
Arçelik

**Global Sectoral Relations
Management & Ngo
Membership Policy
Document**

PREAMBLE

Currently, companies are increasingly playing an active role in the development of society, including development of laws, rules, and policy documents. Providing our expertise for more informed decision making, in a collaborative environment with public bodies, non-governmental organizations and other relevant bodies is therefore an important responsibility. As it is known, such activities are generally called advocacy or policy influence, and it is of great importance to ensure that our behaviour does not undercut trust and the credibility of Arçelik Global.

In line with Arçelik Global's Global Code of Conduct and other related Policy Documents including but not limited to Global Competition Law Compliance Policy, Global Community Investment Policy, Global Corporate Citizenship Policy, Global Civil Society Cooperation Policy, Global Environmental Policy, Global Human Rights Policy, Global Climate Change Strategy, all Arçelik Group Companies should follow the principles determined by this Policy Document and report their corporate engagements regarding sectoral relations quarterly to the Sectoral Relations department. For issues or projects regarding social responsibility and/or employee volunteering, Civil Society Cooperation Policy, Corporate Citizenship Policy and Donation & Sponsorship Policy must be considered.

Purpose

Building on Arçelik Global's approach to stakeholder engagement, this policy provides a framework to engage with the public institutions, non-governmental organizations, sectoral institutions, etc. on sectoral relations purposes, where our Company operates.

Definitions for NGOs:

Trade and Industry Associations (Advocacy NGOs): Based on voluntary (elective) basis memberships which defend or promote a specific cause and seek to influence public policy.

Operational NGO: Requiring mandatory membership for operations such as Employee Organisations, Chambers etc.

Civil Society Organisations: Pursuing a specific ambition targeting social, cultural issues, and no advocacy activities on business operations are followed. Thus, civil society organizations are not in the scope of this policy. Civil society cooperation procedures, principles and management process are determined in Civil Society Cooperation Policy.

1. Scope

The purpose of this Policy is to set standards, principles and rules to be complied with by Arçelik and its Group Companies and shall be communicated to, acknowledged and applied by all employees, directors, and officers of Arçelik and its Group Companies. The Country Directors/Chief Officers ("CDs") of all Arçelik affiliates around the world ultimately bear the responsibility for implementation and adaptation of the policy and for oversight monitoring and reporting. CDs will be supported by their respective or delegated staff. The policy applies regardless of the size of the affiliates (e.g. number of employees, turnover, type of facility, etc.).

In line with this Policy Document, it is essential that the NGO membership must be on behalf of our companies (legal entity). However, due to the statutes of some NGOs, membership is made on behalf of one or more of our representatives (private persons). According to the charter of the NGO if membership is required to be made on behalf of private persons, it should be confirmed that the employees are representing the company during decision making processes and continuously in line with company strategies. In case the representation is made in person due to NGO charter, the criterion of “dues paid by the company” should be considered in order for that NGO to be in scope of this policy document.

Partnerships or any engagements in scope of Arçelik’s Donation and Sponsorship Policy and/or Civil Society Cooperation Policy are not related with this Policy Document. Moreover, voluntary engagements of our employees are not a concern of this Policy Document either.

2. Policy Statements

As a leading responsible home appliances company driving an inclusive business model, Arçelik Global is committed to creating value for all stakeholders in which we operate and from which we source.

A sustainable world is only possible with our progressive measures. Through our technology and our collaboration with NGOs, we are taking concrete steps towards realizing the sustainable world of tomorrow for our planet, life, and business practices.

We are striving to build a sustainable world with our technologies improving the future. In line with our determined objectives, we value and prioritize the UN’s Sustainable Development Goals, Paris Agreement, and other related documents.

Thus, consistent with our ambitions towards 2030, we aim to deliver products with a measurable improved social and environmental impact. Generating a positive impact requires engaging with local communities, public institutions, NGOs, sectoral institutions in order to discover and understand their needs along with the issues and challenges they face as a criterion for action.

