





On 6 February 2023 our country suffered one of the worst natural disasters in its history. Our grief is immense.

We are all profoundly sorrowed by the loss of so many lives in this catastrophe. May God have mercy on those who perished. To the survivors we offer our wishes for a speedy recovery and to our nation we extend our condolences.

Joining hands together in a spirit of unity and solidarity we will get through even these difficult times as we bind our nation's wounds.

Working in concert with our shareholder Koç Holding, we at Arçelik will continue to marshal every possible means available to us to support and facilitate recovery efforts and to create an even better and brighter future for our country.

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Verified social data on Arçelik's 2022 operations will be included in 2022 Sustainability Report. In case of any discrepancies between 2022 Annual Report and 2022 Sustainability Report, Arçelik 2022 Sustainability Report shall prevail.

<https://www.arcelikglobal.com/en/sustainability/sustainability-reports/>

## Our Founder



I live and prosper with my country.

As long as democracy exists and thrives, so do we.

We shall do our utmost to strengthen our economy.

As our economy prospers, so will democracy and our standing in the world.

Vehbi Koç

# Ordinary General Assembly Meeting Agenda

## **AGENDA OF ARÇELİK A.Ş.'S ORDINARY GENERAL ASSEMBLY MEETING TO BE HELD ON 16 MARCH 2023**

1. Opening and election of the Chair of the Meeting,
2. Reading, discussing and approving the 2022 Annual Report prepared by the company Board of Directors,
3. Reading the Summary of Independent Audit Report for 2022 accounting period,
4. Reading, discussing and approving the Financial Statements related to the 2022 accounting period,
5. Acquittal of each Member of the Board of Directors in relation to the activities of the Company in 2022,
6. Approval, approval with amendment or rejection of the proposal of the Board of Directors in accordance with the company's profit distribution policy regarding the distribution of the profits of 2022 and the date of the distribution of profits,
7. Informing the Shareholders on and approval of share buyback transactions carried out in accordance with the decision taken by the Board of Directors,
8. Determination of the number and duty term of the Members of the Board of Directors, making elections in accordance with the determined number of members, selecting the Independent Members of the Board of Directors,
9. Informing the Shareholders on and approval of "Remuneration Policy" for Members of the Board of Directors and Senior Managers and the payments made within the frame of such policy as required by Corporate Governance Principles,
10. Determining annual gross remuneration of the Members of the Board of Directors,
11. Approval of the Independent Auditing Institution selected by the Board of Directors in accordance with the Turkish Commercial Code and the Capital Markets Board regulations,
12. Informing the Shareholders on donations made by the company in 2022 and resolution of an upper limit for donations to be made for 2023 as per the "Donation and Sponsorship Policy",
13. Informing the Shareholders about the collaterals, pledges, mortgages and surety granted in favor of third parties and the income and benefits obtained in 2022 by the company and subsidiaries in accordance with Capital Markets Board regulations,
14. Authorizing the Shareholders holding management capacity, the Members of the Board of Directors, senior managers and their spouses and relatives by blood and marriage up to the second degree within the framework of the articles 395th and 396th of Turkish Commercial Code and informing shareholders about transactions performed within the scope during 2022 as per the Corporate Governance Communiqué of Capital Markets Board,
15. Informing the Shareholders about the company's low-carbon transition plan,
16. Wishes and opinions.

# Independent Auditor's Report on the Annual Report

(Convenience translation of the report originally issued in Turkish)



## 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 2022.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited consolidated 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 (including 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. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 25 January 2023 on the full set consolidated financial statements for the period 1 January - 31 December 2022.

### 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:

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

Sertu Tali, SMMM  
Partner

Istanbul, 21 February 2023

## Chair's Statement



Dear shareholders,

I greet you with respect and offer my best wishes.

We, at Koç Group, were deeply saddened by the devastating earthquakes that struck Türkiye on 6 February 2023. May those who lost their lives rest in peace. I extend my heartfelt condolences to their families and my wishes for a speedy recovery to those who suffered injuries.

At times like this, societies must act in solidarity. At Koç Group, we regard it as our responsibility to support our communities by every means possible. Therefore, our

entire group immediately mobilized to help those affected by this tragic disaster. Arçelik's search and rescue teams arrived at the area within a few hours and played active roles in rescue operations. In addition, with the support of Arçelik's employees and business partners, we dispatched trucks to deliver essential clothing, heating, and food supplies to survivors. We will continue to stand by our communities and support them to the best of our abilities.

I would like to express my best wishes for our annual general meeting where we will be evaluating the results of 2022—the year that turned out to be challenging for the whole world.

After several years under the shadow of the COVID-19 pandemic, the global economy was projected to see a robust recovery in 2022. However, contrary to such expectations, it was one of the most challenging years we experienced in a long time. As a result of effective vaccination programs and declining number of infections, restrictions were lifted in many countries. However, as China—the powerhouse of the global economy—continued to adhere to its strict zero-Covid policy, the world has taken longer than anticipated to shake off the pandemic.

Tensions between Russia and Ukraine escalated into a violent war, causing tragic loss of life and affecting global food and energy markets as well as supply chains.

The ongoing tension, ramped up by the Western countries' sanctions, also shook the global energy markets. Ten-fold surges in oil and natural gas prices triggered global inflation, which soared to unprecedented levels not seen since the 1970s. Naturally, in such an unstable environment, the world's three largest economies – the USA, the EU, and China – faltered. The rising cost of living in many countries reached record levels. In response to mounting inflation rates, the US Federal Reserve Bank, and leading central banks, tightened their monetary policy and began raising their interest rates.



The EU and US economies are at serious risk of going into recession, and global polarization is becoming increasingly severe. The impact of these events will likely persist, and global recovery and re-stabilization will take time.

All these developments have undoubtedly affected businesses and prompted companies, especially those operating in manufacturing, technology, and services sectors to tighten their belts. In such challenging times, it becomes even more urgent for the business world to step up and fulfill its responsibilities. As a source of pride for the Koç Group for 68 years, Arçelik is fully aware of those responsibilities and firmly focused on creating social and economic value through its operations worldwide.

Esteemed shareholders,

Though deeply affected by these global developments, Arçelik managed to respond quickly to these challenges and grow its influence thanks to its strong foundation and vision. Arçelik has progressed steadily toward its strategic objectives by building up its growth momentum. As a result, in 2022, our company reached a turnover of TL 133.9 billion, up 96% compared with the previous year.

Last year, we undertook a number of significant investments. We acquired Whirlpool's factories and operations in Russia, and this transaction has enabled us to strengthen our presence in the region. We have also made investments in Pakistan, Bangladesh, and Egypt to expand our manufacturing network. Furthermore, we signed an agreement with Whirlpool to form a new European home appliance business. I have complete confidence that with the skilled workforce, extensive manufacturing and sales network this investment provides, we will be able to generate tremendous value for our ecosystem and all of our stakeholders while further accelerating Arçelik's growth.

## By building up its growth momentum, Arçelik progresses steadily towards the realization of its strategic objectives.

In 2022 Arçelik booked a turnover of TL 133.9 billion, up 96% year-on.

Being socially aware and environmentally responsible wherever we operate has always been of the utmost importance to us. Embracing this sustainability vision, Arçelik has continued to strengthen its position in its industry and be a source of immense pride for us.

As I conclude my remarks, I would like to commemorate Vehbi Koç, our late founder, with the utmost reverence. He laid the foundations of a powerful vision that constantly motivates us to go above and beyond. Finally, I would like to thank all of our employees, valued business partners, dealers and service providers, unions, customers, and esteemed shareholders for their dedication.

In 2023, we will be celebrating the first centenary of the founding of the Republic of Türkiye. May this year bring genuine peace, security, and prosperity for the entire world.

**Rahmi M. Koç**

Chair of the Board of Directors

# Independent Auditor's Report on the Financial Statements (Opinion)

## Opinion<sup>1</sup>

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 2022 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 including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

(1) For the full Independent Auditor's Report, see [page 249-252](#).

# Consolidated Financial Tables

	2021 (TL million)	2022 (TL million)	2022 (EUR million)
<b>Income Statement</b>			
Net Sales	68,184	133,916	7,709
Gross Profit	20,478	39,493	2,273
Operating Profit <sup>(1)</sup>	5,068	8,646	498
Profit Before Tax	3,623	4,218	243
Net Profit	3,251	4,723	272
Net Profit (Attributable to: Equity holders of the parent)	3,065	4,325	249
Effective Tax Rate	10.26%	-11.97%	-11.97%
Depreciation and Amortization	1,846	3,311	191

<b>Balance Sheet</b>			
Period End Cash and Cash Equivalents	16,015	24,529	1,230
Inventories	16,829	29,237	1,467
Current Assets	59,595	91,986	4,614
Tangible Assets	13,125	20,822	1,045
Total Assets	85,079	132,243	6,634
Short-Term Liabilities	40,502	79,359	3,981
Total Liabilities	64,023	105,137	5,274
Minority Shareholder	1,672	2,158	108
Shareholders Equity	21,055	27,106	1,360

<b>Cash Flow</b>			
Cash Flows From Operating Activities	-1,073	5,096	293
Cash Flow From Investing Activities	-4,384	-4,621	-266
Cash Flow From Financing Activities	-5,456	475	27
Dividend Paid	1,513	1,709	106
Investment Expenditures	2,537	5,934	342

<b>Share-Based Data</b>			
Year-End Market Value	32,705	75,817	3,813

<sup>(1)</sup> 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.

## 2022 Board of Directors



**Rahmi M. Koç**  
Chair



**Ömer M. Koç**  
Vice Chair



**Semahat S. Arsel**  
Member



**Fatih K. Ebiçlioğlu**  
Member



**Hakan Bulgurlu**  
Member



**Kâmil Ömer Bozer**  
Independent Member

- For the CVs of the BoD members, see [pages 216-221](#).
- For information about the BoD and executive management members' transactions on behalf of themselves or someone else within the framework of the permission granted by the General Assembly, and their operations within the scope of the competition ban, see the agenda item description numbered 14 in the Informative Document on [page 340](#).
- The key management of Arçelik A.Ş. is identified as the Chair and members of the Board of Directors, the CEO, and Assistant General Managers and Directors directly reporting to the CEO. Information on total key management compensation incurred by Arçelik A.Ş. in 2022 is available in note 33 of the financial tables (see [page 316](#)).



**Ali Y. Koç**  
Member



**Levent Çakıroğlu**  
Member



**Robert Sonman**  
Member



**Gülay Barbarosoğlu**  
Independent Member



**Ahmet Turul**  
Independent Member



**Tuğrul Fadıllıoğlu**  
Independent Member

## Profit Distribution Policy

Our company carries out dividend distribution within the framework of Turkish Commercial Code, Capital Markets Board Regulations, Tax Regulations, other related regulations and respective article under our Articles of Association. In profit distribution, a well-balanced and consistent policy shall be followed between the benefits of the shareholders and company benefits in pursuance of Corporate Governance Principles.

In principle, if respective regulations and financial facilities permit and if satisfied from existing resources in our legal records a minimum 50% of distributable period profit calculated within the framework of Capital Markets Board Regulations shall be distributed in cash and/or as no-par shares, by considering market expectations, our long-term company strategy, investment and finance policies, profitability and cash position.

Profit Distribution is intended to be completed within latest one month following the General Meeting and date of profit distribution shall be determined by decision of General Meeting. General Assembly and, if authorized, Board of Directors may decide on profit distribution by installments, in accordance with Capital Markets Board Regulations.

According to the Company's Articles of Association, Board of Directors may distribute profit share advance payment; provided that Board of Directors shall be authorized by General Assembly and comply with Capital Markets Board Regulations.

# Proposal for the Profit Distribution for 2022

Our Company Board of Directors made the following decision on 20 February 2023.

The financial statements for the accounting period 01.01.2022 and 31.12.2022, which was prepared by our Company and in compliance with the Turkish Financial Reporting Standards (TFRS) and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., were reviewed and accepted to be submitted to the General Assembly.

As a result of the examination of the financial statements of Arçelik A.Ş. held in accordance with the provisions of the Tax Procedure Law:

According to TFRS, net profit of the company is TL 4,324,671,826.46 and accordance with Tax Procedure law, current year profit is TL 1,534,073,841.00.

a) The 5 % portion of legal reserves which has to be allocated according to Turkish Commercial Code article 519, will not be allocated for 2022 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 TL 4,324,671,826.46 which is the sum of net profit of TL 4,331,367,607.85 plus donations of TL 6,695,781.39.

Net profit of TL 1,437,558,202.68 is distributable profit according to the financial statements prepared according to Tax Procedure Law, after deducting previous year losses amounting to TL 96,515,638.32 from the net profit for the period amounting to TL 1,534,073,841.00.

b) In accordance with Capital Market Legislation and the profit distribution clause of the company's Articles of Association and the Profit Distribution Policy approved by shareholders in the General Assembly dated 27.03.2014: considering market expectations, our Company's long-term strategies, investments and financing policies, profitability and cash status dividend amount is decided as below:

TL 1,800,000,000.00 first dividend payable to shareholders  
TL 176,621,358.98 portion of legal reserves

c) Total amount of TL 1,800,000,000.00 which is the sum of the first and second part dividend, will be paid in cash to the shareholders.

d) If the above profit distribution proposal is accepted by the General Assembly, based on our registrations prepared according to Tax Procedure Law, the total dividend of TL 1,800,000,000.00 to be paid to the shareholders from TL 1,309,942,585.19 current year earnings, TL 391,545,929.45 from Other Capital Reserves and TL 98,511,485.36 from Extraordinary Reserves. In addition the total amount of the secondary general legal reserve of TL 176,621,358.98 to be paid from TL 127,615,617.49 current year other earnings, TL 39,154,592.94 from Other Capital Reserves and TL 9,851,148.54 from Extraordinary Reserves.

e) To our shareholders who are full taxpayer institutions or limited taxpayer institutions obtaining dividend through a workplace or permanent representatives in Türkiye: dividend to be paid at the rate of 266.37928% and TL 2.6637928 gross=net cash for shares at the nominal value of TL 1.00; and gross cash dividend of TL 2.6637928 at the rate of 266.37928% and net cash dividend of TL 2.3974135 at the rate of 239.74135 % for shares with a nominal value of TL 1.00 to be paid to our other shareholders.

f) Determining of first part dividend payment date as 20 March 2023; second part dividend payment date as September 25, 2023.

It has been decided to submit this Proposal for shareholders' approval at the Ordinary General Meeting of our company that will be held on 16 March 2023.

**Rahmi M. Koç**  
Chair

# Dividend Distribution Table

ARÇELİK A.Ş. 2022 Dividend Distribution Proposal Table (TL)

1	Paid-in/Issued Capital		675,728,205.00
2	Total Legal Reserves (According to Tax Book)		709,021,679.13
If there is dividend privilege in the Articles of Association, information regarding this privilege: No			
		According to CMB	According to Tax Book
3	Current Period Profit	4,218,013,240.84	1,534,073,841.00
4	Taxes Payable (-)	505,043,508.05	0.00
5	Net Current Period Profit (=)	4,324,671,826.46	1,534,073,841.00
6	Losses in Previous Years (-)	0.00	96,515,638.32
7	Primary Legal Reserves (-)	0.00	0.00
8	NET DISTRIBUTABLE CURRENT PERIOD (=)	4,324,671,826.46	1,437,558,202.68
9	Donations Made during the Year (+)	6,695,781.39	
10	Donation-Added Net Distributable Current Period Profit on which First Dividend is Calculated	4,331,367,607.85	
11	First Dividend for Shareholders	1,800,000,000.00	33,786,410.25
	Cash	1,800,000,000.00	33,786,410.25
	Stock		
	Total	1,800,000,000.00	
12	Dividend Distributed to Owners of Privileged Shares	0.00	
13	Other Dividend Distributed	0.00	
	To the Members of the Board of Directors		
	To the Employees		
	To Non Shareholders		
14	Dividend to Owners of Redeemed Shares	0.00	
15	Second Dividend for Shareholders	0.00	1,276,156,174.94
16	Secondary Legal Reserves	176,621,358.98	127,615,617.49
17	Statutory Reserves		
18	Special Reserves		
19	EXTRAORDINARY RESERVES	2,348,050,467.49	0.00
20	Other Distributable Resources	0.00	490,057,414.81
	Retained Earnings	0.00	
	Extraordinary Reserves	0.00	98,511,485.36
	Other distributable reserves in accordance with the Law and the Articles of Association	0.00	391,545,929.45
	Legal Reserves From Other Distributable Resources	0.00	49,005,741.48

ARÇELİK A.Ş. 2022 Dividend Distribution Proposal Table (TL)

	SHARE GROUP	DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT (TL)/ NET DISTRIBUTABLE CURRENT PERIOD PROFIT	DIVIDEND TO BE PAID FOR SHARE WITH PAR VALUE OF TL 1	
		CASH (TL)	STOCK (TL)	RATE (%)	AMOUNT (TL)	RATE (%)
NET *	-	1,757,250,518.62	0.00	40.63	2.3974135	239.74
	TOTAL	1,757,250,518.62	0.00	40.63	2.3974135	239.74

(\*) There is no privileged share group in the profit.

(\*\*) The dividend shall be distributed from TL 1,309,942,585.19 current year earnings, TL 391,545,929.45 from Other Capital Reserves and TL 98,511,485.36 from Extraordinary Reserves. The withholding tax shall be charged to such non-exempted portion of individual taxpayers. For the purpose of calculating the total net dividend to be distributed, a calculation free of withholding tax shall be done for such portion that corresponds to the share of corporate shareholders which are known to be exempt from the withholding tax while the calculation for the entire unknown portion is based on the assumption that withholding tax shall be charged.



## 2023 Board of Directors Candidates

Rahmi M. Koç

Ömer M. Koç

Semahat S. Arsel

Ali Y. Koç

Levent Çakıroğlu

Robert Sonman

Fatih K. Ebiçlioğlu

Hakan Bulgurlu

Kâmil Ömer Bozer (Independent)

Gülay Barbarosoğlu (Independent)

Ahmet Turul (Independent)

Tuğrul Fadıllıoğlu (Independent)

Presentation

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Arçelik in 2022

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Other Information

See [pages 216](#) for the CVs.

# Remuneration Policy for Board Members and Senior Executives

This Policy document defines the remuneration system and practices for senior executives consisting of Chair and Members of the Board of Directors, General Manager, Assistant General Managers and Directors directly reporting to the General Manager.

In accordance with the Turkish Commercial Code and Article 12 of the Arçelik Articles of Association, a fixed fee is determined each year at the ordinary General Assembly meeting, valid for all members of the Board of Directors, for their membership function in the Board of Directors.

A payment shall be made to a Board member having executive powers within the scope of the policy whose details are indicated below and which is determined concerning senior executives.

It is possible to offer a separate benefit apart from the fixed rate determined by the General Assembly, upon approval from the Corporate Management Committee, for those members who have been assigned to manage certain functions with the aim of contributing to the company's operations, due to the function they take on other than being a Board member.

Coordinating between the Board of Directors and the administrative structure, Chair and Members of the Executive Committee who will give effective support to the Company's Board of Directors in all respects concerning the company operation may be provided benefits in the amount determined by the Board of Directors by considering the contribution they make, their participations in meetings and their functions, and within the framework of opinion of Corporate Governance Committee. If payment is made to Executive Committee members within this scope during the year, this payment amount shall be deducted from the amount determined at the end of the year.

For the wages of the independent Board members, payment plans of the company based on performance may not be used.

All expenses (such as transportation, telephone, insurance expenses etc.) incurred by Board Members due to the contributions they provide may be covered by the company.

Senior executive remuneration consists of two components: fixed and performance-based.

Within the scope of the remuneration policy, wages and fringe benefits are determined and implemented in a way that is fair, objective, appreciating high performance, competitive, rewarding and motivating.

Considering macroeconomic data in market; wage policy applicable in the market; company size; long-term targets and individuals' positions, Senior Executive fixed wages are determined in accordance with international standards and legal obligations.

The remuneration policy is intended to increase the motivation and loyalty of the employees and to recruit qualified employees who will ensure the achievement of the company's strategic business goals, taking into account the internal wage balances and competitiveness in the market.

Senior executive bonuses, on the other hand, are calculated according to the bonus base, company and individual performance, which will support the realization and exceeding of the company's business goals, and encourage superior performance by rewarding sustainable success. Information with respect to criteria are summarized below:

- **Premium/Bonus Basis:** Premium bases are updated at the start of every year and vary according to the work weight of the executives' positions. Senior management policies in the market are considered when updating premium bases.
- **Corporate Performance:** Company performance is calculated through measuring financial and operational (market share, exportation, foreign operations, productivity, etc.) objectives given to the company at the start of every year, at the end of the period. When determining the company's objectives, sustainability and year-on-year improvement are the principles importantly taken into account.
- **Individual Performance:** When determining individual performance, what is taken into consideration is the individual and collective objectives that Senior Managers determine with their own teams and managers, as well as key performance indicators. In personal performance measurement, long-term and sustainable improvement and also Environmental, Social and Governance policy principles are observed in addition to the financial fields. If a senior executive leaves the Company, post-employment premium may be paid by taking into account the period of time worked, period of time worked as senior executive, contribution provided by the senior executive, last target premium prior to the ending date of employment and information concerning the salary and premium paid during last year.

Total amounts determined in accordance with the above-mentioned principles and paid to Board Members shall be submitted to the information and/or approval of the shareholders in subsequent general meeting, in accordance with the legislation.

# SECTION 1

## ARÇELİK AT A GLANCE





**A global network of 80 subsidiaries in 52 countries, production facilities in 9 countries, and 45,000 employees worldwide**

Founded in 1955, Arçelik is active in the areas of R&D, manufacturing, marketing, and after-sales support services provision in the consumer durables and consumer electronics business lines.

## CEO's Message



Dear shareholders, business partners, and colleagues,

On 6 February 2023, massive twin earthquakes struck Türkiye and claimed the lives of thousands of people. There are no words to describe the extent of the grief we have experienced. Our hearts go out to those who lost their families and suffered immense pain.

We can overcome such difficult times only through solidarity and concerted effort. On the first day of the disaster, we mobilized our resources and acted quickly to send aid to the region. Arçelik's search and rescue teams were on the ground within a few hours, taking part in rescue operations. We set up three field kitchens in the area and furnished them with the means to supply hot meals to 12,000 people daily. We also set up field laundries at different locations to address the need for hygiene and equipped them with washers and dryers capable of taking care of 1,000 families' washing needs daily. Alongside the aids for shelter, food, garments, and cleaning materials, we supplied solar panels, heavy-duty machinery and equipment, power generators and stoves fashioned from our washing machine drums to serve as heat sources. We are fully aware that it will take time for life in the region to return to normal, so it is crucial to ensure that our support continues. With that in mind, we will carry on providing large-scale support in line with the strategic priorities.

I would like to share with you an overview of our business operations in 2022 and my take on global developments that have deeply affected our business.

As the effects of the global pandemic waned, we had expected to look at a more optimistic macroeconomic picture in 2022, but subsequent geopolitical shocks undermined those prospects.

The war in Ukraine and the ensuing sanctions of Western countries on Russia set the stage for global geopolitical tensions. Along with the catastrophic human tragedy, this war has plunged food and energy markets into chaos worldwide. Moreover, the much hoped-for recovery was thwarted by China's commitment to strict zero-Covid measures, raw material and logistical costs remaining above their pre-pandemic levels, and global supply chain disruptions.

With energy and food prices soaring, inflation returned to the global economic stage on a scale not witnessed in many years. The cost of living crisis has become a pressing issue for many countries. In an endeavor to counter inflationary pressures, monetary authorities raised interest rates to their highest levels in years. As a result, the International Monetary Fund (IMF) puts the 2022 average rate of worldwide inflation at 8.8% but the global growth rate at only 3.4%, indicating the possibility of a worldwide economic slowdown in 2023. Moreover, the IMF expects the global growth rate to slip further to 2.9%.

### **Consumer demand has significantly declined**

These developments undermined all aspects of the global economy, as well as our industry. With the easing of COVID-19 restrictions, consumers began spending more on entertainment and travel. These spending choices, combined with inflationary and cost-side pressures, caused demand in our sector to shrink. The production costs, particularly in energy-intensive industries like manufacturing, increased substantially.

In light of these developments, the global white goods market turnover in 2022 shrank by 7.5% compared to 2021, amounting to USD 230 billion in value. In Türkiye, sales were down by about 2%, while output fell by 4%. On the other hand, exports remained relatively unchanged from 2021.

### **We responded to global challenges in an agile manner thanks to our diverse footprint**

The global challenges impacted our business operations as well. However, in the face of rising inflation, deteriorating consumer confidence, and concerns about an impending recession, our agility enabled us to quickly take action to balance rising costs and decreasing demand, cut expenditures, and thus maintain our growth momentum throughout the year.

## **We maintained our growth momentum throughout the year.**

**Our revenues from Eastern Europe were up by 30% last year on an EUR basis but this is attributable mainly to consumer-price inflation and to the one-off contributions of our most recent investment there.**

In Europe, our largest market, macroeconomic difficulties stifled demand. As a result, on a cumulative basis, eastern and western European markets contracted by about 10% and 8%, respectively, in 2022. Our revenues in Europe accounted for 41% of our total sales last year. Our revenues from Eastern Europe were up by 30% last year on a EUR basis—which is mainly attributable to price increases and the one-off contributions of our most recent investment there.

Defy, our company in South Africa, successfully maintained its leading position by capturing a significant market share at a time when demand was otherwise in decline. Our revenues in the Middle East and Africa were up by almost 27% from last year on a EUR basis. In Türkiye, we maintained our strong revenue growth thanks to strategic price increases we implemented.



## CEO's Message

In line with our global growth objectives, we embarked upon a major investment in Egypt in 2022. The new Boko plant was one of our most important steps in our global journey last year, with an investment of USD 100 million. Considering Egypt's dynamic and youthful population, growing economy, and strategic position, this plant will foster our growth aspirations. We will work to further advance Arçelik's global position by replicating our achievements in the Middle East and Africa.

Last year, we acquired Whirlpool's operations in Russia, one of the world's leading home-appliance manufacturers. We have also strengthened our manufacturing capabilities with new investments in Bangladesh and Pakistan. In addition, we acquired Asogem, our last remaining independent distributor in the region, and thereby took a decisive step in further expanding our operations in Western Europe.

In early 2023, we set the stage for a significant move that is certain to become a landmark in our global growth journey. We signed an agreement with Whirlpool to create a new business in Europe. This new business will be formed by the transfer of both Whirlpool's and our European subsidiaries. Anticipated to be completed in the second half of this year, the transaction will significantly increase our overall production capacity and further strengthen our presence in Europe. In addition, by expanding our brand and product portfolios, it will also add to our competitive strength.

In light of all these developments, in 2022, our consolidated turnover reached TL 133.9 billion, with a 96% growth. Our international operations accounted for a 70% share of our total sales revenues, in parallel to last year's figure. Our net profit increased by about 45% and reached TL 4.72 billion, while our EBITDA (Earnings Before Interest Tax Depreciation and Amortization) margin was 9%.

Our financials were supported by several factors, including ease in raw material prices during the final quarter, depreciation of the Turkish lira, and our strategic management of pricing increases on both a quarterly and annual basis. Furthermore, the rebound of the EUR/USD parity positively impacted our gross profit margin.

### We remained committed to our net-zero vision

In 2022, millions of people worldwide were deeply impacted by extreme weather events triggered by climate change. While Europe was experiencing its worst drought in 500 years, a third of Pakistan was inundated by devastating floods. Violent hurricanes in the US caused record-breaking catastrophic losses. Yet, the climate crisis slipped down global agendas as soaring inflation and the cost of living crisis became focal point. Despite all the financial challenges, we remained committed to our sustainability goals and continued to contribute to sustainable development without losing momentum.

Ensuring efficient use of resources in all our operations is crucial for us to achieve net-zero emissions by 2050. For this reason, we prioritize sustainable manufacturing practices by focusing on green transformation in all our production facilities and operations. As a beacon of this solid commitment, our Ulmi plant in Romania has been awarded 'Sustainability Lighthouse' status by the World Economic Forum in recognition of its on-site sustainability measures ranging from energy solutions to water conservation.

In addition, achieving a score of 87 (out of 100), Arçelik has once again become the highest-scoring household durables company in the Dow Jones Sustainability Index, the gold standard of corporate sustainability indexes, as of December 2022. This ongoing leadership over the last four years shows that our commitment to sustainability is not a whim but rather a way of doing business.



Opinion leadership is an effective way to promote sustainability awareness among individuals and organizations. With this in mind, in 2022, we represented Arçelik once again at the United Nations Climate Change Conference, where we shared our achievements and ambitions, and exchanged ideas to bolster sustainable development.

In 2022, we continued to implement projects to support communities in several regions. As a recent example, we partnered with water.org to provide remote communities in Kenya with water and sanitation solutions.

Valued shareholders,

Although 2023 is expected to be another challenging year for the global economy, Arçelik will adhere to its growth strategy. In the upcoming year, we aim to increase our FX-denominated international turnover by approximately 6%, our sales revenues in Türkiye by about 45%, and our consolidated sales by about 45%. Our goal is to achieve an EBITDA margin of 10%, while our investments are expected to reach a total of EUR 300 million.

Sustainability is an indispensable component of both our corporate culture and our business model. In 2023, we will continue to advance our organization's green transformation while always pushing boundaries with even more ambitious targets. Digital will remain a crucial segment for us in 2023. We will continue to work to develop products and technologies that live up to our consumers' expectations, while using our resources efficiently, protecting our brand reputation, and delivering consistently high service.

Artificial intelligence (AI) is another important item on our agenda. AI-based technologies and systems have been a hot topic for businesses; and we have seen a surge in

## In 2022 our consolidated turnover reached TL 133.9 billion, a year-on rise of 96%.

Although 2023 is expected to be yet another challenging year for the global economy, Arçelik will nevertheless adhere to its strategy of actively pursuing growth.

their popularity and use towards the end of 2022. As a result, we will be working to integrate AI applications into our business processes in the year ahead. In 2023, we will continue to strengthen our prominent position with a primary focus on our long-term growth strategy.

In closing, I would like to thank all of our shareholders and business partners for accompanying us on our journey, and our employees for their hard work and wholehearted dedication.

Best regards,

**Hakan Bulgurlu**  
CEO, Arçelik

## Arçelik in Brief



Founded in 1955, Arçelik AŞ is active in the areas of R&D, manufacturing, marketing, and after-sales support services provision in the consumer durables and consumer electronics business lines. The company is the hub of an international network of 80 subsidiaries in 52 countries, production facilities in 9 countries, and 45,000 employees worldwide, all supplying products and services under such brands as Altus, Arctic, Arçelik, Beko, Blomberg, Dawlance, Defy, Elektrabregenz, Flavel, Grundig, Leisure, and VoltasBeko.

In 2022 Arçelik booked consolidated revenues of TL 133.9 billion (EUR 7.7 billion), 70% of which was from sources outside its home market.

Arçelik dynamically engages in every aspect of the innovative goods that it makes from their initial concept and design to production and distribution. Employing more than 2,300 research personnel in 29 R&D and design centers and offices around the world, the company has filed nearly 3,000 patent applications and has been awarded patents in every business line in which it is active.

**A global technology producer with 29 R&D and design centers and offices around the world**

In 2022—and for the fourth year in a row—Arçelik achieved the highest score in the DHP Household Durables category (based on December 2022 results) in the Dow Jones Sustainability Index family of indices evaluating the sustainability performance of publicly traded companies.

Arçelik's efforts on behalf of sustainability earned its Ulmi washing machine plant in Romania a place among the World Economic Forum Global Lighthouse Network's ten Sustainability Lighthouses, a community of manufacturers whose effective sustainability practices in the management of water and energy resources make them exemplars in the adoption of Fourth Industrial Revolution technologies.

Striving to be a source of inspiration and in line with its "Respecting The World, Respected Worldwide" vision, Arçelik deploys its technological and human resources and its production might for the sake of a more sustainable future.



## Strengths

### Inourced R&D and technology development competencies

Arçelik is a global technology producer with 29 R&D and design centers and offices based in Türkiye, UK, China, Taiwan, Romania, Thailand, India, South Africa, Pakistan, and Russia.

Arçelik dynamically engages in every aspect of the innovative goods that it makes from their initial concept and design to production and distribution. In the conduct of its R&D operations, Arçelik focuses on such issues as conserving energy and water through the use of more sustainable, eco-aware technologies and reducing operational noise and vibration while also exploring opportunities for incorporating sensor, IoT, smart-home, polymer, metal and surface-coating, hygiene, water and air filtration, air-quality, and inverter motor drive technologies into its products.

### Production capability diversification

By means of its investments and acquisitions, Arçelik expands the geographical footprint of its production resources while also diversifying its production-capability portfolio.

Arçelik is the center of a global network of 30 production facilities located in Türkiye, Romania, South Africa, India, Bangladesh, Russia, China, and Thailand.

In 2022 work began on building a new production facility based in Egypt. Undertaken at an investment cost of about USD 100 million, the plant is slated for completion in 2023.

### Robustly positioned in European national markets

Arçelik's European operations (including those in Türkiye) make it Europe's second-biggest white goods firm. Arçelik-made goods are positioned in Western Europe under the Beko brand while the strength of its Arctic and Beko brands solidly positions the company in Eastern Europe. In 2022, Arçelik achieved a turnover of EUR 3.1 billion in Europe.

Besides being Türkiye's leading producer of smart-home technologies, nearly 3,000 Arçelik and Beko dealerships ideally position the company in its home market and enable it to supply solutions that quickly and exactly satisfy consumers' changing needs and expectations. With more than 600 authorized service outlets, Arçelik's after-sales services network has the broadest reach of any in Türkiye and ensures maximization of the customer service-request experience.

### Strong growth in international markets

Arçelik strengthens its presence by increasing its activities in markets that have growth potential through strategic partnerships and acquisitions. . For example its acquisition of the Dawlance brand in Pakistan in 2016, its partnership with Voltas in India in 2017, and its acquisition of the Singer Bangladesh brand in Bangladesh in 2019 continue to power Arçelik's growth in those national markets. By joining forces with Hitachi in 2021, Arçelik likewise further strengthened its presence in global markets. The aggregate turnover outside Türkiye, including Africa, America, Asia-Pacific, Europe and the Middle East, amounts to EUR 5.4 billion.

## Executive Management



**Hakan Bulgurlu**  
CEO



**Özkan Çimen**  
Chief Financial Officer



**Nihat Bayız**  
Chief Production & Technology  
Officer



**Akın Garzanlı**  
Chief Marketing Officer



**Utku Barış Pazar**  
Chief Strategy & Digital Officer

For the CVs of the BoD members, see [pages 222-224](#).

For information about the BoD and executive management members' transactions on behalf of themselves or someone else within the framework of the permission granted by the General Assembly, and their operations within the scope of the competition ban, see the agenda item description numbered 14 in the Informative Document on [page 340](#).

The key management of Arçelik A.Ş. is identified as the Chair and members of the Board of Directors, the CEO, and Assistant General Managers and Directors directly reporting to CEO. Information on total key management compensation incurred by Arçelik A.Ş. in 2022 is available in note 33 of the financial tables (see [page 316](#)).



**C. Can Dinçer**

Chief Commercial Officer Türkiye and Southern Asia



**M. Ragıp Balcıoğlu**

Chief Commercial Officer, EMENA & Americas



**Hakan Kozan**

Chief Purchasing & Supply Chain Officer



**Toygan Pulat**

Chief People Officer

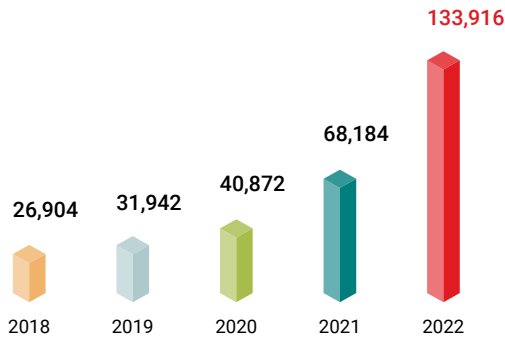
# Key Indicators

## Financial Indicators

### Net Sales (TL million)

2021-2022 Change

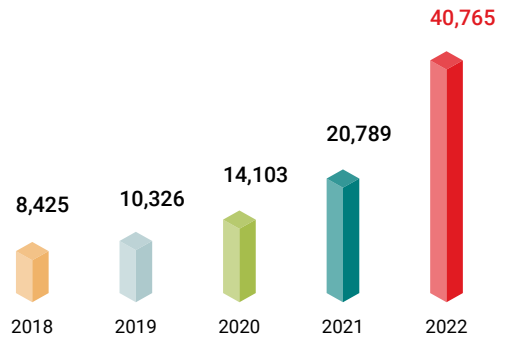
**+96.4%**



### Net Sales (Türkiye) (TL million)

2021-2022 Change

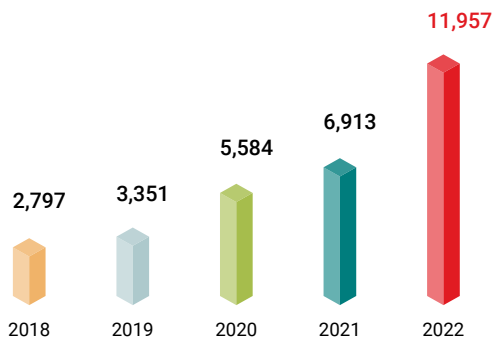
**+96.1%**



### EBITDA<sup>(1)</sup> (TL million)

2021-2022 Change

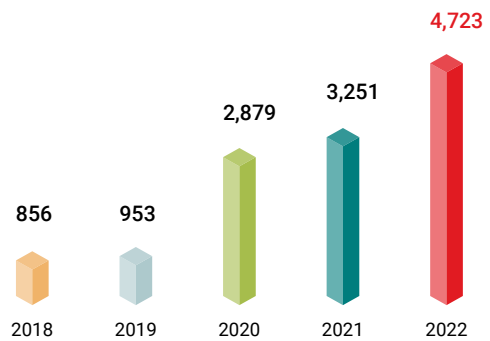
**+73.0%**



### Net Profit (TL million)

2021-2022 Change

**+45.3%**



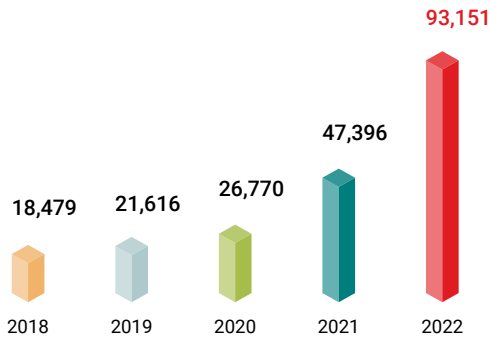
<sup>(1)</sup> The effects of foreign exchange gains and losses arising from trade receivables and payables and credit finance income and charges are deducted from operating profit, and the effects of income and expenses from sale of property, plant and equipment are added to operating profit in order to maintain consistency in the presentation with prior years.

Having displayed a successful performance in 2022, Arçelik's total net sales increased by 96.4% to reach TL 133.9 billion.

### Net Sales (International) (TL million)

2021-2022 Change

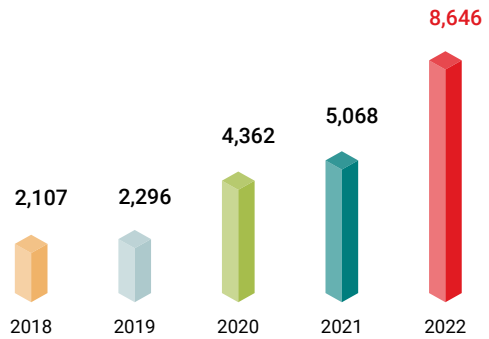
**+96.5%**



### Operating Profit<sup>(1)</sup> (TL million)

2021-2022 Change

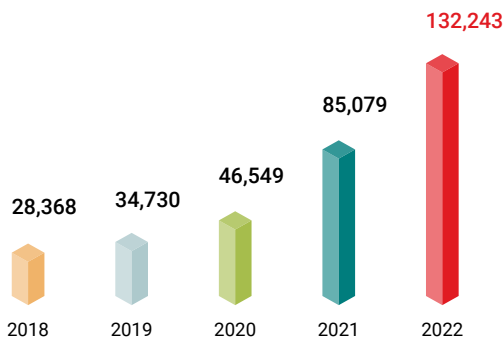
**+70.6%**



### Total Assets (TL million)

2021-2022 Change

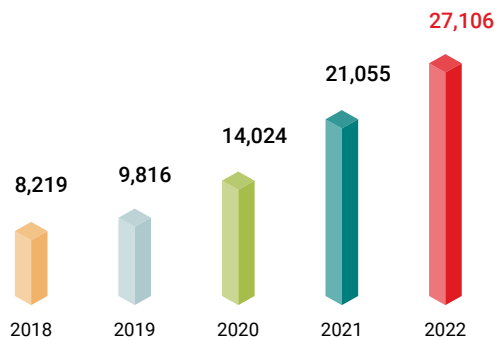
**+55.4%**



### Shareholders' Equity (TL million)

2021-2022 Change

**+28.7%**



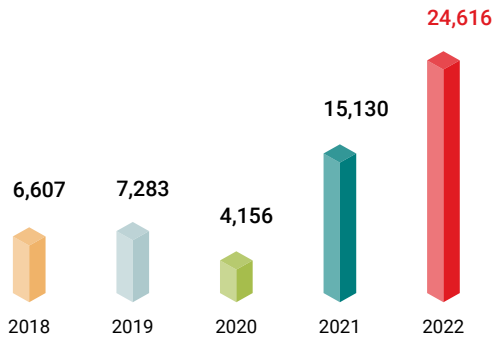
# Key Indicators

## Financial Indicators

### Net Financial Debt<sup>(1)</sup> (TL million)

2021-2022 Change

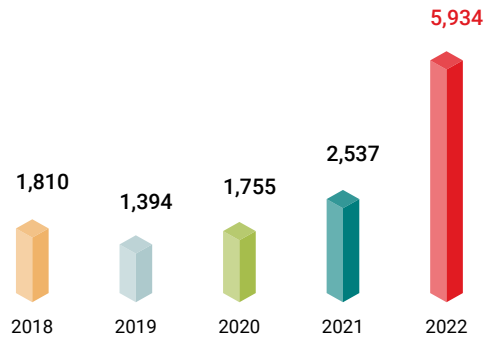
**+62.7%**



### Investment Expenditures (Net) (TL million)

2021-2022 Change

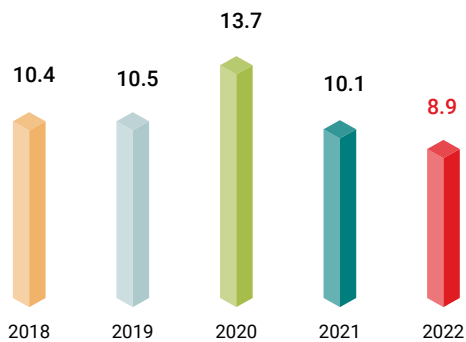
**+133.9%**



### EBITDA Margin (%)

2021-2022 Change

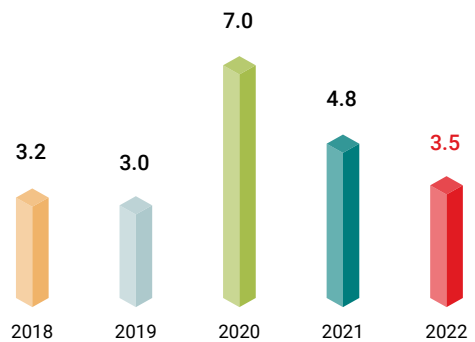
**-1.2 pp**



### Net Profit Margin (%)

2021-2022 Change

**-1.2 pp**



<sup>(1)</sup> Lease liabilities are not taken into account in the calculation of net financial debt.

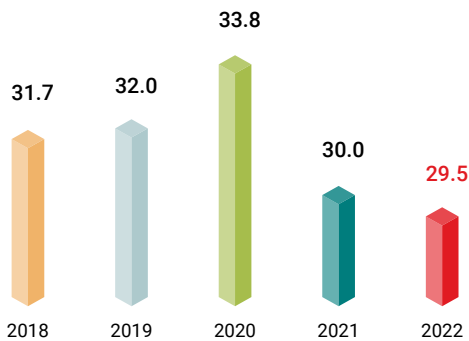


**While reinforcing its competitive strength in its markets, Arçelik also consolidated its strong position on the back of investment expenditures that grew by 133.9% in 2022.**

### Gross Profit Margin (%)

2021-2022 Change

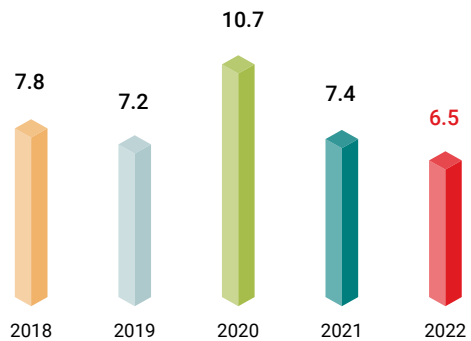
**-0.5 pp**



### Operating Profit Margin (%)

2021-2022 Change

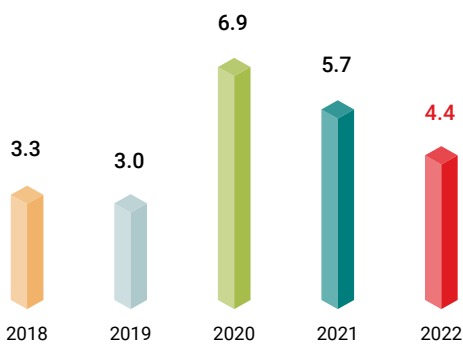
**-1.0 pp**



### Return on Assets (%)

2021-2022 Change

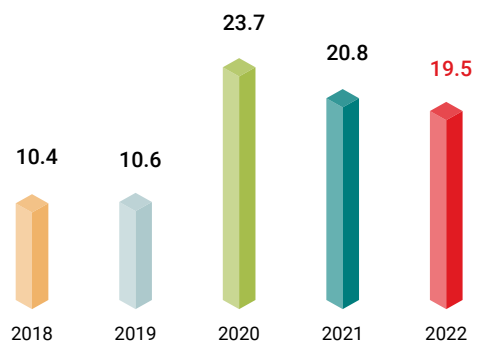
**-1.3 pp**



### Return on Equity (%)

2021-2022 Change

**-1.3 pp**



# Key Indicators

## Non-Financial Indicators

### Arçelik ESG commitment highlights

- **By 2030 (base year 2018): A 30% reduction in Scope 1 and Scope 2 greenhouse gas emissions and a 15% reduction in Scope 3 greenhouse gas emissions (arising from Arçelik-sold products)** in line with the Science-Based Targets Initiative's (SBTi) science-based targets for realizing the Paris Agreement scenario of keeping the global temperature rise "well below 2°C".
- **By 2030 (base year 2018): A 50.4% reduction in Scope 1 and Scope 2 emissions (arising from Arçelik's own operations) and in Scope 3 emissions (arising from Arçelik-sold products)** in line with SBTi targets for keeping the global temperature rise to "not more than 1.5°C".
- **By 2050: Achieve net-zero emissions throughout Arçelik's value chain.**
- **Increase the percentage of recycled material content in all plastics used in Arçelik products and components** as per the Business Plastic Initiative.
- **By 2026: Make three commitments and set six targets to support empowerment of women** in technology and innovation-related functions in line with the UN Generation Equality Forum's UN Women Action Coalition.
- **Within five years:** Increase the number of women holding seats on the Arçelik Board of Directors by **25<sup>1</sup>%**.
- **By 2030: Increase the percentage of women among all Arçelik employees to 26%; of women in management positions to 30%; of women with science, technology, engineering, and mathematics-related responsibilities to 38%.**

 Details about the company's 2030 targets are presented in the Arçelik Sustainability Report.

<sup>1</sup> Policy acceptance date: May 2021

**Arçelik international platform memberships**

- United Nations Global Compact (UNGC)
- Science-Based Targets Initiative (SBTi)
- Task Force on Climate-related Financial Disclosures (TCFD)
- UN Women's Empowerment Principles (UN WEPs)
- Business Ambition for 1.5°C
- Race to Zero
- World Economic Forum Alliance of CEO Climate Leaders
- Climate Group EP100
- UN Generation Equality Forum Technology and Innovation Action Group (UN Women Action Coalition)
- World Business Council for Sustainable Development (WBCSD)
- United Nations Global Compact CEO Water Mandate

**Arçelik Sustainability Index highlights**

- BIST Sustainability Index
- Industry leader in 2021 with a 91/100 Refinitiv ESG score
- Carbon Disclosure Project "A-" (Climate Change Program) and "A" (Water Security Program) ratings
- Highest Dow Jones Sustainability Index score in its industry for the fourth year in a row (December 2022)
- Included in Corporate Knights' Global 100 Index ranking of the world's most sustainable companies for the third year in a row (2023)
- One of only 45 companies worldwide to be awarded the Prince of Wales Terra Carta Seal.
- 76/100 S&P Global ESG score
- Bloomberg Gender Equality Index (2023)
- "AAA" MSCI and FTSE4Good ratings since 2016
- 16<sup>th</sup> (Arçelik) and 17<sup>th</sup> (Beko) rankings among Real Leaders' "300 Top Impact Companies" list

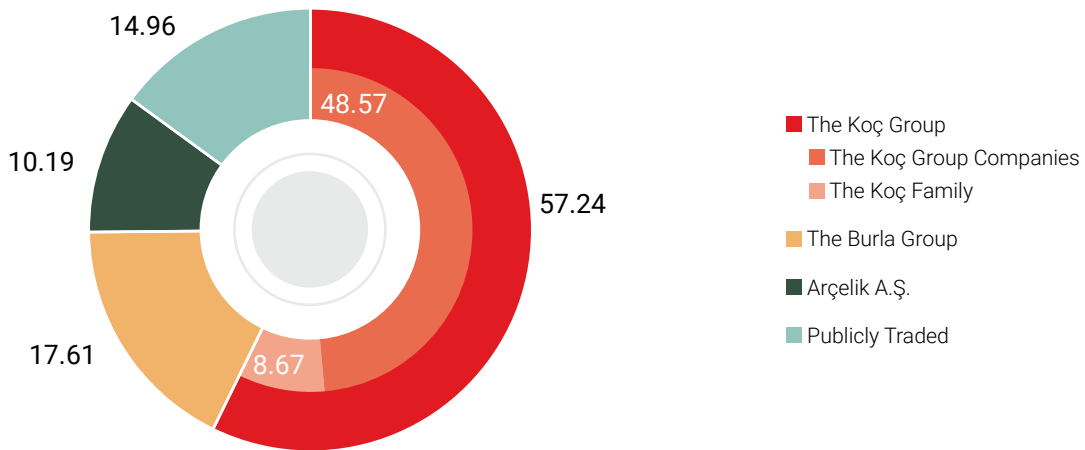
## Capital and Ownership Structure

Shareholders	Share Percentage	Share Amount (TL)
The Koç Group	57.24%	386,768,156
The Koç Family	8.67%	58,590,764
The Koç Group Companies	48.57%	328,177,392
The Burla Group	17.61%	119,000,000
Arçelik A.Ş.*	10.19%	68,876,288
Publicly-Traded	14.96%	101,083,761
<b>Total</b>	<b>100.00%</b>	<b>675,728,205</b>

\* Publicly Traded shares repurchased under Arçelik AŞ's buyback program as of 31 December 2022.

### Ownership Structure

(%)



In 2022 the company's issued and fully paid-up capital amounted to TL 675,728,205, consisting of 67,572,820,500 registered shares each with a par value of TL 0.01 (one kurush). The company's registered capital ceiling is TL 1,500,000,000.

No company shares enjoy any preferential rights. Each share of stock with a nominal value of one kurush entitles its holder to one vote at company general meetings.

A number of publicly traded shares were repurchased by the company during the reporting year.

At its Extraordinary General Assembly meeting held in 2022, Temel Ticaret ve Yatırım A.Ş., resolved to transfer all of its shares in Koç Holding A.Ş. to Family Danışmanlık Gayrimenkul ve Ticaret A.Ş., which it wholly owns, by way of partial demerger. As a result of the said partial demerger transaction, there has been a change in the indirect ownership of Arçelik A.Ş.

On all matters pertaining to transactions of a significant nature, the company complies with the requirements of the Turkish Commercial Code, the Capital Markets Act, and applicable laws, regulations, and administrative provisions, which stipulate that before the transaction may be effected, a Board of Directors resolution sanctioning it must first be passed, after which the transaction must be approved at a general meeting. Arçelik was involved in no transactions of this nature during the reporting year.

Ticker code **ARCLK.IS**

Paid-in capital **TL 675,728,205**

Registered capital **TL 1,500,000,000**

## Koç Holding

With roots that reach back to 1926, the Koç Group is Türkiye's biggest corporate group as measured by total revenues, exports, BIST capitalization and trading, and job-creation. Koç Holding is the only company headquartered in Türkiye to be included in the Fortune Global list of the world's 500 biggest companies. Seeking to enhance the added value that it generates for all of its stakeholders and inspired by its vision of creating long-term value and supporting global growth, the Koç Group continues to move forward on a journey that began nearly a century ago.

For more detailed information:

[www.koc.com.tr](http://www.koc.com.tr)

## Share repurchases

Taking into account the impact both of market conditions and of domestic and global economic developments on the company's operations and sector, the conclusion was reached that Arçelik AŞ's Borsa İstanbul market capitalization did not accurately reflect the company's actual performance or true value.

In order to contribute to the formation of fair value, the Arçelik Board of Directors convened on 24 May 2022 and voted to carry out the buyback program it had approved on 1 July 2021 pursuant to Capital Markets Board Repurchased Shares Communiqué (II-22.1) and Capital Markets Board announcements dated 21 July 2016, 25 July 2016, and 23 March 2020 and within the framework of the authority given to the Board of Directors at the company's Ordinary General Assembly Meeting dated 23 March 2022, and thus begin repurchasing company shares being traded in Borsa İstanbul.

Between 23 March 2022 and 31 December 2022, publicly traded Arçelik shares with a combined nominal value of TL 24,444,945 were recovered from Borsa İstanbul (BIST) at an average price of TL 64.87 each. From 1 July 2021, when the share repurchase program was initiated, to 31 December 2022, shares with a nominal value of 68.876.288 TL were repurchased, and the total amount (including commission fees and taxes) paid for these repurchases was TL 3,097,980,104, as a result of which self-owned ARCLK.IS shares corresponded to 10.19% of the company's overall capitalization.

The Board of Directors will present an informational summary of buy-back shares and of the resources used to finance these shares at Arçelik's general meeting for 2022 along with a Board proposal concerning additional buybacks in 2023.

A summary of Arçelik share buybacks as of end-2022 is available at this address: <https://www.kap.org.tr/tr/Bildirim/1056874>

## Burla Group

During the early years of the Turkish Republic, the Burla company contributed to the country's economic growth and development as one of the first to begin importing and trading in goods such as automobiles, home appliances, electrical-powered tools, lightbulbs, office machines, photographic equipment, and machine tools. As a corporate group, Burla's mission today is to maximize stakeholder value-creation by increasing customer satisfaction through its sustainable growth.

For more detailed information:

[www.burla.com](http://www.burla.com)

# Arçelik Brands and Products

## Arçelik brands



Founded in 1996, Altus offers a range of affordably priced, robust, durable, quality white goods, built-in and small home appliances, televisions, and air conditioners in Türkiye.



The leading name in Romania's white goods market, Arctic opened continental Europe's first Industry 4.0 factory in that country. Regarded as the strongest, best-selling, and best-known brand in its home market, Arctic is also strengthening its position elsewhere in Europe.



With the benefit of 139 years of experience in the production of quality, innovative products, Blomberg defends its strong brand reputation by adapting to current needs and satisfying changing consumer wants. Focusing on intelligent solutions, energy efficiency, and the highest-quality materials, Blomberg blends superior performance and contemporary European design.



For Dawlance, one of the leading names in Pakistan's home appliances market, reliability is at the core of its corporate values. Consisting of 19 service centers, 34 authorized service and repair shops, and 335 contractual service providers, the company has an extensive customer services network.



The leading home technologies name in Türkiye, Arçelik is the country's strongest, best-known, most trusted, and best-liked brand. Maximizing the customer experience with innovative and smart products which it develops to minimize their environmental impact, Arçelik was Türkiye's first Lovemark and is the only brand to have remained one ever since for 14 years. Operating Türkiye's biggest and most extensive sales and services network, Arçelik is also the country's first choice white goods brand.



Since 1955, Beko has been providing solutions to protect the health of people and the world with its human- and environment-oriented technologies and smart solutions. A leading brand for millions of people around the world, Beko ranks in the top three white goods brands in Europe and the leader of the white goods category in the UK.



South Africa's foremost white goods manufacturer, Defy enjoys a better than 90% level of brand recognition in its home market. With a 117-year legacy, Defy-brand home appliances are to be found in six out of ten South African homes and make life more enjoyable for millions of households both in that country and beyond.



Elektrabregenz today is the heir of one of the country's most deeply rooted white goods brands. It enjoys a reputation as a manufacturer of quality and durable home appliances that give value for money. Elektrabregenz products are designed and built to make users' lives easier and more enjoyable.

# Arçelik Brands and Products

## Arçelik brands



One of the most important white goods brands in Ireland and the UK, Flavel offers a range of freestanding as well as built-in and integrated home appliances that combine a high level of functionality with quality and affordability.



Germany-based Grundig introduced its first product a tabletop radio in 1945 and continued to make the outside world more accessible to the country's consumers with the first Grundig television in 1951. Known for products that combine quality, durability, and aesthetics, Grundig's brand today is to be found not just on electronics and sound systems but also on white goods and small home appliances. For Grundig, "A better future starts at home."



The Leisure brand has more than 130 years of experience as a manufacturer of products whose assurance of superior quality and performance has made it a leading name in range cookers in the UK. Leisure-branded cookers come with a wide range of style, width, fuel, configuration, and color options capable of satisfying the needs of everyone with a passion for cooking.



The brand was taken over by Arçelik, as a result of Arçelik's acquisition of all the shares in Whirlpool-owned Indesit JSC and Whirlpool LLC companies in 2022 as part of the company's global investments. It pursues operations in the Russian market.



Deftly blending Arçelik's R&D competence, state-of-the-art technology and manufacturing experience with Voltas's solid position and brand image in the Indian market to create a unique synergy and collaboration, VoltasBeko supplies India's consumers with customer-focused, innovative, high quality, sustainable and competitive products. Since the commencement of operations in 2018, VoltasBeko has been gradually increasing its market share and recognition in India.



## Arçelik corporate brands

### Arçelik

**HITACHI**  
Home Appliances

In keeping with its strategy to grow in emerging markets, Arçelik, in 2021, acquired 60% of the shares in Hitachi Home Appliances Netherland B.V. founded in the Netherlands by Hitachi Global Life Solutions, Inc. to undertake production, sales and after-sales services of Hitachi-brand household appliances including refrigerators, washing machines and vacuum cleaners in global markets other than in Japan.

**IHP** APPLIANCES  
JSC

Upon Arçelik's acquisition of all the shares in Whirlpool-owned Indesit JSC and Whirlpool LLC companies in 2022, the names of the relevant companies changed to IHP Appliances JSC and IHP Appliances Sales LLC respectively. The new subsidiaries pursue operations in Russia, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Armenia, Georgia, Azerbaijan, Kazakhstan, Belarus and Mongolia with Stinol, Indesit and Hotpoint brands.

**SINGER®**  
Bangladesh Limited

With roots that reach back to 1905, Singer Bangladesh Limited has been successfully running its business operations for more than a century as a multinational company in Bangladesh. Since the very outset, the name Singer has been synonymous with sewing machines in Bangladesh. Having stepped into the electronics market by the early 1980s, Singer Bangladesh possesses a huge retailing network with 437 retail stores across the country. The company has also been building on its production capabilities with local manufacturing plants.

# Arçelik Brands and Products

## Our product portfolio

### Built-in and Standalone Products

- Refrigerators
- Freezers
- Washing machines
- Dryers
- Dishwashers
- Ovens
- Microwave ovens
- Furnaces
- Hoods
- Aspirators
- Mini-Midi ovens
- Warming drawers
- Water dispensers
- Water purifiers



### Air Conditioning

- Air conditioners
- Combi boilers
- Kettles
- Room heaters
- Fans





### Consumer Electronics

- Televisions
- Smart phones
- Laptops and tablets
- POS cash register
- Hi-fi systems
- Portable sound systems
- 3D printers

### Small Home Appliances

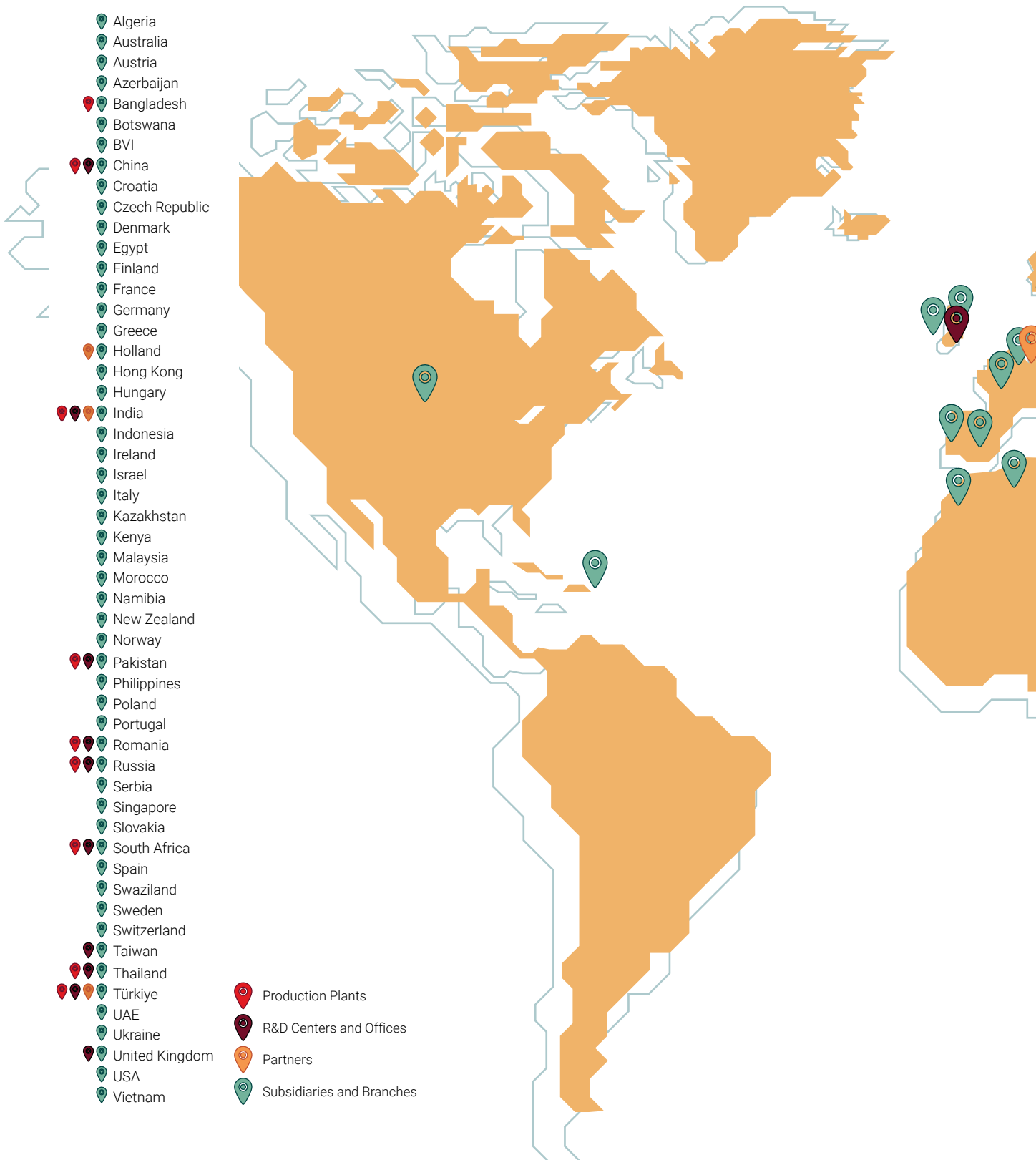
- Brooms
- Cooking utensils
- Personal care
- Irons
- Hygiene products

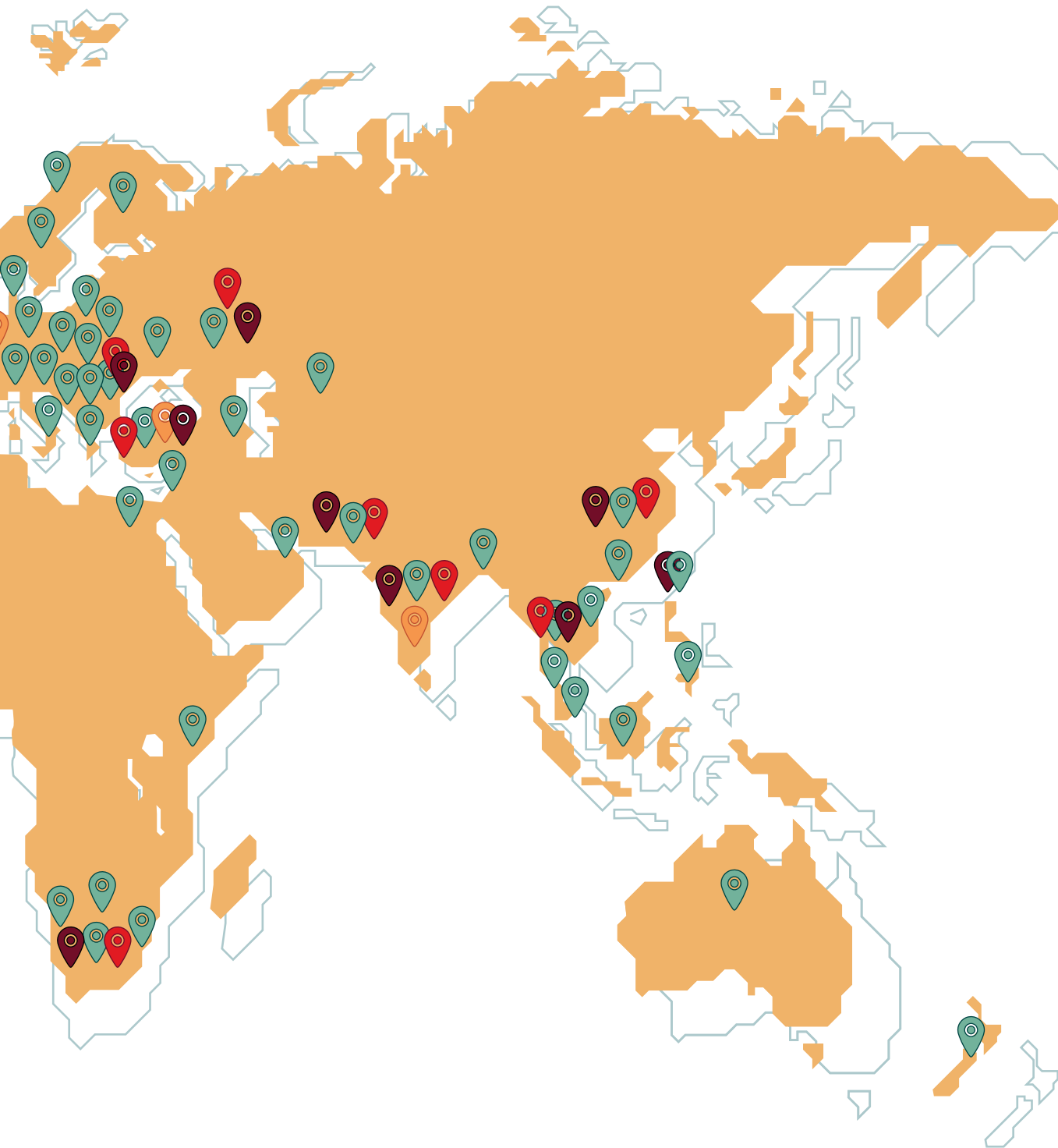


### Components

- Hermetic compressors
- Motor pumps

## Our Global Footprint





Presentation

Arçelik at a Glance

Arçelik in 2022

Arçelik and Sustainability

Corporate Governance

Financial Information

Other Information

# Our Global Footprint



## Production Facilities

Ankara, Türkiye	Dishwasher Plant
Bolu, Türkiye	Cooking Appliances Plant
Bolu, Türkiye	Cooking Appliances Plant – Plant-2
Eskişehir, Türkiye	Refrigerator Plant
Eskişehir, Türkiye	Plant-6
Eskişehir, Türkiye	Compressor Plant
Gebze, Türkiye <sup>1</sup>	Arçelik LG
İstanbul, Türkiye	Washing Machine Plant
Manisa, Türkiye	Refrigerator Plant
Manisa, Türkiye	Washing Machine Plant
Tekirdağ, Türkiye	Electronics Plant
Tekirdağ, Türkiye	Tumble Dryer Plant
Tekirdağ, Türkiye	White Goods Engine and Small Home Appliances Plant
Dhaka, Bangladesh	Refrigerator Plant
Dhaka, Bangladesh	TV, A/C and Washing Machine Plant
Shanghai, China <sup>1</sup>	Hitachi Washing Machine Plant
Ezakeni, South Africa	Refrigerating Appliances Plant
Jacobs, South Africa	Defy Cooking Appliances, Dryer and Washing Machine Plant
Gujarat, India <sup>1</sup>	Voltbek Refrigerator Plant
Hyderabad, Pakistan	Refrigerator Plant
Karachi, Pakistan	Washing Machine and Refrigerator Plant
Karachi, Pakistan	Cooking Appliances and A/C Plant
Gaești, Romania	Arctic Refrigerating Appliances Plant
Ulmi, Romania	Arctic Washing Machine Plant
Kirzhach, Russia	BEKO LLC Refrigerator and Washing Machine Plant
Cabin Buri, Thailand <sup>1</sup>	Hitachi Refrigerator Plant
Cabin Buri, Thailand <sup>1</sup>	Hitachi Washing Machine Plant
Rayong, Thailand	Refrigerator Plant
Lipetsk, Russia	IHP Appliances JSC Refrigerator Plant
Lipetsk, Russia	IHP Appliances JSC Washing Machine Plant

<sup>1</sup> Joint Venture Plants



## R&D and Design Centers and Offices

Ankara, Türkiye	Dishwasher Plant R&D Center
Ankara, Türkiye	METU Technocity R&D Center
Bolu, Türkiye	Cooking Appliances Plant R&D Center
Eskişehir, Türkiye	Refrigerator and Compressor Plant R&D Center
İstanbul, Türkiye	R&D Directorate
İstanbul, Türkiye	Arçelik Design Center
İstanbul, Türkiye	Beylikdüzü R&D Center
İstanbul, Türkiye	Washing Machine Plant R&D Center
İstanbul, Türkiye	Digital Transformation, Big Data and AI Center
İstanbul, Türkiye	Small Domestic Appliances R&D Center
İstanbul, Türkiye	Manufacturing Technologies R&D Center
Kocaeli, Türkiye <sup>1</sup>	Arçelik – LG R&D Office
Manisa, Türkiye	Manisa Plant, R&D Center
Tekirdağ, Türkiye	Electronics Plant R&D Center
Tekirdağ, Türkiye	Dryer Plant R&D Center
Cambridge, United Kingdom	Beko PLC R&D Office
Shenzhen, China	R&D Office
Wuxi, China	Arch R&D Office
Jacobs, South Africa	Defy R&D Office
Gujarat, India <sup>1</sup>	VoltasBeko R&D Office
Hyderabad, Pakistan	Dawlance R&D Office
Karachi, Pakistan	Dawlance R&D Office
Gaești, Romania	Arctic R&D Office
Ulmi, Romania	Arctic R&D Office
Kirzhach, Russia	Beko LLC R&D Office
Lipetsk, Russia	IHP Appliances R&D Office
Taipei, Taiwan	Electronic and Optical Application R&D Office
Cabin Buri, Thailand <sup>1</sup>	Arçelik Hitachi R&D Office
Rayong, Thailand	Beko Thai R&D Office
Lipetsk, Russia	IHP Appliances JSC Washing Machine Plant

<sup>1</sup> Center of joint venture

Country	Number of employees*	Country	Number of employees*	Country	Number of employees*	Country	Number of employees*	Country	Number of employees*
USA	117	Czech Republic	45	India	902	Kazakhstan	41	Serbia	70
Germany	173	China	740	Holland	9	Hungary	2	Singapore	55
Australia	52	Indonesia	126	Hong Kong	107	Malaysia	89	Thailand	3,248
Austria	36	Morocco	8	Ireland	14	Egypt	104	Taiwan	150
Azerbaijan	6	Philippines	34	Scandinavia	61	Pakistan	2,849	Türkiye	19,279.5
UAE	34	France	105	Spain	48	Poland	100	Ukraine	31.0
Bangladesh	1,669	South Africa	2,260	Israel	5	Portugal	10	Vietnam	66
United Kingdom	297.5	Croatia	11	Switzerland	6	Romania	4,176	Greece	1
				Italy	65	Russia	3,828		

\* As of 31 December 2022. The number of part-time employees was included in the calculation by multiplying with a coefficient of 0.5.



### Subsidiaries and Branches

Türkiye	Arçelik Pazarlama A.Ş.
Türkiye	Arçelik-LG Klima San. ve Tic. A.Ş.
USA	Beko US
Germany	Beko Grundig Deutschland GmbH
Australia	Beko A and NZ Pty Ltd.
Austria	Beko Grundig Österreich AG
Azerbaijan	Beko Azerbaijan MMC
UAE	Arcelik Hitachi Home Appliances Sales Middle East FZE (AHME)
UAE	Beko Gulf FZE
Bangladesh	Singer Bangladesh Limited
Botswana	Defy Botswana Proprietary Ltd.
BVI	Pan Asia Private Equity Ltd.
Algeria	Beko Algérie EURL
Czech Republic	Beko SA (Spolka Akcyjna) (Czech Branch)
China	Arcelik Hitachi Home Appliances (Shanghai) Co., Ltd. ("AHSH")
China	Arch R&D Co. Ltd.
China	Beko Electrical Appliances Co., Ltd.
China	Beko Shanghai Trading Co. Ltd.
Denmark	Grundig Nordic AS (Denmark Branch)
Indonesia	PT Beko Appliances Indonesia
Indonesia	PT Home Appliances IND
Indonesia	PT. Arcelik Hitachi Home Appliances Sales Indonesia ("AHID")
Morocco	Beko Morocco Household Appliances
Philippines	Beko Pilipinas Corporation
Finland	Grundig Nordic AB (Finland Rep Office)
France	Beko France SAS
South Africa	Defy Appliances Proprietary Limited
Croatia	Beko Grundig Croatia d.o.o.
Croatia	Beko Grundig Deutschland GmbH (Croatia Branch)
India	VoltBek Home Appliances Private Ltd
Holland	Arcelik Hitachi Home Appliances B.V. ("AHHA")
Holland	Arducth BV
Holland	Retail Holdings Bhold BV
Hong Kong	Arcelik Hitachi Home Appliances Sales Hong Kong Ltd. ("AHHK")
Hong Kong	Beko Hong Kong Ltd.
England	Beko PLC
Ireland	Beko Ireland (UK Branch)
Spain	Beko Electronics Espana SL
Israel	Beko Israel Household Appliances Ltd.
Sweden	Grundig Nordic AB
Switzerland	Beko Grundig Schweiz GmbH
Switzerland	Grundig Multimedia AG
Italy	Beko Italy SRL
Kazakhstan	Beko Central Asia LLC
Kazakhstan	IHP Kazakhstan LLP
Kenya	Defy Sales East Africa Limited

Hungary	Beko Hungary Kft
Malaysia	Arcelik Hitachi Home Appliances Sales Malaysia Sdn. Bhd. ("AHMY")
Malaysia	Beko Appliances Malaysia Sdn Bhd.
Egypt	Beko Egypt Home Appliances Industries LLC
Egypt	Beko Egypt Trading LLC
Namibia	Defy Namibia Proprietary Ltd.
Norway	Grundig Nordic AS
Pakistan	Dawlance Private Ltd.
Pakistan	DEL Electronics Private Ltd.
Pakistan	United Refrigeration Industries Ltd.
Poland	Beko Spolka Akcyjna
Portugal	Beko Home Appliances Portugal, Unipessoal LDA
Romania	Arctic Foundation
Romania	Arctic SA
Romania	Arcwaste
Russia	Beko LLC
Russia	IHP Appliances JSC
Russia	IHP Appliances Sales LLC
Serbia	Beko Balkans d.o.o.
Singapore	Arcelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd. ("AHSG")
Slovakia	Beko Slovakia SRO
Swaziland	Defy Swaziland Proprietary Limited
Thailand	Arcelik Hitachi Home Appliances (Thailand) Ltd. ("AHTH")
Thailand	Arcelik Hitachi Home Appliances IBC Co. Ltd.
Thailand	Arcelik Hitachi Home Appliances Sales (Thailand) Ltd. ("AHST")
Thailand	Beko APAC IBC Co. Ltd.
Thailand	Beko Thai Co. Ltd.
Taiwan	Arcelik Hitachi Taiwan Home Appliances Sales Ltd. ("AHTW")
Taiwan	Arducth BV (Taiwan Branch)
Ukraine	Beko Ukraine LLC
Vietnam	Arcelik Hitachi Home Appliances Sales Vietnam Co., Ltd. ("AHVN")
Vietnam	Vietbeko Limited Liability Company
New Zealand	Beko A and NZ Pty Ltd. (New Zealand Branch)
Greece	Beko Grundig Hellas Single Member SA



### Partners

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

# Our Growth Strategy





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

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

Supporting growth by closely monitoring customer needs from new offices

Increasing the market share of small household appliances and built-in products

Increasing sustainable income sources by developing B2B sales

Developing business models that take into account the needs of the country by enriching the products and services in the after-sales services segment

Offering new solutions to customers with renewable energy solutions and an efficient dealer network in Türkiye

Developing products with reduced environmental footprint and lessening the environmental footprint of all stakeholders along the value chain to conserve natural resources

Develop smart technologies and sponsor programs that will enhance social benefits in order to help society achieve improved living standards

Design inclusive, equitable and inspiring experiences that will create sustainable value for Arçelik employees, suppliers, dealers and customers

# Investor Relations

25.15% of Arçelik's shares are publicly traded with the remainder being held by Koç Holding, Koç Group companies, and members of the Koç family.<sup>1</sup> Under a share buyback program initiated by Arçelik, 10.19% of the publicly traded shares had been repurchased by the company as of 31 December 2022.

Arçelik shares are traded on the Borsa İstanbul BIST Stars market and are included in the BIST Metal Products Mach, BIST Stars, BIST Sustainability 25, BIST 30, BIST Industrials, BIST İstanbul, BIST Corporate Governance, and other indices. Arçelik's superior corporate governance performance has qualified its shares for inclusion in the BIST Sustainability Index every year since November 2014 without exception. Its shares also rank high in some of the world's most prestigious stock indices.<sup>2</sup>

Type of capital market instrument quoted/traded	Initial quotation/trading date	Country	Exchange name	Exchange market
Company share	21 Jan 1986	Türkiye	BIST	Stars Market Group 1
Eurobond	3 Apr 2013	Ireland	Irish Stock Exchange	Bond and Bill Market
Green Bond	25 May 2021	Ireland	Irish Stock Exchange	Bond and Bill Market

During 2022, Arçelik representatives attended nine investor events in Türkiye and abroad and met with 360 investors and analysts. Four teleconferences concerning the company's quarterly results were also conducted during the year. Arçelik likewise regularly keeps stakeholders informed and up to date by means of telephone calls, teleconferences, face-to-face meetings, general investor presentations, financial results presentations, interim reports, and a corporate website.

## Strong share performance

In the immediate aftermath of the outbreak of Russia's war on Ukraine, equity markets throughout the world fell sharply and remained depressed for the rest of the year in response to monetary authorities' interest rate rises. With other national exchanges' investment instruments offering low or even negative returns, the number of retail investors at Borsa İstanbul grew significantly and their presence contributed favorably to share price and index movements. In July 2021 Arçelik embarked upon a share repurchase program that was renewed in May 2022. Owing to the impact both of this program and of expectations of favorable financial results, Arçelik's market value reached TL 75.8 billion (USD 4.1 billion) as of end-2022.

