given by the Company	December 31, 2021	December 31, 2020
TRY	147,587	101,312
EUR	1,032,546	685,979
USD	464,887	278,730
Other currencies	1,969,413	860,716
	3,614,433	1,926,737

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NOTE 18 - OTHER PROVISIONS

	December 31, 2021	December 31, 2020
Other short-term provisions		
Warranty provision	1,122,271	572,725
Provision for transportation cost	261,457	96,459
Assembly provision	235,378	135,561
Provision for lawsuit risks	74,102	27,600
Other	394,755	145,133
	2,087,963	977,478

Other long-term provisions		
Warranty provision	391,073	289,640
Other	47,999	-
	439,072	289,640

The movements of warranty and assembly provisions for the years ended December 31, are as follows:

Warranty provision	2021	2020
As of January 1	862,365	552,513
Additions (Note 26)	1,759,604	1,288,406
Disposals	(1,465,663)	(1,100,443)
Acquisitions	70,722	-
Currency translation differences	286,316	121,889
As of December 31	1,513,344	862,365

Assembly provision		
As of January 1	135,561	116,356
Additions (Note 26)	588,996	426,408
Disposals	(496,678)	(407,609)
Currency translation differences	7,499	406
As of December 31	235,378	135,561

NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2021	December 31, 2020
Provision for employment termination benefits	933,226	417,673
Provision for vacation pay liability (*)	2,383	1,844
	935,609	419,517

(*) As of December 31, 2021, vacation pay provisions in the amount of TRY 54,233 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 8,284.51 as of December 31, 2021 (December 31, 2020: full TRY 7,117.17) 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:

	2021	2020
Net discount rate (%)	4.45	4.63
Turnover rate related the probability of retirement (%)	96.84	95.98

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 10,848.59 (January 1, 2021: full TRY 7,638.96) which is effective from January 1, 2022 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Movements in the provisions for employment termination benefits for the years ended December 31, are as follows:

	2021	2020
As of January 1	417,673	304,252
Interest expense	23,511	16,278
Actuarial losses	127,324	87,480
Acquisition	223,810	-
Subsidiary sales	(14,532)	(328)
Service cost	117,078	39,883
Payments during the year	(82,671)	(33,480)
Currency translation differences	121,033	3,588
As of December 31	933,226	417,673

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	548,651	398,813
Non – Turkey	384,575	18,860
	933,226	417,673

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of December 31, 2021 is below:

Sensitivity level	Net discount rate		Turnover rate related the probability of retirement	
	0,5% decrease	0,5% increase	0,5% decrease	increase
Rate	4.0%	5.0%	96.3%	97.3%
Change in employee benefits liability	21,323	(23,563)	(18,019)	19,757

NOTE 20 - PREPAID EXPENSES

	December 31, 2021	December 31, 2020
Short-term prepaid expenses	390,723	309,640
Advances given for inventories	258,076	187,143
	648,799	496,783

	December 31, 2021	December 31, 2020
Long-term prepaid expenses	186,057	83,484
	186,057	83,484

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NOTE 21 - CURRENT INCOME TAX ASSETS

	December 31, 2021	December 31, 2020
Prepaid taxes and funds	415,431	143,032
	415,431	143,032

NOTE 22 - EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2021	December 31, 2020
Payables to personnel	469,368	333,481
Social security payables	124,842	91,155
Accruals for bonuses and premiums	180,880	67,918
	775,090	492,554

NOTE 23 - OTHER ASSETS AND LIABILITIES

	December 31, 2021	December 31, 2020
Other current assets:		
Value added tax and private consumption tax receivable	969,225	455,657
Taxes and funds deductible	940,168	454,966
Income accruals	131,787	88,832
Deposits and guarantees given	93,577	108,402
Other	124,895	38,510
	2,259,652	1,146,367

Other current liabilities:		
Accruals for customer premiums	2,706,865	1,336,801
Advances received	368,674	317,015
Liabilities related to acquisitions (Note 3)	94,705	-
Deferred income	82,915	76,891
Other	126,089	8,022
	3,379,248	1,738,729

Other long-term liabilities:		
Deferred income	905,778	527,191
Other	176,915	54,515
	1,082,693	581,706

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NOTE 24 - 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, 2021	December 31, 2020
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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, 2021		December 31, 2020	
	Share (%)	Amount	Share (%)	Amount
Shareholders				
Koç Holding A.Ş.	40.56	274,070	40.56	274,070
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	51.98	351,237
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	0.12	809
Treasury shares (*)	5.39	36,432	-	-
Other	19.76	133,528	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

(*) The above amount is related to the shares that buyback and are publicity listed the Group as of December 31, 2021

(**) “Adjustment to share capital” represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/IFRS 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.