Arçelik Global works to develop enduring relationships based on mutual trust with all stakeholders including public bodies, NGOs, sectoral institutions, and etc. Pursuant to Arçelik’s Global Human Rights Policy and Climate Change Strategy, Arçelik works in collaboration with all public bodies, NGOs, trade associations and other related organisations or institutions in the advancement of the proposed legislation and/or other related regulations which may affect legitimate business interests that are compatible with international human rights norms and Paris Agreement.

We will co-operate with governments and other organisations, both directly and through bodies, in the development of proposed legislation and other regulations which may affect legitimate business interests. We neither engage in political lobbying activities ourselves, nor support political parties or contribute to the funds of groups whose activities are calculated to promote political party interests. We do not use Arçelik resources (vehicle, computer, e-mail, etc.) for political activities. Political demonstrations, propaganda and similar activities are not permitted in the Arçelik premises. However, we are respectful of our employees’ participation to the legal political activities voluntarily, and do not restrict them. In relations with public bodies, NGOs, trade associations, sectoral institutions, Arçelik is not involved in any direct political lobbying activities and the Company and its affiliates do not support

political parties or contribute to the funds of groups in promoting political interests and do not use Arçelik resources (vehicle, computer, etc.) for political activities.

Arçelik does not make monetary contribution to political lobbying, interest representation, local/regional/national political campaigns/organizations/candidates or any other similar spending related to political activities.

Furthermore, Arçelik and its affiliates do not and will not support any position conflicting with the international guiding principles and agreements related with human rights and the environment (such as United Nations Guiding Principles on Business and Human Rights, Paris Agreement, and etc) during the engagement with trade associations. Since Arçelik is not involved in any direct lobbying activities, no position of conflict is possible with these international principles.

If any evidence is observed on infringement of policies contradicting on alignment with the Paris Agreement or violation of the United Nations Guiding Principles on Business and Human Rights in any membership, written reservation will be conveyed to the related Body Secretariat. If no satisfactory actions are taken after three consecutive reservations in that particular year, membership will be cancelled.

However, for operational NGO's that obligatory memberships are required, Arçelik or its affiliates will publicly state that the particular action contravenes our ambitions, commitments or international agreements.

Notwithstanding the above, for trade associations in which Arçelik acts as a member, Arçelik commits to addressing misalignments between climate change policy positions of trade associations and Arçelik's own position.

Arçelik always strives to be a trusted corporate citizen and, as an integral part of the society, to fulfil our responsibilities to the societies in which we operate. In all of our engagements we seek to understand local, regional and international issues to anticipate and manage the impacts of our operations and to enable better management of risk and reputation for the Company.

The following principles and behaviours guide our engagements on sectoral relations purposes:

- (a) Mutually Beneficial – We form reliable, long-term and cooperative relations in order to attain a positive impact
- (b) Transparent – All of our engagements are clear, honest, and accountable. We always make measurable commitments and deliver them
- (c) Inclusive – Ideas and feedbacks of our stakeholders matter and they have effect on our decision-making processes
- (d) Respectful – We listen, learn, and seek to understand the interests of our stakeholders and the communities we operate in

(e) Accessible – We will provide information about our projects, and we will be accessible to meet, discuss and resolve issues in a variety of ways and in a timely manner.

3. Application of the Policy

3.1. Roles and Responsibilities

a. Responsible Senior Executive

Chief Sustainability, Quality, and Customer Care Officer shall be responsible for the oversight of all communications with related institutions covered by this policy in line with Arçelik's Climate Change Strategy and Global Code of Conduct which are based on international guiding principles and agreements related with human rights and environment (such as United Nations Guiding Principles on Business and Human Rights, Paris Agreement, and etc.)

b. Country Director/Chief Officer (Accountable Officer)

He/She is responsible for ensuring that there is a structured approach in place for representing the related Group Company in its Sectoral Affairs. Although responsibility for lobbying and representation may be delegated to other employees, accountability remains with the Country Director ("CD"). CDs are also responsible of performance controls of their memberships to monitor progress and report to the Sectoral Relations Department on an annual basis.

c. Delegated Employee

He/She is an employee designated by the CD, who represents the Company in engagements with stakeholders. He/She is also responsible for conducting representation activities in public institutions, NGOs, associations, chambers public institutions, sectoral institutions covered by this policy to make sure the Company gets the best policy framework. He/She is also responsible for monitoring and reporting ongoing internal/external economic, political developments (including developments in laws & regulations) to provide integrated updates and reports on a regular basis.

d. Sectoral Relations Department

It is the department reporting to the Chief Sustainability, Quality, and Customer Care Officer that is responsible of gathering all information (including but not limited to technical & technological developments, regulations, legislative preparations, trade barriers, foreign trade agreements, etc.) via periodical reports prepared by Delegated Employees monitored by CDs. Outputs of these reports will be reported to senior managers of the Group.