Metric	2018	2019	2020	2021	2022
Low (TL)	10.65	13.04	11.18	27.37	47.27
High <sup>3</sup> (TL)	18.94	19.07	28.45	52.94	115.80
Year-end <sup>3</sup> (TL)	14.21	18.76	27.37	46.54	112.20
Year-end	15.79	20.84	30.40	48.40	112.20
Issued capital (TL 1,000)	675,728	675,728	675,728	675,728	675,728
Market value (TL 1,000)	10,669,748	14,082,176	20,542,137	32,705,245	75,816,705
Market value (USD 1,000)	2,028,122	2,370,657	2,798,466	2,471,846	4,051,401

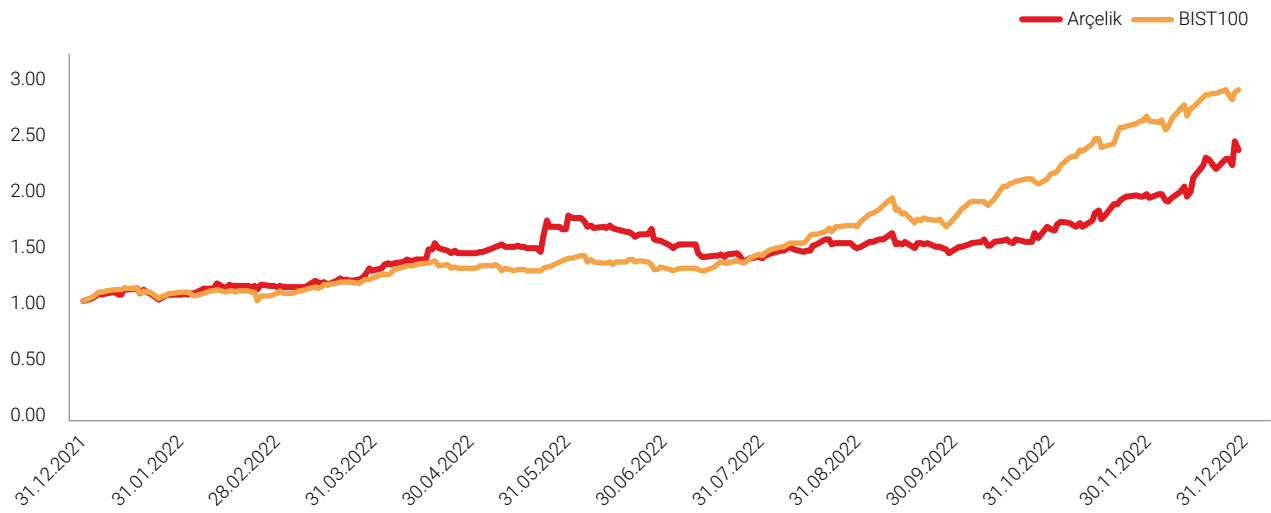
<sup>1</sup> See [page 34](#) for detailed capital and ownership structure.

<sup>2</sup> See [page 33](#) for sustainability indices of which Arçelik is a constituent.

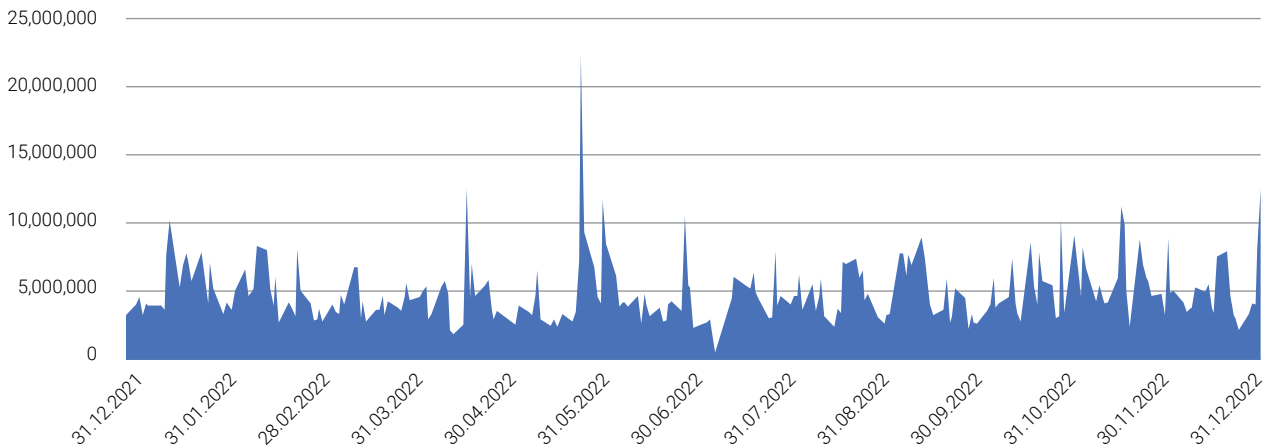
<sup>3</sup> Retroactively adjusted to account for dividend payments.

Arçelik's share price gained 141.1% in value in 2022. During the same 12-month period the BIST 30 index rose by 193.6%. The average volume of company shares changing hands in a single trading day during 2022 was 5,106,399 lots.

### Stock Performance in 2022



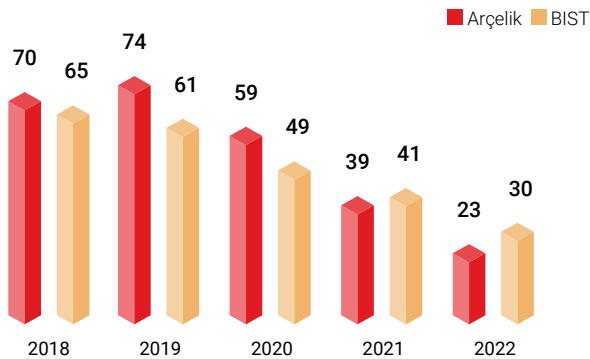
### Number of Daily Transactions in 2022



# Investor Relations

As of end-2022, about 23.5% of the Arçelik shares traded on BIST were held by non-resident investors.

## % of publicly traded Arçelik shares owned by non-resident investors



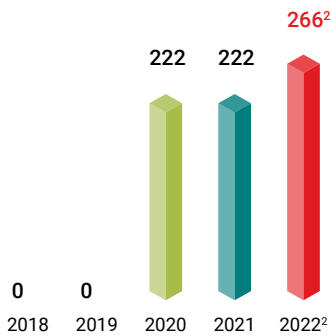
Metric	2021	2022
Dividend (EUR)	0.212	0.254 <sup>1</sup>
Year-end price (EUR)	3.30	5.64
Price/earnings ratio	10.49	28.16
Dividend payout ratio	46.1	41.6 <sup>1</sup>
Year-end market value (EUR)	2,228	3,813

<sup>1</sup> Proposed 2022 dividend to be voted on at the year's General Assembly scheduled to take place on 16 March 2023.

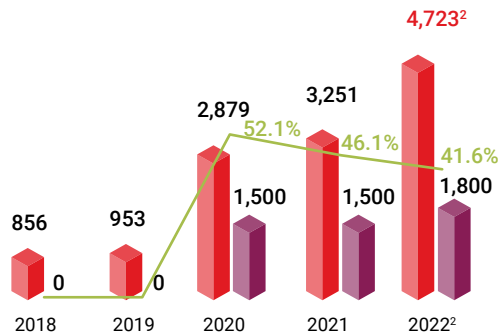
## Dividends

Arçelik apportions and pays out distributable company profits in compliance with the requirements of the Turkish Commercial Code, Capital Markets Board regulations, tax laws and regulations, and Arçelik's articles of association. The policy pursued in dividend distribution strives to maintain a balance and consistency between shareholders and the company's interests in accordance with the Corporate Governance Principles. Accordingly, our Company continued to share its profit with its shareholders also in 2022, taking into consideration the company's long-term strategies, investment and financing policy, profitability and cash position, and paid out a total of TL 1.5 billion in dividends. All in all, dividend payouts over the past 20 years totaled TL 6.5 billion.

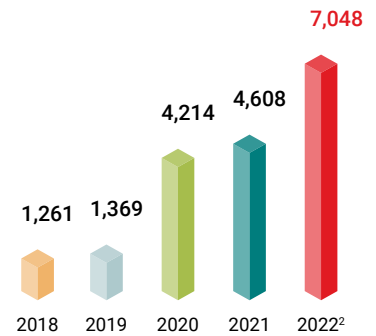
### Dividends (TL million)



### Dividend Payout Performance



### Earnings Per Share (TL)



<sup>2</sup> Reflects the 2022 profit distribution proposal of the Arçelik management. Valid provided that it is approved at the General Assembly.

## Credit ratings

On 8 July 2022 international credit rating agency Fitch Ratings downgraded Türkiye's Long-Term Foreign-Currency Issuer Default Rating from "B+" to "B" and confirmed its existing "Negative" outlook. In a subsequent report published on 18 July 2022, Fitch downgraded Arçelik's "BB" Long-Term Foreign-Currency Issuer Default Rating to "BB-" and confirmed its existing "Negative" outlook.

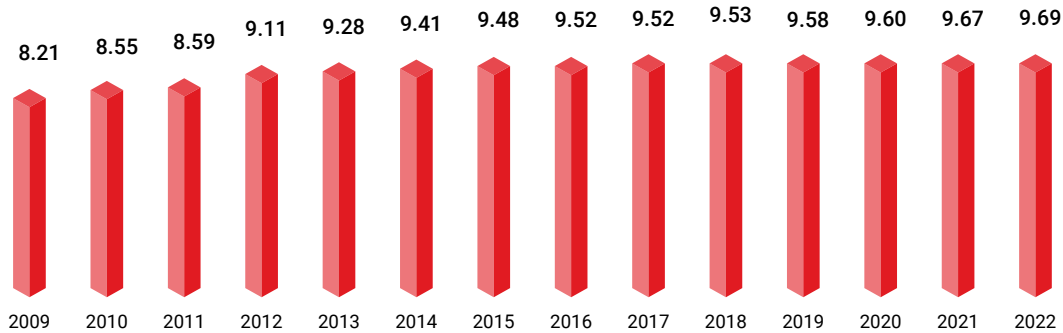
On 22 March 2021 international credit rating agency Standard and Poor's upgraded Arçelik's long-term credit rating from "BB" to "BB+". On 20 December 2021 S&P revised its assessment of the company's outlook from "Stable" to "Negative".

## Corporate governance performance compliance

Corporate Governance Rating has been determined based on the assessment performed under four main headings (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted in accordance with the CMB's Corporate Governance Principles.

On 8 July 2022, CMB-licensed SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri AŞ (SAHA Ratings) corporate governance and credit rating services provider raised Arçelik's corporate governance rating to 9.69/10 (96.85%) on the basis of its review of the company's corporate governance performance as of that date.

### Arçelik corporate governance ratings



### Arçelik corporate governance ratings by performance category

Shareholders	Public Disclosure and Transparency	Stakeholders	Board of Directors	Average
95.77	98.72	99.48	95.15	96.85

According to the World Corporate Governance Index (WCGI) released by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. on 8 October 2019, Arçelik ranks in Group 1. The index ranks countries based on the level of their compliance with corporate governance principles and with its organizations' level of development in corporate governance.

## SECTION 2

# ARÇELİK IN 2022





## **Stronger global position and increased competitive advantages enabled by investments**

With 30 production facilities in nine countries across the world, in 2022 Arçelik undertook investments that increased its competitive strength internationally.

## 2022 Investments

### Our new plant in Egypt is intended to become a regional production center.

Arçelik has begun building a new white goods factory in Egypt that will have an annual production capacity of 1.1 million units.

With 30 production facilities in nine countries across the world, in 2022 Arçelik undertook investments that increased its competitive strength internationally.

#### New factory in Egypt

Arçelik has laid the foundations of a white goods plant in Egypt, where it has had a presence since 2012 through its Beko brand. The new factory will have 114,000 m<sup>2</sup> of operational space and an annual production capacity of 1.1 million units. This plant is intended to become a new regional production center with more than 60% of its output being exported to Middle Eastern, North African, European, and other countries. The plant's export potential is estimated to be in the order of USD 200 million a year. While the factory will be making refrigerators and ovens at the outset, there are plans to add washing machines to the product mix as well. Undertaken at an investment cost of about USD 100 million, Arçelik anticipates production beginning at the plant in Q3 2023.

#### Lipetsk plants in Russia

Arçelik's 2022 purchase of Whirlpool's washing machine and refrigerator plants in the Russian city of Lipetsk and sales subsidiary in Moscow immediately made it one of the country's leading home appliance manufacturers.

#### Singer Bangladesh factory

In line with its aim of investing in parts of the world where countries have young and growing populations whose buying power is increasing and where national economies are developing, in 2022 Arçelik joined forces with Singer Bangladesh and laid the foundations of a new white goods factory in Bangladesh. Based in the Bangladesh Special Economic Zone outside the country's capital city Dhaka, the new plant will be built at an investment cost of USD 78 million, have 135,000 m<sup>2</sup> of operational space, and employ 4,000 people. With the onset of production at this new plant, Singer will also have acquired a host of sustainable, smart, high-quality manufacturing capabilities that will greatly boost its production capacity and strengthen its market position. The factory will be making refrigerators, televisions, washing machines, air conditioners, and other major home appliances, 90% of which are to be sold to Bangladeshi consumers. Two other aims of this investment are to grow domestic supplier networks and to contribute to Bangladesh's export trade with other countries in the region. All aspects of this new production facility from architectural concept to construction work have been designed with sustainability in mind.

#### Asogem NV and Asogem Nederland BV

Arçelik signed a share purchase agreement for acquiring Asogem NV, the distributor of Beko and Grundig brands in Benelux countries for three decades, and its wholly owned subsidiary Asogem Nederland BV. In January 2023, Arçelik subsumed the two companies into its global operations as Beko Belgium NV and Beko Netherlands BV respectively with the intention of supporting further operational growth in the Benelux region.

#### Arçelik Hitachi Home Appliances

Set up in 2021, Arçelik Hitachi Home Appliances continues its product development operations so as to keep offering high quality goods, made even better with the addition of new features, to consumers in more than 65 countries.

Please refer to [page 85](#) in "Arçelik corporate brands" for more detailed information.



## Arçelik signed an agreement to take over Whirlpool's European sales, manufacturing and distribution subsidiaries.

### Manisa refrigerator and washing machine plants

In 2022 Arçelik began integrating its recently acquired refrigerator plant in Manisa into its manufacturing operations. Production of the company's single-door upright freezer commenced at this plant in Q1 2022. Investments undertaken to add Arçelik's small chest freezers to the factory's manufacturing operations were completed and production of those models commenced in Q4 2022. Production of large chest freezer models in Manisa is set to begin in Q1 2023.

Investments at the Manisa washing machine plant are currently in progress. New layout plans giving the plant a 3,500,000-unit production capacity have been finalized and work has begun on the construction of an additional 52,000 m<sup>2</sup> of operational space.

### Eskişehir Plant 6

New investments in Eskişehir that have doubled Arçelik's large-capacity multi-door refrigerator production capacity have also positioned the company as this segment's biggest manufacturer supplying the European market. Undertaken at an investment cost of EUR 12.9 million, the goal of this project is to export these appliances to 145 countries, including North America and the Far East. Having switched to the U bending process and ensuring sustained quality with the use of AI and automation, the plant employs the latest technology currently available throughout its planning and manufacturing processes.

### Whirlpool agreement

On 16 January 2023 Arçelik signed an agreement with Whirlpool, one of the world's leading white goods manufacturers, under which Whirlpool's European sales, manufacturing, and distribution operations will be taken over by Arçelik. The parties to this agreement are Arçelik and wholly owned Arçelik subsidiary Ardutch BV on the one hand and Whirlpool Cooperation and its Whirlpool EMEA Holdings LLC subsidiary on the other. Under the agreement, the latter two companies are to assign all of their subsidiary partnership interests in Europe to Holland-based Beko Europe BV as capital transfers in kind. Under the agreement, these transfers will result in Arçelik subsidiary Ardutch's controlling a majority (75%) stake in Beko Europe with the remainder being held by Whirlpool EMEA. The ultimate shareholding ratio will be calculated according to principles set out in the agreement and will be determined on the basis of such considerations as end-2022 EBITDA and net fixed asset values as well as all the transferred companies' net indebtedness and net operating capital positions as of the closing balance sheet date.

Under this agreement Beko Europe will be acquiring 14 Whirlpool-owned production facilities and 38 subsidiaries at nine locations in Italy, Poland, Slovakia, and UK along with 25 Arçelik European subsidiaries and two Arçelik production facilities in Romania.

It has also been agreed that a share purchase agreement will be signed within six weeks under which Ardutch will acquire all the shares in two UAE and Morocco-based Whirlpool subsidiaries with operations in the Middle East and North Africa. The payment for these shares is penciled in at EUR 20 million in cash; however, the actual amount is to be adjusted according to the acquired companies' net indebtedness and net operating capital positions and to other considerations as of the closing balance sheet date.



## 2022 Investments

### Other investments

The first phase of a project to expand the company's dryer plant in Çerkezköy has been completed at an investment cost of EUR 3.7 million.

A Ministry of Industry investment incentives certificate has been issued for a project at the company's Eskişehir compressor plant. A total of EUR 1.5 million was spent for this investment in 2022.

### Green financing

Focusing on sustainability in the conduct of all of its operations, Arçelik incorporated this approach into its financing model as well in 2022 in two different ways.

### Green bonds

Type	Five-year green bond issue
Source	International markets
Amount	EUR 350 million
Purpose	Project financing for energy-efficient products, circular economy solutions, energy-efficient production processes, pollution prevention and control solutions, sustainable water and wastewater management, renewable energy, and green buildings

Floating a five-year EUR 350 million nominal-value green bond issue to tap international lending markets for eligible green project financing in 2021, Arçelik became Türkiye's first real-sector company to issue bonds of this kind. Attracting strong investor interest, the flotation was 400% oversubscribed. The bonds were valued at 3%, with an annual interest rate (coupon) of 3%. In

keeping with International Capital Market Green Bond Principles, proceeds from the sale of these bonds are to be used exclusively to finance Arçelik sustainability strategy green projects such as energy-efficient products, circular economy solutions, water and energy-efficient production processes, pollution prevention and control solutions, sustainable water and wastewater management, renewable energy, and green buildings. Between 2018 and 2021, Arçelik secured a total of EUR 189,844,582 in financing for projects of this nature. The environmental benefits of similar projects financed by Arçelik were compiled and publicly disclosed with the publishing of the company's first "Green Bond Allocation and Impact Report".

A copy of the "Green Financing Framework" published by Arçelik in May 2021 may be found at:

<https://www.arcelikglobal.com/media/6294/arcelik-green-financing-framework.pdf>

A copy of the first "Green Bond Allocation and Impact Report" published by Arçelik in June 2022 and covering the company's 2018–2021 disbursements may be found at:

<https://www.arcelikglobal.com/media/6933/arcelik-2018-21-green-bond-allocation-and-impact-report.pdf>

**Green financing models help strengthen Arçelik's focus on sustainability.**



## Green loans

Type	Eight-year loan agreement
Source	European Bank for Reconstruction and Development
Amount	EUR 150 million
Purpose	Project financing for operational sustainability and R&D  The first EUR 83 million tranche of the loan is structured in line with Loan Market Association Green Loan Principles.

Last year Arçelik and the European Bank for Reconstruction and Development (EBRD) signed an eight-year EUR 150 million lending agreement. The EUR 83 million tranche of the loan provided by the EBRD is the first green bond

endorsed by an independent third party with respect to its compliance with the Loan Market Association (LMA) international Green Loan Principles. The EBRD loan was granted to support a green investment program to transform operational processes and plants and to fund in-house research and development of greener products in order to achieve Arçelik's goal of becoming a net-zero company throughout its value chain by 2050. As required by the lending agreement, Arçelik will be reporting the progress of projects financed with EBRD resources to the bank on a regular basis.

## Solar power plant investments

New investment in renewable energy generation in 2022 more than tripled Arçelik's installed capacity, increasing it from 3.26 MW to 10.20 MW. In line with the UN 2030 Agenda for Sustainable Development, Arçelik has committed itself to expanding its renewable energy generation installed capacity to 50 MW by means of additional investment.

## Arçelik Success Stories



- Bolstering its global presence through new investments, in 2022 Arçelik **laid the foundations of a new white goods manufacturing plant in Bangladesh** in partnership with Singer Bangladesh.
- In line with its vision of pursuing multi-territorial growth, Arçelik **acquired Indesit and Whirlpool-owned companies in 11 countries**, one outcome of which is that Arçelik is now **manufacturing refrigerators and washing machines** in a former Whirlpool plant in the Russian city of Lipetsk. Besides Russia, the newly acquired companies have operations in Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Mongolia Tajikistan, Turkmenistan, and Uzbekistan.
- A “5G@EndTech” acceleration program developed by Arçelik, Nokia, and Türk Telekom under the leadership of the Ministry of Industry and Technology in collaboration with the Presidential Investment Office, KOSGEB, and TÜBİTAK TÜSSİDE is being carried out **to support 5G-based enterprises based in Türkiye in their efforts to develop manufacturing-industry products and solutions and also to support the commercialization and globalization of such products and processes.**
- Arçelik has joined the TÜBİTAK and Ministry of Industry and Technology **Preliminary Research Laboratory Program**. With TÜBİTAK’s support, the company has set up a **preliminary research lab at its Çayırova plant that will be looking into advanced materials and filtration and hygiene technologies.**

- Arçelik’s efforts on behalf of sustainability earned its **Ulmi washing machine plant in Romania** a place among the **World Economic Forum Global Lighthouse Network’s ten Sustainability Lighthouses**, a community of manufacturers whose effective sustainability practices in the management of water and energy resources make them exemplars in the adoption of Fourth Industrial Revolution technologies.

The Ulmi plant has also been cited by **Corporate Knights** for its exemplary **smart energy-management system**.

- **As of December 2022—and for the fourth consecutive year—Arçelik achieved the highest score in the DHP Household Durables category** in the Dow Jones Sustainability Index family of indices evaluating the sustainability performance of publicly traded companies. Arçelik has also been regularly included in the Dow Jones Sustainability Index **for the last six years.**
- Arçelik is included in the Carbon Disclosure Project Water Security Program’s “A” list of companies ranked the highest on the basis of their water-security performance. It has also received an “A-” ranking in the CDP **Climate Change** Program.
- Recognizing the crucial importance of sustainable water management, Arçelik has announced its **endorsement of the CEO Water Mandate**, a United Nations Global Compact initiative whose aim is to mobilize business leaders on water-management issues.







- Beko has **joined forces with water.org** to support a community program in Kenya that will empower 10,000 Kenyans in need with **access to safe water and sanitation solutions**.
- Continuing on the “Designs Goodness With Love” brand journey on which it has embarked, Arçelik initiated a **“Goodness Development” collective intelligence platform (İyi-Ge)** with the aim of coming up with answers to the question “What can we do for our planet?” The İyi-Ge Committee convened on this platform has launched a **“Climate-Friendly Movement”** project that will reach out to all Arçelik stakeholders.
- Leading sectoral approaches to sustainability issues in line with its **“Respecting The World, Respected Worldwide”** vision, Arçelik has opened the doors of its **first “Climate-Friendly Store”**. This new Arçelik store in the İstinyePark İzmir shopping center is **the first commercial venue in Türkiye to be awarded platinum-level LEED green building certification**.
- Arçelik’s leading home technologies brand in European markets, Beko hosted a **“Hack the Normal - Sustainability” hackathon** organized by **The Next Web (TNW)** and **Financial Times Talent** in Europe to contribute to the development of new **sustainability-themed ideas about circular economy, climate change, and water management**.
- As an **Action Coalition Leader on Technology and Innovation** at the **Generation Equality Forum**, Koç Holding initiated a campaign to support social gender equality in the fields of technology and innovation. Following Koç Holding’s lead, Arçelik is also supporting this action coalition and has **announced its commitments to empower women and girls in technology and innovation-related functions, responsibilities, and positions**.

One of those commitments—**providing access to USD 5 million worth of financial support by 2026 through “Garage Innovation Hub”**—was already achieved during the very first year.

- **Arçelik Garage Innovation Hub is one of the largest open innovation platforms, giving Türkiye access to the global open innovation ecosystem.** To foster the spread of open innovation culture through this platform, Arçelik organized an **“Open Innovation Day”** event that was attended by many startups, business leaders, and investors from Türkiye and elsewhere.
- At IFA 2022 in Berlin, Arçelik unveiled the new **SaveWater** technology that it has developed in line with **its goals of being one of the world’s most sustainable companies and of deploying innovative technologies that are globally beneficial to people everywhere**.
- Arçelik’s high-end segment brand Grundig has opened its **first concept store** in Girne
- As a company that has made important progress in line with its vision of being one of the world’s leading home-technology companies and its goal of pursuing worldwide growth, Arçelik’s CEO Hakan Bulgurlu has been elected **the new president of the APPLiA** association of European home appliances manufacturers.
- In 2023 Arçelik CEO Hakan Bulgurlu was **one of eight new members elected to seats on the executive committee of the World Business Council for Sustainable Development**, a global, CEO-led community that Arçelik joined in 2021.
- Joining forces with the Turkish chapter of the World Wide Fund For Nature and Türkiye’s Marine Life Conservation Society, Arçelik has committed itself to a new project to deal with biodiversity-threatening “ghost nets”—fishing nets that have been abandoned, lost, or otherwise discarded in the ocean. Ghost netting identified in the course of exploratory dives around the Princes’ Islands near İstanbul and subsequently retrieved by divers is being recycled for use in Arçelik packaging and products.

## Awards and Recognitions



- At the 9th **R&D and Design Centers and Technology Development Zones Summit and Awards Ceremony** held in İzmir on 22 December 2022, Arçelik placed first among contenders in Türkiye in the E Group category (R&D centers with 251 or more R&D personnel) of the year's R&D Centers Performance Index Awards.
- Arçelik's FiberCatcher technology-equipped washing machine earned the company **third place in the "Real Leaders Eco Innovation Awards Top 50" list**.
- **FiberCatcher technology-equipped Beko and Grundig washing machines** were chosen by Norway's electronics industry association **Elektronikkbransjen** as **"Home Appliance of the Year 2022/2023"**.
- In the "Durable Goods - Small Home Appliances Category" of the 2022 round of the marketing and advertising industry's prestigious **Effie Awards Türkiye**, Arçelik won **Bronze for its Fibona line of built-in appliances** and **Gold for its Beko Ironfinish clothes dryer**.
- Grundig's VCC 7170 cylinder vacuum cleaner is the recipient of the **"SZ Germany Favorite 2022" award** while the cleaner's VCC 7170 ECO received a **"Plus X" award in the "Sustainability" category**.
- Grundig's Jam Earth Bluetooth speaker received a **"Plus X" award in the "Sustainability" category** for its 100%-recycled plastic housing.
- Grundig's Connect360 Bluetooth speaker was rated **"Very Good" by German consumer electronics magazine Av Magazin**, a German consumer electronics magazine and received the same rating from **Technik Zu Hause**, an online publisher of home technology test reports, which gave it full marks. The speaker is also the recipient of a **2022 International iF Design Award**.





- Three models (**MS 7130, MS 8130, MS 9130**) in Grundig's family of **Pro Club** personal care products are the recipients of "**2022 International iF Design**" and "**Plus X Sustainability**" awards.
- In the small home appliances category, Grundig's **Delisia Novus** and **Glow** families and its **Proyo** yogurt maker are the recipients of "**2022 International iF Design**" awards while its **Starlight** family of food-preparation home appliances earned the company "**2022 iF Design**" and "**2022 Red Dot Design**" awards.
- **Beko's Espresso Machine with Milk Cup** and **Beyond microwave oven** both were cited as "**Best Buys**" by **Which?**, a magazine published by Consumers Association, the UK's leading consumer products tester.
- Grundig's **VCP 9131 Smart HighForce Stick Vacuum Cleaner** received a "**Very Good**" rating from **Test Magazine**.
- Grundig's **NaturaShine HD 8080 hair dryer** received a "**Good**" (2.0) rating from **Stiftung Warentest** (Stiwa) German consumer products testing foundation.

- In the 2022 round of the business world's prestigious **Stevie Awards** Beko's "**100 Women Dealers Project**" placed first among contenders from all over the world and received a **Gold Stevie** in the "Communications or PR Campaign of the Year - Diversity, Equity and Inclusion" subcategory of Stevie Communications and Marketing Awards.
- Arçelik returned from the 2022 round of Türkiye's **Sustainable Business Awards**, the 9th in the series, with awards in three categories. In the "**Sustainable Business Reporting**" category its **2021 sustainability report** was again cited for the **fourth year in a row** and its **İyi-Ge Goodness Movement** was honored in the "**Sustainability Communication**" category. **Arçelik-LG's "Making A Difference In The Sustainability Journey Of Air Conditioning Products"** project received an award in the "**Circular Plastics Management**" category.
- **Beko's STM4116B, ST7950, STM3116W, and ST6150L steam wrinkle removers** were awarded "**AirMid**" certificates by **AirMid Healthgorup**.
- **Arçelik/Beko air conditioner RePPet** (Making a Difference in the Sustainability Journey of Air Conditioning Products through the Development and Use of Raw Materials Project) won the **championship award** in the "**Cyclic Plastic Management**" category of the **Sustainability Academy's "Sustainable Business Awards 2022"**.



## Developments in the Industry

### The European white goods industry had a tough year.

During 2022, the white goods market contracted by approximately 8% in Western Europe and by almost 10% in Eastern Europe on a unit basis.



#### White Goods

2021 saw increased domestic sales and exports in all product groups, but followed by a tough year for the white goods industry as a result of global economic developments. Purchasing power declined due to high inflation, leading to contractions in the domestic market. In 2022, the global white goods market shrank by 7.5% to USD 230 billion on a turnover basis due to the energy crisis that resulted from the Russia-Ukraine conflict and the negative effects the inflationary pressure dominating the global markets had on purchasing power. In the 12 months to end-2022, the Western European white goods market downsized by approximately 8% on a unit basis. Markets shrank by 14% in the UK, 6% in France, 7% in Germany, 7% in Italy, 5% in Spain, 7% in the Netherlands, 11% in Belgium and 4% in Austria. Arçelik's global brand Beko ranks among the top three white goods brands in Europe and is the white goods category leader in the UK. Furthermore, Arçelik preserved its market leadership in South Africa with its brand Defy and in Romania with its brand Arctic.

During the reporting period, the Eastern European white goods market shrank by approximately 10% on a unit basis. While Russia, the largest market in Eastern Europe, shrank by nearly 14%, Polish and Romanian markets contracted by around 7% and 13%, respectively.

In Türkiye, on the other hand, the white goods market, comprised of six main product groups, expanded by around 1% on a unit basis and by over 100% on a turnover basis according to the retail sales data for January–December





In 2022, the tumble dryers segment recorded significant expansion on a unit basis, growing by over 40%. Segment-based increases in high-volume refrigerators and high-capacity washing machines contributed to turnover growth.

According to the 2022 12-month data of the White Goods Manufacturers' Association of Türkiye (in Turkish: TURKBESD), however, the Turkish white goods market sustained a 2% contraction on an annual basis in 2022. Production quantities decreased by 4% year-on-year in six main product groups in 2022. While exports declined by 1%, domestic sales decreased by 2%. A similar comparison for December only reveals a 10% reduction in production of the six main products, a 9% reduction in their exports and a 9% increase in their domestic sales in December 2022 as compared to December 2021. For the whole year, total sales including domestic sales and exports shrank by 0.86% on an annual basis, declining to 34.1 million units.

According to 12-month TURKBESD data, the integrated appliances market continued to grow in the domestic market, recording an annual increase of 11% on a unit basis.

On a closer look at the industry's exports based on the 2022 data of İstanbul Mineral and Metals Exporters' Association (in Turkish: İMMİB) (<https://www.tet.org.tr/tr/ihracat/2022>), total consolidated exports of the electric/electronics industry for 12 months increased 7% on a year-on-year basis to USD 15,483 billion. In this period, white goods exports slimmed down by 6% as compared to the same period of 2021, and amounted to USD 4,313 billion. Furthermore, a detailed breakdown of white goods on the basis of the six main product groups shows a decline in all product groups, except for dishwashers, for the whole

year. Accordingly, while dishwasher exports went up by 2%, exports decreased by 2% in refrigerators and coolers, 6% in washing machines, 15% in ovens and cookers, 14% in freezers, and 15% in tumble dryers.

The industry successfully handled numerous challenges in 2022 according to 12-month data of TURKBESD despite the global combination of higher energy costs and inflation. Considering that the existing risk factors will persist in the coming period, the industry will presumably strive to preserve its place in global competition in 2023 with cautious optimism.

## Television

In 2022, the worldwide television (TV) market sustained a contraction of nearly 3% as compared to 2021, declining to 218 million units. Underlying this shrinkage were regional economic contractions that led to lower customer confidence indices, the Ukraine-Russia war ongoing since early 2022, and the resulting higher energy costs that changed spending priorities. TV turnover worldwide, on the other hand, slimmed down by 1% annually to USD 140 billion in 2022.

Having undergone expansion in Europe in 2020, the TV market contracted in 2021 to 54.5 million units and fell to EUR 37.7 billion. Contraction continued in 2022 by approximately 10% each on unit and turnover bases, corresponding to 50 million units that generated EUR 34 billion in the European market.

While it boomed by 100% on a turnover basis in 2022, the Turkish TV market grew approximately 7% on a unit basis year-on-year, rising from 2.5 million units in 2021 to 2.6 million units. The turnover growth was driven by inflation and the market's increased preference for 55" and larger models.

**Worldwide TV turnover  
in 2022 totaled USD  
140 billion.**

## Developments in the Industry

Despite the market contraction across the world and Europe, demand in 2022 shifted in favor of larger-screen products and variants with superior features such as OLED. This trend will likely continue in 2023.

### Audio Systems

Having exhibited expansion in the first, and partially in the second quarters of 2022, the audio systems category lost this momentum due to global macroeconomic developments, coupled with geopolitical effects. Lower consumer confidence in particular, Europe-wide high inflation and energy crises added to the uncertainty, leading to lower trade volume.

During 2022, the portable electronics category within audio systems attained a growth level that was flat with its 2021 performance on a unit basis, whereas turnover growth was 5%. While home electronics suffered 6% shrinkage on a unit basis, the decline in turnover was 2%.

In the Turkish market, on the other hand, the portable electronics category expanded both on unit and turnover bases, with respective ratios of 11% and 35% in 2022. Besides ever-growing mobile device usage, increased use of mobile devices due to online broadcasting platforms plays a key role in the development of speaker and earphone categories.

In 2023, the audio systems category will possibly maintain its flat course in North America and Europe, which represent the largest markets, overshadowed by economic and geopolitical issues. Consumer expenditures, on the other hand, will probably be molded according to the course the inflation data will follow in developed and developing countries.

### Payment Systems

The highlight of 2022 regarding payment systems has been the timeline for transitioning to the "New Generation Gas Station Outdoor Payment Terminals" under the Tax Procedural Law 527 communiqué published by the Revenue Administration. The communiqué released two timelines for the replacement of 65,000 devices with and without Electronic Recording Units. The deadline was revised once again as 31 March 2023 for devices without

Electronic Recording Units, whereas the deadline for replacement of devices with Electronic Recording Units is 31 December 2023.

In the cash registers market, financially troubled establishments turned towards cheap products imported from the price-advantageous Far East. In addition, the number of units manufactured decreased due to supply issues in the first half of 2022.

### Small Home Appliances

In 2022, the small home appliances sector exhibited a performance level with 2021 sales across the world. The first half of the year has saw unexpected rises in raw material, labor and transportation costs, while the second half of the year saw gradual decreases in transportation and raw material prices. Although costs of components used in products rose globally in the first half of the year, the depreciation of the Chinese yuan from the second half of the year was reflected in product prices, bringing about advantages in costs.

Along with the changing living conditions, people's increasing tendency towards practical solutions have increased the need in this direction in the small household appliances market. Accordingly, while demand boomed for robot vacuums, cordless upright vacuum cleaners and garment steamers, the market size of personal care, kitchen and iron categories remained flat with that in 2021.



**Demand increased worldwide for products that improve indoor air quality and provide hygiene.**

In the Turkish market, the fryer category boomed by 13-fold on a unit basis, becoming the highest-growing subcategory in the kitchen category.

During 2022, the Turkish small home appliances market expanded by 13% year-on-year. While the vacuum cleaners market grew by 6% on a unit basis, growth in other categories was measured as 10% in irons, 12% in food preparation, 9% in drink preparation and 74% in espresso machine categories.

In 2023 and thereafter, the fryer sub-category will likely maintain its uptrend in the kitchen category in the Turkish market and will be the highest-grower. In the drink preparation sub-category, on the other hand, the highest growth will presumably occur in the Espresso Machine sub-category as it was in previous years. In the home and personal care category, growth will likely continue in the robot vacuum, cordless upright vacuum cleaner, garment steamer and hair straightening brush sub-categories.

### **Air Conditioning (AC)**

During 2022, the European home AC market improved 8% on a unit basis and 11% on a turnover basis as compared to 2021. The Turkish home AC market, on the other hand, shrank by 10% on a unit basis year-on-year, while growing 89% on a turnover basis.

In 2023 and thereafter, it is anticipated that there will be continued interest in products with higher energy efficiency, using coolants with a reduced environmental footprint and made of recycled materials in the air conditioning sector. Additionally, an increase is particularly expected in the European market in sales of HomeWhiz products, as interest in smart climate-control products will grow.

### **Mobile Phones, Tablets and Laptops**

The production restraining effects of the global chip crisis of 2021 continued to affect all segments of consumer electronics sporadically in 2022. Due to hitches in production in the second half of 2022, number of products sold was reduced around the globe; Türkiye, however, did not follow suit.

Due to the tax advantage introduced in 2021 for entry-level and mid-segment products in the domestically

produced mobile phone segment, domestic production of many foreign brands continued in 2022 despite financial volatilities. Additionally, certain foreign brands announced plans to broaden the range of products they manufacture in Türkiye. While the Turkish mobile phone sector went up by nearly 20% annually to 11 million units in 2022, turnover expanded by 90% to reach TL 85 billion, driven also by the price increases. Conventional channel sales also displayed growth both on unit and turnover bases. Although product costs were negatively affected by sporadic increases in exchange rates, this was balanced with price increases.

The tablet and laptops market, which expanded due to the pandemic in 2020 and stabilized in terms of units in 2021, sustained the same potential in 2022 and ended the year with 2.1 million units of computers and tablets combined. The currency effect drove the turnover upwards by 60% to approximately TL 14.7 billion in total.

On the basis of categories, laptop computers ended the year with 860,000 units, up by 13%, and TL 10.6 billion in turnover, up by 85%. As the tablet category shrank by nearly 15% to 730,000 units, the turnover generated in this category amounted to TL 3.1 billion corresponding to 60% growth.

In 2022, gaming PCs were the highlight of the overall computer market. Having expanded by 21% on a unit basis over 2021, the category reached approximately TL 3.4 billion in turnover. The gaming category, in which the sector's leading computer brands made product and advertising investment in 2022, is expected to be the category that will attract the focus and communication investments of all brands in 2023 as well.

## Arçelik in International Markets

### Arçelik remained committed to its profitable growth strategy in 2022.

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**Arçelik preserved its solid position in international markets in 2022.**

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#### White Goods

In 2022, Arçelik preserved its solid position in international markets in line with its sustainable profitable growth and marketing strategy.

Arçelik acquired 100% of the shares of the US-origin white goods manufacturer Whirlpool's subsidiaries Indesit International JSC and Whirlpool RUS LLC operating in Russia, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Armenia, Georgia, Azerbaijan, Kazakhstan, Belarus and Mongolia. Under the transaction, Arçelik also acquired two white goods plants manufacturing coolers and washing machines and the right to sell and market these products in the relevant countries. The acquisition is expected to contribute to the target of achieving growth in the region.

The company also began work on its new facility with a production capacity of 1.1 million electronic devices, which is intended to strengthen its position in the Egypt, Middle East and Africa markets. The investment that will cost approximately USD 100 million is anticipated to support Arçelik's strategy to grow in the domestic market and in the countries in the region.

In a bid to cement its position in the Bangladeshi market that it stepped into in 2019 with the acquisition of Singer and to further increase its growth momentum in Asia, Arçelik laid the groundwork for its new facility with an

area of 135,000 sqm. Planned to be completed with an investment of USD 78 million, the facility will be providing employment to 4,000 people.

During 2022, Arçelik sustained its leadership on unit and turnover bases in the white goods market in Türkiye. New design transitions that commenced in the white goods group in 2021 continued in 2022. Design- and technology-wise powerful products equipped with new technologies, as well as their appearances, have been highlighted. Tumble dryers with Ironfinish technology launched under the Beko brand in 2021 were readdressed in 2022 and their recognition was enhanced. The communication campaigns steered the market and put the spotlight on the product category.

#### Television

To promote demand for quality products in Europe, Arçelik aims to offer big-screen LED and OLED Android TV products to consumers on the basis of the new projects it will launch in 2023 and to win additional market share in the European markets where it is active.

Having started the sales of TVs in Pakistan in the second half of 2022 and in Russia in the last quarter of 2022, Arçelik broadened its geographical presence. The company's sales, particularly in Russia, have been successful, bringing a 2% market share.

In 2023, Arçelik aims to initiate TV sales in Egypt with its new and broad TV products range, in addition to European, Russian and Pakistani markets, and to expand the geography in which it operates with TV sales in new markets to be penetrated in the African continent.

In the Turkish TV market, Arçelik remains the leader with approximately 25% market share and strengthens its market position by the day on the back of improved sales performance in premium product line. The company highlighted the benefits and ease of use offered with its Android TV product range by way of Beko Android communications, and successfully brought the share of smart TV sales of the total number of TVs sold to 85% and that of UHD sales to 65%. Imperium 9 series image-building communications carried out under the Arçelik brand name in 2022 put the limelight on 9 Series, the



supreme product range of the brand, and OLED products, carrying consumers' perception and experience of technology to the next level. Furthermore, content-oriented gifts offered to the TV audience and powerful partnerships (TV+, Exxen, Sahneport and GeForce Now) set Arçelik apart from its competition.

Arçelik will continue steadily with investments that will reinforce its pioneering stance in Türkiye in 2023. The company aims to introduce a product range with cutting-edge technology in audio and video quality under its Arçelik and Beko brands, and to be differentiated from the competition with content-oriented offerings to the TV viewers. Moreover, while steps will continue to be taken for integration with the most popular content providers in line with its marketing strategy, the ecosystem will be widened for gaming experience on Android TVs for differentiation in the market by putting the emphasis on technology and entertainment.

## Audio Systems

In 2022, Arçelik produced a performance that was comparable to 2021 with the Grundig brand under which it pursues operations in audio systems, and introduced new products in Germany, the company's main market in this category. In addition, the company continued to invest in the technologies and products that will optimally cater to customer expectations, primarily in portable speaker and soundbar technologies.

Focusing on 360-degree sound technology with the Grundig brand name employed in audio systems, Arçelik finalized the development of two products named Band 360 and Portable 360. Launched with special diffuser design to guarantee omnidirectional, constantly high quality sound, the products will be put on sale in Germany, as well as in France and Spain.

Arçelik continues to progress in Bluetooth Speaker, Internet Radio, Hi-fi and Soundbar categories.

While bringing the BT family launched under the Grundig brand name in Türkiye to larger audiences in 2022, Arçelik made effective use of online and offline channels alike. In the Soundbar category, the company introduced the GSB900 product that is compatible with monitors and small-screen TVs. Grundig's approach that prioritizes customer expectations was well-received in the Turkish market, as demonstrated in the brand's annual growth by 24% on a unit basis and 49% growth on a turnover basis in Euro terms in 2022.

## Payment Systems

Becoming Türkiye's first outdoor payment terminal (OPT) upon completion of TUBITAK and GIB (Revenue Administration) approval processes, Beko 1000 TR was showcased in the Petroleum Trade Show in March 2022. Issued with pilot approvals for 100 units, the product's pilot phase was completed at distribution companies and Beko/Arçelik dealers having gas stations, upon which official sales commenced on 27 July 2022. The retail sales reached approximately 7,000 units as of year-end 2022. Arçelik's market share in this sector in terms of units is above 70%. 2023 is forecasted to be a year of higher sales figures for Arçelik, assuming that the deadline will be postponed for replacement of devices without Electronic Recording Units and given that the deadline for replacing devices with Electronic Recording Units is 31 December 2023.

Beko 300 TR, the leading product in the existing cash register market, ended 2022 with a 10% contraction on a unit basis due to increased costs coupled with regular monthly increases in retail prices. Model 220 TR with keypad, on the other hand, was removed from the product range in 2022.

In addition to the potential to arise from the need for renewal due to the financial memories of the devices in the field being full in 2023, opportunities will arise in the new market with the beginning of the obligation of banks to give cash registers instead of POS. These opportunities are planned to be evaluated with the sales of the existing 300TR model and the new lower-cost Android cash register model. Furthermore, as the coverage of the Tax Procedural Law no. 507 communiqué dealing with e-invoice and e-archive implementations expands further across



## Arçelik in International Markets

**The 2023 growth target for small home appliances in international markets is 20%.**

establishments, The Beko 400TR Android POS device market will grow. During 2022, Rapid and Beko 400TR integration was completed at 300 Arçelik and Beko dealers and deployment will continue in 2023.

### Small Home Appliances

While Arçelik recorded 15% growth on a turnover basis in the small home appliances category in 2022, the company diversified its products in cordless upright vacuum cleaner, robot vacuum, espresso machine and handheld iron categories and captured successful growth performance based on its investments focused on consumers' evolving needs and interests.

In 2022, the company capitalized on the potential in iron, espresso machine and vacuum cleaner categories in Poland and doubled its turnover on a year-on-year basis by diversifying its products. Additionally, 65% turnover growth as compared to 2021 was achieved in the MENA region thanks to actions taken to fulfill market needs, 27% growth in the Eastern Europe region, and 25% growth in the APAC region. On a category basis, the vacuum cleaner and iron categories attained 11% and 30% growth on a turnover basis respectively.

In 2023, on the other hand, while the growth target for international markets is 20%, minimum two-fold growth is targeted particularly in Russian, Gulf and Egyptian markets on the back of activities catering to those geographies' needs.

During 2022, Arçelik recorded 6% annual growth on a turnover basis in Euro terms thanks to the positive course of events in Türkiye in the second half of the year. Turkish coffee machine and tea maker main categories that expanded 19% annually and the robot vacuum sub-category that expanded 19% have played important parts in this achievement.

In the reporting period, the company entered the TSS outlet (Technology Stores) in Türkiye with Grundig and Altus brands. The 2023 goal is to expand on this outlet with these two brands.

2022 also saw the entry into the Airfryer category exclusively on the online channel with the Altus brand in Türkiye. The category is intended to be expanded significantly in 2023, including in terms of product diversity.

In 2023, the company targets 39% growth in small appliances in Türkiye on a turnover basis in Euro terms. Yogurt makers, multipurpose cookers, tea makers, robot vacuums, blenders, espresso machines and airfryers are envisaged to be the key drivers of the growth.

### Air Conditioning

During 2022, demand increased in the home AC segment in the European region for high energy-efficient products using coolants with a lower carbon footprint, and featuring hygiene and anti-allergic properties. Above-normal seasonal temperatures during the summertime in Europe and Asia brought about higher sales.

In the reporting period, Arçelik enriched its A+++ high energy-efficient products in its AC products portfolio with hygiene and anti-allergic functions, achieving 2% growth on an annual basis on a unit basis.

Taking recently hiked energy costs into consideration, Arçelik also put high energy-efficient heat pumps used for heating and hot water on the European market.

In 2023, Arçelik will keep investing in innovative solutions providing hygiene and anti-allergic properties for enhancing indoor air quality. The company is planning to expand its products that use a higher percentage of recycled materials and offer higher energy efficiency in all geographies in line with its sustainability strategy.

Growing demand for products that enhance indoor air quality and provides hygiene persists in Türkiye and in the world due to the effect of the pandemic. Arçelik attained 5% growth on a turnover basis as compared to 2021 with A+++ high energy-efficient products developed in view of the increased unit prices of energy in Türkiye.

Arçelik started using the “RePPet” raw material instead of “Leopet” raw material, which was developed within the scope of its sustainability initiatives.

In April 2022, Arçelik commenced mass production of the new Allergen Smart model positioned as a premium line in the Turkish market. Fitted with a special allergen filter, the Allergen Smart line has been developed in view of the importance of enhanced indoor air quality for users particularly during the pandemic.

In 2022, the AC product group in Türkiye registered 1% growth on a unit basis and 15% on a turnover basis (in Euro terms) as compared to 2021 in the home AC market.

## Digital Signage and Software

Demand increased on an annual basis from corporate customers led by the tourism industry and public sector purchases as the effects of the COVID-19 pandemic started to fade and lockdowns were terminated. In the videowall segment, Arçelik offers special video solutions offering high technology and immaculate image quality that caters to various needs in education, retailing and hospitality sectors. Interactive smart board solutions developed by Arçelik in response to needs in the education sector remained the choice of the Ministry of National Education projects and private schools.



Taking place in Arçelik's professional display product range in Türkiye, Videowall Monitors, Android UltraHD Information Monitors, Industrial Information Monitors available in all sizes from 22" to 98" that can operate 24/7 are among the market's preferred solutions owing to their high product and image quality and strong performance. Together with the new models added to the product range in 2022, Arçelik digital signage and smart board products are positioned on the State Supply Office (in Turkish: DMO) sales outlet in Türkiye to fulfill the needs of public agencies. Arçelik's industrial screens provide end-to-end solutions to customers with Arsigna and Arsense software solutions developed in-house, as well as various management software integrations. In 2022, the Android-based, easy-integration product range offering competitive price performance and operating 16/7 was introduced, in addition to the product range designed according to the 24/7 operation principle. Hence, the product range was expanded to respond to customer needs and expectations.

## Mobile Phones, Tablets and Laptops

Arçelik aims to increase product display with new stand investments at Technology Club member dealers and to increase mobile phone sales by organizing campaigns that provide support to consumers. In addition, the “promoter” project initiated in 2022 and targeted to be expanded in 2023 is intended to help increase sales with the team that will establish the first contact with consumers for commercial electronics exclusively and will be responsible for sales, display, and merchandising processes.

In the computer category in Türkiye, on the other hand, the product range will be broadened with Lenovo and Razer brands, and investments will be increased in the gaming category focused on the young generation in 2023.

## Partnership with Türk Telekom for Internet in Türkiye

An agreement has been signed with Türk Telekom to sell TTnet Evde Internet subscription package from dealers to customers in Türkiye in order to fulfill the internet connection need of Arçelik smart home appliances that continue to be added in an increasing number to the product range. The agreement executed with Türk Telekom, the leader of the fixed internet market with a 58% share in the number of subscribers, is targeted at supporting the project “no homes without internet” and to increase the ratio of smart product usage of consumers. Furthermore, customers are offered the potential for one-stop shopping by being provided the opportunity to buy an internet package when buying smart products.

## Our Brands

### Beko

#### A global player

Founded in 1955, Beko is one of the top three white goods brands in Europe and its products are used by millions of people around the world. With an extensive catalogue of offerings ranging from major and small home appliances to built-ins and air conditioners, Beko is a strong player in white goods markets worldwide.

#### Supporting healthy living

Believing that supporting healthy living should be a core element of its brand image, Beko conducts its operations in line with its "Help future generations live a healthier life" message. As a company whose focus on healthy living goes back many years, Beko promotes healthy-lifestyle awareness and develops and offers products that enable and facilitate healthy living in a healthy world.

#### Sustainability approach

As two issues that consumers have become extremely mindful of, sustainability and sustainable production have opened up a whole new area in which brands must demonstrate their responsibility.

Beko's sustainability approach is informed by three basic concerns: using energy efficiently, using water efficiently, and using recycled materials wherever possible.

Beko constantly innovates, communicates, and enters into partnerships in line with these three underlying principles. In late 2022, Beko embarked upon a new collaboration by joining forces with water.org to provide funding for a social responsibility project in Kenya that will empower 10,000 Kenyans in need with access to safe water and sanitation solutions. The main goal of this two-year project, which is being undertaken together with water.org and the Kenyan Association of Microfinance Institutions (AMFI Kenya) as its local partner, is to support the development of microcredit solutions capable of giving communities whose water resources are unsafe or unreliable access to clean and dependable water. Another goal is to make a positive impact on remote communities. To achieve these goals, a total of USD 700,000 is to be mobilized for loans to finance capital investments in water and sanitation systems.

In 2023 and the years that follow Beko will continue to promote sustainability through effective partnerships and products whose functional value is high. Beko intends to expand its range of products equipped with energy and water-saving technologies and to incorporate more and more recycled materials into their manufacture and distribution. Beko plans also to engage consumer communication, stressing the need to reduce environmental footprints and greenhouse gas emissions.

#### Beko in Türkiye

In the conduct of its refrigerator-related investments, Beko focuses on cooling systems and on large-capacity models accompanied by healthy-living messages consistent with the core element of its brand position.

In 2022 Beko embraced "AeroFlow" as an innovative technology distinguishing its refrigerators from those of other brands. By circulating refrigerated air evenly throughout the entire interior, "AeroFlow" keeps food fresher for up to 30% longer than do conventional systems that channel the air directly at the refrigerator's contents. A vigorous consumer-communication campaign supported the introduction of Beko's next-gen "AeroFlow" technology.

In clothes dryers, Beko adopted a more competitive stance in its position in this home appliances segment.





## A wide range of offerings makes a strong market player worldwide.

Communication messages concentrated on refreshing and increasing consumer awareness of units equipped with the “IronFinish” technology that was introduced in 2021. Messages focused on the originality and uniqueness of the technology as well as on the consumer convenience made possible by the ability to dry garments to the point of wearability without causing fabric wrinkling that requires ironing. Vigorous communication of “IronFinish” as a powerful, unrivaled technology has contributed significantly to home clothes-dryer market growth in Türkiye.

In the small home appliances segment, innovative technology continues to be the primary focus of Beko investments. One of the most important additions to this product line in 2022 was the Beko Powerclean Pro rechargeable cordless stick vacuum cleaner. A vigorous communication campaign accompanying the launch of this new product focused on a level of performance that is so superior that it becomes the only vacuum cleaner that a home needs. This campaign also increased Beko-brand awareness in this segment.

During 2022 Beko continued to invest in consumer communication about its Beyond series of built-in ovens with messages focusing on how their “AeroPerfect” homogeneous heat-distribution technology ensured that foods cooked in them always end up with consistent flavor and appearance every time.

Another aspect of consumer communication on which Beko continued to focus in 2022 was its website and online sales. Last year the company’s beko.com.tr website was given a makeover that involved refreshing its design, adding new modules and technological capabilities that enhance the user experience, expanding the range of products on offer, and enriching overall content.

In 2022 Beko continued to invest in the “100 Women Dealers Project” that it has launched with the aims of empowering women and strengthening their presence in the formal economy in line with its goal of contributing to social gender equality as a brand whose principle is “Equality of opportunity for a healthy society”. Please refer to [pages 188-189](#) in “In Touch with Human Needs” for more detailed information.

Beko focuses on health and wellbeing in the conduct of its socially beneficial activities as well as in its products and communications. The company has been supporting sports for 30 years as a way of contributing to the health and fitness of new generations. Beko is the Beşiktaş Gymnastic Club’s kit sponsor and it also sponsors the Fenerbahçe club’s men’s basketball team. Believing in the necessity of supporting social gender equality in sports as well, Beko signed a back-of-jersey sponsorship agreement covering the Beşiktaş club’s women’s football team.

In 2023 and the years that follow, Beko consumer communication will continue to focus on messages that further strengthen the brand’s “healthy-living” and “benefit-focused” positions as well as consumers’ perceptions of itself as a technologically innovative brand.



## Our Brands

### Arçelik

#### Operational highlights and performance

Distinguishing itself with innovative home technologies for 67 years, Arçelik continued and strengthened the new-brand journey on which it embarked in 2021 with more new projects in 2022. By revising the “Designs Innovation With Love” message that the company introduced in 2021 to “Designs Goodness With Love”, Arçelik is focusing on the development of projects that contribute to the realization of the UN’s “Responsible Consumption and Production” Sustainable Development Goal as well as to those whose aim is to ensure that future generations can live in the sort of world they dream about.

One of the most important projects contributing to this brand position is the “Goodness Development” collaborative intelligence platform (“İYİ-GE”) that Arçelik initiated with the aim of coming up with answers to the question “What can we do for our planet?” Through the İYİ-GE Committee of scientists, intellectuals, NGOs, artists, and young climate activists convened on this platform, Arçelik seeks to publicize the importance of concerted efforts in combating climate change and to inspire both individuals and organizations to do something for the sake of sustainable society. This committee’s mission is to come up with a new responsible production and a new responsible consumption theme each year. Its 2022 messages were “Climate Friendly Movement” and “Climate Friendly Store”.

**Arçelik: Distinguishing itself with innovative home technologies for 67 years.**

Türkiye’s leading home technologies brand Arçelik blends advanced technology and excellent design to offer products and services that address consumers’ needs. With the strength that it derives from its consumers Arçelik strives to create a better future.

#### New launches

İYİ-GE’s “Climate-Friendly Movement” responsible-consumption project was launched in the first half of 2022. The goals of this campaign are to encourage every household in Türkiye to cut both their waste and their water/energy consumption at least by half and to mobilize climate crisis awareness action throughout the country.

Along with the launch of the Climate-Friendly Movement, Arçelik also opened Türkiye’s first climate-friendly store in İzmir as a demonstration of its approach to responsible production. An interior fitted out and decorated with recycled materials and employing technologies that reduce energy and water consumption by up to 40%, this store is unique in the country. Another way in which it is unique is that it is the first and only commercial venue of this nature in Türkiye to have been awarded US Green Building Council LEED Platinum certification.





The impact of the “Designs Goodness With Love” approach on products achieved through the incorporation of such technologies as “AquaTouch+”, “AirTouch”, and “SmartAero Pro and Steam Assist Cooking” was conveyed through messages that drew consumers’ attention to the climate-friendly features of Arçelik home appliance technology.

In the washing machine segment, emphasis was given to “AquaTouch+”, a technology that allows clothes to be washed twice as fast but 50% more gently. Messages focusing on energy efficiency pointed out that Arçelik washers use 30% less electricity than do “A” energy class models.

In line with Arçelik’s goal of developing retail-merchandising and customer-experience (digital-channel turnover growth, new-concept stores) operations, efforts were made to support consumers’ use of online sales channels in 2022:

- Communication campaigns focused on increasing online sales channel awareness were conducted all year long.
- Ongoing investments in the arcelik.com.tr website further improved the customer experience there.
- Additional benefits were introduced to increase consumers’ propensity to make their purchases through arcelik.com.tr such as Quick Delivery, 30-Day Unconditional Return, and Free Installation and Connection.

### A Turkish Lovemark for 14 years

In the 2022 edition of the “Türkiye’s Lovemarks” survey conducted by MediaCat-Ipsos, Arçelik once again emerged as the country’s best-loved white goods brand, this time for the 14th year in a row.

In 2023 Arçelik will be seeking to expand its Climate-Friendly Movement through new technology launches and projects focused on the future while simultaneously improving profitability in all of the company’s main business lines.

As always however, protecting the precious loyalty and trust that its brand inspires among consumers will remain Arçelik’s highest priority.

## Our Brands

### Grundig

Having opened a window on the outside world for German consumers with a radio in 1945, Grundig continued to bring people together with televisions in the years that followed. In time, the company created new opportunities for consumers with products designed for every corner of the home. Committed to developing innovative, smart products, Grundig dedicated itself to identifying and satisfying people's changing needs. While keeping a close watch on rapidly changing technologies and incorporating them into its own products and technologies, Grundig remained faithful to the lasting, core values we have been taught in our homes. Commitment, dedication, and reliability continue to burnish and strengthen the Grundig brand.

Grundig's ultimate goal is to help make life more convenient and practical by cultivating the core principles of sustainability, quality, and aesthetics that have always nourished its brand growth. Grundig is engaged exclusively in the manufacturing of ecofriendly, high-end home appliances, and seeks to inspire people in a more general sense to focus on a more sustainable future in their day-to-day living whether at home or outside. Believing that a better future starts with the values we all learn at home and with the first steps we take there, Grundig combines deep-rooted values with state-of-the-art technologies while striving for a better future in whatever it does.

As a brand that believes in a better future, in 2016 Grundig launched a "Respect Food" initiative through which it has been raising food-loss awareness and helping tackle food waste ever since 2016. The company likewise seeks to inspire people to join in this fight through partnerships that amplify individual efforts. Through campaigns that it undertakes as part of its Respect Food initiative such as those with the Food for Soul NPO and its founder Chef Massimo Bottura, Grundig raises general awareness about the need to fight food waste.

*In 2022 Grundig expanded the scope of its sustainability vision with the release of its "How to cope with eco-anxiety" spot created in line with that vision. Besides increasing brand recognition, Grundig's Eco-Anxiety Campaign focuses on the importance of little things that everyone can do to help contribute to sustainability while also showing what kinds of solutions Grundig offers for addressing the same issues.*

**Grundig: Combining deep-rooted values with state-of-the-art technologies while striving for a better future in whatever we do.**

Grundig continues to resolutely give voice to its call to action: "As Grundig we've been developing technologies and products compatible with sustainable lifestyles for many years. We make eco-friendly appliances which reduce food and energy waste, whose negative environmental impact is minimized, or which incorporate recycled materials. We believe that every step taken in this direction is important however small it may be. We believe that our vision means you don't have to worry about being perfect: Just do your best and so will we."

Grundig provides a premium customer experience across all product groups with a portfolio of offerings that incorporate state-of-the-art technologies and are firmly focused on sustainability. As a result of infrastructural changes introduced in keeping with this approach, in 2020 the cooking appliances category was upgraded and HotAero Pro technology was launched. Completely redesigned, Grundig HotAero Pro ovens minimize temperature fluctuations and distribute heat evenly to ensure perfect cooking results every time. Another eco-aware aspect of Grundig HotAero Pro ovens is their contribution to the fight against global plastic pollution through the use of plastic recycled from "ghost nets"—fish netting that has been abandoned, lost, or otherwise discarded in the sea—in their manufacture and packaging. The manufacturing infrastructural changes that were introduced in the cooking home appliance category was quickly completed in other categories as well and without having to compromise product aesthetics, quality, or sustainability in any way whatsoever.

In the refrigeration category, Grundig offers products incorporating technologies that keep foods fresher for longer. In the laundry category the company has introduced a selection of FiberCatcher washing machines featuring integrated filters that catch up to 90% of synthetic microfibers during synthetic washes, helping to protect the world's marine ecosystems.



## Grundig in Türkiye

Supplying consumers in Türkiye with a range of TV and sound system, home appliance, small kitchen appliance, vacuum cleaner, and personal-care products through a diverse mix of traditional, organized retailing, and online channels, during 2022 Grundig continued to grow its sales network with the addition of new online and offline channels while also strengthening its market position by expanding its product line with the incorporation of new technologies and pursuing sustainable growth.

For 2022, Grundig had identified growth in the small home appliance category as one of the principal ways in which to improve its output, turnover, and profitability performance. As a result of this focus, the Grundig brand surpassed both its online and offline turnover targets in this category and contributed to Arçelik's overall share of the small home appliance market.

Continuing to grow through online sales channel collaborations and marketplace stores, Grundig achieved another of its objectives: expanding its presence in chain stores. Grundig products were offered to their buyers by entering the technology markets outlet that represents 13% of the country's small home appliance market.

"A Better Future Begins At Home", a new brand communication project aimed at increasing Grundig brand and product-category awareness among consumers, is the first ever undertaken as a 360° communication campaign.

### New communication campaigns

Through "A Better Future Begins At Home", Grundig communicates how it brings its "Purposeful Brand" and "Sustainability" vision into consumers' homes. Through "The Outside Has Changed But The Love For Nature Inside Remains The Same", it communicates that Grundig continues to use natural resources productively and sustainably in all of its production processes without sacrificing aesthetics or quality. This campaign also

introduced consumers to Grundig's Prologue line and the line's BioFresh, AeroFresh, FiberCatcher, and other innovative technologies.

"May Your Soul Be Satisfied" is an awareness movement whose aim is to promote lifestyles that respect food and the world a key component of the Grundig brand's DNA. This movement continues to expand the product group with which it is associated with newly undertaken projects. In 2022 the movement conducted a series of "Future"-themed inspirational interviews of talented young people who are believed to be capable of shaping the future. In addition to the foregoing, in its fifth year of life the "May Your Soul Be Satisfied" movement once again demonstrated its strength and favorable brand impact by winning two awards in the "Community-building" and "Time-challengers" categories of the 2022 edition of MediaCat's "Curious Felis" awards recognizing excellence in creative and marketing strategies.

Grundig joined forces with META Platforms in the development of CHATBOT, a project to develop a software module for incorporation into the company's online sales platforms. The aims of this project are to make the knowledge and experience that the "May Your Soul Be Satisfied" movement has built up over the years accessible to a broader audience, to expand the movement's community, and to make suggestions about conserving food resources and preventing their waste as well as about recipes and cooking. CHATBOT went live in December 2022 as the "May Your Soul Be Satisfied Respect Food Movement". As this is the first chatbot project in this business line that META has carried out, its success is expected to have worldwide implications.

In 2023 and the years that follow, Grundig will be focusing on expanding its range of product offerings, multichannel diversification, and growing in all sales channels through the collaborations into which it entered with the launch of its made-over, ecofriendly, improved-technology Prologue line of white goods. On the communication side, the focus will be on comprehensively increasing Grundig brand and product-category awareness among consumers, growing Arçelik's market share, and achieving Arçelik's vigorous growth targets.



## Our Brands

### Altus

During 2022 Altus continued to diversify its distribution network by expanding its small home appliance presence in online as well as wholesale and organized retailing channels while continuing to compete with other brands in sales taking place outside dealership systems.

Growth in Altus sales contributed to Arçelik's sales in white goods in 2022. Communication activities and online collaborations (sponsored content, influencer presentations, etc.) associated with the launch of the Altus Ecofryer also contributed to Altus white goods and small home appliance brand recognition among consumers.

Focusing on online sales of goods in the small home appliance category, Altus increased its distribution channel access numerically, and protected market share while also contributing to Arçelik's overall market share.

**Altus: Contributing to Arçelik's sales in white goods categories with its growth in 2022.**

In 2023 Altus will be looking to sustain its successful white goods performance while increasing its contributions to sales in other product categories.

During 2023 Altus will keep contributing to Arçelik's overall market share in the dryer and TV categories. It intends to further increase brand recognition through intensified digital channel communication.



## Arctic

### Romania's leading durable consumer goods brand

The leading name in Romania's white goods market, Arctic entered Arçelik's brand portfolio in 2002. The company has plants in Gaești and Ulmi in which it manufactures home appliances in all categories including refrigerators, washing machines, ovens, hoods, and built-in cookers and dishwashers.

In 2019 Arçelik's Arctic plant in Ulmi was included in the World Economic Forum Global Lighthouse Network of pioneering exemplars of manufacturing operations complying with Industry 4.0 practices. In 2022 the Ulmi plant was also declared a Sustainability Lighthouse as well. It is one of only ten factories in the world whose groundbreaking and effective sustainability practices in the management of water and energy resources also entitle them to Sustainability Lighthouse status. Membership in this elite community further burnishes the success which Arctic has achieved as a WEF Global Lighthouse in the area of environmental and sustainability management and also strengthens Arçelik's image as a strong player in sustainability as well as in the digital transformation of production operations.

### New campaigns and acknowledged successes

Supported by communication campaigns carried out during 2022 to give the Arctic brand a makeover by investing it with a new identity and purpose, brand recognition was further enhanced. A "360° Purpose" campaign was launched to communicate the brand's new messages to target consumers with a new tone of voice.

The main goals of this campaign are to enhance target audience brand perceptions, especially among younger-generation consumers, by demonstrating the brand's new identity while also making people want to buy Arctic products because of the advanced technology they offer.

Two washing machine communication campaigns were conducted to boost sales in that product category: "Rediscover your wardrobe with ExtraSteam technology" and a sustainability-themed Arctic Purpose "Forgotten" campaign.

An Arctic "BI Cooking" campaign engaged in sustainability-themed communication through the company's digital media, in-store, and retail partner channels.

The Arctic Purpose "Forgotten" communication campaign proved to be a great success and earned the company more global awards and recognitions than any other in the brand's history.

- Arctic Purpose "Forgotten" campaign garnered international awards.
- The campaign's success was acknowledged by the international advertising industry when it was shortlisted at the Cannes Lions International Festival of Creativity.
- Arctic was designated Romania's #1 Strongest and Most Loved Brand (in all sectors) in the "Romania's 50 Best Brands" ranking.
- The campaign was awarded gold in the durable consumer goods category at Internetics, Romania's first and most important marketing and online advertising festival.
- The campaign was awarded bronze in the "Best Creative Idea" category at the Webstock awards gala recognizing the best social media projects.
- The campaign placed first in all awareness categories in the GfK Brand Performance Monitoring survey.



## Our Brands

### Defy

#### South Africa's leading brand

Established in 1905, Defy started out as a foundry making cast-iron goods and produced its home market's first electric oven. By 1932, the company was winning awards for its innovative technologies and products. It entered Arçelik's brand portfolio in 2011.

#### Deeply rooted market presence

South Africa's foremost white goods manufacturer for well over a century, Defy enjoys a better than 90% level of brand recognition in its home market. Defy brand home appliances are to be found in six out of ten South African homes on average and make life more enjoyable for millions of households both in that country and beyond.

Defy's 2022 consumer communication messages focused especially on energy conservation.

Creativity projects drawing attention to consumers' awareness and understanding of the difference between initial and operating costs focused on digitalization and on positioning Defy-brand appliances as energy-class leaders. As a result of this campaign, sales of Defy refrigerators, the product group that attracts the most consumers to stores and is the company's greatest point of contact with

**Defy: South Africa's foremost white goods manufacturer.**

consumers, took off, breaking all previous market-share records and taking the brand to new heights as a major home appliance leader. The brand's market leadership was further bolstered by means of a 360° campaign in specific appliance categories such as dishwashers and washing machines and strategic partnerships with complementary first-class brands.

Following up its successful launch of Solar Hybrid technology, introduced in South Africa and other African countries for the first time in 2021, in 2023 Defy will be introducing an updated version of its original solar hybrid fridge to the market. With its ability to operate as an all-solar unit when necessary, this new model will appeal especially to consumers who have only limited or no access at all to electrical power grids.

A front-rank player in sustainable innovation and technology, Defy is focused on continuously improving technologies developed in Africa for Africa.





## Dawlance

Acquired by Arçelik in 2016, Dawlance is one of Pakistan's leading manufacturers of refrigerators, automatic and semi-automatic top-loading washing machines, chest and upright deep freezers, split air conditioners, microwave ovens, and water coolers.

With two plants in Karachi and one in Hyderabad, Dawlance boasts an extensive product portfolio of more than 250 items.

### One of Pakistan's leading brands

In business for over four decades, Dawlance boasts a very broad network in the home appliances category with more than 1,800 dealerships across the country, and achieved a solid market penetration.

Having an extensive after-sales services network covering more than 300 service centers across the nation, Dawlance offers service around the clock by its highly trained and fully equipped technicians.

In 2022 Dawlance was the market leader in terms of sales in Pakistan's market in the refrigeration category.

Dawlance enjoys a strong presence on Daraz, Pakistan's biggest e-commerce platform. In the 2022 round of Daraz 11.11, Pakistan's biggest annual online sale, Dawlance was the best-selling brand for the second year in a row.

On the occasion of its 40th anniversary in 2021, Dawlance conducted its "40 Years Manifesto Campaign" whose theme was "Life is a beautiful balance of nature and technology". At the 2022 round of Dragons of Asia, the campaign collected three awards.

### Omnichannel Transformation Program

In 2022 the company carried on with its Omnichannel Transformation Program consisting of 18 initiatives and embarked upon a huge digital transformation journey by launching its new website that delivers a global customer experience with its UI/UX design.

**Dawlance: No. 1 on the brand strength index in Pakistan.**



### Retail transformation

Dawlance has initiated a customer-focused Retail Transformation Project to further improve the customer experience and enhance its brand visibility.

Three new concept stores with product-tryout areas have been opened. These stores are designed in accordance with retail consumer experience global standards.

### New product launches

In 2022 Dawlance further expanded its broad product array with the addition of two new categories. The company entered the TV category in the UHD/FHD segment. In addition Dawlance introduced 12 new products in the Personal Care category, including a men's personal care line in addition to hair dryers and hair straighteners. While the small home appliance portfolio and built-in categories were broadened with new additions, the refrigerator category was updated with the addition of small-sized products that are competitive in the market. The washing machine category was further enriched with the addition of new technologies such as AutoDose, HandWash, and AquaSmart, whereas ten new models were added to the air conditioner category. The air conditioner category was enriched with the Wind Blast technology incorporated in select models and new models featuring Air Fryer technology were added to the microwave oven category.

In 2023, Dawlance will continue its brand transformation journey to further strengthen its number one position on the brand strength index and to sustain its image as a technologically advanced brand.

## Our Brands

### Blomberg

#### More than 130 years of knowledge and experience

Founded in Germany in 1883, Blomberg has 139 years of experience in offering quality and innovation.

Focusing on intelligent solutions, energy efficiency, and the highest-quality materials, Blomberg blends superior performance and contemporary European design.

Blomberg develops aesthetically-designed state-of-the-art technology products which are user-friendly and reduce environmental footprint. In this framework, Blomberg strives to satisfy the consumers' needs for leading a life of quality and composure.

**Blomberg: Superior performance and contemporary European design.**



## Elektrabregenz

Austria-based Elektrabregenz launched a new brand identity in 2022 and set about repositioning itself in the market. The new identity incorporates a new brand logo, brand promise ("Made for Austria"), and brand message.

In a synergy project being undertaken jointly with Blomberg, Elektrabregenz will be introducing new products in 2023. The test models of the brand's newly designed ovens have been displayed. Elektrabregenz plans to take its brand increasingly further upmarket in the premium segment over the next couple of years.

## Elektrabregenz: New brand identity launched in 2022.

## Flavel: One of the leading white goods brands in Ireland and the UK.

### Flavel

One of the leading white goods brands in Ireland and the UK, in 2022 Flavel once again introduced products catering to the particular needs of consumers. The company offers a range of freestanding as well as built-in and integrated home appliances that combine a high level of functionality with quality and affordability.



## Our Brands

### Leisure

Leisure is a classic British brand with more than 130 years of experience as a manufacturer of superior-quality, multi-functional, and high-performance hob cookers. In 2021 Leisure relaunched its brand giving it a more energetic “fun” image designed to reestablish its connection with modern families who want to transform hectic meal preparation into enjoyable family get-togethers.

In 2022 Leisure’s brand image was further optimized in the channels through which the company works while a successfully conducted installment plan further increased market penetration in the second half-year.



**Leisure: A classic British brand with more than 130 years of experience.**

### Stinol

The brand was taken over by Arçelik, as a result of Arçelik’s acquisition of all the shares in Indesit JSC and Whirlpool LLC companies owned by Whirlpool in 2022 as part of the company’s global investments. It pursues operations in the Russian market.

**Stinol: Pursues operations in the Russian market.**

## VoltasBeko

### Arçelik and Voltas synergies

VoltasBeko is a joint venture of Arçelik and Voltas, India's leading air conditioner brand in terms of the number of units sold. Formed in 2017, the company combines Arçelik's global competencies with Voltas's deep domestic market experience. Supplying consumers with state-of-the-art technologies through 7,500 retail points, VoltasBeko pursues operations in the pan-Indian market with an extensive lineup of refrigerators, washing machines, laundry dryers, dishwashers, and microwave ovens.

Seeking to make itself one of the important white goods names in India, resolutely pursuing year-on-year growth, and increasing its brand penetration across the country, VoltasBeko employs a comprehensive mix of traditional and modern sales channels together with online sales through its voltaslounge.com website to reinforce its position in the country.

### One of India's best recognized brands

In 2022 VoltasBeko controlled market shares of 2.4% in the refrigerator category and 3.6% in the washing machine category in India. VoltasBeko is one of the seven highly recognized white goods brands in the country.



## VoltasBeko: Expanding brand penetration everywhere in India.

### 2022 product launches

Last year VoltasBeko began making a new line of frost-free refrigerators and completed the design work for a new fully automatic top-loading (FATL) washer upon which serial production has begun.

New submanufacturers were approved to make the brand's semi-automatic twin-tub (SATT) washer, increasing the number of approved submanufacturers from one to four. The company thus increased its competitiveness and broadened its product range.

In 2023 India's mandatory energy-rating system applicable to washing machines is set to change. Associated Product and manufacturing-line preparations have been completed and are ready for production to commence in line with India's energy-rating labelling regulation applicable to refrigerators and washing machines set to be amended in 2023.

# Our Brands

## Arçelik corporate brands

### Singer Bangladesh Limited

Synonymous with sewing machines throughout the world for well over a century, Singer's roots in Bangladesh reach back more than 117 years. In the early 1980s, Singer Bangladesh entered the electronics market. Since then the company has become one of the country's leading manufacturers of electronic goods and home appliances. The company has a huge retailing network with 437 retail stores located all over the country. Arçelik acquired Singer Bangladesh Ltd in 2019.

#### New factory investment

The construction of a new production complex started in 2022. Representing a major milestone in Singer Bangladesh's history, this project is being undertaken at a total investment cost of USD 78 million. Besides creating significant export opportunities for Singer Bangladesh, this investment will also benefit the national economy by creating both jobs and opportunities for local manufacturers to supply the company with components and materials.

#### Brand transformation

In 2022 Singer Bangladesh redefined the purpose of its brand as "Empowering you to reach your future aspirations" in line with parent company Arçelik's global vision. The company also published a brand manifesto promising a better future for new-generation consumers by focusing on people's needs, wishes, and expectations for a better way of life.

With economic development in Bangladesh advancing rapidly, so is people's adjustment to the modern lifestyle and their lives are changing. There is an emerging middle class of young people who are attracted by modern lifestyles and are seeking to realize their dreams. With its "Embrace Life Now" message, Singer Bangladesh calls on them to experience a better way of life today.

### New product launches

In line with its target to constantly bring new technologies to the Bangladeshi market, Singer Bangladesh introduced many of them during 2022. Among them were Fresh-O-Logy, NutriLock, and BaseDrawer, as well as many more exciting technologies and features in the refrigerator category.

Fresh-O-Logy helps keep fruits and vegetables fresh for up to 20 days while NutriLock preserves their vitamin A and C content longer by mimicking the 24-hour sequence of natural sunlight. Singer's Freshness refrigerators are equipped with both technologies.

Net Home Plus WiFi lets users remotely control their air conditioners. Singer's Green Inverter Plus air conditioners are equipped with this technology.

In line with its goal of establishing and strengthening its brand's relationship with younger consumers, Singer Bangladesh unveiled its first personal care products consisting of hair dryers and straighteners. The company's NaturoGlow hair dryers are equipped with premium ceramic-coated grills infused with macadamia nut and coconut oils that protect hair from overheating while also distributing heated air more evenly. In the Botanica series, the grills are infused with lavender and chamomile oils that result in smoother hair. The ceramic-coated grills of the Iconica series help distribute heated air more evenly.

As a result of its new plant investment, Singer Bangladesh has significantly expanded local manufacturing and assembling capabilities in many different product categories. The company is exploring European technologies and intends to incorporate those which directly address consumers' needs into its products as well. Singer Bangladesh will also be focusing on transforming its retailing operations and practices to bring them into better compliance with retail consumer experience global standards.





## Arçelik Hitachi Home Appliances

### Enhancing the consumer experience and adding delight worldwide

In keeping with its strategy to grow in emerging markets, Arçelik, in 2021, acquired 60% of the shares in Hitachi Home Appliances Nederland B.V. founded in the Netherlands by Hitachi Global Life Solutions, Inc. to undertake production, sales and after-sales services of Hitachi-brand household appliances including refrigerators, washing machines and vacuum cleaners in global markets other than in Japan. Through this joint venture, Arçelik and Hitachi Global Life Solutions, Inc. joined forces also in other major areas such as R&D, procurement and manufacturing systems to optimize the global supply chain and strengthen the competitive position in the market.

Arçelik Hitachi Home Appliances continues its product development operations so as to keep offering high quality goods made even better with the addition of new features to consumers in more than 65 countries.

Arçelik Hitachi Home Appliances innovatively and sustainably strengthens its product portfolio in order both to achieve even greater successes in line with its sustainable growth and long-term business objectives and to promote cultural diversity.

Focusing on customers in order to further enrich the value propositions that it offers, Arçelik Hitachi Home Appliances has begun to develop and expand its existing product portfolio with the addition of new product categories.

Combining Arçelik's proven innovation and production capabilities with Hitachi's brand reputation and production resources in Thailand and China, Arçelik Hitachi Home Appliances is expanding its product portfolio with new offerings such as dishwashers, laundry dryers, coffee makers, and the like while also incorporating not otherwise

**Arçelik Hitachi Home Appliances: Enhancing quality of life for consumers in more than 65 countries.**

available smart features into them.

In 2022 Arçelik Hitachi Home Appliances initiated a new investment to set up a best-in-class enterprise resource planning (ERP) system as part of its digital transformation journey. Dubbed "Project AHEAD" (Arçelik Hitachi ERP and Digitalization), this project will enable the company to better incorporate digital technology into every facet of its business and to manage it more effectively.

In 2023 Arçelik Hitachi Home Appliances will be focusing on continuing to supply the market with customer-appealing quality and features in order both to further strengthen its market position and to extend its sustainable growth momentum into new areas.

Roadmaps have been laid out for improving overall productivity and making better use of available resources through closer collaboration among in-house design, Arçelik, and Hitachi GLS teams.

In 2023 Arçelik Hitachi Home Appliances will also be looking to explore other ways in which to expand the collaborative efforts of Arçelik and Hitachi GLS.

## IHP Appliances JSC

Upon Arçelik's acquisition of all the shares in Whirlpool-owned Indesit JSC ve Whirlpool LLC companies in 2022, the company names of the relevant companies changed to IHP Appliances JSC and IHP Appliances Sales LLC respectively.