Treasury Shares

Pursuant to the decision of the Board of Directors of the Company on July 1, 2021, treasury share procedures have been initiated. Within the scope of the decision, the shares with a nominal value of TRY 36,432, corresponding to 5.39% of the company's capital, has been bought back at the amount of TRY 1,215,266, including transaction costs as of December 31, 2021 (31 December 2020: None). As of the report date, there are no treasury shares that have been sold. Information on treasury share has been realized after the balance sheet date is presented in the ‘Events After Balance Sheet Date’ (Note 37).

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 24 - 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, 2021	December 31, 2020
Legal reserves	555,736	409,115
Reserves for treasury shares	1,215,266	-

As agreed in the ordinary general meeting dated March 23, 2021, the decision to pay dividends as cash has been taken and the payment was made in March 2021 (1,5 Billion). The dividend details are as follows: 221.98274% (2020: None) corresponding to gross TRY 2.2198274 (full) (2020:None) (net amount being equal to gross amount) per share of TRY 1.00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 221.98274% (2020: None) corresponding to gross TRY 2.2198274 (full) (2020: None) and 188,68532% corresponding to net TRY 1.8868532 (full) (2020: None) per share of TRY 1.00 (full) nominal value to the other shareholders.

In accordance with Article 520 of Law No.6102, a reserve fund is appropriated out the shares buyback in an amount that meets the acquisition. As of December 31, 2021, the Group is appropriated out a reserve fund for the shares that have been bought back amounting to TRY 1,215,266 within the amount of restricted reserves in its consolidated financial statements.

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

Listed companies distribute dividend in accordance with the Communiqué No, II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

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NOTE 25 - SALES

Sales revenue grouped geographically based on the location of the customers for the years ended December 31 are shown as below:

2021	Turkey	Europe	Asia Pasific	Africa	Other	Total
Total segment revenue	20,788,705	30,129,077	10,047,499	3,598,539	3,620,617	68,184,437

2020	Turkey	Europe	Asia Pasific	Africa	Other	Total
Total segment revenue	14,102,538	19,309,628	3,531,355	2,267,040	1,661,922	40,872,483

The Group recognised net sales amounting to TRY 68,155,349 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2021.

The amount of performance obligations at ongoing contracts of the Group will be recognized in the future is TRY 455,591 (31 December 2020: TRY 313,735). The Group expects that TRY 402,758 (31 December 2020: TRY 283,140) portion of amount will be recorded as revenue to financial statements within seven years (31 December 2020: six years).

The movements of performance obligations for the years ended December 31 are as follows:

	2021	2020
As of January, 1	313,735	240,910
Recognized as revenue	(29,088)	(30,835)
Increases due to changes in measurements	170,944	103,660
As of December, 31	455,591	313,735

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NOTE 26 - EXPENSES BY NATURE

Expenses by nature include cost of goods sold, marketing expenses, general administrative expenses and research and development expenses.

	2021	2020
Raw materials, supplies and trade goods	48,438,483	24,382,231
Changes in finished goods, work in process and trade goods	(5,929,386)	(694,380)
Personnel expenses	6,914,533	4,402,219
Transportation, distribution and storage expenses	3,869,217	2,204,375
Warranty and assembly expenses	2,348,600	1,714,814
Depreciation and amortization expenses	1,845,682	1,221,994
Advertising and promotion expenses	1,832,495	1,084,326
Legal consultancy and audit expenses	318,117	227,707
Insurance expenses	237,462	133,776
Provison for impairment on inventories	59,520	75,510
Other	3,242,200	2,276,956
	63,176,923	37,029,528

The functional breakdowns of depreciation, amortisation and personnel expenses are as follows:

Depreciation and amortisation expenses	2021	2020
Cost of sales	865,480	531,234
Marketing expenses	541,517	331,796
General administrative expenses	213,566	162,830
Research and development expenses	225,119	196,134
	1,845,682	1,221,994

Total depreciation charges capitalised in 2021 is TRY 21,638 (2020: TRY 19,554).