The Department follows developments on a global scale and provides guidance on strategic trends and general Arçelik views.

The Department is also responsible of preparing the Global Sectoral Relations Bulletin.

3.2. Representation and Reporting

Employees who are delegated the autonomy of representation as described under Section 3.1.b and 3.1.c above, are required to receive proper trainings of competition law and Arçelik Global Code of Conduct before any engagement.

All affiliates shall report meeting agendas to the Corporate Brand and Projects Management and Sectoral Relations department before the meetings. All affiliates shall report impact on all of their sectoral relations' engagements quarterly.

All meeting agendas and reports must be in English. The reporting aims not only to guide senior management and related executives for the required actions but also to share our engagement activities in our corporate reports. Therefore, it should not only include direct copies of the meeting minutes. Thus, it should preferably include the possible impacts of any new initiative, legislation.

Any public correspondence with the NGO or other stakeholders or any written/verbal public responses on behalf of the Company requires pre-approval from the Corporate Brand and Projects Management and/or Sectoral Relations department. Global Communication department is responsible to carry out communication activities, such as internal-external communication and social media contents regarding the relevant membership.

Elections or General Assemblies must be reported to the Sectoral Relations Directorate as soon as they are announced in order to inform the top management in a timely manner.

In order to keep track of the performance of the membership to a particular organization yearly performance report that would be handed out in September should be filled in.

3.3. Performance Index

Sustained communication is key to strengthening synergy and collaboration across Arçelik's growing global network. In order to further streamline this flow of information, a methodology has been developed to be applied to reporting and monitoring of cases.

This two-fold Performance Index measurement creates a set of standardized outputs that allow for categorization of cases: the **Case Metrics** and the **Response Metrics**.

Once categorized, the highest priority cases can then be tracked via the **Mapping of Key Policy Developments** template.

All of the templates mentioned within this section are available in Excel format as Annex 1 to this document.

a. Case Metrics

The judgement of the case itself is flattened to two axes, *Operational Impact* and *Urgency*. Both of these variables allow the categorization of cases across the portfolio of topics for easier triage.

- The *Operational Impact* of a case or situation at hand is measured according to the table below, which utilizes the template used by Risk Assessment teams:

NEGATIVE IMPACT SCALE					POSITIVE IMPACT SCALE				
Score	Degree	Direct Financial Loss <small>(Tax, Fine etc.)</small>	Strategic Market Impact	Reputation Impact	Direct Financial Gain <small>(Incentive, Loan etc.)</small>	Strategic Market Impact	Reputation Impact	Degree	Score
-3	High	> 21 Mio USD	More than 0,3 point global market share impact	Cases comprising risk of ending up with legal consequences	Financial gain impacting our global level operations	More than 0,3 point global market share impact	Cases building high-level constructive partnerships	High	+3
-2	Moderate	7-21 Mio USD	0,1-0,3 point global market share impact	Relationship damage potential with authorities, policy makers, strategic stakeholders	Financial incentives at national level	0,1-0,3 point global market share impact	Positive relationship building with authorities, policy makers, strategic stakeholders	Moderate	+2
-1	Low	< 7 Mio USD	Less than 0,1 point global market share impact	Immaterial risk of relationship damage	Financial incentives at local department level	Less than 0,1 point global market share impact	Immaterial impact on relationship	Low	1

- As for the *Urgency*, it is measured according to the following intervals:

Score	Degree	Urgency
3	High	< 1 year
2	Moderate	1-3 years
1	Low	> 3 years

The scores obtained on both of these axes are multiplied to obtain the final combined score to place the case accordingly within the following matrix of prioritization:

	-3	-2	-1	IMPACT	1	2	3	
1	-3	-2	-1	↑ U R G E N C Y ↓	1	2	3	1
2	-6	-4	-2		2	4	6	2
3	-9	-6	-3		3	6	9	3
	← NEGATIVE			IMPACT	POSITIVE →			

For cumulative reports, the following table format can be utilized for rows concerning each case:

Subject	Operational Impact	Urgency	Combined score
Case name	<i>Operational impact score</i> ∈ [-3; +3]	<i>Urgency score</i> ∈ [-3; +3]	<i>Operational Impact score</i> x <i>Urgency score</i> ∈ [-9; +9]

b. Response Metrics

While the cases at hand are judged quantitatively, the response of Sectoral Relations teams to these cases is judged quantitatively.

A simple table containing information on *Reaction Time*, *Competency*, *Influence*, and *Realisation* sets out the essential information needed for this assessment, but more information can be provided via additional notes on an ad hoc basis:

SUBJECT	REACTION TIME	COMPETENCY	INFLUENCE	REALISATION
Case	<i>How fast we were able to start the process of dealing with the situation</i>	<i>Achieving a status of competency on the matter</i>	<i>How much our content was shared</i>	<i>Whether the case at hand successfully cleared the regulatory process (if applicable)</i>

c. Mapping of Key Policy Developments

While the **Performance Index** expanded upon in the previous section works as a great classification tool, the **Mapping of Key Policy Developments** template shared below allows for detailed tracking and reporting of the most pertinent cases (with the highest positive and lowest negative scores):

AGENDA ITEM	RELEVANT GOVERNMENT DEPT	RELEVANT BODIES	BACKGROUND	PROGRESS	RELEVANT DOCUMENTS
Case 1					
Case 2					
Case 3					
Case 4					
Case 5					

3.4. Membership Process (for New Membership Requests)

In line with the Civil Society Cooperation Policy, the general characteristics required for cooperation with NGOs are as follows:

Legal Entity: The NGO must have a legal entity defined by the law.

Transparency: The NGO must be transparent to the public in its activities, budgets and decisions.

Accountability: The NGO must be accountable for its decision, action and budget. It must share its annual report, the names of its board members and annual balance sheet with the public.

Political Neutrality: The NGO must be politically neutral. It must not have any direct or indirect association with a political position, a political party or a group.

Ethics: The NGO must abide by ethical rules in all its dealings.

Reputation: The NGO must be a reputable, known, recognized, accepted and supported organization.

Capacity: The NGO must have competent and qualified human resources to ensure the effective management of projects.

Compatibility with Arçelik Focus Areas: The NGO must operate in the focus areas that are prioritized by Arçelik's 2030 sustainability goals.

1. With the approval of the direct line manager (CD) together with the responsible Chief Officer (from Arçelik's Management Team) and
2. Reporting to the Sectoral Relations Directorate a new membership process can be initiated.
3. The NGO Membership Assessment Form should be requested from Sectoral Relations Directorate and has to be completed by the related CD where the reason, engagement policy, membership fee, expected utilities, current members and management (Head of the NGO, Board, Secretary General) are clearly specified.
4. The CD has to also confirm that the relevant NGO is fully in line with our Company's Global Code of Conduct.
5. Sectoral Relations Directorate conducts preliminary examination and due-diligence¹ about the NGO within this scope, and examines its history, information about stakeholders and negative news from public sources.
6. Within the scope of the due diligence procedures, Denied Party Screening ("DPS") must be conducted via the third-party screening tool.
7. If the request and the result of the evaluation are evaluated positively by the Sectoral Relations department the membership is submitted by the Corporate Affairs Executive Director to the approval of at least two members of the Board of Directors.
8. Due-Diligence, approval, and membership processes shall be documented to be used for audit and compliance review where necessary.
9. Due-diligence procedures must be conducted not only prior to any engagement but also during the course of the membership on a periodical basis.

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¹ Due-diligence shall be conducted as per Arçelik Global Sanctions and Export Control Policy and Global Anti-Bribery and Corruption Policy.