Furthermore, all shares of Indesit JSC and Whirlpool LLC will be directly owned, and their wholly owned subsidiary Whirlpool Kazakhstan LLP's shares will be indirectly owned, by Arçelik.

The acquired companies own facilities in Lipetsk with a total capacity of 2.8 million units, where refrigerators and washing machines are produced, and have approximately 2,500 employees. In addition to the "Stinol" brand which has been transferred with the acquired companies in the relevant countries, "Indesit", and "Hotpoint" brands will be used by Arçelik and the acquired companies for a minimum term of 20 years at the option of being extended by additional ten-year periods up to 40 years in total.



## Production Operations

### Arçelik continued to undertake new investments and make new acquisitions in 2022.

Arçelik expands the geographical footprint of its production resources while also diversifying its production capability portfolio.

Employing in-house developed technologies and operating in 30 production facilities in nine countries, Arçelik manufactures refrigerators, washing machines, dishwashers, cookers, small home appliances, and consumer electronics and supplies them to consumers around the world. Arçelik expands the geographical footprint of its production resources while also diversifying its production capability portfolio.

	Refrigerators	Washing Machines	Dishwashing Machines	Dryers	Cooking Appliances	Air Conditioning	TV	Small Home Appliances
Türkiye	✓	✓	✓	✓	✓	✓	✓	✓
Romania	✓	✓						
South Africa	✓	✓		✓	✓			
Pakistan	✓	✓			✓	✓	✓	
Russia	✓	✓						
Thailand	✓	✓						✓
Bangladesh	✓	✓				✓	✓	
India	✓	✓						
China		✓						

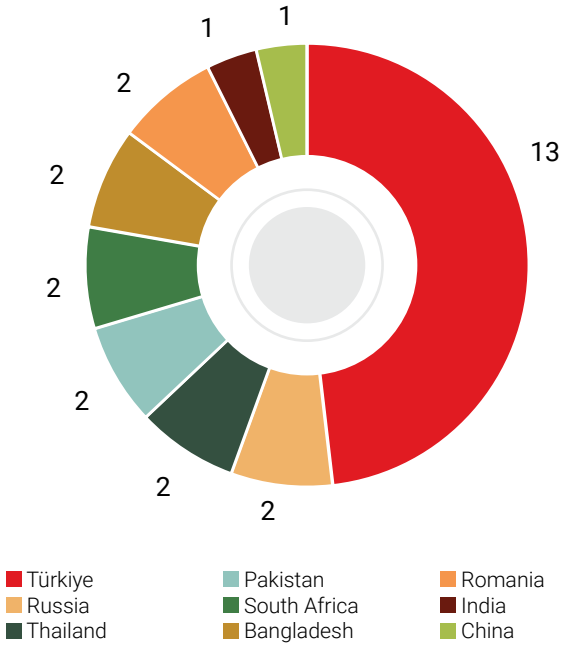
While 65% of Arçelik's white goods, TV, air conditioner, and tea and coffee-maker manufacturing operations are based in Türkiye, with the remaining 35% being carried out in other countries, all of the compressors, motors, and printed-circuit boards that the company uses are made in Türkiye.

Arçelik adds to its manufacturing strengths both through direct investment and by means of company acquisitions. In this way the company also diversifies its production capabilities regionally. Arçelik today is the heart of a global

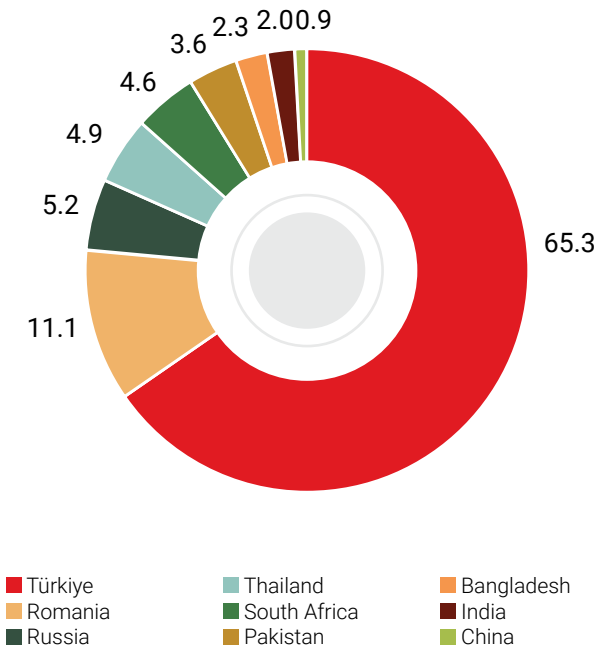
production network consisting both of plants set up in Russia, Thailand, and Romania as a result of investments undertaken in those countries in the early 2000s and of its takeover of plants owned by Defy (South Africa), Dawlance (Pakistan), Voltas (India), and Singer (Bangladesh).

In 2022 there was no letup in Arçelik's efforts to expand its production resources by undertaking investments in line with its growth strategy. Please refer to [pages 54–57](#) in "Investments in 2022" for more detailed information about these investments.

## Regional Distribution of Production (number)



## Regional Distribution of Production (%)



## Marketing Transformation

**In 2022 all marketing units were reorganized in line with a new, unified vision.**

All marketing units have begun conducting their operations in line with the principle of "Less, More, Effective."

In 2022 Arçelik marketing operations were reorganized to give them a unified, integrated approach and vision.

- Marketing is to be the force that powers a two-fold increase in Arçelik's business.
- This two-fold increase is to be achieved over the five years between 2021 and 2026, during which time:
  - Arçelik's multi-brand portfolio strategy will be implemented to maximum effectiveness
  - Arçelik will bolster its reputation as a leader in addressing sustainability issues.

In line with this new vision, the scope of marketing functions and structures has been expanded so as to put them among the primary factors nourishing the company's growth. In order to realize this vision, all marketing units have begun conducting their operations in accordance with the principle of "Less, More, Effective." This principle is being adhered to in all operational aspects from marketing to innovation, from innovation to budgeting, and from budgeting to communication.

In the management of marketing budgets, at least 80% of marketing-related investments must be focused on increasing brand visibility among end-users and customers. It was also aimed to maximize in-store visibility with efficiency through media investments.

## Innovative Products

### Small home appliances

#### Robosmart

Certified by TÜV, the RoboSmart Robot Vacuum Cleaner is equipped with cybersecurity features which ensure that all user-related information flows are end-to-end secure. Instead of having to empty the unit every day and potentially getting the dirt all over the house again, RoboSmarts are fitted with dust bags that do not need to be replaced for up to 90 days.

RoboSmarts with these features are currently being sold in Poland, Germany, and Switzerland as well as in Türkiye. Seeing these appliances as a way both to stand out among competitors and to create other sales opportunities as well, the company intends to market them throughout Europe.

Arçelik plans to increase its share of the robot vacuum cleaner market in 2023.

#### 2-in-1 cordless upright vacuum cleaner

This product is the first rechargeable vacuum cleaner manufactured by Arçelik in Türkiye. It is supplied to market in recyclable cardboard boxes without any styrofoam in the packaging.

Equipped with a long-life digital brushless motor (BLDC) that maximizes cleaning performance, the lightness and ergonomic design of this appliance make it a strong contender in the Turkish market.

In 2023 the company will be positioning this model as a rechargeable vacuum cleaner that optimizes performance and price so as to ensure its sustainable profitability.



#### Wet-dry upright vacuum cleaner

Independently certified to eliminate 99% of bacteria and viruses, the wet-dry upright vacuum cleaner is supplied to market in recyclable cardboard boxes without any styrofoam in the packaging.

Currently marketed in Germany, this is the first offering in the company's wet-dry upright vacuum cleaner category. Besides generating other sales opportunities as well, the appliance's steam-cleaning feature make it a strong market contender.

In 2023 the company will be launching this product in other European countries. It also plans to introduce this new category into other target markets as well.



### ProClub rotary head shaver

Incorporating BeardCare sensor technology that detects beard density and adjusts the performance of the motor accordingly. The shaver is equipped with titanium-steel blades that ensure an accurate and problem-free shave every time while its five-minute fast-recharge mode means that no shave will ever go unfinished. A digital display lets the user see how much of a charge still remains at all times. A unique and distinguishing feature of all the products in the ProClub line of men's grooming products is the use of recycled plastic in the units' external housings: 58% in the case of the MS 8130 and MS 9130 models.

Currently being supplied to the German and Turkish markets, the ProClub rotary head shavers' sustainability message makes them strong market contenders.

In 2023 the company will be looking to increase market share in Türkiye's men's grooming product market while reinforcing its position in the German market through messages that draw attention to the products' sustainability.

### Steam wrinkle remover

Providing higher heating power than other brands' offerings in the wrinkle-remover category, this product's broad base designed to maximize steam delivery distinguishes it from all others. The wrinkle remover clothes steamer is supplied to market in recyclable cardboard boxes without any styrofoam in the packaging.

Sold in Türkiye as well as in European and MENA countries, the elegant design and user-friendly features of this product make it a strong market contender.

Because of their practicality, convenience, and usefulness, wrinkle-remover clothes steamers are becoming increasingly more popular among consumers. For this reason in 2023 and the years that follow Arçelik will be looking to explore and tap the potential in this category while also seeking to grow market share by expanding the product line by means of innovative additions to it.



# Innovative Products

## Small home appliances

### Star-Light food-prep kitchen appliances

Food-prep kitchen appliances in the Star-Light family are equipped with variable speed-control technology that provides unlimited versatility and precise, professional-kitchen control when preparing meals. High ridges in the plastic motor housings of the Star-Light family make it the first line of small home appliances to be visually consistent in their aesthetic appearance but also make them more ergonomic by making the units easier for users to grasp. The precise speed control features incorporated into these products mean that they can be operated effectively at lower speeds when maximum power is not needed and thus contribute to sustainability.

Marketed in Türkiye, Europe, MENA, and Asia-Pacific countries, Star-Light small home appliances' award-winning ergonomic design and superior performance will continue to create other sales opportunities as well

In 2023 the company will be looking to enhance the brand value of this line food-prep kitchen appliances with the incorporation of biofriendly materials and through messages that draw attention to the products' sustainability.



### Espresso machine with milk frother

In line with the company's small home appliance sustainability roadmap, a biocomposite made from coffee grounds is used in the manufacture of 5% of the unit's drip tray and base.

Currently sold in the UK, this appliance is seen as a way to generate other sales opportunities as well to draw attention to its sustainability through messages that emphasize its recycled elements and superior performance.



### Proyo yogurt maker

With its ability to make yogurt from both raw and pasteurized milk, to make both traditional and probiotic yogurt in whatever flavor (sweet/normal/sour) is desired, to make both strained yogurt and kefir thanks to its strainer element, to its advanced warming and cooling technology, and to achieve the same results with every batch, the Proyo yogurt maker is the first appliance of its kind to be offered to consumers in Türkiye. It is manufactured and supplied to market in recyclable cardboard boxes without any styrofoam in the packaging.

Yogurt makers are a new small home appliance category that Arçelik is trying to promote and grow in Türkiye. With advanced features that make it a strong market contender, the Proyo yogurt maker will also burnish Arçelik's reputation as a source of innovative technologies.

# Innovative Products



## Sound systems

### Portable 360

With its 12 W RMS continuous power handling ability and unique diffuser and rechargeability, the Portable 360 speaker delivers high-quality 360° sound. The product's superior performance is further enhanced by an IP67 rating indicating that it is dust-tight and water-resistant. 92% of the plastic used in the manufacture of the Portable 360 is recycled.

The Portable 360 speaker is sold in France, Germany, and Spain. Further bolstering Grundig's strong position in price-competitive Bluetooth-technology products, the unit will also nourish the demand for 360° sound quality in the sound systems segment.

### Band 360

The Band 360 brings 360° sound and Bluetooth technologies to the world of analogue and digital radio. The product is equipped with an OLED screen that is always readable even in broad daylight. Its IPX5 rating means that it can withstand a low-pressure water jet spray. Built-in rechargeability keeps the device playing for over 19 hours. 90% of the plastic used in the manufacture of the Band 360 is recycled.

The Band 360 is sold in France, Germany, and Spain. Further bolstering Grundig's strong position in price-competitive Bluetooth-technology products, the unit will also nourish the demand for 360° sound quality in the sound systems segment.







## Air conditioning

### 2-in-1 Air purifier and bladeless fan

Equipped with a HEPA 13-rated filter that captures up to 99.97% of particles over 0.3 microns in size, this 2-in-1 air purifier and bladeless fan contributes to environmental wellbeing.

Sold in France, Italy, and Türkiye under the Arçelik and Beko brands, this product is intended to give both brands' entry-level fans a boost to the mid and high-end range.

Arçelik is looking to expand the market for the current model by entering into other countries while continuing to develop the unit with the addition of a heating function post-2023.

### Allergen Smart air conditioners

Sporting a stylish, elegant acrylic display, the newly-designed Allergen Smart line of air conditioners is equipped with anti-allergen filters that were developed taking the heightened importance of indoor air quality during a pandemic.

According to the results of tests conducted at the Institute for Energy and Environmental Technology in Germany, the filters are capable of capturing up to 99.9% of particulate pollutants, dust, and pollen particles over 5 microns in size.

The new Allergen Smart line is positioned in Arçelik's catalogue as its premium series. Production began in April 2022 and is intended for the Turkish market.



## Innovative Products



### Oven projects

#### Prologue GR9900 built-in ovens

SmartAero Pro features along with a new bidirectional fan driven by a digital brushless (BLDC) motor and inverter technology have been added to the GR9900 line of ovens. While the bidirectional rotation of the inverter fan distributes hot air more evenly, the fan's speed is automatically adjusted according to the food in the oven resulting in "adaptive cooking" that reduces cooking times by up to 20%. These units are equipped with a 5.7-inch polychrome TFT touchmatic display that makes it easy to set oven temperatures precisely. Another high-end feature is HomeWhiz Wi-Fi connectivity that allows the oven to be controlled remotely and for instructions selected from a new set of 81 options to be sent to the unit directly.

Prologue GR9900 ovens are rated energy-class A+. Plastic recycled from recovered fishing nets and from textile manufacturing waste are used in their housings, etc. High-end features such as a BLDC fan motor, TFT display, and HomeWhiz Wi-Fi connectivity that allows the oven to be controlled remotely make these ovens strong market contenders capable of generating other sales opportunities as well. These appliances are being marketed globally.

Seen as being critically important to offer a complete product range to consumers in the premium kitchen home appliances, the GR9900 line of built-in ovens is expected to contribute significantly to sales and to the company's profitability.

#### SmartBake Pro built-in oven

Arçelik's first offering in the autonomous oven category, the SmartBake Pro built-in is equipped with an Arçelik-developed and patented humidity sensor that detects when food is cooked and automatically turns the oven off without the need for user intervention. During the development of the SmartBake Pro series, researchers explored various recipe-based cooking algorithms testing each one over and over again using different ingredients to simulate different cooking processes. Tests and field trials of ovens incorporating this AI technology have shown that its sensor makes it possible to achieve perfect cooking results every time.

SmartBake Pro ovens are rated energy-class A++; plastics recycled from recovered fishing nets and from textile manufacturing waste are used in their housings, etc. These units are being marketed in Türkiye and globally. Their AI solutions have hitherto been included only in high-end products that command premium prices. The SmartBake Pro's technology, price, and market position are intended to strengthen the company's foothold in the midrange segment.

The SmartBake Pro built-in oven is expected to contribute favorably to sales of the GR7700 and bPro500 series.





### Built-in oven equipped with AirFry technology

Ovens equipped with AirFry technology and fitted with air-fryer trays make it is easy to fry foods more quickly and to achieve results that are healthier. The renewed (ETNA platform) built-in oven was given a makeover that included a new air-flow system that allows foods to be air-fried with as little as a teaspoon of oil or even less. AirFry ovens achieve the finest cooking and crispiness results.

AirFry ovens are rated energy-class A+; plastics recycled from recovered fishing nets and from textile manufacturing waste are used in their housings, etc. These units are being marketed globally.

With their “Healthy Cooking” message, these products are expected to contribute to overall built-in oven sales. The propagation of this technology should also give these ovens a significant competitive edge and drive sales across the product line.

### 30-inch Twin Fan Oven

By distributing heat evenly and reducing cooking times, Twin Turbo Convection technology makes use of a pair of convection fins that blow hot air in two different directions. This enhanced airflow pattern reduces preheating time by up to 50% and cooks food up to 25% more quickly, thus saving users both time and energy costs.

These ovens are being marketed in the United States where they are expected to be strong market contenders while generating other sales opportunities as well.

The 30-inch Twin Fan Oven is expected to increase and enhance Beko's brand recognition and premium-brand stature in the US market.



## Innovative Products



### Hob projects

#### Cook Sensor

Incorporated into the center hob of the Puma line of 80-cm 5-burner kitchen hobs, Cook Sensor technology uses a built-in infrared sensor that constantly monitors and maintains a pot or pan's temperature while the food in it is being cooked. There are three automatic cooking settings: Pan Frying, Deep Frying, and Simmering.

By preventing unwanted temperature fluctuations and maintaining the desired heat level, Cook Sensor technology makes it possible to achieve perfectly-cooked results every time. Cook Sensor is expected to contribute favorably to 80-cm Puma hob sales.

#### Hob Extractor

Consisting of an induction hob and integrated hood, the Hob Extractor efficiently combines the functions of a hob for cooking and a hood for removing cooking odors etc from the kitchen.

This two-in-one functional solution has the additional benefit of effectively halving both the energy needed and the waste/emissions generated when manufacturing two separate appliances. The Hob Extractor is being marketed in Türkiye and globally.

This appliance is expected to contribute significantly to Arçelik's turnover and profitability by giving the company's products a strong presence in the hob extractor market, which is projected to be worth a billion euros by the end of the current year. Additional investments are planned that will expand the product line and give consumers a range of options from entry level to premium.



#### Dishwasher-safe hob grates

The removable grates that are supplied with upper-segment gas hobs are dishwasher safe and thus eliminate the burdensome chore of having to wash them by hand. It is a well-known fact that dishwashers use 2.5 times less energy and 3.5 times less water than handwashing does.\* Dishwasher-safe hob grates help consumers reduce their energy and water bills while also continuing to support environmental sustainability by reducing energy and water consumption.

Dishwasher-safe removable hob grates are supplied along with globally marketed upper-segment products. Beside impacting favorably on brand perception, they boost sales of upper-segment gas hobs while also enhancing customer satisfaction. Based on feedback results, it is planned to add this feature across the entire range of gas hobs.



\* <https://www.eurotab.eu/washing-dishes-by-hand-or-in-the-dishwasher-eurotab-en-art-116.html>



## Hood projects

### Heat-sensing automatic mode

b300 kitchen hoods are equipped with sensors that allow fan speed to be automatically adjusted according to the heat they detect coming from the cooking surface below. This automatic adjustment prevents the hood from wasting electricity by operating the fan at a higher speed than necessary.

As no other brand's kitchen hood in the same segment is equipped with such sensors or has a heat-sensing automatic mode, this feature makes it a strong contender in global markets and generates other sales opportunities as well.

### Heat and odor sensor-supported automatic mode

In addition to heat sensors, bPRO500 kitchen hoods are equipped with sensors that allow fan speed to be automatically adjusted according to odors, steam, etc that they detect coming from the cooking surface below. This automatic adjustment prevents the hood from wasting electricity by operating the fan at a higher speed than necessary.

Because it combines the dual functions of heat and odor detection, the globally-marketed AR 7700 kitchen hood is a strongly competitive product. It is also expected to contribute significantly to upper-segment horizontal and T-type hoods.



### HobHood with IR Sensor

b300 and bPRO500 and infrared-sensor induction hobs are equipped with HobToHood technology. Infrared sensors above and below adjust the hood's ventilation level to match just the active cooking zones. Smoke and steam are cleared quickly with optimum energy use. This helps keep the hood cleaner for longer and thus saves on cleaning materials, energy, and time.

Currently being supplied in other national markets, the company plans to introduce this product in Türkiye next. The AR 5500's incorporation of HobToHood technology makes it unique in its segment. Bluetooth-enabled HobToHood technology is a competitively alternative solution in the AR 7700 segment. HobToHood technology is expected to contribute to induction hob sales.

These products initially went on sale in France and Poland. The plan is to begin selling them in other European countries in 2023.



# Innovative Products



## Dishwashers

### A-10% energy class dishwasher

A new energy class introduced in EU regulations, A-10% appliances use 10% less electricity than do conventional A-rated units. Recognizing the increasingly greater importance being given to energy consumption, Arçelik further developed its range of A-rated dishwashers (which only a handful of other firms make) and introduced the A-10% energy class across its brand portfolio. Arçelik-made 60 cm dishwashers are also equipped with heat pumps, a feature not previously available in this category. By extracting ambient heat from their surroundings, these appliances heat washwater more efficiently, thus qualifying them for the A-10% rating and making them more sustainable. The company anticipates marketing these models in Europe and Türkiye.

### C energy class dishwasher – 45 cm platform

With the introduction of new EU energy classification regulations, products qualifying for C energy class ratings are rapidly proliferating in European markets. Equipped with specialized washing algorithms and automatic door-opening technology, C energy class 45 cm products are being actively produced across all Arçelik brands. It is foreseen that these C-rated dishwashers will contribute significantly to the sale of products that are less energy efficient than those with B or A ratings. The company anticipates marketing these models in Europe and Türkiye.



### SaveWater dishwashers

SaveWater technology makes it possible for dishwashers to operate more economically and sustainably without sacrificing cleaning performance. Beko dishwashers that are equipped with SaveWater technology use 27% less water on their ECO cycle than do models that are not. Water reserved from the last rinse phase in the dishwashing cycle and stored safely and hygienically in the machine's specially designed water tank is later reused in the beginning of the next wash. The result is that instead of 9.5 liters of water being used only 6.9 are, thus saving a net 2.6 liters on every wash. Machines equipped with SaveWater technology are to be globally marketed in Türkiye under the Arçelik brand and elsewhere under the Beko and Grundig brands. This technology is planned for inclusion in all dishwasher programs beginning in 2023.



### 38 dBA dishwashers

Special soundproofing materials and digital brushless (BLDC) drain-pump motors incorporated into the design and manufacture of 38 dBA dishwashers qualify them for A-level noise ratings. With the proliferation of working-from-home as well as stay-at-home lifestyles, home appliances' operational noise levels have become a critically important concern. A-level Arçelik, Beko, and Grundig operate at a mere 38 dBA (38 A-weighted decibels), which is two decibels less than a quiet library's 40 dBA. The company anticipates marketing these models in Europe and Türkiye.

### Green and Clean dishwasher technology

Unlike older dishwashers, Arçelik-branded units incorporate patented Clean and Green technology into the drying cycle, thanks to which energy savings of up to 25% can be achieved in every program by only using extra-hot water rather than a heating element to raise the surface temperature of dishes to speed up the drying process. The effectiveness of this technology is further enhanced by automatically opening the dishwasher door at the end of the drying cycle so as to let any residual steam and moist air out and keep moisture from condensing on the dishes. Clean and Green technology is to be marketed globally.





## Innovative Products



### Washing machines

#### 10/7 kg condenser washer-dryer

The introduction of the Prologue and Beyond series also saw the launch of the high-capacity condenser washer-dryer category of home appliances. These models are intended to give Arçelik a strong foothold in the growing market for integrated washer-dryer combos. These units are equipped with speed control, wrinkle control, and hygienic-aeration features. Machines are currently being planned with a capacity of 12/8.

#### SaveWater washing machine and tumble dryer

Washing machine/tumble-dryer duos equipped with SaveWater technology are to go into production. Water extracted from garments during the tumble-dryer's drying cycle is collected in a tank and then sent to the washing machine for use in the next wash. This system conserves water by collecting up to 5.2 liters of it during each drying cycle. This technology is to be marketed globally. The company also plans to incorporate it into its condenser washer-dryer series in the period ahead as well.



#### Ironfinish

When their shirt drying function is selected, washer-dryers equipped with Ironfinish technology can wash and dry up to a kilogram of shirts and have them in ready-to-wear condition at the end of the drying cycle thus saving users the time and expense of ironing the garments. This technology is to be incorporated into the Prologue and Beyond series, where it will contribute to brand-perception and to price indexing by focusing on what users say is an important consideration. Ironfinish technology is to be marketed globally.



### A-30% energy-class models

Under new energy labelling rules introduced in EU countries and Türkiye, home appliances rated "A-30%" use 30% less electricity than do conventional A-rated models. Arçelik has taken a serious step in the direction of sustainability with its production of a new series of 9 kg/1,400 RPM washing machines equipped with AquaTech technology. The company anticipates marketing these models in Europe.

### New built-in washer design

New home appliance design features have made the production of 9 kg and 9/5 kg built-in washing machines feasible. These new models will also be equipped with such features as WiFi connectivity and steam-refreshing, the result of which will be a product line capable of fully addressing the needs of the built-in segment of the market. The company anticipates marketing these models in Europe.



### New top loader design in South Africa

As a result of a new investment undertaken in South Africa, Arçelik's plant in that country will begin manufacturing an 8 kg top-loading washer, production of which originally began in India. These machines will also be equipped with new features capable of making them strong market contenders and strengthening brand perception. One such feature is FountainWash, a technology that allows delicate fabrics and garments to be washed safely; another is "Jet and Handwash", which is good at getting rid of stubborn grime and stains. The addition of steam and hot-water washing features has made possible the inclusion of a Hygiene program capable of killing viruses and bacteria. These models are to be marketed in South Africa.

## Innovative Products



### 8 kg A++ built-in laundry dryer

A line of A++ energy-class 8 kg, heat-pump dryers has been introduced to compete in the built-in laundry dryer market. As the first entry into this segment of the built-in market, these units will contribute to Beko brand perception and price competitiveness. The company anticipates marketing these dryers in Europe.



### Laundry dryers

#### 12 kg A++ and 10 kg A+++ dryers

With the newly introduced Perfection 60 cm line, it has become possible to manufacture the high-capacity, high energy-efficient laundry dryers that consumers are demanding. The same platform will be used for the development of high-efficiency models which will be required by EU laundry dryer energy regulations expected to go into effect in 2025. The company anticipates marketing these models globally.



#### New Grundig TR dryer design

A new Grundig TR design developed has made it possible to offer the country's consumers the new Perfection line and technological features (AirTouch, SteamCure) under the Grundig brand as well. This is expected to enhance Grundig brand recognition in Türkiye. These models are to be marketed in Türkiye.



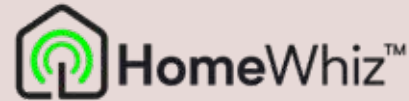
## Internet of Things

### Smart home appliances

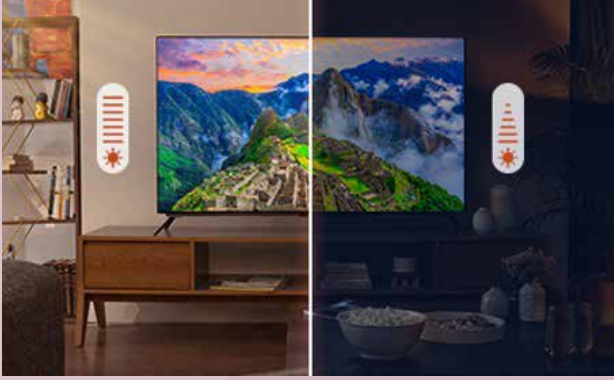
A brand-new group of products has been introduced for the smart home-appliance market. Dubbed “Gateway”, these products include smart plug sockets and lightbulbs that help reduce electricity bills and smart door and window sensors and movement detectors that provide DIY home-security solutions. Gateway products are being marketed in Türkiye both singly and as “Energy, Safety and Safety+” packages. All the smart gadget products are also equipped with HomeWhiz technology, which means that they can be controlled both remotely and programmatically.

### HomeWhiz

HomeWhiz is a technology that allows users to control connectivity-enabled home appliances and devices using the HomeWhiz app. Besides making remote control and scheduling possible, the app supports many other functions such as reprogrammable embedded-software updates. 2022 saw the introduction of SmartBake Pro, which allows oven cooking times to be optimized according to the type of food in them, provides a mechanism for warning users of power outages that put food in refrigerators at risk of spoiling, and can automatically order washing detergent from Amazon if the supply on hand gets too low. HomeWhiz technology is incorporated into the company’s globally-marketed smart home appliances and devices and is currently available across 16 brands in 70 countries and 18 languages.



# Innovative Products



## Televisions

### Sustainable solutions for new Android 11 operating system-based televisions

Ambient Light sensor technology that enhances TV image visibility by automatically adjusting screen brightness according to prevailing lighting conditions has been added to 43, 50, 55, and 65-inch UHD LED TV and UHD OLED televisions. These sensors can reduce energy consumption by up to 10%. In another bid to improve these products' sustainability performance, the percentages of recycled plastics and packaging materials used in their production have also been increased.

In addition to Türkiye, these new Android TV units are also being marketed in Croatia and other Balkan countries as well as in Germany, Portugal, Russia, and Spain, in all of whose markets their presence will help heighten consumer awareness of Android 11 operating system-based televisions and also contribute to the realization of Arçelik's sustainability vision. In 2023 and the years that follow, the company will be looking to further enhance consumer awareness of the technological and quality benefits of this line of TVs by incorporating new features and designs into them.

### New Android TV remote control unit

An antimicrobial-protection feature has been added to the remote control units supplied with the company's 55 and 65-inch 985 and OLED 970 TV models. Another feature added to all the TV remote control units supplied with Android 11 operating system-based TVs is an "ECO" button that gives direct access to an interface that allows users to make adjustments capable of reducing their TV sets' energy consumption by up to 20%. Nothing but recycled materials are now being used in the manufacture of these remote control units' plastic components.



## New Android TV apps and their value-adding services

Access to Khan Academy, Tonguç Academy, Davinci Media (Da Vinci Kids), Pluralsight, and TED online learning resources is provided on Android TV units in Türkiye. These resources are available to all Arçelik customers as well as to all Android TV users who install the company's mobile app downloadable from Google Play Store. Through this portal, users may easily reach the most popular and valuable online personal development and training content supplied by those providers through a single channel. As a result of partnerships entered into with Sahnepor, GAIN, EXXEN, and GeForce Now (via Turkcell Game+) with the aims of creating new revenue streams and raising brand and technology awareness, all Smart TV users may also make use of those brands' apps as well. Online performing arts content supplier Sahnepor's app lets users purchase electronic admission tickets to all of Sahnepor's live and digitally recorded performance content and to enjoy it from the comfort of their homes.

One of the most important features enhancing the Smart TV viewer experience is the ability to conveniently generate a channel list and then group and arrange available channels in whatever order may be wished. Doing so however is far from being user-friendly, even with the latest Smart TVs made by some of the best brands currently available on the market. Incorporated into all of the

company's Android operating system-based televisions is a newly-designed Channel Editor that should satisfactorily improve user' experience with this function.

Another feature that has been added to improve Smart TV users' experience is "Smart Remote Control", an app which can be downloaded and installed on all iOS and Android operating-system devices and which lets them turn their devices into a smart TV touchmatic remote control unit that provides convenient access to many more functions than are available on standard remote control units, such as creating shortcuts, entering text easily from a virtual keyboard, arranging and grouping channels, and tagging programs for viewing and recording etc. The most recent version of the app also lets users turn their TV on when it is in standby mode, generate and display a list of apps installed on the TV, and access those apps from a connected mobile device.

In addition to Türkiye, these products are also being made available in Croatia and other Balkan countries as well as in Germany, Portugal, Russia, and Spain, in all of whose markets they are intended to create new revenue streams and help heighten consumers' brand and technology awareness. In 2023 and the years that follow, the company will be looking to further enhance customer and brand satisfaction by enriching apps adding new features and making improvements in the capabilities of existing ones.





## Innovative Products



### Android hotel TV software

Work has been completed on the development of Android hotel TV software which is compatible with all Arçelik-made televisions. Designed to address the hospitality industry's specific needs and be flexible enough to allow features and functions to be easily added or removed as may be required, the software is intended to provide the hospitality-industry Arçelik TV users with the superior performance that they demand.

### Digital signage and software

#### Android industrial monitors

A new product line consisting of Android operating system-based next-generation UltraHD industrial monitors has been created with the addition to the catalogue of 45 and 55-inch displays. All models are compatible with Arçelik's Arsigna cloud-based digital signage platform. The addition of a 65-inch UltraHD industrial monitor in Q1 2023 will complete this product line. Other capabilities and features which users are in need of are also provided in Arçelik digital signage models.





## Payment systems

### 1000TR Petrol-Pump Electronic Cash Register

Designed and manufactured to fully comply with finance ministry specifications, the Beko 1000TR Petrol-Pump Cash Register is intended for use in petrol stations, where universal mandatory use of such payment and cash-register systems is being phased in and will have been completed by end-2023 as the culmination of a process of non-electronic system replacement that began at the beginning of the year. Besides making it easy for payments to be made from the pump, the Beko 1000TR's integration into the Department of Revenue Administration's system allows all transactions to be reported directly. Another feature lets station owners track payments using a mobile app. Beko 1000TR petrol-pump cash registers are manufactured to comply with industry standards to ensure they are fully weather-resistant and capable of withstanding external shocks and interventions. An Android operating system-based 7-inch touchmatic screen and keypad ensure that payments can be made under all weather conditions. A 5 MP camera built into the unit should be compatible with future payment methods such as QR code-reading that may be introduced.

## Innovative Products



### Refrigerator-freezer combos

#### New Design Series: 60 cm Single-Door Refrigerator-Upright Freezer

Following the 60 cm bottom-freezer refrigerator's inclusion in the Prologue and Beyond series after that product's 2021 makeover, a 180 cm tall model has been added to the product line as well. With their high energy-class ratings and sleek, modern design, both appliances command a position of some importance in the company's European range of appliances.

All Prologue and Beyond single-door bottom-freezer refrigerators are equipped with No Frost technology as well as with the company's AeroFlow system that distributes cold air gently, Harvestfresh system that preserves vitamins in fruits and vegetables for longer by mimicking the 24-hour sequence of natural sunlight, and Everfresh+ system that ensures ideal humidity and temperature to keep fruits and vegetables fresh up to three times longer.

The new Prologue and Beyond 180x60 cm single-door bottom-freezer refrigerator is now in production at the company's refrigerator plant in Eskişehir.

#### New design series: 60 cm No Frost Bottom-Freezer Refrigerator

A keystone product in the European refrigerator market, the 60 cm bottom-freezer refrigerator was given a makeover putting it into the company's high energy-class line of appliances and investing it with sleek and modern Prologue and Beyond design features as well. The new product is likewise equipped with Harvestfresh and Everfresh food-freshness solutions and with Multizone technology allowing its freezer section to be used as a refrigerator if need be. Some versions of this appliance also come with WiFi internet connectivity.

Prologue and Beyond refrigerators went into production at the company's Arctic refrigerator plant in Romania in 2022.





### New design series: 70 cm Bottom-Freezer Refrigerator

A keystone product in the Turkish refrigerator market, the 70 cm bottom-freezer refrigerator was given a makeover putting it into the company's high energy-class line of appliances and investing it with sleek and modern Prologue and Beyond design features as well.

These appliances come with AeroFlow, Harvestfresh, and Everfresh+ features and a humidity-controllable fruit and vegetable drawer. They are also equipped with FreshGuard technology that helps get rid of offensive odors and with Multizone technology that allows the freezer section to be used as a refrigerator if need be. The bPRO 700 and GR 9900 versions of this appliance also come with WiFi internet connectivity.

The Prologue and Beyond 70 cm Bottom-Freezer Refrigerator is now in production at the company's refrigerator plant in Eskişehir. It is intended to market this model in European, Middle Eastern, and North African countries as well as in Türkiye.

### US market: 30-inch counter-depth platform

The series of 30-inch counter-depth freezer-refrigerator combos was designed specifically in line with the company's US-market strategy. In addition to a combined 16 cubic-foot interior available in three different configurations, these appliances are equipped with active-freshness technologies such as VitaminZone and Everfresh while their AeroFlow system that distributes cold air gently makes them superior to rival brands' ability to keep food refrigerated and fresh. Their "Energy Star Most Efficient" Environmental Protection Agency rating attests to their energy-conservation prowess. These 30-inch counter-depth top-freezer refrigerators are equipped with features such as a gallon-jug door rack and an automatic icemaker that US consumers are accustomed to and demand.



## Innovative Products



### Coolers

#### Sirius K&D 78 cm combo and top-freezer platform

Developed for the Turkish, Middle Eastern, and European markets, the Sirius line of home appliances focuses on maintaining a reputation for user-centered elegance and originality of design as well as first-class quality. The line's high-capacity 551 and 557 cubic-liter interiors in particular are a feature for which there is increasingly greater demand among consumers in many different countries. K&D refrigerators address this demand while their superior energy-class performance helps contribute to environmental sustainability. These refrigerator-freezer combos are equipped with an AeroFlow cold-air distribution system and with customer satisfaction-enhancing features such as Multizone freezer technology and Harvestfresh and Everfresh food-freshness solutions.

#### Project Bang: 56 cm platform

Specifically designed for the Bangladesh market, the Project Bang 56 cm line consists of the first domestically manufactured models in Singer's product catalogue. Technologies such as NutriLock (Harvestfresh) and Fresh-O-Logy (Static Everfresh) are incorporated into these refrigerators in line with users' steadily-increasing concerns about physical health and healthy lifestyles. The Project Bang series marks the first time that such features as these as well as the BaseDrawer design providing greater convenience and accessibility are being made available in this market.

Steadily raising quality perceptions and demand by means of its newly-introduced offerings, Singer is focused on achieving sustainable growth while steadily increasing market share. In 2023 Singer will be looking to further expand this series with the addition of new interior configurations.







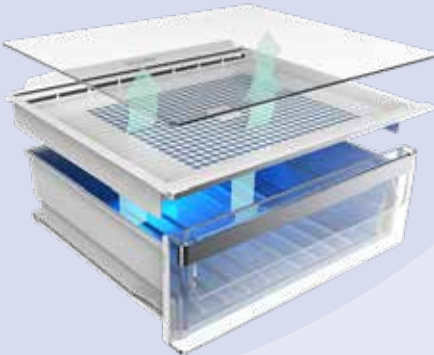
### DPL R3: 51 and 56 cm models

Dawlance has modernized its low-capacity refrigerator line with a DPL series design makeover that also strengthens perceptions of DPL R3 quality. The energy efficiency of DPL R3 models has been increased with the inclusion of an inverter compressor option. Along with their new design, the dimensions and capacities of these refrigerators have been optimized in light of rival product offerings. These changes have resulted in a more productive product line whose complexity has been reduced.

Dawlance is looking to increase market share with DPL R3 products that give them an edge on their competitors.

### B Energy-Class 60 cm refrigerator combos

B energy-class combos have been developed to meet the demand for more energy-efficient appliances resulting from new European market regulations. These models are available with two different interior configurations (185 and 200 cm tall) and all are 60 cm wide. Consuming 59% less electricity than do F-rated models, Arçelik B-rated refrigerators contribute to environmental wellbeing while also strengthening the brand's reputation for sustainability.



### Static Everfresh

The Everfresh technology that has been a core feature of Arçelik frost-free refrigerators is now available in static-fan models as well. Dubbed "Static Everfresh", this technology keeps fruits and vegetables fresh for up to three times longer thanks to more precise temperature and humidity-control functions. It is made available in the Pakistani and Bangladeshi markets in the company's 54 cm built-in combo models. In the years ahead the company will be looking to make Static Everfresh technology available across its entire static-fan product range.





## R&D and Innovation

### Arçelik develops people-oriented sustainable digital technologies.

The company aims to realize reliable and scalable solutions through digital transformation.

#### Digital Transformation

##### Arçelik's Digital Transformation Approach and Strategy

Arçelik places digital transformation as the focal point of its business model and global operations, and defines it as execution of reliable and scalable solutions by virtue of people-oriented sustainable digital technologies with the aim of providing new means of revenue and value generation.



In this framework, the company strives to implement new digital technologies that maintain a strict focus on customers, can quickly respond to needs that evolve under today's circumstances-particularly during and after the pandemic, will put Arçelik ahead of the competition, and tries to attract the talents or valuable human resource that will put these technologies into life.

In terms of digital transformation focus, Arçelik always keeps four main categories in the forefront and relates all its activities to the following areas when molding them:

1. Customer - Consumer
2. People - Organization
3. Process and System
4. Products and Services

Arçelik's main concern is to turn its digital transformation strategy into an organization-wide "culture". Furthermore, the company continues to select and implement projects that will add value to the entire ecosystem through sustainable digital technologies.





**Arçelik's main concern is to turn its digital transformation strategy into a "culture".**

Arçelik formulates and applies the entire transformation process and particularly digital transformation governance according to major principles. Solutions are devised with the aim of determining the tasks that will contribute the highest added value to customers, employees and the company, by focusing on several criteria including naming the transformation needs, the issue or problematic area that will be resolved, and the compatibility of this need with the company's future strategy (e.g. cost saving, additional revenue, more efficient business management, time saving, and so on).

During 2022, Arçelik carried out its activities in line with the following areas of focus:

- Capturing new forward-looking technologies through open innovation
- Disseminating digital process management applications and enhancing employee effectiveness
- Developing modular product management implementations
- Expanding Industry 4.0 applications
- Ensuring adaptation and standardization in digital applications across its worldwide organization
- Device-independent, reliable, sustainable infrastructure and operations management
- Data analytics and AI-based data-driven business management
- Creating digital products and ensuring their use on a global scale.

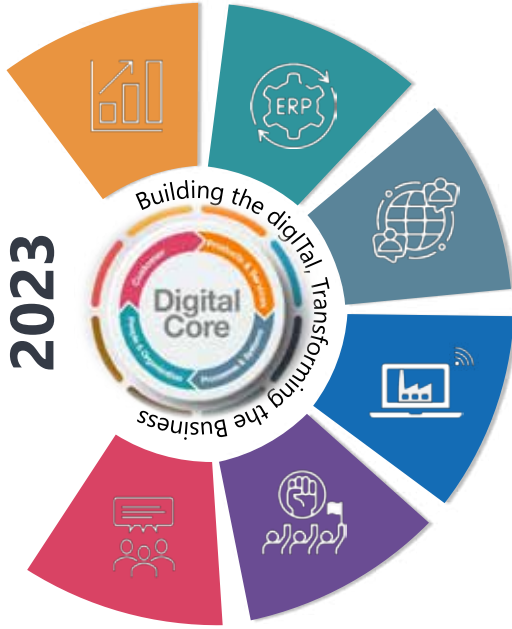
The company defined its areas of focus for digital transformation in 2023 as follows:

- Improving digital supply chain
- Activating organic and inorganic growth
- Transforming Enterprise Resource Planning (Arçelik ERP\_2.0),
- Maintaining digital production
- Building on D2C (Direct to consumer) capabilities on a global scale
- Increasing efficiency and productivity.



# R&D and Innovation

## 2023 digITal Transformation Focus Areas



### Enable Organic and Inorganic Growth

AHHA, Egypt & Bangladesh Factory Setup, IHPA Integration, Solar Panel Factory & Business Setup, Project E+



### Arçelik ERP\_2.0

Renew our core ERP system with a platform leveraging the latest technologies to become an Intelligent Enterprise (Planning and preparation for Arçelik Global)



### Customer - Consumer Interaction

Turkey E-Com & Marketplace Solutions, OLİZ and YODA Applications, Global e-Com Rollouts and Marketplace Solutions (Pakistan, Bangladesh, EMENA)



### Digital Manufacturing Execution Systems

Continue on Industry 4.0 Transformation with Manufacturing Execution System Transformation and Managing Quality with Digitalization, 5G Solutions, Most Production Maintenance Platform



### Global Application and System Rollouts

SWP (Finance, Marketing, Product Management) Initiatives, Harmony, Storm, Connecta, RPA, HR Systems



### Enrich Aftersales Services

TR & International Callcenter Platform Upgrades, Sirius Rollouts, Sparepart Network Planning & Pricing

Within the scope of Arçelik's organic and inorganic growth, system adaptations were carried out at newly established/acquired subsidiaries that will ensure due execution of operations in accordance with Arçelik's global standard work processes in view of the local requirements in Egypt, Bangladesh, Croatia, Hungary, Kenya and the Netherlands. Along this line, subsidiaries were given the possibility to use the system at low-cost, and to set up an easy-to-trace and control structure by way of standardized work processes, transfer of the acquired know-how to subsidiaries, common reporting and process integrations.

With respect to **Arçelik Hitachi JV**, present status analyses and target operation model studies were initiated to realize the new generation SAP transformation. Upon acquisition of **Russia Whirlpool operations**, Arçelik has been working on system adaptations that will ensure full execution of its activities employing global uniform work processes.



## Over 200 automations have been carried out which secure efficiency and cost saving.

In terms of **digital production and products**, digital keels (production, internal logistics, maintenance processes and quality implementations management systems) have been standardized and converted into integration bundles within the scope of a constantly expanding production network in international markets and digital transformation strategies in production. Over 200 automations have been carried out at establishments, which secure efficiency and cost saving.

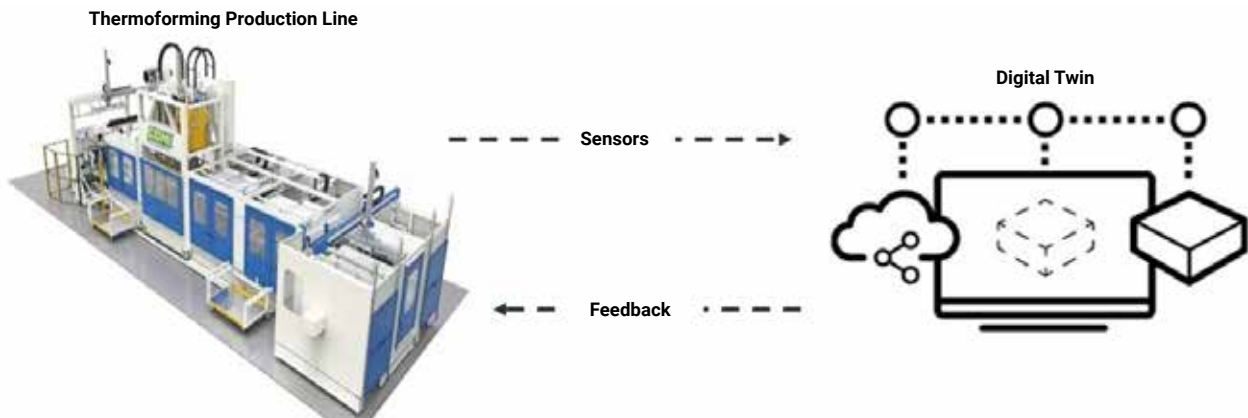
Through **the transformation of production management systems**, expanding the use of AI in production and quality management implementations by focusing on Industry 4.0 and digital transformation management in quality

operations, implementations have been introduced, which will substantially eliminate perceived quality problems and critical quality issues. Automated referral tools in the production area were managed and tracked uniformly on a shared IoT platform, which allowed smart application developments.

Within the scope of **production process digitalization**, the process has been modeled using the finite elements method by partnering with Simularge start-up and a digital twin was created in the "Digital Twin" project of the thermoforming process whereby the inner body of the refrigerator is manufactured. The digital twin created analyzes data using the real-time sensor data from the production line, estimates the quality of the resulting product, and optimizes process parameters to prevent possible quality errors with the closed circuit feedback algorithm. Introduced at Eskişehir Refrigerator Facility Plant 6 in 2021, the project secured a 30% improvement in quality data for 2022.

In addition, the project was covered in Springer's book titled "Digitalization Use Case Vol 2." in 2021 as "Digitalization of Manufacturing Processes with Startup Collaboration: Arçelik Developing a Digital Twin with Simularge" and was published in Sustainable Computing: Informatics and Systems periodical Volume 35 with the title "Digital twin modelling for optimizing the material consumption: A case study on sustainability improvement of thermoforming process", thus becoming a part of academic literature.

During 2022, the project was rolled out on the thermoforming line at Manisa Refrigerator Facility and bitumen furnace line at Ankara Dishwasher Facility.





## R&D and Innovation

With the dissemination of the “Digital Production Maintenance Module” in Romania, Russia, Thailand and South Africa in addition to Türkiye, service is being furnished with over 19,000 equipment to 3,622 users speaking five different languages at 20 plants in total. While the use of the module increased the improvement rate in production losses resulting from maintenance to 38%, repair time decreased by 3%, the improvement in the traceability of maintenance operations was completed by 100% and losses resulting from the lack of self-maintenance were reduced to 13%. This in-house developed software product, which has been improving Arçelik’s maintenance processes, is also fit for commercialization and generating revenue.

Applications have been put into use which digitize product recycling processes within the frame of sustainability principles.

The Government-supported **5G@EndTech program** has been executed, which will build on the awareness of, and competency in relation to, 5G in Türkiye, the communication infrastructure of the future.

A solution, whereby country product management teams will be able to configure products, simulate various stock keeping unit (SKU) definitions and see the cost change data instantly from the cost matrix, has been piloted in the washing machine product group. This represents the first time cost data and product configuration have been combined in a solution. This move accelerated SKU description process.

Following the Central R&D, an R&D Project Management System has been designed and put into use for facility R&D teams. Adaptation of the system to the new organization is ongoing in the aftermath of the reorganization of R&D, which is designed to help the teams adapt to agile project management practices. Project documentation and approvals have been digitized, reducing approval times by 40%. Phases that did not create value in the process were identified, and the process was simplified. An infrastructure fit for agile organizations has been achieved. Thus, time, risk and resource management became visible in the project.



Project **MARS**, which is conducted in sales, is aimed at developing a Corporate Customer Portal and Sales Representative Order Management platform. With Arçelik’s enterprise resource planning and product management systems, an end-to-end integrated platform has been developed, which will deliver a more flexible and efficient experience, can be accessed 24/7 and possesses various functions such as order tracking, instant stock status, product details, custom-specific prices, special discounts and so on. This platform is intended to deliver corporate customers and sales representatives a B2C e-commerce site experience. The project targets include digitalization of manual sales processes, analysis of simulative models, sales of specific product groups, and focusing on periodic profitability by depleting stocks. Beko US stated that 52% of all orders went through MARS in as short a period of time as three months in its MARS journey commenced in February 2022. According to the measurements by Beko US, operational load was alleviated by 83% thanks to the mobile support, simplicity and 24/7 order entry features.

The application that has been developed end-to-end with internal resources secured rapid adaptation to Arçelik’s processes alongside a cost saving of approximately EUR 2 million.

The new integrations put into service in 2022 provided automatic exchange of c. 32,000 and c. 1.15 million process documents for the sales and logistics processes, respectively, for two Electronic Data Interchange (EDI) themes, saving 35 employees’ labor. While 5-10 days improvement was achieved with respect to EDI-integrated orders, reprocessing ratios were down by 80%. This service was delivered to subsidiaries located in 12 different countries in total and customer satisfaction was enhanced by another notch.

**Under Project H<sub>2</sub>O**, end-to-end self-serve subscription management platform properties from customer acquisition to subscription management were added for “Water Treatment Subscription Systems” and water treatment subscribers were thus able to self-manage their memberships. With the project enabling customers to subscribe directly themselves, personnel costs were reduced, and customers were able to self-perform subscription formalities as much as possible.

**The Dawlance website** has been revamped and started offering better solutions to wider audiences with more comprehensive functions. An infrastructure was set up whereby orders on the website can be handled by dealers via the Cosmos-D2C platform.

**Project Sirius** carried out in the after-sales area created an expandable infrastructure for after-sales processes of Arçelik subsidiaries in Morocco, Vietnam, Croatia, Georgia, Romania, Moldova, Serbia, Malaysia, Bosnia-Herzegovina and Azerbaijan, Arçelik-Hitachi subsidiaries in Vietnam and Malaysia, and Koç Holding’s global presence. Three different modules were designed and introduced, which will be used by mobile field technicians, service centers and secondary contact people. As a result, processes and operations involved in after-sales services can be transparently followed up and managed end-to-end via a single main application. All subsidiaries using Sirius have 100% and instant visibility on technicians’ activities, spare part stocks/movements and customer activities (cases,



complaints, repairs, warranty, products, spare part orders etc.). All members of the organization (call center, back office, service engineers, field technicians, etc.) can chat via the Sirius application. Sirius is also a customer relationship, field service and case management product that has the potential to be sold to companies other than Arçelik.

The application that went live in 18 countries across five continents in as short a period of time as seven months is being used by 2,100 users and partners. Workshop completions total 1,150, and the app is currently granted a score of 83 on a scale of 100 in the monthly satisfaction questionnaires administered with users. The plan is to have 15,000 users start to use Sirius in 70 countries within 1.5 years.

**Payment control rules** improve repairing in one go and product replacement processes, and are estimated to generate about EUR 1.1 million in savings in the warranty budget annually.

The inventory module enables instantly seeing inventories in the warehouse from the customer’s house, comparing past repair data and suggesting spares to technicians, and making all technical documents available to technicians via mobile and offline.

In Omni-channel and Consumer Perspective, all Arçelik Global subsidiaries use a software system for **Spares Planning**, which enables end-to-end monitoring of the global network, effective data management, statistical analysis, inventory optimization, improvement of logistics, visibility for the network and multi-layered inventory management. Management of spares planning with this

**With the “Digital Production Maintenance Module”, service is being furnished with over 19,000 equipment to 3,622 users speaking five different languages at 20 plants in total.**



## R&D and Innovation

system has upgraded global spares service level to the industry's standards. To possess a more efficient supply chain process, centralized global planning strategies were used to secure reduced inventory levels. As a result of all these initiatives, stock depletion costs declined (sales, product replacement, etc.). The benefits derived from this project are as follows:

- Average service level for Arçelik Global Spare Part Orders was increased from 60% to 95% in two days
- Average inventory turnover went up from 1.5 to 3
- 30% decline in the number of product replacements resulting from lack of spares
- 25% decline on average in stock levels
- Creation of end-to-end supply chain visibility for Global Network Planning and all subsidiaries.

Based on **Robotic Process Automation (RPA)** activities carried out since 2019 in process digitalization and process efficiency, 57 processes that are critical for Arçelik have been automated using the RPA technology, creating a 44-employee workforce saving and operational efficiency.

Digitalization of human resources, expense, invoice and purchasing processes on a self-serve basis on **Connecta**, the employee-centric digitalization application, generated high operating cost saving on an annual basis. An Invoice Processing Center conducting the operations on Connecta standardizes the company's financial operation model.

### Arçelik's first AI- and NLP-based digital product YODA went live in 2022.

Arçelik's first AI- and NLP-based digital product **YODA** went live on beko.com.tr in November 2022. YODA (chatbot) provides customer services, notifies campaign offers and suggests products to Arçelik customers in Türkiye. It is envisaged that call center costs will decline as the service will be furnished through the Internet and WhatsApp messages.

**Oliz**, the first campaign and loyalty application of Arçelik that has been live on iOS and Android platforms since February 2022, is a digital assistant that lets customers handle all shopping and maintenance needs for their homes from a single point. It offers special advantages and opportunities to customers when shopping from Arçelik and Beko stores.

Arçelik takes organizational measures and conducts projects at each level of information technologies and operational processes to minimize information and cyber risks and to prevent reputation, revenue, market share and brand equity losses that may result from information security risk. Information security processes are executed in accordance with ISO 27001 Information Security Management Certification. A high level of awareness of information security is maintained among our employees and suppliers through information security guides and briefings, regular phishing tests, and periodic information security training given to all employees. In addition, the Cyber Security Unit operating under Information



Technologies determines Arçelik's information and cyber risk profile, and executes the existing risk control strategies and projects to mitigate information and **cyber risks**.

The Arçelik IT unit conducts its projects under the umbrella of Digital Transformation, Big Data and AI R&D Center in collaboration with the national and international innovation ecosystem, and universities and technology stakeholders. A key step in this direction has been partaking in the international **Smart Delta R&D project** in the EU Eureka ITEA cluster for the Software Factory Cloud-Based Microservice Architecture platform in partnership with Bilkent University Computer Engineering in 2022. In addition, applications were filed for international R&D project partnerships within the scope of Horizon2020 and Eureka. For the existing digital projects, the company partnered with six universities on innovation projects. The main target is to keep Arçelik products and services in a leadership position amid global market dynamics thanks to innovative digital products and solutions developed on the basis of projects and academy partnerships.

The activities of **the Information Technology, Data and AI R&D Center** in 2020-2021 have been approved by the Ministry. Initiatives for driving the development of the R&D Center in numerous aspects will continue with steps to be taken in the use of new technologies in R&D activities, partnerships with universities, increasing internationally funded project applications, and productization of solutions resulting from the projects.

While growth in Türkiye is sustained with **E-Commerce Platform and Marketplace** applications, omni-channel strategy is being broadened so as to make use of channels that give direct reach to customers.

**Corporate websites** continue to be introduced on a standard platform using the local language of each country the company pursues operations in, with centralized management operations.



Applications such as **field service management, production maintenance and B2B**, which are developed with internal resources and enriched with new functions, continue to be deployed in Türkiye and international markets. Effective use of these applications secure efficient operations.

Arçelik digitalizes its processes through the use of RPA technologies, data and AI technologies, new software development techniques and the cloud platform, and endeavors to enable employees access and use corporate applications more effectively from anywhere, any time.

Training activities are supported, which are designed to improve IT, Data and AI department employees and their competencies; employees are given the chance to receive certification in various technical fields with online and classroom training programs through the **Digital Academy** platform.

Ways of doing business in **agile methodology** teams were revised and put into implementation. Accordingly, projects are actioned upon correct identification of priorities and adoption of quick implementation principles.



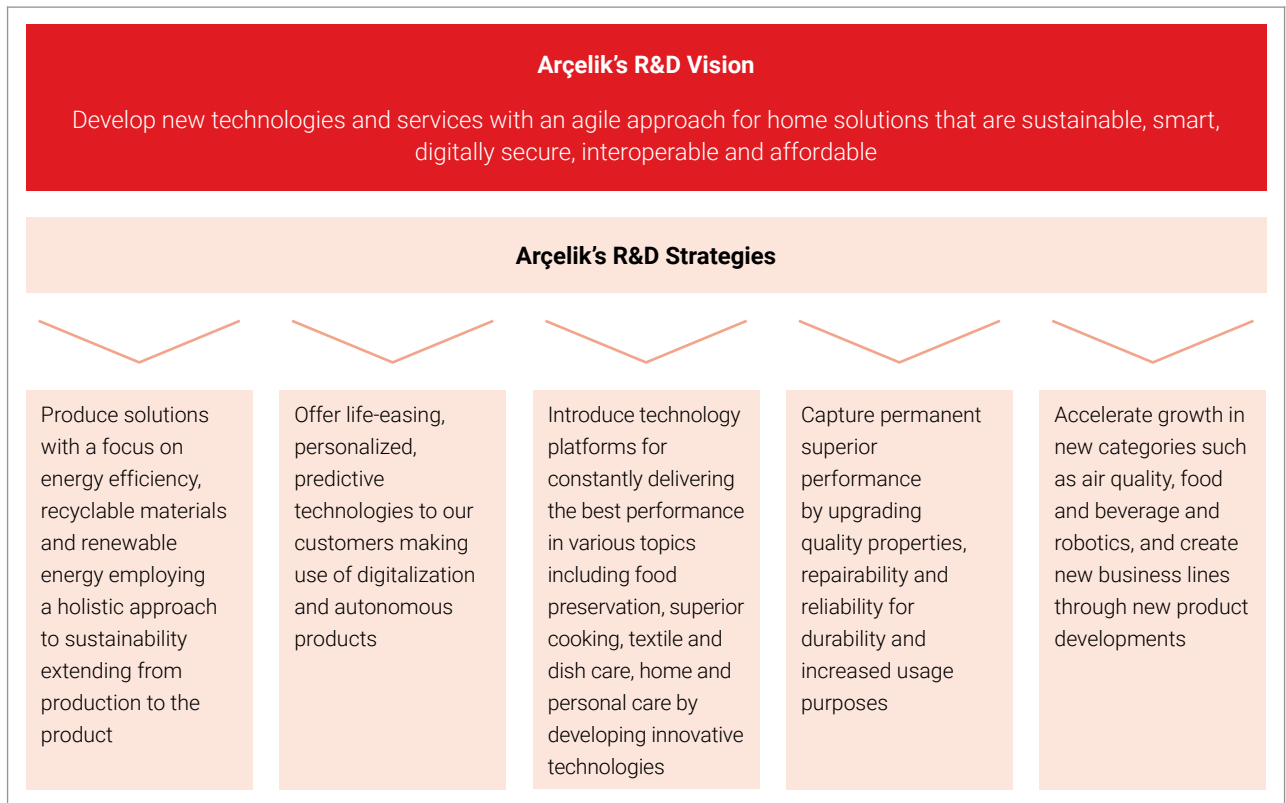
# R&D and Innovation

## R&D

Arçelik has 29 R&D and design offices staffed with more than 2,300 engineers and researchers, 15 of them in Türkiye and 14 of them in the international markets of the UK, China, Romania, Thailand, Taiwan, India, South Africa, Pakistan and Russia. The list of R&D design offices can be found in “Our Global Footprint” section ([pp. 42-44](#)).

Possessing over 3,000 registered patents, the company underlines the importance it attaches to protecting the intellectual rights in its technology developments and its success in this department.

## Arçelik’s R&D Approach and Strategy



Developing and growing with a flexible and agile approach, Arçelik R&D deepens its expertise areas by continually acquiring experience, strengthens teams through new collaborations, and maximizes customer value by focusing on a shared goal. To this end, Arçelik continued with the development of talent, implementing a number of programs in 2022.

Numerous training programs were offered under the Electronic System Academy, which is a continuous learning platform comprised of three modules: CTP-Structural Design Competence program for building on CAD and CAE competencies of engineers; mechanical system design training for improving mechanical system design competency and need analysis, and software/hardware and cybersecurity.

Arçelik makes use of annually updated Technology, Brand and Product Roadmaps processes to plan product development activities, new platforms and new features to be added to products along with new appearances, and continuously evaluates technological developments, market trends and competition's activities that may present a threat or opportunity.

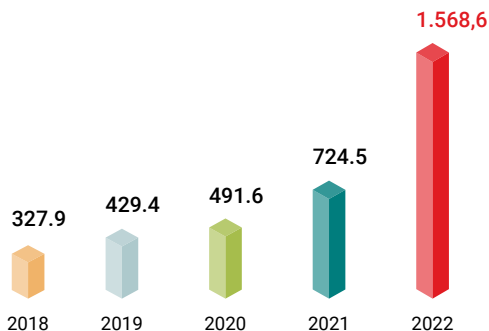
With the Technology Roadmap process conducted every year by Arçelik R&D Directorate:

- comprehensive literature and patent screening is carried out in technology fields in which Arçelik pursues activities,
- benchmarking is performed against competition,
- all alternative technologies are screened and revealed, including the latest ones for the basic functions of Arçelik products.

Through the Technology Roadmap process, the company establishes the topics to be worked on by Arçelik R&D in the short, medium and long term and put them on a timeline. The projects handled by the R&D Center are implemented in accordance with the schedules in Technology Roadmaps.

R&D product development activities progress in parallel with NPI (New Product Implementation) and R&D project management process. The R&D project management process comprises clearly defined stages and decision points, work flows, roles, inputs/outputs and responsibilities. Project management process is described on the axis of Technology Readiness Level (TRL) and project types are defined on the basis of the nature and objective of the topic to be worked on. In 2021, the infrastructure, project, portfolio and resource management of all Arçelik R&D project

#### Total R&D Expenditures (TL million)



management processes were migrated to the digital platform in accordance with agile methodology. In 2022, on the other hand, improvement efforts were carried out successfully, which were aimed at smooth and fully integrated execution of all R&D projects on the digital platform.

Applied since 2021, the agile methodology started to be implemented at product establishment R&Ds from June 2022 in line with the deployment plan. With the aim of deepening agile transformation as a culture, role-based training sessions continued to be given alongside basic awareness trainings for the entire global R&D organization; and best practices were shared with Alive Talks, Product Owner and Scrum Master Community of Practice. On the other leg of the deployment plan, an agile transformation process is carried on by Production Technologies and Production Engineering teams. The process that commenced with cultural transformation and competence development training and workshops in June 2022 continues with agile working practices.

The company broadened the WE-inTech program to other Arçelik countries, which it has launched in Türkiye to encourage women to work in engineering and emerging R&D fields.

Detailed information can be found in "In Touch with Human Needs" section ([page 186](#)).

The ninth R&D Advisory Board workshop was held physically in İstanbul on 6-7 June 2022, during which Arçelik hosted leading academics from the world's prestigious universities every year. During the event, R&D opportunities available to Arçelik were discussed under the headings "New Technologies", "Sustainability", and "Strategic and Organizational Opportunities" within the framework drawn by ten leading academics from select universities, including



## R&D and Innovation

ETH Zurich, Technical University of Denmark, Sapienza University of Rome, The University of Texas at Austin, University of Southampton, Koç University and the Middle East Technical University. Valuable suggestions put forth by the Advisory Board provide guiding inputs for Arçelik's technology and product roadmap processes.

During the Workshop for 35 Years of ERASMUS+: Call for Central Projects and Opportunities for Türkiye held in Ankara on 1 April 2022, Arçelik R&D lead Evrim Özgül talked about Arçelik's experience with Erasmus+ and EU projects in the panel he participated in.

Arçelik joined TUBITAK's (The Scientific and Technological Research Council of Türkiye) Frontier R&D Laboratory Support Program under the auspices of the Ministry of Industry and Technology. Being a leading R&D-intensive company, Arçelik set up the "Advanced Materials, Filtration and Hygiene Technologies Frontier Research Lab" on its Çayirova campus with TUBITAK's grant on 19 November 2022. The frontier research lab of Arçelik is intended to become a center of attraction that will win researchers with doctoral degrees from Türkiye and abroad for the R&D ecosystem and to support Türkiye's technology roadmaps and strategic action plans.



### Completed Projects

In 2022, a number of projects conducted by R&D teams have been put into life. The highlights of these collaborative projects are as follows:

**SafeConsumeE:** The project aims to reduce food safety violations at the consumer stage and the health burden from food-borne illnesses in Europe for this reason. Under the project, work was carried out on built-in sensors providing information to consumers through Arçelik IoT applications and sensitive cooling technologies.

**C-SERVEES:** The project aims to offer ICT services to support eco-leasing, product customization, advanced Waste Electrical and Electronic Equipment (WEEE) management and other eco-services with the aim of increasing circular economy in the electrical and electronics (E&E) sector. Under the project, work was completed on remanufacturing and reuse of television and washing machine products following their rental for one year, monitoring the data on recycled materials in products using technological tools, and creation of circular economy models.

**CoLLaboratE:** The project aims to create a system design for challenging assembly operations where industrial robots learn to cooperate with human workers to perform new manufacturing tasks. Under the project, Arçelik worked on the assembly of TV chassis (main board) and power supply units with one collaborative robot on a continuous assembly line and improving human-robot interaction and work continuity.

**FormPlanet:** The project researches processability and part performance in sheet metal manufacturing industry. Under the project, Arçelik employed advanced mechanical characterization tests of the sheet metal to make the components in the compressor body lighter and to predict the mechanical behavior of washing machine drums during clinching.

**Arrowhead Tools:** The project aims to create advanced new digitization and automation tools and to develop methodologies and appropriate integrated tool chains aimed at process reduction and cost saving. Under the project, Arçelik completed high voltage measurement and analysis by configuring and interoperating simulators and measuring devices used for power card measurement, design of hardware that will provide communication method with devices, design of the current probe, automated measurement of voltage and current stresses of power card components and development of special service API.



## Ongoing Projects

The projects to be assigned priority are identified as the result of the annually updated technology roadmaps and brand roadmap processes. Below are the highlights of large-scale projects carried out on both national and international funded platforms:

**TUBITAK SAYEM:** The Industrial Innovation Networks Mechanism is targeted at development of innovative products with commercialization potential to broaden the smart household devices ecosystem in Türkiye and to create a higher economic impact. Under the project, open development activities were carried out in 2022 so that home appliances of consortium stakeholders can join the HomeWhiz ecosystem. Currently, the project is ongoing.

**TUBITAK 1004:** Within the scope of TUBITAK 1004 Center of Excellence Funding Program under which work is in progress on integrated, scalable and functional nanostructures and systems, Arçelik conducts research for development of nanotechnological sensors that can raise an alarm for contamination in aerosol and gaseous phases.

**TUBITAK 1515:** Funded by the TUBITAK 1515 Frontier R&D Laboratory Support Program, the "Advanced Materials, Filtration and Hygiene Technologies Frontier Research Lab" aims to produce and implement new knowledge at basic research level and generation of scientific outputs on sustainability, energy efficiency, functional properties and hygiene. Activities in relation to these topics are ongoing.

**Arçelik joined  
the Frontier R&D  
Laboratory Program.**



## R&D and Innovation



**PROMETHEUS:** The project is intended to offer new-generation pulsed rapid ultra-short laser surface texturing. Under the project, Arçelik carries on with its efforts to reduce energy consumption during the drying cycle in dishwashers and dryers by introducing a new feature that will prevent water retention by changing the morphology of the dishwasher's inner case and dryer fan surfaces with lasers.

**SHOP4CF:** The Smart Human Oriented Platform for Connected Factories project aims to find the right balance between cost-effective automation and repetitive tasks. Under the project, Arçelik works on correction of product-specific static balance and technical support employing augmented reality (AR)/virtual reality (VR) and digital twin technologies on the washing machine production line through interface.

**InSecTT:** The Intelligent Secure Trustable Things project aims to carry artificial intelligence (AI) to edge-AI for industrial applications and to increase the reliability of AI and machine learning (ML) based systems. Under the project, Arçelik continues to work on integrating a monitoring system for near real-time detection of cyber attacks for PLCs (Programmable Logic Controller).

**iRel40:** Intelligent Reliability 4.0 project aims to improve reliability for electronic components and systems by reducing failure rates along the entire value chain. Under the project, Arçelik continues to work on developing a machine monitoring algorithm using failure-based data collected during and after motor production to improve traceability of motors used in white goods manufacturing, determining additional features for the motor driver and providing input for driver design.

**ECOFAC:** The ECO-innovative Energy FACTory Management System project aims to support optimization of energy performance of production systems and at the same time, to develop a green marketing approach by analyzing the energy and environmental impact of the product produced. Under the project, Arçelik continues to work on the integration of supplier data in LCA/LCCA analyses to support production planning, eco-product design, smart monitoring of energy and environment data, and digital twin integration for intelligent prediction for reduction of basic loads.

**Auto-DAN:** The project aims to optimize energy consumption in buildings and assess live energy performance. Under the project, Arçelik continues to work on smart hardware integration, communication protocols on the interoperability of products and the decision-making system, and designing smart white goods to be connected to the energy gate of the shared system.

**AI4LABOUR:** Within the scope of the project AI4LABOUR aimed at predicting future jobs and the training necessary for acquiring the required skills and at designing an AI skill-based model and skill development methodology, Arçelik carries on with its work related to provision of research, technical and administrative personnel secondment, thus executing a joint research project, and ensuring international/inter-sectoral information/technology transfer.

**StorAlge:** The main objective of the project is to offer ultra-low power and high safety System on Chip (SoC) solutions enabling competitive Artificial Intelligence (AI) for Edge applications. Under the project, Arçelik continues to work on the AI-enabled smart optimization of washing control algorithm requirement definitions and specifications in the washing machine in which the application will be made.

**ENOUGH:** Within the scope of project ENOUGH working on technologies, tools and methods that will contribute to the entire food chain from the field to table to achieve climate-neutral establishments, Arçelik continues to work on designing the new generation household refrigerator with enhanced refrigerating performance based on data for transition to new EU energy labeling and consumer behaviors.

**ZDZW:** The project is intended to develop a new thermal imaging system and simulator that is capable of automatically measuring and calculating quality-related properties of a semi-finished product, and of controlling the end product during production. Under the project, Arçelik carries on with demo activities to be conducted on thermoforming lines for production of refrigerator inner body.

**VITAL:** The project is intended to realize a paradigm shift towards bio-based alternatives for cleaner industrial value chains that are more climate-neutral for Europe's polymer processing sector. Under the project, Arçelik continues to work on Refrigerator Eva Cover and bio-based material content in refrigerator crispers.

**OPeraTIC:** The project is aimed at Ultrashort Pulsed Laser application with an efficient production platform. Under the project, Arçelik continues to work on giving antibacterial property to plastic molds in dishwasher baskets by applying ultrashort pulsed laser, and saving energy during the drying phase.

**FreeMe:** The project researches a toxic-free metallization process for plastic surfaces. Under the project, Arçelik continues to work on manufacturing chromium-plated decorative parts in washing machines with more sustainable solutions.

**PRecycling:** The project focuses on zero plastic waste through recycling and reusing plastic waste in products. Under the project, Arçelik carries out its activities for sorting, recycling and reusing in white goods waste plastic obtained from waste refrigerators, washing machines and ovens in the Eskişehir and Bolu WEEE (Waste Electrical and Electronic Equipment) recycling facilities.

**RELIANCE:** The project aims to develop a self-disinfected, biobased nano-coating for use in hygienic surfaces. Under the project, work is ongoing for giving anti-microbial property to glass and metal surfaces in refrigerators through spraying of sol-gel technology without using organic solvents.

## Planned Projects

**REEFLEX:** The project is intended to offer a central interoperability platform with the Demand Response (DR) flexibility that cater to different end-user profiles and needs for energy efficiency in buildings. Under the project, Arçelik aims to develop home appliances compatible with the DR technology and connected to the project platform and to let the customer manage its equipment from a shared platform, and indirectly help balance the load on the grid.

**FlexCHESS:** The project is aimed at making various energy storage systems simple and accessible for maximum users by bringing these systems together on a simplified interface. Under the project, Arçelik aims to provide the integration and control of energy-consuming equipment to the system with CHESS-Plugs.

**BRIGHTER:** The project aims to develop new-generation fast thermal micro-bolometer and multispectral micro-bolometer that will enable faster and more detailed imaging beyond the existing technology. Under the project, Arçelik aims to make implementation and comparison analyses in thermal controls of electronic card failures in continuous production process.

**REBECCA:** The project is intended to realize edge-AI applications in different domains by designing a reconfigurable AI hardware-backed innovative multicore processor and developing middleware. Under the project, Arçelik targets development of ML algorithms in its camera-mounted refrigerator by integrating the processing to be developed in its electronic cards and to perform the analysis of images on its cloud-independent product.



## R&D and Innovation

**Garage Innovation Hub tackles innovation and entrepreneurship in all aspects.**

**DiCiM:** The project aims at digitalized value management for unlocking the potential of the circular manufacturing systems with integrated digital solutions. Under the project, Arçelik aims to automatize the process by creating monitoring systems for establishing the state of white goods in plants' revaluation and recycling facilities and putting reusable components back in the value chain, and by devising digital solutions.

**VERGE:** The project deals with concurrent product reviewing, co-designing, virtual product prototyping with the help of 5G, AI design and extended reality (ER) technologies. Under the project, Arçelik aims to enable co-designing by designers at different locations with the end-user role of the technologies to be developed.

### Garage Innovation Hub Programs and Projects

Garage Innovation Hub addresses innovation and entrepreneurship thoroughly and develops innovation activities co-conducted with internal and external stakeholders in alignment with Arçelik's strategy.

Besides internal innovation projects based on user-focused methods carried out with internal stakeholders and resources, innovation projects are conducted in domains remaining outside of Arçelik's core product groups on new business models and technologies according to priority areas set by the company.

Arçelik Garage Innovation Hub partners with ecosystem players to realize open innovation activities. In this scope, various activities are carried on such as adaptation of a technology produced by different actors in the innovation ecosystem within Arçelik; scaling up the marketing of a developed product feature, and establishing partnerships by making license agreements concerning an existing idea.

**Open Innovation Day:** With the aim of contributing to support of open innovation culture, Garage Innovation Hub organized its maiden Open Innovation Day on 29 April 2022 which was attended by many start-ups, business leaders and investors from around the world and Türkiye. Attended by 1,100 people, the Open Innovation Day reached 320.6 million people in Türkiye, and via international media, in Türkiye USA, UK, China, Malaysia, Philippines, Australia and Singapore after the event.



**5G@EndTech:** Led by the Ministry of Industry and Technology in Türkiye and co-established by the Presidency of the Republic of Türkiye Investment Office, KOSGEB (Small and Medium Industry Development Organization), TUBITAK (The Scientific and Technological Research Council of Türkiye), TUSSIDE (Turkish Management Sciences Institute), Arçelik, Nokia and Türk Telekom, 5G@Endtech is an accelerator program focused on commercialization that supports manufacturing industry applications of domestic technology companies developing solutions with 5G infrastructure in Türkiye. Fifteen domestic technology companies joined the program that is coordinated by Garage Innovation Hub. Within the scope of the program whereby solutions are developed for live application issues at Arçelik's production sites, the companies were offered training and a chance to participate in informative seminars on various subjects, +300 hours of mentoring support, the opportunity to benefit from KOSGEB supports of TL 1.5 million funding for participating in Slush, one of the world's top startup events with the support of the Presidency of the Republic of Türkiye Investment Office, and +350 hours of live PoC development at Garage Innovation Hub. The program was completed with the Demo Day held on 20 January 2023.

**Innovation Champions 2<sup>nd</sup> Cohort:** Initiated with the aim of creating the champions that will lead the reshaping and dissemination of innovation and entrepreneurship culture within Arçelik, build a network of entrepreneurs and pave the way for partnerships, the Innovation Champions Program was held with the participation of 30 people in 2022, 13 from Europe, 5 from Asia-Pacific and 1 from the Middle East. Launched in 2021, the program is currently participated in by 51 mentors from 13 countries. Mentoring was offered to 133 startups under the program.

**NBS Sustainability:** The Next Big Story Sustainability program commenced in 2021 was carried on in 2022; three concepts prioritized from amongst nine ideas conceived were included in the company's roadmaps upon completion of consumers tests, usability studies, preliminary feasibility and intellectual rights studies.

**BiGG3:** Garage Innovation Hub is the official program partner of TUBITAK 1512 BiGG (Individual Young Entrepreneurship Support Program) in Türkiye since 2018. Established under the name BiGG3 by METU Technopark and Koç University Entrepreneurship Research Center (KWORKS), the consortium carried on with its incubator activities in 2020-2022 period. Under the BiGG3 program, support was extended for scaling up innovative business ideas in technology with high commercialization potential. For transforming the relevant business ideas into startups

**320.6 million people  
were reached on the  
Open Innovation Day.**

creating added value for the country, the consortium provided the training, mentoring and services necessary for scaling up a business idea. During two program call periods opened in 2022 with this approach, 101 applications were received, out of which 47 startups-to-be were admitted to the program; 24 of them benefited from the mentoring service and 15 startups-to-be were referred to evaluation by TUBITAK. Under the first call in 2022, five startups were supported and were entitled to receive grants amounting to TL 2,250,000.

**Patent Scouting:** The Patent Scouting Program was established with the Intellectual Rights team for inventors wishing to commercialize their inventions for which they made an application or obtained protection via Arçelik. Inventors can be placed under different categories at Arçelik such as licensing, license transfer, being an investor or supplier. Accepting applications constantly through Garage Innovation Hub Portal, the program received nine applications in 2022. From out of the total of nine products concerned with medical products, kitchen hoods, water purifiers and meal preparation machines, three associated with medical products were referred to Koç Yaşa Çok Yaşa medical company. five applications were declined due to the limited scope of protection involved or incompatibility with the company objectives, whereas evaluation is in progress for one application.

**Culture Project Ideathon:** A 24-hour ideathon on sustainability was organized within the scope of the Global Culture Launch event on 11-12 October 2022. Open to the whole Company, the Ideathon received 150 applications from 22 countries, and participants from all over the world contributed different points of view to new conceptions for Arçelik's sustainability vision. Detailed information on the Global Culture Project can be found on [page 142](#).

To review Hack the Normal Sustainability, Accessibility Hackathon, A Ticket for your Future and İyi Gelen Innovation Program projects coordinated by Arçelik Garage Innovation Hub other than those addressed in this section, please see "In Touch with Human Needs" section on [pages 188-191](#).

## R&D and Innovation

### Garage Innovation Hub New Technology Projects

**Payiva:** In response to the situation resulting from changing economic conditions and payment terms that have become more difficult, work is being devoted to solutions for borrowing money without a credit card and making payments in installments. Efforts are being made for more accurate scoring of individuals using financial and non-financial data, and improving their purchasing power by updating this score by monitoring their payments. To this end, not only is an innovative approach being designed for individual scoring, but also an end-to-end system is being created that will vest the borrowing/payment cycle in a smart sustainable structure through reminder services that will help customers make their payments regularly.

**NFT Marketplace:** An original platform is being created whereby artists producing specific contents will be able to interact directly without needing the usual intermediaries in the present order and share their works of art with interested parties. Work is being devoted to create an innovative marketplace built on a decentralized structure provided by Web3, which is claimed and owned by artists and those interested in their productions.

**Nature Up:** A service focused on sustainability, which is being developed with the aim of offsetting the carbon footprint. The first target of this service is B2B contracted organizations and their employees, and cooperation is established with various NGOs and institutions for offsetting the carbon footprint created. Work is ongoing

Arçelik's technologies were showcased at IFA, the largest consumer electronics trade show in Europe.

for carbon footprint calculation, presenting personalized offsetting methods, and doing that in cooperation with different institutions.