Personnel expenses	2021	2020
Cost of sales	3,339,814	2,025,671
Marketing expenses	1,971,326	1,291,292
General administrative expenses	1,487,749	1,000,694
Research and development expenses	115,644	84,562
	6,914,533	4,402,219

Total research and development expenditures incurred in 2021 excluding amortization amounts to TRY 724,504 (2020: TRY 491,642).

Fees for Services Received from Independent Auditor/ Independent Audit Firms

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	2021(*)	2020(*)
Audit and assurance fee	17,669	8,733
Tax consulting fee	2,837	924
Other assurance services fee	1,213	354
Other service fee apart from audit	196	71
	21,915	10,082

(*) The fees above have been determined through including the legal audit and other related service fees of all subsidiaries and joint ventures, and the foreign currency fees of foreign subsidiaries and affiliates have been converted into TL using the annual average rates of the relevant years.

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NOTE 27 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2021	2020
Other income from operating activities:		
Foreign exchange gains arising from trading activities	5,588,688	1,313,860
Income from claims and grants (*)	90,990	394,364
Credit finance income arising from trading activities	54,261	41,028
Expected credit lose provisions no longer r quired(Note 9)	34,779	14,188
Other	7,705	5,920
	5,776,423	1,769,360

Other expenses from operating activities:

Foreign exchange losses arising from trading activities	(3,406,624)	(503,159)
Credit finance charges arising from trading activities	(268,757)	(185,098)
Provision for expected credit lose (Note 9)	(59,835)	(58,484)
Other	(28,577)	(13,278)
	(3,763,793)	(760,019)

(*) 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 in 2020 from CRT suppliers by settlement. The amount is presented in income from claims and grants.

NOTE 28 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2021	2020
Income from investment activities:		
Gain from a bargain purchase(*)	234,997	-
Profit from sales of subsidiary (**)	55,682	226,498
Income from sales of property plant and equipment	24,889	14,077
Gain from disposal of shares in associates (***)	930	-
Dividends received from financial investments	342	93
	316,840	240,668

Expenses from investment activities:

Loss from sales of property plant and equipment	(9,579)	(15,782)
Impairments for fixed assets (Note 13)	-	(48,703)
	(9,579)	(64,485)

(*) Due to acquisition of Arçelik Üretim ve Teknoloji A.Ş. (Note 3).

(**) The Group has sold 100% owned subsidiary Wat Motor Sanayi ve Ticaret A.Ş. for a total price of TRY 369.8 million, to its shareholders Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. on 30 November 2021. (2020: The Group has sold 100% owned subsidiary Token for a total price of TRY 312.4 million, to its shareholders Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. on April 30, 2020)

(***) The Group has sold 32% owned associate Tanı Pazarlama İletişim Hizmetleri A.Ş. to Yapı ve Kredi Bankası A.Ş. on November 30, 2021.

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NOTE 29 - FINANCIAL INCOME

	2021	2020
Foreign exchange gains (*)	6,976,653	2,454,602
Gains on derivative instruments	4,051,786	1,145,948
Interest income	217,672	231,593
Other	63,247	20,353
	11,309,358	3,852,496

(*) Foreign exchange gains are related to cash and cash equivalents, financial borrowings and other financial liabilities.

NOTE 30 - FINANCIAL EXPENSES

	2021	2020
Foreign exchange losses (*)	(8,615,726)	(2,543,848)
Losses on derivative instruments	(4,487,797)	(1,510,170)
Interest expenses (**)	(1,817,588)	(1,341,916)
Other	(48,524)	(28,362)
	(14,969,635)	(5,424,296)

(*) Foreign exchange losses are related to cash and cash equivalents, financial borrowings and other liabilities.

(**) TRY 67,017 of the interest expenses consists of the interest expense on the lease liabilities (2020: TRY 59,922).