### Products and Technologies Brought to the Forefront by R&D Activities in 2022

One of the world's leading companies in white goods and home electronics, Arçelik showcased the sustainable technologies it has developed at IFA, Europe's biggest consumer electronics trade show. Highlights of the products exhibited at IFA 2022 are as follows:

- The world's first-ever washing machine equipped with the **FiberCatcher®** filter, an integrated microfiber filtration system, which has the capability to filter up to 90% of microplastics that damage the marine ecosystem and threaten health by making its way into the food chain.
- Washing machines with filter cartridges incorporating 98% recycled plastic content by weight and with drums each made using up to 60 recycled plastic bottles add value to customers' lives with technologies that reduce the environmental footprint.
- Aquatech washing machines decrease drum spins during the cleaning process by showering the contents with the premixed detergent and water solution and thus consume approximately 30% less energy as compared to A energy efficiency class. Faster washing and better mixing of detergent with the textile increases the power of the washing process.





- When the "Auto" program is used, an **AutoDose** technology-equipped dishwasher automatically selects the cycle appropriate for the dirtiness of the dishes, adjusts the dosage of enough liquid detergent to be used for up to one month in a single filling, and at the same time eliminates detergent residues.
- The **Express Dry** feature in tumble dryers helps minimize energy consumption owing to the heat pump technology and innovative sensors detecting the humidity levels in fabrics, and dries up to 5 kilograms of mixed fabrics in just one hour.
- Washing machines, tumble dryers and dishwashers designed with **SaveWater** technology save water without compromising cleaning performance.

Dishwashers that are equipped with SaveWater technology use 2.6 liters less water on their ECO cycle than do dishwashers in the same energy efficiency class and have the same capacity. Water reserved from the last rinse phase in the dishwashing cycle and stored safely and hygienically in the machine's mega water tank is later reused in the beginning of the next wash. Hence, while perfect cleaning is secured with less water, only 6.9 liters of water is consumed when the dishwasher is completely full.

In tumble dryers equipped with SaveWater technology, water collected at the end of each program is rerouted to the washing machine's water inlet for use in the next wash. This system saves up to 5.2 liters of water during each cycle.

**FiberCatcher® is the world's first washing machine with integrated microfiber filtering system.**

- Keeping food humid and fresh for longer, **AeroFlow™** technology distributes temperature evenly in refrigerators and thus reduces heat release and dehydration, thereby keeping food fresh up to 30% longer. Also, the **EverFresh+** crisper has smart technology providing ideal conditions, controlling humidity levels and air flow, and integrated **Freshguard+** technology that prevents offensive odors, supporting long-term freshness.
- **HotAero Pro** technology evenly distributes hot air across the oven with its new fan system and redesigned interior, preventing burning of food on the edges, and remaining uncooked in the middle, and ensures ideal cooking results every time.
- Acting as a kind of a photodetector, the Ambient Light Sensor (ALS) establishes the ambient light level and dims the screen accordingly, and also enhances TV image visibility by automatically adjusting screen brightness according to prevailing lighting conditions.
- In TVs that come with antiviral and antibacterial coated remotes, recycled plastic raw material is used up to 30% in the back cover, 100% recycled plastic in speaker parts, with the aim of conserving natural resources.
- Made 100% of recycled plastic, **Eco-Remote Control** switches to the eco mode with the eco button, which activates all the functions for which the TV consumes minimum electricity and uses up to 20% less energy as compared to the home mode.

**SaveWater**





## R&D and Innovation

Highlights of other products and technologies introduced in 2022 are as follows:

- In washing machines with 7, 8, 9 or 10 kg capacity, A energy efficiency class product design was achieved without a jet system and flowmeter with the use of DMA that delivers detergent and water mix and heat to the garments optimally.
- With the **Ironfinish** technology, a solution that provides a wearable no-iron solution with an algorithm developed for 1 kg (5 pieces) of shirts in washer-dryer combos.
- In washing machines with 9-10 kg capacity and 1,200-1,400 rpm, new washing and spinning algorithms were used with **GYA** 22 mm compact motor application, and A performance level was captured in energy.
- The **Heat Pump** system was used for the first time in standard-size dishwashers, achieving a dishwasher providing “10% more saving than A energy efficiency class”; accordingly, 52% energy saving is achieved as compared to standard-size F energy class product.
- A C energy efficiency class dishwasher with the lowest noise level at 38 dBA, which is lower than a quiet library’s 40 dBA, was added to Arçelik’s product line.

**A C energy efficiency class dishwasher having the lowest noise level was added to Arçelik product line.**



- As part of sustainability initiatives, 28% polypropylene-based recycled raw material was developed to be used in the bottom chassis of dishwashers, whose packaging also has 85% reduced EPS content.
- In order to quickly respond to the global component crises without disrupting production and ensure uninterrupted fulfillment of customer demand, built-in **BLDC Motor Auto-Recognition Algorithm** has been designed to automatically recognize the BLDC motor integrated into the product, and has been implemented in the electronic control system.
- **EPA Energy Star® Most Efficient** certified tumble dryer having the highest CEF value (11.0) with its drum volume in the standard tumble dryer range in the US market was introduced.
- Two tumble dryers with a drum volume of 127 liters have been launched: one with a capacity of 10 kg which falls under A+++ energy efficiency class and the other with a 12 kg capacity which falls under A++ energy efficiency class.
- The **3in1 Filter Coffee Machine** in the premium product line, which allows making selections via the HomeWhiz app and which uses glass accessories, has been developed by the addition of a filter coffee feature to the existing automatic tea maker.

## AeroFlow keeps food fresh for up to 30% longer.

- The **Yogurt Maker** was debuted in Türkiye, which makes yogurt using raw or pasteurized milk, cultures probiotic and traditional yogurt at the desired taste (mild/regular/sour) thanks to integrated pH sensor, allows making yogurt of diverse tastes in one go thanks to HomeWhiz app. The product enables making strained yogurt and kefir owing to its filtering apparatus, features advanced heating and cooling technology and delivers the same taste every time.
- In the refrigerator category, the most energy-efficient combi product with energy level B and the most silent NF with 31 dBA in the Arçelik product range was put on the market on the Prologue and Beyond 60 cm Combi platform.
- **AeroFlow Cooling** technology with proven efficiency in preserving food avoiding dehydration by preventing direct air injection on the shelves within the fridge compartment and ensuring freshness throughout the refrigerator by minimizing temperature differences, keeps food fresher for up to 30% longer and prevents dehydration by up to 20%.
- The new **Icemaker** was launched, which has the highest daily icemaking capacity (2 kg/24 hours) within Arçelik's products equipped with a built-in icemaker that lets users get ice cubes, crushed ice or cold water without opening the fridge door.
- A fridge compartment cantilever shelf that offers flexible use and ergonomics with its design allowing it to be moved up or down by 44 mm and holding a maximum dynamic load of 10 kg was introduced for the 78 cm combi product.
- **Bio-based raw material** obtained from waste oil is used in the plastic for the inner body of the refrigerator, which means that 85% of inner body plastic is produced from bio-based raw materials and that carbon footprint per product is reduced by 92%.
- In addition to the **Smart Fix and Data Farm** technology that uses smart predictive maintenance methods to predict eight different errors that may potentially occur in the field in products with Internet connectivity two to four days in advance, the **Spares Suggestion System** has been developed and introduced, which allows the authorized service center to have the correct spare part at hand during the visit to the customer.
- An **F6 AI LPT** (Long Performance Test) application has been developed using artificial intelligence-based algorithms to enable automatic decision-making on product testing results in a shorter period of time, through operator-independent evaluations of performance tests conducted after refrigerator production.
- A **Single card Pangea** platform has been developed, which offers the bilateral communication infrastructure between the mainboard and the inverter for the first time in the refrigerator product range and increases product safety by taking the inverter card to the mainboard section.

## R&D and Innovation



- **Smart Alignment** algorithms have been developed for start and stop processes, ensuring high customer satisfaction by improving the perceptual sound quality in inverter compressor technology.
- An innovative and highly reliable product, which is the one and only Potting-Coated Inverter Card product, has been introduced. This is an inverter electronic card whose surfaces are entirely encapsulated with “potting”, a coating material, inside a patented, specially designed plastic container for protection from external factors that can damage the card components such as bugs, rodents, and dust in ASEAN countries.
- A built-in oven with **AirFry** function was developed which allows making healthy fried food using minimum amount of oil.
- Built-in oven with the capability to automatically stop cooking using humidity sensor and smart algorithms.
- Inclined hood with reduced noise level, increased suction, A++ improved energy consumption, and HomeWhiz connectivity was launched, which can operate automatically thanks to **HobtoHood connection**.
- The induction oven having the half-wave rectified **Half Bridge technology** has been put on the market, which is the most powerful product in its class enabling cooking at the highest power level on a heating zone with 5,400 W.
- The new induction hobs with integrated 60 cm and 80 cm **HobExtractor** hood with increased suction power featuring the boost mode and a BLDC motor has been introduced, which can be either connected to a flue or is compatible with interior circulation with effective odor filter.
- The **A++** energy efficiency class integrated oven line was launched.
- The **Education Portal** was incorporated in Android TVs, which gives access to numerous educational applications. The portal offers service to users of the Khan Academy, Tonguç Academy, Da Vinci Media (Da Vinci Kids), Pluralsight and TED applications.
- An important content provider in Türkiye, the **GAIN** application was launched on televisions with Linux operating system in addition to Android TVs.
- Solutions providing an online gaming experience to users were developed in cooperation with **Turkcell Game+** on Arçelik/Beko Imperium 9 Series 55” and 65” Android TVs. In cooperation with Turkcell Game+, gaming capabilities were incorporated in the entire UHD Android TV product range including OLED products with the GeForceNow Android TV app.
- The **Channel Editor** application has been put to use, which is the easy TV channel list creation capability that is one of the key properties that secures additional customer satisfaction in our products with Android operating systems.
- Targeted at recycling organic waste, the **Espresso Machine** that uses coffee ground-added biocomposite that contributes to reduced plastic usage was introduced.



- The **Robosmart** product was put on the market, which eliminates the user's contact with dust with new smart robot vacuum cleaner and mop combo design featuring self-discharge and mapping properties through a Wi-Fi connectivity mobile app that enables personalized use with room selection, zone selection and cleaning programming.
- With 2,200 W heating power and 28 g/min steam shot enabled by its steam channel design that makes it Arçelik's steamer with the highest steam shot value, the product now incorporates the **Anti Calc** capability that will reduce the risk of limescale caused by high steam.
- The **first domestically produced, cordless upright vacuum cleaner** having a battery capacity of 2,000 mSh and 350 W BLDC motor was introduced.

### Garage-Prototyping Activities in 2022

Within the scope of product and technology development processes, entire design, prototyping, analysis and validation, and development activities from the idea to the concept, from the concept to the product are carried out through new idea conception and brainstorming processes. Products entailing aesthetic appearance, producibility, serviceability, sustainable design, assembly and functional properties are manufactured rapidly on the basis of singular and bundled products. To this end, fast prototyping technologies such as additive manufacturing technologies, machining, sheet forming, silicone casting, paint-surface treatment are available for use by Arçelik designers, idea developers, and agile project teams. In addition, academic studies are also carried on that will be applied to product development processes with graduate and post-graduate students within the scope of university-industry partnerships.

### Atölye Activities in 2022

The washing machine plant in the city of Ulmi in Romania was included in the WEF's (World Economic Forum) Global Lighthouse Network in 2019, which recognizes leaders in applying Industry Four Revolution technologies. In 2022, the plant was also named "Sustainability Lighthouse", a title that recognizes manufacturers reducing environmental footprint through increased productivity on the back of innovative technologies focused on Industry 4.0. Ulmi plant employs state-of-the-art technologies in its production to enhance energy and water efficiency.

Furthermore, with the new springback measurement system developed for refrigerator door production lines applied at Eskişehir within the scope of Atölye 4.0 activities, the springback amount of sheet metal materials that affect angles of bend of doors in refrigerator door lines was established with data from a sensor, and an adaptive control algorithm that automatically optimizes process parameters in connection with the aforementioned was developed and put into implementation.

Software was developed that models the behavior of the material using pressure and heat sensors placed in molds in plastic injection processes, and determines and controls optimum process parameters with a machine learning algorithm. The software was put into service at seven establishments.

The washing machine plant in Romania was named a "Sustainability Lighthouse".

## R&D and Innovation

**With 15 projects that qualified for Horizon Europe, Arçelik is the company with the highest number of projects.**

An image processing system that performs quality control of sockets on products using AI was put into use at the dishwasher facility. Solely developed with Arçelik's internal resources, this project represents the first one of the AI systems on production lines.

Precise dimensional measurement of refrigerator panels started to be measured by the robotic system developed at Atölye 4.0 and the system was put into implementation at Eskişehir Refrigerator Plant.

Atölye 4.0 carries on with its collaborative works as well. Projects Collaborate funded under Horizon2020, HARPSSENS funded under Euripides and Manufacturing Processes Modeling and Digital Twinning funded under TUBITAK 1511 were successfully completed. In addition, DICIM (Circular Manufacturing) and ZDZW (Zero Waste Manufacturing) projects qualified for funding within the scope of the Horizon Europe program.

### **R&D Partnerships with Stakeholders across the Globe**

On 27 June 2022, the Horizon Europe Mentoring program was launched for the Koç Group stakeholders, designed to consolidate the takeaways from Horizon 2020 and grow the collaborations between organizations. The mentoring program, in which the Koç Group employees will assume responsibilities, who also take on active roles in framework programs, is intended to raise awareness of Horizon Europe processes among stakeholders, and therefore, let Türkiye benefit more from this important resource in the coming period.

For this purpose, Koç Holding hosted the Horizon Europe Private Sector Awareness Event organized with the participation of the Republic of Türkiye Ministry of Foreign Affairs - Directorate for EU Affairs, TUBITAK and the Delegation of the European Union to Türkiye.

Carrying on with international collaborations effectively, Arçelik has been the company with the highest number of projects with 15 projects that received acceptance from out of its applications with projects developed in collaboration with more than 500 institutions under Horizon Europe program during 2022. The company also ranked 2<sup>nd</sup> in TUBITAK's list of the most successful industrial establishments for EUR 3.275 million in grants that it earned<sup>1</sup>.



<sup>1</sup> <https://ufukavrupa.org.tr/tr/en-basarili-turk-sanayi-kuruluslari>

Playing an active part also in national collaborations, Arçelik executed the following in 2022:

- One TUBITAK 1004 Center of Excellence Support Program,
- One TUBITAK TEYDEB Industrial Innovation Networks Mechanism (SAYEM),
- Eight TUBITAK 1505 University-Industry Partnership Support Programs,
- Three TUBITAK 1509 International Industrial R&D Projects Grant Programs,
- Three TUBITAK 1071 Support Programs for Increasing Capacity to Benefit from International Research Funds and Participation in International R&D Cooperation,
- One TUBITAK 1707 SME Support Program for Order-Based R&D Projects
- One TUBITAK 1601 Support Program for Capacity Building in Innovation and Entrepreneurship.

Placing much emphasis on partnerships with universities, Arçelik conducted work with more than 50 universities in 2022 on the basis of projects funded with shareholders' equity and launched under national/international incentive mechanisms. Some of these projects are: development of hybrid composites with Yıldız Technical University, use of waste pulp in plastics with Sabancı University, cooking different food groups with Ege University, making the refrigerator hygienic with UV rays with İzmir Institute of Technology, shape-memory alloys with Koç University, thermoplastic formulations with Sabancı University, and technologies for increasing food storage times with METU.



Within the scope of 12 TUBITAK 2244 Industrial PhD Programs sustained in 2022, Arçelik is the company with the highest number of projects and PhD scholars.

Arçelik offers future engineers the chance to familiarize themselves with the industry prior to graduation and to take on a role in real-life projects with undergraduate dissertations. In 2022, partnerships were established on the basis of over 200 undergraduate graduation dissertation project proposals to young talents, and students from five universities were assigned to Arçelik projects and prepared their dissertations with the coordination of Arçelik industrial advisors and university academic advisors.

**Arçelik ranks second in TUBITAK's list of most successful industrial organizations.**



## Global Organization

**Its highly-qualified people represent Arçelik's key competitive edge in the global arena.**

While Arçelik's Human Resources ensure rapid adaptation to future developments and transformation, they give careful consideration to society and the planet in their actions.

Its highly-qualified people, who ensure rapid adaptation to future developments and transformation and give careful consideration to society and the planet, represent Arçelik's key competitive edge in the global arena. Arçelik HR vision and strategic priorities are determined so as to support the company's growth on a global scale, fulfill future workforce requirements and be a center of attraction for global talents, and HR practices are put into effect within this framework. The company's activities within this scope are described below:

**Human Resources make it a priority to make Arçelik a center of attraction for global talents.**

- The organizational structure is designed based on an operating model that will generate value in line with the company's strategies. Staffing plans are developed according to strategic priorities and the company's global talents are intended to be trained and developed in critical competencies. New agile working models are addressed with a focus on organizational development and productivity, plans are made for its transformation, which are designed and implemented together with employees.



- Establishing a company culture within which employees can realize their full potential is defined as a key priority. By creating an inclusive culture, development opportunities are created for talented people who are nurtured by diversity and participation, are in harmony with Arçelik's values and leadership DNA. At the same time, lean solutions and business models are intended to be offered by way of digital solutions to employees which will increase their efficiency.
- Focus is placed on contributing to employee development and designing global talent management processes in a way to support sustainable growth. Based on a future-aligned global HR approach, opportunities are created for equipping the employees with skills aligned with the evolving workforce dynamics and future talent requirements.
- Competitive strength is drawn from a continuous development strategy focused on value creation and growth based on the belief that its existing and potential employees are the enablers of its change, transformation and power to determine its innovation potential.
- To retain top talent and to become a center of attraction for talent in a bid to deliver the best employee experience, "Employee Experience" is placed at the heart of all process designs. Accordingly, a careful ear is turned to employees throughout the year using different tools including one-on-one meetings, listening questionnaires and focus groups, during which their opinions are collected and used as input for process improvements.



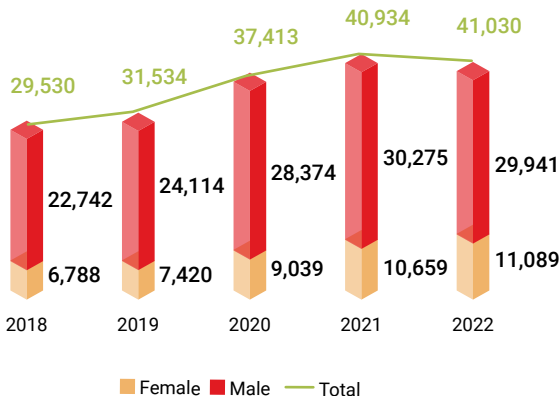
## Human Resources Policies

Arçelik pays regard to developments in the world, and moves forward to achieve its target of always being successful and passing on the values it has created to future generations in a sustainable manner in keeping with its "Respecting the World, Respected Worldwide" vision and purpose spelled out as "Inspire Sustainable Lives in Every Home". In this journey, it is the common desire throughout Arçelik to:

- make sure that it moves ahead towards the company vision and purpose,
- act without compromising integrity,
- provide a decent and safe workplace environment free from discrimination or injustice, observant of human dignity and equipped with proper conditions,
- bring together individuals from different backgrounds, cultures and having different experiences and perspectives to prepare the ground for their conception of new ideas and new solutions,
- lead pursuance of the benefit of the communities and the planet in decisions and actions,
- create a reliable and sustainable value chain across the world.

Arçelik Human Resources Policies that are aligned with the company's strategies and established in the light of shared values, leadership DNA and business ethics principles are documented and shared with all global employees. The Chief People Officer determines and manages the tenets of the company's Human Resources Policy, and maintains

## Total Number of Employees



# Global Organization

relationships with employees. The office of the Chief People Officer is also responsible for the implementation of human rights which are set out, periodically reviewed and revised as needed by the Legal and Compliance Department.

The tenets that underlie the Human Resources policies are spelled out below and these tenets are observed in HR practices:

- Being a company active on the international stage, local legislations, practices and requirements are respected in HR systems and implementations. In cases where HR policies and practices contradict with local legislation, the legislation of the relevant country prevails.
- Arçelik respects employees' right to unionize and collective bargaining.
- Human Resources policies are aligned with Arçelik's business strategies, and address future organizational needs as well as current ones.
- All Human Resources processes and implementations are in harmony with and supportive of human rights; these principles urge against discrimination and compel providing equal opportunities within the company. Arçelik does not discriminate on the basis of ethnicity, race, language, faith, age, gender, sexual orientation, nationality, disability, cultural differences or political affiliation. This principle is embraced throughout the company and no official complaint has been received from employees to date on account of any discrimination experience. In a bid to permanently prevent any potential discrimination among employees and physical, mental and emotional abuse, Arçelik imposes and ensures implementation of binding rules with its Global Code of Conduct and associated policies, Arçelik Personnel Policy and all related policies.

Recruitment processes guarantee that all candidates are offered equal opportunities. There are a number of different practices in this respect, and different criteria, different measurement and assessment techniques and processes are applied depending on the business size of the relevant position.



All HR practices are founded on fairness, consistency and reliability. In line with this principle, the criteria for job descriptions, remuneration, performance and rewarding systems of company employees are announced to employees according to a predetermined schedule, thus making sure that they are equally available to all employees. Arçelik develops training programs in adequate versatility to address the development needs of all hourly and monthly paid employees in line with organizational competence requirements, and offer them to employees starting with the day they come on board. Within the scope of the training process that starts with orientation, functional competencies are strengthened through academies and technical training, whereas social skills are reinforced and supported through competence programs. Solutions delivered through online learning platforms are gradually expanded across the global organization.

Employees' career planning is made in line with their knowledge, skills and competencies. In annual HR planning meetings, critical positions and talents and competencies that will carry the company into the future are defined, performances of potential employees are monitored and they are supported with their development, thus readying them for their potential future roles. Succession planning is made for all management positions, and potential employees are placed accordingly. Hence, individuals who are likely to be assigned to management positions are trained, while also avoiding any situations that may hinder the company's administration in the event of possible changes in management.

While establishing recruitment policies and making career planning, the company embraces it as a principle to offer equal opportunities to internal and external candidates having equal qualifications. An internal announcement system is implemented to prioritize internal candidates with respect to opportunities. In the event that a change in managerial positions is likely to cause a setback in the company's management, internal candidates named in succession planning are considered as successors.

In a bid to continually improve HR standards, HR practices are reviewed systematically and regularly, and HR processes are restructured in line with the feedback received and the latest developments.

Employee briefing meetings are organized regularly to keep them informed about the company's financial position as well as on various topics including remuneration, career, training and healthcare.

The opinion of the relevant union is sought prior to the decision to be made in relation to HR policy changes and system revisions that concern unionized employees at Arçelik and agreement is reached. All unionized employees are informed about the changes made.

Within the frame of applicable legislation, employees' personal data are protected and kept in confidence. While Arçelik aims to fulfill its existing and future business requirements during recruitment and placement, the company offers equal opportunities to all candidates possessing the appropriate educational background, knowledge, skills, competencies and experience, in line with its code of conduct. The company's approach to learning and development is set out as working in line with continuous development principle in line with the company's vision and business goals and helping improve the company's performance. The company's internal resources are targeted to be utilized effectively and efficiently when planning employees' current and future development needs in line with business requirements. Employee development is supported with annually revised content in parallel with the company's learning and development policy.

Arçelik believes that teamwork and collaboration, along with individual achievements, underpin organizational success. Along this line, different development methods are implemented to improve employee performance. Related efforts can be found in the section Talent Development Activities and Training Programs ([pages 145-147](#)).

To enhance employee motivation, engagement and productivity, to implement best practices and to encourage outstanding critical behaviors, Arçelik evaluates, rewards and internally advertises all beneficial achievements, inventions and/or suggestions. The company's approach to compensation management is to establish a fair and competitive employment policy in accordance with the laws.

Arçelik recognizes that engagement is one of the telling factors in terms of having a happy business life, and continues to administer online questionnaires each year in Türkiye and foreign countries. The efforts in this vein are described in detail in the section Employee Engagement and Experience ([pages 149-150](#)).

Focusing on an positive employee experience, Arçelik continues to listen to its employees when implementing its actions. Various methods including one-on-one meetings, listening questionnaires and focus groups are employed throughout the year to listen to what employees have to say and actions are prioritized accordingly. Through its HR practices, Arçelik aims to create a sustainable, learning, inclusive and equitable working environment and molds its activities to this end.

**Fairness, consistency and reliability underpin all Human Resources implementations.**

# Global Organization

## Recruitment Processes

Arçelik's global organizational structure focuses on bringing differences together around a shared goal. Moving forward sure-footedly by attracting qualified young people and experienced professionals to its organization along with dynamic and innovative practices, Arçelik encourages individual achievements. Acting with the awareness that sustainable success is enabled by individuals who are good in their jobs, the company employs different talent management practices in employee evaluations in order to get the best result.

Striving to reach qualified human resources by using the most effective recruitment channels, Arçelik constantly updates its human resources in the new order shaped by talent wars. Applicants to the company are not just potential employees for Arçelik; each one is also a customer of the company. With this approach, Arçelik embodies its customer-oriented business strategy in its HR processes as well. Arçelik makes a difference in the sector with its digital recruitment process and the candidate experience process it has created.

In Arçelik's organization in Türkiye, a centralized recruitment process and talent acquisition strategy is implemented. Recruitment processes are carried out with the coordination of digitalized recruitment expertise. As Assessment Center activities are converted into a fully digital experience with Arçelik Cubby, the online case applications specifically designed for Arçelik competencies, candidates can join the application from wherever they wish. Digitalized practices increase the effectiveness of candidate assessment processes. From 2020, the recruitment process for hourly paid candidates was also digitalized in order to deliver them an enhanced experience, and applications for hourly and monthly paid positions in Türkiye totaled 82,988 in 2022.

## Internship Programs

Mostly opting to organize experience-oriented activities to reach new graduates, Arçelik conducted 43 youth communication events in 2022.

With "Fresh Start", the short-term summertime internship program organized every year during the summer, young and bright talent in their third and fourth years at universities

**The global organizational structure of Arçelik focuses on bringing differences together around a common goal.**

is offered the chance to experience work life at Arçelik. Covering centralized training programs and projects that support competency development of candidates in various fields, the program receives more than 15,000 applications on average every year. After the internship, payroll positions at Arçelik are offered depending on the performance.

In 2022, long- and short-term internship options were made available under the hybrid working system. Over 15,000 applications were received for the Arçelik Fresh Start internship program in 2022, out of which 407 interns were selected. Short-term (20 days) and long-term (30 days) interns were brought together in 25 events. More than 400 projects were offered in the online internship program, and more than 300 intern advisors provided guidance to interns during the program.

Fresh Start internship program delivers experiences to students also at Arçelik's various plants and offices in different countries. Below are the numbers of applicants and admitted interns by countries:

- Fresh Start Dawlance - 8,506 applicants and 23 interns
- Fresh Start Arctic - 300 applicants and 20 interns
- Fresh Start Thailand - 85 applicants and 22 interns
- Fresh Start China - 100 applicants and 11 interns
- Fresh Start Bangladesh - 7,500 applicants and 12 interns



## Key HR Projects

### Strategic Workforce Planning Project

The Strategic Workforce Planning Project is co-executed by Human Resources and related business unit teams with the aim of determining the organizational structure and staffing needs that will support Arçelik in achieving its growth targets and carry the company to its future vision. The company's resources are allocated to the right areas and initiatives are designed for a more efficient operation in line with the strategic goals and growth plan of Arçelik:

- Reduce the levels in the hierarchy to achieve a lean and agile organization
- Optimize the ratio of employees per manager
- Redirect focus on high added-value tasks making use of automatization and digitalization opportunities
- Attain increased productivity through simple and uniform processes
- Eliminate recurring areas within roles and responsibilities and centralize operations

The productivity to be achieved with the Strategic Workforce Planning project is intended to support the company's growth and contribute to acquisition of new competencies.

Under the project, the operational model is also designed within the frame of the company's strategies, and critical roles and competence sets that will put this organization on course to fulfill future requirements are determined.

### Agile Transformation Program

Organizational agility is the ability of an organization to adapt rapidly, reform itself, and adjust in the face of changes and uncertainties. When doing that, the main principle is to fully authorize the teams and to set up structures where teams focus on the common goal. It is targeted to review Arçelik's global organization with this approach, and to design structures that are leaner and more agile.

Following the successful agile transformation in the central R&D organization, agile organizational structures were set up also in R&D units in establishments in 2022. On the other hand, design efforts are about to be finalized in the organization of Production Engineering and Production Technologies in establishments.

Besides the business units whose organizational transformation is completed or in progress, there are business units that implement their projects with agile methodologies across Arçelik. IT (Information Technologies) projects, Türkiye and South Asia e-commerce applications and Marketing Product projects, to name a few projects that employ agile methodologies.

The Agile Transformation governance structure was set up to support the company-wide transformation. The transformation is monitored under the below-mentioned four aspects:

- **Organizational Structure** – design the company's transformation roadmap and introduce agile organizational structures
- **Employee Experience and Communication** – design the tools for employees to communicate their own needs and expectations, assess their experiences, and ensure information flow during the transformation process
- **Culture and Competencies** – measure the agile maturity level and develop company-wide learning and development plans accordingly
- **Work Processes and Infrastructure** – prepare the systems and processes and particularly HR processes that functions need in their agile transformation journeys.





# Global Organization

## Global Culture journey

Arçelik set out on a culture journey with the target of putting into effect its forward-looking, goal- and meaning-oriented, comprehensive cultural action plan while maintaining its sustainability focus.

Analyses were conducted in order to get opinions from different locations of Arçelik within a six-month period with the aim of nurturing the diversity and richness of Arçelik. During the process;

- a culture questionnaire was administered on a global scale, and opinions of 4,300 employees were compiled,
- 220 employees got together in focus group meetings to listen to diverse groups and voices,
- 25 senior management interviews were held for alignment with future talent and business strategies,
- 6 back-talk focus group sessions were held with groups comprised of participants representing different groups to discuss all these outputs.

As a result of the discussions and detailed analyses, Arçelik's Leadership DNA was constructed, which defines the company's global goal, values and leadership behavior model. The actions that will maintain the values were defined under five Leadership DNAs. Detailed information on Leadership DNA can be found on ([page 197](#)).

## Global Culture launch event

The culture code, purpose, values and Leadership DNA of Arçelik were disclosed in a 24-hour launch event organized with the active participation of all Arçelik countries and all Arçelik subsidiaries on 11-12 October 2022.

The launch occurred in three concurrent parts: Plogging activity (collecting garbage while walking or running), Sustainability Ideathon (idea conception, project generation camp) and 24-hour content sharing.

Plogging activity was carried out at 50 different locations across the global organizations. The teams collectively covered 202 kilometers, and collected approximately five tonnes of waste, which was sent to recycling centers.



**Arçelik's Leadership DNA has been constructed, which defines the company's global goal, values and leadership behavior model.**

For the sustainability ideathon organized as part of the launch event, 183 applications were received from 21 countries. Sixteen teams took part in the ideathon and virtually got together to conceive projects that render their jobs more sustainable. The teams were accompanied by team coaches and mentors from Arçelik R&D Center.

The following projects were placed in the top three places in the ideathon:

**1<sup>st</sup> place:** Developing and using an algorithm for emissions reduction in R&D activities

**2<sup>nd</sup> place:** Reducing food waste generated within the company

**3<sup>rd</sup> place:** Instituting an annual "MyGreenDay" celebration to establish sustainable purchasing processes in the office culture for awareness raising.

The selected projects were evaluated with Arçelik Garage and Human Resources departments and necessary steps started to be taken for their execution.

During the launch event, six external speakers dwelled on Leadership DNA and purpose in different sessions, a panel on innovation was held which was attended by internal and external guests, and in-house productions and video dealing with culture code were shared.

With the construction of the culture code, projects were planned for proliferation of the culture, and alignment of HR processes and strategy with the culture code and leadership DNA.

## Talent and Competence Management

Arçelik continues to attract the competencies the company needs by employing new-generation talent acquisition approaches. In talent management processes, talent acquisition, development and retention tools and processes are reviewed with respect to future organizational and talent needs. At the same time, actions are taken to be future-ready, critical roles and competencies in the organization are identified, and talent maps, needs and personalized action plans are devised. Actions that will reinforce retention and prevent attrition are taken for critical positions by way of long-term incentive programs. Adopting a global talent management approach, Arçelik keeps discovering and training talents and offering them global opportunities irrespective of location.

Arçelik holds annual talent review meetings within its global organization, in order to maximize the efficiency of its human resource management and to create areas where employees can demonstrate their potentials on the basis of accurate investments. These meetings are intended to create synergy through discussions about the company's strategic priorities, future vision, and employees' growth and development opportunities, and to take proactive actions by keeping a closer eye on talent needs.

At Arçelik, the talent review process is tackled multi-dimensionally on the basis of concrete criteria. When reviewing over 10,000 talents every year, the company considers changing workforce dynamics, and creates talent pools and succession plans focusing on equipping the talents with skills fit for future requirements. When development and growth plans for talents are put into implementation, global actions are considered concurrently according to talent and succession vacancies in the organization. Arçelik monitors its actions for retaining and developing the talents in its organization and for enhancing their engagement employing constantly evolving new methods and tools.

Arçelik aims to ready its employees for their future roles by equipping them with the skills of today and the future. To this end, the company assesses roles on the basis of functions according to their criticality, defines technical, behavioral and other knowledge and skills sets for all roles giving priority to critical ones, and creates role profiles.

According to these role profiles created, a process is carried out, which comprises an assessment by the line manager and a self-assessment by the employee using a

**Arçelik aims to ready its employees for their future roles by equipping them with the skills of today and the future.**

tool for identifying the competence for which employees have development need. Development action planning is made based on identified improvement areas, according to which personalized solution plans (rotation, training, mentoring/coaching, etc.) are executed. Role profiles provide a basis for recruitment, talent management, retention actions and career movement plans, besides development planning of existing employees.

In this framework, 4,375 roles were clustered across all countries, the roles were assessed with respect to their criticality and 1,149 critical roles were identified during 2022. Succession statuses were determined specifically for these critical roles, resulting succession gaps were evaluated with risk factors, and risk maps were prepared on the basis of organizations. Development, retention and succession plans were developed according to risk maps; priority action plans are created and actions are followed up.



# Global Organization

## MEXT digital literacy training

Introduced in cooperation with MEXT within the scope of the machine learning program "Headed to Tomorrow: Let's Build Tomorrow Together, digital literacy training is intended to raise increased awareness of digital transformation among operators and team leaders, let them experience the technologies in digital factory structures and embrace their benefits, and help integrate digitalization in their business and personal lives. During 2022, 1,522 people participated in the program.

## For My Country: I Design the Future

The seminars held within the scope of the project For My Country: I Design the Future conducted by Koç Holding are aimed at readying the employees for the future and further their relationships with technology in order to shape the future. The basic goals of the program include providing the setting for designing the future targeted to be achieved using the means offered by technology for a future that is more fair, equal and inclusive. The seminar is given to all new hires as part of the orientation program. During 2022, 319 people participated in the program.

## Sustainability webinar

New hires take part in sustainability-themed webinars as part of the orientation program. During 2022, 284 people participated in these webinars.

**A total of 281.087 person-hours of technical and behavioral training was given to 10,831 authorized service center employees under 297 different training modules.**



## Sustainability training

In 2022, a digital training program was designed which covers sustainable development and what can be done individually in this respect besides Arçelik's initiatives. The training will be open to all employees globally in the first quarter of 2023.

## Arçelik Service Academy

Ever since its inception, Customer Care Services Technical Training Unit (Service Academy) has been formulating, planning and executing training programs for technical and behavioral development of all employees of Authorized Service Centers. As circumstances started normalizing in the post-pandemic period in 2022, face-to-face technical and behavioral training were rescheduled and enacted in view of field needs of our authorized service centers, in addition to asynchronous and live virtual classroom training sessions.

During 2022, approximately 10.831 authorized service center employees were given 281,087 person-hours of technical and behavioral training under 297 different training modules. While on-the-job learning methods and training modules based on personal measurements are implemented in the programs, individuals' learning and development are monitored with an individualized training management system aligned with the new educational science technologies. The remote learning modules that were revised in 2022 increased the productivity of training and ensured continuity of learning.

## Arçelik Retail Academy

Arçelik Retail Academy has been established with the vision of strengthening Arçelik brands in sales outlets in Türkiye, representing modern retailing approaches and practices at these outlets in accordance with brand strategies and ensuring continuity of performance improvement.

Since its establishment in 2017 to date, Arçelik Retail Academy has completed several processes that are significant for corporate academies, such as Academy communication and deployment, improvement of training experiences, content enrichment, etc. With the recently introduced gamification applications that enhance retention and interaction in learning and real-time data monitoring reporting modules, the Academy aims for high-level behavioral changes in training that contribute positively to business outputs of its target audience.

## Talent Development Activities

Arçelik targets to consolidate the personal development, professional competencies and skills its employees need now and in the future, and to support their careers and life quality with the learning and development solutions it offers. During 2022, 1,185,376 hours of training in total was given at Arçelik in various training categories.

### Leader In You

One of the leader brands in its sector, Arçelik designs special programs for presenting the sector with leader employees and managers. Programs are designed under the Leader In You category to support the line of succession that is a high priority for Arçelik, and it is aimed to reach managers at all levels across the company.


- First-time team leaders join the "Leadership Journey" created under the Leader In You umbrella. The program is intended to have new managers learn about effective leadership strategies, internalize the company's goals, values and leadership DNA and embody the shared leadership approach. In the program that is designed with a highly distinct method and learning approach, participants take part in one-on-one coaching sessions, carry out online live workshops, and experience digital learning, classroom learning and learning from one another. During 2022, 158 managers participated in the program.

- In 2022, managers received training under various headings including coaching, leadership, communication, strategic agility, visionary leadership, etc. in online managerial competency programs. 2,056 hours of training was given in competence training programs.
- Leadership Insight program is carried out with the aim of building on the skills of employees targeted to proceed along the line of succession in accordance with the company's target and strategy, support their development and ready them for their next role. During 2022, 120 people participated in the program.
- Launched globally in 2022, "Experiential Leadership" program targets to have the leaders deliver and improve the targeted employee experience in their spheres of influence. 265 leaders from Türkiye and 65 from the global organization participated in the program. The program will continue in 2023 with further developments.
- Online programs offered by the world's leading universities have been supportive in the development of middle and upper level managers. In this scope, 27 executives followed various training programs in line with personal development needs from the Harvard Business School, Getsmarter and Emeritus (19 executives followed HBS, six executives Emeritus and two executives Get Smarter).

LEAD programs comprise of contents with worldwide renowned educational institutions and various training consultancy firms in cooperation with Koç Holding, addressing executive management, entry level-middle level management and specialist levels that support leadership development and also improve fundamental and technical competencies. During 2022, 46 people participated in LEAD programs that cover more than 200 different theoretical and experiential learning and development programs.

**1,185,376 hours of training under various categories was offered at Arçelik.**

# Global Organization



**Global Manager is designed to build on global know-how, diversity management and productivity.**

## Talent In You

Within the scope of the Talent In You program, the following were held online:

- training for building on employees' technical, functional and professional knowledge and skills,
- orientation programs for new hires which facilitate adjustment to Arçelik, shared culture and approach to work,
- development programs comprised of technical and professional training,
- common competence training programs
- foreign language improvement solutions
- programs with special themes concerning social responsibility

Within the scope of the Talent In You program, 523,877 hours of training was given to 22,279 participants.

## Training Programs

### Agile Academy

Agile Academy supported Arçelik-wide expansion of agile management, which is one of the new working and governance forms. The program covers training modules that transform organizational structure into agile organizational structures or that support role-based competence development training and leaders' transition to agile mentality for competence development of teams that adopt agile working principles on a project basis. During 2022, 751 people received 7,716 hours of training within the scope of the program.

### Global Manager

Global Manager is a competence development program designed to build on employees' competency to work in international platforms. Under the program, the participants acquire the necessary global know-how, get to encourage diversity management, productivity growth, cooperation with different cultures and synergy to realize the "Respecting the World, Respected Worldwide" vision. During 2022, 17 participants started the program.

### Master Class

Designed with the aim of developing employees' existing competencies and equipping them with new ones and using the learning from one another/co-development approach, the Master Class program was put into implementation in the Production Technology group. Under the program, 164 participants worked together in groups of two to three people for eight months. Participants were supported with training and supervision.

### Tech-Pro Academy

Ongoing since 2016 as a collaborative initiative of Arçelik and Koç University, the program supports the development journey of all engineers, specialists and senior specialists working in Production and Technology area with a multidisciplinary working environment. The program is targeted at developing participants' competencies and increasing the company's global competitive strength. The Academy starts with the Core Program carried out at Koç University and covers functional training programs comprised of two modules. During 2022, 195 people participated in the program and received 5,785 hours of training.

### Technical Leadership Development Program

The Technical Leadership Development Program provides technical leaders moving through the line of specialization with flexible, structured guidance for determining their development paths that they can benefit from for technical and behavioral competence development in line with their own preferences or priority needs so that they can utilize their expertise more effectively. The program was introduced in 2022.



## **“Headed Towards Tomorrow: Steering Tomorrow” Industry 4.0 Program**

Part of MEXT Competence Development Programs co-conducted by Fraunhofer Institute and MESS, the program is intended for participants to gain an insight into digital transformation technologies in the industry, and to witness end-to-end impact of digital transformation in changing business dynamics and processes with the help of digital factory experience and practices. During 2022, 55 people from managerial and specialist roles participated in the program.

### **Technical Academy 4.0**

Technical Academy 4.0 was launched with the aim of enabling technical competence development of technicians and operators at establishments in relation to automation, programming, digital transformation, lean and agile production, data analytics and secure areas of focus in alignment with Industry 4.0. The program encompasses development pathways tailored to the participants' roles and depth of knowledge. Commenced in 2019 before being put on hold during the pandemic, Technical Academy 4.0 training programs were relaunched at all establishments in 2022 and training was offered at all establishments. As of year-end 2022, 52 people participated in the program, and a total of 1,410 hours of training was given.

### **MEXT digital literacy training**

Introduced in cooperation with MEXT within the scope of the machine learning program “Headed to Tomorrow: Let's Build Tomorrow Together”, digital literacy training is intended to raise awareness of digital transformation among operators and team leaders, let them experience the technologies in digital factory structures and embrace their benefits, and help integrate digitalization in their business and personal lives. During 2022, 1,522 people participated in the program.

### **DigiTal Academy - IT Academy**

Development programs organized for all Information Technologies (IT) department employees including managerial levels with the aim of building on the competencies required by the business world and the future of digital world, are intended to strengthen current competencies as well which will feed company strategy. In addition to learning solutions that will support IT technical competencies, various subjects such as project management, data visualization, communication strategies and customer focus were included in the program to contribute to the employees' development in other areas.

Organized since 2020, the program's development tools were expanded with remote learning and e-learning platforms from 2021. Within the scope of DigiTal Academy, employees including interns, employees engaged for a definite period, specialists and managers are offered a broad selection from which to choose according to their development needs. During 2022, 497 users benefited from the platform for 12,888 hours. In addition, 91 people participated in 46 online classes under 22 different training headings.

### **KoçDigital Data and Analytics Program**

Developed with KoçDigital with the aim of building a bridge between business and technical specialties, the program aims to develop analytical capabilities, principally data-driven decision-making, and to accelerate digital transformation. Participants put real analytical projects into effect by taking part in interactive workshops and seminars, besides the training programs. During 2022, a total of 22 people from managerial and specialist roles participated in the program.

### **One Marketing Academy**

Under the One Marketing Academy umbrella, Digi.Tale, Product Management and Industrial Design development programs were carried out.

**Digi.Tale Program:** Digi.Tale program is aimed at developing the marketing competencies of One Marketing team and at creating a common language and synergy across all global marketing teams. More than 800 marketing employees took part in the first phase of the program, launched in 2022.

**Product Management Program:** The Product Management (PM) program which is designed for Arçelik product management teams has been completed. Three modules were put into effect: “On-the-job learning” module that facilitates adaptation of new hires to the job in Product Management teams, “Business” module that builds on marketing and product management competencies, and “PM (Product Management) Talks” module where inspiring speakers are hosted.

**Design Academy:** Fourteen people participated in the basic level “Grasshopper Masterclass” and advanced level “Texture” training programs designed with the aim of building on tool skills of industrial design teams to be able to do more effective and rapid designs.



# Global Organization

## Foreign language training

Employees' needs in relation to foreign languages were supported by using digital and online platforms. During 2022, 283 employees received foreign language support.

## Digital online programs

Training programs received through digital platforms continued in 2022 with the aim of giving the competencies aligned with the company's digital transformation policy and roadmap. Online programs offered by the world's leading universities have supported the development of employees and middle/senior level managers.

Employees were supported in parallel with their needs via eight different online development platforms, namely, Harvard Business School, Emeritus, GetSmarter, Coursera, Crossknowledge, Udacity, Skillssoft-Percipio and Microsoft ESI. There are 778 employees registered in any one of these platforms and around 1,000 training programs were completed. Apart from these platforms, employees also benefited from other stakeholder platforms such as KoçAkademi, TISK Academy and MESS Academy.

## Compliance programs

Koç Holding Compliance Training developed to raise awareness of the Code of Conduct, anti-bribery and anti-corruption, sanctions and export controls, personal data protection, preventing the laundering proceeds from crime and competition, and to set the standards were deployed across the company. Nearly 17,113 employees completed the Code of Conduct training programs.

## Internal Trainer Program

Since 2021, volunteering experienced employees possessing functional and technical expertise are being supported with a specific program providing trainer formation and they are trained to be internal trainers in line with their expertise, upon which they give internal training. The process makes significant contributions to support and share expertise, and to ensure synergy between teams. As at end-2022, there are 83 internal trainers and 312 days of training have been given.

## Mentoring Program

Mentoring Program is a development program implemented among Arçelik employees, which contributes to employee development. The key development areas addressed by the program are determined as providing career consultancy, developing managerial skills, supporting competence development, understanding the functions of various units, networking, expertise building, gaining personal awareness, familiarization with corporate culture and ways of doing business, and understanding different perspectives. In learning journeys, mentors and mentees are supported with online training programs and advisory services.

In 2022, the framework of the Arçelik Mentoring Program was revised in line with the company's strategic needs. Along this line, the scopes of the Manager Mentoring and Reverse Mentoring programs were updated and the Rising Together Women Mentoring, Functional Competence Mentoring and Country Manager Mentoring programs were added to the scope. The programs are slated for commencement in the first quarter of 2023.

In the Hi Co! IT Internal Communication Project designed to effectively manage the transformation of the Information Technologies (IT) structure, facilitate the adjustment of employees to their new roles and ensure the sustainability of the structure, group coaching has been completed for all the teams, and the results of interviews have been shared with the senior management. Follow-up supervision and team activity are planned to be carried out in 2023.

## Performance Management

Koç Diyalog performance management process started to be implemented in Arçelik's organizations in Türkiye. The process that covered over 3,500 employees in two years is executed with a focus on feedback and development culture. Arçelik carries on with its preparatory work to go live with Koç Diyalog performance management process across its subsidiaries globally as of 2023. This step will involve approximately an additional 6,000 employees from 38 countries in the process and employing Objectives and Key Results (OKR) methodology; work will begin on development OKRs and individual OKRs within the year.

Integration of Arçelik's existing system with the new internal implementations is ongoing. Following the Culture launch, the target is to have five Leadership DNAs internalized and integrate the same in all HR processes. In this framework, studies were carried out to strengthen the definition that assesses how Koç Diyalog process reflected on business results at year-end evaluation. These studies were aimed at converging employees around a shared language, understanding and criteria set in the assessment of how business results are achieved and to ensure that dialogues and examples in calibrations are managed within the framework of leadership DNA.

## Employee Engagement and Experience

The months of September and October each year are devoted to the employee experience and engagement survey across the Koç Group. Along the same line, Arçelik engages independent research companies to survey the topic based on the understanding that employees' loyalty to the organization affects happiness in business life.

In the 12<sup>th</sup> edition of the questionnaire administered in 2022, Arçelik took part with all its global subsidiaries and completed the process in four weeks. The participation rate was 88% in the 2022 Employee Engagement Survey conducted by IDE Kincentric Consulting using Qualtrics infrastructure.

(%)	Arçelik Global
2021 Total Score	72.60
2022 Total Score	68.80
Difference	-3.40
2021 Score by Salary Earners	71.80
2022 Score by Salary Earners	70.90
Difference	-0.90
2021 Score by Wage Earners	72.30
2022 Score by Wage Earners	67.90
Difference	-4.40

While the employee engagement and experience questionnaire is the primary listening survey repeated annually, the voice of employees is taken regularly through topic-based listening on various subjects during the course of the year. Based on the results from the 2022 primary listening questionnaire, the initiatives that will be ongoing throughout the year in a bid to deliver the best employee experience have been determined and action planning was completed.

In addition, improvements were also made to processes in line with these listening studies. The table below shows the initiatives carried out to spread an inclusive culture and to create the best employee experience as at year-end 2022:

Regular and Subject-Specific Listening	Hygiene-Related Factors	Leadership Programs	Collaborations	Wellbeing
<ul style="list-style-type: none"> <li>21,000 employees</li> <li>Regular listening such as meals, commuting, onboarding, candidate experience, etc.</li> <li>Subject-specific listening such as agile transformation, meeting culture, hybrid working, etc.</li> <li>On-location experience visits</li> <li>Ethnographic research</li> </ul>	<ul style="list-style-type: none"> <li>Renovation of physical spaces such as cafeterias, nursing rooms, changing rooms, etc.</li> <li>Setting cafeteria standards</li> </ul>	<ul style="list-style-type: none"> <li>Training program for low-scoring managers – attended by 270 leaders in Türkiye and 75 in countries</li> <li>Experiential awareness sessions – attended by 850 leaders and 73 shift supervisors from Türkiye</li> </ul>	<ul style="list-style-type: none"> <li>Employee Experience Team of 60 working on 3 different topics</li> <li>Global Employee ExperienceTeam comprised of representatives from regions</li> <li>Employee Experience Day event participated by the Employee Experience in Türkiye Team and HR Partnership leaders</li> </ul>	<ul style="list-style-type: none"> <li>Social clubs and employee events</li> <li>Arçelik Employee Volunteering Program</li> </ul>

# Global Organization

Under the hygiene-related factors, Arçelik completed the cafeteria investment in Eskişehir and women's changing rooms in Ankara, Türkiye for wage earners. Furthermore, tables and chairs in the cafeterias in Ankara and Çayırova locations were renewed. The project for renewal of nursing/changing rooms is ongoing in Çayırova and Bolu facilities. While 114 shift supervisors and 500 senior operators took part in Employee-Oriented Development Program, 2,280 employees received Digital Literacy Training. Within the frame of the Human Resources and Leadership Communication Plan, face-to-face reward meetings were organized with employees in addition to on-location meetings. Upon digitalization of the internal announcement process, 2,400 applications were received for 69 positions. While support was extended to 500 children under the School Support Program, internship opportunities were made available for employees' children in Online Career Gatherings.

For salary earners, Arçelik rearranged the welcome packages for new hires and started their distribution in Türkiye within the scope of Onboarding Project, and prepared the 2023 budget for subsidiaries. Roles and responsibilities matrices were prepared and shared with the people in charge for uniform execution of the process throughout all locations. At the end of the year, plans were devised for global introduction of the orientation tool.

**Employees' right to association and unionization is always respected at Arçelik.**

Within the scope of the Work-Life Balance Project, the Arçelik Project Team at the Head Office focused on "Meeting Efficiency" and started working with agile methodologies in the first quarter of 2022. Following the final revisions of the project content, project outputs were shared with the entire global organization at the end of 2022. Work is ongoing on change management activities associated with the project.

Under the Hybrid Working Model Project, the project team is working on the model for locations across the company having teleworking capability, taking into consideration the evolving work life conditions, current needs and employee expectations. Arçelik Head Office and Arçelik Marketing Central Offices employ hybrid working order comprised of three days of office-based and two days of remote working since June 2022. Field employees, on the other hand, can plan their weeks so as to be in the field at most four days a week.

## Industrial Relations

Under its Industrial Relations Policy, Arçelik always respects and supports its employees' right to association and unionization. The company takes care to maintain the peaceful environment at the workplace by acting in accordance with the requirements of legislation and collective agreements as per the relationship of trust it has established with the employees and trade unions. Although they may not be covered in the bargaining agreements, local conditions, customs and traditions prevailing in the regions and countries where the company pursues operations are paid due regard for the sake of preserving the peaceful working environment.

Within the frame of the Industrial Relations Policy, trade unions are regarded not as a counterparty but as a social stakeholder. Therefore, the company attaches utmost importance to maintain good relationships and act in harmony with trade unions. It is an important target for the company that social stakeholders work under better conditions. In this context, the company engages in collective bargaining agreements, and takes care to ensure better working conditions, occupational health and safety, and other fringe benefits such as birth, death, education and marriage supports, as well as achieving compliance with the applicable laws.

## Arçelik is a corporate partner of the international CEMS MIM network.

With the purpose of ensuring the existence and continuity of labor peace in line with the related provisions of the collective bargaining agreement, Arçelik makes available the following social benefits to all employees, irrespective of their being union members or not:

- Four months' salary as a bonus annually
- Heating allowance
- "Leave allowance" prior to annual leave
- "Holiday allowance" prior to religious holidays
- Monthly payment under the name child benefit
- Payments made per occurrence: maternity benefit, marriage benefit, death benefit, military service benefit and education benefit
- Social leaves earned per occurrence: marriage leave, bereavement leave, maternity leave, natural disaster leave
- Transportation and meal allowances in kind
- Complementary Health Insurance
- Annual leave days applicable to employees are specified in the collective bargaining agreement. Leave entitlements beyond the legally prescribed periods of time are granted to all employees, whether union members or not.
- Starting level and remunerations of unionized employees according to their starting positions are applied as set out in the collective agreement.

A Collective Bargaining Agreement was signed on 12 January 2022 by and between the Turkish Employers Association of Metal Industries (in Turkish: MESS) of which Arçelik A.Ş. is a member and the Turkish Metal Workers Union, which is valid from 01 September 2021 through 31 August 2023.

### National and International Partnerships

#### CEMS

Arçelik is a corporate partner of the CEMS (Community of European Management Schools and International Companies) MIM (Master in International Management) network which is a global alliance of leading business schools, multinational companies and NGOs that together offer master education in management to develop outstanding students from all over the world as the future business leaders. CEMS MIM helps students build on their business management skills, and expand their intercultural knowledge and career opportunities through international education and internship/job experiences. In 2022, Arçelik posted announcements for global job opportunities within the scope of CEMS.



# Supply Chain Management

## Profitability is supported with economies of scale.

**Centralized supply chain management allows more effective prediction of potential issues and opportunities and responding to them efficiently.**

The total procurement cost management system in place at Arçelik audits all aspects of purchasing including raw materials, components, workmanship and logistics. Under the company's management system, design modification, alternative material and supply source development and cost improvement projects are carried out in cooperation with individual purchasing and production departments.

Dynamic inventory management policies are pursued, which regulate stock turnover, and consignment purchases are realized. Arçelik invests significant time and resources to explore alternative supply paths in low-cost countries thanks to the global purchasing organization at its disposal.

The centralized approach to supply chain management embraced by Arçelik allows more effective prediction of potential issues and opportunities and responding to them efficiently. Economies of scale enabled by centralized and high-volume global purchasing strategies play an important role in maintaining profitability by contributing to the company's cost improvement, risk management, supplier management and optimization.

Details of the Arçelik Sustainable Supply Chain can be found in the Sustainable Supply Chain Management section ([pages 204-208](#)).

## Global Purchasing

Arçelik boasts a dynamic purchasing organization comprised of purchasing offices in nine different countries staffed with over 200 employees structured in accordance with the company's growing global needs and expanding production network. With a global purchasing capacity that reaches nearly 2,000 (direct) material suppliers from over 60 countries, Arçelik's total procurement volume in 2022 reached approximately EUR 4.5 billion, including indirect and investment procurements.

A category-based purchasing organization is set up at Arçelik with the aim of implementing the most appropriate strategy and collaboration model on a sectoral basis. Employees in charge of each category specialize in their respective categories on the one hand, while carrying out cost improvement projects and projects creating value for the customers on the other hand.

Employing a material price analysis and tendering method during the pricing stage of procured materials, the company pays attention to make a fair pricing for its suppliers, taking into account economic parameters such as staff, raw material trends, electricity, fuel, inflation, etc. in both methods.

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



**Total purchasing volume in 2022 reached approximately EUR 4.5 billion.**

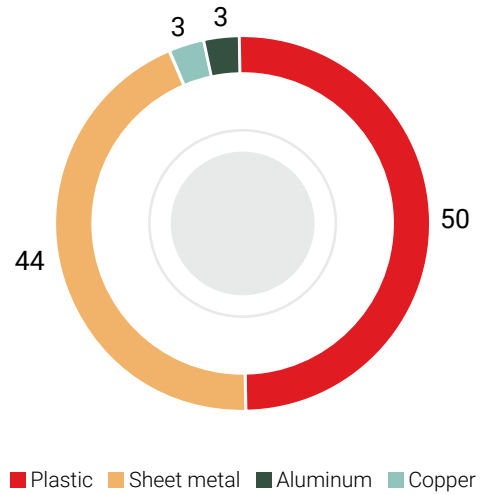
## Raw Materials

Raw materials make up the largest portion of total purchasing volume at Arçelik. When metal and plastic materials which are the main inputs of white goods manufacturing are considered in conjunction with raw material purchases by Arçelik and its suppliers, the cost of purchased materials is approximately 33% of the final product cost. Besides their direct impacts, raw materials are critical also in terms of determination of the prices of component groups that require intensive use of raw materials.

The uncertainties in raw material supply and increased energy costs that resulted from geopolitical developments in the first quarter of 2022 led to new peaks in raw material costs. In May 2022, there were sharp falls on the demand side as volatilities fueled by anticipated recession in global economies became marked. Raw material demands remained low for a long time as producers faced high raw material stocks. This situation caused market prices to decline in both metal and chemical sectors.

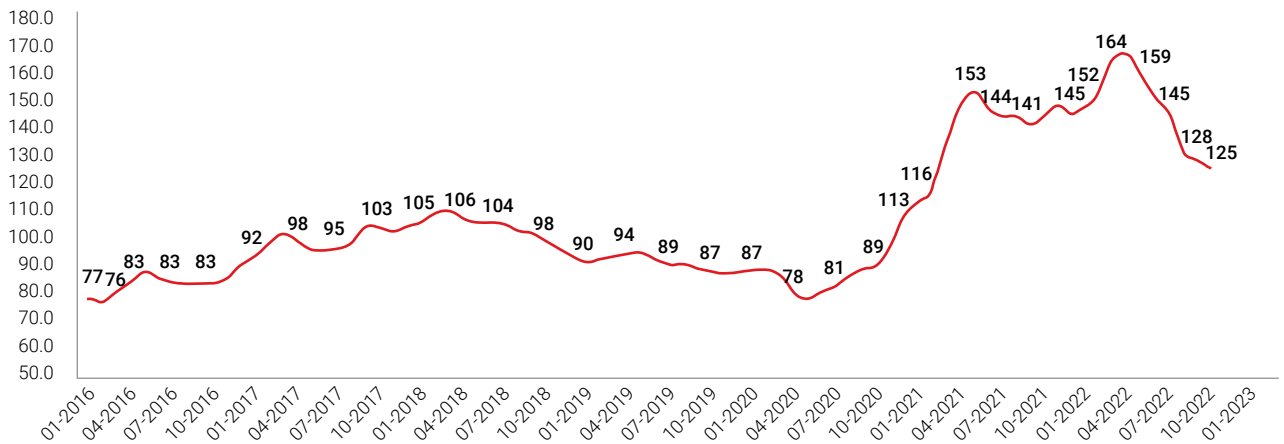
Notwithstanding, input costs and energy costs that remained high restrained continued downturn in prices.

## Raw Material Procurement Distribution (%)



Furthermore, reduced logistics costs led to relatively lower-cost raw materials in the Far East. In 2023, weak demand is anticipated to persist, which will likely put pressure on prices.

## Raw Material Market Index Chart (2011 Market Index=100)





# Supply Chain Management

## Responsible Purchasing

The responsible purchasing strategy operated by Arçelik focuses on humans, environment, costs, quality and innovation in all purchasing operations. Steering all purchasing operations with the sustainability principle, the company designs innovative products that reduce environmental footprint, which allows preservation of profitability without losing competitive edge.

In a bid to procure products, materials and services that reduce environmental footprint in all geographies where it pursues operations, Arçelik works with companies that fulfill established supplier requirements and materials specifications in purchasing processes. The Arçelik sustainable responsible purchasing approach is built on international commitments. The company is among the first signatories of the Codes of Conduct published by Home Appliance Europe (APPLiA). Arçelik provides guidance for the sustainability performances of not just its own organization, but also of all stakeholders throughout the supply chain. Revised in 2019 within the frame of the Global Code of Conduct, Arçelik Global Responsible Purchasing Policy is intended to assure conformity of suppliers' ways of doing business with Arçelik values and commitments. In this scope, the company has informed its suppliers regarding its expectations with respect to regulatory compliance, working conditions, human rights, occupational health and safety, environment, and so on.

Critical suppliers included in the Arçelik Sustainable Supplier Index are evaluated in terms of social, economic and environmental risk factors along the company's value chain and are subjected to Code of Conduct audits pursuant to the Global Responsible Purchasing Policy.

The audits conducted via independent audit firms check whether suppliers conform to Arçelik's expectations in areas such as regulatory compliance, working conditions, human rights, occupational health and safety, environment, etc., corrective actions are planned and followed up for any non-compliance established. Having embraced the full regulatory compliance principle in audits, Arçelik

terminates its contract with any supplier in cases of child labor, forced labor, discrimination, bribery or corruption. New suppliers engaged by Arçelik are required to carry out self-assessment audits with respect to quality, environment and business ethics.

Details on Arçelik Sustainable Purchasing can be found in the Sustainable Purchasing Management section ([page 204](#)).

## Purchasing Academy Program

With the Purchasing Academy Program, Arçelik aims to raise awareness of employees working in this field and help them build on their knowledge and skills. Co-developed with CIPS (Chartered Institute of Procurement and Supply), an accredited institution specialized in procurement, the program offers online training.

During 2022, eight academy sessions were planned for the purchasing organization in Türkiye, which 77 people attended. Overall, 14 people completed and graduated from the program. From the company's global organization, purchasing teams from Romania, Russia, China, Thailand, Pakistan and India participated in the training process. In 2022, two academy sessions were held for international teams which were attended by 40 people. The Purchasing Academy Program is intended to be carried on with training modules prepared in line with the needs of the organization and includes new employees coming on board.

## Global Logistics and Warehouse Management

The Arçelik Supply Chain Directorate assumes the role of implementing best practices in every project carried out within the frame of the company's innovative vision. Digital transformation projects are executed to increase end-to-end operational efficiency and maintain a high level of customer satisfaction; and projects are undertaken in numerous areas including demand and supply cycle, logistics management, production planning and traceability.

## Digital Transformation in Global Logistics and Warehouse Management

### 1. Handling Developments

A system was installed on warehouse ramps, which renders handling operations visible. The system is intended to increase operational efficiency and capacity utilization. It is envisaged that the system will also reduce waiting times and charges. Shortened waiting times will also presumably reduce carbon emissions.

### 2. STORM

Project STORM is targeted at simplification and digitalization of processes that differ according to countries, including projections, order tracking, double-checking availability, logistical organization planning and shipment management. Having started in October 2020 with three subsidiaries selected as pilots for the establishments in Türkiye, the project was brought to completion in April 2021 going live at all subsidiaries and direct sales districts.

Transition for the Romania Arctic stage of the project was commenced in January 2022 and completed in April. Transition at Russia and Thailand plants, on the other hand, is slated for 2023.

### 3. Digital Documentation

In the second half of 2022, Supply Chain processes were addressed within the scope of the company's digital archives project. Analyses were initiated to bring units together on a single platform for document sharing for the purpose of reducing document and email usage in line with the sustainability vision. In the project carried out with the purpose of digital archiving of documentation in imports and exports and increasing their visibility, transition is planned to be completed in March 2023.

### 4. Robotic Process Automation (RPA)

Carried out by global supply chain units in 2021, RPA activities continued at a faster pace in 2022. While weight is given to deployable processes in global and central supply management, diversification efforts were carried on through workshops and information meetings held.

As a result of these efforts, robots pertaining to sales, goods entrance and logistics processes went live, which were accompanied by new processes that can be resolved by way of SAP automation. Deployment efforts will continue in 2023 and weight will be given to benchmarking with different companies as well.

### 5. Subsidiary Demand Supply Cycle and Logistics Management

Focus is placed on introducing a lean solution for the demand/supply cycle and logistics management of subsidiaries. A digital platform will be introduced within the scope of the project that touches numerous departments and processes. The project, which will allow end-to-end supply chain monitoring of subsidiaries, will likely make a positive impact on operational efficiency and financial results at the same time.

### 6. Vehicle Traceability for International Travel

Key anticipated benefits of the project include end-to-end visibility and traceability for all parties of the supply chain ecosystem; process standardization enabled by operational efficiency, digital and automated tracking resulting from the elimination of manual tracking; shorter response time, and customer satisfaction.

### 7. Improved Claims Processes

The project is intended to increase the traceability of claims and insurance processes. Related details can be tracked over the system on a shipment basis instead of manual processes. Stakeholders include warehouses, subsidiaries' supply chain teams, order management and export logistics teams, and quality teams. The implementation resulted in increased information sharing among teams and a facilitated insurance application process.

### 8. Digital Transformation Focus Group Study

The project focuses on the digital transformation of pilot teams identified from the central and global supply chain. Work processes of identified teams are examined and potential points for transformation are determined. A team comprised of members from various IT units makes revisions that will eliminate non-value added tasks for points that can be transformed, and online applications are tested.

### 9. Business Intelligence - KPI Management

In an effort to increase the visibility and traceability of the supply chain, a series of initiatives were undertaken for automatic calculation of key performance indicators (KPI) and for real-time sharing with all stakeholders. Basic supply chain KPIs are automatically calculated on the system and published digitally. This facilitated access of all stakeholders across Arçelik to accurate and reliable information. Special screens were designed for the teams to easily view their own performances and perform detailed analyses when necessary. Work is ongoing for further increasing traceability.

## Customer Services

**Arçelik acts with the vision of “Unparalleled customer experience and reliable service”.**

**Quality and extensiveness of after-sales services strengthen customer loyalty.**

Arçelik manages its processes in order to serve its customers with the vision of “unparalleled customer experience and reliable service”. Quality and extensiveness of after-sales services secured through implementations that adopt the principle of maximizing customer satisfaction strengthen customer loyalty.

Arçelik Customer Services embraces a customer-centric approach erected on the fundamental principle of delivering the perfect customer experience and enabling convenient communication of desires and suggestions of the customers of all brands serviced without discriminating on the basis of customer profiles; customers are informed within 24 hours that their desires and suggestions have been delivered to the company and conveyed to related units. In this system, the entire process is compiled in a traceable, reportable, transparent and safe single information pool, these records are handled and evaluated impartially, fairly and in confidence and in accordance with regulatory requirements; the processes are constantly controlled and improved,

Arçelik Customer Services always stands by customers with its far-reaching service network, well-trained staff, advanced technological infrastructure with the vision of “unparalleled customer experience, reliable service” whenever needed.

The Arçelik Customer Services Directorate offers service via nearly 3,000 authorized sellers and 12,470 authorized service center employees, 6,170 service technicians and 5,130 service center vehicle fleets at more than 600 service centers across all 81 provinces of Türkiye. During 2022, approximately 15 million services were rendered.



Service is provided by trained technicians for all products requiring expertise.

**Electric vehicles started to be used at authorized service centers.**

In a bid to contribute to the vision “Respecting the World, Respected Worldwide”, Arçelik Customer Services Directorate treats it as a priority target to reduce environmental impact by driving electric vehicles at authorized service centers.

The first all-electric vehicle was delivered within the scope of the cooperation with Ford Otosan. Increased use of all-electric vehicles at authorized service centers in the future will be a target.

Pilot installation has been made for EV charging stations and work for their dissemination and further development is ongoing in cooperation with WAT Motor Sanayi ve Ticaret A.Ş.



### Arçelik Bakım Hizmetleri

Arçelik yalıtırlı servisi için uzman teknisyenler ile buzdolabı, çamaşır makinesi, bulaşık makinesi, kurutma makinesi, fırın gibi tüm beyaz eşyaların ilgili bakım hizmetleri sunulmaktadır.



- Arçelik yalıtırlı servisi için uzman teknisyenler ile buzdolabı, çamaşır makinesi, bulaşık makinesi, kurutma makinesi, fırın gibi tüm beyaz eşyaların ilgili bakım hizmetleri sunulmaktadır.
- Buzdolabı bakımı, dondurmaya dondurmaya ve dondurmaya dondurmaya.
- Çamaşır makinesi ve bulaşık makinesi bakımı ve onarım hizmetleri sunulmaktadır.
- Kurutma makinesi bakımı ve onarım hizmetleri sunulmaktadır.

### Models that will generate additional income for authorized service centers and Arçelik – new maintenance, cleaning, control services

As contribution was lent to overall sustainability of service centers by the creation of several processes at Customer Services such as extended warranty and complementary products, responses were developed also for new areas of need not yet discovered by customers. Maintenance service will be offered to customers in numerous product groups (Tumble Dryers, Refrigerators, Washing Machines, Ovens, Dishwashers, ACs, Combi Boilers, Water Dispensers, Chimney Hoods and Integrated Hoods) under Maintenance-Cleaning-Control Service and Maintenance Proposal processes.

The maintenance service is intended to let customers use their products longer, enable authorized service centers to generate additional revenues, increase engagement of authorized service center employees by paying additional share from the revenue, and generate revenues for the company on non-warranty services.

Furthermore, the new maintenance service will provide other benefits such as increased performance effectiveness of products, contribution to energy saving, advance determination of potential failures to prevent higher-cost failures, and in-depth cleaning.

### New project for +40-Year products

A new project has been introduced targeted at exhibiting products that are 40 years old or older at customers' homes at specific locations such as museums, office entrances, etc.

**Arçelik Customer Services stands by customers with its extensive service center network, well-trained personnel and advanced technological infrastructure.**



## Customer Services

### Customer-Friendly Company-Customer-Friendly Brand Activities

As in previous years, the operations in Türkiye were audited by the Turkish Standards Institution (TSE) in 2022 and crowned with "Customer-Friendly Company" and "Customer-Friendly Brand" certifications.

In the first phase of the project, Authorized Service Centers were audited by the TSE. As a result of the audits conducted, 40 Arçelik Authorized Service Centers qualified to receive "Customer-Friendly Company" certification. Following the audits performed in the second phase of the project, the company was awarded the "Customer-Friendly Brand" certifications with Arçelik and Beko brands. Initiatives in this field will continue to be audited by independent companies with a sustainable approach.

\* The company earned the certification based on TS 12850 (Authorized service centers – HVAC systems standard).



### Combi business model

The entire process is intended to deliver the "Arçelik" experience to customers and ensure satisfaction with the service at first-go. A turnkey business model has been set up whereby frictionless service is offered to customers single-handedly via authorized service centers that have been specialized (a task requiring installation work in advance).

Arçelik and Beko brands earned "Customer-Friendly Brand" certification.

### Gas station outdoor payment terminal (opt) services

The communiqué governing the 1000TR product compels replacement of "cash registers" with "new generation gas station outdoor payment terminals" that can instantly transfer data electronically and features increased security. In 2022, the process was successfully adapted to the field with the project co-developed with Token Finansal Teknolojiler A.Ş. and installation of 1000TR new generation OPTs started.

### Customer Services-Regional Directorates Process Analysis project

The Regional Process Analysis is targeted at determining the main processes at Customer Services-Regional Directorates with an audit logic, analyzing diverse practices between regions and minimizing differences, conducting studies to determine improvement areas and best practices at regions, and preparing the ground for the creation of projects for ramification of practices that can be standardized and increasing effectiveness of processes.

Actions are taken, monitored and reported in areas identified according to analysis results, for which related teams also assume responsibility.



## Customer Communication Center

The projects carried out by the Customer Communication Center in 2022 are as follows:

- In reimbursement systems, ensuring integration with the Financial Group to capture productivity and savings
- Automating product planning and supply under the name MHGO and ensuring efficiency in processes
- Robotic control of the salaries deposited in the accounts
- Robotic rerouting of orders in case of dealer change
- Arçelik Sütüce and Kadıköy office Google comments handling
- Arçelik.com product comments handling
- Communication with 100 female dealer customers (candidates)
- Altus social network management
- Oliz customer communication management
- MEB SLA tracking management
- Self Service
- Project Lorem
- Video calling
- Handling the Arbitration Committee process through the contact center
- Extended warranty sales by the Call Center for expired warranty
- Unresolved Call Skills Management (having an experienced agent respond and manage the call by a customer with an unresolved call in the system)
- Product sales by the Call Center using the SMS method (OSAS product sales from Internet stocks)
- IVR (Interactive Voice Response) automation in fraud operations (reaching 4x customer data at a lower cost as compared to the past)

## Customer Communication Center performance data

Service level (domestic) B2C	80.54%
Response rate (domestic) B2C	97.46%
Number of inbound calls (domestic) B2C	7,239,493
Number of responded calls (domestic) B2C	7,055,605
FLS rate	78.01%
Number of BPO companies	4
NPS (Call Center)	76.78%
Number of social network operations (Twitter, Facebook, YouTube, Instagram)	83,471
Number of WhatsApp operations	211,796
Number of mail operations	51,654
Number of chat operations	66,119
CRM sales volume	TL 104,587,402
Additional warranty volume	TL 2,128,602
Reimbursement volume	TL 9,774,214
Call Center sales volume	TL 10,179,661

## Customer Communication Center Achievements and awards

- Vegan certifications have been obtained for eight different products
- Products were promoted in social network posts and TV advertisements to increase recognition of products sold under the brand name Quick and Shine and six different campaigns were carried out.
- Three different campaigns were carried out on World Environment Day, World Water Day and Climate Action Day for TURMEPA branded products incorporated under complementary products.
- The Quick&Shine brand logo was placed on service center vehicles and service center employees' uniforms.
- The advertising produced for Quick&Shine brand received four awards in total in different categories at "Brandverse" and "Felis".



## SECTION 4

# ARÇELİK AND SUSTAINABILITY

### Arçelik accepts sustainability as a business model.

As per its sustainability strategy, Arçelik focuses on creating solutions that address the needs of the future, the environment, people, and its business operations.



## Arçelik's sustainability approach

### Arçelik's sustainability approach is compatible with the UN Sustainable Development Goals.

Arçelik strives to create, in the light of current global trends, sustainable solutions for all of its stakeholders.

While issues such as the climate and water crises, biodiversity loss, proliferation of catastrophic weather events as well as rapid advances in such areas as technology, innovation, and digitalization pose many risks, they also create many opportunities.

For more than half a century, Arçelik has been endeavoring to create sustainable solutions for all of its stakeholders both in light of current global trends and in line with its "Respecting The World, Respected Worldwide" vision. Arçelik's sustainability approach embraces not just the

innovative products and services that it supplies through the conduct of its global operations but their social, environmental, and economic ramifications as well. Arçelik's sustainability approach is formulated so as to be compatible with the United Nations Sustainable Development Goals (SDG).

Arçelik revises its sustainability approach in line with global trends, international standards, and thoroughgoing materiality analysis.

Arçelik conducts its operations in line with its overarching "In Touch Technology" approach while also ensuring the active involvement of all internal and external stakeholder groups in order to identify priority issues as well as their short medium- and long-term objectives and their risks and opportunities.

Arçelik's actions are informed by its "In Touch with Planet" precept of reducing its environmental footprint while helping also to conserve natural resource. The company also espouses the principles of "In Touch with Human Needs" (technology that addresses society's needs) and "In Touch with Business" (technology that integrates sustainability into business processes consistent with being an innovative global citizen).

Arçelik strives to create social and economic value and to minimize its environmental impact.

**IN TOUCH TECHNOLOGY****In Touch  
with Planet****In Touch  
with Human  
Needs****In Touch  
with  
Business****REDUCE OUR ENVIRONMENTAL  
FOOTPRINT TO CONSERVE NATURAL  
RESOURCES**

Transform our business so as to speed up transition to net-zero emissions and to near-zero waste operations

- Climate change and net-zero transition
- Water management
- Circular economy
- Biodiversity
- Products that Reduce Environmental Footprint

**IMPROVE PEOPLE'S LIVES**

Create purpose-driven brands whose social impact is positive, whose environmental impact is less, and which help communities achieve a more egalitarian and inclusive social structure

- Supporting Society with Equal Opportunities and Inclusion
- Corporate volunteerism
- Community development and Partnerships

**BE AN INNOVATIVE GLOBAL CITIZEN**

Ensure long-term sustainable growth by integrating sustainability into decision-making and business processes

- Sustainable Economic Growth
- Business Ethics, Human Rights and Transparency
- Digital Transformation, R&D and Innovation
- Consumer Experience, Satisfaction and Communication
- Sustainable Supply Chain Management
- Future Fit Culture, Talent and Organizational Management
- Corporate Governance
- Product Quality and Safety
- Occupational Health and Safety

Arçelik's 2030 Sustainability Goals are set out in their entirety in the Arçelik 2021 Sustainability Report. The progress that has been made in 2022 will be publicly disclosed in the company's 2022 Sustainability Report.

Arçelik 2021 Sustainability Report:

[https://www.arcelikglobal.com/media/6938/arcelik21\\_sustainability\\_report.pdf](https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf)



## Sustainability priorities

**The number of issues subjected to materiality analysis was increased to 35 taking into account the requirements of international platforms.**

**The company's biennially-updated materiality analysis was carried out in 2022.**

Arçelik attaches great importance to identifying, prioritizing, evaluating, and reporting issues that are of the greatest concern to its stakeholders.

The company repeats its materiality analyses once every two years (most recently in 2022) in order to keep those priorities aligned with changes in global sustainability agendas.

For the conduct of this re-analysis, Arçelik reviewed such external resources as GRI Standards, SDGs, ESG (environmental, social and corporate governance)

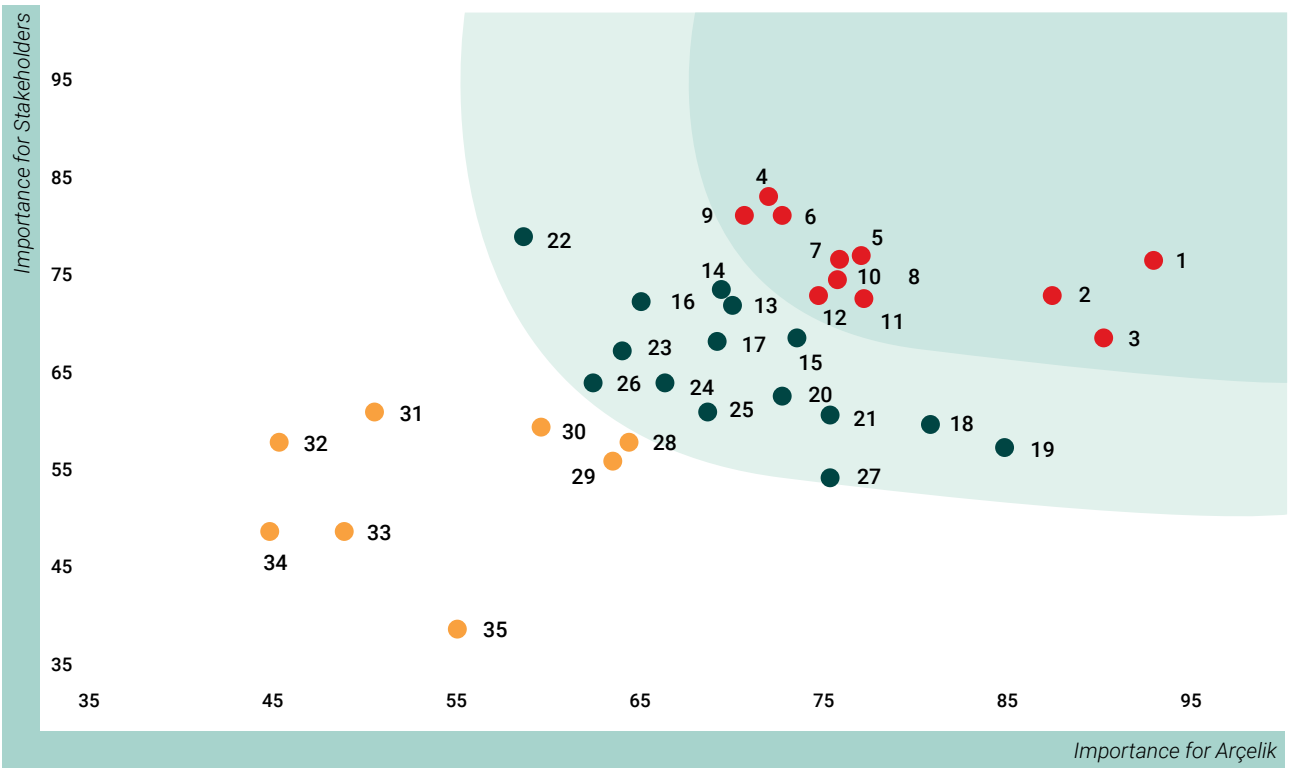
**A comprehensive materiality analysis was conducted with international literature review and broad stakeholder participation.**



rating agency standards, World Economic Forum Global Risks Report conclusions, the Value Reporting Foundation's integrated reporting framework, and World Business Council for Sustainable Development (WBSCD) membership criteria. On the basis of that review it increased the number of material issues it subjected to its analysis to 35.

In order to assess the impact of materiality issues on Arçelik itself, this analysis was conducted in two stages. In the first stage, each materiality issue was assessed from the standpoint of Arçelik's strategic business approach in light of criteria published by the Task Force on Climate Related Financial Disclosures (TCFD) as well as set forth in Arçelik's Green Financing Framework, Corporate Governance Report, and similar documents. In the second stage, the Sustainability Accounting Standards Board's financial-prioritization approach was adhered to when identifying and assessing the impact of these issues on the company's financial performance and long-term enterprise value.

Surveys were conducted to solicit the views of ten different key stakeholder groups. The findings of these surveys were reviewed and assessed by top management team in a process from which emerged Arçelik's materiality matrix.



Presentation

Arçelik at a Glance

Arçelik in 2022

Arçelik and Sustainability

Corporate Governance

Financial Information

Other Information

**Very High Priority**

1. Climate Crisis and Reducing Carbon Emissions
2. Energy Efficiency
3. Eco-efficient Products
4. Product Quality
5. Water Management
6. Occupational Health and Safety
7. Supply Chain Management
8. Business Ethics and Transparency
9. Human Rights and Fair Working Conditions
10. Risk Analysis and Regulatory Compliance
11. Renewable Energy Production and Green Energy Use
12. Talent Management and Capacity Transformation

**High Priority**

13. Product Solutions that Prevent Plastic Pollution
14. Resource Efficiency in Product Manufacturing
15. Operational Waste and Zero Waste Approach
16. Information Security and Management of Cyber Risks
17. Employee Well-being
18. Products Designed with a Circular Approach and Lifecycle Management
19. Diversity and Inclusion
20. Biodiversity
21. Digitalization
22. Product Safety and Chemical Management
23. Investing in New Climate and Eco-friendly Product and Service Solutions
24. Sustainable Use of Raw Materials
25. Open Innovation
26. Sustainable Technology and Innovation
27. Smart Product and Digital Technologies

**Medium Impact**

28. Responsible Marketing and Responsible Consumption
29. Corporate Governance
30. Sustainable Packaging
31. Combating Deforestation
32. Conflict Minerals Management
33. Local Socio-Economic Development
34. Products and Services for Disadvantaged Groups
35. Impact-Oriented Community Programs



## Sustainability priorities

Looking at the results of this analysis it is apparent that Arçelik's overarching "In Touch Technology" approach and its 2030 Sustainability Goals and their associated activities are in alignment with stakeholders' expectations.

Of the materiality matrix's 35 priority issues, 12 are categorized as "high-priority", 15 as "priority", and eight as "medium-priority".

In an effort to express the specific impact of products and services more precisely, changes were made in Arçelik's first-place priorities as an outcome of refinements and enhanced environmental awareness in priority-issue headings.

Climate-crisis mitigation, greenhouse gas emission reduction, and water and energy conservation were among the highest-priority issues for most stakeholder groups. The importance gained by other value chain-related issues such as human rights and decent working conditions suggests that these are matters attracting increasingly more attention among stakeholders and that Arçelik's efforts in these areas are gaining significance for them.

Based on survey results, Arçelik's strategic priorities were revised with the inclusion of "Net-zero transition", "Circular economy", "Digital transformation and innovation", and "Quality, safety and customer management".

Arçelik's overarching "In Touch Technology" approach takes its inspiration from the UN Sustainable Development Goals. The company endeavors to support UN SDGs through a comprehensive strategy that embraces all aspects of sustainability.

Arçelik's revised sustainability priorities and their compatibility with UN SDGs in the light of its 2030 sustainability goals were also reviewed. As a result of this review, three SDGs (#3, #10, #14) which the company was already supporting but which had not previously been elements of its sustainability focus were incorporated into the Arçelik Sustainability Strategy.

In 2022 Arçelik published its first Materiality Map Report so as to facilitate more detailed evaluations of materiality-analysis results categorized by stakeholder group and geographical region.

*Arçelik 2021 Materiality Map*

[https://www.arcelikglobal.com/media/6947/arcelik21\\_materiality\\_report.pdf](https://www.arcelikglobal.com/media/6947/arcelik21_materiality_report.pdf)

### Strategic priorities

<b>Net-zero transition</b>	<b>Social gender equality and diversity</b>	<b>Digital transformation and innovation</b>	<b>Circular economy</b>	<b>Supporting local communities</b>
<b>Water management</b>	<b>Supporting sustainable living</b>	<b>Future-fit culture, talent and organization management</b>	<b>Sustainable Supply Chain Management</b>	<b>Quality, safety and customer management</b>

# Sustainability management

## Arçelik incorporates sustainability into its strategies at the highest level.

The Arçelik Board of Directors has the highest authority responsible of for the execution of the company's sustainability strategy.

As a TCFD signatory, the processes both of integrating ESG risks into its overall risk-analysis and of executing such risks' action plans in parallel with the company's Net-zero 2050 and other strategies constitute issues of substantial concern.

Company organs and units with sustainability-strategy execution responsibilities are summarized in the accompanying chart.



### Arçelik Board of Directors sustainability-related responsibilities

The Arçelik Board of Directors has the highest authority responsible of for the execution of the company's sustainability strategy. As per a resolution passed by the Board in order to ensure that sustainability is integrated into Arçelik's strategies at the highest level, the President of the Koç Holding Durable Consumer Goods Group (who holds a seat on the Arçelik Board of Directors) and Arçelik's Director of Quality, Sustainability and Corporate Affairs (who has ultimate authority for such matters at Arçelik) are charged with reporting sustainability-related matters to the Board. Submitted to the Board three times a year, these reports reveal what has been done with respect to sustainability strategies during the reporting period.

### Board-level sustainability-related activities

As part of their Risk Management Committee duties, Board members are responsible for overseeing the implementation and execution of strategic decisions and action plans related to all ESG issues that may pose risks and have an impact on Arçelik's climate-crisis and other strategies.

At Risk Management Committee meetings, the financial implications of general scenario analyses of all ESG risks to which the company has publicly committed itself to addressing as a TCFD signatory are reviewed and a strategic roadmap laying out all pertinent risk-related issues is discussed.

### Sustainability Council

The Arçelik Sustainability Council is a committee whose members are senior executives responsible for the management of the company's sustainability strategy. This Council identifies and sets corporate-sustainability and climate-change policies and strategies, ensures their incorporation into the company's business processes, and monitors sustainable performance. This Council is the most senior executive-level unit with responsibilities for the management of sustainability-related matters. The Arçelik Sustainability Council is chaired by the assistant general manager for finance and financial affairs. Every assistant general manager is a member of this committee as a consequence of their position.

# Sustainability management

Arçelik's Executive Director for quality, sustainability and government relations is the officer with the highest management-level authority to determine and execute sustainability-related strategies and is also a member of the Sustainability Committee as a consequence of their position.

As a consequence of their position, other senior executives may also take part in Sustainability Council meetings according to the items that are on a meeting's agenda.

To ensure that the Risk Management Committee is kept properly informed about the company's risks and opportunities, reports about all such matters, including, but not limited to, Sustainability Committee agenda items, are reported to the Risk Management Committee at least twice a year.

Detailed information about the structure, duties, and responsibilities of the Sustainability Council is provided on the Sustainability Management page of Arçelik's corporate website.

<https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/>

## Sustainability working groups

All issues that are to be discussed at Sustainability Committee meetings are determined by one or more sustainability working groups, of which there are six: Environment, Energy, Green Chemistry, Climate Change, Sustainable Supply Chain and Occupational Health and Safety.

## Inclusion of climate-crisis and other sustainability-strategy issues in senior executives' performance scorecards

The targets that the company recently committed itself to under the 2050 Science-Based Targets Initiative (SBTi) are included in the performance scorecards of such senior executives as the general manager, the assistant general manager for finance and financial affairs, the assistant general manager for technology and production, the assistant general manager for procurements and supply chain operations, the senior executive for quality, sustainability and government relations, and the senior executive for product-sourcing. Targets related to improving OHS performance are included in the

Arçelik ensures the involvement of all stakeholders in its value-creation processes through transparent and continuous stakeholder communication.

performance cards of such senior executives as the assistant general manager for production and technology and the assistant general manager for human resources. Targets related to such issues as career-progression and diversity, equality, and inclusivity are included in the scorecards of the assistant general manager for human resources and other senior executives whose responsibilities encompass such issues.

## TCFD criteria-compatible risk and opportunity reporting

A detailed analysis of Arçelik's ESG risks and opportunities and of their impact on Arçelik's operations is presented in the TCFD Reporting and Other ESG risks and opportunities chart on ([pages 376-387](#)) of this report.

Detailed information about sustainability working groups is provided on the Sustainability Management page of Arçelik's corporate website.

<https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/>

## Stakeholder engagement

By ensuring the involvement of all stakeholders in its value-creation processes through transparent and continuous stakeholder communication, Arçelik endeavors to incorporate sustainability into all of its business processes and ecosystems for the sake of a more sustainable future. In the conduct of its sustainability-management operations, Arçelik takes a solution-oriented approach and supports inclusive decision-making processes by working with many different NGOs, public agencies and organizations, sectoral players, universities, opinion leaders, business partners, employees, customers, and beneficiaries.

Arçelik endeavors to constantly improve its sustainability performance by expanding and refining the number and scope of the media channels through which it engages with its stakeholders. Besides continuously communicating with different stakeholder audiences throughout the year, the company also solicits broad-based participation in the biennial sustainability-prioritization analyses that it conducts, taking pains to ensure that its operations are developed in line with stakeholders' needs and expectations and that all related processes are transparently communicated.

Detailed information about the principal agencies and organizations, platforms, and stakeholder communication channels that inform the company's efforts to ensure stakeholder engagement is provided in Arçelik's 2021 Sustainability Report.

[https://www.arcelikglobal.com/media/6938/arcelik21\\_sustainability\\_report.pdf](https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf)

Company employees' suggestions for presenting work-related accidents among Arçelik's hourly and monthly paid employees, for improving product quality and/or customer satisfaction, for conserving energy and improving environmental performance in production operations, for contributing to employee loyalty, for improving efficiency and costs, and for supporting improvements in process and service quality may be submitted to those responsible for such matters through the company's online suggestion system.

To encourage and reward employees for making such suggestions, whenever it is decided to put an employee's suggestion into effect, the suggestion is assigned points based on its category, scope, and improvement potential and the points are added to that employee's "Suggestions Scorecard".

Once a year "Pyramid Climbers" awards are handed out to those who have racked up the most points through

suggestions that advance the company's operations. These awards are given in four categories: "Creative innovators", "Environmental and social value-adders", "Collaboration-enhancers", and "Digitalizers".

## Sustainability reporting

Arçelik has been regularly publishing sustainability reports every year since 2007. The company's 2021 Sustainability Report was prepared according to the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI) standards' "Comprehensive" option.

Arçelik's International Business Council Stakeholder Capitalism Metrics (SCM) performance is reported to investors and other stakeholders. Task Force on Climate Related Financial Disclosures (TCFD) criteria-compatible risk and opportunity analyses and approved Science-Based Targets Initiative (SBTI) goals are included the Sustainability Reports.

The new business model presented for the first time in Arçelik's 2021 Sustainability Report was formulated according to the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework. All activities and operations presented in that Report are considered under the separate headings of "Human capital", "Natural capital", "Financial capital", "Manufactured capital", "Intellectual capital" and "Social and Relationship Capital".

Arçelik has joined the United Nations Global Compact's Early Adaptors program for submitting progress reports related to its compliance with the UNGC's "10 Principles for Businesses". The company has also announced that it will be annually reporting its progress towards compliance with the UN CEO Water Mandate water-management principles to which it subscribed in 2022.

The environmental and social performance indicators presented in Arçelik's sustainability reports are validated as being reasonably (sufficiently) assured. Arçelik's 2021 Sustainability Report received the highest rating in its sector in the year's WBCSD "Reporting Matters" program. It was also honored by the Sustainability Academy as the year's best sustainability report for the fourth year in a row at the ninth round of the academy's "Sustainable Business Awards".



## Sector leadership in sustainability

### Arçelik ranks high in globally-respected sustainability indexes.

Arçelik's sustainability performance is given top marks by national and international rating agencies and organizations.

#### Arçelik sustainability performance ratings

Sustainability is embedded into all of Arçelik's operations and is a key element of its business models. The company's successful sustainability performance is acknowledged by the high ratings that national and international rating agencies and organizations assign to it and by its top-tier ranking in globally-respected sustainability indexes.

2022 recognitions of Arçelik's sustainability-performance achievements are as follows:

- As of 16 December 2022, Arçelik held **the highest score** (87 out of 100 points) in the DHP Household Durables category in the 2022 **S&P Global Corporate Sustainability Assessment** which is the world's biggest companies' ESG performance assessment index. This was the fourth year in a row that the company was honored with this recognition.
- Arçelik was placed in the top 1% tier in the **2022 S&P Sustainability Yearbook**, which includes the best-performing companies.
- Arçelik's successful sustainability practices and efforts placed its Ulmi washing machine plant in Romania among the one of the ten **Sustainability Lighthouse** sites in the World Economic Forum's **Global Lighthouse Network**, which is a community of manufacturers whose effective sustainability practices in the management of water and energy resources make them exemplars in the adoption of Fourth Industrial Revolution technologies.
- Arçelik and Europe's leading home technologies brand Arçelik-owned Beko ranked 16th and 17th respectively in the **Real Leaders' "300 Top Impact Companies"** list of organizations rated on the basis of their positive worldwide social and environmental impact.
- For the third time in a row, Arçelik was included in the **Corporate Knights Global 100 Index**, which recognizes the world's most sustainable companies.
- As a result of the 70 out of 100 points that Arçelik received in the 2022 EcoVadis corporate social responsibility and sustainable procurement assessment, the company ranked in the top 5% and was awarded a **gold EcoVadis medal**.
- Arçelik's ESG performance received **50 out of 100 points** in its assessment by **Vigeo Eiris**.
- Arçelik is included in the **Carbon Disclosure Project Water Security Program's "A" list**; it has also received an **"A-" ranking in the CDP Climate Change Program**.
- Arçelik has been assigned a **"Low Risk" (12.8 point) ESG rating** by Sustainalytics, indicating that the company's environmental, social, and corporate governance performance does not expose it to serious financial risks.
- Upon its first inclusion among 485 companies rated in the **Bloomberg Gender Equality Index in 2023**, Arçelik received an above-average score.
- In its 2022 ESG rating by **Refinitiv** on the basis of its 2021 performance, Arçelik placed **first in its sector** with a score of 92 out of 100 points.
- Every year since 2016 Arçelik has been included in global index and data-provider FTSE Russell Research's **FTSE4Good Emerging Index** of emerging-market companies ranked on the basis of their strong ESG performance.
- After having been assigned a "AA" rating in the **MSCI Sustainability Index** in 2015, Arçelik improved that rating the next year and has held a **"AAA"** rating ever since then.
- Arçelik's shares have been consistently included in the **BIST Sustainability Index** ever since they were first admitted to the index in November 2014.



- Arçelik has been assigned a **"Prime" ESG rating by International Shareholder Services**.
- Arçelik returned from the 2022 round of Türkiye's **Sustainable Business Awards**, the ninth in the series, with **honors in three categories**. In the "Sustainable Business Reporting" category its 2021 Sustainability Report was again cited for the fourth year in a row while its İYİ-GE Goodness Movement was also honored in the "Sustainability Communication" category. Arçelik-LG's "Making A Difference In The Sustainability Journey Of Air Conditioning Products" project received an award in the "Circular Plastics Management" category.
- In the Ministry of Energy and Natural Resources' **SENER Energy Efficiency In Industry Project Competition**, Arçelik's Çayırova washing machine plant was placed **second** with its "Heat Pump Cooling Plant" project while its Çerkezköy clothes-dryer plant was placed third with its "1,250-Ton Press Nitro Cylinder" project.
- **Beko's "100 Women Dealers Project"** undertaken to increase the presence of women entrepreneurs in the company's dealership ecosystem, received a **Gold Stevie** in the "Communications or PR Campaign of the Year - Diversity, Equity and Inclusion" subcategory of Stevie Communications and Marketing Awards.
- **"500 Women Technicians"**, a project undertaken to encourage the employment of women in Arçelik's and Beko's authorized services networks, received an award in the **"Diversity and Inclusion: Benefiting Women"** category of the Turkish Confederation of Employer Associations' "Shared Tomorrows" awards program.
- Arçelik has endorsed the CEO **Water Mandate** and committed itself to submitting annual reports on its water-management progress.
- As a member of **Climate Group EP100**, Arçelik has committed to doubling its economic output for every unit of energy consumed globally by 2030, compared to 2010 baseline. In 2022 the company submitted its first progress report revealing its 2021 performance towards fulfilling this pledge.
- Attending the Sharm el-Sheikh Climate Implementation Summit (**COP27**) in 2022, Arçelik signed the open letter of the World Economic Forum (WEF) signed by world leaders and the Corporate Knights' **Action Declaration** supporting the strengthening of climate policies. The company also became a signatory to the **We Mean Business** Coalition's appeal to governments to work together to keep global warming to not more than 1.5°C.  
<https://www.weforum.org/agenda/2022/11/cop27-alliance-of-ceo-climate-leaders/>  
<https://www.corporateknights.com/wp-content/uploads/2022/12/2023-Action-Declaration-on-Climate-Policy-Engagement.pdf>  
<https://www.wemeanbusinesscoalition.org/cop27-all-in-for-one-point-five/>
- In 2023 Arçelik CEO Hakan Bulgurlu was one of eight new members elected to seats on the executive committee of the **World Business Council for Sustainable Development**, a global, CEO-led community that Arçelik joined in 2021.

## Sustainability platforms

- Continuing on the "Designs Goodness With Love" brand journey on which it has embarked, Arçelik initiated a **"Goodness Development"** collaborative intelligence platform (İYİ-GE) with the aim of coming up with answers to the question "What can we do for our planet?". The İYİ-GE Committee convened on this platform has launched a "Climate-Friendly Movement" project that reaches out to all Arçelik stakeholders.
- As an **Action Coalition** Leader on Technology and Innovation at the Generation Equality Forum, Koç Holding initiated a campaign to support social gender equality in the fields of technology and innovation. Announcing that it is also supporting this coalition, Arçelik has made three commitments to empower women and girls in technology and innovation-related functions, responsibilities, and positions.

**Highest score in the Household Durables category in the Dow Jones Sustainability Index four years in a row.**



# In Touch with Planet

## Arçelik strives to reduce its environmental footprint.

**Arçelik seeks to conserve natural resources through improvements both in its innovative products and in the conduct of its operations.**

In line with its “In Touch with Planet” approach, Arçelik strives to conserve natural resources through improvements both in its innovative products and in the conduct of its operations while also engaging in meaningful efforts to reduce its environmental footprint. During all of 2022, the company engaged with a variety of stakeholders in collaborative efforts to come up with solutions to address such environmental issues that impact its sector as climate change, plastic pollution, waste management, and the water crisis. Besides integrating sustainability into the products that it makes, Arçelik also supports efforts on the part of customers, suppliers, and other links in its value chain to reduce their own environmental footprint as well.

Arçelik achieves its “In Touch with Planet” goals by:

- Maximizing energy and water efficiency in its production and manufacturing processes
- Effectualizing waste management through innovative practices
- Developing environmental footprint-reduced products and technologies through the use of recycled and/or bio-materials
- Using sustainable packaging

## Combating climate change

Climate change is foremost among the threats that pose the most serious risks to our planet and its ecosystems. Arçelik regards climate-related risks as being key risk factors that endanger the sustainability of its operations. For this reason, effectively combating climate change and ensuring sustainability are key concerns in all of the company's business strategies and processes.

Owing to its awareness of climate-change issues, Arçelik contributes to national and international efforts, develops and joins solution-focused international collaborations, and supports measures, policies, and commitments aimed at dealing with them.

Arçelik's SBTi emissions-reduction targets compatible with the Paris Agreement scenario of keeping global temperature rise “well below 2°C” were approved by the Science-Based Targets Initiative in November 2022. These targets commit Arçelik to achieving reductions of 30% in its Scope 1 (arising from its own operations) and Scope 2 (arising from its energy procurements) greenhouse gas emissions and of 15% in the Scope 3 GHG emissions (arising from Arçelik-sold products) by 2030 (base year 2018). In August 2021 Arçelik also submitted more ambitious greenhouse gas emissions-reduction targets compatible with the Paris Agreement's 1.5°C scenario to SBTi for approval. Under these more aggressive targets, the company commits itself to reducing its Scope 1 emissions, its Scope 2 emissions, and its Scope 3 emissions by an aggregate 50.4% as of 2030 (base year 2018).

Arçelik has been participating in the Carbon Disclosure Project (CDP), one of the world's most respected environmental initiatives, since 2012. In 2022 the company was included in the CDP Water Security program's A list and was assigned an “A-” rating in the CDP Climate Change Program. Arçelik representatives attending World Climate Conference meetings have been taking part in panel discussions and sharing water-management best practices since 2011.

Joining with NGOs and public agencies and organizations in leading-edge efforts to contribute both to a sustainable future and to economic development, Arçelik then shares what it has learned and gained with its own stakeholders. The company is actively represented in numerous sectoral and cross-sectoral national and international NGOs such as the Union of Chambers and Commodity Exchanges of Türkiye, the Foreign Economic Relations Board of Türkiye, the White Goods Manufacturers' Association of Türkiye, the Brussels-based APPLiA home appliance manufacturers' association, and Europe's leading digital-technology trade association DIGITALEUROPE. These memberships not only enable the company to keep pace with trends and developments such as digitalization and increasingly more sensitive awareness of climate change issues but also supply input for expanding its own robust R&D capacity. Arçelik also works in coordination with stakeholders in creating awareness and developing best practices to achieve the aims of the European Union's European Green Deal new growth strategy and goal of becoming a carbon-neutral continent by 2050.

Arçelik is the leader of the Turkish Industry and Business Association's Environment and Climate Change Working Group as well as of the TÜSİAD Green Deal Task Force. The company also takes part in and contributes to TÜSİAD's Climate Change and Paris Agreement, Circular Economy, Carbon Pricing, and Sustainable Finance sub-working groups and its Energy Working Group and sub-groups.

An Arçelik Board of Directors resolution passed in 2019 created the position of Senior Executive For Quality, Sustainability and Government Relations and made its occupant responsible for developing all sustainability-related policies and strategies including those for dealing with climate change issues and for reporting on

**Arçelik commits itself to reducing its Scope 1 emissions, its Scope 2 emissions, and its Scope 3 emissions by an aggregate 50.4% as of 2030.**

such matters directly to the Board. This person is also responsible for monitoring and taking part in advocacy groups of which Arçelik is a corporate-level member and which fall within the scope of their responsibilities so as to promote activities compatible with the Paris Agreement's 1.5°C scenario.

A detailed analysis of Arçelik's strategy for combating climate change and its impact on the company's operations is presented in the TCFD Reporting and Other ESG risks and opportunities chart on (pages 376-387) of this report.

Detailed information about sustainability management is provided under "Sustainability management" in this section (pages 167-169) and also under "Risk management and Risk Management Committee activities" (page 225) in the "Corporate governance" section of this report.

Arçelik's Climate Change Strategy <https://www.arcelikglobal.com/en/sustainability/in-touch-with-our-planet/combating-the-climate-crisis/>

Information about the green loans and green bonds Arçelik uses to fund sustainability-related projects is provided under "2022 investments" (pages 54-57) in the "Arçelik in 2022" section of this report.

Information about Arçelik's 2022 "Green Bond Allocation and Impact Report" and the associated external auditing of its project-funding activities will be presented in a forthcoming sustainability report that will be accessible from the accompanying link in June 2023. <https://www.arcelikglobal.com/tr/sirket/raporlar-ve-sunumlar/>



# In Touch with Planet



## Renewable energy

In 2022 Arçelik increased its total installed renewable-energy generation capacity to 10.20 MW. One of the 2030 Sustainability Goals to which the company has committed itself is to undertake investments to further expand that capacity to 50 MW by that year.

All of the Scope 2 greenhouse gas emissions of Arçelik's Romanian manufacturing operations have been covered by company-outsourced green-electricity credits since 2015. The same has also been true of its manufacturing operations in Türkiye since 2019. The Arçelik-Hitachi plant based in Thailand outsources green electricity under a long-term renewable-energy power-purchase agreement. In 2022 this outsourcing supplied green-electricity credits sufficient to cover 23% of the plant's manufacturing operational electricity consumption. In 2021, 69% of Arçelik's total energy consumption was derived from green sources. The company has set itself the goal of obtaining the electricity needed for the conduct of all of its manufacturing operations worldwide entirely from renewable sources. The results that were achieved in 2022 will be accessible from the company's 2022 sustainability report.

<https://www.arcelikglobal.com/tr/surdurulebilirlik/surdurulebilirlik-raporlari/>

## Energy efficiency

### Energy efficiency in production operations

As a member of Climate Group EP100, Arçelik has pledged to improving its energy-efficiency so as to increase the economic output of every energy-generation unit by 2030 (base-year 2010). As of end-2021, the company had already achieved 64.13% of that commitment. The results that were achieved in 2022 will be accessible from the accompanying link to the company's 2022 sustainability report.

<https://www.arcelikglobal.com/tr/surdurulebilirlik/surdurulebilirlik-raporlari/>

Likewise as an EP100 member, Arçelik has pledged to have all of its manufacturing operations worldwide qualified holders of ISO 50001:2011 Energy Management System certifications by 2025. As of 2022, the company had already achieved 71% of that pledge with the ISO 50001 certifications awarded to its Dawlance DPL-1, Arçelik-Hitachi Thailand, Manisa washing machine Plant, and Manisa Refrigerator Plant operations.

Since 2020, Arçelik has been implementing a "Shadow-price internal pricing model" when deciding whether or not to invest in low-carbon emissions technologies for use in potential projects whose investment cost and installed capacity values are EUR 50,000 and 50 kW or more respectively. Although the company had originally set a shadow carbon price of EUR 30/tCO<sub>2</sub>e for the conduct of its investment-stage lifetime cost analyses, rises in global-market carbon prices prompted it to raise that figure to EUR 50/tCO<sub>2</sub>e in 2021. Arçelik continued to use the higher price in 2022 as well.

Arçelik is taking part as an end-user in an EU Horizon 2020-funded ECOFACT project whose aim is to optimize production processes' and auxiliary facilities' energy performance in view of such constraints as time and resource availability. Initiated at the company's washing machine plant in Romania, this project's plan is to process real-time data gathered from production processes and auxiliary facilities using AI-based optimization algorithms and use that data as input for a decision-support system that will be capable of advising the end-user as to what the best production-process and auxiliary-facility operating parameters are likely to be. Another project goal is to encourage collaboration by bringing a local supplier in Romania on board and thereby improving accessibility to

the energy and environment data need to carry out lifecycle cost analyses.

## Energy-efficiency projects

In addition to its renewable-energy projects, Arçelik is also continuing to undertake energy-efficiency investments as well. Four hundred and six commissioned energy-efficiency projects related to compressed-air systems, air-conditioning systems, insulation, energy-efficient engine conversion, and process optimization have generated financial savings amounting to a total of EUR 2,528,199 and prevented the release of 7,525 tons of CO<sub>2</sub> into the environment. The company has set itself the target of reducing its product-unit energy consumption by 45% by 2030 (base-year 2015). As of 2021, it had already done so by 18.70%, even without the inclusion of then unavailable Arçelik LG data. The final results that were achieved in 2022 will be accessible from the accompanying link to the company's 2022 sustainability report. <https://www.arcelikglobal.com/en/sustainability/sustainability-reports/>

In 2022 Arçelik entered into voluntary energy-efficiency support agreements with the Ministry of Energy and Natural Resources (ETKB), thereby bringing the total number of participants in the ministry's voluntary agreement program to eight. Under these agreements, which apply to the company's refrigerator and washing machine operations in Manisa, Arçelik has committed itself to reducing the plants' reference energy-densities by at least 10% within three years. In addition to these voluntary-program agreements, Arçelik also submitted three efficiency-enhancing projects to ETKB along with applications for their investment incentives certificates last year.

## Energy-efficiency project highlights

### Cooling tower fan modernization

Location: Arçelik Eskişehir Compressor Plant. The existing aluminum cooling-tower fans were replaced with fiberglass-reinforced plastic (FRP) fans which are more resistant to deformation and fracture and whose more aerodynamic blades improve draft. According to the results of after-commissioning performance tests, the new FRP units have on average increased airflow by 10% and reduced energy consumption by over 40%. In 2022, this project generated financial savings amounting to a total of EUR 6,150, conserved 41,315 kWh of electricity, and prevented the release of 19 tons of CO<sub>2</sub> into the environment.

### Boiler room set temperature optimization

Location: Arçelik Çayırova Washing Machine Plant. Improvements made at locations where hot water is used

have completely eliminated the need for gas-fired boiler-heated water during summer; in winter they conserve natural gas by allowing boiler operating temperatures to be set at lower values. In 2022, this project generated financial savings amounting to a total of EUR 638,000, conserved 668,285 Sm<sup>3</sup> of natural gas, and prevented the release of 1,247 tons of CO<sub>2</sub> into the environment.

### Boiler-efficiency enhancement

Location: Arçelik Eskişehir Refrigerator Plant. An outdated, inefficient boiler lacking a heat-recovery system (economizer) was replaced with a new, more efficient boiler, burner, and economizer. In 2022, this project generated financial savings amounting to a total of EUR 46,550, conserved 39,441 Sm<sup>3</sup> of natural gas, and prevented the release of 76 tons of CO<sub>2</sub> into the environment.

### Arçelik sustainability reports

<https://www.arcelikglobal.com/en/sustainability/sustainability-reports/>

## Environmental management

Arçelik carries out all of its business processes in accordance with an ISO 14001 (Environmental) and ISO 50001 (Energy) management systems-integrated ISO 9001 Quality Management System as well as with other applicable internationally-recognized product and management standards. The operational effectiveness and continuity of Arçelik's management systems are ensured by means both of regularly conducted internationally-accredited independent-agency audits and of periodically repeated in-house system audits. The Scope 1 (direct) and Scope 2 (indirect/energy) greenhouse gas emissions of Arçelik's operations in Türkiye have been calculated in accordance with the ISO 14064-1 standard since 2010. The same standard has since been adopted at its Gaești plant in Romania (2015), at its Russian plant (2016), at its South Africa and Ulmi (Romania), and Pakistan plants (2019), and at the Beko plant in Thailand (2020). Conformity to this standard is independently verified by accredited agencies with "Reasonable Assurance".

**406 energy efficiency projects prevented 7,525 tons of CO<sub>2</sub>e greenhouse gas emissions.**

## In Touch with Planet

**During 2022, a total of 21,160 hours of environmental training were provided.**

The company has been calculating the greenhouse gas emissions arising from its logistical operations in accordance with the requirements of the ISO 14064-1 standard and having them independently verified since 2013. Since 2019 the company's Scope 3 greenhouse gas emissions have been calculated as per ISO 14064-1 on an expanded-inventory basis that embraces raw material and processed inputs, product packaging and its recycling, production-generated solid-waste disposal and waste-water treatment, product use, manufactured goods' domestic and import/export logistical operations, product end-of-life (EOL) processes, and business travel and company-personnel transport operations. Conformity to this standard is independently verified by accredited agencies with "Reasonable Assurance".

On a worldwide basis, 94% of the company's manufacturing operations now hold ISO 14064 certifications. Audited ISO 14001 Environmental Management systems are now in operation at Arçelik plants in Türkiye (Çayırova, Bolu, Ankara, Eskişehir, Çerkezköy, Manisa); likewise in Romania (Arctic), Russia (Beko LLC), South Africa (Defy), Thailand (Arçelik-Hitachi, Beko Thailand), Bangladesh (Singer Bangladesh), China (Arçelik-Hitachi), and India (Voltas Beko). Arçelik-LG operations in Türkiye are also ISO 14061-certified.

In addition to complying with ISO 14061 in the conduct of its own manufacturing and procurement operations, Arçelik encourages, supports, and monitors the same compliance among its suppliers. During 2022 the company's strategically-partnered suppliers were regularly checked by independent auditors to determine their compliance with mandatory environmental and hazardous-material laws and regulations and with Arçelik's ethical-business guidelines.

Training resources are made available to increase environmental awareness and propagate it throughout the company's value-creation chain. Provided both to Arçelik's own personnel and to those of its subcontractors, such training now covers a number of social-responsibility topics as well. Total environmental training time amounted to 16,595 hours in 2020 and 29,818 hours in 2021. During 2022, a total of 21,160 hours of environmental training were provided to Arçelik (19,001 hours) and subcontractor (2,034 hours) employees along with 125 hours of social-responsibility training.

Arçelik budgets financial resources and undertakes investments to reduce its environmental footprint and to improve its environmental performance. During the most recent three years, the company's environmental-protection outlays and investments amounted to EUR 6.98 million, EUR 9.73 million, and EUR 15.53 million in 2020, 2021, and 2022 respectively.

Water-efficiency and waste-reduction projects undertaken at the company's plants during the most recent three years generated financial savings of EUR 1,593,000, EUR 420,000, and EUR 1,347,000 in 2020, 2021, and 2022 respectively.

Efforts to improve water efficiency and to recover rainwater have conserved a total of 2.35 million m<sup>3</sup> of water over the last 13 years. That corresponds to the amount of water that approximately 2.9 million households would use in one day.





Environmental performance indicators	2020	2021	2022
Total energy consumption (GJ) <sup>1</sup>	2,164,461	2,415,734	***3
Direct energy consumption (GJ) <sup>1</sup>	1,072,516	1,205,193	***3
Indirect energy consumption (GJ) <sup>1</sup>	1,091,945	1,210,541	***3
Indirect (purchased) renewable-energy consumption (GJ) <sup>1</sup>	814,540	898,639	***3
Indirect (purchased) non-renewable energy consumption (GJ) <sup>1</sup>	277,406	311,902	***3
Renewable energy generated (GJ) <sup>1</sup>	3,171	3,193	***3
Total freshwater withdrawal (m <sup>3</sup> ) <sup>2</sup>	1,205,154	1,403,963	
From wells (m <sup>3</sup> ) <sup>2</sup>	584,827	608,062	***3
From mains (m <sup>3</sup> ) <sup>2</sup>	557,714	695,519	***3
Supplied by tanker (m <sup>3</sup> ) <sup>2</sup>	0	29,402	***3
Rainwater (m <sup>3</sup> ) <sup>2</sup>	62,613	70,980	***3
Total water discharged (m <sup>3</sup> ) <sup>2</sup>	1,040,329	1,064,582	***3
Total wastewater (tons) <sup>2</sup>	103,263	135,899	***3
Direct (Scope 1) greenhouse gas emissions (tCO <sub>2</sub> e)	71,583	84,207	***3
Indirect/energy (Scope 2) greenhouse gas emissions (tCO <sub>2</sub> e) <sup>1</sup>	43,635	47,154	***3
Indirect/other (Scope 3) greenhouse gas emissions (tCO <sub>2</sub> e) <sup>1</sup>	25,073,870	26,413,811	***3

<sup>1</sup> Energy and greenhouse gas emission data sources:

2020: Arçelik Türkiye, Arctic Gaeşti and Ulmi Romania, Beko LLC Russia, Defy South Africa, Beko Thailand, Dawlance Pakistan, Beko England, Beko France, Grundig Nordic AB, Grundig Nordic AS, Beko Poland, Beko Grundig Germany (all operations).

2021: Arçelik Türkiye, Arctic Gaeşti and Ulmi Romania, Beko LLC Russia, Defy South Africa, Beko Thailand, Dawlance Pakistan (manufacturing operations); Beko UK, Beko France, Grundig Nordic AB, Grundig Nordic AS, Beko Poland, Beko Grundig Germany (Croatia Branch), Beko Grundig Germany, Beko Ukraine LLC, Beko LLC Russia, Beko Thailand Co Ltd, Beko APAC IBC Co Ltd (office operations).

<sup>2</sup> Freshwater and wastewater data sources:

2020: Arçelik Türkiye, Arctic Gaeşti and Ulmi Romania, Beko LLC Russia, Defy South Africa, Beko Thailand, Beko England, Beko France, Grundig Nordic AB, Grundig Nordic AS, Beko Poland, Beko Grundig Germany

2021: Arçelik Türkiye, Arctic Gaeşti and Ulmi Romania, Beko LLC Russia, Defy South Africa, Beko Thailand, Dawlance Pakistan, Beko England, Beko France, Grundig Nordic AB, Grundig Nordic AS, Beko Poland, Beko Grundig Germany, Arçelik Pazarlama AŞ, Beko APAC IBC Co Ltd, Beko Spolka Akcyjna, Beko Ukraine LLC, DEL Electronics Private Limited, Dawlance (Private) Ltd, United Refrigeration Industries Ltd.

<sup>3</sup> All data were undergoing independent verification at the time this report was in preparation. Finalized audited figures will be presented in the Arçelik 2022 Sustainability Report that is published on the [www.arcelikglobal.com](http://www.arcelikglobal.com) website.

SO<sub>2</sub>, TOC, VOC, and NOx emissions values associated with Arçelik's operations in Türkiye are taken from the most recent emissions analysis reports supplied by accredited laboratories and are presented in the accompanying chart. All these emission values are below legally-mandated limits.

Air emissions	2022 (tons/year)
SO <sub>2</sub>	1.9
TOC	35.5
VOC	6.1
NOx	407.8



# In Touch with Planet

## Biodiversity

Arçelik is working to improve biodiversity in a Natura 2000-listed key biodiversity area located near its Ulmi Arctic plant in Romania under a project that will run until 2027. This project involves taking various measures to improve biodiversity both by reducing biodiversity-detrimental pressures and by supporting natural habitat growth and development. To help prevent deforestation the company has set itself the goal of increasing the percentage of recycled cardboard used in the product packaging it makes itself or outsources from others<sup>1</sup> to at least 80% by 2027.

*Detailed information about this project is provided on the Arçelik Global website.*

<https://www.arcelikglobal.com/en/sustainability/intouch/areas/commitments-on-biodiversity-no-deforestation/>

## Water-risk management

Water-risk management and water-efficiency activities are carried out in accordance with Arçelik-defined strategies and by the Environmental Coordination Working Group, which reports to the Arçelik Sustainability Committee. Water risks, strategies, and their impact on business objectives are reviewed and assessed by that committee four times a year. The committee prioritizes water-related risks and opportunities according to an Arçelik-defined scoring methodology that assigns points to both risks and opportunities on the basis of their potential financial, reputational, productivity, social and legal consequences.

As recommended by TCFD reporting principles, Arçelik adheres to an integrated approach when monitoring, measuring, and managing its water and other ESG risks as well as the potential financial impact of such risks. In its assessment of physical risks, the company conforms to S&P Global Trucost's Methodology of considering the physical risks to which Arçelik's assets and those of its suppliers are exposed on account of weather events and climate-related threats such as water stress, floods, extreme heat and cold, storms, and sea-level rise as well as the potential impact of these events on and threats to the company's operations. Projections have been made for

fiscal years 2030 and 2030 (base-year 2020) according to three different climate-change scenarios: Worst case [RCP 8.5], Moderate case [RCP 4.5], and Best case [RCP 2.6]. A Trucost Physical Risk Scenario Analysis of these three cases indicates that Arçelik's exposure to physical risks is moderate overall and that the key component of that risk is water stress.

Within the company, physical risks and potential scenarios are analyzed using the World Resources Institute's Aqueduct Water Risk Atlas tool. The results of these analyses are reviewed yearly and action plans to mitigate water risks are formulated based on analysis findings. In a similar vein, under an International Finance Corporation Water Efficiency Project that was carried out in 2019, the water performances of 17 Arçelik plants in Romania, Russia, South Africa, Thailand, Türkiye, and Pakistan were compared with the best practices of European firms in the IFC database. An IFC water efficiency report of these comparisons identified areas in which performance needed to be improved. The findings of this project were used as input for determining Arçelik's 2030 water target. In the formulation of risk-adaptation plans, Arçelik set itself the goal of raising its water recycling and reuse ratio (defined as total amount of water recycled and reused to total amount of water withdrawn) to 70% in all of its production facilities.

In addition to being mindful of its water use, Arçelik also takes action to safeguard water resources and biodiversity in localities where its operations are carried out. Before any used water is discharged into the environment, it is cleaned in chemical and biological treatment plants as needed and appropriate so as to ensure that the water's properties remain below legally-mandated discharged wastewater parameters. Discharged water is regularly sampled and analyzed to ensure that standards are being complied with.

None of the company's operations involve withdrawing water directly from surface water resources.

## Waste management

While reducing waste generated in the conduct of its manufacturing through innovative approaches and practices, Arçelik also strives to minimize the environmental impact of the products that it makes and sells. The company's product packaging is optimally minimal; EOL

<sup>1</sup> Corresponding to 90% of the purchasing volume

electrical and electronic appliances' lifecycle environmental impact is managed by recovering and recycling them. Arçelik constantly improves both its production-generated waste prevention and reduction and its at-source waste separation performance so as to approach ever nearer to its zero-waste goal. It invests in innovative technologies in order to reduce both the quantities of raw materials and chemical inputs that are used in production processes and the amounts of waste that the processes generate. Mindful of its products' environmental impact at every stage from initial concept forward, the company incorporates recyclability and environmental impact-reduction into their design.

Arçelik engages in a variety of education, awareness-creation, and incentivization activities in order to contribute to the expansion of zero-waste approach and practices. To the same end, it also supports the Ministry of Environment, Urbanization and Climate Change's Zero Waste Project.

#### % of recyclable raw material and processed inputs used in Arçelik products

Material	Status
Metal	100%
Plastics	100%
Glass	100%
Chemicals <sup>1</sup>	Non-recyclable
Rubber	100%
Other	81%
Components	80%

<sup>1</sup> Does not include oils, 78% of which are recoverable.

#### % of Arçelik products that are recyclable

Product	Status
Washing machines	99%
Condenser laundry dryers	98%
Refrigerators	99%
Dishwashers	84%
Consumer electronics	88-92%
Ovens	91%



#### Waste Electrical and Electronic Equipment (WEEE) Recycling Plants

Arçelik satisfies all regulatory requirements pertaining to the management of waste electrical and electronic equipment (WEEE). As a manufacturer with extended producer responsibilities, in 2014 the company set up e-scrap recycling plants in Eskişehir and Bolu to promote processing WEEE for reuse and/or ecofriendly disposal. By having discarded refrigerators recycled at the Eskişehir plant and other white goods and small home appliances recycled at the Bolu plant, the lifecycle environmental impact of these goods is minimized. The Eskişehir plant also has the distinction of being the first recycling facility in Türkiye qualified and authorized to collect and contain the ozone-layer depleting chlorofluorocarbon (CFC) refrigerants that were used in refrigeration systems before the 1990s. Between 2014 and 2022, Arçelik's Eskişehir and Bolu WEEE recycling plants processed a total of 1.7 million units and conserved 469 GWh of energy while also preventing the release of about 231,000 tons of CO<sub>2</sub> into the environment. The replacement of outmoded-technology appliances with new ones whose environmental footprints are smaller also conserved 8.3 million tons of water.

In countries other than Türkiye where it has operations, Arçelik fulfills its extended producer responsibilities for e-scrap management in partnership with licensed firms and organizations.

# In Touch with Planet

## Compliance with national and international environment and energy-related laws and regulations

Arçelik manages compliance with mandatory regulations governing its lifecycle responsibilities for the products that it makes in accordance with ISO 14001 Environmental Management System and 50001 Energy Management System standards. In EU countries it fulfills its collection and disposal obligations under WEEE Directive 2012/19/EU as a manufacturer with extended producer responsibilities exclusively through duly-authorized mechanisms. The company works in partnership with numerous licensed firms, organizations, and systems to ensure the proper collection and recycling/disposal of its EOL products. Arçelik likewise complies with the requirements of RoHS Directive 2011/65/EU, which replaced the Directive 2002/95/EC, imposing restrictions on the use of certain hazardous substances in electrical and electronic goods as well as with the requirements of amendments to that directive. Regarding it as one of the most important regulatory processes in existence for protecting environmental and human health, Arçelik supports compliance with EU Regulation 1907/2006 on the registration, evaluation, authorization, and restriction of chemicals (REACH), whose aim is to make certain that all chemical substances being used are registered and controlled so as to make it possible for them to be continuously tracked from source to user while also ensuring that consumers are made aware of vital information about the chemical safety and use. A team of Arçelik specialists is charged with keeping track of REACH practices. Conducting all of its operations with a mindfulness for environmental wellbeing, Arçelik's refrigerators only contain hydrocarbon refrigerants whose environmental impact and contribution to global warming is low and which are not harmful to the ozone layer.

For the refrigerants used in the heat pumps of its laundry dryers, Arçelik has recourse to alternatives whose global warming potential is less. The company is now using hydrocarbon refrigerants whose contribution to global warming is close to zero. Since April 2018, Arçelik has been upgrading the energy-efficiency and eco-aware design criteria of its water and space heaters and raising the minimum requirements which they must satisfy. In these as well as in all other respects, Arçelik makes certain that it is in full compliance with mandatory regulations.

Arçelik incurred no penalties on account of non-compliance with environmental laws or regulations during the reporting period.

**Responsible manufacturing and responsible consumption approach is incorporated into all manufacturing processes.**

## Environmental footprint-reduced products

Arçelik supports more productive and efficient use of natural resources by incorporating its responsible production and responsible consumption approach into all of its manufacturing processes.

In 2022 the company continued its efforts to consume fewer natural resources by improving the energy and/or water efficiencies of its products in such ways as increasing the amounts of recycled plastics used in them, making increasingly greater use of recycled/recyclable materials in product packaging, and replacing plastics with biocomposites.

### Products using recycled plastics and biocomposites

**Oven, dishwasher, and washing machine components manufactured from recovered fishing nets and synthetic fibers**

In an effort to help reduce the ecosystem harm caused by fishing nets that have been abandoned, lost, or otherwise discarded in the sea, recovered netting along with synthetic fiber waste are recycled and the plastic is reused in various ways in different product groups. Owing to its high tensile strength and thermal properties for example, recycled fishnet plastic can be used in ovens instead of the newly-manufactured polyamides that are the most widely used for such applications. Information about the high-performance polyamide materials which are recycled from discarded fishnets and synthetic fibers by means of innovative recycling technologies and which are used in components in ovens, washing machines, and dishwashers as well as about recycled fishnet and synthetic fiber quantities is provided in Arçelik's 2022 Sustainability Report. <https://www.arcelikglobal.com/en/sustainability/sustainability-reports/>

**r-PET**

Leopet is an Arçelik-patented recycled polyethylene terephthalate (r-PET) made from recycled PET containers. This high-performance recycled plastic is used to make drums for washing machines and washer dryers whose sale to consumers around the world helps contribute to the circular economy. Formulas for plastics incorporating recycled PET containers and suitable for manufacturing drums for lower-speed spin washing machines were approved and their mass production commenced in 2022. The company plans to use only recycled PET in the manufacture of all of its washing machine drums except those installed in units that are destined for sale in the North American market. The successful performance of mechanical-function components made from recycled plastic is helping to correct misperceptions about recycled plastics in general. In line with Arçelik's aim of promoting best practices in its subsidiaries, recycled PET container plastics were used in AC units developed in cooperation with Arçelik-LG in 2022.

New formulas for plastics incorporating recycled PET containers and suitable for use in manufacturing laundry dryers' upper chassis and front bearing components were developed; mass production of these materials commenced in 2022. This value-adding reuse of recycled PET containers in the manufacture of laundry dryer components as well will further contribute to nature and environmental health. Information about the quantities of PET containers that were recycled between 2017 and end-2022 is provided in Arçelik's 2022 Sustainability Report. <https://www.arcelikglobal.com/en/sustainability/sustainability-reports/>

**Plastic dishwasher components made from recycled plastic collected from dishwasher components in Arçelik Waste Electrical and Electronic Equipment recycling facilities**

The steadily accelerating accumulation of plastic waste over the years is making it increasingly more urgent to develop circular-economy solutions focused on recovering, recycling, and reusing it and on reducing the overall amounts of refuse that needs to be dumped into tips. In this project, a variety of dishwasher components that are expected to withstand high temperatures and mechanical stresses are being manufactured from recycled plastic dishwasher components collected in Arçelik WEEE facilities. Under this project in 2022, recovered plastic dishwasher baskets continued to be recycled and reused to

**Arçelik aims to use more recycled materials in its products and packaging.**

make dishwasher fan components. Detailed information is provided in Arçelik's 2022 sustainability report. <https://www.arcelikglobal.com/en/sustainability/sustainability-reports/> Such closed-loop recovery, recycling, and reuse processes help reduce the company's carbon footprint by reducing the amounts of petroleum-based new plastics that need to be used.

**Plastic refrigerator components made from recycled Arçelik refrigerator packaging waste**

Under this project, polyethylene-based Arçelik refrigerator packaging is converted into value-adding granules that are compounded with polypropylene plastic that has been recycled using an Arçelik R&D discovered process, thereby reducing the overall environmental impact of these materials. Initiated in 2021, this project continued to make use of recycled packaging waste in newly-manufactured refrigerators during 2022. Detailed information will be provided in Arçelik's 2022 Sustainability Report. <https://www.arcelikglobal.com/en/sustainability/sustainability-reports/>



Recycled materials obtained from waste are recycled and granulated at licensed waste recycling facilities and used in Arçelik products.

# In Touch with Planet

## Small home appliances made using high-performance recycled plastics

Plastics recovered from EOL Arçelik products are given new value by reusing them, thereby reducing carbon emissions as compared with manufacturing elements from petroleum-based new plastics.

- In consumer electronics these inputs account for:
  - 90% of all plastics used in Band 360 Bluetooth speakers
  - 92% of all plastics used in Portable 360 Bluetooth speakers
  - 100% of the body of the Jam Earth BT Speaker
- In electric sweepers these inputs account for:
  - 67% of all plastics used in bagged Atak units
  - 43% of all plastics used in Luna 4 units
  - 23% of all plastics used in Orion 8 units
  - 30% of all plastics used in Ares and Altus units
  - 42% of all plastics used in Jaguar units
  - 35-52% of plastics used in bagless Atak units
- In personal care products these inputs account for:
  - 43-72% of plastics used in the housings of ProClub hair and beard clippers
  - 58-85% of plastics used in the housings of ProClub shavers
  - Washing machine pulleys made from graphene derived from recycled EOL belts and polyamide materials derived from discarded textile waste

## Washing machine pulleys made from graphene derived from recycled EOL belts and polyamide materials derived from discarded textile waste

Because the pulley assemblies of Arçelik washing machines are among their most dynamic parts and must be able to withstand severe mechanical strain and stress, the pulleys have hitherto had to be manufactured from petroleum-based new plastics. Using an Arçelik R&D discovered process, it has become possible to come up with polyamide-based formulations from recycled textile waste, resulting in a raw material whose environmental impact is less than newly-made plastic. The company plans to commence mass production of this new raw material in Q1 2023.

\*Recycled materials obtained from waste are recycled and granulated at licensed waste recycling facilities and used in Arçelik products.

## Recycled PET in Arçelik AC indoor unit chassis

The chassis is the single heaviest component of Arçelik air conditioners' indoor units. At present, 10% of these chassis are made from recycled PET. Work was carried out to develop a formula for a plastic which would allow this percentage to be increased. This resulted in a new formulation that raises the total to 42% recycled plastic. Mass production of this new raw material commenced in Q2 2022. This project to increase the recycled-plastic content of washing machine pulleys earned Arçelik a Sustainable Business award in the "Circular economy plastic management" category in that series of Türkiye's most prestigious sustainability award and recognition programs.

## Bio Refrigerator projects

Incorporating both bioplastic components and bio-based polyurethane in its design and manufacture, the Bio Refrigerator was unveiled for the first time at IFA 2019, where it attracted great attention and much favorable feedback. A version of this refrigerator containing bioplastic components but no bio-based polyurethane is currently on sale in Türkiye and the UK as well as in many other national markets. The company plans to introduce a version of the Bio Refrigerator with bio-based polyurethane insulation in Q1 2023.

## Small home appliances manufactured from organic composites

Arçelik is currently working on the development of formulations for plastics made from recycled organic waste as a way both to reduce the need for new plastics made from petroleum and to promote waste recycling. Noticing that Türkiye's tea industry generates huge volumes of discarded tea plant fiber in the course of its tea-processing operations, formulas were developed to make polypropylene-based plastics by recycling this valuable by-product. This raw material developed was put into mass production in the bottom cover part of the Gourmet automatic tea machines. The use of plastic made from a biocomposite material containing recycled coffee grounds in the company's Bio espresso machine also helps reduce the need for inorganic plastics while likewise enhancing the economic value of organic waste.



### FiberCatcher microfiber filtration system

FiberCatcher is a filtration technology that Arçelik has developed to prevent the microplastics resulting from the washing of petroleum-based fabrics in washing machines from being discharged into sewer systems and ending up in the planet's rivers, lakes, and seas. Integrated into the company's washing machines, not only does FiberCatcher reduce the microplastic-content of discharged water by up to 90% but the system's filters are made from 98% recycled plastics themselves. In keeping with its mission to promote open innovation and collaboration in industry, Arçelik has declared itself ready to further develop this technology in partnership with other sectoral and non-sectoral manufacturers, NGOs, universities, and any other stakeholders who may be interested in it.

Please refer to the "Innovative products" section of this report ([pages 88-111](#)) for further information about Arçelik technologies that help reduce environmental footprints.

### Sustainable packaging

Arçelik is focused on reducing resource consumption and on using recycled/recyclable materials in the management of its packaging processes. While products are designed so as to permit both the volume and the weight of their packaging to be optimally minimal, the company also engages in ongoing efforts to increase the percentages of recycled/recyclable materials that go into such packaging so as to reduce its across-the-board environmental impact. Arçelik set up a cross-company working group consisting of all of its factories and R&D operations and commissioned it with exploring and transitioning to sustainable packaging alternatives with a focus primarily on eliminating expanded polystyrene (EPS) from all products entirely. Work is also being carried out to look for more sustainable packaging material alternatives to replace the Styrofoam used to protect home appliances during their packing, shipment, and storage processes.

Detailed information about efforts that were made during 2022 to use environmental impact-reduced product packaging in the conduct of the company's operational processes is provided in Arçelik's 2022 Sustainability Report. <https://www.arcelikglobal.com/en/sustainability/sustainability-reports/>

- The use of pulp made from recycled cardboard boxes in packaging helps prevent the harvesting of trees. In addition to being indicated on the outside of the packaging itself, information about this is disseminated through social media to enhance awareness among end-users.
- EPS is no longer being used in company-manufactured kitchen hoods, small home appliances, or consumer

electronics and has been replaced with materials made from 100% recycled inputs. The use of 100% recycled/recyclable cardboard in boxes also helps prevent the harvesting of trees.

- R&D work has been completed to replace the EPS used in major home appliances and televisions with more sustainable alternatives. The company plans to begin putting selected models of such products on sale in Q1 2023.
- Recycled PET containers are now being used in home appliances' packaging tape.
- The user's guides and instructions accompanying all products manufactured in Türkiye are now being printed only on recycled paper.
- The company has begun using recycled plastic in product wrapping and accessory pouches. A project to expand this use across all product groups is currently in progress.

### Low-carbon economy transition impact-mitigation

The potential impact of the transition to a low carbon economy on Arçelik's operations is analyzed and assessed from the standpoint of the policy, market, reputational, and technological risks that may be associated with the transition. S&P Global Trucost ESG methodology is used to assess policy risk and contingent carbon-pricing risks. Market, reputational, and technological risks are analyzed and assessed using the International Agency's STEPS, Sustainable Development, and Net Zero 2050 scenarios as appropriate.

### Climate-crisis risks and opportunities

Arçelik's statement to the Task Force on Climate Related Financial Disclosures (TCFD) concerning the impact of environmental, social and corporate governance (ESG) risks and opportunities on its global operations and Arçelik's other risks and opportunities associated with its climate and ESG-related risks together with the Group's strategies for dealing with all such issues are discussed in detail below.

A chart providing information about TCFD reporting and other ESG risks and opportunities is presented on [pages 376-387](#) of this report.

**Plastics recovered from EOL Arçelik products are given new value by reusing them.**



## In Touch with Human Needs

### Creating value through social investments

Arçelik strives to improve people's lives and supporting local communities by developing innovative products.

Having embraced sustainability as the core of its business model, Arçelik makes respect for people and the environment the touchstone by which it judges all of its business strategies and operations. In keeping with its "In Touch with Human Needs" mission, the company seeks to improve people's lives and to strengthen local communities by developing innovative products while also creating value through its social investments.

At the root of Arçelik's good corporate citizen approach lies the company's goal of leaving a better world for future generations to live in. Seeking to constantly improve its sustainability performance, Arçelik regularly measures its standing as a good corporate citizen and the environmental and social impact of its sustainability efforts. Information about both standing and performance is shared with all stakeholders by means of sustainability reports, corporate websites, and social media channels.

Arçelik undertakes a variety of social responsibility projects designed to address the needs of people living not just in places where it conducts its operations but in other parts of the world as well. The company has also composed and published an Arçelik Corporate Citizen Policy in support of UN Sustainable Development Goals and regular updates in line with current global trends and needs. In all such efforts, Arçelik focuses on dealing with global problems while likewise creating social and environmental value through its global brands, employees, and other stakeholders.

Arçelik Corporate Citizen Policy

[https://www.arcelikglobal.com/media/5758/22-07corporate-citizenship-policy\\_son.pdf](https://www.arcelikglobal.com/media/5758/22-07corporate-citizenship-policy_son.pdf)

Undertaking social projects that are compatible with its good corporate citizen approach in all localities where it has operations, Arçelik focuses on leading change and on improving people's lives.

Arçelik seeks to improve people's lives and to support and strengthen local communities through:

- gender equality,
- quality education,
- supporting the entrepreneurship ecosystem,
- strengthening local communities
- sustainable living and sustainable environment.



## Gender equality

### Action Coalition

In cooperation with the UN Women's Generation Equality Forum, Koç Holding has launched a gender equality movement in technology and innovation in 2022. As a Koç Group company, Arçelik became a supporter of the Action Coalition platform and submitted its commitments to achieve concrete change in the technology and innovation field for women and girls worldwide. These commitments, which are to be achieved by 2026, consist of six objectives to bring about meaningful changes in the empowerment of women and girls in technology and innovation-related functions, responsibilities, and positions. Details of Arçelik's 2022 progress towards fulfillment of its six Action Coalition commitments are presented below.

#### 1. Provide technology and design, IT, and software training to 100,000 girls (ages 10-14) in 81 provinces of Türkiye by 2026 to reduce the gender digital divide (Digital Wings Project)

In October 2022, 241 teachers took part in a three-day Digital Wings training course. The plan is for these teachers to provide Digital Wings instruction to 20,000 girls a year by 2026.

(For details please refer to [page 187](#))

#### 2. Implement our program in the Romania, Pakistan and South Africa operational facilities of Arçelik to support the career development of women engineers (WE-inTech Project)

A global R&D and innovation skills program that was conducted in 2022 was attended by 44 students from Romania, Pakistan, South Africa and Türkiye. (For details please refer to [page 186](#))

#### 3. Increase the number of women entrepreneurs in the dealer ecosystem by boosting the ratio of women Beko dealers from 4.8% to 25% by 2026 (Beko 100 Women Dealers Project)

Progress made in 2022 under the Beko 100 Women Dealers Project increased the percentage of women dealers from 4.8% to 9%, with a total of 92 women dealers operating 99 stores in 40 provinces.

(For details please refer to [pages 188 and 189](#))

#### 4. Reach 5,000 women through global-scale entrepreneurship programs and facilitate the transfer of USD 4 million funds to women entrepreneurs. (Arçelik Garage Innovation Hub programs)

During 2022 Arçelik supported and facilitated the transfer of USD 8 million funds to 359 women entrepreneurs/candidate entrepreneurs. (For details please refer to [page 189](#))

#### 5. Increase women employment ratio in STEM fields at Arçelik from 16% to 35% across global operations by 2026 (HR programs and practices)

The 2022 target of increasing to 19.4% the percentage of women employed in science, technology, engineering and mathematics positions in the conduct of Arçelik's global operations was achieved.

(For details please refer to [pages 198 and 199](#))

#### 6. Enable women to gain new professional competencies at the technical levels and increase the ratio of women technicians working at Arçelik Authorized Services from 6.7% to 14% by 2026 (500 Women Technicians Project)

The conduct of eight training courses during 2022 added another 111 women technicians to the company's authorized services-provision network, thereby bringing the total number of women actively employed as technicians to 42 and their overall percentage to 8%. (For details please refer to [page 186](#))

# In Touch with Human Needs

## WE-inTech

Arçelik seeks to create and maintain a working environment that encourages women to pursue careers in engineering and advanced R&D and in which tomorrow's women engineers and R&D professionals can develop themselves. At the same time, the company also draws women's attention to and stresses the importance of science, technology, engineering and mathematics (STEM) familiarity to career-advancement.

In line with these aims, in 2019 Arçelik launched a "You're an engineer, you're with us" project targeting young women enrolled in universities' engineering and sciences faculties. In 2022 the project's name was changed to "WE-inTech" and its vision was broadened to encourage young women in engineering curriculums to specialize in technology and R&D and foster awareness among them about STEM and advanced R&D careers. Under the WE-inTech" program, junior and senior-year engineering students (17-23 age group) take part in workshops (average attendance 60) during which they are matched up with mentors selected from Arçelik's global mentoring pool and then develop projects of their own. Three-day online work groups are organized during which participants receive instruction on a variety of subjects pertinent to their projects after which participants and mentors are given the opportunity to work on their projects.

WE-inTech was transformed into an Arçelik Global program with the inclusion of Arçelik operations in another three countries. In June 2022, 44 university junior and senior-year engineering students from Pakistan, Romania, South Africa, and Türkiye took part in a three-day round of webinar workshops, after which they embarked upon a year-long mentoring program that will ultimately end with traineeship position and job offers for suitable candidates. Along with mentoring, participants in this one-year program will also be given access to technical and personal-development resources to support their career progression.

During the three-day workshop, organizers met with participating Arçelik, Arctic, Defy, and Dawlance employees and queried them on such matters as technology and R&D and also their own career visions and objectives. Program training focuses mainly on current-agenda digital



transformation and technology topics such as design thinking, data analytics, and agile project management. Making use of design-thinking methods, participants worked in teams to develop "home of the future" technology and product concepts and ideas.

Of the students who took part in the 2020 and 2021 rounds of the global WE-inTech program, two (2020) and 12 (2021) have since embarked upon careers as project assistants, project engineers, and engineers at Arçelik. One participant in the 2022 round has been hired by Arçelik. For those currently taking part in the 2022 WE-inTech mentoring program, traineeship and job offers will be made to suitable candidates as positions become available.

## 500 Women Technicians

The 500 Women Technicians project was initiated in 2020 when attention was drawn to the fact that a mere 1.5% of the technical employees working in approximately 600 authorized services-provision locations were women. Through the 500 Women Technicians project, Arçelik focuses not just on increasing the number of women employees in its authorized services network but also on overcoming prejudices and assumptions that only men are capable of performing technical services.

The project's model is informed by the principle of enabling employment and equality-of-treatment opportunities through skills transformation. With the introduction of the automated authorized services call center system, there also arose the possibility that women employed in office functions might have to be let go. Such personnel

were given the opportunity to take part in Arçelik Services Academy training programs to earn authorized services technician qualifications. This approach not only prevented those who completed the training from becoming redundant but also increased the percentage of women in the Arçelik authorized services-provision network.

### Equal Dictionary

"Equal Dictionary" is the name of a keyboard and glossary app that has been developed to support gender equality through the use of AI-generated nudges. Arçelik continued to work on this project in 2022. The app, which can be installed on mobile devices as well as on computers, detects sexist and gender-denigrating words and expressions etc., in users' messages, flags them. The mobile application of the project was downloaded 3,101 times in total in 2022 and 599 new word suggestions were presented by users instead of sexist expressions.

### Quality in education

#### Digital Wings (Dijital Kanatlar)

The Digital Wings project aims to help reduce vocational gender bias in workplace environments by equipping young girls with 21st-century technology skills.

Digital Wings course materials focusing on such issues as strengthening pupils' technological literacy and developing their creative problem-solving skills by engaging them in projects were developed for use in middle-school classes (6th-8th grades). Thanks to the project carried out in cooperation with the Ministry of National Education, the technology design course book for 8th graders was brought into education for the first time. If this project

proves to be successful, the textbook will be authorized as a textbook that may be used in all education-ministry schools.

Although a training program for 100 teachers was initiated in 2020, it had to be put on temporary hold because of the Covid-19 pandemic. In 2021, teacher-training program content was updated and project-related essential technological infrastructure was installed in 100 schools across all 81 of Türkiye's provinces. In October 2022, 241 teachers took part in a three-day Digital Wings training course. The plan is for these teachers to provide Digital Wings instruction to 20,000 girls a year by 2026.

### Prep

While believing in the power of technology, Arçelik also has faith in the potential and abilities of talented young people. "Prep" is the name of a long-term Arçelik training program through which it recruits such people for its own IT departments by giving them access to a variety of training resources and helping them to discover both their strengths and weaknesses. The core mission of the Prep program is to enter into agreements with universities all over the country in order to strengthen computer, software, and industrial engineering students' knowledge and skills by readying them for the future and making them a part of the digital transformation. Through the Prep program the company also provides students undertaking projects at Arçelik with free English-language instruction and technical-training resources, thus better equipping them for when they embark upon their IT careers.

For Arçelik, another benefit of the Prep program is the industry-university collaborations that it leads to. Originally beginning with just two schools, that number was increased to nine in the 2022-2023 academic year. Focused on preparing junior and senior-year university students for careers in a corporate workplace environment, Prep contributes to their development through a variety of training programs. The "Prep 1.0" and "Prep 2.0" programs initiated in 2021 were attended by 25 and 111 students respectively. Of that number, 16 were hired into full-time positions and 17 were taken on as project engineers. Agreements have been entered into with nine universities (Ege, Fırat, Eskişehir Technical, Eskişehir Osmangazi, İstanbul Technical, Kocaeli, Celal Bayar, Bolu İzzet Baysal, and Gebze Technical) to take part in Prep 3.0. Student applications for participation in this program have been accepted and approved; the program will get underway in Q1 2023.

**Arçelik carries out projects that lead change and strengthen local communities.**

# In Touch with Human Needs

## ● A Ticket for Your Future

"A Ticket for Your Future" is a program that Arçelik initiated to encourage Turkish students who are studying abroad to return to the country and pursue their careers here after graduation. The scope of this project was strengthened in 2022 taking into account such issues as trends in talent-recruitment and job-seekers' expectations of potential employers in order to achieve its aim of attracting students attending schools outside the country and giving both Türkiye and Arçelik the benefit of their talents. Through the A Ticket for Your Future program, Arçelik reaches out to successful Turkish students attending junior and senior-year BS programs as well as to those enrolled in master's and doctoral-degree programs. Although the program had to be put on hold in 2020 and 2021 owing to the Covid-19 pandemic, it resumed in 2022. Attended by a total of 19 students, the majority of them enrolled in various engineering programs, this two-week program focused on developing new sustainability-related product and business models employing design thinking methodologies. After working in four separate groups during the idea-development stage, the 19 participants received mentoring support from Arçelik personnel during the project-detailing stage. At the end of the program, which also included a user-testing stage, projects were submitted to Arçelik executives who provided feedback. Since its inception, 46 people have taken part in the A Ticket for Your Future, seven of whom have been hired by Arçelik.

## ● Erasmus+ VET Learner and Staff Mobility Accreditation and 1<sup>st</sup>-Semester Vocational Education Mobility Project

Erasmus+ is an EU program that provides accreditation for educational institutions and commercial concerns that are interested in cross-border exchanges and cooperation in vocational and technical education. Under the Erasmus+ program, accredited entities may send students and employees (along with personnel responsible for their vocational training) to Erasmus+ accredited destinations in participating (and in some cases partnering) countries for such purposes as taking part in skill-acquisition, traineeship, OJT, course, skill-testing, teacher, instructor, master-educator, and similar programs and assignments for between two and 365 consecutive days (inclusive).

Arçelik has been awarded Erasmus+ accreditation. This entitles the company not only to send people to take part in vocational education and training (VET) learner and staff mobility programs on a long-term basis but also to receive regular Erasmus+ grants in support of this. To date, Erasmus+ vocational training resources have been provided for a total of 47 days in 14 countries.

In 2022, Arçelik dispatched 79 students and 13 instructors from educational institutions such as İstanbul Atalar Vocational and Technical Anatolian High School, Eskişehir Atatürk Vocational and Technical Anatolian High School, and Bolu Mimar İzzet Baysal Vocational and Technical Anatolian High School to attend state-of-the-art technology traineeship programs in manufacturing facilities in countries such as Romania and the Czech Republic, where participants had an opportunity not only to develop their own knowledge and skills but also to become acquainted with other cultures.

The Ministry of Foreign Affairs' Directorate for EU Affairs Turkish National Agency received an EUR 312,730 grant in support of consortium participation in Erasmus+ 2<sup>nd</sup> Semester projects, 80% of which has been transferred to Arçelik.

## ● Supporting the entrepreneurship ecosystem

### ● Beko 100 Women Dealers

Seeking to strengthen the social and economic presence of women in the entrepreneurial landscape and to support their success, Arçelik initiated the Beko 100 Women Dealers project with its Beko brand. This project, which got underway in March 2019 and is informed by Koç Holding's gender equality principles, is intended both to overcome prejudices that only men are capable of being dealers and to encourage women to go into business for themselves. Rather than just drawing attention to Beko's dealership network, the project's opening communication was designed to raise awareness of and to provoke questions about existing gender stereotypes and conventional wisdom. Between its 2019 launch and end-2021, 64 women-owned dealerships were added to the network bringing the total number to 92.

This project's target audience consists of women (with or without previous experience) living anywhere in Türkiye who are interested in going into business for themselves and who



## Arçelik supports the development of inclusive entrepreneurship ecosystems all over the world.

can afford to make the investment. Beko dealerships are presented as sustainable, profitable, long-term investment opportunities that benefit from the support of the dealership ecosystem. Because this project aims to support and facilitate women's efforts to go into business, participants receive a package of dealership premises-location and decoration, rent-assistance, free POS devices supported by TOKEN financial technology resources, and discounts on in-store displays, materials etc. They also benefit from financing, product, and sales training and mentoring resources. Applications to become a Beko dealer are submitted by means of an online form available on Beko's website. After an application has been assessed by a Beko sales team in Türkiye and approved, a face-to-face meeting is arranged with the application's owner. Since the inception of the Beko 100 Women Dealers project, the percentage of women-owned businesses in the dealership network has increased from 4.8% to 9%. There are now 92 women dealers with 99 store premises in 40 provinces. More than half of the people employed in these stores are also women.

Acclaimed as an undertaking that is entirely unique in its sector, the Beko 100 Women Dealers program received a Gold Stevie in the "Communications or PR Campaign of the Year: Diversity, Equity and Inclusion" subcategory of the prestigious Stevie Awards.

### **Arçelik Garage Innovation Hub Action Coalition Target**

Arçelik fulfills one of its Action Coalition commitments ("Reach 5,000 women through global-scale entrepreneurship programs and facilitate the transfer of USD 4 million funds to women entrepreneurs") through innovative Arçelik Garage Innovation Hub programs that support women entrepreneurs/candidate entrepreneurs by facilitating their access to funding resources.

Thanks to limited-partnership agreements entered into with venture capital funds, Arçelik achieved its target by transferring EUR 4 million in funding in just the first year of the project.

Arçelik sets annual targets for reaching out to its target audience consisting of women who already have a technology startup of their own or would like to set one up. The company's 2022 targets and target-fulfillment performance are discussed below.

- Support 250 women entrepreneurs/candidate entrepreneurs in 2022: As of end-October, 359 women entrepreneurs/candidate entrepreneurs had been supported through incubation, acceleration, mentoring, hackathon, ideathon, and similar programs.
- During 2022, a total of USD 8 million in funding transfer was facilitated.

In addition to funding, Arçelik also engages in awareness campaigns aimed at drawing women's attention to the possibility of going into business for themselves and to bring them into the entrepreneurial ecosystem.

### **Hack The Normal 2022 Sustainability Program**

The third round of the "Hack The Normal" series of online hackathons (the first of which took place in Türkiye and the second in Africa), the 2022 Hack The Normal hackathon targeted the European innovation ecosystem and focused entirely on sustainability. Hosted by Beko and organized by The Next Web and Financial Times Talent, Hack The Normal 2022: Sustainability challenged participants to come up with new technologies and sustainable living solutions in the course of a three-day hackathon during which they had access to training and mentoring resources. The biggest sustainability-themed and the first carbon-neutral hackathon ever organized, Hack The Normal 2022: Sustainability was attended by more than 700 entrepreneurs and innovators from 70 European countries who set about coming up with original and practical solutions for addressing some of the most pressing environmental challenges relating to climate change, water management, and circular economy. In addition to the EUR 50,000 prize pool that was paid out to them, winners were also given a chance to commercialize their projects through Europe's top-tier accelerator Startup Wise Guys with Arçelik's backing.



## In Touch with Human Needs

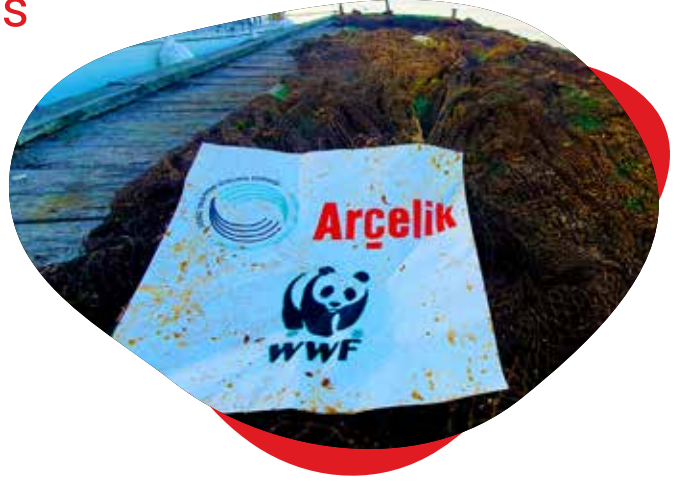
Post-Hackathon – Online Pre-Accelerator: Hack The Normal 2022: Sustainability's nine winning teams completed their eight-week online acceleration programs organized by top-tier European accelerator Startup Wise Guys. Some of these teams are gearing up to embark on investor tours while others are exploring and developing collaborations with Arçelik itself and its partners.

### ● Accessibility Hackathon

Accessibility Hackathon is an entrepreneurship program that encourages startups to come up with solutions to current accessibility-related problems and issues. Consisting of a 48-hour online hackathon conducted over three days (28-30 October 2022) to generate new ideas for dealing with accessibility problems in public and private spaces, the event was organized by Futurlnn in partnership with Amazon Web Services and Arçelik Garage Innovation Hub. More than 250 applications to take part in the event were received. 118 participants working as 20 teams developed technology/innovation oriented ideas for solving such problems while also benefiting from training and mentoring resources. Fourteen teams made jury presentations and the top three received a total of TL 60,000 in prizes.

Please refer to the "R&D and Innovation" section of this report ([pages 126-128](#)) for further information about Arçelik Garage Innovation Hub's other innovation and entrepreneurship programs.

**Believing that "The World Is Our Home", Arçelik seeks to "Design Goodness With Love" for a more sustainable society.**



### ● Sustainable living and environment

#### ● Ghost-net retrieval and recycling project

Joining forces with the Turkish chapter of the World Wildlife Fund and Marine Life Conservation Society (DYKD), Arçelik undertook a project to deal with biodiversity-threatening "ghost nets"—fishing nets that have been abandoned, lost, or otherwise discarded in the sea. Ghost nets identified in the course of exploratory dives around the Princes Islands near Istanbul and subsequently retrieved by divers are being recycled for use in Arçelik packaging and products. Other project activities include awareness seminars for fishermen and local communities, the creation of a local communication mechanism that can be used to report nets that have been lost, and an academician-supported investigation of the project's impact on the environment and marine life, the findings of which will be reported.

#### ● Arçelik: İYİ-GE Goodness Development Movement

Acknowledging the realities of today's world and the importance of UN Sustainable Development Goals, Arçelik focuses on responsible production and responsible consumption. Believing that "The World Is Our Home", Arçelik seeks to "Design Goodness With Love" for a more sustainable society.

The company's "Designs Innovation With Love" message that has become entrenched in consumers' minds over many years was revised to "Designs Goodness With Love". That change accompanied the start of a new brand journey in which consumers were asked a very simple but heartfelt question: "What can we do?" That is, what can we do to make life and this world better?

Asking itself as well as its engineers and other employees the very same question, Arçelik seeks the answer in the design and production of products and services capable of addressing it. Washing machine and dryer drums made from recycled plastics, refrigerator egg trays made from recycled eggshells, and other transformative product features are the natural outcomes of this approach.

Recognizing that the road on which it had embarked asking “What can we do?” would be long and arduous and not one that could be traveled alone, the Arçelik Goodness Development (İYİ-GE) Committee was formed in July 2021. Its members consisting of representatives of Türkiye’s foremost NGOs, scientists, climate activists, and artists, the İYİ-GE Committee was commissioned with coming up with a new responsible-production and a new responsible-consumption theme each year. Its first responsible-consumption theme, “Climate Friendly Movement”, was intended to mobilize consumers into action. Launched in 2022 with the aim of raising awareness of climate crisis and of bringing about lifestyle changes, the Climate Friendly Movement called on households across Türkiye to reduce both their water and energy consumption and their waste generation as much as possible.

### ● İYİ-GE Innovation Program

The İYİ-GE Innovation Program was initiated by the Arçelik Corporate Brand and Projects Management and the İYİ-GE Committee to come up with “Good For You Innovation” after-sales service, product, and project ideas for addressing the “responsible product” aspects of the İYİ-GE Committee’s Climate Friendly Movement. Getting underway on 18 November 2021, the program began with a two-month idea-development phase in the course of whose seven sessions, the sixteen-member İYİ-GE Committee and twenty Arçelik personnel from various departments made intensive use of the design thinking approach while also soliciting parallel ideas from within the company. In all, 93 issues were identified, of which 24 were prioritized, and 68 ideas and eight concepts were developed. Of the eight concepts, three were incorporated into Arçelik’s Brand Road Mapping (BRM) process; preliminary feasibility studies were also undertaken for one.

### ● Grundig: Respect Food

Grundig seeks to inspire people to take steps to achieve a more sustainable future while always remaining committed to the principles of sustainability, quality, and aesthetics that are the essential nutrients of its growth. Imagining a better future, Grundig keeps a very close watch on technological changes and developments as they continue

## The İYİ-GE Committee works on a new responsible-production and a new responsible consumption theme each year.

to evolve. For Grundig, “A better future starts at home” because as a company it believes that a better future begins with the values we all learn at home and with the first steps that we take there. In line with this, Grundig continues to engage both in carbon footprint-reduction and in food waste-prevention technology-development, partnerships, and communication efforts to encourage people to work for a better future through the “Respect Food” initiative that it launched back in 2016 .

The Better Future-inspired technologies that Grundig develops help people be more responsible consumers. Such things as energy-efficient appliances, washing machines whose components are made from recycled PET bottles microfiber filtration technologies that help protect water resources from plastic pollution, and 100% recyclable packaging give consumers access to environmental footprint-reduced products and to technologies that contribute to the circular economy. Through the advertising investments that it makes in such products and technologies, Grundig strives to create and promote consumer awareness and conscious behavior.

Committed as it is to its Respect Food philosophy, Grundig undertakes projects to promote responsible consumption among consumers in response both to the increasingly greater prevalence of food waste in today’s world and to the need to do something about it. While taking part in many such projects at both the national and the international levels, Grundig also engages in R&D to explore and develop new technologies that will help prevent food waste. As a result of such efforts the company has come up with refrigerator technologies that reduce food loss by keeping food fresher for longer and with cooking technologies that help ensure food is perfectly cooked and doesn’t have to be thrown away because it’s burnt, overcooked, or undercooked. As a global

## In Touch with Human Needs

brand with an ecofriendly image, Grundig also engages in idea-sharing, awareness-creating, and audience-mobilizing communication efforts that draw attention to the dimensions of food waste and invite everyone to do their part.

In 2022 Grundig initiated an online consumer communication campaign reflecting its sustainability vision in the form of a “How to cope with eco-anxiety” video. The message of this attention-grabbing spot, which racked up 3.3 million hits and continues to do so, is that the company understands consumers’ concerns and that there are things that consumers can do to help make the world better.

Around World Food Day (16 October) every year, Grundig mounts a series of communication and awareness campaigns that draw audiences’ attention to the dimensions of food waste, to the ways in which food is wasted, and to how to prevent such waste. Through these messages, which reach millions of people, the brand attempts to make its voice better heard by partnering with others sharing the same concerns so as to leverage food-waste prevention efforts. On the occasion of World Food Day 2022, Grundig once again conducted a food-waste awareness communication campaign while a communication campaign about Grundig’s “HotAero Pro” technology showed audiences how that technology prevented food loss.