NOTE 31 - TAX ASSETS AND LIABILITIES

	December 31, 2021	December 31, 2020
Corporation and income taxes	2021	December 31,
Prepaid tax	2020	(358,938)
Tax liabilities (net)	55,292	7,736
Deferred tax assets	1,823,680	833,284
Deferred tax liabilities	(1,528,994)	(563,071)
Deferred tax assets, net	294,686	270,213

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.

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NOTE 31 - TAX ASSETS AND LIABILITIES (CONTINUED)

The corporation tax rate is 25% in Turkey (December 31, 2020: 22%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met. POA made a declaration on the Implementation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

Income tax expense for the years ended December 31 is as follows:

	2021	2020
Tax income		
- Current period tax expense	(759,496)	(481,032)
- Deferred tax income	387,891	(137,884)
Tax income	(371,605)	(618,916)

	2021	2020
Profit before tax	3,622,614	3,497,905
Less: Share of profit/loss of equity accounted investments	44,514	(41,226)
Profit before tax (excluding share of profit/(loss) of Joint Ven-tures)	3,667,128	3,456,679
Tax rate	25%	22%
Tax expense	(916,782)	(760,469)
Exemptions	85,438	39,341
Tax losses and other tax advantages (net effect)	626,891	136,989
Impact of different tax rates in other countries	6,696	(6,324)
The effect of the legal tax rate change on the deferred tax amount	30,736	12,655
Expenses not deductible for tax purposes	(211,143)	(38,040)
Other	6,559	(3,068)
Taxation income recognized in statement of profit or loss	(371,605)	(618,916)

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/TFRS 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/TFRS and Tax Laws.

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NOTE 31 - 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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Property, plant and equipment and intangible assets	6,808,897	4,407,368	(1,893,703)	(1,043,338)
Unused tax advantages (*)	-	-	386,422	409,654
Unused tax credits	(1,876,782)	(822,908)	512,674	269,760
Provision for warranty, assembly and transportation expenses	(1,261,212)	(1,036,964)	285,256	220,513
Inventories	(1,079,533)	(606,250)	315,910	174,480
Provision for employment termination benefits	(862,252)	(398,093)	185,139	79,832
Provision for expected credit lose	(201,855)	(125,346)	54,707	32,594
Derivative instruments	(196,369)	9,927	44,912	(1,988)
Other	(1,763,098)	(584,579)	403,369	128,706
Deferred tax assets, net		294,686	270,213	270.213

(*) 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, 2021 the tax advantage of TRY 386,422 (December 31, 2020: TRY 409,654) 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:

	2021	2020
Balance as of January 1	270,213	436,392
Deferred tax income recognized	387.891	(137.884)
in statement of profit or loss	387,891	(137,884)
Deferred tax income recognized directly in the equity	27,025	2,838
Acquisitions (Note 3)	(218,902)	-
Deferred tax effect of subsidiary sales	(21,510)	1,041
Currency translation differences	(150,031)	(32,174)
Balance as of December 31	294,686	270,213

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NOTE 31 - 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, 2021
2022	325,069
2023	168,962
2024	141,686
2025 and after	842,496
	1,478,213

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 32 - 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:

	January 1- December 31, 2021	January 1- December 31, 2020
Profit for the year attributable to shareholders of the Company	3,064,674	2,847,839
Weighted average number of ordinary shares with nominal value (kurus1 each one) (*)	66,504,513,987	67,572,820,500
Earnings per share (kurus)	4.608	4.214

(*) Further details for the treasury shares please refer to Note 24.

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NOTE 33 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2021	December 31, 2020
(a) Due from related parties:		
Wat Motor(*)	145,996	-
Voltbek(2)	74,604	63,945
Koçtaş Yapı Marketleri Ticaret A.Ş.(1)	37,722	30,117
Other	10,984	9,091
	269,306	103,153

(b) Due to related parties:

Current:

Zer Merkezi Hizmetler ve Ticaret A.Ş.(1)	661,144	463,096
Ram Dış Ticaret A.Ş.(2)	452,200	171,657
Arçelik-LG (4)	218,194	198,207
Ingage Dijital Pazarlama Hizmetleri A.Ş.	61,149	14,686
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	58,414	46,081
Koç Holding A.Ş. (3)	52,078	34,665
Bilkom Bilişim Hizmetleri A.Ş. (1)	48,805	16,475
Other	40,720	50,962
	1,592,704	995,829

(1) Koç Holding group companies

(2) Associates

(3) Parent company

(4) Joint venture

(*) Wat Motor was sold on November 30, 2021 and had been deconsolidated.