An informational campaign about the company’s microfiber

filtration technology also created consumer awareness and promoted responsible-consumption behavior.

### **Beko Global: Shed That Carbon**

In the course of its six decades in business, Beko has always been a shining beacon of product innovation both for its customers and for the world. Beko sees its reason for being as one of helping future generations enjoy a better life in a more livable world through the proliferation of beneficial technologies. In line with this, the brand strives untiringly to come up with and deliver technologies and solutions that help protect human and environmental health and wellbeing.

Beko comes to consumers’ aid with a wide range of home-appliance solutions from health-protecting technologies that preserve foods’ nutritional values for longer on the one hand to healthier and more effective cooking methods on the other. Believing that healthy living is possible only in a healthy world, Beko gives consumers access to technologies that will help protect the planet. Products made using recycled and/or biodegradable materials as well as energy and water-efficient technologies not only promote conscientious resource use but also help reduce carbon footprints.

In the same vein, Beko also conducts awareness campaigns intended to promote consumers’ mindfulness about environmental problems and to stir them into action. The aims of the “Shed That Carbon” communication campaign undertaken in 2022 were to make individuals aware of their carbon footprints and to prompt them to do something about reducing their carbon emissions. This campaign reached 17.1 million people; its video was viewed 619 million times; Beko’s ads were clicked on 4.5 million times resulting in 3 million visits to its websites by viewers in search of more information.

This campaign is currently in progress and continues to deliver “healthy living on a healthy planet” social-media messages aimed at raising consumers’ awareness and motivating them to take action.

Beko will continue to enter into partnerships and undertake initiatives to advance its “healthy living on a healthy planet” movement.



## ● Supporting local communities and Partnerships

Through the partnerships that it enters into, the projects that it undertakes, and the activities that it sponsors, Arçelik strives to come up with solutions that address the needs of local communities. The company has adopted and published a Civil Society Cooperation Policy that sets out the criteria by which it selects the partnerships that it will enter into and the organizations that it will support in the conduct of its socially beneficial activities.

*Arçelik Civil Society Cooperation Policy*

🔗 <https://www.arcelikglobal.com/media/5743/sivil-toplum-is-birligi-politikasi.pdf>

Arçelik has also adopted and published a Global Donation and Sponsorship Policy covering such issues. This policy is an integral part of Arçelik's Global Code of Conduct.

*Arçelik Global Donation and Sponsorship Policy:*

🔗 [https://www.arcelikglobal.com/en/company/policies/media/6246/7\\_global-donation-and-sponsorship-policy.pdf](https://www.arcelikglobal.com/en/company/policies/media/6246/7_global-donation-and-sponsorship-policy.pdf)

### ●● Arçelik and Beko sponsorship activities in Türkiye

- Having been a main Turkish Football Federation sponsor since 2017, Arçelik also became a National Football Teams "Sustainability Partner" in 2022. Under an agreement that will remain in effect at least until 2025, the company will be taking part in a variety of sustainability-related projects together with the Turkish National Football Teams organization.
- Beko became a Beşiktaş Men's Football Team front-of-jersey sponsor in 2020. In 2022 it entered into a three-year agreement with the club's management to serve as the team's back-of-jersey sponsor as of the 2022-2023 season and through to the end of the 2025-2026 season.
- Besides sponsoring the men's team, Beko also entered into a one-year back-of-jersey sponsorship agreement with the same club concerning the Beşiktaş Vodafone Women's Football Team.
- The Arçelik Lounge in the Fenerbahçe Ülker stadium gives its brand a permanent presence and access to Fenerbahçe club fans. Arçelik is also a 2022-2023 season sponsor of the Fenerbahçe 1907 Association. As a Fenerbahçe Beko Basketball name sponsor, Beko gives fans the opportunity to interact with Beko products in the Beko Fan Zone section of the same stadium. Fans contribute to sustainability by taking part in organized competitions in the Beko Zone while also getting a

**Through partnerships, sponsorships and volunteer activities, Arçelik provides solutions to the needs of local communities.**

chance to try out Beko's sustainability-focused products. The top winner of each day's competition receives a signed Fenerbahçe Beko uniform made from recycled textiles as a prize.

- Beko has been a seasonal arena sponsor of Intercity motoring sports events other than Formula 1 since 2020. This sponsorship agreement ends in June 2023.
- Arçelik is a Rahmi M. Koç Museum sponsor and supporter.
- There is an ongoing Arçelik brand sponsorship and advertising cooperation agreement with the Boluspor and Eskişehir Spor clubs in the provinces of Boluspor and Eskişehir where the company and its personnel have an operational presence.

### ●● Beko: water.org cooperation

Consistent with its brand image of protecting and conserving the planet's vital water resources, Beko has entered into an agreement with US-based water.org to support a project to give disadvantaged areas in rural Kenya access to clean water.

Acting through its global Beko brand under this program, Arçelik is carrying out a social responsibility project to provide safe water and sanitation solutions to 10,000 Kenyans. The main goal of this two-year project, which is being undertaken together with water.org and the Kenyan Association of Microfinance Institutions (AMFI Kenya) as its local partner, is to support the development of microcredit solutions capable of giving communities whose water resources are unsafe or unreliable access to clean and dependable water.

# In Touch with Human Needs

## Grundig: Food for Soul

Food for Soul NPO founder Chef Massimo Bottura, who has been representing Grundig's quality, aesthetic, sustainability, and similar values since 2018, once again served as a Grundig brand ambassador in 2022 in the company's awareness-creation processes. Designated a "United Nations Environment Program Goodwill Ambassador" because of the Food for Soul movement that he created to help combat food waste worldwide and also recognized as one of the most influential people of our day by Time magazine, Bottura helps burnish Grundig's brand image as a sustainability champion.

Grundig also reinforces its "Respect Food" initiative and supports food-waste prevention awareness through other channels and collaborations. In the six years since the initiative began working with Food for Soul, Grundig has been helping to prevent food waste through the NPO's Refettorio charitable kitchens that serve nutritious meals cooked with surplus food to people in situations of social and economic vulnerability by working with local leaders to restore and renovate underused spaces and transform them into inspiring community hubs. This collaboration has prevented more than 670 tons of food from being wasted while also supplying 1.5 million meals to people in need.

### Corporate volunteerism projects

Arçelik regards corporate volunteerism as a fundamental element of being a good corporate citizen. In every undertaking—but especially prioritized environmental and social investments—through which it aims to create value, Arçelik endeavors to increase employees' awareness of the issues involved and to strengthen their competencies for dealing with them by providing them education and training resources so as to create tangible value through the activities that they carry out. Employees who join the Arçelik Volunteers Club are motivated by a desire to undertake and involve themselves in projects that will deepen the meaning of "Respect for the environment and society" and will serve the interests of both in the best way possible while also seeking to do what is best for the world. As a strategic global team, Arçelik Volunteers also call on all other Arçelik employees to take part in projects which they have developed in prioritized areas. In addition to the social wellbeing that they aspire to create, Arçelik Volunteers likewise seek to increase the benefits of such collaboration.

Arçelik Volunteers clubs have developed and carried out projects in such areas as gender equality, technology and digitalization, equality of education and opportunity, and sustainable living which Arçelik has identified as being among its strategic priorities. Arçelik supports volunteerism among its personnel by making company resources available so that they may discuss new project ideas, turn the ideas into projects, and create environmental and social benefit as Arçelik employees. Arçelik Volunteers clubs have been formed in 12 countries. In December 2022, two meetings were held that were attended by club volunteers during which the concepts of "Arçelik Volunteer" and "Arçelik Volunteerism" were discussed in the context of the Arçelik Corporate Volunteerism Policy and the Arçelik Volunteers Manifesto. During the same meetings, Arçelik Volunteers clubs' vision and mission statements were shared and a 2023 activities roadmap was laid out.

To raise awareness about healthy and sustainable living and environmental health, Arçelik employees staged "plogging" (a portmanteau of "jogging" and "picking up litter") events in 50 different locations around the world over a 24-hour period in 2022. During these events, about 2,000 Arçelik employees traversed approximately 202 kilometers while picking up trash and litter from the countryside as they jogged or walked. A total of 5 tons of waste was collected and sent to be recycled.

**Arçelik carries out activities to raise awareness for a sustainable society.**





To promote equality of education and opportunity, Arçelik's own running team and a group of more than 200 Arçelik authorized dealership and services personnel took part in the 44th İstanbul Marathon and staged a "Goodness Run" to raise awareness of and solicit support for the Turkish Education Foundation and the Mustafa V. Koç Scholarship Fund.

In partnership with Okula Destek, an association of volunteers who support schools and students, a "Geleceğe Tam Not" ("Full Marks For The Future") project was initiated to help children be better prepared for the future by strengthening their numeracy skills. Under this project, 60% of whose participants were girls, 486 students in 52 different classes were given math instruction once a week by volunteers. During the project's summer sessions, 174 students received instruction from 16 Arçelik volunteers.

*Corporate Volunteerism Policy*

[https://www.arcelikglobal.com/media/5758/22-07corporate-citizenship-policy\\_son.pdf](https://www.arcelikglobal.com/media/5758/22-07corporate-citizenship-policy_son.pdf)

### **Arçelik subsidiaries' social responsibility activities**

#### **DAWLANCE**

Dawlance effectively engages and communicates with consumers in a variety of ways such as organizing theatrical performances, cricket matches, literature festivals, and food programs. Having committed itself in 2021 to developing and undertaking sustainability projects,

in 2022 Dawlance planted 10,000 trees to help balance its carbon footprint. In the first stage of this project, 2,000 walnut trees were planted in Chitral to help balance the carbon footprint of its customer services operations. Dawlance also collaborated with Hunar Foundation in a project to collect and recycle the company's promotional/ in-store POS materials for use in the making of stylish cloth tote bags. Taking inspiration from its mission to improve people's lives, Dawlance employees made charitable donations to Karachi-based Indus Hospital to provide essential health services to people who had suffered from extreme monsoon rainfall and devastating floods.

#### **SINGER BANGLADESH**

In Singer Bangladesh's ongoing efforts to promote support of local communities, company employees visited a school in Naya Paltan, a poor and disadvantaged suburb of the country's capital city Dakha. During the visit, schoolchildren were given lunch and Singer Bangladesh employees handed out schoolbags and pencil cases.

#### **VOLTAS BEKO**

31% of VoltasBeko's hourly-paid employees are women, some of whom are employed in significant-risk areas such as welding and metal-forming lines. Half of the company's new washing machine production line are women. The company has set itself the goal of increasing the overall percentage of women employees.

Every year VoltasBeko organizes a socially beneficial "Joy of Giving" festival during which used but still usable clothing and toys along with school supplies, food, and sanitary materials are contributed by employees that are donated to local NGOs and old people's homes in the cities of Sanan and Amedabad in India.

Under a water resource protection and conservation project that it has been running for some time now, VoltasBeko collects rainwater to reuse.



## In Touch with Business

### Arçelik strives to provide its employees with workplace environments in which they feel appreciated and respected.

Arçelik promotes and maintains a healthy corporate culture of scrupulous honesty and utmost commitment to the values of inclusiveness and diversity.

While also taking worldwide developments into account, Arçelik advances resolutely towards realizing its goals of achieving enduring success and of sustainably passing the values it creates on to future generations. Promoting and maintaining a healthy corporate culture of scrupulous honesty and utmost commitment to the values of inclusiveness and diversity, Arçelik strives to equitably provide its employees with workplace environments in which they feel appreciated and respected.

Believing in the power of diversity, Arçelik brings individuals with different backgrounds and perspectives together in supportive environments conducive to the generation of new ideas and solutions in line with the company's avowed objective of having a reliable and sustainable world-spanning value chain that ties together all of its global operations.

#### Our human resources approach

Continuing to expand rapidly in the global arena, Arçelik has formulated an "Arçelik Global Culture Code" whose aim is to unite, through employee participation and engagement, human resources whose cultural backgrounds, abilities, roles, and responsibilities are different but who identify with a common narrative and with shared values.

#### Our global objective

Arçelik defines the impact that it wishes its employees to have on the world as "Inspire sustainable lives in every home".

- Having a positive global impact on societies and the planet by making it possible for every household around the world to have access to sustainable lifestyles and accomplishing that while inspiring others to do the same is one of every Arçelik employee's priorities.

#### Our values

Values which Arçelik employees should recognize as being synonymous with Arçelik, which they should embrace as their own, and which should guide them in their decisions and actions consist of:

- **Care for environment and community:** Arçelik employees believe that in the performance of their duties, one of their prime responsibilities is to act as guides on the road to sustainability by always serving the best interests of society and the planet.
- **Respect and compassion for each other:** Arçelik employees are united in a single Arçelik purpose which is nourished by diversity and which acknowledges the value of every individual no matter what their abilities or cultural background may be.
- **Pride to win:** In their never-ending efforts to make progress, Arçelik employees ask questions, focus on shared success and victory, and constantly motivate one another to do better.
- **Passion to grow together:** Arçelik employees support and help one another and believe in the power of teamwork.



## Leadership DNA

The Arçelik employee behavioral model incorporates these values, is critical to long-term success, and consists of five strands of DNA. Arçelik employees:

- Lead with purpose and inclusion
- Energize to win
- Shape the future
- Grow future fit talent
- Empower to grow collaboratively.

## Diversity, equity and inclusiveness

Diversity, equity, and inclusiveness (DEI) lie at the core of all Arçelik corporate cultural values. Arçelik also attaches importance to mutual respect and understanding and to environmental and social mindfulness. Arçelik values and derives strength from every individual no matter what their background. Arçelik leads sustainability by acting in line with the interests of the communities that it serves.

At Arçelik, different skills, experiences, points of view, and identities are valued so as to enable every individual to be themselves, to discover their true potential, and to fully contribute to Arçelik's success. In this way, the company fosters a diverse workplace environment and nurtures a corporate culture whose processes are equitable and inclusive.

Revealing the strength that arises from differences plays a big role in Arçelik's ability to achieve its goal of inspiring sustainable lives in every home.

Acknowledging the vital importance of workforce diversity and of corporate cultural inclusiveness towards achieving that goal, Arçelik takes action to support both. In 2022 a dedicated global team, one of whose members has executive-level authority, was set up and missioned with focusing on DEI issues. To give employees a chance to make their voices better heard, 6,000 people employed in Arçelik's global operations were surveyed to solicit their ideas about inclusiveness after which employees were interviewed to learn their opinions about the poll's findings. Based on an assessment of those opinions, a global "Diversity, Equity and Inclusiveness Committee" was set up and commissioned with improving the employee experience. Thanks to the efforts of this committee, which benefited from the support of senior executives as well, various strategies were identified, many of which were subsequently implemented. In line with its 2022 strategic

**At Arçelik, different skills, experiences, points of view, and identities are valued.**

roadmap, Arçelik identified common needs across its global operations while also taking regional and local needs and expectations into account. Local and global-level action will be taken in 2023 as appropriate.

A feature of Arçelik's 2023 diversity roadmap is achieving a workforce whose own diversity is compatible with the demographic realities of its operational territories. Employees' gender, age group, and nationality data are regularly assessed, with the results being used as input for talent-management processes. The same results also inform the company's talent-backup and recruitment-pool processes.

As an element of its efforts to achieve a more inclusive corporate culture, in 2023 Arçelik will be providing management-level personal with unconscious bias training and promoting inclusive, bias-free language and discourse in the workplace in 2023 using content whose development was begun in 2022. As set forth in the company's Equality at Work Statement and its Global Discrimination and Harassment Prevention Policy, every Arçelik employee is treated with equal dignity irrespective of any differences as to ethnicity, religion, language, race, age, gender, sexual orientation, nationality, disability, or cultural background. It is the company's policy to tolerate no discrimination whatsoever based on an individual's previous history.

### *Arçelik Equality at Work Statement*

[https://www.arcelikglobal.com/media/5711/tem20declaration\\_on\\_equality\\_at\\_work.pdf](https://www.arcelikglobal.com/media/5711/tem20declaration_on_equality_at_work.pdf)

### *Arçelik Global Discrimination and Harassment Prevention Policy*

[https://www.arcelikglobal.com/media/6317/16\\_global-anti-discrimination-and-anti-harassment.pdf](https://www.arcelikglobal.com/media/6317/16_global-anti-discrimination-and-anti-harassment.pdf)

## In Touch with Business

In recognition of its successful DEI performance, Arçelik was one of only 485 companies worldwide to be included in the Bloomberg's 2023 Gender-Equality Index.

### Engelsizler Project

Launched in December 2021 with 14 employees, the Arçelik Engelsizler Project, began with three months of technical and soft-skills training provided by Bilge Adam Technologies. Employees who completed technical training were appointed to monitoring teams whose First Line Support and Second Line Support functions they were responsible for. The same personnel will be engaging in the same activities in 2023 and new appointments will be made based on teams' requests.

### Gender equality at Arçelik

Arçelik supports gender equality, women's empowerment, and equal participation in social and economic spaces in order to help improve social equality and justice. It strives to raise awareness about the need for women to play active roles in business, to increase the percentage of women among employees at every level, and to support gender equality. All projects, operations, and practices are considered from the standpoint of their potential contribution to gender equality and to the goal of eliminating it. Women are actively recruited and employed in Arçelik's own office and production operations. The company's authorized services providers, dealerships, and retail outlets are incentivized to do the same. As a signatory to United Nations Women's Empowerment Principles since 2017, Arçelik focuses on strengthening women's participation in business and workplace

environments as one of the most instrumental ways to fast-track socioeconomic development.

### Gender-equality targets

Arçelik has announced a set of targets that it wants to achieve by 2030 in order to improve the gender balance and overall diversity of its workforce. Arçelik employs women at every level and in a wide range of roles and capacities, including those with science, technology, engineering and mathematics (STEM) responsibilities. All of Arçelik's recruitment and hiring practices are based on qualitative and quantitative criteria and targets that are integrated into the company's human resources operations. Keeping track of the numbers of women employed in executive and non-executive positions and of those with STEM and non-STEM responsibilities and functions as benchmarked by its own key performance indicators, Arçelik supports women employees on executive/STEM career paths. It also keeps track of hiring, promotion, appointment, and rotation practices and monitors performance. When deemed to be necessary, department/function-based action is taken so as to manage gender balance in the department's/function's recruitment candidate lists and new hirings. Please refer to Arçelik's 2021 Sustainability Report for details about these targets.

*Arçelik 2021 Sustainability Report:*

[https://www.arcelikglobal.com/media/6314/arcelik-board-diversity-policy\\_25521.pdf](https://www.arcelikglobal.com/media/6314/arcelik-board-diversity-policy_25521.pdf)

Arçelik has adopted a Board of Directors' Diversity Policy according to which it has set itself a number of Board-level gender-equality targets. One of these targets is to increase the percentage of company directors who are women (which is currently 20%) to 25% by 2026.

*Arçelik Board of Directors Diversity Policy:*

[https://www.arcelikglobal.com/media/6314/arcelik-board-diversity-policy\\_25521.pdf](https://www.arcelikglobal.com/media/6314/arcelik-board-diversity-policy_25521.pdf)

Arçelik's fifth Action Coalition commitment is to increase the worldwide-operational percentage of Arçelik women personnel with STEM responsibilities to 35% by 2026. During 2022, the company brought that percentage to 19.46% across its worldwide operations by:

**Arçelik was one of only 485 companies worldwide to be included in the Bloomberg's 2023 Gender-Equality Index.**

- Maintaining a 50:50% gender balance in the managers' recruitment candidate lists.
- Including diversity issues in the KPI cards of HR assistant general managers and of senior executives with talent-culture and diversity, equity and inclusiveness responsibilities.
- Formulating an Arçelik Diversity, Equity and Inclusiveness Policy.
- Supporting employment-target fulfillment through WE-inTech, Digital Wings, and other Action Coalition projects.
- 2020 gender equality targets for women at each level.

### Training and empowerment projects

Believing in the effectiveness of training and empowerment programs as tools with which to build gender equality and combat inequalities, Arçelik continued to develop its existing programs to make their perspectives more diverse, equitable, and inclusive in a variety of ways during 2022.

### Leadership training for women

Arçelik continues to provide leading training for women in order to help overcome the barriers to their advancement thrown up by gender inequality. The company seeks to increase the number of women employed at every level in parallel with its goal of achieving a gender-balanced workforce. In addition to providing leadership training whose aim is to increase the number of women in management, Arçelik has also initiated a series of group discussions in which are shared competency-related ideas for supporting women employees in their efforts to expand their professional network linkages and learn from each others' experience. Twenty-three people took part in such training and group discussions during 2022. In 2023 a leadership mentoring track for women will be added to Arçelik's general mentoring program.

### Industry 4.0 competency development program for women machinery and equipment operators (Eskişehir)

In line with the company's approach of empowering women in all aspects of work-life, a program that prioritizes vocational development was created for women machinery and equipment operators. Focusing especially on developing operators' behavioral and technical skills, this 26-day training program is intended to empower women's engagement and with participation in Arçelik's ongoing Industry 4.0 transformation.

### Geleceği Yakal@ Workshop, SheMate and Babadestek programs

Conducted in collaboration with the Turkish Employers' Association of Metal Industries, Geleceği Yakal@ (C@tchTheFuture) is a workshop training program for teaching computer coding, robot programming, and 3D design to high school students, SheMate is a training program for girls (11-15 age group) aimed at increasing their technology and digitalization competencies and abilities, and Babadestek (DadSupport) is a program whose aim is to help foster democratic behavior in family contexts. Because all three necessitate face-to-face engagement and interaction, however, they had to be suspended on account of Covid-19 restrictions. Work is currently in progress to update and revise the programs. SheMate is scheduled to resume in 2023 as a component of the company's redesigned mentoring program.

### Human rights

Arçelik provides its employees with workplace environments whose chief characteristics are fairness, equality of treatment, and respect for human rights. Arçelik subscribes to the United Nations Global Compact (UNGC) and International Labor Organization (ILO) workplace and work-life precepts and abides by them in the formulation and implementation of its human rights policies and practices and transparently reports its compliance with them. Arçelik was also one of the first companies to commit itself to Home Appliance Europe (APPLIA) rules of behavior.

At Arçelik, human rights-related issues and functions are among the responsibilities and duties the Arçelik Human Resources Department (AHRD). This department is also globally responsible for organizing internal and external human rights audits, developing risk maps revealing human rights risk exposures, defining human rights due-diligence processes, and taking similar supervisory, preventive, and corrective action.

To ensure the systematic oversight of human rights functions, an AHRD Human Rights Committee meets four times a year. Charged with mapping the company's human rights risk exposures and with discussing human rights-related measures that have been and/or need to be taken, this Committee's primary duty is to proactively intervene to so as to make certain that Arçelik's value chain is in no way whatsoever disrupted by human rights-related issues. The AHRD Human Rights Committee is chaired by Arçelik's assistant general manager for human resources; its senior executive in charge of industrial relations, human rights,

## In Touch with Business

administrative affairs, and occupational health and safety serves as the Committee's secretary-general; its other members are the assistant general managers for finance and financial affairs, for production and technology, and for procurements and supply chain as well as Arçelik's OHS, global communication, global compliance, sustainability, quality, and environment department heads. At quarterly intervals, Arçelik's assistant general manager for human resources, the Committee's chair, reports human rights-related issues and actions at Arçelik to the Koç Holding Durable Consumer Goods Group President, a member of the Koç Holding Board of Directors who is responsible for human rights policies and practices across the entire Koç Group.

While the AHRD Human Rights Committee has overall responsibility for human rights issues throughout Arçelik, at each plant there is also a human rights committee which is responsible for such matters within its own operational domain and whose permanent members are the plant's senior executives. These committees discuss any human rights issues involving their own operations and report any decisions that are made to the AHRD Human Rights Committee.

All HR policies, practices, and processes from recruitment and hiring to compensation and career progression at Arçelik are governed by the principle of equitability. In line with the company's principles of success-based merit and equality of opportunity, Arçelik provides its employees with a fair-minded workplace environment in which consideration is given only to such criteria as

educational background, knowledge, skills, competency, and experience. No discrimination on the basis of ethnicity, language, religion, age, gender, sexual orientation, nationality, physical disability, or cultural differences is permissible. Arçelik's human and employee rights policies are accessible from the accompanying links.

*Arçelik Global Code of Conduct:*

[https://www.arcelikglobal.com/media/5512/2\\_global-code-of-conduct-operations-policy\\_.pdf](https://www.arcelikglobal.com/media/5512/2_global-code-of-conduct-operations-policy_.pdf)

[https://www.arcelikglobal.com/media/5510/1\\_global-code-of-conduct\\_.pdf](https://www.arcelikglobal.com/media/5510/1_global-code-of-conduct_.pdf)

*Arçelik Global Human Rights Policy:*

[https://www.arcelikglobal.com/media/6236/15\\_global-human-rights-policy-en-1.pdf](https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf)

*Arçelik Global Human Rights Due Diligence Process:*

[https://www.arcelikglobal.com/media/6508/human\\_rights\\_due\\_diligence.pdf](https://www.arcelikglobal.com/media/6508/human_rights_due_diligence.pdf)

Arçelik respects its employees' right to unionize and to enter into collective bargaining agreements. Arçelik complies strictly with the requirements of labor laws and regulations of any country in which it or any of its suppliers have an operational presence. Arçelik has no tolerance whatsoever for any form of child labor or forced/compulsory labor.

Arçelik and its workplaces are subject to external, independent inspection and auditing by the Business Social Compliance Initiative (BSCI) and the Suppliers Ethical Data Exchange (Sedex/SMETA). Matters pertaining to social management systems, employee engagement, unionization and collective bargaining, non-discrimination, remuneration, working hours, OHS, workplace safety, compulsory labor, child labor, environmental performance, and ethics are monitored by BSCI. Corrective/preventive measures are developed to deal with any issues revealed by audits and their implementation is followed up. Arçelik complies with the requirements of applicable laws and regulations in every jurisdiction in which its operations are carried out. The company has its suppliers and their workplaces independently audited so as to ensure that its principles of human and employee rights and equality of opportunity are adhered to across its value chain. As

**Arçelik ensures that human rights and employee rights are strictly observed throughout its supply chain.**





mandated by its zero-tolerance policy dealing with such matters, Arçelik severs any business relations with any supplier that violates human rights.

## Employee social benefits

### Arçelik hobby clubs

Company premises and resources are provided for 15 Arçelik hobby clubs (Dance, Outdoor Recreation, Electronics and Robotics, Photography, Gaming and e-Sports, Gastronomy, Visual Arts Amateur Gardening, Books, Board Games, Music, Chess, Cinema, Sustainable Living, Theater) that employees may join and interact with others who share the same interests. These clubs were reorganized and their activities resumed with the relaxation of Covid-19 restrictions. During 2022 they engaged in a variety of activities both online and offline. Arçelik hobby clubs also organize occasional online workshops intended not only to provide visitors with basic information about their objectives and activities but also to attract interest and new members. More than 6,000 Arçelik employees have taken part in more than 20 online workshops.

In the conduct of their offline activities, club members come together and interact in their chosen field of interest. However Arçelik hobby clubs also play roles in various company-wide events and activities. During the Arçelik Global Cultural Launch for example, Arçelik Theater Club members gave a performance, as did Arçelik Music Club members on the occasion of World Music Day. Arçelik Outdoor Recreation members organized trash-pickup walks to draw attention to World Environment Day.

### Arçelik sports teams

About 800 employees volunteer their time as members of 24 amateur sports teams engaging in 17 different activities at Arçelik companies, plants, and subsidiaries. In addition to intramural competitions, these teams along with those of domestic sales and services personnel also represent Arçelik in a variety of extramural events. On some occasions they may also take part in charitable events and activities with the guidance of Koç Holding or Arçelik Strategic Communications teams.

Arçelik sports teams also represent the company in sectoral/industry leagues, Koç Group sports festivals, and official leagues and categories. In 2022, 257 Arçelik employees represented the company in four regions and ten branches (6K Virtual Run, 9K Virtual Run, Badminton, Table Tennis, Tennis, Online FIFA, E-Sailing, Cross Country, Online Basketball, Mountain Biking) during the 33rd Annual Koç Group Sports Festival. These teams brought home a total of 15 trophies spanning all ten categories.

The Arçelik tennis and table-tennis teams represented the company at the 11th meeting of Koç Group Company tennis and table-tennis leagues.

In addition to Koç Group leagues, Arçelik sports teams also represent the company in official leagues and events and in industry leagues. In 2022:

- The Arçelik Basketball Team contended in the Decathlon Corporate League Basketball Championship.
- The Arçelik Running Team competed in the Eskişehir Half Marathon and also placed first in the “Companies” group of the Republic Day Run on 29 October.
- The Arçelik Swimming Team represented the company in İstanbul and Çanakkale Straits swimming meets.
- The Arçelik Sailing Team regularly and successfully represents the company in racing events organized by the Turkish Sailing Federation. The team achieved a General Category first in the Muğla leg of the Presidential 3rd International Yacht Race and in October returned with the Presidential Trophy as a result of its successful performance in the İstanbul leg.



# In Touch with Business

## Arçelik Wellbeing Activities

Arçelik makes an ongoing effort to support and protect its employees' wellbeing in a variety of ways such as online physical and mental health nutrition coaching, access to mindful eating resources, and online therapy and health services.

A series of four rounds of Healthy/Mindful Eating training sessions conducted across 2022 focused on raising and encouraging healthy nutrition awareness among employees. During these online sessions, more than 1,200 Arçelik employees took part in healthy-nutrition chats.

With the easing of Covid-19 restrictions, the gyms located in the company's plants and other premises were gradually reopened and resumed operation from May 2022 onwards. Besides supporting employees' physical and mental health by giving them access to the gyms' equipment and other resources, the gyms also served as venues for the conduct of yoga, functional, and other training provided by phys-ed specialists.

Employee clubs, online workshops, and sports teams catering to a wide range of interests continued to support and contribute to participating employees' social wellness through the conduct of their activities throughout the year.

As an adjunct of the Arçelik Wellbeing strategy, the company plans to introduce a catalogue of physical and mental wellness education resources from which employees select the areas in which they would like to develop themselves.

## Arçelik employee clubs

Arçelik has 15 hobby clubs that appeal to different interests in order to support the hobbies of employees outside of working hours. These are dance, extreme sports, electronic robotics, photography, gaming-esports, gastronomy, visual arts, hobby gardening, books, board games, music, chess, cinema, sustainable living and theater clubs.

Access to company-supplied training, organization, transportation etc., resources to these clubs and means that Arçelik employee club members can pursue their hobbies to greater advantage than would be possible without the benefit

of those resources. In addition to contributing to employees' personal, social, and cultural development, these clubs also strengthen company-wide solidarity and communication by promoting collective interaction among personnel and identification with other employees with similar interests.

Besides serving as venues for physical interaction among their members, during 2022 Arçelik employee clubs staged 22 online hobby workshops that were open to all company employees whether they were club members or not. Attracting more than 6,000 employees last year, these workshops introduced some to new areas of interest such as gastronomy, art history, music, and cinema while giving others the ability to further develop themselves.

With the easing of Covid-19 restrictions, the Arçelik Theater, Music, and Outdoor Recreation clubs were able to resume their face-to-face activities last year. Company resources were also made available for the provision of basic and advanced seamanship training to employees interested in sailing.

## Special employee events and days

Arçelik manages an annual calendar of special days and events such as Mother's Day, Father's Day, World Music Day, and World Photography Day as well as official national holidays that are intended to contribute to employee wellbeing, engagement, and solidarity.

On the occasion of 23 April National Sovereignty and Children's Day in 2022, 11,300 environment and sustainability-themed picture books suitable for the 3-13 age group were gifted to employees' children.

## Occupational health and safety

Arçelik has published an Arçelik Occupational Health and Safety Policy governing the conduct of its OHS operations. This policy defines the objective of all OHS procedures and practices as achieving "Zero Work-Related Accidents and Zero Work-Related Illnesses".

Arçelik strives to make its zero work-related accident and illness goal a reality by undertaking projects that make use of new technologies and digital solutions to strengthen OHS culture among its personnel.

Through the deployment of innovation and technology, Arçelik engages in systematic efforts to keep pace with its industry's rapidly-changing working conditions, to strengthen its existing OHS procedures and practices, and to minimize the likelihood of OHS events arising from human error. For example, headquarters and plant teams coordinate in the conduct of projects to develop and install systems that will automatically shut machinery and equipment down if they detect the possibility of operators' suffering harm in the course of human/machine interaction.

### OHS management system certifications

All activities and operations at Arçelik's headquarters and dishwasher plant and washing machine plants at its refrigerator, compressor, cooker, electronics, white goods motor, and small home appliance plants in Eskişehir; its refrigerator and washing machine plants in Manisa; and the activities and operations of Arçelik LG are covered by ISO 45001 Occupational Health and Safety Management System certifications. In the company's international activities and operations, ISO 45001 certifications are held by Beko LLC (Russia), Arctic (Romania), Defy (South Africa), Dawlance (Pakistan), Beko Thailand (Thailand), and Arçelik Hitachi (Thailand). All certifications are regularly audited and validated by duly accredited independent auditing agencies.

### OHS operations in 2022

The main OHS operations and projects on which Arçelik continued to work during 2022 in order to manage its OHS risks are given below.

- OHS process digitalization
- QR control applications for machine safety system

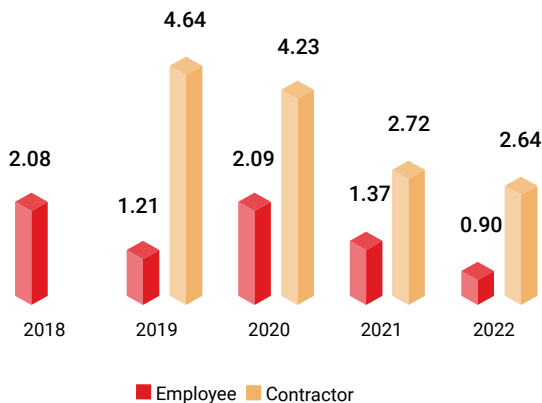
commissioning, use and maintenance

- Powered industrial truck safe operation project
- Safe OHS behavior projects
- Digital OHS onboarding training project
- Digital OHS training materials for employees, visitors and contractor personnel
- Koç System OHS software contractor module and mobile incompatibility reporting module commissioning
- Remote inhouse OHS auditing
- Line manager and supervisor safety audits
- British Safety Council OHS, fire and process safety Five Star audits
- Transport, handling and driving safety projects
- Driver safety training projects
- Process safety risk assessments and training
- Safe maintenance project
- Inspection, control and maintenance risk assessments
- Lock-out/Tag-out training and deployment project
- OHS change management projects
- Subcontractor OHS performance assessments

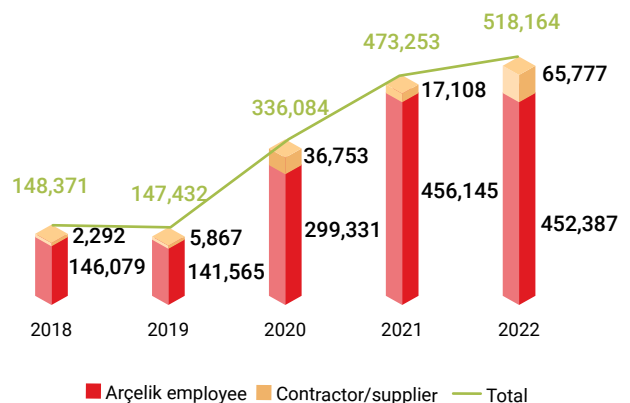
During 2022, the Lost Time Injury Frequency Rate (LTIFR) across all of Arçelik's global operations was 0.90; among Arçelik global subcontractor employees it was 2.64; among Arçelik employees and Arçelik contractor employees it was 1.12. Among Arçelik employees the Occupational Illness Frequency Rate (OIFR) was 0.06; among Arçelik contractor employees it was 0.0.

During 2022 all company employees received a total of 452,387 hours of OHS training; 65,777 hours of OHS training was provided to subcontractor personnel.

### Lost Time Incident Rate (%)



### Total OHS Trainings (person x hour)



# In Touch with Business

## Sustainable supply chain management


### Sustainable purchasing management

Arçelik has composed and published a Global Responsible Purchasing Policy designed to ensure that suppliers comply with Arçelik's own values and with its legally-mandated obligations. Every supplier with which Arçelik works is contractually bound to accept and abide by this policy. Arçelik has initiated a Supplier Sustainability Data Monitoring and Development Project that makes use of an internally formulated Arçelik Sustainable Supplier Index to track the compliance performance of vendors who supply Arçelik with goods and materials that are critical to the company's operations. All the links in the company's value chain are assessed from the standpoint of their social, economic, and environmental risk exposures and are subject to Rules of Behavior audits as per the Arçelik Global Responsible Purchasing Policy.

*Arçelik Global Responsible Purchasing Policy*

[https://www.arcelikglobal.com/media/5553/responsible-purchasing-policy\\_en.pdf](https://www.arcelikglobal.com/media/5553/responsible-purchasing-policy_en.pdf)

By 2025 Arçelik has committed itself to collecting, examining, and publicly disclosing information about the Scope 1 and 2 greenhouse gas emissions, energy and water consumption, and waste-generation performance of product and service vendors who supply 90% of all of its outsourced inputs. Arçelik has sent every supplier a copy of its Sustainability Journey Commitment in which it sets out its sustainability objectives and what it expects suppliers to do about them. Arçelik has announced that it expects each of its critical suppliers to subscribe to this commitment by end-2023 and to publicly state that they concur with the same sustainability objectives. Arçelik has its suppliers independently audited for compliance with the Code of Conduct precepts of the Arçelik Global Responsible Purchasing Policy to determine if they are fulfilling Arçelik's expectations with respect to such issues as legal compliance, working conditions, occupational health and safety, and environmental wellbeing. Suppliers are notified of any non-conformities as well as of what corrective action the company wants them to take. Compliance with these requests is monitored, as is the subsequent performance of any supplier who fails to pass a previous audit. Because



**Sustainability trainings  
on 10 different topics  
were given to suppliers.**

it requires full compliance with mandatory laws and regulations, Arçelik ceases to do business with any supplier whose audit reveals even one child labor, compulsory labor, discrimination, harassment, bribery, or corruption violation.

Arçelik's supplier-development projects addressing such issues as digital transformation and quality and efficiency improvement have environmental as well as economic benefits.

In 2022, 127 high-turnover vendors that together supplied a total of 90% of Arçelik's outsourced inputs last year were subjected to Arçelik Global Code of Conduct audits by independent agencies. Another 29 low-turnover vendors were also audited in response to customer demands.

### Supplier sustainability training

Since 2021, Arçelik has been working through third-party independent consultancies to provide its suppliers with advice on dealing with sustainability issues. It also conducts webinars by means of which it provides vendors with sustainability training itself. In 2021 work began on developing an Arçelik Digital Training Platform in order to make such training resources accessible to more suppliers. Becoming operational in 2022, the platform makes it easier for suppliers using it to educate themselves about Arçelik's approaches to dealing with ten sustainability issues.

### Supplier improvement

Arçelik's Auxiliary Industry Transformation and Development Department focuses on improving suppliers' quality and efficiency to help them make their production operations more sustainable while also remaining competitive themselves. Suppliers' needs are analyzed,

after which resources are created to address those needs and are made easily accessible to them. During 2022, constant efforts were made to improve suppliers' infrastructural capacity and technical competencies and to promote adoption of the latest production technologies throughout Arçelik's entire supplier ecosystem. In the course of these efforts, Arçelik representatives visited 134 firms last year and worked arm-in-arm with auxiliary-industry manufacturers.

- 110 cost-improvement projects were commissioned during 2022.
- Completed cost-improvement projects generated economic gains whose aggregate value amounted to EUR 6.8 million, up by 272% as compared with 2021.
- All of Arçelik's international operations were involved in these efforts. Cost-improvement projects undertaken in Arçelik's international operations have generated economic gains among them as well. Eleven cost-improvement projects are currently in progress at 53 locations.
- Quality-development projects involving 47 different input groups were carried out at 18 firms whose quality was in need of improvement.

The more than 500 auxiliary manufacturers with which Arçelik works were classified according to various criteria using the Kraljic matrix model. As a result of this classification, 133 firms (50 plastic, 49 metal, and 34 component input vendors) were identified as potentially exposing the company's supply chain operations to strategic and/or bottlenecking risks and were accordingly subjected to detailed risk assessments.

As part of its supply-chain transformation program, Arçelik supports inclusion of domestic auxiliary manufacturers in its purchasing operations in order both to reduce its dependency on overseas sources and contingent supply-chain risks and to bring useful manufacturing technologies and knowhow into the country. Arçelik is currently working with suppliers to localize production of 123 inputs which are currently being imported from abroad; during 2022, 15 previously imported inputs were localized.

Arçelik continues its efforts to achieve its sustainability goals by engaging its suppliers in the process. One project to change over to hybrid rubber generated 8.8 tons of raw material savings; another to change over to recyclable silicon similarly saved 7.5 tons in raw material procurements. The two projects are together projected to reduce CO<sub>2</sub> emissions by 113.6 tons.

In 2022 an energy-efficiency project was initiated to improve the operational efficiency of motors that suppliers use. The goals of this project, which involves replacing 1,366 motors used by 40 auxiliary manufacturers with newer, more-efficient models, are to conserve 13 million kWh in energy and to prevent the release of 3,000 tons of CO<sub>2</sub> into the atmosphere.

An Agile Project Management process-transformation team worked with one of Arçelik's biggest auxiliary manufacturers under a project to improve the firm's overall structural efficiency by creating a model compatibly aligned with the supplier's digital maturity index by means of value-stream mapping. In this project, all of the supplier's processes underwent an end-to-end examination in the course of which, points requiring productivity, quality, and capacity improvements as well as the actions needed to achieve them were identified.

Arçelik works with its suppliers both to increase their total output and improve the sustainability, quality, and cost-effectiveness of their existing operations and to equip them with new manufacturing technologies and competencies so that they can make things which they previously could not. Improvements in suppliers' infrastructural and technical resources and competencies result in more economical inputs for Arçelik to use.

Under the Arçelik Purchasing Department's Supplier-Development Operations Plan, 54 supplier audits, 728 quality-improvement, 204 design-change, 12 kaizen, and 62 cost-improvement projects were completed in 2022.

While strengthening the sustainability of its partnerships with existing suppliers through ongoing supplier-development projects, Arçelik has also enriched its product portfolio with the addition of attractively-priced

**Efforts were made to promote the latest production technologies in the supplier ecosystem.**

## In Touch with Business

small domestic appliance, ventilation, and air conditioning products resulting from its partnership with Hitachi and its newly onboarded suppliers in China. Arçelik carried out a number of new rechargeable upright vacuum cleaner, robot vacuum cleaner, air-fryer, and other product competency-enhancement projects aimed both at increasing suppliers' total output and at improving the sustainability, quality, and cost-effectiveness of their operations. Last year's projects not only improved suppliers' infrastructural and technical resources and competencies but also gave the company access to alternative sources of components and other inputs.

In the course of sustainability projects conducted under the leadership of the Arçelik Purchasing Department in 2022, work was carried out on 16 products made with recycled plastics and five products made with biomaterials. Projects to improve Arçelik packaging sustainability by (1) eliminating the use of expanded polystyrene and (2) changing over to 100% recycled/recyclable cardboard, paper, and other materials in the production of boxes, user's manuals, accessory pouches, and protective and sealing tape etc., have largely been completed. Efforts are also made to improve sustainability-awareness among suppliers. Vendors who supply Arçelik with an aggregate 90% of its outsourced inputs by volume are now conducting their operations in compliance with the ISO 14001 standard. The company has likewise begun requiring compliance with the same standard of any new suppliers that it takes on.

**90% of the outsourced inputs by volume are now conducting their operations in compliance with the ISO 14001 standard.**

### Sustainable logistics management

- Arçelik has embarked upon its sustainable logistics-management process by identifying suppliers for inclusion in a pilot project. Negotiations with and comparisons among firms capable of serving as this project's external auditors are currently in progress. Proposals have been received from training firms that will be providing pilot-group logistical services providers with sustainability-related auditing and training resources.
- Supply-chain sustainability workshops are conducted at regular intervals for headquarters supply-chain teams as well as for those of the company's subsidiaries.
- A sustainability-performance module has been incorporated into the Supply Chain Department's project-tracking software thus making it possible for a project's sustainability performance with respect to energy conservation, materials conservation, water conservation, greenhouse gas emissions mitigation etc., can be monitored and reported on a consolidated basis. This module also gives headquarters and subsidiary-company supply-chain teams access to best practices and model projects. More than 70 currently active projects are being monitored in this way.
- A focus group whose members represent different departments has been created to identify Arçelik's own long-range (2030-2050) supply chain sustainability goals. Workshops exploring the following six issues were conducted last year.
  - Zero emissions
  - Materials reduction, recycling, reuse
  - Energy conservation
  - Augmented freight carrier loading
  - Alternative freight carrier modes
  - Energy systems management





### Sustainable-logistics management and operations in 2022

- Attention was given to having recourse to all import, export, and domestic-distribution transport modes whose emissions impact is less. Priority was given especially to using marine, railway, and intermodal options whose emissions impact is lower than those of road transport. In the company's Türkiye operations, preference was giving to moving import/export goods by rail between warehouses and ports.
- Discussions are being carried out with customers, carriers, and warehouses to increase the use of 40-foot HC containers, which will also lessen dependency on highway/air transport. The use of these higher-volume containers has so far reduced the company's logistical-services emissions by 315 tCO<sub>2</sub>e.
- 90% of the company's exports were shipped by sea in 2022.
- Use of railway transport for in-country shipments was up by 45% year-on-year.
- Changes in vehicle-loading configurations made it possible to switch from double-loading to triple-loading on some routes, thus helping to reduce greenhouse gas emissions by allowing more cargo to be moved in a single run.
- Based on the results of process-analysis studies, various import/export operations were digitalized, thereby reducing or even eliminating the need for printed output and the contingent use of office supplies. The reduction in A4 paper use alone saved 254 trees from harvesting. Existing export documentation has been digitally archived and old hard-copy archives have been destroyed and sent for recycling. This project earned

Arçelik a Turkish Foundation for Combating Soil Erosion certificate of appreciation.

- A pilot project was conducted to explore the use of EU Horizon 2020 MODALES methods to examine, analyze, and change operators' driving habits so as to improve vehicle use and fuel efficiency.
- Under a pilot project, electric vehicles are being trialed on some routes.
- CNG is now being used instead of diesel in trucks on some routes.
- Attention was given to synergy-creation in supply-chain and spare-parts distribution operations in order to cut overall emissions by combining shipments and thereby reducing their total number.

### Sustainable warehousing operations in 2022

- Forklift accident prevention systems were installed to help improve workplace safety in warehousing operations.
- In ongoing efforts to improve workplace gender equality, the number of women employed (some now on monthly/hourly salary) in the company's warehousing operations in Türkiye was increased from 60 to 104.
- More rainwater runoff collection systems were installed at Arçelik's export and marketing warehouses as well as at selected warehouses used by several dealers in common. These additions reduced total water use in 2022 by 30% as compared with 2021's 17,437 m<sup>3</sup>.
- Installation of automatically-controlled lighting systems at warehouses reduced total electricity consumption in 2022 by 27% as compared with 2021's 4,515,593 kWh. This corresponds to about as much electricity as 774 households in Türkiye would use in one year on average.
- Installation of solar-panel systems reduced electricity consumption at the company's Ankara, Antalya, and Erzurum warehouses.
- The environmental footprints of the rectifiers used in forklifts were reduced; replacement of some rectifiers lowered electricity consumption.
- Changes in warehouse stacking procedures improved the efficiency of handling operations and reduced energy consumption.
- Changes in materials such as Styrofoam, air cushions, stretch film etc., used to wrap lots loaded onto vehicles reduced the amounts needing to be used.



## In Touch with Business

- Collapsible shipping crates are beginning to be used instead of cardboard boxes in the conduct of the company's operations in Türkiye. These circular economy-compatible crates are suitable for reuse in subsequent logistical operations.
- Air cushions and a variety of wooden, Styrofoam, cardboard, metal, and plastic elements must be used to support and stabilize cargos during shipment aboard vehicles. Projects have been initiated to reduce the need for such materials and also to explore and exploit reusability/recyclability options across all of the company's warehousing operations. These projects have already generated significant gains in terms of the wooden, cardboard, metal, and plastic elements used in finished-product warehouses. Instead of purchasing, wooden pallets and cardboard boxes that might once have been discarded are reused. The 2022 results of these projects are highlighted below.
  - Total cardboard box consumption in 2022 was down by 95% as compared with 21,591 unit-items in 2021.
  - Total wooden slat, crate and pallet consumption in 2022 was down by 47% as compared with 29,694 unit-items in 2021.
  - Total metal support, bracing, housing etc., consumption in 2022 was down by 10% as compared with 124,006 unit-items in 2021.
  - Total plastic containerizing, wrapping, housing etc., consumption in 2022 was down by 52% as compared with 433,980 unit-items in 2021.

### Case Study: Forklift Rectifier Replacement Project


The standard rectifiers which previously were used to recharge the batteries of electric forklifts operating in finished-product warehouses are being replaced with units that operate at higher frequencies. This replacement prolongs battery life while also reducing electricity consumption and maintenance costs as well as greenhouse gas emissions.

### Arçelik Global Compliance Program, Combating Bribery and Corruption Policy

Since the day it was founded, Arçelik has always made ethical behavior and practices core elements of its business models. The ethical guidelines of all Koç Group companies were laid out by the Group's founder Vehbi Koç who said "Honesty, integrity, and superior business ethics are the foundations of our business conduct. We conduct our business based on good intentions, mutual benefit, and fair treatment in all our relationships."

Arçelik and those who act on its behalf strive to lead its employees, business partners, and all of its other ecosystem stakeholders along the trail blazed by the company's founder. To address the more complex needs arising from the company's global expansion, Arçelik's existing "Code Of Conduct and Working Principles" was revised, updated, and renamed "Arçelik Global Code of Conduct Operations Policy" and put into effect by the Board of Directors in 2019.

The essential tenets of the Arçelik Global Compliance Program are "Protect", "Identify", and "Respond". All Arçelik employees and business partners are kept informed about the program's rules, are expected to obey them, and are supported in their efforts to do so. All company executives are responsible for behaving in ways that set an example for employees and for making business decisions that are compatible with the Arçelik Global Code of Conduct and its related policies. Arçelik's CEO is the head of the Arçelik Global Ethics Committee.



**Since the day it was founded, Arçelik has always made ethical behavior and practices core elements of its business models.**



The Arçelik Chief Legal and Compliance Officer is responsible for submitting to the Koç Holding Durable Consumer Goods Division President quarterly reports of all Arçelik Global Compliance issues and Arçelik Global Ethics Committee decisions. This executive, who is also a member of the Arçelik Board of Directors, is responsible for reporting to that Board the activities of the Arçelik Global Ethics Committee and of any compliance issues that might be on the company's agenda.

Presented as the minimum standard whenever it is published, the particular elements of the Arçelik Global Compliance Program are reviewed in light of the company's changing needs and revised accordingly. In 2022 for example the Arçelik Global Social Investments Policy was added to the program and other policies were also given updates.

Arçelik Global Code of Conduct Operations Policy:  
[https://www.arcelikglobal.com/media/5512/2\\_global-code-of-conduct-operations-policy\\_.pdf](https://www.arcelikglobal.com/media/5512/2_global-code-of-conduct-operations-policy_.pdf)

A copy of the Arçelik Global Code of Conduct Operations Policy and copies of each of its related policies are presented to every newly-hired employee, who is expected to sign a document as acknowledgement of their receipt. All newly-hired personnel are also given Arçelik Global Code of Conduct Operations Policy and related-policy training upon joining the company. The completion status of the training is checked regularly.

In 2021, a "Restricted and Denied Party Screening" module was added to Arçelik's SAP system as an element of the company's Compliance Program. This module automates the process of determining for the benefit of third parties that the company's business partners are neither banned or sanctioned anywhere nor have operations in any embargoed country.

Arçelik employees are provided with online interactive training resources to enhance their awareness of compliance-risk issues. This training is provided under the headings of "Code of Conduct", "Anti-bribery and Corruption", "Sanctions and Export Controls", "Personal Data Privacy", and "Anti-Money Laundering". Also included are "Competition Law") and "Human Rights and Anti-Discrimination" as per the Arçelik Global Code of Conduct. Senior executives are also provided with the same training in one-on-one sessions.

Any violation or infraction of Arçelik Global Code of Conduct Operations Policy or of any related policy may be reported to the Arçelik Legal and Compliance Department through a variety of channels such as Ethics Hotline numbers in some countries, email, and the company's web tools at [www.ethicsline.net](http://www.ethicsline.net). In 2022 the global Ethics Hotline network was expanded with the addition of telephone numbers for Egypt, France, Ireland, Great Britain and Northern Ireland, Poland, USA, Indonesia, Malaysia, Singapore, Taiwan, UAE and Vietnam. Arçelik is committed to protecting all whistleblowers from retaliation and to handle all investigations with complete confidentiality.

Arçelik has publicly declared that it will comply with anti-bribery and anti-corruption laws, regulations, and principles in line with its Global Anti-bribery and Corruption Policy.



## In Touch with Business

As a subsidiary of Koç Holding, Arçelik is a likewise a signatory to United Nations Global Compact rules governing anti-corruption and anti-bribery principles and practices throughout the world.

As a consequence of its Global Anti-bribery and Corruption Policy, in no way condones or tolerates offering, giving, or accepting bribes. No employee is permitted to accept or to offer or to give any gift or payment of money that might be interpreted as a bribe. Every employee who is involved in or a witness to such a situation is required to report it to the Global Compliance Department.

Arçelik in no way condones or tolerates any corrupt act, financial fraudulence, facilitating payment, or bribe. All financial records of transactions must fully and clearly reflect the truth. No duly registered account or asset may be entered into any of the company's accounting systems.

In every country in which it has a operational presence, Arçelik complies fully with that country's currently applicable laws and regulations governing anti-bribery and anti-corruption issues. Arçelik makes every possible effort to ensure that all company employees are given anti-bribery and anti-corruption training every year.

**Arçelik complies fully with laws and regulations governing anti-bribery and anti-corruption issues.**



*Arçelik Global Anti-bribery and Corruption Policy*

[https://www.arcelikglobal.com/media/5516/4\\_global-antibribery-and-corruption-policy\\_.pdf](https://www.arcelikglobal.com/media/5516/4_global-antibribery-and-corruption-policy_.pdf)

In 2022 both the Arçelik Global Code of Conduct Operations Policy and its related policies and the Arçelik Global Compliance Program were independently audited for compliance with the ISO 37301 Compliance management systems standard.

### Data privacy

At Arçelik, all personal data privacy standards and practices are informed by the requirements of applicable laws and regulations and by the Arçelik Global Code of Conduct Operations Policy and its related policies. The company's Global Compliance Officer is also its Data Privacy Officer (DPO), in which capacity he is responsible for the oversight of all personal data privacy and processing functions and operations both at Arçelik and among its subsidiaries and for ensuring full regulatory compliance.

Arçelik and its subsidiaries and affiliates process and protect all personal data belonging to their customers, suppliers, employees, subcontractors, and any other stakeholders with which they have business dealings in accordance with the requirements of applicable laws and regulations. In situations where such laws and regulations mandate higher levels of personal data protection and privacy than are called for by company policy, they necessarily take precedence and Arçelik complies with them.

## Customer satisfaction surveys

As it does every year, in 2022 Koç Holding conducted a series of nationwide brand-based dealer and customer satisfaction surveys in Türkiye. The responses of Arçelik and Beko dealers who voluntarily took part in the dealership survey were elicited through interviews with them. For the customer satisfaction survey, end-users who had purchased any Arçelik or Beko-branded home appliance, TV, or air conditioner during the most recent two years were asked to rate their satisfaction with product and brand performance. For the first time last year, customer satisfaction surveys were also conducted outside Türkiye in ten other countries.

### Koç Holding Customer Satisfaction Survey

Arçelik's parent Koç Holding has surveys of its own conducted to determine the degree to which end-users who have purchased Arçelik, Beko, and competitor-branded home appliances, TVs, and/or air conditioners are satisfied with product and brand performance. Individuals selected from representative samples of customer populations are interviewed and for each group their responses are combined to yield a sample-population index value between 66 and 134.

For the 2022 survey, 2,578 home appliance owners, 638 TV owners, and 875 AC owners were interviewed. Based on the results of these interviews, the customer satisfaction index among Arçelik-brand customers was 90.6; among Beko-brand customers it was 89.3.

### Koç Holding Dealer Satisfaction Survey

For the 2022 Koç Holding Dealer Satisfaction Survey, 897 Arçelik and 725 Beko dealers who had agreed to take part in the poll were interviewed. Based on the results of these interviews, the dealer satisfaction index among Arçelik-brand dealers was 88 (2021: 86); among Beko-brand dealers it was 86 (2021: 83). The average Arçelik + Beko dealer satisfaction index in 2022 was 87.

## Global Customer Satisfaction Survey

For the first time in 2022, customer satisfaction surveys were also conducted globally in ten countries (France, Germany, Italy, Norway, Poland, Russia, Romania, South Africa, Spain, the UK) among end-users who had purchased any Arçelik-owned brand home appliance during the most recent two years. These polls, which were conducted online, yielded a Beko customer satisfaction index of 76.8; among Arctic, Defy, and Grundig owners, the customer satisfaction indexes were 85.8, 86.9, and 72.1 respectively.

### Digital user's manuals

The project to improve the company's digital user's manuals continues to make progress across many different fronts: Texts and graphics are simplified and made more understandable; manual content covers all essential product features and excludes extraneous material; printed manuals are supplied only in required languages. To date, the Digital User's Manual Project has reduced the total volume of all Arçelik-supplied user's manuals by about 24.3 million A5 pages and has generated financial savings in the order of EUR 63,000.

**In 2022, customer satisfaction surveys were conducted in 11 countries.**

## SECTION 5

# CORPORATE GOVERNANCE





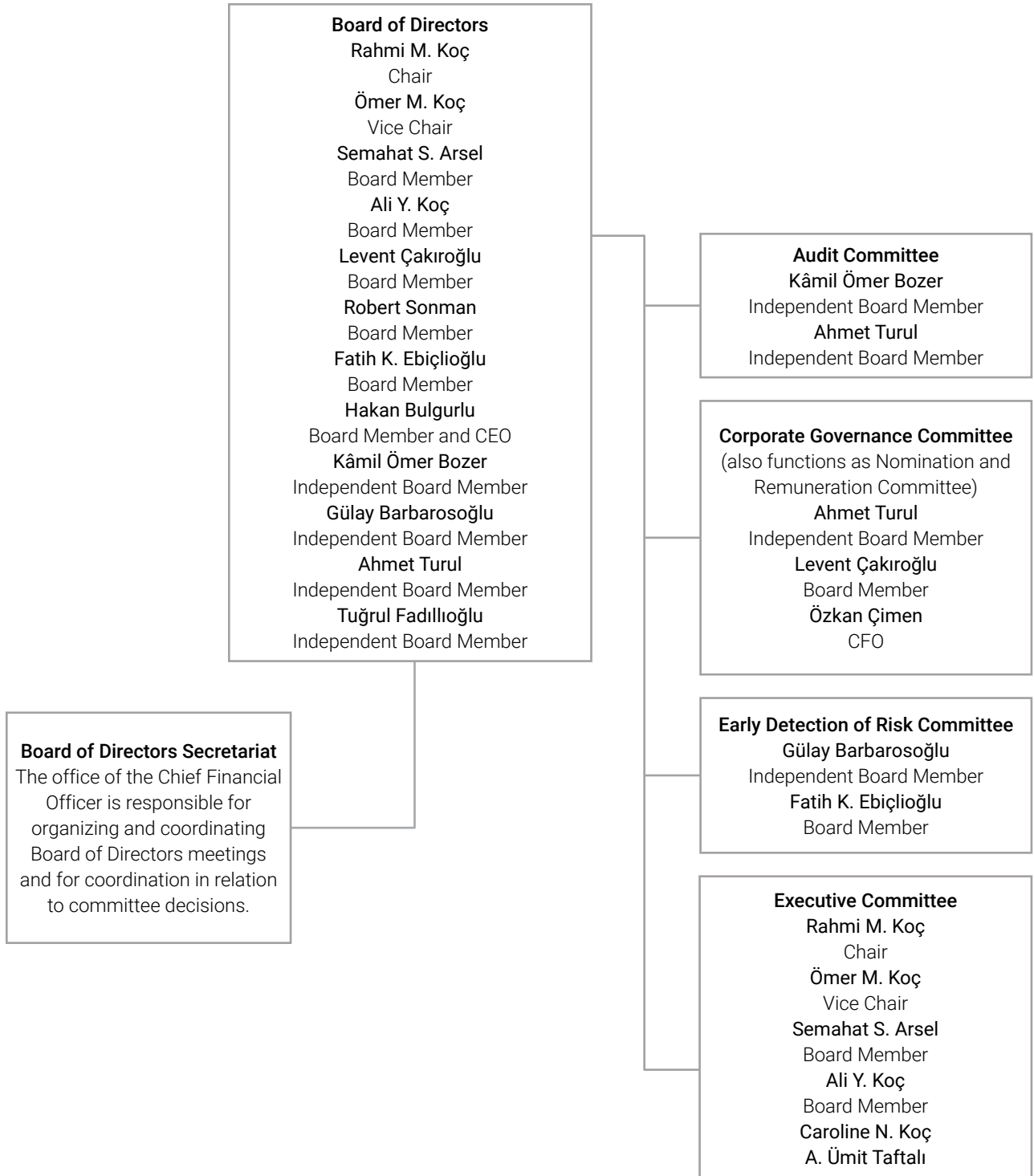
## Arçelik places emphasis on transparency, accountability and total compliance in corporate governance.

Arçelik proactively monitors emerging risks and assesses their potential impacts on the company in the long term.

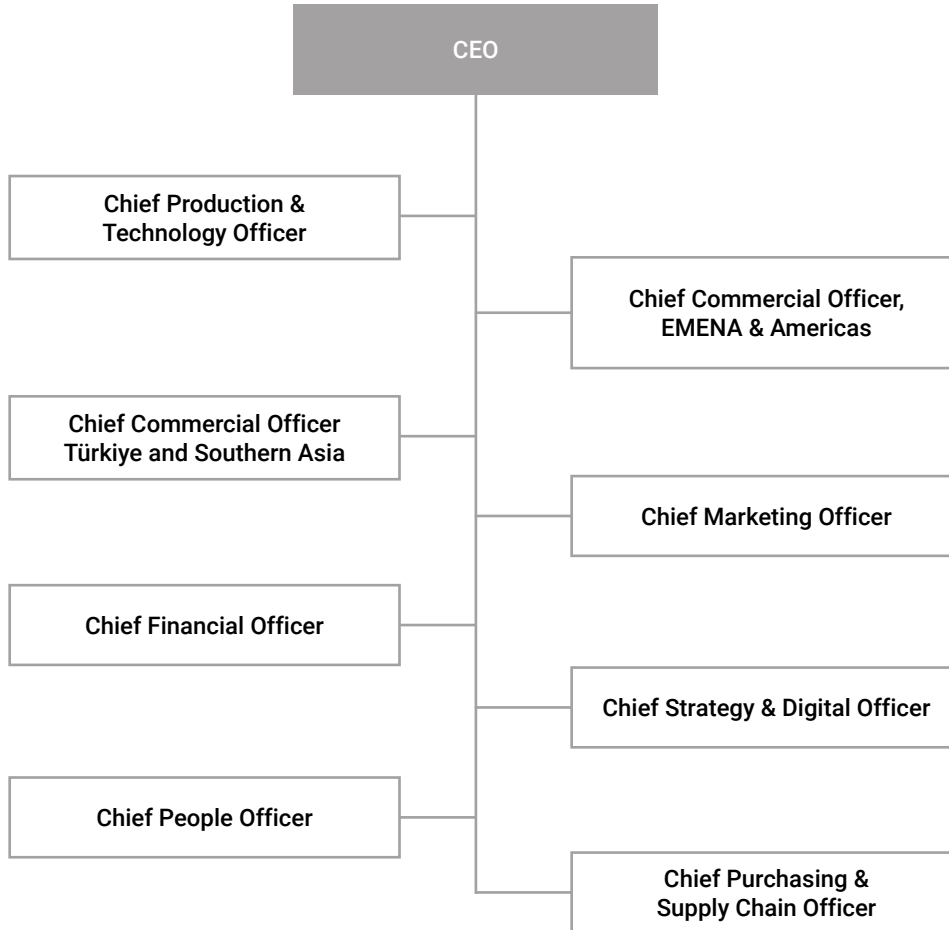




## Board of Directors Structure



# Organization Chart



# Board of Directors

## Rahmi M. Koç

Chair

Mr. Rahmi Koç has completed his university education at Johns Hopkins University (USA), Department of Business Administration. He started his career at Ankara Otokoç, a member of the Koç Group, in 1958. After becoming the Chair of the Executive Board in 1980, he became the Chair of the Board of Directors of Koç Holding in 1984. He has been carrying on his work as the Honorary President of Koç Holding since 2003. Aside from Koç Holding, Rahmi M. Koç is also continuing his duties as the Chair and Member of the Board for other companies of the Koç Group, as well as other roles in numerous social and professional organizations:

- Metropolitan Museum of Art, New York, Honorary Chair of the Board of Trustees
- Southeast Europe Cooperation Initiative, Co-President of the Business Consultation Board
- Deputy Chair of the Board of Trustees, Vehbi Koç Foundation
- Honorary Chair of the Board of Trustees, Koç University
- Founder and Chair of the Board of Directors, Rahmi M. Koç Müzecilik ve Kültür Vakfı
- Chair of the Board of Directors, Vehbi Koç Foundation American Hospital
- Founding Member and Honorary President, TURMEPA/ Turkish Marine Environment Protection Association
- Honorary President of the High Advisory Board at the Turkish Industry and Business Association
- Member of the Advisory Council, Turkish Confederation of Employer Associations
- Founding Chair 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 International Advisory Board of Allianz AG
- Former Member of J.P. Morgan International Council
- Former Member of the International Advisory Board at the United States Council on Foreign Relations

Titles and awards held by Mr. Rahmi M. Koç are as follows

- "Honorary Doctorate" from Johns Hopkins University (Baltimore, Maryland), Eskişehir Anadolu University, İzmir Ege University, Ankara Bilkent University, Constanta Ovidius University and Aydın Adnan Menderes University
- Order of Merit from the Presidency of the Republic of Türkiye
- "Grosses Verdienst Kreuz" (Great Service Commendation of Germany) from the German Government
- "High Merit Commendation" from the Italian Republic
- "Great Service Commendation" from the Presidency of Austrian Republic
- "Excellent Leadership (Honorary) Commendation" from the British Empire (CBE)
- "Officier dans l'Ordre National de la Légion d'Honneur", which is the most prestigious commendation of France
- "Lifelong Responsible Business Person Award" from FIRST, a world-renowned international relations organization
- Medal from the US-based Foreign Policy Association, which is one of the respected think tanks in the world with a history of 100 years
- "Hadrian Award" for the Koç Family by the World Monuments Fund
- "Carnegie Philanthropy Medal" for the Koç Family (New York)
- "BNP Paribas Philanthropy Award" for the Koç Family (Paris)
- Outstanding Service Award in Decorative Arts for the Koç Family at the 16th Iris Foundation Awards

Mr. Rahmi M. Koç, who is a non-executive board member is not an independent member pursuant to the Corporate Governance Principles of the CMB. Mustafa Rahmi Koç, has been serving in the boards of directors of the Group companies for the last ten years.

**Ömer M. Koç**

Vice Chair

Mr. Ömer Koç received his B.A. degree from Columbia University(USA) in 1985. He worked at Kofisa Trading for one year in Switzerland. In 1989, he earned his MBA degree from Columbia Business School. After working at Ramerica Intl. Inc., he joined the Koç Group in 1990. He held top-tier positions such as Financing Coordinator, Vice President and President of the Energy Group at Koç Holding. He became a Member of the Board of Directors of Koç Holding in 2004, and he undertook the duty of Vice President of the Board of Directors in May 2008. He has been the Chair of the Board of Directors of Koç Holding since February 2016. Ömer M. Koç also works as the Vice President of the High Advisory Council of Turkish Industry and Business Association, Chair of the Board of Trustees at the Turkish Education Foundation, Chair of the Board of Directors of Geyre Foundation, Chair of the Board of Directors of Yapı Kredi Kültür Sanat Yayıncılık, Chair of the Board of Trustees at İstanbul Kültür Sanat Foundation, Chair of the Board of Directors of Tüpraş, Chair of the Board of Directors of Tofaş, and Member of the Board of Directors at some other companies held by the 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. Mehmet Ömer Koç, has been serving in the boards of directors of the Group companies for the last ten years.

**Semahat S. Arsel**

Member

Ms. Semahat Arsel has started her business life as a Member of the Board of Directors at Koç Holding in 1964, she is still continuing this duty. Additionally, she is on the Board of Directors at Vehbi Koç Foundation and Divan Group, and founder of Semahat Arsel Nursing Education and Research Center and Koç University Health College. She is also a Member of the Board at some other Koç Group companies. She is also a Member of the Board of Trustees at the Educational Volunteers of Türkiye Foundation (TEGV). Semahat Arsel holds an Honorary Doctorate title from İstanbul University. Ms Semahat S. Arsel, who is a non-executive board member, is not an independent member pursuant to the Corporate Governance Principles of the CMB. Semahat Sevim Arsel, has been serving in the boards of directors of the Group companies for the last ten years.

**Ali Y. Koç**

Member

Having graduated from Business Management School at Rice University (USA), Mr. Ali Koç also completed his Master's Degree at Harvard University (USA). He entered the business world in 1990 by attending the Executive Training Program at American Express Bank and he worked as an Analyst at Morgan Stanley Investment Bank from 1992 to 1994. In 1997, he started to work as the New Business Development Coordinator in the Strategic Planning Group at Koç Holding, and he held top-level positions such as Koç Holding Information Group President, Corporate Communications and Information Group President and so forth until 2010. A Member of the Board of Directors at Koç Holding for over eight years, Ali Y. Koç has been acting as the Deputy Chair of the Board of Directors of Koç Holding since February 2016. In 2016, he became the Chair of the Board of Directors of Koç Finansal Hizmetler and Yapı Kredi Bankası. Mr. Ali Y. Koç is also the Chair of the Board of Directors at some other Koç Group companies, including Ford Otosan and Otokar. In addition to these duties, with the aim of contributing to the economic and social development of our country, he also serves as the President of Fenerbahçe Sports Club, Member of the Board of Directors at URAK (International Competition Researches Foundation) and at the Endeavor Foundation and Board Member at European Club Association (ECA). Ali Y. Koç is also a Member of the Global Advisory Board at Harvard University, Bank of America and Council on Foreign Relations; a Member of the Senior Advisory Board at Chatham House; and he represents Türkiye at the CBI – Confederation of British Industry. Mr Ali Y. Koç, who is a non-executive board member, is not an independent member pursuant to the Corporate Governance Principles of the CMB. Yıldırım Ali Koç has been serving on the Board of Directors of the Group companies for the last ten years.

## Board of Directors

### Levent Çakıroğlu

Member

Mr. Levent Çakıroğlu completed his graduate degree at Business Management Department, Political Sciences School in Ankara University and completed his Master's Degree at the University of Illinois. He started his work life as a Junior Accountant at the Ministry of Finance in 1988, and then he worked as a Senior Accountant at the same Ministry from 1991 to 1997. From 1997 to 1998, he worked as the Deputy Chair of the Financial Crimes Investigation Board of the Ministry of Finance, while at the same time working as a part-time Academic at Bilkent University. Çakıroğlu attended the Koç Group as the Financial Group Coordinator in 1998. He worked as the CEO of Koçtaş from 2002 to 2007, and as the CEO of Migros from 2007 to 2008. In 2008, he was assigned as the CEO of Arçelik. He has also served as the Chair of the Consumer Durables Group at Koç Holding since 2010. In April 2015, Çakıroğlu was appointed as the CEO of Koç Holding, which is the title he currently holds today. Being a Member of the Board of Directors of Koç Holding since April 2016, Levent Çakıroğlu is the Chair of the Board of Directors at Arçelik-LG and TürkTraktör, Deputy Chair of the Board of Directors at Otokar and Yapı Kredi Bankası, and a Member of the Board of Directors at various Koç Group companies. Mr. Levent Çakıroğlu, who was a non-executive board member, is not an independent member pursuant to the Corporate Governance Principles of the CMB. The positions he has undertaken for the last ten years are listed above and currently he is taking office in the Board of Directors of some Koç Group companies.

### Robert Sonman

Member

Mr. Robert Sonman has graduated from the Department of Architecture with an M.A. degree from the McGill University in Canada. He works as the Chair of the Board of Directors at the Burla Group Companies, which have shares in Arçelik A.Ş. He has been a Member of the Board of Directors at Arçelik A.Ş. since April 1994. He speaks English and French. Mr. Robert Sonman, who is a Non-Executive Board Member pursuant to the Corporate Governance Principles of the CMB, is not an independent member.

### Fatih K. Ebiçlioğlu

Member

After earning his Bachelor's Degree from the Department of International Relations at the Faculty of Political Sciences at Ankara University, and his Master's Degree in Finance at Virginia Commonwealth University, he got a PhD in Finance-Accounting from the Faculty of Political Sciences at Ankara University. Dr. Fatih Kemal Ebiçlioğlu worked as a Junior Accountant, Accountant and Senior Accountant at the Ministry of Finance from 1989 to 2002. In addition to these positions, he was also a part-time lecturer at Hacettepe, Bilkent and Atilım Universities from 1998 to 2002. He joined Koç Holding as the Group Financial Coordinator in 2002 and was promoted to Koç Holding Audit Group Coordinator between 2004 and 2005. From 2005 to 2015, he became the Deputy General Manager of Arçelik. He has been CEO for Durable Goods Group at Koç Holding since February 2015 and also is Board Member at Arçelik. He also serves as Chair of the Board of Directors and Member of the Board of Directors at some other Koç Group companies. In addition to these duties, he served as a Member of the Board of Directors of the Turkish Exporters Assembly (TİM) between 2018 and 2022. He is a member of TÜSİAD Board of Directors. Mr. 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 Bulgurlu**

Member

Having completed his graduate degree at the School of Economics and the Mechanical Engineering at Texas University, Mr. Hakan Bulgurlu earned his Master's Degree from Northwestern University, Kellogg School of Management and Hong Kong University of Science and Technology. Having started his business life at Koç Holding in 1994, Bulgurlu worked in different positions in the Asia-Pacific region and led the Holding's Asia-Pacific foreign trade and supply operations for 13 years in Hong Kong. From 2007 to 2010, he acted as the General Manager of Arçelik-LG, which has the largest air conditioner manufacturing facility in Europe and Middle East. Then, he joined Arçelik in 2010 and has been acting as the CEO of Arçelik since 2015.

Aside from being the President of the Executive Board of APPLiA (Household Appliance Manufacturers Association of Europe), Bulgurlu is also one of the members of Alliance of CEO Climate Leaders within the World Economic Forum (WEF). As a member of the Executive Board of the World Business Council for Sustainable Development (WBCSD), Bulgurlu is among the founding members of Amstel Dialogue, which was established with the aim of accelerating the innovation process in Europe. Mr. Hakan Hamdi Bulgurlu, who is an Executive Board Member, is not an independent member pursuant to the Corporate Governance Principles of the CMB.

**Kâmil Ömer Bozer**

Independent Member

Mr. Kamil Ömer Bozer earned his Bachelor's Degree in Business Administration from the Middle East Technical University, followed by a Master's Degree in Georgia State University (USA) in MBA/finance. He entered the business world as a trainee at Koç Holding A.Ş. in 1985. He became Deputy General Manager at Maret A.Ş. in 1990 and General manager at Düzey A.Ş. in 1995, before he was appointed as the General Manager of Migros Türk T.A.Ş. in 2002. In September 2004, he was appointed as the Chair of Koç Holding A.Ş. Food, Retail and Tourism Group while carrying out his General Manager duties in Migros Türk T.A.Ş. in the meantime. He held the title of Chair of Koç Holding A.Ş. Tourism, Food and Retail Group until April 2011 when he voluntarily ended his executive working life.

Since then, Kamil Ömer Bozer has held Independent Board Member and Board Member positions at Coca-Cola İçecek A.Ş., Anadolu Efes, Adel Kalemçilik Ticaret ve Sanayi A.Ş., Anadolu Isuzu, Anadolu Etap A.Ş., Kamil Yazıcı Yönetim A.Ş., Carrefoursa, Boyner Holding. He is an Independent Member of the Board at Dardanel A.Ş. and TÜPRAŞ A.Ş. and Board Member at Boyner Holding.

Kamil Ömer Bozer has not held any other positions in Arçelik or its subsidiaries in the last five years. He does not have any relationship with Arçelik senior executives. Kamil Ömer Bozer does not directly or indirectly hold more than 5% of Arçelik's shares, has no employee representation and he does not have any commercial relationship with Arçelik A.Ş.

Kamil Ömer Bozer was elected as an Independent Board Member at the Ordinary General Assembly Meeting held on 19 March, 2018, and has continued to serve as an independent member of the Arçelik Board of Directors since that date.

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## Board of Directors

### **Gülay Barbarosoğlu**

Independent Member

Professor M. M. Gülay Barbarosoğlu graduated from Robert College in 1974. She earned her Bachelor's Degree in Industrial Engineering in 1978 and her PhD in the same department at Boğaziçi University in 1985, before she became Professor of Industrial Engineering in 2000. She designed and delivered lectures on mathematical programming and optimization, logistic, operation and production planning, and decision-making theories.

Prof. M. M. Gülay Barbarosoğlu acted as Rector at Boğaziçi University from 2012 to 2016, and Vice Rector Responsible for Research at Boğaziçi University from 2008 to 2012. She took on various administrative roles at Boğaziçi University. Between 2002 and 2006, she worked as the Manager of Kandilli Observatory and Earthquake Research Institute (KRDAE), as the Manager of Center of Disaster Management (CENDIM), and President of the Department of Industrial Engineering and Program of Financial Engineering.

Having taken on international duties, Prof. M. M. Gülay Barbarosoğlu acted as a Member of the Board of Directors at the European Universities Association between 2013 and 2017. During her duties as the Vice Chair of the Association of European Operational Research Societies (EURO) between 2003 and 2007, and the national representative

at NATO Research and Technology Organization between 2002 and 2010, she worked in close collaboration with various European universities, governmental and non-governmental organizations. Prof. Barbarosoğlu is a Founding Member of EURO Organizational Planning European Study Group and a Member of the Management Sciences Institute (INFORMS), American Production and Inventory Control Society (APICS) and International Industrial Engineering and Production Management (IEPM). Attaching great importance to civil society activities, Prof. Barbarosoğlu actively worked to establish Neighborhood Disaster Volunteers (MAG), and she acted as a Member and Chair of the Board of Directors. Prof. M. M. Gülay Barbarosoğlu retired from Boğaziçi University in December 2016.

Müzeyyen Münire Gülay Barbarosoğlu has not held any other positions in Arçelik or its subsidiaries in the last five years. She does not have any relationship with Arçelik senior executives. Müzeyyen Münire Gülay Barbarosoğlu does not directly or indirectly hold more than 5% of Arçelik's shares, has no employee representation and she does not have any commercial relationship with Arçelik A.Ş. Müzeyyen Münire Gülay Barbarosoğlu was elected as an Independent Board Member at the Ordinary General Assembly Meeting held on 19 March, 2018, and has been continuing to serve as an independent member of the Arçelik Board of Directors since that date.

**Ahmet Turul**

Independent Member

Ahmet Turul graduated from the Faculty of Political Sciences at Ankara University in 1980. After working as a Junior and Senior Accountant at the Ministry of Finance between 1980 and 1988, he worked as the Deputy Coordinator and Coordinator for Financial Affairs at Koç Holding from 1988 to 1999, as the Deputy General Manager for Financial Affairs at Koç Tüketici Finansmanı A.Ş. from 1999 to 2002, and Deputy General Manager for Financial Affairs at Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş. from 2002 to 2010. Ahmet Turul has served as a Member of the Board of Directors of Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş. since 2010, and of Allianz Yaşam ve Emeklilik A.Ş. since 2013. Ahmet Turul acted as an Independent Member of the Board of Directors at Tüpraş-Türkiye Petrol Rafinerileri A.Ş. from 2014 to 2019. Currently, he is a Member of the Advisory Board at the Insurance Association of Türkiye and a Member of the Tax Council representing TSB.

Ahmet Turul was elected as an Independent Board Member at the Ordinary General Assembly Meeting held on 19 March 2019, and has been continuing to serve as an independent member of the Arçelik Board of Directors since that date.

Ahmet Turul has not held any other positions in Arçelik or its subsidiaries in the last five years. He does not have any relationship with Arçelik senior executives. Ahmet Turul does not directly or indirectly hold more than 5% of Arçelik's shares, has no employee representation and he does not have any commercial relationship with Arçelik A.Ş.