Maturity analysis of the present value of other payables to related parties is as follows:

(c) Deposits:

	December 31, 2021	December 31, 2020
Yapı ve Kredi Bankası A.Ş. and its subsidiaries (1)	4,503,113	3,251,407

(1)Koç Holding group companies

(d) Derivative instruments

December 31, 2021	Contract amount	Fair value assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	2,083,556	- 72,835

December 31, 2020	Contract amount	Fair value assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,926,271	5,230 (311)

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NOTE 33 - RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Transactions with related parties

(a) Sales of goods and services:	2021	2020
Bilkom Bilişim Hizmetleri A.Ş.	383,183	38,238
Voltbek	228,418	134,675
Token Finansal Teknolojiler A.Ş.	115,152	89,150
Koçtaş Yapı Marketleri Ticaret A.Ş.	82,772	52,204
Wat Motor	29,050	-
Yapı ve Kredi Bankası A.Ş.	9,289	4,006
Zer Merkezi Hizmetler ve Ticaret A.Ş.	2,333	3,401
Other	25,006	13,911
	875,203	335,585

(b) Purchases of goods and services:	2021	2020
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3,103,519	1,846,735
Ram Dış Ticaret	1,306,827	564,526
Arçelik-LG	1,192,283	714,128
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	204,278	125,417
Ingage Dijital Pazarlama Hizmetleri A.Ş. (1)	191,780	78,915
Bilkom Bilişim Hizmetleri A.Ş.	173,006	278,430
Token Finansal Teknolojiler A.Ş.	114,171	73,496
Ram Sigorta Aracılık Hizmetleri A.Ş.(*) (1)	65,524	47,413
Other	291,086	181,758
	6,642,474	3,910,818

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.

(*) 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, 2021 amounts to TRY 161,041 (December 31, 2020: TRY 111,245). Compensation includes only short-term benefits. TRY 5,438 (December 31, 2020: TRY 11,000) of the total compensation is redundancy payments made to the senior executives and the remaining amount is short-term benefits.

(d) Other transactions:

	2021	2020
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	64,459	34,304
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	11,705	23

NOTE 34 - 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, 2021 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	31,144,877	33,958,795	8,987,000	12 months	18,035,282	2,244,744
Lease liabilities	1,434,622	1,694,271	122,551	352,136	898,692	320,892
Trade payables	19,669,031	19,855,618	16,214,481	3,631,748	9,389	-
Other payables, third parties	1,245,608	1,245,608	1,138,470	99,288	489	7,361
	53,494,138	56,754,292	26,462,502	8,774,941	18,943,852	2,572,997
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	-	11,525,587	8,062,875	3,437,178	25,534	-
Derivative cash outflows	-	(11,688,024)	(8,230,381)	(3,457,643)	-	-
Derivative instruments (net)	(210,041)	(162,437)	(167,506)	(20,465)	25,534	-

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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	16,158,290	17,585,408	3,098,824	7,696,633	5,966,896	823,055
Lease liabilities	916,935	1,142,812	73,776	196,689	601,540	270,807
Trade payables	9,645,202	9,739,526	8,891,433	848,093	-	-
Other payables, third parties	726,074	726,073	637,960	88,113	-	-
	27,446,501	29,193,819	12,701,993	8,829,528	6,568,436	1,093,862
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	-

Interest Rate Risk

Changes 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.

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:

December 31, 2021 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR	INR	HKD	MYR	BDT	KZT
Current Assets																								
Cash and cash equivalents	25.55	0.18	2.18	0.14	0.07	3.91	0.37	3.20	(0.32)	0.06	-	1.50	(0.75)	0.65	1.34	-	0.55	0.06	0.04	-	0.13	-	-	0.08
Trade receivables	13.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																								
Short-term bank borrowings	19.07	0.58	1.82	-	3.38	8.40	-	5.10	-	-	1.60	-	-	3.25	-	-	-	-	0.09	-	-	-	5.14	-
Trade payables	20.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																								
Long term bank borrowings	16.63	2.23	-	-	-	-	-	5.83	-	-	-	-	-	-	-	-	-	-	8.10	-	-	-	-	-
Long term bonds issued	19.87	3.00	5.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2020 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR	INR	HKD	MYR	BDT	KZT
Current Assets																								
Cash and cash equivalents	17.41	0.24	2.83	0.00	1.52	4.19	1.05	3.51	(0.45)	4.35	-	4.40	(0.75)	0.65	1.33	0.15	0.55	0.61	5.50	2.39	0.13	-	-	-
Trade receivables	8.98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																								
Short-term bank borrowings	9.52	0.44	2.05	-	-	2.00	-	4.64	-	-	-	-	-	3.25	-	-	-	-	-	-	-	-	-	-
Trade payables	17.82	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																								
Long term bank borrowings	14.00	2.63	-	-	-	-	-	9.66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	19.07	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	2021	2020
Financial instruments with fixed interest rates		
Time deposits	8,466,585	7,751,630
Borrowings and bonds issued	24,868,954	13,043,245
Factoring liabilities	251,013	120,716
Financial instruments with variable interest rates		
Time deposits	3,500,533	2,973,233
Borrowings	6,024,911	2,994,329

At December 31, 2021, 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 25,244 (2020: TRY 211 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 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Details of credit and receivable risk as of December 31, 2021 and December 31, 2020 are as follows:

December 31, 2021	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third par-ties		
Maximum exposed credit risk as of reporting date (1)	269,306	23,188,103	15,672,394	16,094
Secured portion of the maximum credit risk by guarantees, etc. (2)	-	(16,739,334)	-	-
A. Net book value of financial asset either are not due or not impaired	269,306	22,408,668	15,672,394	16,094
-Secured portion by guarantees, etc.	-	(16,252,587)	-	-
B. Net book value of overdue but not impaired financial assets	-	778,237	-	-
- Secured portion by guarantees, etc.	-	(471,914)	-	-
C. Net book value of the impaired assets	-	14,833	-	-
- Overdue (Gross book value)	-	440,894	-	-
- Impairment (-)	-	(426,061)	-	-
- Secured portion of the net value by guarantees, etc.	-	(14,833)	-	-
D. Expected credit losses (-)	-	(13,635)	-	-

December 31, 2020	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third par-ties		
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 are not 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)	-	-

(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 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit quality of financial assets which are not overdue and not impaired.

	December 31, 2021	December 31, 2020
Group 1	464,638	396,995
Group 2	21,339,824	10,814,135
Group 3	873,512	344,239
	22,677,974	11,555,369

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, 2021	December 31, 2020
0-1 month	386,789	280,494
1-3 months	76,944	115,120
3-12 months	169,652	86,777
1-5 years	144,852	136,543
	778,237	618,934

c) Geographical concentration of the trade receivables

	December 31, 2021	December 31, 2020
Turkey	7,735,765	5,011,328
Europe	9,281,446	4,769,736
Other	6,440,198	2,436,606
	23,457,409	12,217,670

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.

Description for the measurements as of December 31, 2021 is as follows;

December 31, 2021	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.005	0.18	1.11	1.49	
Gross carrying amount	22,650,717	409,010	76,944	733,177	23,869,848
Expected credit lose	(1,122)	(735)	(854)	(10,924)	(13,635)

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NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Description for the measurements as of December 31, 2020 is as follows;

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
Expected credit lose	1,869	141	843	8,263	11,116

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, 2021, a portion of bank borrowings amounting to EUR 200,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2020: 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, 2021	December 31, 2020
Assets	25,180,708	14,798,292
Liabilities	(28,596,052)	(13,445,264)
Net position of financial statement	(3,415,344)	1,353,028
Net position of derivative instruments	2,021,214	(1,922,645)
Foreign currency position (net)	(1,394,130)	(569,617)

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NOTE 34 - 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, 2021 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	JPY	SGD	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets											
Trade receivables	563,375	268,388	119,032	667,887	357,820	158,188	1,208,209	5,904	242,705,336	566,834	16,061,465
Monetary financial assets	217,653	385,116	12	-	-	2	553,223	9,989	-	25,739	8,377,553
Other	525	36,159	-	8	56,364	-	-	2,425	-	-	614,382
Non Current Assets											
Trade receivables	60	9,742	-	-	-	-	-	-	-	-	127,308
Total Assets	781,613	699,405	119,044	667,895	414,184	158,190	1,761,432	18,318	242,705,336	592,573	25,180,708
Current Liabilities											
Trade payables	380,354	426,050	4,833	19,175	353,018	-	265,656	2,440	19,800,898	60,691	12,040,150
Financial liabilities	94,082	48,253	-	-	-	-	-	873	-	-	2,015,925
Other monetary liabilities	4,610	15,509	2	-	-	-	145,668	1,227	-	-	297,147
Non-Current Liabilities											
Trade payables	-	5,473	-	-	-	-	-	-	-	-	71,026
Financial liabilities	523,084	500,000	-	-	-	-	-	-	-	-	14,168,826
Other monetary liabilities	-	229	-	-	-	-	-	-	-	-	2,978
Total Liabilities	1,002,130	995,514	4,835	19,175	353,018	-	411,324	4,540	19,800,898	60,691	28,596,052
Net Position of Financial Statement											
Off-balance sheet derivative assets (*)	337,811	379,038	-	-	73,929	-	-	-	-	66,227	10,094,741
Off-balance sheet derivative liabilities (*)	(139,935)	(142,850)	(114,000)	(845,000)	(375,000)	(165,000)	(1,250,000)	-	-	(601,501)	(8,073,527)
Net position of off-balance sheet items	197,876	236,188	(114,000)	(845,000)	(301,071)	(165,000)	(1,250,000)	-	-	(535,274)	2,021,214
Net Asset/(Liability) Position of Foreign Currency	(22,641)	(59,921)	209	(196,280)	(239,905)	(6,810)	100,108	13,778	222,904,438	(3,392)	(1,394,130)
Net Asset/(Liability) Position of Foreign											
Currency Monetary Items	(220,517)	(296,109)	114,209	648,720	61,166	158,190	1,350,108	13,778	222,904,438	531,882	(3,415,344)
Hedged Amount of Foreign Currency Assets	139,935	142,850	114,000	845,000	375,000	165,000	1,250,000	-	-	601,501	8,073,527
Liabilities	337,811	379,038	-	-	73,929	-	-	-	-	66,227	10,094,741

(*) 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 34 - 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, 020 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	JPY	SGD	VND	Other Cur- rency'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	-	-	-	-	-	-	-	(0)	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
Current Liabilities											
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
Toplam 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											
	(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	8.421	(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
Fair Value of Financial Instruments Used for Foreign Exchange Hedge											
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 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

As of December 31, 2021, and December 31, 2020, 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 by 10%		
	appreciation	depreciation	appreciation	depreciation
December 31, 2021				
USD net asset/liability	(384,276)	384,276	(407,368)	407,368
Secured portion from USD risk	306,513	(306,513)	306,513	(306,513)
USD Net effect	(77,763)	77,763	(100,855)	100,855
EUR net asset/liability	(30,124)	30,124	(222,929)	222,929
Secured portion from EUR risk	(3,119)	3,119	290,527	(290,527)
EUR Net effect	(33,243)	33,243	67,598	(67,598)
GBP net asset/liability	199,329	(199,329)	240,908	(240,908)
Secured portion from GBP risk	(198,964)	198,964	(198,964)	198,964
GBP Net effect	365	(365)	41,944	(41,944)
JPY net asset/liability	15,180	(15,180)	15,180	(15,180)
Secured portion from JPY risk	(14,054)	14,054	(14,054)	14,054
JPY Net effect	1,126	(1,126)	1,126	(1,126)
PLN net asset/liability	50,607	(50,607)	74,667	(74,667)
Secured portion from PLN risk	(52,785)	52,785	(52,785)	52,785
PLN Net effect	(2,178)	2,178	21,882	(21,882)
RUB net asset/liability	11,225	(11,225)	107,697	(107,697)
Secured portion from RUB risk	(14,621)	14,621	(14,621)	14,621
RUB Net effect	(3,396)	3,396	93,076	(93,076)
VND net asset/liability	11,368	(11,368)	9,331	(9,331)
Secured portion from VND risk	-	-	-	-
VND Net effect	11,368	(11,368)	9,331	(9,331)
CNY net asset/liability	12,386	(12,386)	(1,236)	1,236
Secured portion from CNY risk	(60,967)	60,967	(60,967)	60,967
CNY Net effect	(48,581)	48,581	(62,203)	62,203
SGD net asset/liability	13,229	(13,229)	13,229	(13,229)
Secured portion from SGD risk	-	-	-	-
SGD Net effect	13,229	(13,229)	13,229	(13,229)
Other net asset/liability	53,188	(53,188)	1,044,281	(1,044,281)
Secured portion from other currency risk	(53,528)	53,528	(53,528)	53,528
Other Currency Net effect	(340)	340	990,753	(990,753)
	(139,413)	139,413	1,075,881	(1,075,881)