**Tuğrul Fadilloğlu**

Independent Member

Tuğrul Fadilloğlu graduated from the Department of Mechanical Engineering, Boğaziçi University in 1982. From 1982 to 2002, he worked at Arçelik A.Ş. as a Product Development Engineer, Production Engineer, Mold House Supervisor, Technical Manager at the Washing Machine Plant, Quality Assurance Manager at the Washing Machine Plant, Operating Manager at the Vacuum Cleaner Business in İzmir, Deputy General Manager for Small Household Appliances, and Founding Director of the Vacuum Cleaner and Motor Plant in Çerkezköy respectively. Then, he worked as Deputy General Manager for Operations and Technology at Tanı Pazarlama Hizmetleri A.Ş. between 2002 and 2004, before he worked as the General Manager at the same company from 2004 to 2009. Assigned to Zer A.Ş. as the General Manager in 2009, Fadilloğlu held this position until he retired in 2014. In this period, he also acted as a Member of the Board of Directors at Tanı Pazarlama Hizmetleri A.Ş.

When he was in İzmir from 1995 to 2000, Tuğrul Fadilloğlu worked as the Founding Chair of the İzmir Branch of the Quality Association of Türkiye (KalDer), and a Member of the Chamber of Industry for the Aegean Region in 2000, which was his last active year there.

After retirement, he took on top-management positions and acted as a member of the Board of Directors at various organizations and worked as the General Coordinator of the Quality Association of Türkiye (KalDer). He is currently Advisory Board Member of Sistem Teknik A.Ş.

Tuğrul Fadilloğlu has not held any other positions in Arçelik or its subsidiaries in the last five years. He does not have any relationship with Arçelik senior executives. Tuğrul Fadilloğlu does not directly or indirectly hold more than 5% of Arçelik's shares, has no employee representation and he does not have any commercial relationship with Arçelik A.Ş.

Tuğrul Fadilloğlu was elected as an Independent Board Member at the Ordinary General Assembly Meeting held on 25 March 2020, and has been continuing to serve as an independent member of the Arçelik Board of Directors since that date.

# Executive Management

## Hakan Bulgurlu

Chief Executive Officer

Hakan Bulgurlu graduated from the Department of Economics and Mechanical Engineering at the University of Texas, and received his master's degree from Northwestern University, Kellogg School of Management, and Hong Kong University of Science and Technology. Having started his career at Koç Holding in 1994, Bulgurlu worked in different positions in the Asia-Pacific region and led the Holding's Asia-Pacific foreign trade and supply operations for 13 years in Hong Kong. After working as the General Manager of Arçelik-LG, which has the largest air conditioner production facility in Europe and the Middle East, between 2007 and 2010, Hakan Bulgurlu joined Arçelik in 2010, where he has been the CEO since 2015. He is a member of the Climate Leaders CEO Alliance within the World Economic Forum (WEF) and is the President of the European Association of Home Appliance Manufacturers (APPLiA). Hakan Bulgurlu is a member of the World Business Council for Sustainable Development (WBCSD) and is one of the founding members of Amstel Dialogue, which was established to accelerate the innovation process in Europe.

## Özkan Çimen

Chief Financial Officer

Özkan Çimen holds a degree in economics from Boğaziçi University. He started his career in 1999 as an assistant auditor in the Koç Holding Audit Group. He worked as Finance Group Manager at Koçtaş Yapı Marketleri A.Ş. between 2002 and 2008, and as Finance Manager at Best Buy Türkiye between 2009 and 2011. Çimen joined Arçelik in 2012 where he held the positions of Tax and Incentive Operations Manager, Cost and Pricing Analysis Manager, Internal Audit Manager, Risk Director, Director of Accounting, and Finance and Enterprise Risk Director. He has been appointed to the role of Chief Financial Officer in April 2022, in which position he currently serves. In 2022, he completed the Harvard Business School Advanced Management Program.

## Nihat Bayız

Chief Production and Technology Officer

Nihat Bayız received his Bachelor's degree in Mechanical Engineering from the 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 and 2020. Nihat Bayız has been working as Chief Production and Technology Officer since 2021. He is a member of Koç University Arçelik Creative Industry Research Center (KUAR), Koç University Engineering Department Advisory Board and Middle East Technical University Micro-Electromechanical Systems Research and Application Center, and is also a member of Young Presidents Organization (YPO)–Romania.

## C. Can Dinçer

Chief Commercial Officer — Türkiye and South Asia

Can Dinçer received his undergraduate degree from İstanbul Technical University, Department of Mechanical Engineering in 1989, and his Master's degree from 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 Management Trainee in the Finance Department of Arçelik A.Ş., worked as a Regional Sales Associate in the Export Department in 1995. He worked as Sales Manager for CIS and Other Countries (2000-2005), Sales Director for Non-European Markets (2005-2009), Sales Director for Europe, America, Asia-Pacific (2009-2012), Sales Director for Subsidiaries, America, Asia-Pacific (2012-2015), and Chief Commercial Officer - Türkiye (2015-2017). Can Dinçer has been serving as Chief Commercial Officer — Türkiye and South Asia since January 2018. In tandem with this position, he serves as the CEO of Arçelik Pazarlama A.Ş., to which position he was appointed on 30 December 2016.

**M. Ragıp Balcioğlu**

Chief Commercial Officer – EMENA and Americas

Ragıp Balcioğlu received his Bachelor's degree from İstanbul 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 Balcioğlu started his professional life in 1990 at Data Hidrolik Makine Sanayi A.Ş. as a Marketing Manager. Balcioğlu, who worked as the Imported Material Planning and Purchasing Specialist at Arçelik A.Ş. between 1992-1996, was appointed as the Trading Manager of Beko England in 1996. Appointed as Product Marketing Manager at Beko Plc in 2003, Balcioğlu served as Product Marketing Director from 2004 and Product Management and Supply Director from 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 Chief Commercial Officer – International Sales at Arçelik between 2015-2017. Balcioğlu has been serving as Chief Commercial Officer – Europe, the Middle East, North Africa and Americas since January 2018.

**Akın Garzanlı**

Chief Marketing Officer

Akın Garzanlı, who has worked at Arçelik for nearly 20 years in various capacities, serves as the Chief Marketing Officer. Leading a marketing team spread across a large geography and developing marketing strategies that make a difference, he is in charge of global brand management and marketing communications, industrial design, product management, procured product management, content excellence and global customer care. Having started his career in 2002 responsible for Arçelik's global markets, Garzanlı served in key roles in the company's global functions, including sales, product management, marketing and customer service. He made significant contributions to the acquisition of Grundig by Arçelik while he held various managerial positions in Germany between 2008 and 2011. With the "Respect Food" campaign in 2015, Akin spearheaded Grundig's sustainability journey to fight global food waste, as a first in the industry. As the Global Customer Care Director from 2018, he has led the customer-centric digitalization and development of global after-sales service processes. In addition to his current position, he has been the Global Brand Director of twelve strong global and local brands since 2020. Akin Garzanlı graduated from St. George's Austrian High School in İstanbul and holds a Bachelor's degree in Business Management from İstanbul University. He earned his MBA from the Koç University. Garzanlı also completed several programs at Harvard Business School and Kellogg School of Management.

# Executive Management

## **Utku Barış Pazar**

Chief Strategy and Digital Officer

Utku Barış Pazar received his Bachelor's degree from the Department of Electrical and Electronics Engineering at Middle East Technical University in 2000 and his Master's degree from 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 and Company, and then served as Chief Technology Officer at Doğuş Media Group. Utku Barış Pazar joined Koç Group in 2015 as Strategic Planning Director of Arçelik A.Ş. and was assigned as Director of Strategy and Business Development of Koç Holding in 2016. Utku Barış Pazar has been working as Chief Strategy and Digital Officer at Arçelik since 2018.

## **Hakan Kozan**

Chief Purchasing and Supply Chain Officer

Hakan Kozan received his bachelor's degree in Mechanical Engineering from the Middle East Technical University, Faculty of Engineering, and his MBA from Bilkent University. He started his career as a Mechanical Engineer at Arçelik in 2003, where he held various roles in different areas including Production, Product Management, Supply Chain and Purchasing. Having carried on with his career as Product Team Leader between 1998 and 2005, Hakan Kozan worked as Production and Production Engineering Manager at Beko LLC Russia in 2005 and as Operations Director in 2008. In 2009, he was appointed as Executive Product Director – Dishwasher. Kozan worked as Sub-Saharan Regional Director at Defy Managing Director between 2013 and 2017. Named Executive Purchasing Director in 2017, Hakan Kozan has been serving as Chief Purchasing and Supply Chain Officer since October 2022.

## **Toygan Pulat**

Chief People Officer

Toygan Pulat received her Bachelor's degree in Industrial Engineering from the Middle East Technical University in 1994 and her Master's degree in Business Administration from Bilkent University in 1996. She studied Human Resources Management at McMaster University in Canada in 1999-2000. Starting her 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 serving as Chief People Officer since June 2021.

# Risk Management and Internal Audit

## Risk Management and Risk Management Committee Activities

The Board of Directors establishes the risk management and internal control systems to identify and minimize the impacts and likelihood of the risks that may affect the company's stakeholders, primarily the shareholders, and periodically reviews the effectiveness of these systems.

In line with the decision passed in Arçelik Board of Directors Meeting dated 16.07.2010, a Risk Management Committee has been established to achieve alignment with Article 378 of the Turkish Commercial Code No. 6102 and the CMB Corporate Governance Communiqué and to ensure effective functioning of the committees under the Board of Directors. The Risk Management Committee's activities will concentrate on early detection of risks that may endanger the company's existence, development, and continuation, and on taking necessary actions regarding the identified risks and managing them.

The Committee is chaired by Independent Board Member 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 on early detection and assessment of risks that may affect the company, calculation of their impacts and likelihood, management and reporting of these risks in accordance with the company's corporate risk appetite, risk mitigation activities, and accordingly, on the establishment of effective internal control systems.

Given that Arçelik is a signatory of the Task Force on Climate-related Financial Disclosures (TCFD), it is critical to integrate risks originating from climate crisis and other ESG (environmental, social, governance) issues in the company's general risk analyses and to execute the associated action plans in line with the company's Net Zero by 2050 strategy as well as overall sustainability strategy. Within the scope of their duties as members of the Risk Management Committee, the Board of Directors members are responsible for overseeing the implementation and execution of strategic decisions and action plans in relation

to all ESG risks that may potentially affect and pose a risk factor for Arçelik's overall strategy, especially, the company's climate change strategy.

In this context, the Risk Management Committee held six scheduled meetings in 2022.

Set up under the office of the CFO, Directorate of Finance and Enterprise Risk Management manages, coordinates, and oversees financial, strategic, operational, compliance, and external risks that may affect the company, using the risk management system it has established, and reports to the Risk Management Committee. While the Directorate of Finance and Enterprise Risk Management reports to the Risk Management Committee, the Internal Audit Management keeps the Audit Committee informed, and both units are functionally independent of each other. Furthermore, the Directorate of Quality, Sustainability and Corporate Affairs submits reports to the Risk Management Committee regarding the company's environmental and social risks at least twice a year.

## Internal Control System and Internal Audit

Arçelik adopted the "Three Lines of Defense" approach in its Internal Control systematic. Internal Audit set up under the office of the CFO conducts audits to evaluate and improve the effectiveness of internal control and governance processes, and shares the results regularly with the Audit Committee.

The Audit Committee is primarily charged with submitting written reports to the Board of Directors about its evaluations regarding the company's accounting, reporting, and internal control systems, the effectiveness of the independent audit processes, and the accuracy and compliance of the annual and interim financial statements to be publicly disclosed with the accounting principles adopted by the company. The Audit Committee consists of at least two members.

The chair and members of the Committee are selected from amongst the Independent Members of the Board of Directors. The Audit Committee holds at least four meetings a year, convening once every three months at the latest.



# Risk Management and Internal Audit

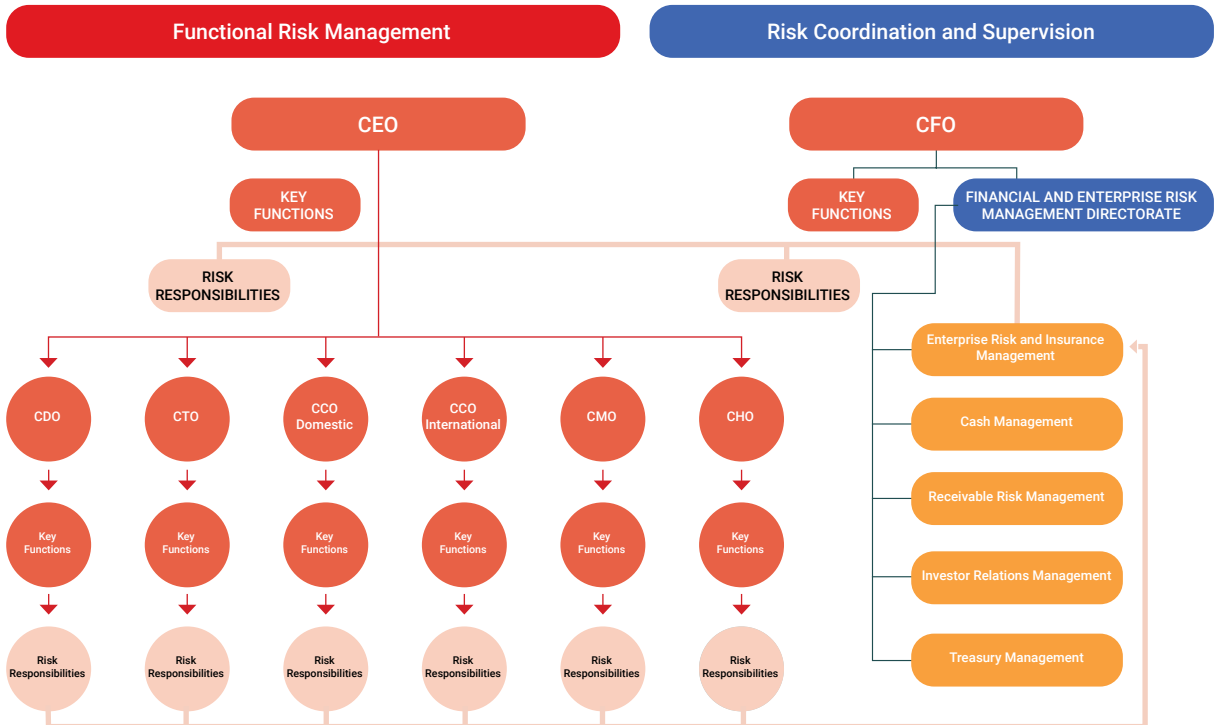
## Enterprise Risk Management

Having defined aligning the company's risks with corporate goals and strategies as its main framework, Arçelik A.Ş. Enterprise Risk and Insurance Management matches strategy and goals with the risks. In the process, global best practices are taken into consideration, especially ISO 31000 Risk Management Standard and COSO Enterprise Risk Management Framework. All identified risks are prioritized in view of various metrics including risk score, financial impact etc., which allows determination of the risks on which focus needs to be placed; thus, risk management is captured in all levels of functions and operations and integrated in the decision-making mechanisms of the Senior Management. As part of risk management activities, risk awareness of all employees is enhanced and potentially risky issues are encouraged to be raised by way of the risk suggestion system.

Arçelik A.Ş. Enterprise Risk and Insurance Management takes into account ESG risks, oversees climate change, cyber risks and impacts, occupational health and safety, ensures adoption of the company culture by all employees, and is involved in the projects carried out by regularly exchanging information with the company's relevant units for monitoring the risks. Implementations that pay due consideration to the risk appetite of the Board of Directors and Senior Management are developed, whereby new values are created for the company and its stakeholders, opportunities are taken into account as well as risks; and gap analyses are performed. The Enterprise Risk Management process is carried out in all businesses, central units, and international subsidiaries of the company in an integrated manner with all business processes and within a structure that affects the performance evaluation processes of risk officers.

## Board of Directors Risk Committee

**Chair:** Independent Board Director **Director:** Board Director



## Risk Coordination and Supervision

The Directorate of Finance and Enterprise Risk Management that reports to the office of the CFO provides global risk coordination and supervision for Arçelik A.Ş. head office and group companies.

## Functional Risk Management

The Directors in the Senior Management team and country managers are responsible for managing the risks of their own organizations and for completion of the actions that mitigate the impact and likelihood of the risk attributed to their organizations as part of risk mitigation for different organizations.

## Training

In order to enhance risk culture and awareness throughout the organization, enterprise risk management training is given to directors in the Senior Management organization, country managers working at Group companies, and risk officers working in organizations.

## Enterprise Risk Management Systems

Since the restructured Enterprise Risk Management and Insurance Management are followed up by the same team, actions were introduced for proactive decision-making. The direct engagement of the Insurance Management team with potential insurers ensures that the risks of the Arçelik Group are duly transferred to local and global insurers. Arçelik Group has the ability to design and structure insurance programs; 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.

The new Enterprise Risk Management Framework places emphasis on risk scenario analyses that use and simulate variables considered in strategic decision-making

processes. In risk scenario analyses, financial implications of risks are calculated, which enables more active involvement in decision-making mechanisms.

The new Enterprise Risk Management Framework is intended to:

- Define uncertainties in strategic decision-making processes more effectively.
- Demonstrate end-to-end impact of risks throughout the company's value chain in a holistic manner.
- Ensure more active involvement of all risk-affected units in the process.

At Arçelik A.Ş., risks are defined and prioritized in five main categories: financial, strategic, operational, compliance, and external including environmental risks. Through the 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, according to which risk mitigation actions 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 Financial and Non-Financial Risks

Emerging risks are proactively followed up, their potential long-term impacts on the company are evaluated, and the Senior Management and Risk Management Committee are regularly informed about the issues. In this framework, environmental risks, political risks, cyberattacks and information security risks stand out as globally rising risks.

Access to raw materials became difficult after the pandemic due to supply chain issues (problems in container availability, insufficient number of drivers due to the pandemic, inoperative ports, etc.); as a result of increased global demand and the constraints faced by suppliers due to force majeure, raw material base prices hiked more than projected. The recent spillover of intergovernmental political tensions and conflicts to the cyber world resulted in cyberattacks at companies

# Risk Management and Internal Audit

pursuing operations globally, particularly through more targeted ransomware and phishing attacks by some hacker groups. Against this risk, our controls set up in the security environment are regularly tested with respect to their strength, strategic cyber security partnerships are developed, awareness training on information security is organized for users, and activities are carried out to ensure permanence of users' awareness of information security. In our day, the climate crisis is the greatest threat to our planet and ecosystem. Arçelik considers the climate crisis as a fundamental risk factor for the sustainability of its activities. Active combat against the climate crisis and its sustainability approach lie at the heart of Arçelik's all business strategies and activities. Arçelik is among the supporters of the Task Force on Climate-related Financial Disclosures (TCFD) which acts as a key tool in the implementation of concrete measures in combating the climate crisis. By supporting TCFD, Arçelik works to strengthen the bond between climate change and its financial impacts on the business and operations, and develops various parameters for alternative scenarios to observe the potential impacts of physical and transition risks of climate change. Arçelik's Climate Change Strategy, detailed analyses and actions plans for ESG risks and opportunities and their impacts on Arçelik can be found in the In Touch with our Planet section of the report, and in TCFD Reporting and Other ESG Risks and Opportunities Table.

## Product Safety Risk

To eliminate the risks that can arise in the lifecycles of products before they are put on sale, tests are conducted at various stages including design, material and component selection etc. International product safety standards and Arçelik Product Safety Design Criteria are taken as basis for product safety. Failure Mode and Effects Analysis (FMEA) is performed, which is targeted at defining and eliminating failures before they occur at the onset of the product design process. This is followed by risk assessments in compliance with local, national and international standards and regulations, and identified risks and remedying actions are followed up systemically. Product safety is verified also with custom-designed

complicated failure tests in addition to the tests required by the standards. Through regular reviews by the Product Safety Department, design, quality, manufacturing and supply processes are evaluated and audited with respect to product safety. In this way, it is intended to trigger improvements in products and processes.

## Cyber Risk Management

Risk control strategies and cyber risk profile of Arçelik A.Ş. were identified, and risk assessments were conducted periodically with the participation of all related units for cyber risk transfer/mitigation, and necessary actions were taken in line with the outcomes of the workshop. Coverage was obtained against potential financial losses and business interruptions under the cyber risk insurance policy against the residual risks as defined in the controls carried out. Cyber incident simulation was conducted for related business units and senior management to make cyber risks more concrete and visible, where possible threats and potential cases that would result therefrom were made use of with the aim of raising awareness of risks and developing corporate reflexes to mitigate the impact in the event of risk occurrence.

## Business Continuity Management

The Head Office carries on with the ramification of the Business Continuity Management Project implemented in accordance with ISO 22301 Standard for resumption of products and services of certain plants and subsidiaries at an acceptable level following a possible interruption. The project is intended to ensure responding quickly and effectively to an unexpected business interruption and crises within the frame of contingency, crisis management and business recovery management plans, and secure business continuity in the event of such an occurrence by eliminating the impacts on the company's facilities, operations, financials, reputation and stakeholders. Within this scope, it is also aimed to ensure effective and timely use of resources, as well as efficient internal and external stakeholder communication amid the crisis environment.

## Insurance Management

Insurance Management is responsible for the assessment and management of actual and potential operational risk exposure. The insurance management process basically consists of the identification, measurement, assessment, monitoring, control, and mitigation of operational risks, reporting and management processes, including claims handling processes. All insurance and operational activities of Arçelik are monitored within the framework of predetermined rules, and necessary steps are taken to transfer all transferable risks to local and international insurers.

Since the restructured Enterprise Risk Management and Insurance Management are followed up by the same team, proactive decision-making process is implemented. The direct engagement of the Insurance Management team with potential insurance companies ensures that the risks of Arçelik are duly transferred to local and global insurers. The Insurance Management team designs Arçelik Insurance Program globally, including international subsidiaries, and negotiates with reinsurers, insurers and brokers thus ensuring the creation of programs that cater to Arçelik's needs. With the aim of managing the entirety of processes, Arçelik concludes global Service Level Agreements (SLAs) with insurers. Claims in any insurance branch including product liability claims are coordinated single-handedly and centrally for global operations.

There are insurance policies in various branches in order to cover the losses that may arise in case risks occur. Modeling studies are carried out 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 policy coverage that best meets operational risks. The coverage that Arçelik may need in line with changing and developing circumstances are regularly reviewed, thus ensuring more efficient use of Arçelik's resources. Making a part of operational risk management, commercial contracts to which Arçelik is a party (e.g. sales and agency and purchasing contracts) are reviewed with respect to liability and indemnity conditions, and necessary insurance coverage is ensured to be obtained. Necessary modeling is performed, which incorporates risk transfer in line with Arçelik's needs associated with contingency, crisis management, and business recovery management, and processes are managed in cooperation with all relevant units.

To minimize Arçelik's operational risks, efforts are carried out in coordination with all relevant units at home and abroad, and various training programs are held in line with the needs.

# Accounts Receivable Risks

## International Accounts 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 Receivable 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 a broad geography are identified, and agreements are made to provide the conditions that will cater to all circumstances in order to prevent possible damages, and these risks are transferred to Global Credit Insurance Agencies. 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 under 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 members, and the risks followed up according to the framework of the determined methodology are assessed and approved by the relevant committees. To help with 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-acquisition receivable risks of newly acquired companies are analyzed in detail and necessary arrangements are made to bring them into alignment with Global Risk Management Policies.

## Domestic Accounts Receivable Risk

Domestic sales are carried out through the dealer/customer network. Admission to the dealership system is managed by a specific approval and control system. The receivable risk arising in this scope is monitored and managed within the frame of the principles and procedures established. Domestic sales are collateralized against the risk. The collaterals portfolio covers hypothecation, bank letter of guarantee, Direct Debit System (DDS), FC/Cash Blocking and Securities Pledge. A generally accepted process management is in place particularly for increasing the ratio of liquid guarantees. An approval mechanism has been devised for non-collateralized purchases, and unauthorized risks are not allowed. The Domestic Receivable Risk Committee set up in this respect meets four times a year, and ensures proper and controlled management of risks. Payments are monitored closely and reported using the systemic controls set up.

## Financial Risks

Financial risks, which are addressed in three categories, namely Liquidity Risk, Interest Rate Risk, and Exchange Rate Risk, are managed according to the following principles.

### Liquidity Risk

Liquidity management at Arçelik A.Ş. is founded on the alignment of the balance sheet and cash flow. Short-term liquidity is managed by matching receivable and debt maturities and effective stock management, and a calculated cash level is maintained to hedge the balance sheet against any risk factor. For medium- and long-term liquidity, average debt is attempted to be kept over a certain maturity by means of different financial resources, based on market and sector dynamics. Through the foreign cash pool created, the centrally-executed liquidity management ensures optimal utilization of Arçelik's cash. The pool also serves as ready resources to meet the short-term cash needs of the subsidiaries. As was the case in previous years, focus was placed on accessing long-term, low-cost financing resources in 2022. Accordingly, the process of obtaining financing for Arçelik A.Ş. from the International Finance Corporation (IFC) initiated in 2021 was brought to completion in the reporting period.

### Interest Rate Risk

Potential fluctuations in interest rates pose a significant risk in terms of financial results due to interest-sensitive assets and liabilities on the company's balance sheet. This risk is managed by establishing a balance of fixed vs. variable items on 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 alignment 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. Currency risk is managed centrally. The foreign currency positions carried by Arçelik Solo, which constitutes the substantial portion of the total currency risk, and those of subsidiaries are managed separately. Forecasts of future foreign currency positions are collected from each company on a monthly basis, and the expected risk on the balance sheet is minimized by the Central Treasury Management by using on-balance sheet methods and derivative instruments. In-Group trading relationships are encouraged which will enable the creation of a natural hedging structure. This way, it is striven to minimize the magnitude of the foreign currency position exposed to exchange rate risk by minimizing the size of the foreign currency position.



# Statement of Compliance with Corporate Governance Principles

Adherence to, and enforcement of, the “Corporate Governance Principles” issued by the Capital Markets Board of Türkiye (CMB) bear importance for the credibility and financing opportunities of publicly traded companies in particular. Being one of Türkiye’s valuable publicly-held companies, Arçelik recognizes its responsibilities towards its stakeholders. In this framework, the company embraces these principles, pays the utmost attention and spends best endeavors to comply with the Capital Market Law (CML), and the ancillary regulations and decisions of the CMB.

While the company achieved full compliance with the compulsory principles stipulated in the Corporate Governance Communiqué no. II-17.1 in force in 2022, compliance was also achieved with most of the non-compulsory principles. Although full compliance is intended to be achieved also with non-compulsory Corporate Governance Principles, this has not yet been achieved due to various reasons such as the difficulties in implementation of some of the principles, ongoing discussions regarding compliance with some principles both in our country and on international platforms, and incompatibility of some principles with the current structure of the market and the company.

Work is ongoing regarding the principles that are not yet put into practice, and their implementation will be considered upon reviewing the administrative, legal and technical infrastructure work in a manner that will contribute to effective management of our Company.

During 2022, activities related to Corporate Governance were carried out in accordance with the Capital Market Law entailing CMB’s requirements associated with corporate governance principles and with the communiqués based on the said Law. During the reporting period, the company’s website and annual report were reviewed and revised as necessary for total alignment with the principles. Accordingly, the matters complied with in relation to the principles within the Sustainability Principles Compliance Framework enforced upon the amendment made to the CMB Corporate Governance Communiqué were explained in detail in the annual report, whereas considerations regarding principles not yet fully complied with were addressed in the Statement of Compliance with Sustainability Principles. Within the scope of the compliance activities conducted by the Board of Directors in the reporting period, the activities of the Committee members carried out by the Board of Directors were assessed; during the year-end performance assessment, the attainment level of targets for realization of the company strategies was also measured as well as financial and operational indicators, which were then used as input for the performance and rewarding system. In consistence with the ongoing practices of Arçelik Board of Directors, operating principles of the Board of Directors were prepared within the framework specified in the Corporate Governance Principles, and were approved by the Board of Directors on 21 April 2022. The Remuneration Policy for the Board of Directors Members and Senior Executives was revised, and the approval of shareholders was obtained at the Ordinary General Assembly. General assembly information such as privileged shares, voting rights, organizational changes, résumés of Board of Directors nominees, remuneration policy for the Board of Directors and senior executives and other information that must be disclosed pursuant to the principles were made available for the information of our investors three weeks in advance of the latest Ordinary General Assembly convened on 23 March 2022 in the general assembly information document prepared.

Comprehensive activities carried out at the company within the frame of corporate governance principles are described below and the principles with which full compliance has yet to be achieved and resulting conflicts of interest, if applicable, are disclosed in the related sections.

While the company was assigned a corporate governance rating of 9.67 (96.74%) on a scale of 10 by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) as disclosed in our public disclosure dated 16 July 2021, our rating was updated as 9.69 (96.85%) on a scale of 10 based on the revision by SAHA on 8 July 2022.

Our Corporate Governance Rating was determined based on the assessment of four headings (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted on the basis of CMB Corporate Governance Principles, and the current distribution according to the headings are shown below.

Heading	2021 Rating	2022 Rating
Shareholders	9.58	9.58
Public Disclosure and Transparency	9.87	9.87
Stakeholders	9.95	9.95
Board of Directors	9.48	9.52
<b>Total</b>	<b>9.67</b>	<b>9.69</b>

The report drawn up by SAHA in relation to the Corporate Governance Rating can be found on the company's website at the address [www.arcelikglobal.com](http://www.arcelikglobal.com).

The company has been included in the BIST Corporate Governance Index since 31 July 2009.

## Corporate Governance Principles Not Yet Implemented

Arçelik believes in the importance of full alignment with the Corporate Governance Principles. However, due to various reasons such as potential challenges in implementation which might lead to delays in the company's operations, the presence of discussions regarding compliance both in our country and on the international platform, and incompatibility of principles with the market and the company's existing structure, full compliance is not yet achieved with some voluntary corporate governance principles.

The major non-compulsory principles under the Regulation that our Company has not yet achieved full compliance with are stated below. Relevant additional explanations are also provided in the related sections of the Annual Report. Our Company was not exposed to any conflicts of interest by reason of not achieving full compliance with non-compulsory principles.

- Regarding principle no. 1.3.10, a dedicated agenda item is included in the General Assembly Meeting agenda for the donations made, and the General Assembly Information Document provides the details of the donations with the highest amounts. The balance not detailed in the Information Document consists of various donations to various institutions and organizations, which do not constitute material information for the investors. It is intended to make future disclosures in line with the materiality limit to be defined according to the then-prevailing conditions.

# Statement of Compliance with Corporate Governance Principles

- Regarding principle no. 1.5.2, the Articles of Association do not grant minority rights to those who hold less than one twentieth of the capital, and rights are granted to the minority within the general legislative framework in parallel with the common practices. No requests in this respect were received from the investors, either. Best practices in general are followed up and no changes are foreseen in this respect in the near future.
- Regarding principle no. 4.4.7, due to the significant contribution of the business and sector experience of the Board of Directors Members, there are no restrictions regarding outside positions held by the Board members. Résumés of our Board members are included in our Annual Report. No changes are envisaged in the existing practice in the short term, since the company considers that no adversities arise with respect to corporate governance in view of the efficiency of the activities of the Board of Directors.
- Regarding principle no. 4.5.5; the knowledge and experiences of the members of our Board of Directors are taken into consideration when appointing members to the committees in line with the relevant regulations. Only one of the independent Board Members is assigned to two committees. Members who assume duties in more than one committee enable communication among the committees that carry out activities in interconnected subjects and increase the opportunity of collaboration. In view of the productive activities that are contributed to by the knowledge and experiences of Board Members, the existing committee organizations are deemed effective, and no need for changes is envisaged in the near future.
- Regarding principle no. 4.6.5: remuneration of the Members of the Board of Directors and managers who have administrative responsibilities is disclosed collectively in parallel with the common practice in the footnotes of our financial statements and at the Ordinary General Assembly meetings. Market practices are closely monitored with respect to this topic that is deemed important in terms of privacy of personal data, and it is planned to act in parallel with the common practice.

There are no conflicts of interest that the company is exposed to by reason of failure to achieve full compliance with non-obligatory principles.

The Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF), which have been drawn up pursuant to the CMB decision no. 2/49 dated 10 January 2019 and which have been approved by the company's Board of Directors, are presented in the further sections on this report, and the related documents are also accessible on our Company's corporate governance page on the Public Disclosure Platform (KAP) (<https://www.kap.org.tr/tr/cgif/4028e4a240e95dc90140ed55b43900cf>).

A corporate governance action plan is prepared for the improvement areas in corporate governance practices as established in Arçelik Corporate Governance Rating Report issued by SAHA, and efforts for achieving full compliance with corporate governance principles are in progress.

# Explanations Regarding Corporate Governance

## SHAREHOLDERS

The duties of the Investor Relations Unit that establishes the communication between the company and investors are carried out by Mine Şule Yazgan, Executive Director of Finance and Enterprise Risk; Öktem Söylemez, Investor Relations Lead, and Begüm Olgaç, Corporate Governance Compliance Lead, under the management of Özkan Çimen, Chief Financial Officer. The Board of Directors decision dated 21 April 2022 has designated Özkan Çimen as a member of the Corporate Governance Committee.

Individuals in charge of Investor Relations:

Name/Surname	Position	Type of License	License Doc. No.	E-mail
Özkan Çimen	Chief Financial Officer / Member of Corporate Governance Committee	-	-	ozkan.cimen@arcelik.com
Mine Şule Yazgan	Executive Director, Finance and Enterprise Risk	-	-	minesule.yazgan@arcelik.com
Öktem Söylemez	Lead, Investor Relations	Capital Market Activities Level 3 License / Corporate Governance Rating License / Derivatives License / Credit Rating License	208683 / 701667 / 308275 / 602990	oktem.soylemez@arcelik.com
Begüm Olgaç	Lead, Corporate Governance Compliance	Capital Market Activities Level 3 License / Corporate Governance Rating License / Derivatives License	208461 / 702124 / 307408	begum.olgac@arcelik.com

E-mail: [investorrelations@arcelik.com](mailto:investorrelations@arcelik.com)  
[yatirimciiliskileri@arcelik.com](mailto:yatirimciiliskileri@arcelik.com)

The report prepared on 2022 activities of the Investor Relations Unit was approved by the Corporate Governance Committee on 2 February 2023 and submitted to the Board of Directors.

The applicable legislation, the company's Articles of Association and other internal guidelines are observed in the exercise of shareholding rights, steps are taken to make sure that these rights are exercised, and all shareholders are treated equally. The main goal of the company is to ensure that shareholders' right to information is fulfilled fairly and completely. In addition, the company satisfies shareholders' rights arising from shareholding fully and as soon as possible. The company does not discriminate

among shareholders with respect to exercise of the right to obtain and review information. Each shareholder has the right to obtain and review information.

For broadening shareholders' right to obtain information and for due exercising of their rights, necessary information and documents, as well as financial statements, are kept up-to-date and made available to shareholders in both Turkish and English languages electronically on the company's corporate website ([www.arcelikglobal.com](http://www.arcelikglobal.com)). Written or verbal queries received from shareholders during the reporting period were responded to either verbally or in writing without any discrimination among shareholders within the scope of the Capital Markets legislation.

# Explanations Regarding Corporate Governance

While the company's Articles of Association do not stipulate the right to demand appointment of a special auditor as an individual right, pursuant to Article 438 of the Turkish Commercial Code, any shareholder can demand from the general assembly that specific events be clarified through a special audit to the extent necessary for exercising shareholding rights and provided that the right to obtain or review information was exercised priorly. To date, no such request from shareholders was received. Furthermore, the company's annual consolidated financial statements are audited by PwC Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş., the independent auditor designated at the General Assembly.

## Voting Rights and Minority Rights

Procedure for voting at the General Assembly Meetings is announced to shareholders at the start of the meeting. The company refrains from practices that will complicate voting rights and all shareholders, including those in foreign countries, are provided with the opportunity to cast their votes physically or electronically in the simplest and most appropriate way.

The Articles of Association do not contain any privileges concerning the exercise of voting rights at the company. Each share is entitled to one vote. There are no legal entity shareholders which are the company's subsidiaries. The Articles of Association do not incorporate a provision preventing non-shareholders from voting in proxy.

With their attendance to the General Assembly, shareholders representing minority rights make up the Management collectively with majority shareholders. The company did not receive any criticisms or complaints on this matter in 2022. The Articles of Association do not contain any provisions stipulating that minority rights are less than one twentieth of the capital.

The company is controlled by its principal shareholder Koç Holding A.Ş., the Koç Family and companies owned thereby.

## Share Transfer

The Articles of Association do not contain specific provisions that complicate or restrict share transfer by shareholders. The requirements of the CMB are adhered to with respect to transfer of registered shares traded on the stock exchange.

## STAKEHOLDERS

The term Company stakeholders is basically used to refer to third persons that have a direct relationship with the company. Stakeholders are informed about matters that concern them by being invited to meetings when necessary or by the use of telecommunication tools. Believing that maintaining a cooperation with the stakeholders will inure to the benefit of the company in the long run, the company respects and preserves stakeholders' rights derived from the legislation, mutual covenants and contracts. The company's corporate governance structure allows all stakeholders including employees and representatives to convey their concerns regarding illegal and/or unethical deeds to the management. The duties of the Audit Committee include looking into complaints received by the company. Furthermore, the Internal Audit management also reviews complaints and conveys them to the Audit Committee.

The Audit Committee determines the methods and criteria applicable to the review and resolution of the complaints received regarding the company's accounting and internal control system and independent audit, and to tackling the issues regarding the company's accounting and independent audit reported by the company's employees within the frame of confidentiality principles.

Arçelik Human Resources Policies that are aligned with the company's strategies and set out in the light of the company's shared values and code of conduct have been documented and shared with the employees in Türkiye and foreign subsidiaries. The Chief People Officer is charged with determining the main principles of the company's HR policy, and maintaining relationships with employees. In addition, the office of the Chief People Officer is responsible for the implementation of human rights principles that are stipulated, periodically reviewed and revised as necessary by the Legal and Compliance Directorate.

All HR practices are built on fairness, consistency and integrity. Accordingly, job descriptions, the criteria for remuneration, performance and rewarding systems of Company employees are announced to employees according to the predetermined schedule, thus making sure that they are equally available to all employees. Arçelik develops training programs in adequate versatility to

address the development needs of all hourly- and monthly-paid employees in line with organizational competence requirements, and offer them to employees starting with the day they come on board. Within the scope of the training process that starts with orientation, functional competencies are strengthened through academies and technical training, whereas social skills are reinforced and supported through competence programs. Solutions delivered through online learning platforms are gradually expanded across the global organization. Employees' career planning is made in line with their knowledge, skills and competencies. In annual HR planning meetings, critical positions and talents and competencies that will carry the company into the future are defined, performances of potential employees are monitored and they are supported with their development, thus readying them for their potential future roles. Succession planning is made for all management positions, and potential employees are placed accordingly. Hence, individuals who are likely to be assigned to management positions are trained, while also avoiding any situations that may hinder the company's administration in the event of possible changes in management.

The company's approach to learning and development is to work in line with the continuous development principle in alignment with the company's vision and business goals and help improve the company's performance. The company's internal resources are targeted to be utilized effectively and efficiently when planning employees' current and future development needs in line with business requirements. Employee development is supported with annually revised content in parallel with the company's learning and development policy.

Global Code of Conduct and associated policies are intended to provide guidance to Company employees and those representing the company with regard to the decisions they will make and behaviors they will display in the performance of their duties.

The company's approach to sustainability is being mindful of social, economic, environmental and ethical implications of its activities, integrating and monitoring these implications in its corporate business goals, and managing its activities based on sustainability principles within the frame of corporate policies and strategies devised. The company

considers sustainability risks and opportunities and the expectations of internal and external stakeholders as important inputs for its activities.

Pursuant to Arçelik Board of Directors decision no. 1047 dated 29 December 2020, Koç Holding President of Consumer Durables Group, who is also a member of Arçelik's Board of Directors, has been appointed as the Board Member responsible for supervising the company's cyber security strategy in view of his experience in this field, and is actively involved in the Information Security Committee. As per Arçelik Board of Directors decision no. 1098, it has been decided to set up a dedicated Human Rights Unit in line with the company's global strategies. The President of the Consumer Durables Group, also a member of Arçelik's Board of Directors, is assigned with reporting Arçelik Global's human rights strategies to the Board of Directors.

The company's sustainability efforts and activities can be found in the related sections of the Annual Report and in the Sustainability Report.

Annual Report and Sustainability Report can be reached at the following link: <https://www.arcelikglobal.com/tr/sirket/raporlar-ve-sunumlar/>.

## BOARD OF DIRECTORS

Members of the Board of Directors are designated in a manner to allow them to work productively and constructively, make fast and rational decisions, and organize committees' activities effectively. Compliance with Arçelik's Board Diversity Policy is observed when designating the Board of Directors Members. In this scope, when nominating candidates for Board membership seats, it is targeted to ensure diversity in terms of age, gender, race, citizenship, nationality, ethnicity of nominees and in principle, to bring the ratio of women Members on Arçelik's Board of Directors to 25% minimum within five years.

Prior to the General Assembly, outside positions held by the members are also made available for shareholders' information, along with their résumés. The Annual Report contains the résumés of the Board of Directors Members, CEO and Deputy Chief Executives.



# Explanations Regarding Corporate Governance

## Members of the Board of Directors

Name/Surname	Position	Independent/ Non-independent	Date of Election	Term of Office	Role on the Board of Directors and Committees	Outside Positions Held
Mustafa Rahmi Koç	Chair	Non-independent Member	23.03.2022	1 year	Chair of the Board Chair of Executive Committee	Board Member at Group and non-Group companies
Mehmet Ömer Koç	Vice Chair	Non-independent	23.03.2022	1 year	Vice Chair of the Board Member of Executive Committee	Board Member at Group companies
Semahat Sevim Arsel	Member	Non-independent Member	23.03.2022	1 year	Board Member Member of Executive Committee	Board Member at Group companies
Yıldırım Ali Koç	Member	Non-independent Member	23.03.2022	1 year	Board Member Member of Executive Committee	Board Member at Group companies
Levent Çakıroğlu	Member	Non-independent Member	23.03.2022	1 year	Board Member Member of Corporate Governance Committee	Board Member at Group companies
Robert Sonman	Member	Non-independent Member	23.03.2022	1 year	Board Member	Board Member at non-Group companies
Fatih Kemal Ebiçlioğlu	Member	Non-independent Member	23.03.2022	1 year	Board Member Member of Risk Management Committee	Board Member at Group companies
Hakan Bulgurlu	Member CEO	Non-independent Member	23.03.2022	1 year	Board Member	Board Member at Group companies
Kâmil Ömer Bozer	Member	Independent Member	23.03.2022	1 year	Board Member Head of Audit Committee	Board Member at Group and non-Group companies
Müzeyyen Münire Gülay Barbarosoğlu	Member	Independent Member	23.03.2022	1 year	Board Member Head of Risk Management Committee	-
Ahmet Turul	Member	Independent Member	23.03.2022	1 year	Board Member Head of Corporate Governance Committee Member of Audit Committee	Board Member at non-Group companies
Tuğrul Fadilloğlu	Member	Independent Member	23.03.2022	1 year	Board Member	Board Member at non-Group companies

The table above summarizes the information about our existing Board of Directors Members, all of whom but the company CEO Hakan Bulgurlu are non-executive members as per the definition provided in the CMB's Corporate Governance Principles. All our Board of Directors Members who are currently in office have been elected at the General Assembly meeting convened on 23 March 2022 to serve a one-year term of office until the general assembly meeting during which 2022 activities will be discussed.

Following the General Assembly meeting dated 23 March 2022 during which Board Members have been elected, the Chair and Deputy Chair of the Board have been designated by passing a decision on the distribution of duties.

The positions of the Chair of the Board and CEO are held by different individuals.

Care is taken that Board members allocate the necessary time for the company affairs, and there are no restrictions regarding assumption of outside position(s). No such restriction is deemed necessary given the significant contribution, particularly, of independent Members' business and sectoral experiences to the Board of Directors. Our Board of Directors Members are experienced individuals who have had many years of professional lives. The company makes the most of the knowledge and experiences of Board Members. Board Members can freely convey and express their opinions free from any influence. The number and qualifications of independent Members on the Board of Directors are determined according to the CMB's Corporate Governance Principles requirements.

Four independent Board Member nominees were presented for 2022 to the Corporate Governance Committee; these individuals' statements for candidacy and résumés were evaluated at the meetings of the Corporate Governance Committee held on 28 January 2022 and the Board of Directors held on 31 January 2022; accordingly, it has been decided to designate all as independent member nominees. All independent Board member nominees have submitted their statements of independence to the Corporate Governance Committee and no situations arose that prejudiced independence as of 2022 activity period.

Operating principles of the Board of Directors are listed in Articles 10, 11 and 12 of the Articles of Association, In brief, the Board of Directors is authorized to decide on all matters, save for those that must be exclusively decided by the General Assembly pursuant to the provisions of the Turkish Commercial Code and the company's Articles of Association.

## Operating Principles and Procedures of the Board of Directors

Under ordinary circumstances, the Board of Directors meets at least three or four times a year to make strategic evaluations about the company's activities and discuss the developments that take place in between the two meetings.

During 2022, the Board of Directors held 14 physical meetings with an average attendance of 98.8%. Except for the decisions taken at the said meeting, all of the other decisions were taken by the circulating method. In the meetings, sufficient and transparent information was received about Arçelik's strategy and activities, thus allowing strategic assessments; furthermore, the Board Members were regularly kept informed of the company's performance and developments. Absolute majority of the full membership is defined as meeting and decision quorums. Throughout the year, the Board of Directors passed 42 Board of Directors decisions. Independent Board Members agreed with all the decisions passed. Differing opinions and dissenting votes, along with their grounds, if any, voiced in Board meetings are recorded in the decision minutes, in which case detailed grounds of Members casting dissenting votes are publicly disclosed. Each Board Member is entitled to one vote. However, since no such opposition or different opinion was expressed in the Board of Directors meeting held in 2022, no such public disclosures were made or the statutory auditors were informed.

The agendas of Board of Directors meetings are determined by the notification of the matters that are stipulated to be decided by the Board of Directors under the applicable legislation by relevant units to the company's Senior Management and Board of Directors Members. In addition, any Board Member can propose a meeting agenda item by referring a material matter that needs to be decided upon to the company's senior management. The minimum Board meeting attendance ratio for each Member has been set as 50% in one year. The matters desired to be discussed by the company's Board of Directors are compiled by the office of the Chief Financial Officer, which are then consolidated in the agenda.

The Board of Directors meetings are held at the company's headquarters or at another suitable location in the city where the company is headquartered. Material Board of

# Explanations Regarding Corporate Governance

Directors decisions are publicly disclosed on the KAP (Public Disclosure Platform) and these material event disclosures are posted on the website in Turkish and English languages.

Arçelik Board of Directors governs and represents the company by first and foremost looking out for the company's long-term interests, based on a rational and cautious risk management understanding and by maintaining the company's risk exposure, growth and return balance at the optimum level. Furthermore, besides achieving regulatory compliance in related party transactions, the Board of Directors considers possible fraudulent risks and addresses related party transactions painstakingly.

The company has affiliates and subsidiaries. Considering that involvement of the company's Board of Directors Members in the managements of these companies will be to the benefit of the company, no restrictions were imposed with respect to assumption of these outside positions.

The General Assembly convened on 23 March 2022 authorized the Board of Directors Members to be engaged in business affairs falling under the company's scope on their own or others' behalf and to acquire shareholding interest in companies engaged in such businesses under Articles 395 and 396 of the Turkish Commercial Code.

## **Number, Composition and Independence of the Committees Set up under the Board of Directors**

According to the Articles of Association, the Board of Directors may form consultation, coordination, audit or similar committees or sub-committees composed of its Members and/or non-Members in relation to matters it deems appropriate, provided that the provisions of applicable legislation are complied with.

In the election of the members of the committees formed following the Ordinary General Meeting convened on 23 March 2022, the provisions of Article 4.5 of the CMB's Corporate Governance Principles have been followed.

The existing committees at the company are as follows:

- i) Executive Committee
- ii) Audit Committee
- iii) Corporate Governance Committee
- iv) Risk Management Committee

The Board of Directors determines, sets out and modifies the meeting, operating and reporting principles of the heads and members of the committees.

During 2022, all committees under the Board of Directors fulfilled their respective duties and responsibilities within the scope of Corporate Governance Principles and their respective operating principles and met in accordance with their working schedules. The opinions of Company executives and independent auditor were sought when needed during the committees' activities. Reports covering information about committees' activities and the outcomes from meetings held during the year were submitted to the Board of Directors.

The Board of Directors is of the opinion that the expected benefits have been derived from the activities of the committees under the Board.

## **i) Duties, Responsibilities and Operating Principles of the Executive Committee**

The Executive Committee has been set up to make suggestions and recommendations to the Board of Directors to improve the efficiency of the Board of Directors, and to guarantee effectiveness in investments and business development in areas aligned with strategic goals by ensuring an active coordination between the Board of Directors and the administrative structure. The purpose of this Committee is to monitor more closely the company and the developments in the relevant sector to inform the Board of Directors when necessary, by reason of the inability of the Board of Directors to meet at the desired frequency and timing; to provide the coordination between the company's administrative structure and the Board of Directors; to devise appropriate strategies for the company, and to make suggestions for the efficiency of operations. On 21 April 2022, the Board of Directors appointed the Board Chair Mustafa Rahmi Koç as the Chair of the Executive Committee, and Board of Directors Members Semahat Sevim Arsel, Mehmet Ömer Koç, Yıldırım Ali Koç, Caroline N. Koç and Aykut Ümit Taftalı as its Members.

The Committee met 12 times during 2022.

The Board of Directors committees did not need to seek independent expert opinions for their activities in 2022.

Detailed information about the Duties, Responsibilities and Operating Principles of the Executive Committee can be found on the company website at the address [www.arcelikglobal.com](http://www.arcelikglobal.com).

## **ii) Duties, Responsibilities and Operating Principles of the Audit Committee**

Audit Committee has been set up at the company to ensure that the Board of Directors duly fulfills its duties and responsibilities. The Audit Committee carries out its activities in a structured manner as stipulated in the Capital Market legislation and CMB's Corporate Governance Principles. All members of the Audit Committee have been elected from amongst independent Board members. This Committee is composed of two members and Kâmil Ömer Bozer and Ahmet Turul have been appointed as the Committee's head and member, respectively. Established for supervising the operation of the accounting and reporting systems at the company within the frame of applicable laws and regulations, public disclosure of financial data, operation and effectiveness of independent audit and internal control system, the Audit Committee held four meetings during 2022.

Detailed information about the Duties, Responsibilities and Operating Principles of the Audit Committee can be found on the company website at the address [www.arcelikglobal.com](http://www.arcelikglobal.com).

## **iii) Duties, Responsibilities and Operating Principles of the Corporate Governance Committee**

Corporate Governance Committee has been set up at the company to monitor the company's compliance, to make suggestions to the Board of Directors in accordance with the Corporate Governance Principles released by the CMB. The Corporate Governance Committee also functions as the Nomination Committee and Remuneration Committee. On 21 April 2022, Independent Board member Ahmet Turul was appointed as the head of the Corporate Governance Committee, and Board member Levent Çakıroğlu and head of Investor Relations Unit Özkan Çimen were appointed as its members. The Committee meets at the frequency required by the duties imposed on it; accordingly, the Committee held six meetings in 2022.

In 2022, the Corporate Governance Committee reviewed the company's corporate governance practices and Corporate Governance Principles Compliance Report, and briefed the Board of Directors on the activities of the Investor Relations Unit. In addition, functioning also as the Nomination Committee and the Remuneration Committee, the Corporate Governance Committee carried out work regarding the effectiveness of the activities of the Board of Directors, designation of independent Board Member nominees, and benefits provided to the Board Members and senior executives.

Detailed information about the Duties, Responsibilities and Operating Principles of the Corporate Governance Committee can be found on the company website at the address [www.arcelikglobal.com](http://www.arcelikglobal.com).

## **iv) Duties, Responsibilities and Operating Principles of the Risk Management Committee**

Risk Management Committee has been set up to make suggestions and recommendations to the Board of Directors regarding early detection and assessment of financial, strategic, operational, compliance and all kinds of external risks that may affect the company, calculation of their impact and likelihood, their management in accordance with the company's enterprise risk appetite, regular reporting and consideration of risks in decision-making mechanisms, and establishment and integration of effective internal control systems in this direction. Independent Board member Müzeyyen Münire Gülay Barbarosoğlu has been elected as the head of the Risk Management Committee and Board Member Fatih Kemal Ebiçlioğlu has been appointed as the Committee Member. The Risk Management Committee held six meetings in 2022.

information about the Duties, Responsibilities and Operating Principles of the Risk Committee can be found on the company website at the address [www.arcelikglobal.com](http://www.arcelikglobal.com).

The Executive Board Member did not take part in the above mentioned committees.

# Explanations Regarding Corporate Governance

## Risk Management and Internal Control Mechanism

The Board of Directors has established the risk management and internal control mechanism to detect the risks that may affect the company's stakeholders and particularly shareholders, and to minimize their impacts and likelihood; the Board reviews the effectiveness of these systems.

The Enterprise Risk Management Directorate, set up under the office of the Chief Financial Officer, provides the management, coordination and oversight of financial, strategic, operational, compliance and external risks that may affect the company via the risk management system it has established and reports to the Risk Management Committee. For proper operation of the internal control mechanism, Internal Audit Directorate set up under the office of the Chief Financial Officer briefs the Audit Committee in meetings held during the year. The Committee continuously oversees the operation and effectiveness of the system, and communicates the issues related to risk management and internal control mechanism and suggested solutions to the Board of Directors, when necessary.

## Financial Rights

During the year-end performance assessment, the attainment level of targets for realization of the company's strategies is also measured as well as financial and operational indicators, which are then used as input for the performance and rewarding system.

The Remuneration Policy for the Board of Directors Members and Senior Executives, which incorporates all kinds of rights, interests and compensation provided to the Board members and senior executives and the criteria used for their determination along with remuneration principles, was first made available for review by our shareholders on our website via the "Information Document" released three weeks in advance of our Ordinary General Assembly convened on 29 March 2012 and was enforced following the said General Assembly. Covered also in the agenda of the Ordinary General Assembly during which 2021 activities were discussed and publicly disclosed via the company's website, the said policy will also be included in the agenda of the Ordinary General Assembly during which 2022 activities will be discussed and will be laid down for the opinions of shareholders. The sum of the payments made

within the frame of the Remuneration Policy for the Board of Directors Members and Senior Executives is evaluated each year by the Corporate Governance Committee and the Board of Directors. Compensations of Arçelik Board of Directors Members and Senior Executives have been publicly disclosed collectively in footnote no. 33 of our financial statements for the 2022 fiscal year in parallel with the general practice. There are no transactions that may lead to conflicts of interest such as the company's lending money or extending credit to our Board of Directors Members or Executives or creating guarantee in their favor.

Stock options or payment plans based on the company's performance are not used in the remuneration of independent Board Members.

The company's Remuneration Policy for the Board of Directors Members and Senior Executives, which incorporates all kinds of rights, interests and compensation provided to the Board Members and Senior Executives and the criteria used for their determination along with remuneration principles, are posted on the company website.

## Board of Directors' Assessment Concerning the Effectiveness of the Board of Directors Committees

During 2022, all Board of Directors committees have fulfilled their duties and responsibilities they are required to perform pursuant to the Corporate Governance Principles and their respective bylaws; met in accordance with the annual meeting schedules prepared, and submitted their reports covering information about their activities and the outcomes of the meetings held during the year to the Board of Directors. Committee members participated in all meetings.

The Board of Directors is of the opinion that the expected benefits have been derived from the activities of the committees under the Board of Directors.

# Sustainability Principles Compliance Statement

Arçelik espouses sustainability as a business model in keeping with its vision spelled out as “Respectful of the World, Respected Worldwide”. With this understanding, the company closely monitors best practices in sustainability, including those specified in the Capital Markets Board of Türkiye (CMB) Sustainability Principles Compliance Framework, and carries out its activities with the goal of achieving compliance with the generally accepted best practices in this field. Arçelik is already actively dealing with the majority of the principles and good practices stated in the Sustainability Principles Compliance Framework enforced by the CMB, and regularly reviews and evaluates its performance in this field, undertaking improvement activities. Accordingly, Arçelik achieved compliance with all non-mandatory principles in CMB’s Sustainability Principles Compliance Framework with a “comply-or-explain” approach. While full compliance is achieved with the requirements of all principles, betterment efforts are in progress in some improvement areas due to reasons such as the global scale of the operations, ongoing efforts to ensure the full set of actions that will respond to different expectations under the applicable obligations, global uncertainties, the incompatibility of some of the principles with the company’s existing structure, and difficulties in practice. For principles that require improvement, it is intended to regularly review sustainability targets and key performance indicators annually. Improvement processes for relevant principles will be completed following our ongoing work such as reviewing the global best practices and the completion of technical infrastructure and data collection in a manner to contribute to the company’s target to create sustainable value.

Activities associated with the principles mentioned in CMB’s Sustainability Principles Compliance Framework are addressed in the “Sustainability” section of Arçelik’s Annual

Report. In addition, detailed information is presented for review by stakeholders in the Sustainability Report posted on Arçelik’s corporate website, and in the sustainability section as well as various other sections on the website. Within the scope of the information disclosed, explanations regarding principles for which improvement will be achieved are as follows:

- Principle B.9 – Information about its environmental impacts comparatively in the light of environmental indicators for a given year (Scope 1 (direct), Scope 2 (indirect from purchased energy), Scope 3 (other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity implications) is reported periodically via the “Sustainability Report”. Since verification is in progress for the said data, the information was disclosed as it is in the Annual Report. Upon completion of verification, the related information will be made available to stakeholders within the Sustainability Report as mentioned above.
- Principle B.17 – Heat, steam and cooling energies generated for a given year will be considered as secondary energy types and disclosed in the Sustainability Report upon verification of the consumption amounts of primary energy sources used for obtaining them. Arçelik is improving its existing energy monitoring systems in place for monitoring and reporting these secondary energy types in the coming periods.

Sustainability Principles Compliance Report prepared in accordance with the formats defined by the CMB Resolution dated 23 June 2022, numbered 34/977, and approved by the company’s Board of Directors is appended to the Annual Report, and related documents can also be accessed on the company’s page on the Public Disclosure Platform.

<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/863-arcelik-a-s>



## Other Disclosures

### 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 presented on page 215 of the Annual Report. Due to the fact that Polat Şen, who has been serving as Arçelik's CFO, has been appointed as Group CFO at Koç Holding effective 1 April 2022, it has been decided by the Board of Directors resolution dated 25 February 2022 to appoint Özkan Çimen as Arçelik A.Ş. CFO, who had been serving as the Director of Finance and Corporate Risk.

It has been decided by the Board of Directors resolution dated 30 September 2022 to appoint Hakan Kozan as the Chief Purchasing and Supply Chain Officer effective 1 October 2022, who had been serving as Senior Director of Purchasing.

### 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 materially affect the financial situation and activities of our Company, including those on account of 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 or the members of the management body due to practices contrary to the provisions of the legislation.

### Information on any changes in the legislation that might have significant impacts on the activities of the company

There are no changes in legislation that may materially impact the company's activities.

### Information on conflict of interest between the company and providers of services such as investment advisors and rating agencies, and on the measures taken by the company to prevent these conflicts of interest

There have been no issues that might result in a conflict of interest between the company and providers of services such as investment consultancy and rating.

### Information on the amendments to the Articles of Association made during the reporting period

No amendments were made to the Articles of Association during the reporting period.

### Assessment with respect to Article 376 of the Turkish Commercial Code

It has been assessed whether the company's capital remained uncovered under Article 376 of the Turkish Commercial Code, and it has been concluded that the issued capital of Arçelik A.Ş. in the amount of TL 675,728,205 remained in existence with the parent's shareholders' equity of TL 24.9 billion as at 31 December 2022, and that the debt structure of the company, which has a Net Financial Debt/Equity Ratio of 0.99, is adequate for smooth continuance of operations.

### Information on affiliates with a direct stake of above 5% with which there are cross-shareholding relationships

There are no cross-shareholding relationships with any company.

# Statement of Responsibility for Financial Statements

**STATEMENT OF RESPONSIBILITY ISSUED PURSUANT TO ARTICLE 9 OF THE COMMUNIQUÉ NO. II-14.1 ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS BY THE CAPITAL MARKETS BOARD OF TÜRKİYE (CMB)**

**FINANCIAL STATEMENTS APPROVED BY THE BOARD OF DIRECTORS' DECISION**

**DATED : 25 January 2023**

**NUMBERED : 1138**

We hereby represent for your information that the consolidated financial statement and the footnotes, the income statement, comprehensive income statement, cash flow statement and statement of changes in equity, which have been drawn up for the fiscal year 1 January 2022-31 December 2022 by our Company in accordance with the Turkish Financial Reporting Standards (TFRS) pursuant to the Capital Markets Board of Türkiye (CMB) Communiqué No. II-14.1 on Principles of Financial Reporting in Capital Markets (the Communiqué) and with the formats determined by the CMB and independently audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.:

- have been reviewed by us in accordance with CMB regulations,
- to the best of our knowledge available to us within the scope of our duties and responsibilities at the company, they do not contain any material misrepresentations or omissions that might be misleading as of the date of disclosure, and
- to the best of our knowledge available to us within the scope of our duties and responsibilities at the company, the financial statements drawn up pursuant to the Communiqué present a true and fair view of the company's assets, liabilities, financial position, and profit and loss together with for those within the scope of consolidation.

We hereby also represent that we are responsible for the disclosure made.

Sincerely,

Kamil Ömer BOZER, Chair of the Audit Committee

Ahmet TURUL, Member of the Audit Committee

Özkan ÇİMEN, Chief Financial Officer

Murat KAHRİMAN, Accounting Director

# Statement of Responsibility for the Annual Report

**STATEMENT OF RESPONSIBILITY ISSUED PURSUANT TO ARTICLE 9 OF THE COMMUNIQUÉ NO. II-14.1 ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS BY THE CAPITAL MARKETS BOARD OF TÜRKİYE (CMB)**

**ANNUAL REPORT APPROVED BY THE BOARD OF DIRECTORS' DECISION**

**DATED : 21 February 2023**

**NUMBERED : 1146**

Presented in attachment is the 2022 annual report, which has been prepared by our Company in accordance with the Turkish Commercial Code and the Capital Markets Board of Türkiye (CMB) Communiqué No. II-14.1 on Principles of Financial Reporting in Capital Markets (the Communiqué) and independently audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

We hereby represent for your information that, to the best of our knowledge available to us within the scope of our duties and responsibilities at the company, the Annual Report prepared by our Company, which also contains the Corporate Governance Compliance Report and Corporate Governance Information Form, and explanations as per the CMB's Sustainability Principles Compliance Framework:

- has been reviewed by us in accordance with the CMB's regulations,
- to the best of our knowledge available to us within the scope of our duties and responsibilities at the company, it does not contain any material misrepresentations or omissions that might be misleading as of the date of disclosure, and
- to the best of our knowledge available to us within the scope of our duties and responsibilities at the company, the Annual Report prepared pursuant to the Communiqué presents a true and fair view of the development and performance of the business and the company's financial position including material risks and uncertainties that it is confronted with, together with for those within the scope of consolidation.

We hereby also represent that we are responsible for the disclosures made.

Sincerely, 21 February 2023

K. Ömer BOZER, Chair of the Audit Committee,

Ahmet TURUL, Member of the Audit Committee,

Özkan Çimen, Chief Financial Officer

# Affiliation Report

## Affiliated Company Report drawn up pursuant to Article 199 of the Turkish Commercial Code

Pursuant to Article 199 of the Turkish Commercial Code no. 6102 that entered into force on 1 July 2012, Arçelik A.Ş. Board of Directors is obliged to issue a report within the first quarter of an activity year regarding its relations with the company's controlling shareholder and the subsidiaries thereof in the previous activity year, and to publish the conclusion section of the said report in its Annual Report. Necessary explanations about Arçelik A.Ş.'s dealings with related parties are provided in footnote 33 of the financial statements. The report dated 14 February 2023 prepared by Arçelik A.Ş. Board of Directors reads as follows: "It is concluded that in all the dealings Arçelik A.Ş. realized in 2022 with the controlling company, and the companies affiliated thereto, according to situations and conditions known to us at the time the related dealing was carried out or related action was taken or avoided, a commensurate consideration for each dealing has been provided and there were no actions taken or avoided, which may cause the company to suffer losses; accordingly, there is no dealing or action that would require equalization."

**ARÇELİK ANONİM ŞİRKETİ**  
**FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022**  
**CONSOLIDATED FINANCIAL STATEMENTS TOGETHER**  
**WITH INDEPENDENT AUDITOR'S REPORT**

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

**INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Arçelik A.Ş.

**A. Audit of the Consolidated Financial Statements****1. Our 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 2022 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 including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, 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 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.

<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Recoverability of trade receivables</b></p> <p>Trade receivables from third parties amounting to TRY33,815,044 thousand as of 31 December 2022, 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. 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"> <li>- Understanding the business processes for collections from customers, evaluating the operational effectiveness of controls embedded in the business processes and testing of selected key controls,</li> <li>- Understanding and evaluating the customer and distributor collections process,</li> <li>- Comparing trade receivable turnover days to the prior period,</li> <li>- 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,</li> <li>- Testing receivables from third parties by obtaining confirmation letters from customers and distributors and reconciling them to the Group's accounting records,</li> <li>- Testing collections in the subsequent period from selected customers and distributors,</li> <li>- Testing, on a sample basis, guarantees/collaterals held and assessing the Group's ability to convert them to cash,</li> <li>- Assessing the adequacy of disclosures around recoverability of trade receivables in the consolidated financial statements.</li> </ul> <p>We had no material findings related to the recoverability of trade receivables as a result of these procedures.</p>



## INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matter
<p><b>Provision for the impairment of inventories</b></p> <p>The Group's inventories, amounting to TRY29,237,120 thousand as of 31 December 2022, 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"> <li>- Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance,</li> <li>- Inquiry with the Group management about the risk of diminution in value as a result of disruptive technological changes,</li> <li>- Analytical procedures on inventory turnover rates compared to the prior year and determination of slow-moving inventories based on group of products if any,</li> <li>- 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,</li> <li>- Observation of obsolete and damaged inventories during inventory counts,</li> <li>- Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories.</li> </ul> <p>We had no material findings related to the provision for the impairment of inventories as a result of these procedures.</p>
Key audit matters	How our audit addressed the key audit matter
<p><b>Impairment tests of indefinite-life intangible assets</b></p> <p>The carrying value of brands and goodwill which are accounted for under indefinite-life intangible assets amounted to TRY3,537,872 thousand and TRY3,781,614 thousand, respectively, in the consolidated financial statements as of 31 December 2022.</p> <p>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"> <li>- Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management,</li> <li>- Evaluating management forecasts and future plans based on macroeconomic information for each relevant CGU,</li> <li>- Comparing forecasted cash flows for each CGU with its historical financial performance,</li> <li>- 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,</li> <li>- Testing of the setup of the discounted cash flow models and their mathematical accuracy,</li> <li>- Assessing management's sensitivity analysis for key assumptions,</li> <li>- 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.</li> </ul> <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 scepticism 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.
- 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.

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.

## INDEPENDENT AUDITOR'S REPORT

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 2022 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 25 January 2023.

### Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

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

Sertu Tali, SMMM  
Partner

Istanbul, 25 January 2023

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## ARÇELİK ANONİM ŞİRKETİ

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### AS OF DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

		Audited	
	Notes	December 31, 2022	December 31, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	5	24,529,219	16,014,589
Trade receivables			
- Due from related parties	33	420,397	269,306
- Trade receivables, third parties	9	33,772,657	23,142,238
Derivative instruments	8	232,043	16,094
Inventories	11	29,237,120	16,828,699
Prepaid expenses	20	1,147,473	648,799
Current income tax assets	21	709,474	415,431
Other current assets	23	1,937,931	2,259,652
Total current assets		91,986,314	59,594,808
Non-current assets:			
Financial investments	6	38,956	10,531
Trade receivables			
- Trade receivables, third parties	9	42,387	45,865
Derivative instruments	8	-	19,157
Investments accounted for using the equity method	12	1,148,453	855,409
Property, plant and equipment	13	20,822,336	13,125,336
Intangible assets			
- Goodwill	15	3,781,614	2,844,448
- Other intangible assets	14	9,755,086	6,573,315
Prepaid expenses	20	612,155	186,057
Deferred tax assets	31	4,055,377	1,823,680
Total non-current assets		40,256,364	25,483,798
Total assets		132,242,678	85,078,606

The accompanying notes form an integral part of these consolidated financial statements.

## ARÇELİK ANONİM ŞİRKETİ

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### AS OF DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

		Audited	
	Notes	December 31, 2022	December 31, 2021
LIABILITIES			
Current liabilities:			
Short-term borrowings	7	18,981,337	10,584,261
Short-term portion of long-term borrowings	7	16,248,013	2,459,839
Trade payables			
- Due to related parties	33	2,742,413	1,592,704
- Trade payables, third parties	9	28,185,125	18,076,327
Derivative instruments	8	179,692	245,292
Employee benefit obligations	22	1,638,321	775,090
Other payables			
- Other payables, third parties	10	1,756,300	1,245,608
Current income tax liabilities	31	50,265	55,292
Provisions			
- Other provisions	18	3,867,197	2,087,963
Other current liabilities	23	5,710,781	3,379,248
Total current liabilities		79,359,444	40,501,624
Non-current liabilities:			
Long-term borrowings	7	16,209,793	19,535,399
Provisions			
- Provision for employee benefits	19	2,619,763	935,609
- Other provisions	18	571,317	439,072
Deferred tax liabilities	31	2,043,930	1,528,994
Other non-current liabilities	23	4,332,751	1,082,693
Total non-current liabilities		25,777,554	23,521,767
Total liabilities		105,136,998	64,023,391

The accompanying notes form an integral part of these consolidated financial statements.



**ARÇELİK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)  
(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

	Notes	Audited	
		December 31, 2022	December 31, 2021
<b>EQUITY</b>			
Paid-in capital	24	675,728	675,728
Adjustment to share capital	24	468,811	468,811
Treasury shares	24	(3,098,160)	(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		(1,411,039)	(396,514)
- Revaluation/remeasurement of intangible assets		14,079	6,900
- Other gains/losses on revaluation and remeasurement		18,888	6,109
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
- Currency translation differences		17,420,552	11,381,483
Gains/losses on hedge			
- Gains/losses on hedges of net investment in foreign operations		(2,363,383)	(1,835,770)
- Gains/losses on cash flow hedges		5,012	15,080
Gains/losses on revaluation and reclassification			
Balancing account for merger capital		14,507	14,507
Restricted reserves	24	3,800,517	1,771,002
Retained earnings		5,076,450	5,425,850
Net income for the period		4,324,672	3,064,674
Equity holders of the parent		24,947,523	19,383,483
Non-controlling interest		2,158,157	1,671,732
<b>Total equity</b>		<b>27,105,680</b>	<b>21,055,215</b>
<b>Total liabilities and equity</b>		<b>132,242,678</b>	<b>85,078,606</b>
Commitments, contingent assets and liabilities	17		

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, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

	Notes	Audited 2022	2021
Net sales	4,25	133,915,508	68,184,437
Cost of sales	26	(94,422,665)	(47,706,092)
<b>Gross profit</b>		<b>39,492,843</b>	<b>20,478,345</b>
General administrative expenses	26	(6,159,895)	(3,106,770)
Marketing expenses	26	(24,080,342)	(11,919,993)
Research and development expenses	26	(704,593)	(444,068)
Other income from operating activities	27	5,904,824	5,776,423
Other expenses from operating activities	27	(5,362,640)	(3,763,793)
<b>Operating profit</b>		<b>9,090,197</b>	<b>7,020,144</b>
Income from investment activities	28	1,523,455	316,840
Expenses from investment activities	28	(37,043)	(9,579)
Share of profit/loss of investments accounted for using the equity method	12	(69,400)	(44,514)
<b>Operating income before financial income/(expense)</b>		<b>10,507,209</b>	<b>7,282,891</b>
Financial income	29	7,150,100	11,309,358
Financial expenses	30	(13,439,295)	(14,969,635)
<b>Profit from continuing operations before tax</b>		<b>4,218,014</b>	<b>3,622,614</b>
<b>Tax income/(expense), continuing operations</b>			
- Taxes on expense	31	(1,002,450)	(759,496)
- Deferred tax income/(expense)	31	1,507,493	387,891
<b>Net income</b>		<b>4,723,057</b>	<b>3,251,009</b>
<b>Attributable to</b>			
Non-controlling interest		398,385	186,335
<b>Equity holders of the parent</b>		<b>4,324,672</b>	<b>3,064,674</b>
<b>Earnings per share (kurus)</b>	32	<b>7.048</b>	<b>4.608</b>

The accompanying notes form an integral part of these consolidated financial statements.

Presentation

Arçelik at a Glance

Arçelik in 2022

Arçelik and Sustainability

Corporate Governance

Financial Information

Other Information

## ARÇELİK ANONİM ŞİRKETİ

### CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

#### FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

	<b>Audited</b>	
	<b>2022</b>	<b>2021</b>
<b>Net income</b>	<b>4,723,057</b>	<b>3,251,009</b>
<b>Other comprehensive income</b>		
<b>Not to be reclassified to profit or loss</b>	<b>(1,250,141)</b>	<b>(121,942)</b>
Gain/loss arising from defined benefit plans	(1,248,479)	(127,324)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(22,178)	(2,727)
Revaluation of intangible assets	7,179	6,900
Other gain/losses not to be reclassified to profit or loss	13,337	1,209
<b>Not to be reclassified to profit or loss, tax effect</b>	<b>255,574</b>	<b>31,815</b>
Gain/loss arising from defined benefit plans, tax effect	256,132	31,817
Other gain/losses not to be reclassified to profit or loss, tax effect	(558)	(2)
<b>To be reclassified to profit or loss</b>	<b>5,780,578</b>	<b>5,102,508</b>
Currency translation differences	6,318,764	6,083,850
Other comprehensive income related with hedges of net investments in foreign operations	(659,507)	(1,129,501)
Other comprehensive income related with cash flow hedge	(8,246)	19,157
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	129,567	129,002
- Currency translation differences of investments accounted for using the equity method	133,045	125,217
- Gain/loss from cash flow hedges of investments accounted for using equity method	(3,478)	3,785

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, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

	<b>Audited</b>	
	<b>2022</b>	<b>2021</b>
<b>To be reclassified to profit or loss, tax effect</b>	<b>133,550</b>	<b>254,994</b>
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	131,901	259,784
Other comprehensive income related with cash flow hedge, tax effect	1,649	(4,790)
<b>Other comprehensive income/(loss) (net of tax)</b>	<b>4,919,561</b>	<b>5,267,375</b>
<b>Total comprehensive income</b>	<b>9,642,618</b>	<b>8,518,384</b>
<b>Attributable to:</b>		
Non-controlling interest	811,125	239,680
<b>Equity holders of the parent</b>	<b>8,831,493</b>	<b>8,278,704</b>

The accompanying notes form an integral part of these consolidated financial statements.

## ARÇELİK ANONİM ŞİRKETİ

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

#### FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

	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
<b>Balance at January 1, 2021</b>	<b>675,728</b>	<b>468,811</b>	<b>-</b>	<b>889</b>	<b>14,507</b>	<b>(298,280)</b>	<b>4,918</b>
Transfers	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(98,234)</b>	<b>1,191</b>
Net income	-	-	-	-	-	-	-
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(98,234)</b>	<b>1,191</b>
Subsidiary acquisition	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Increase/decrease due to acquisition of treasury shares	-	-	(1,215,266)	-	-	-	-
<b>As of December 31, 2021</b>	<b>675,728</b>	<b>468,811</b>	<b>(1,215,266)</b>	<b>889</b>	<b>14,507</b>	<b>(396,514)</b>	<b>6,109</b>
<b>Balance at January 1, 2022</b>	<b>675,728</b>	<b>468,811</b>	<b>(1,215,266)</b>	<b>889</b>	<b>14,507</b>	<b>(396,514)</b>	<b>6,109</b>
Transfers	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,014,525)</b>	<b>12,779</b>
Net income	-	-	-	-	-	-	-
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,014,525)</b>	<b>12,779</b>
Dividends	-	-	-	-	-	-	-
Increase/decrease due to acquisition of treasury shares	-	-	(1,882,894)	-	-	-	-
<b>As of December 31, 2022</b>	<b>675,728</b>	<b>468,811</b>	<b>(3,098,160)</b>	<b>889</b>	<b>14,507</b>	<b>(1,411,039)</b>	<b>18,888</b>

The accompanying notes form an integral part of these consolidated financial statements.