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

	Gain/Loss	Other Comprehensive Income		
	appreciation	Foreign exchange by 10%		
		depreciation	appreciation	depreciation
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)
JPY net asset/liability	6.682	(6.682)	6.682	(6.682)
Secured portion from JPY risk	(8.886)	8.886	(8.886)	8.886
JPY 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)
RUB net asset/liability	(113)	113	153.252	(153.252)
Secured portion from RUB risk	-	-	-	-
RUB 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
SGD net asset/liability	11.133	(11.133)	18.945	(18.945)
Secured portion from SGD risk	(11.082)	11.082	(11.082)	11.082
SGD 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)

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Import and exports performed to / from Turkey for the year ended as of December 31, 2021 and 2020 are as follows:

	December 31, 2021 TRY	December 31, 2020 TRY
EUR	11,835,596	7,806,786
USD	4,195,819	2,366,762
GBP	4,527,526	2,815,746
Other	2,110,260	1,465,645
Total exports	22,669,201	14,454,939
EUR	3,885,515	2,397,022
USD	9,201,693	5,773,415
Other	25,494	19,683
Total imports	13,112,702	8,190,120

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, 2021 and 2020 are as follows:

	December 31, 2021 TRY	December 31, 2020 TRY
Total financial liabilities (Note 7)	32,579,499	17,075,225
Cash and cash equivalents (Note 5)	(16,014,589)	(12,002,246)
Net financial liabilities	16,564,910	5,072,979
Equity	21,055,215	14,023,846
Total capital invested	37,620,125	19,096,825
Gearing ratio	44%	27%

NOTE 35 - 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, 2021, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 20,890,874 (December 31, 2020: TRY 11,518,711) (Note 7) and TRY 21,853,025 (December 31, 2020: 11,679,705) 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.

NOTE 35 - 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, 2021 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 8)	-	35,251	-
Financial investments (Note 6)	10,452	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	(245,292)	-

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 8)	-	27,354	-
Financial investments (Note 6)	5,535	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	(8,266)	-

ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 36 - 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, 2021	1 January- December 31, 2020
Adjustments for provisions:		
Accrual for customer premiums	1,370,064	459,811
Warranty provision	650,979	309,853
Provision for assembly and transportation cost	264,815	60,515
Provision for employment termination benefits	140,589	56,161
Accrual for bonuses and premiums	112,962	29,527
Provision for legal claims	46,502	(36,633)
Return provisions	69,135	(22,858)
	2,655,046	856,376

	1 January- December 31, 2021	1 January- December 31, 2020
Adjustments for impairment loss:		
Provision for impairment on inventories	59,520	75,510
Provision for expected credit lose	59,835	58,484
Impairments for fixed assets	-	48,703
	119,355	182,697

37 - EVENTS AFTER BALANCE SHEET DATE

As a result of the developing marketplace, market conditions, the effects of global economic developments on the sector in which we operate and their reflections on the Turkish capital markets, it has been evaluated that the value of Arçelik A.Ş. in Borsa İstanbul does not reflect the actual performance of the Company's activities, therefore in order to contribute to the formation of healthy prices; Group decided to start the buy-back company shares on the Stock Exchange as of July 1, 2021.

Based on the transactions that have been completed as of the report date, shares with a nominal value of TRY 40,530 which corresponds to 6.00% of the capital has been bought back, total cost is TRY 1,426,905, including transaction costs.

Contact

General Information

Reporting Period	01.01.2021 - 31.12.2021
Trade Name	Arçelik A.Ş.
Trade Registry and Number	İstanbul Ticaret Sicil Müdürlüğü. No: 54957
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