	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
	(969,125)	-	5,225,745	409,115	5,439,898	2,847,839	13,820,045	203,801	14,023,846
	-	-	-	146,621	2,701,218	(2,847,839)	-	-	-
	(851,565)	6,900	6,155,738	-	-	3,064,674	8,278,704	239,680	8,518,384
	-	-	-	-	-	3,064,674	3,064,674	186,335	3,251,009
	(851,565)	6,900	6,155,738	-	-	-	5,214,030	53,345	5,267,375
	-	-	-	-	-	-	-	1,241,473	1,241,473
	-	-	-	-	(1,500,000)	-	(1,500,000)	(13,222)	(1,513,222)
	-	-	-	1,215,266	(1,215,266)	-	(1,215,266)	-	(1,215,266)
	(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
	(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
	-	-	-	146,621	2,918,053	(3,064,674)	-	-	-
	(537,681)	7,179	6,039,069	-	-	4,324,672	8,831,493	811,125	9,642,618
	-	-	-	-	-	4,324,672	4,324,672	398,385	4,723,057
	(537,681)	7,179	6,039,069	-	-	-	4,506,821	412,740	4,919,561
	-	-	-	-	(1,384,559)	-	(1,384,559)	(324,700)	(1,709,259)
	-	-	-	1,882,894	(1,882,894)	-	(1,882,894)	-	(1,882,894)
	(2,358,371)	14,079	17,420,552	3,800,517	5,076,450	4,324,672	24,947,523	2,158,157	27,105,680



## ARÇELİK ANONİM ŞİRKETİ

### CONSOLIDATED STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

		Audited	
	Notes	January 1- December 31, 2022	January 1- December 31, 2021
Cash flows from operating activities:			
Net income:		4,723,057	3,251,009
Adjustments to reconcile net cash provided from operating activities to net income after taxes			
Adjustments for depreciation and amortisation expense	26	3,310,643	1,845,682
Adjustments for impairment loss	36	119,619	1,493
Adjustments for other provisions	36	6,750,018	3,818,561
Adjustments for interest income	29	(444,393)	(217,672)
Adjustments for interest expense	30	3,952,726	1,817,588
Adjustments for income arised from government grants	27	(125,437)	(90,990)
Adjustments for unrealised foreign exchange losses (gains)	29,30	2,541,947	1,639,073
Adjustments for fair value (gains) losses on derivative financial instruments	29,30	128,104	436,011
Adjustments for undistributed profits of investments accounted for using equity method	12	69,400	44,514
Adjustments for tax expense/income	31	(505,043)	371,605
Adjustments for losses (gains) on disposal of non-current assets	28	5,011	(15,310)
Adjustment for bargained acquisition profit	28	(1,462,217)	(234,997)
Other adjustments to reconcile profit (loss)	29,30	(77,582)	(14,723)
Adjustments for losses (gains) on disposal of interests in associates or joint ventures	28		(930)
Adjustments for dividend (income) loss	28	(413)	(342)
Adjustments for contingent liabilities	30	105,602	-
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	28	-	(55,682)
Adjustments regarding net profit reconciliation for the period		19,091,042	12,594,890
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(10,787,883)	(10,244,163)
Adjustments for decrease (increase) in inventories		(11,206,530)	(8,778,570)
Decrease (increase) in prepaid expenses		(450,356)	(121,529)
Adjustments for increase (decrease) in trade payables		7,587,759	6,575,905
Increase (decrease) in employee benefit liabilities		488,993	(68,446)
Adjustments for increase (decrease) in other operating payables		1,150,225	(89,181)
Increase (decrease) in government grants and assistance		44,911	51,304
Other adjustments for other increase (decrease) in working capital		(49,149)	(494,036)
Income taxes refund (paid)		(772,695)	(498,723)
Cash flows from operating activities		5,096,317	(1,072,549)

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, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

		Audited	
	Notes	January 1- December 31, 2022	January 1- December 31, 2021
<b>Investing activities:</b>			
Cashflow used in obtaining control of subsidiaries or other businesses	3	1,353,744	(2,136,004)
Cash inflows related to sales that will result in loss of control of subsidiaries		-	323,703
Cash outflows due to share acquisition or capital increase in affiliates and/or joint ventures	12	(304,214)	(140,840)
Cash outflows from purchases of property, plant and equipment and intangible assets		(5,907,787)	(2,515,344)
Cash inflows from sale of property, plant and equipment and intangible assets		194,360	70,244
Dividends received	12,28	55,788	11,507
Cash inflows due to sale of shares in associates or joint ventures or capital reduction	6	(13,002)	-
			3,136
<b>Cash flows from investing activities</b>		<b>(4,621,111)</b>	<b>(4,383,598)</b>
<b>Financing activities:</b>			
Proceeds from borrowings	7	13,333,102	12,510,560
Repayments of borrowings	7	(6,424,351)	(9,522,410)
Bonds issued	7	4,525,000	6,632,916
Payments of lease liabilities	7	(804,160)	(635,575)
Dividends paid		(1,709,259)	(1,513,222)
Cash inflows from derivative instruments (net)		(398,744)	(204,839)
Cash outflows from acquisition of treasury shares	24	(1,882,894)	(1,215,266)
Interest paid		(2,956,418)	(1,493,546)
Interest received		395,857	229,017
Other inflows (outflows) of cash	30,31	(5,209)	14,723
<b>Cash flows from financing activities</b>		<b>4,072,924</b>	<b>4,802,358</b>
<b>Net increase/(decrease) in cash and cash equivalents before currency translation differences</b>			
		<b>4,548,130</b>	<b>(653,789)</b>
Effect of currency translation differences		3,917,964	4,677,477
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,466,094</b>	<b>4,023,688</b>
<b>Cash and cash equivalents at January 1</b>	5	<b>16,011,915</b>	<b>11,988,227</b>
<b>Cash and cash equivalents at December 31</b>	5	<b>24,478,009</b>	<b>16,011,915</b>

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, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)  
(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

#### 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-eight 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 Söğütözü 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, 2022, the publicly listed shares are 25.15% of the total shares. (December 31, 2021: 25.15%) (Includes treasury shares of 10.19% as of December 31, 2022)

The average number of personnel employed by categories in the Group in 2022 is 10,419 monthly paid (1 January - 31 December 2021: 8,960) and 31,223 hourly paid (1 January - 31 December 2021: 30,527) totalling to 41,642 (1 January - 31 December 2021: 39,487).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
<b>Continuing operations as of balance sheet date:</b>			
Arçelik Pazarlama A.Ş. ("Pazarlama A.Ş.")	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
Arch R&D Co. Ltd. ("Arch R&D")	China	R&D	Developing technology and design
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Arcwaste Collection SRL ("Arcwaste") <sup>(*)</sup>	Romania	Service	Service
Ardutch B.V. Taiwan ("Ardutch Taiwan") <sup>(*)</sup>	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia")	New Zealand	Sales	Consumer Durables
Beko A and NZ Pty Ltd. New Zealand Branch ("Beko New Zealand") <sup>(*)</sup>	New Zealand	Sales	Consumer Durables
Beko Appliances Malaysia Sdn. Bhd. ("Beko Malaysia")	Malaysia	Sales	Consumer Durables
Beko APAC IBC Co. ("Beko APAC")	Thailand	Service	Service
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales	Consumer Durables/Electronics
Beko Central Asia LLC ("Beko Central Asia")	Kazakhstan	Sales	Consumer Durables
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. ("Beko France")	France	Sales	Consumer Durables/Electronics
Beko Grundig Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Grundig Schweiz GmbH ("Beko Switzerland")	Switzerland	Sales	Consumer Durables/Electronics
Beko Grundig Deutschland GmbH Croatia Branch ("Beko Croatia") <sup>(*)</sup>	Croatia	Sales	Consumer Durables/Electronics
Beko Gulf FZE ("Beko Gulf")	United Arab Emirates	Sales	Consumer Durables/Electronics

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Beko Home Appliances Portugal, Unipessoal LDA ("Beko Portugal")	Portugal	Sales	Consumer Durables/ Electronics
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Purchase	Consumer Durables/ Electronics
Beko Israel Household Appliances Ltd. ("Beko Israel")	Israel	Marketing	Consumer Durables
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer Durables/ Electronics
Beko LLC. ("Beko Russia")	Russia	Production/Sales	Consumer Durables/ Electronics
Beko Morocco Household Appliances SARL ("Beko Morocco")	Morocco	Sales	Consumer Durables/ Electronics
Beko Plc. ("Beko UK")	England	Sales	Consumer Durables/ Electronics
Beko Plc ("Beko Ireland") <sup>(*)</sup>	Republic of Ireland	Sales	Consumer Durables/ Electronics
Beko Pilipinas Corporation. ("Beko Philippines")	Republic of the Philippines	Sales	Consumer Durables
Beko S.A. ("Beko Polska")	Poland	Sales	Consumer Durables/ Electronics
Beko S.A., org. sl. ("Beko Czech")	Czech Republic	Sales	Consumer Durables/ Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer Durables/ Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer Durables/ Electronics
Beko Thai Co. ("Beko Thailand")	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. ("Beko Ukraine")	Ukraine	Sales	Consumer Durables
Beko US INC. ("Beko US")	United States of America	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer Durables
Dawlance (Private) Ltd. ("DPL")	Pakistan	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. ("Defy Botswana")	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. ("Defy Namibia")	Namibia	Sales	Consumer Durables
Defy (Swaziland) (Proprietary) Ltd. ("Defy Swaziland")	Swaziland	Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. ("Defy")	Republic of the South Africa	Production/Sales	Consumer Durables
Defy Sales East Africa Limited ("Defy East Africa")	Republic of the South Africa	Sales	Consumer Durables
DEL Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Beko Grundig Österreich AG ("Beko Österreich") <sup>(*)</sup>	Austria	Sales	Consumer Durables/ Electronics
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales	Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Consumer Durables/ Electronics
Grundig Nordic AB Finland Branch of Nordic AB ("Grundig Finland") <sup>(*)</sup>	Finland	Sales	Consumer Durables/ Electronics

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Consumer Durables/ Electronics
Grundig Nordic Denmark Branch of Grundig Nordic AS ("Grundig Denmark") <sup>(1)</sup>	Denmark	Sales	Consumer Durables/ Electronics
Pan Asia Private Equity Ltd. ("Pan Asia")	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. ("Retail Holdings")	Netherlands	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/ Electronics
Singer Bangladesh Limited ("Singer Bangladesh")	Bangladesh	Production/Sales	Consumer Durables/ Electronics
United Refrigeration Industries Ltd. ("URIL")	Pakistan	Production/Sales	Consumer Durables
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales	Consumer Durables
Arçelik Hitachi Home Appliances B.V.	Netherlands	Investment	Holding
Arçelik Hitachi Home Appliances (Shanghai) Co., Ltd.	China	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances (Thailand) Ltd.	Thailand	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (China) Ltd <sup>(4)</sup>	China	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd.	Singapore	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Thailand) Ltd.	Thailand	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Malaysia Sdn. Bhd.	Malaysia	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Middle East Fze	United Arab Emirates	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Vietnam Co., Ltd.	Vietnam	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Hong Kong Limited	Hong Kong, China	Sales	Consumer Durables
Arçelik Hitachi Taiwan Home Appliances Sales Ltd.	Taiwan	Sales	Consumer Durables
PT. Arcelik Hitachi Home Appliances Sales Indonesia	Indonesia	Sales	Consumer Durables
Arcelik Hitachi Home Appliances IBC Co. Ltd. <sup>(2)</sup>	Thailand	Service	Service
Beko Azerbaijan MMC ("Beko Azerbaijan") <sup>(3)</sup>	Azerbaijan	Sales	Consumer Durables
Beko Grundig Croatia d.o.o ("Beko Grundig Croatia") <sup>(3)</sup>	Croatia	Sales	Consumer Durables
Beko Hungary Kft ("Beko Hungary") <sup>(3)</sup>	Hungary	Sales	Consumer Durables
Beko Egypt Home Appliances Industries LLC ("Beko Egypt LLC") <sup>(3)</sup>	Egypt	Production/Sales	Consumer Durables/ Electronics
Beko Grundig Hellas Single Member SA ("Beko Greece") <sup>(3)</sup>	Greece	Sales	Consumer Durables
IHP Appliances Sales LLC <sup>(4)</sup>	Russia	Sales	Consumer Durables/ Electronics
IHP Appliances JSC <sup>(4)</sup>	Russia	Production/Sales	Consumer Durables/ Electronics
IHP Kazakhstan LLP <sup>(4)</sup>	Kazakhstan	Sales	Consumer Durables/ Electronics

<sup>(1)</sup> Branches of the Subsidiary, which operate in a different country, are separately presented.

<sup>(2)</sup> The title of "Beko Grundig Österreich AG" has been registered on January 11, 2022. The former title of the company was "Elektra Bregenz AG".

<sup>(3)</sup> Arcelik Hitachi Home Appliances IBC Co. Ltd. has started operating following the completion of share transfer and other transactions of January 2022.

<sup>(4)</sup> The companies have been registered with-in the year 2022.

<sup>(4)</sup> In accordance with the share purchase agreement which was signed with Whirlpool EMEA S.p.A, the purchase of the entire issued share capital of IHP Appliances Sales LLC (formerly: Whirlpool RUS LLC), IHP Appliances JSC (formerly: Indesit International JSC), and IHP Kazakhstan LLP (formerly: Whirlpool Kazakhstan LLP) has been completed as of August 31, 2022 (Note 3).

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

<i>Ceased operations as of reporting date:</i>	<i>Country of incorporation</i>	<i>Core business</i>	<i>Nature of business</i>
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
<b>Associates</b>			
Koç Finansman A.Ş. ("Koç Finansman")	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Sales	Foreign Trade
<b>Joint Ventures</b>			
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer Durables
VoltBek Home Appliances Private Limited ("VoltBek")	India	Production/Sales	Consumer Durables

#### Approval of consolidated financial statements

These consolidated financial statements as of and for the year ended 31 December 2022 has been approved for issue by the Board of Directors on 25 January 2023. These consolidated financial statements will be finalized 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.



## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)  
(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

#### New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards ("TAS")/IFRS 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 2022:**

**Amendment to IFRS 16, 'Leases' - Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. 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.

**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'.

#### **Standards, amendments and interpretations that are issued but not effective as at 31 December 2022:**

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction;** effective 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.
- **Amendment to IFRS 16 - Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to IAS 1 - Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

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, 2022**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

#### **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/IFRS 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.

The Group's operations in Ukraine accounts for approximately 0.1% of the Group's net revenue and total assets for the period ended December 31, 2022. With the start of the Russia-Ukraine war on February 24, 2022, uncertainties regarding the Group's activities in Ukraine emerged, and as of December 31, 2022, the Group's operations continue in Kiev, where Beko Ukraine is heavily active. However, since Ukraine operations are immaterial in terms of condensed consolidated financial statements, this do not have any impact on the Group's going concern.

#### **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/IFRS 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, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

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, 2022 and December 31, 2021 (%) and their functional currencies:

		December 31, 2022		December 31, 2021	
	Functional currency	Ownership Interest	Effective shareholding	Ownership Interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arch R&D	Chinese Yuan	100	100	100	100
Arctic	Romanian Lei	96.72	96.72	96.72	96.72
Arcwaste	Romanian Lei	96.72	96.72	96.72	96.72
Ardutch	Euro	100	100	100	100
Ardutch Taiwan	Taiwanese Dollar	100	100	100	100
Beko APAC	Thai Baht	100	100	100	100
Beko Australia	Australian Dollar	100	100	100	100
Beko New Zealand	New Zealand Dollar	100	100	100	100
Beko Balkans	Serbian Dinar	100	100	100	100
Beko China	Chinese Yuan	100	100	100	100
Beko Central Asia	Kazakhstan Tenge	100	100	100	100
Beko Grundig Deutschland	Euro	100	100	100	100
Beko Croatia	Croatian Kuna	100	100	100	100
Beko Egypt	Egyptian Lira	100	100	100	100
Beko Espana	Euro	100	100	100	100
Beko France	Euro	100	100	100	100
Beko Gulf	Dirham	100	100	100	100
Beko Portugal	Euro	100	100	100	100
Beko Hong Kong	US Dollar	100	100	100	100
Beko Israel	New Israeli Shekel	100	100	100	100
Beko Italy	Euro	100	100	100	100
Beko Malaysia	Malaysian Ringgit	100	100	100	100
Beko Morocco	Moroccan Dirham	100	100	100	100
Beko Polska	Polish Zloty	100	100	100	100
Beko Czech	Czech Koruna	100	100	100	100
Beko Philippines	Philippine Peso	100	100	100	100
Beko Russia	Russian Ruble	100	100	100	100
Beko Shanghai	Chinese Yuan	100	100	100	100
Beko Slovakia	Euro	100	100	100	100
Beko Grundig Schweiz	Swiss Franc	100	100	100	100
Beko Thailand	Thai Baht	100	100	100	100
Beko UK	British Pound	100	100	100	100
Beko Ireland	Euro	100	100	100	100
Beko Ukraine	Ukrainian Hryvna	100	100	100	100
Beko US	US Dollar	100	100	100	100
Dawlance (Private)	Pakistani Rupee	100	100	100	100
Defy	South Africa Rand	100	100	100	100
Defy Botswana	Botswana Pula	100	100	100	100

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	Functional currency	December 31, 2022		December 31, 2021	
		Ownership Interest	Effective shareholding	Ownership Interest	Effective shareholding
Defy Namibia	Namibian Dollar	100	100	100	100
Defy Swaziland	Svazi Lilangeni	100	100	100	100
Defy East Africa	South Africa Rand	100	100	100	100
DEL Electronics	Pakistani Rupee	100	100	100	100
Beko Österreich	Euro	100	100	100	100
Grundig Norway	Norwegian Krone	100	100	100	100
Grundig Denmark	Danish Krone	100	100	100	100
Grundig Sweden	Swedish Krona	100	100	100	100
Grundig Finland	Euro	100	100	100	100
Grundig Switzerland	Swiss Franc	100	100	100	100
Pan Asia	US Dollar	100	100	100	100
Pazarlama A.Ş.	Turkish Lira	100	100	100	100
PT Home Appliances Indonesia <sup>(1)</sup>	Indonesian Rupiah	100	100	67	67
PT Beko Appliances Indonesia	Indonesian Rupiah	100	100	100	100
Retail Holdings	US Dollar	100	100	100	100
Singer Bangladesh	Bangladeshi Taka	56.99	56.99	56.99	56.99
United Refrigeration Industries	Pakistani Rupee	100	100	100	100
Vietbeko	Vietnamese Dong	100	100	100	100
Arçelik Hitachi	Euro	60	60	60	60
Arçelik Hitachi Shanghai	Chinese Yuan	57	57	57	57
Arçelik Hitachi Thailand	Thai Baht	50.4	50.4	50.4	50.4
Arçelik Hitachi Singapore	Singapore Dollar	60	60	60	60
Arçelik Hitachi Sales Thailand	Thai Baht	60	60	60	60
Arçelik Hitachi Malaysia	Malaysian Ringgit	60	60	60	60
Arçelik Hitachi Dubai	Dirham	60	60	60	60
Arçelik Hitachi Vietnam	Vietnamese Dong	60	60	60	60
Arçelik Hitachi Hong Kong	Hong Kong Dollar	60	60	60	60
Arçelik Hitachi Taiwan	Taiwanese Dollar	60	60	60	60
Arçelik Hitachi Indonesia	Indonesian Rupiah	40.5	40.5	40.5	40.5
Arçelik Hitachi Thailand IBC <sup>(2)</sup>	Thai Baht	60	60	--	--
Beko Azerbaijan <sup>(3)</sup>	Azerbaijan Manat	100	100	--	--
Beko Grundig Croatia <sup>(3)</sup>	Croatian Kuna	100	100	--	--
Beko Hungary <sup>(3)</sup>	Hungarian Forint	100	100	--	--
Beko Egypt LLC <sup>(3)</sup>	Egyptian Lira	100	100	--	--
Beko Greece <sup>(3)</sup>	Euro	100	100	--	--
IHP Appliances Sales LLC <sup>(4)</sup>	Russian Ruble	100	100	--	--
IHP Appliances JSC <sup>(4)</sup>	Russian Ruble	100	100	--	--
IHP Kazakhstan LLP <sup>(4)</sup>	Kazakhstan Tenge	100	100	--	--
Grundig Austria	-	100	100	100	100
<b>Ceased operations as of balance sheet date:</b>					
Beko Cesko		100		100	100

<sup>(1)</sup> The company's share transfer process has been completed as of March 15, 2022 and the Group has bought remaining 33% shares.

<sup>(2)</sup> The company has started operating following the completion of share transfer and other transactions of January 2022.

<sup>(3)</sup> The companies have been registered with-in the year 2022.

<sup>(4)</sup> In accordance with the share purchase agreement which was signed with Whirlpool EMEA S.p.A, the purchase of the entire issued share capital of IHP Appliances Sales LLC (formerly: Whirlpool RUS LLC), IHP Appliances JSC (formerly: Indesit International JSC), and IHP Kazakhstan LLP (formerly: Whirlpool Kazakhstan LLP) has been completed as of August 31, 2022 (Note 3)

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(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, 2022 and 2021 (%):

	2022	2021
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
VoltBek	49.00	49.00

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.

(e) 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.

### 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.

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#### 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).

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 through profit or loss, financial assets carried at fair value through 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.



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#### **(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.

#### ***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.

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#### 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.

#### 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.

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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.

##### **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).

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#### 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:

- The contract involved the use of an identified asset - this may be specified explicitly or implicitly.
- 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.
- 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
- 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:
  - 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;
  - 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.

##### *Right of use asset*

The right of use asset is initially recognized at cost comprising of:

- Amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- 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:

- After netting-off accumulated depreciation and impairment losses from right of use asset.
- 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 assess for any impairment.

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#### **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 liabilities varies between 1 and 5 years.

#### **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.

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#### 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. Contingent considerations arising from business combinations are measured at their fair value in the consolidated financial statements.

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.

#### 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.



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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.

### **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.

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Group recognized revenue from its customers only when all of the following criteria are met:

- 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,
- Group can identify each party's rights regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- 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.

#### **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.

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.

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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**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

#### **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.

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#### 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. Treasury shares are also included in calculation per share.

#### 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 (Note 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).

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#### NOTE 3 - BUSINESS COMBINATION

A Share Purchase Agreement ("the Agreement") was signed by Arçelik A.Ş. with Whirlpool EMEA S.p.A for the purchase of the entire issued share capital of IHP Appliances JSC and IHP Appliances Sales LLC, which operate in Russia, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Armenia, Georgia, Azerbaijan, Kazakhstan, Belarus, Mongolia ("Relevant Countries") and transactions are completed as of August 31, 2022. As of closing date, all shares of IHP Appliances JSC and IHP Appliances Sales LLC will be directly owned, and their wholly owned subsidiary IHP Kazakhstan LLP's shares will be indirectly owned, by Arçelik. The acquired companies own facilities in Lipetsk with a total capacity of 2.8 million units, where refrigerators and laundry products are produced, and have approximately 2,500 employees.

The purchase price shall not exceed the upper limit determined based on the fixed assets and net working capital within the closing financial statements of the acquired companies. This upper limit has been set and finalized as EUR 261.4 million based on the balance sheets of the acquired companies as of August 31, 2022 which were prepared in accordance with IFRS.

The amount of the acquisition cost for each year will be calculated and paid annually over a period of ten years. Annual calculations will be based on performance and deduction of defined liabilities and subject to regulatory authorization or confirmation accrued and paid as the acquisition cost based on the availability of distributable reserves, and the legal restrictions, if any, existing at the time the payment is due. In the event that as of the tenth year there remains any calculated amounts that have not yet been accrued and paid as the conditions have not been fulfilled. The remainder will be accrued and paid should the conditions be fulfilled over the next 5 years.

The valuation process of the balance sheets as of August 31, 2022 regarding the acquisition are continuing. As of December 31, 2022 the acquisition has been provisionally accounted for in the consolidated financial statements under the rules of TFRS 3 "Business Combinations", within the scope of TFRS 3, differences that occur due to the actual results of the valuation studies will be reflected in the consolidated financial statements of the next period.

In addition to "Stinol" brand which will be transferred with the acquired companies, "Indesit" and "Hotpoint" brands in the Relevant Countries has been granted to Arçelik and acquired companies for 20 years with the option to extend up to a total of 40 years, by extending in every 10 years.

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:

	<b>31 August 2022</b>
Cash and cash equivalents	1,353,744
Trade receivables	690,861
Inventories	1,288,287
Other current asset	135,213
Property, plant and equipment (Note 13)	1,683,797
Deferred tax assets/(liabilities), net (Note 31)	117,929
Trade and other payables	(460,160)
Other liabilities	(324,977)
<b>Total value of identifiable net assets (100%) (provisional)</b>	<b>4,484,694</b>
Goodwill	(1,462,217)
<b>Total contingent consideration and deferred purchase price (provisional) <sup>(*)</sup></b>	<b>3,022,477</b>

<sup>(\*)</sup> As of December 31, 2022, contingent consideration is presented at its fair value in the consolidated financial statements (Note 23). In this context, the change effect in the fair value of contingent consideration is recognized in the Group's consolidated financial statements (Note 35).

After the acquisition date, total sales of acquired companies were amounting to TRY1,710,922 in consolidated profit or loss statement while its contribution to net profit was TRY169,407.

If the acquired companies had been consolidated since January 1, 2022, the consolidated sales and net profit of Arçelik Group would have been higher by TRY 2,858,874 and TRY 22,509 respectively.

As of December 31, 2022, the total amount of acquisition costs, accounted in the consolidated profit or loss statement which is included in the general and administrative expenses, is TRY 13,940.

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#### 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.

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2022 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales <sup>(*)</sup>	105,589,439	9,210,558	19,115,511	133,915,508
Gross profit	31,067,884	2,473,033	5,951,926	39,492,843
Depreciation and amortization	3,015,039	199,044	122,428	3,336,511
Capital expenditures	4,913,792	769,242	250,621	5,933,655

<sup>(\*)</sup> The Group recognised net sales amounting to TRY133,892,713 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2022 (2021: TRY 68,155,349).

b) 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



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#### NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash in hand	2,714	5,068
Cash at banks		
- demand deposits	5,260,444	3,705,276
- time deposits	18,595,834	11,964,444
Cheques and notes	195,899	126,371
Other	423,118	210,756
<b>Cash and cash equivalents in cash flow statement</b>	<b>24,478,009</b>	<b>16,011,915</b>
Interest income accruals	51,210	2,674
	<b>24,529,219</b>	<b>16,014,589</b>

The maturity breakdown of cash and cash equivalents is as follows:

Up to 30 days	24,307,628	15,484,875
30-90 days	221,591	529,714
	<b>24,529,219</b>	<b>16,014,589</b>

#### NOTE 6 - FINANCIAL INVESTMENTS

*Fair value gain/losses of financial assets reflected to other comprehensive income*

	December 31, 2022	December 31, 2021
Financial assets that its fair value gain/losses of reflected to other comprehensive income	38,956	10,531
<b>Total</b>	<b>38,956</b>	<b>10,531</b>

	December 31, 2022	December 31, 2021
Tat Gıda Sanayi A.Ş.	16,739	5,582
Hoxton Ventures III	5,962	-
500 Startups Istanbul Fund II Cooperatif	6,687	-
E&E Recycling, INC	5,823	2,829
Thai Refrigeration Components Co., Ltd.	2,844	2,041
Diğer	901	79
	<b>38,956</b>	<b>10,531</b>

The details of financial investments for the years ended December 31, are as follows:

	2022	2021
<b>As of January 1</b>	<b>10,531</b>	<b>5,614</b>
Change in fair value	13,337	1,209
Additions	13,002	-
Acquisition	-	20,627
Disposal	(135)	(26,971)
Currency translation differences	2,221	10,052
<b>As of December 31</b>	<b>38,956</b>	<b>10,531</b>

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#### NOTE 7 - BORROWINGS

##### a) Short-term borrowings

	December 31, 2022	December 31, 2021
Short-term bank borrowings	15,051,698	10,002,990
Short-term bond issued (**)	2,772,192	-
Short-term lease liabilities	599,646	330,258
Payables due to factoring activities (*)	557,801	251,013
<b>Total short-term borrowings</b>	<b>18,981,337</b>	<b>10,584,261</b>
Short-term portion of long-term bank borrowings and interest accruals	3,586,159	2,244,370
Short term portion of long-term bond issued and interest accruals (**)	12,661,854	215,469
<b>Total short-term portion of long-term borrowings</b>	<b>16,248,013</b>	<b>2,459,839</b>

(\*) Factoring liabilities are amounting to TRY 394,636 denominated in EUR (December 31, 2021: TRY 126,892), TRY 160,584 denominated in GBP (December 31, 2021: TRY 124,121) and TRY 2,581 denominated in RUB and interest rates are between 2.81% for EUR (December 31, 2021: 0.6%), 5.27% for GBP (December 31, 2021: 0.62%) and 13.92% for RUB.

##### (\*\*) Short term bond issued:

###### 2022:

The Company issued financial bill amounting to TRY 600 million quoted in Borsa Istanbul with fixed interest rate single coupon payment on September 14, 2022, Maturity of the bond is March 9, 2023 and coupon rate is 25%.

The Company issued financial bill amounting to TRY 2 billion quoted in Borsa Istanbul with fixed interest rate single coupon payment on September 30, 2022, Maturity of the bond is March 28, 2023 and coupon rate is 25%.

##### (\*\*\*) Long term bonds issued:

###### 2022:

The Company issued bond amounting to TRY 700 million quoted in Borsa Istanbul with fixed interest rate single coupon payment on February 2, 2022, Maturity of the bond is February 7, 2023 and coupon rate is 24%.

The Company issued bond amounting to TRY 650 million quoted in Borsa Istanbul with quarterly interest payment on April 13, 2022, Maturity of the bond is April 5, 2024 and coupon rate is GDDS+130.

The Company issued bond amounting to TRY 400 million quoted in Borsa Istanbul with fixed interest rate single coupon payment on June 29, 2022, Maturity of the bond is July 14, 2023 and coupon rate is 33.5%.

The Company issued bond amounting to TRY 175 million quoted in Borsa Istanbul with fixed interest rate single coupon payment on July 27, 2022, Maturity of the bond is August 1, 2023 and coupon rate is 34.5%.

##### (\*\*\*\*) 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 on May 25, 2021. 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%.

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As of December 31, 2022, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original Currency	TRY Equivalent
EUR	1.9	248,101,405	4,945,877
TRY	24.6	3,175,829,104	3,175,829
PKR	15.9	25,765,554,639	2,113,291
BDT	7.0	5,901,248,081	1,070,722
USD	7.6	53,958,144	1,008,926
ZAR	5.8	593,432,601	655,802
PLN	7.8	137,817,324	587,667
RON	7.1	141,366,026	566,341
AUD	3.3	28,653,869	362,959
SEK	1	95,095,746	169,622
MYR	6	31,969,892	135,827
IDR	8.4	90,872,000,000	109,047
THB	4.4	185,479,029	100,485
NOK	3.9	26,085,996	49,303
			<b>15,051,698</b>

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
			<b>10,002,990</b>

**b) Long-term borrowings**

	December 31, 2022	December 31, 2021
Long-term bonds issued	7,622,685	13,119,453
Long-term bank borrowings	6,893,106	5,311,582
Long-term lease liabilities	1,694,002	1,104,364
	<b>16,209,793</b>	<b>19,535,399</b>

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As of December 31, 2022, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original Currency	TRY Equivalent
	2.9		
EUR	7.2	323,919,728	6,457,307
TRY	18.2	2,490,034,647	2,490,035
PKR	16.3	11,940,656,909	979,373
ZAR	7.2	500,000,000	552,550
			<b>10,479,265</b>
Short-term portion of long-term loans and interest accruals			(3,586,159)
			<b>6,893,106</b>

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
			<b>7,555,952</b>
Short-term portion of long-term loans and interest accruals			(2,244,370)
			<b>5,311,582</b>

As of December 31, 2022, 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	506,092,769	9,462,454
EUR	3.0	356,072,767	7,098,275
TRY	22.6	3,723,809,706	3,723,810
			<b>20,284,539</b>
Interest accruals of long-term bonds issued			(149,663)
			<b>20,134,876</b>

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
			<b>13,334,922</b>
Interest accruals of long-term bonds issued			(190,505)
			(215,469)
			<b>13,119,453</b>

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The payment schedule of the principal amounts of long-term bank borrowings and bonds is as follows:

	December 31, 2022	December 31, 2021
2023	-	10,935,200
2024	1,433,131	453,368
2025	1,000,603	453,368
2026 to 2030	12,086,587	6,597,201
	<b>14,520,321</b>	<b>18,439,137</b>

The analysis of borrowings and bonds issued in terms of periods remaining to contractual re-pricing dates is as follows:

	December 31, 2022	December 31, 2021
Up to 3 months	17,157,568	8,833,569
3 - 12 months	16,253,502	5,036,068
1-5 years	10,784,358	14,298,812
Over 5 years	3,028,998	2,233,058
	<b>47,224,426</b>	<b>30,401,507</b>

As of December 31, 2022, and 2021, financial debt reconciliation is as follows:

2022	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
<b>Financial debt as of January 1</b>	<b>(1,434,622)</b>	<b>(12,713,842)</b>	<b>(18,431,035)</b>	<b>(32,579,499)</b>
Cash flows	804,160	(6,002,685)	(5,431,066)	(10,629,591)
Transfer	-	(12,649,057)	12,649,057	-
Changes in interest accruals	(132,020)	(864,288)	-	(996,308)
Changes in factoring liabilities	-	(306,788)	-	(306,788)
Changes in lease liabilities	(1,101,339)	-	-	(1,101,339)
Currency translation adjustments	(429,827)	(2,093,044)	(3,302,747)	(5,825,618)
<b>Financial debt as of December 31</b>	<b>(2,293,648)</b>	<b>(34,629,704)</b>	<b>(14,515,791)</b>	<b>(51,439,143)</b>

2021	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
<b>Financial debt as of January 1</b>	<b>(916,935)</b>	<b>(10,029,834)</b>	<b>(6,128,456)</b>	<b>(17,075,225)</b>
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)
<b>Financial debt as of December 31</b>	<b>(1,434,622)</b>	<b>(12,713,842)</b>	<b>(18,431,035)</b>	<b>(32,579,499)</b>

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#### 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, 2022			December 31, 2021		
	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	20,491,796	172,151	(114,980)	16,679,404	14,103	(145,352)
Foreign currency swap contracts	14,688,303	59,892	(56,467)	6,560,163	1,991	(99,940)
<i>Cash flow hedge:</i>						
Interest rate swap contracts <sup>(*)</sup>	300,000	-	(8,245)	-	-	-
<b>Short-term derivative instruments, net</b>		<b>232,043</b>	<b>(179,692)</b>		<b>16,094</b>	<b>(245,292)</b>

#### Long-term derivative instruments

##### Cash flow hedge:

Interest rate swap contract <sup>(**)</sup>	-	-	-	300,000	19,157	-
<b>Long-term derivative instruments, net</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>19,157</b>	<b>-</b>

<sup>(\*)</sup> As of December 31, 2022 and 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.

#### NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2022	December 31, 2021
<b>Short-term trade receivables:</b>		
Trade receivables	32,986,043	22,291,306
Notes receivables	1,389,566	1,164,206
Cheques receivables	783,425	414,337
<b>Short-term trade receivables (gross)</b>	<b>35,159,034</b>	<b>23,869,849</b>
Provision for expected credit loss	(762,106)	(439,696)
Unearned credit finance income	(624,271)	(287,915)
<b>Short-term trade receivables (net)</b>	<b>33,772,657</b>	<b>23,142,238</b>

As of December 31, 2022, the Group has offsetted TRY 5,767,413 (December 31, 2021: TRY 2,366,439) 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 610,114 related with its local bank borrowings (December 31, 2021: TRY 338,435).



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The movements of expected credit loss for the years ended December 31, are as follows:

	2022	2021
<b>As of January, 1</b>	<b>439,696</b>	<b>300,665</b>
Current year additions (Note 27)	63,855	59,835
Provisions no longer required (Note 27)	(16,844)	(34,779)
Acquisitions	274,808	30,495
Write-offs <sup>(*)</sup>	(51,039)	(35,779)
Sale of subsidiary	-	(166)
Currency translation differences	51,630	119,425
<b>As of December, 31</b>	<b>762,106</b>	<b>439,696</b>

<sup>(\*)</sup> 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.

<b>Long-term trade receivables</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Trade receivables	84,222	101,746
Unearned credit finance income	(41,835)	(55,881)
	<b>42,387</b>	<b>45,865</b>

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Short-term trade payables:</b>		
Trade payables	26,170,813	16,296,508
Debt accruals	2,404,508	1,986,561
Unearned credit finance charges	(390,196)	(206,742)
	<b>28,185,125</b>	<b>18,076,327</b>

### NOTE 10 - OTHER PAYABLES

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Taxes and duties payable	1,449,508	971,148
Dividend payables to shareholders	3,204	46,414
Deposits and guarantees received	25,181	16,948
Other	278,407	211,098
	<b>1,756,300</b>	<b>1,245,608</b>

### NOTE 11 - INVENTORIES

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials and supplies	12,096,526	6,781,587
Work in progress	924,981	466,732
Finished goods	12,024,259	7,180,847
Trade goods	4,547,686	2,626,519
<b>Inventories (gross)</b>	<b>29,593,452</b>	<b>17,055,685</b>
Provision for impairment on inventories	(356,332)	(226,986)
<b>Inventories (net)</b>	<b>29,237,120</b>	<b>16,828,699</b>

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In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 459,107 related with its local bank borrowings (December 31, 2021: 395,880).

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	December 31, 2022	December 31, 2021
Raw materials and supplies	127,389	87,605
Finished goods	159,753	106,040
Trade goods	69,190	33,341
	<b>356,332</b>	<b>226,986</b>

Movements of provision for impairment on inventories for the periods ended December 31 are as follows:

	2022	2021
<b>As of January 1</b>	<b>226,986</b>	<b>122,857</b>
Current year additions (Note 26)	142,433	59,520
Realized due to sales of inventory (Note 26)	(69,825)	(83,083)
Sale of subsidiary	-	(254)
Acquisitions	49,168	36,494
Currency translation differences	7,570	91,452
<b>As of December 31</b>	<b>356,332</b>	<b>226,986</b>

### NOTE 12 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2022		December 31, 2021	
	%	TRY	%	TRY
VoltBek	49.0	501,405	49.0	307,880
Koç Finansman	47.0	332,171	47.0	289,570
Arçelik - LG	45.0	278,335	45.0	237,544
Ram Dış Ticaret	33.5	36,542	33.5	20,415
		<b>1,148,453</b>		<b>855,409</b>

The movements of associates for the years ended December 31, are as follows:

	2022	2021
<b>As of January 1</b>	<b>855,409</b>	<b>648,016</b>
Shares of income/loss of associates	(69,400)	(44,514)
Shares of other comprehensive income/loss of associates	(25,656)	1,058
Gross profit elimination on inventory	6,216	(1,838)
Share participation in associates	304,214	140,840
Cash dividend from associates	(55,375)	(11,165)
Disposal of shares on associates	-	(2,205)
Currency translation difference	133,045	125,217
<b>As of December 31</b>	<b>1,148,453</b>	<b>855,409</b>

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**Shares of income/loss from investments accounted for using the equity method:**

	2022	2021
Koç Finansman	94,120	61,684
Arçelik - LG	55,494	44,747
Ram Dış Ticaret	24,718	10,304
Tanı Pazarlama	-	(285)
VoltBek	(243,732)	(160,964)
	<b>(69,400)</b>	<b>(44,514)</b>

**Aggregated summary figures of the financial statements of associates and joint venture:**

December 31, 2022	Koç Finansman	Ram Dış Ticaret	Voltbek	Diğer	Toplam
Total assets	8,667,003	3,855,313	3,284,758	2,548,757	18,355,831
Total liabilities	7,960,257	3,746,232	2,261,483	1,930,223	15,898,195
Net sales	1,555,403	11,368,960	2,143,215	4,757,129	19,824,707
December 31, 2021	Koç Finansman	Ram Dış Ticaret	Voltbek	Diğer	Toplam
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

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#### NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	January 1 2022	Additions	Disposals	Transfer (*)	Acquisition (**)	Currency Translation Differences	December 31 2022
<b>Cost</b>							
Land	852,499	126,139	(8,260)	-	40,257	114,508	1,125,143
Land improvements	76,816	1,402	(421)	4,047	-	5,671	87,515
Buildings	5,734,309	1,278,478	(359,446)	44,654	765,916	1,730,023	9,193,934
Machinery, equipment and moulds	13,018,485	927,201	(395,492)	1,283,340	821,554	3,445,215	19,100,303
Motor vehicles and fixtures	3,026,290	702,584	(161,867)	125,189	37,179	910,005	4,639,380
Leasehold improvements	221,093	32,331	(4,048)	25,638	7,450	26,421	308,885
Construction in progress	1,022,136	2,912,725	(68,737)	(1,568,294)	11,441	193,124	2,502,395
	<b>23,951,628</b>	<b>5,980,860</b>	<b>(998,271)</b>	<b>(85,426)</b>	<b>1,683,797</b>	<b>6,424,967</b>	<b>36,957,555</b>
<b>Accumulated depreciation:</b>							
Land improvements	(60,137)	(6,992)	65	-	-	(1,006)	(68,070)
Buildings	(1,860,850)	(659,556)	329,116	10,021	-	(737,268)	(2,918,537)
Machinery, equipment and moulds	(7,159,684)	(1,373,616)	311,824	212	-	(2,219,477)	(10,440,741)
Motor vehicles and fixtures	(1,607,969)	(497,368)	127,850	26,471	-	(576,929)	(2,527,945)
Leasehold improvements	(137,652)	(18,620)	3,673	(605)	-	(26,722)	(179,926)
	<b>(10,826,292)</b>	<b>(2,556,152)</b>	<b>772,528</b>	<b>36,099</b>	<b>-</b>	<b>(3,561,402)</b>	<b>(16,135,219)</b>
<b>Net book value</b>	<b>13,125,336</b>	<b>3,424,708</b>	<b>(225,743)</b>	<b>(49,327)</b>	<b>1,683,797</b>	<b>2,863,565</b>	<b>20,822,336</b>

(\*) Consists of transfers amounting to TRY 49,327 from property, plant and equipment to other intangible assets (Note 14).

(\*\*) Due to acquisition of IHP Appliances JSC and IHP Appliances Sales LLC realized at August 31, 2022 (Note 3).

There is no mortgage on property, plant and equipment as of December 31, 2022 (December 31, 2021: None).

As of December 31, 2022 and December 31, 2021 the details of right-of-use assets recognized in the consolidated financial statements are as follows:

	December 31, 2022	December 31, 2021
Land improvements	7,101	5,031
Buildings	2,208,348	1,168,052
Machinery, equipments and moulds	50,310	36,801
Motor vehicles	221,875	207,616
<b>Total right-of-use</b>	<b>2,487,634</b>	<b>1,417,500</b>

Additions to rights-to-use assets for the year ended December 31, 2022 TRY 1,381,256 (2021: 463,515), depreciation expenses are TRY 707,452 (2021: TRY 387,854).

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	January 1 2021	Subsidiary sales <sup>(*)</sup>	Additions	Disposals	Transfer <sup>(**)</sup>	Acquisition <sup>(**)</sup>	Currency Translation Differences	December 31 2021
<b>Cost</b>								
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
	<b>13,850,737</b>	<b>(153,956)</b>	<b>2,362,679</b>	<b>(510,795)</b>	<b>6,182</b>	<b>1,784,674</b>	<b>6,612,107</b>	<b>23,951,628</b>
<b>Accumulated depreciation:</b>								
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)
	<b>(6,554,169)</b>	<b>88,260</b>	<b>(1,439,032)</b>	<b>381,441</b>	<b>(6,313)</b>	<b>-</b>	<b>(3,296,479)</b>	<b>(10,826,292)</b>
<b>Net book value</b>	<b>7,296,568</b>	<b>(65,696)</b>	<b>923,647</b>	<b>(129,354)</b>	<b>(131)</b>	<b>1,784,674</b>	<b>3,315,628</b>	<b>13,125,336</b>

<sup>(\*)</sup> The disposals are related to the sale of WAT Motor shares on November 30, 2021.

<sup>(\*\*)</sup> 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.

<sup>(\*\*\*)</sup> Consists of transfers amounting to TRY 131 from property, plant and equipment to other intangible assets (Note 14).

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#### NOTE 14 - OTHER INTANGIBLE ASSETS

	January 1 2022	Additions	Disposals	Transfer <sup>(*)</sup>	Revaluation increase	Currency Translation Differences	December 31, 2022
<b>Cost:</b>							
Brands	2,617,183	-	-	-	-	920,689	3,537,872
Development costs	2,555,857	1,169,335	-	-	-	3,455	3,728,647
Computer software and rights	931,609	164,400	(2,759)	49,327	-	73,271	1,215,848
Trademark licenses and patents	187,847	316	-	-	-	34,946	223,109
Customer relationships	2,404,519	-	-	-	-	1,704,625	4,109,144
Memberships	33,645	-	(418)	-	7,179	14,777	55,183
	<b>8,730,660</b>	<b>1,334,051</b>	<b>(3,177)</b>	<b>49,327</b>	<b>7,179</b>	<b>2,751,763</b>	<b>12,869,803</b>
<b>Accumulated depreciation:</b>							
Development costs	(1,231,256)	(287,423)	-	-	-	(1,475)	(1,520,154)
Computer software and rights	(465,049)	(118,749)	1,626	-	-	(49,119)	(631,291)
Trademark licenses and patents	(117,580)	(20,691)	-	-	-	(12,814)	(151,085)
Customer relationships	(343,460)	(353,496)	-	-	-	(115,231)	(812,187)
	<b>(2,157,345)</b>	<b>(780,359)</b>	<b>1,626</b>	<b>-</b>	<b>-</b>	<b>(178,639)</b>	<b>(3,114,717)</b>
<b>Net book value</b>	<b>6,573,315</b>	<b>553,692</b>	<b>(1,551)</b>	<b>49,327</b>	<b>7,179</b>	<b>2,573,124</b>	<b>9,755,086</b>

<sup>(\*)</sup> Consists of transfers amounting to TRY 49,327 from property, plant and equipment to other intangible assets (Note 13).

As of December 31, 2022, total amount of capitalized borrowing cost is TRY 14,848 (December 31, 2021: 5,481).



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	January 1 2021	Subsidiary sales (*)	Additions	Disposals	Transfer(**)	Acquisition (**)	Revaluation increase	Currency Translation Differences	December 31, 2021
<b>Cost:</b>									
Brands	1,746,059	-	-	-	-	-	-	871,124	2,617,183
Development costs	2,079,653	(49,082)	525,286	-	-	-	-	-	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
	<b>5,130,667</b>	<b>(51,706)</b>	<b>637,818</b>	<b>(13,634)</b>	<b>131</b>	<b>1,415,832</b>	<b>6,900</b>	<b>1,604,652</b>	<b>8,730,660</b>
<b>Accumulated depreciation:</b>									
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)
	<b>(1,566,723)</b>	<b>18,254</b>	<b>(428,288)</b>	<b>8,870</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189,458)</b>	<b>(2,157,345)</b>
<b>Net book value</b>	<b>3,563,944</b>	<b>(33,452)</b>	<b>209,530</b>	<b>(4,764)</b>	<b>131</b>	<b>1,415,832</b>	<b>6,900</b>	<b>1,415,194</b>	<b>6,573,315</b>

(\*) The disposals are related to the sale of WAT Motor shares on November 30, 2021.

(\*\*) 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.

(\*\*\*) Consists of transfers amounting to TRY 131 from property, plant and equipment to other intangible assets (Note 13).

The carrying values of the brands of the Group are as below:

	December 31, 2022	December 31, 2021
Grundig (*)	1,715,638	1,182,668
Defy (*)	1,102,085	799,251
Dawlance(*)	555,241	485,766
Beko	81,040	81,040
Other brands (*)	83,868	68,458
	<b>3,537,872</b>	<b>2,617,183</b>

(\*) Values of brands in their original currencies are same as of December 31, 2022 and 2021 and the difference arises from foreign currency translation.

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#### Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2022. 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 7,2% 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 8.10% to 16.80% discount rates.

Fair value of brands is around 12.3 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 10.4 of carrying value of these asset. As a result of these sensitivity analysis, the Group did not identify any impairment.

#### NOTE 15 - GOODWILL

	2022	2021
As of January 1	2,844,448	989,060
Acquisitions	-	1,212,398
Currency translation differences	937,166	642,990
As of December 31	3,781,614	2,844,448

Details of goodwill are as follows:

	December 31, 2022	December 31, 2021
Hitachi	1,746,853	1,212,398
Defy	898,153	661,997
Singer	688,414	574,437
Dawlance	426,641	375,925
Other	21,553	19,691
	3,781,614	2,844,448

#### 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, 2022.

The projection period for the purposes of goodwill impairment testing is approved by the management as 5 years between January 1, 2023 and December 31, 2027.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 1.0% - 7.2% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 12.00% - 16.80% 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.

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#### **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 36% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

#### **EBITDA growth expectations**

In original assumption, five-year compound average growth rate of EBITDA is 12.9%. Had the compound average growth rate been assumed to be 11.9%, the recoverable amount would have been calculated as 9% 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 7.2%. Had the rate been assumed to be 6.2%, the recoverable amount would have been 29% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

#### **Discount rate**

Originally, the discount rate is assumed to be 14.70%. Had the rate been assumed to be 15.70%, the recoverable amount would have been 18% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

#### *Dawlance Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test*

Recoverable value of cash generating unit is 131% 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 46%. Had the compound average growth rate been assumed to be 45%, the recoverable amount would have been calculated as 88% 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 113% 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 16.80%. Had the rate been assumed to be 17.80%, the recoverable amount would have been 99% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

#### *Hitachi Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test*

Recoverable value of cash generating unit is 181% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

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#### EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 7%. Had the compound average growth rate been assumed to be 6%, the recoverable amount would have been calculated as 163% 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 1%. Had the rate been assumed to be 0%, the recoverable amount would have been 563% 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 12.0%. Had the rate been assumed to be 13.0%, the recoverable amount would have been 543% 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, 2022, in order to test the impairment of the goodwill generated during the acquisition of Singer, its public affiliate. As of December 31, 2022, the market value of the company is 60% 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 28% 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:

- 100% exemption from customs duty on machinery and equipment to be imported,
- Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- Inward processing permission certificates,
- Cash refund from Tübitak - Teydeb for research and development expenses,
- Taxes and funds exemptions for R&D centres which are regulated under research and development law.
- Discounted corporate tax incentive,
- Insurance premium employer share incentive,
- Brand support incentive (known as "Turquality") given by Republic of Turkey Ministry of Trade.
- 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.

Grants which are accounted for under other income from operating activities for year ended December 31, 2022 are as follows:

- Research and development incentive premiums taken or certain to be taken amounts to TRY 19,998 (December 31, 2021 TRY 14,568).
- Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Trade amounts to TRY 14,292 (December 31, 2021: TRY 19,720).

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#### NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2022, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 655,710,199 (December 31, 2021: USD 2,360,301,160). 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, 2022	December 31, 2021
Collaterals obtained	16,175,300	7,103,500

Collaterals/pledges/mortgages/bill of guarantees ("CPMB") position of the Group as of December 31, 2022 and December 31, 2021 are as follows:

CPMB's given by the Company	December 31, 2022	December 31, 2021
A. CPMB's given for Company's own legal personality	2,337,719	610,026
B. CPMB's given on behalf of fully consolidated companies	5,511,706	3,004,407
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 C	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>7,849,425</b>	<b>3,614,433</b>

TRY equivalents of CPMB given as of December 31, 2022 and December 31, 2021 are as follows on original currency basis are as follows:

CPMB's given by the Company	December 31, 2022	December 31, 2021
TRY	440,682	147,587
EUR	1,995,553	1,032,546
USD	2,510,289	464,887
Other currencies	2,902,901	1,969,413
	<b>7,849,425</b>	<b>3,614,433</b>

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#### NOTE 18 - OTHER PROVISIONS

	December 31, 2022	December 31, 2021
<b>Other short-term provisions</b>		
Warranty provision	1,662,727	1,122,271
Assembly provision	671,102	235,378
Provision for transportation cost	643,145	261,457
Provision for lawsuit risks	46,609	74,102
Other	843,614	394,755
	<b>3,867,197</b>	<b>2,087,963</b>
<b>Other long-term provisions</b>		
Warranty provision	569,278	391,073
Other	2,039	47,999
	<b>571,317</b>	<b>439,072</b>

The movements of warranty and assembly provisions for the years ended December 31, are as follows:

	2022	2021
<b>Warranty provision</b>		
<b>As of January 1</b>	<b>1,513,344</b>	<b>862,365</b>
Additions (Note 26)	3,076,548	1,759,604
Disposals	(2,756,393)	(1,465,663)
Acquisitions	16,539	70,722
Currency translation differences	381,967	286,316
<b>As of December 31</b>	<b>2,232,005</b>	<b>1,513,344</b>
<b>Assembly provision</b>		
<b>As of January 1</b>	<b>235,378</b>	<b>135,561</b>
Additions (Note 26)	1,287,901	588,996
Disposals	(852,682)	(496,678)
Currency translation differences	505	7,499
<b>As of December 31</b>	<b>671,102</b>	<b>235,378</b>



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#### NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2022	December 31, 2021
Provision for employment termination benefits	2,618,062	933,226
Provision for vacation pay liability (*)	1,701	2,383
	<b>2,619,763</b>	<b>935,609</b>

(\*) As of December 31, 2022, vacation pay provisions in the amount of TRY 140,736 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 15,371.40 as of December 31, 2022 (December 31, 2021: full TRY 8,284.51) 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:

	2022	2021
Net discount rate (%)	0.55	4.45
Turnover rate related the probability of retirement (%)	95.37	95.47

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 19,982.83 (January 1, 2022: full TRY 10,848.59) which is effective from January 1, 2023 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

Movements in the provisions for employment termination benefits for the years ended December 31, are as follows:

	2022	2021
<b>As of January 1</b>	<b>933,226</b>	<b>417,673</b>
Interest expense	37,780	23,511
Actuarial losses	1,248,479	127,324
Acquisition	-	223,810
Subsidiary sales	-	(14,532)
Service cost	274,260	117,078
Payments during the year	(144,137)	(82,671)
Currency translation differences	268,454	121,033
<b>As of December 31</b>	<b>2,618,062</b>	<b>933,226</b>

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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	1,790,803	548,651
Non - Turkey	827,259	384,575
	<b>2,618,062</b>	<b>933,226</b>

#### NOTE 20 - PREPAID EXPENSES

	December 31, 2022	December 31, 2021
Short-term prepaid expenses	742,266	390,723
Advances given for inventories	405,207	258,076
	<b>1,147,473</b>	<b>648,799</b>
	December 31, 2022	December 31, 2021
Fixed asset advances given	612,155	186,057
	<b>612,155</b>	<b>186,057</b>

#### NOTE 21 - CURRENT INCOME TAX ASSETS

	December 31, 2022	December 31, 2021
Prepaid taxes and funds	709,474	415,431
	<b>709,474</b>	<b>415,431</b>

#### NOTE 22 - EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2022	December 31, 2021
Payables to personnel	1,068,051	469,368
Social security payables	277,592	124,842
Accruals for bonuses and premiums	292,678	180,880
	<b>1,638,321</b>	<b>775,090</b>

#### NOTE 23 - OTHER ASSETS AND LIABILITIES

	December 31, 2022	December 31, 2021
<b>Other current assets:</b>		
Value added tax and private consumption tax receivable	829,042	969,225
Taxes and funds deductible	410,000	940,168
Income accruals	219,618	131,787
Deposits and guarantees given	168,920	93,577
Other	310,351	124,895
	<b>1,937,931</b>	<b>2,259,652</b>

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	December 31, 2022	December 31, 2021
<b>Other current liabilities:</b>		
Accruals for customer premiums	4,414,675	2,706,865
Advances received	796,078	368,674
Value added tax and private consumption tax payable	250,268	4,823
Deferred income	148,288	82,915
Liabilities related to acquisitions	-	94,705
Other	101,472	121,266
	<b>5,710,781</b>	<b>3,379,248</b>

	December 31, 2022	December 31, 2021
<b>Other long-term liabilities:</b>		
Liabilities related to acquisitions <sup>(*)</sup>	2,737,067	-
Deferred income	1,338,749	905,778
Other	256,935	176,915
	<b>4,332,751</b>	<b>1,082,693</b>

<sup>(\*)</sup> Consists of the fair value amount of contingent liability (31 August 2022: 3,022,477) as of December, 31 2022 in relation with the acquisition of IHP Appliances JSC and IHP Appliances Sales LLC with the transaction date of August 31, 2022.

## 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, 2022	December 31, 2021
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.

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The shareholding structure of the Company is as follows:

	December 31, 2022		December 31, 2021	
	Share (%)	Amount	Share (%)	Amount
<b>Shareholders</b>				
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
<b>Total Koç Family members and companies owned by Koç Family members</b>	<b>51.98</b>	<b>351,237</b>	<b>51.98</b>	<b>351,237</b>
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 <sup>(*)</sup>	10.19	68,876	5.39	36,432
Other	14.96	101,084	19.76	133,528
<b>Paid-in capital</b>	<b>100.00</b>	<b>675,728</b>	<b>100.00</b>	<b>675,728</b>
Adjustment to share capital <sup>(**)</sup>		468,811		468,811
<b>Total share capital</b>		<b>1,144,539</b>		<b>1,144,539</b>

<sup>(\*)</sup> The above amount is related to the shares that buyback and are publicly listed the Group as of December 31, 2022

<sup>(\*\*)</sup> "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 and pursuant to the decision of the Board of Directors of the Company on May 24, 2022 for Company to continue to the share buyback program. Within the scope of the decision, the shares with a nominal value of TRY 68,876, corresponding to 10.19% of the Company's capital, has been bought back at the amount of TRY 3,098,160 including transaction costs as of September 30, 2022 (31 December 2021: TRY 1,215,266). As of the report date, there are no treasury shares that have been sold.

#### 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.

#### 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.

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The details of these restricted reserves are as follows:

	December 31, 2022	December 31, 2021
Legal reserves	702,357	555,736
Reserves for treasury shares	3,098,160	1,215,266

As agreed in the ordinary general meeting dated March 23, 2022, the decision to pay dividends as cash has been taken and the TRY 1,5 Billion (excluding treasury shares: TRY 1,4 Billion) payment was made in March 2021. The dividend details are as follows: 221.98274% (2021: 221.98274%) corresponding to gross TRY 2.2198274 (full) (2021: 2.2198274) (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% (2021: 221.98274%) corresponding to gross TRY 2.2198274 (full) (2021: TRY 2.2198274) and 199,78446% corresponding to net TRY 1.9978446 (full) 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, 2022, the Group is appropriated out a reserve fund for the shares that have been bought back amounting to TRY 3,098,160 (2021:1,215,266 within the number 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.

## NOTE 25 - SALES

Sales revenue grouped geographically based on the location of the customers for the years ended December 31 are shown as below:

2022	Turkey	Europe	Asia Pasific	Africa	Other	Total
Total segment revenue	40,764,764	54,392,738	24,043,333	7,318,898	7,395,775	133,915,508
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

The Group recognised net sales amounting to TRY 133,892,713 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2022.

The amount of performance obligations at ongoing contracts of the Group will be recognized in the future is TRY 754,372 (31 December 2021: TRY 455,591). The Group expects that TRY 752,314 (31 December 2021: TRY 402,758) portion of amount will be recorded as revenue to financial statements within seven years (31 December 2021: seven years).

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The movements of performance obligations for the years ended December 31 are as follows:

	2022	2021
<b>As of January, 1</b>	<b>455,591</b>	<b>313,735</b>
Recognized as revenue	(22,795)	(29,088)
Increases due to changes in measurements	321,576	170,944
<b>As of December, 31</b>	<b>754,372</b>	<b>455,591</b>

### NOTE 26 - EXPENSES BY NATURE

Expenses by nature include cost of goods sold, marketing expenses, general administrative expenses and research and development expenses.

	2022	2021
Raw materials, supplies and trade goods	90,881,798	48,438,483
Changes in finished goods, work in process and trade goods	(6,757,980)	(5,929,386)
Personnel expenses	13,902,519	6,914,533
Transportation, distribution and storage expenses	8,678,334	3,869,217
Warranty and assembly expenses	4,364,449	2,348,600
Advertising and promotion expenses	3,445,451	1,832,495
Depreciation and amortization expenses	3,310,643	1,845,682
Legal consultancy and audit expenses	641,787	318,117
Insurance expenses	467,844	237,462
Provision for impairment on inventories	72,608	(23,563)
Other	6,360,042	3,325,283
	<b>125,367,495</b>	<b>63,176,923</b>

The functional breakdowns of depreciation, amortisation and personnel expenses are as follows:

<b>Depreciation and amortisation expenses</b>	2022	2021
Cost of sales	1,563,770	865,480
Marketing expenses	1,074,578	541,517
General administrative expenses	378,258	213,566
Research and development expenses	294,037	225,119
	<b>3,310,643</b>	<b>1,845,682</b>

Total depreciation charges capitalised in 2022 is TRY 25,868 (2021: TRY 21,638).

<b>Personnel expenses</b>	2022	2021
Cost of sales	6,484,598	3,339,814
Marketing expenses	3,897,283	1,971,326
General administrative expenses	3,263,675	1,487,749
Research and development expenses	256,963	115,644
	<b>13,902,519</b>	<b>6,914,533</b>

Total research and development expenditures incurred in 2022 excluding amortization amounts to TRY 1,568,591 (2021: TRY 724,504).

### 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,



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2021, are as follows:

	2022 <sup>(*)</sup>	2021 <sup>(*)</sup>
Audit and assurance fee	29,800	17,669
Tax consulting fee	4,468	2,837
Other assurance services fee	1,507	1,213
Other service fee apart from audit	1	196
	<b>35,776</b>	<b>21,915</b>

<sup>(\*)</sup> 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.

#### NOTE 27 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2022	2021
<b>Other income from operating activities:</b>		
Foreign exchange gains arising from trading activities	5,596,571	5,588,688
Income from claims and grants	125,437	90,990
Credit finance income arising from trading activities	92,344	54,261
Expected credit loss provisions no longer required (Note 9)	16,844	34,779
Other <sup>(*)</sup>	73,628	7,705
	<b>5,904,824</b>	<b>5,776,423</b>
<b>Other expenses from operating activities:</b>		
Foreign exchange losses arising from trading activities	(4,369,528)	(3,406,624)
Credit finance charges arising from trading activities	(880,208)	(268,757)
Provision for expected credit loss (Note 9)	(63,855)	(59,835)
Other	(49,049)	(28,577)
	<b>(5,362,640)</b>	<b>(3,763,793)</b>

<sup>(\*)</sup> The amount TRY 53,998 part is from income related to dividends that had been distributed by Arctic, subsidiary of the Group, in previous years but have not been received by shareholders for more than 3.5 years and that the shareholders have no legal right to claim the dividend.

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#### NOTE 28 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2022	2021
<b>Income from investment activities:</b>		
Gain from a bargain purchase <sup>(*)</sup>	1,462,217	234,997
Income from sales of property plant and equipment	32,032	24,889
Gain from changes in contingent liability	28,793	-
Profit from sales of subsidiary <sup>(**)</sup>	-	55,682
Gain from disposal of shares in associates	-	930
Dividends received from financial investments	413	342
	<b>1,523,455</b>	<b>316,840</b>
<b>Expenses from investment activities:</b>		
Loss from sales of property plant and equipment	(37,043)	(9,579)
	<b>(37,043)</b>	<b>(9,579)</b>

<sup>(\*)</sup> The relevant amount is related to the acquisition of IHP Appliances JSC and IHP Appliances Sales LLC shares on 31 August 2022 (2021: The relevant amount is related to the acquisition of Arçelik Üretim ve Teknoloji A.Ş. shares on 30 June 2021).

<sup>(\*\*)</sup> As a result of agreement signed between the Group and Whirlpool Global, contingent payment price amounting to TRY 94.7 million which had been calculated according to the best estimates made by the Group and result of VAT receivables of Arçelik Üretim ve Teknoloji (former title: Whirlpool Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi)'s closing balance will be collected or set off until 2023 as of December 31, 2021 was paid as TRY 65.9 million and the difference TRY 28.8 (Note 20) million was recognized as "income from change of contingent liabilities" on the consolidated financial statements.

#### NOTE 29 - FINANCIAL INCOME

	2022	2021
Foreign exchange gains <sup>(*)</sup>	3,884,567	6,976,653
Gains on derivative instruments	2,725,207	4,051,786
Interest income	444,393	217,672
Other	95,933	63,247
	<b>7,150,100</b>	<b>11,309,358</b>

<sup>(\*)</sup> Foreign exchange gains are related to cash and cash equivalents, financial borrowings and other financial liabilities.

#### NOTE 30 - FINANCIAL EXPENSES

	2022	2021
Foreign exchange losses <sup>(*)</sup>	(6,426,514)	(8,615,726)
Losses on derivative instruments	(2,853,311)	(4,487,797)
Interest expenses <sup>(**)</sup>	(3,952,726)	(1,817,588)
Interest expense from contingent liability	(105,602)	-
Other	(101,142)	(48,524)
	<b>(13,439,295)</b>	<b>(14,969,635)</b>

<sup>(\*)</sup> Foreign exchange losses are related to cash and cash equivalents, financial borrowings and other liabilities.

<sup>(\*\*)</sup> TRY 132,020 of the interest expenses consists of the interest expense on the lease liabilities (2021: TRY 67,017).

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#### NOTE 31 - TAX ASSETS AND LIABILITIES

	December 31, 2022	December 31, 2021
Corporation and income taxes	659,960	582,801
Prepaid tax	(609,695)	(527,509)
<b>Tax liabilities (net)</b>	<b>50,265</b>	<b>55,292</b>
Deferred tax assets	4,055,377	1,823,680
Deferred tax liabilities	(2,043,930)	(1,528,994)
<b>Deferred tax assets, net</b>	<b>2,011,447</b>	<b>294,686</b>

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The corporation tax rate is 23% in Turkey (December 31, 2021: 25%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

Income tax expense for the years ended December 31 is as follows:

	2022	2021
<b>Tax income</b>		
- Current period tax expense	(1,002,450)	(759,496)
- Deferred tax income	1,507,493	387,891
<b>Tax income</b>	<b>505,043</b>	<b>(371,605)</b>
	<b>2022</b>	<b>2021</b>
Profit before tax	4,218,014	3,622,614
Less: Share of profit/loss of equity accounted investments	69,400	44,514
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	<b>4,287,414</b>	<b>3,667,128</b>
<b>Tax rate</b>	<b>23%</b>	<b>25%</b>
<b>Tax expense</b>	<b>(986,105)</b>	<b>(916,782)</b>
Exemptions	25,975	85,438
Tax losses and other tax advantages (net effect)	1,212,752	626,891
Temporary differences which no deferred tax recognized.	511,402	12,653
Impact of different tax rates in other countries	18,408	6,696
The effect of the legal tax rate change on the deferred tax amount	(14,649)	30,736
Expenses not deductible for tax purposes	(236,836)	(211,143)
Other	(25,904)	(6,094)
<b>Taxation income recognized in statement of profit or loss</b>	<b>505,043</b>	<b>(371,605)</b>

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TAS/IFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for TAS/IFRS and Tax Laws.

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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, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Property, plant and equipment and intangible assets	10,971,781	6,808,897	(2,605,667)	(1,893,703)
Unused tax advantages <sup>(*)</sup>	-	-	1,418,967	386,422
Unused tax credits	(3,241,129)	(1,876,782)	954,594	512,674
Provision for warranty, assembly and transportation expenses	(1,851,960)	(1,261,212)	380,208	285,256
Inventories	(1,020,434)	(1,079,533)	288,341	315,910
Provision for employment termination benefits	(2,186,815)	(862,252)	427,569	185,139
Provision for expected credit loss	(321,767)	(201,855)	84,564	54,707
Derivative instruments	102,595	(196,369)	(20,895)	44,912
Other	(4,961,151)	(1,763,098)	1,083,766	403,369
<b>Deferred tax assets, net</b>			<b>2,011,447</b>	<b>294,686</b>

<sup>(\*)</sup> 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, 2022 the tax advantage of TRY 1,418,967 (December 31, 2021: TRY 386,422) 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:

	2022	2021
<b>Balance as of January 1</b>	<b>294,686</b>	<b>270,213</b>
Deferred tax income recognized in statement of profit or loss	1,507,493	387,891
Deferred tax income recognized directly in the equity	389,124	286,809
Acquisitions (Note 3)	117,929	(218,902)
Deferred tax effect of subsidiary sales	-	(21,510)
Currency translation differences	(297,785)	(409,815)
<b>Balance as of December 31</b>	<b>2,011,447</b>	<b>294,686</b>

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
2023	460,248
2024	489,834
2025	256,923
2026 and after	2,067,097
	<b>3,274,102</b>

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.

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#### 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, 2022	January 1- December 31, 2021
Profit for the year attributable to shareholders of the Company	4,324,672	3,064,674
Weighted average number of ordinary shares with nominal value (kurus1 each one) <sup>(*)</sup>	61,356,350,787	66,504,513,987
<b>Earnings per share (kurus)</b>	<b>7.048</b>	<b>4.608</b>

<sup>(\*)</sup> Further details for the treasury shares please refer to Note 24.

#### NOTE 33 - RELATED PARTY DISCLOSURES

##### (i) Balances with related parties

	December 31, 2022	December 31, 2021
<b>(a) Due from related parties:</b>		
Wat Motor <sup>(*)</sup>	276,993	145,996
Koçtaş Yapı Marketleri Ticaret A.Ş. <sup>(1)</sup>	51,598	37,722
Token Finansal Teknolojiler A.Ş. <sup>(1)</sup>	45,970	-
Voltbek <sup>(2)</sup>	39,220	74,604
Other	6,616	10,984
	<b>420,397</b>	<b>269,306</b>
<b>(b) Due to related parties:</b>		
<b>Current:</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. <sup>(1)</sup>	1,390,857	661,144
Ram Dış Ticaret <sup>(2)</sup>	533,408	452,200
Arçelik-LG <sup>(4)</sup>	249,479	218,194
Ingage Dijital Pazarlama Hizmetleri	141,764	61,149
Koç Holding A.Ş. <sup>(3)</sup>	115,468	52,078
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. <sup>(1)</sup>	93,501	58,414
Bilkom Bilişim Hizmetleri A.Ş. <sup>(1)</sup>	42,640	48,805
Other	175,296	40,720
	<b>2,742,413</b>	<b>1,592,704</b>

<sup>(1)</sup> Koç Holding group companies

<sup>(2)</sup> Associates

<sup>(3)</sup> Parent company

<sup>(4)</sup> Joint venture

<sup>(\*)</sup> Wat Motor was sold on November 30, 2021 and had been deconsolidated.

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Maturity analysis of the present value of other payables to related parties is as follows:

#### (c) Deposits:

	December 31, 2022	December 31, 2021
Yapı ve Kredi Bankası A.Ş. and its subsidiaries <sup>(1)</sup>	1,101,472	4,503,113

<sup>(1)</sup> Koç Holding group companies

#### (d) Derivative instruments

December 31, 2022	Contract amount	Fair value assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,713,121	1,297 (3,716)
December 31, 2021	Contract amount	Fair value assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	2,083,556	- 72,835

#### (ii) Transactions with related parties

(a) Sales of goods and services:	2022	2021
Bilkom Bilişim Hizmetleri A.Ş.	490,439	383,183
Token Finansal Teknolojiler A.Ş.	461,712	115,152
Wat Motor	276,985	29,050
Koçtaş Yapı Marketleri Ticaret A.Ş.	198,405	82,772
Voltbek	2,025	228,418
Other	13,637	36,628
	<b>1,443,203</b>	<b>875,203</b>
(b) Purchases of goods and services:	2022	2021
Zer Merkezi Hizmetler ve Ticaret A.Ş.	7,386,565	3,103,519
Ram Dış Ticaret	2,858,985	1,306,827
Arçelik-LG	2,843,831	1,192,283
Bilkom Bilişim Hizmetleri A.Ş.	667,807	173,006
Token Finansal Teknolojiler A.Ş.	607,034	114,171
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	364,351	204,278
Wat Motor	309,420	32,774
Ingage Dijital Pazarlama Hizmetleri <sup>(1)</sup>	269,762	191,780
Ram Sigorta Aracılık Hizmetleri A.Ş. <sup>(*) (1)</sup>	138,389	65,524
Other	690,791	258,312
	<b>16,136,935</b>	<b>6,642,474</b>

The Group purchases direct and indirect materials and receives service from Zer Merkezi Hizmetler A.Ş. and Ram Dış Ticaret 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.

<sup>(\*)</sup> 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.

<sup>(1)</sup> Koç Holding group companies



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#### (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, 2022 amounts to TRY 345,267 (December 31, 2021: TRY 161,041). There is no redundancy payment made to the senior executives and the remaining amount is short-term benefits (December 31, 2021: TRY 5,438).

#### (d) Other transactions:

	2022	2021
<i>Interest income:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	82,903	64,459
<i>Interest expense:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	27,378	11,705

### 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.

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The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2022 is as follows:

<b>Total financial liabilities (non-derivative):</b>	<b>Carrying value</b>	<b>Contractual cash-flows</b>	<b>Up to 3 months</b>	<b>3 months-12 months</b>	<b>1 year-5 years</b>	<b>More than 5 years</b>
Financial liabilities	49,145,495	50,879,867	14,016,083	20,957,858	12,986,767	2,919,159
Lease liabilities	2,293,648	2,880,630	124,159	518,018	1,302,160	936,293
Trade payables	30,927,538	31,756,091	30,569,936	1,186,155	-	-
Other liabilities <sup>(*)</sup>	2,737,067	4,393,819	-	-	3,368,637	1,025,182
Other payables, third parties	1,756,300	1,756,300	1,631,811	124,489	-	-
	<b>86,860,048</b>	<b>91,666,707</b>	<b>46,341,989</b>	<b>22,786,520</b>	<b>17,657,564</b>	<b>4,880,634</b>
<b>Derivative instruments</b>	<b>Carrying value</b>	<b>Contractual cash-flows</b>	<b>Up to 3 months</b>	<b>3 months-12 months</b>	<b>1 year-5 years</b>	<b>More than 5 years</b>
Derivative cash inflows	-	18,367,868	10,256,827	8,111,041	-	-
Derivative cash outflows	-	(36,643,801)	(28,371,715)	(8,272,086)	-	-
<b>Derivative instruments (net)</b>	<b>52,351</b>	<b>(18,275,933)</b>	<b>(18,114,888)</b>	<b>(161,045)</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> Indicates the maturity analysis in relation to contingent consideration liabilities (Note 23).

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2021 is as follows:

<b>Total financial liabilities (non-derivative):</b>	<b>Carrying value</b>	<b>Contractual cash-flows</b>	<b>Up to 3 months</b>	<b>3 months-12 months</b>	<b>1 year-5 years</b>	<b>More than 5 years</b>
Financial liabilities	31,144,877	33,958,795	8,987,000	4,691,769	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	3,631,137	-	-
Other payables, third parties	1,245,608	1,245,608	1,138,470	99,288	489	7,361
	<b>53,494,138</b>	<b>56,754,292</b>	<b>26,462,502</b>	<b>8,774,941</b>	<b>18,943,852</b>	<b>2,572,997</b>
<b>Derivative instruments</b>	<b>Carrying value</b>	<b>Contractual cash-flows</b>	<b>Up to 3 months</b>	<b>3 months-12 months</b>	<b>1 year-5 years</b>	<b>More than 5 years</b>
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)	-	-
<b>Derivative instruments (net)</b>	<b>(210,041)</b>	<b>(162,437)</b>	<b>(167,506)</b>	<b>(20,465)</b>	<b>25,534</b>	<b>-</b>

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#### 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.

Average effective annual interest rates of statement of financial position accounts as of December 31, 2022 and 2021 are as follows:

December 31, 2022 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	CZK	SEK	EGP	NOK	NAD	CHF	AUD
<b>Current Assets</b>																
Cash and cash equivalents	23.65	2.68	4.38	1.14	7.06	5.93	2.18	1.00	-	7.25	-	7.08	-	7.50	-	4.81
Trade receivables	13.68	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Current Liabilities</b>																
Short-term bank borrowings	24.55	1.94	7.56	-	7.10	-	-	5.79	7.82	-	1.00	-	3.85	-	-	3.25
Trade payables	27.40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non-Current Liabilities</b>																
Long term bank borrowings	18.19	2.91	-	-	-	-	-	7.16	-	-	-	-	-	-	-	-
Long term bonds issued	22.58	3.00	5.00	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>December 31, 2021 (%)</b>	<b>TRY</b>	<b>EUR</b>	<b>USD</b>	<b>GBP</b>	<b>RON</b>	<b>RUB</b>	<b>CNY</b>	<b>ZAR</b>	<b>PLN</b>	<b>CZK</b>	<b>SEK</b>	<b>EGP</b>	<b>NOK</b>	<b>NAD</b>	<b>CHF</b>	<b>AUD</b>
<b>Current Assets</b>																
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
Trade receivables	13.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Current Liabilities</b>																
Short-term bank borrowings	19.07	0.58	1.82	-	3.38	8.40	-	5.10	-	-	-	-	1.60	-	-	3.25
Trade payables	20.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non-Current Liabilities</b>																
Long term bank borrowings	16.63	2.23	-	-	-	-	-	5.83	-	-	-	-	-	-	-	-
Long term bonds issued	19.87	3.00	5.00	-	-	-	-	-	-	-	-	-	-	-	-	-

NZD	THB	BWP	VND	PKR	INR	HKD	MYR	BDT	KZT	SGD	RSD	DKK
1.35	25.00	5.50	6.67	14.50	-	1.00	-	5.75	-	4.17	6.56	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8.40	-	6.00	7.00	-	-	-	3.85
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
NZD	THB	BWP	VND	PKR	INR	HKD	MYR	BDT	KZT	SGD	RSD	DKK
1.34	-	0.55	0.06	0.04	-	0.13	-	-	0.08	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-

## ARÇELİK ANONİM ŞİRKETİ

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Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	2022	2021
<b>Financial instruments with fixed interest rates</b>		
Time deposits	11,812,227	8,466,585
Borrowings and bonds issued	40,157,430	24,868,954
Factoring liabilities	557,801	251,013
<b>Financial instruments with variable interest rates</b>		
Time deposits	6,783,607	3,500,533
Borrowings	8,430,264	6,024,911

At December 31, 2022, 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 16,467 (2021: TRY 25,244 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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Details of credit and receivable risk as of December 31, 2022 and December 31, 2021 are as follows:

December 31, 2022	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
<b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>	<b>420,397</b>	<b>33,815,044</b>	<b>23,907,488</b>	<b>232,043</b>
Secured portion of the maximum credit risk by guarantees, etc. <sup>(2)</sup>	-	(27,599,468)	-	-
A. Net book value of financial asset either are not due or not impaired	420,397	32,738,640	23,907,488	232,043
- Secured portion by guarantees, etc.	-	(26,907,529)	-	-
B. Net book value of overdue but not impaired financial assets	-	1,076,750	-	-
- Secured portion by guarantees, etc.	-	(676,881)	-	-
C. Net book value of the impaired assets	-	15,058	-	-
- Overdue (Gross book value)	-	761,760	-	-
- Impairment (-)	-	(746,702)	-	-
- Secured portion of the net value by guarantees, etc.	-	(15,058)	-	-
D. Expected credit losses (-)	-	(15,404)	-	-
December 31, 2021	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
<b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>	<b>269,306</b>	<b>23,188,103</b>	<b>15,672,394</b>	<b>35,251</b>
Secured portion of the maximum credit risk by guarantees, etc. <sup>(2)</sup>	-	(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	35,251
- 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)	-	-

<sup>(1)</sup> Amounts showing the maximum credit risk exposed as of reporting date by excluding guarantees in hand and other factors that increase the credit quality.

<sup>(2)</sup> Major part of guarantees is composed of mortgages and trade receivable insurances.



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#### a) Credit quality of financial assets which are not overdue and not impaired.

	December 31, 2022	December 31, 2021
Group 1	1,396,585	464,638
Group 2	31,505,464	21,339,824
Group 3	256,988	873,512
	<b>33,159,037</b>	<b>22,677,974</b>

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, 2022	December 31, 2021
0-1 month	732,101	386,789
1-3 months	102,669	76,944
3-12 months	156,853	169,652
1-5 years	85,127	144,852
	<b>1,076,750</b>	<b>778,237</b>

#### c) Geographical concentration of the trade receivables

	December 31, 2022	December 31, 2021
Turkey	10,896,560	7,735,765
Europe	12,482,844	9,281,446
Other	10,856,037	6,440,198
	<b>34,235,441</b>	<b>23,457,409</b>

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.

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Description for the measurements as of December 31, 2022 is as follows;

December 31, 2022	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.006	0.03	0.31	0.17	
Gross carrying amount	25,615,842	1,503,534	851,679	7,187,979	<b>35,159,034</b>
Expected credit lose	1,479	413	1,015	12,497	<b>15,404</b>

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	<b>23,869,848</b>
Expected credit lose	(1,122)	(735)	(854)	(10,924)	<b>(13,635)</b>

#### 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 and Ruble dominated contingent liabilities 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 and Russia from Euro and Ruble 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, 2022, a portion of bank borrowings amounting to EUR 200,000,000 and contingent liabilities RUB 10,548,277,984 (before tax) was designated as a net investment hedging instrument (December 31, 2021: EUR 200,000,000).

#### Foreign currency position

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments are as follows:

	December 31, 2022	December 31, 2021
Assets	31,268,591	25,180,708
Liabilities	(44,516,402)	(28,596,052)
<b>Net position of financial statement</b>	<b>(13,247,811)</b>	<b>(3,415,344)</b>
Net position of derivative instruments	12,785,037	2,021,214
<b>Foreign currency position (net)</b>	<b>(462,774)</b>	<b>(1,394,130)</b>

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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, 2022 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	JPY	SGD	VND	Other Currency's TRY Equivalent	TRY Equivalent
<b>Current Assets</b>											
Trade receivables	386,622	296,639	52,644	770,243	243,312	57,672	1,645,224	4,267	1,167	749,483	16,577,381
Monetary financial assets	203,084	501,593	108	21	-	140	135,081	9,937	-	40,612	13,628,884
Other	2,888	42,157	-	-	4,578	-	-	1,621	-	4,300	885,043
<b>Non Current Assets</b>											
Trade receivables	941	8,478	-	-	-	-	-	-	-	-	177,283
<b>Total Assets</b>	<b>593,535</b>	<b>848,867</b>	<b>52,752</b>	<b>770,264</b>	<b>247,890</b>	<b>57,812</b>	<b>1,780,305</b>	<b>15,825</b>	<b>1,167</b>	<b>794,395</b>	<b>31,268,591</b>
<b>Current Liabilities</b>											
Trade payables	317,560	435,271	6,265	94,119	70,752	-	321,204	1,653	19,910,499	144,783	15,053,310
Financial liabilities	155,595	555,045	-	-	-	-	-	938	-	-	13,493,267
Other monetary liabilities	4,772	9,166	2	-	-	-	118,859	710	-	552	293,824
<b>Non-Current Liabilities</b>											
Trade payables	-	370	-	-	-	-	-	-	-	-	6,918
Financial liabilities	653,206	-	-	-	-	-	-	-	-	-	13,021,596
Other monetary liabilities	-	128	-	10,193,848	-	-	-	-	-	-	2,647,487
<b>Toplam Liabilities</b>	<b>1,131,133</b>	<b>999,980</b>	<b>6,267</b>	<b>10,287,967</b>	<b>70,752</b>	<b>-</b>	<b>440,063</b>	<b>3,301</b>	<b>19,910,499</b>	<b>145,335</b>	<b>44,516,402</b>
<b>Net Position of Financial Statement</b>	<b>(537,598)</b>	<b>(151,113)</b>	<b>46,485</b>	<b>(9,517,703)</b>	<b>177,138</b>	<b>57,812</b>	<b>1,340,242</b>	<b>12,524</b>	<b>(19,909,332)</b>	<b>649,060</b>	<b>(13,247,811)</b>
Off-balance sheet derivative assets <sup>(*)</sup>	558,786	330,246	-	10,193,848	-	-	60,000	-	-	139,337	20,107,297
Off-balance sheet derivative liabilities <sup>(*)</sup>	(39,307)	(153,463)	(55,800)	(1,450,000)	(275,000)	(60,000)	(1,300,000)	(12,250)	-	(690,280)	(7,322,260)
Net position of off-balance sheet items	519,479	176,783	(55,800)	8,743,848	(275,000)	(60,000)	(1,240,000)	(12,250)	-	(550,943)	12,785,037
<b>Net Asset/(Liability) Position of Foreign Currency</b>	<b>(18,119)</b>	<b>25,670</b>	<b>(9,315)</b>	<b>(773,855)</b>	<b>(97,862)</b>	<b>(2,188)</b>	<b>100,242</b>	<b>274</b>	<b>(19,909,332)</b>	<b>98,117</b>	<b>(462,774)</b>
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(537,598)	(151,113)	46,485	(9,517,703)	177,138	57,812	1,340,242	12,524	(19,909,332)	649,060	(13,247,811)
Hedged Amount of Foreign Currency Assets	39,307	153,463	55,800	1,450,000	275,000	60,000	1,300,000	12,250	-	690,280	7,322,261
Hedged Amount of Foreign Currency Liabilities	558,786	330,246	-	10,193,848	-	-	60,000	-	-	139,337	20,107,297

<sup>(\*)</sup> 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.

# ARÇELİK ANONİM ŞİRKETİ

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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
<b>Current Assets</b>											
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
<b>Non Current Assets</b>											
Trade receivables	60	9,742	-	-	-	-	-	-	-	-	127,308
<b>Total Assets</b>	<b>781,613</b>	<b>699,405</b>	<b>119,044</b>	<b>667,895</b>	<b>414,184</b>	<b>158,190</b>	<b>1,761,432</b>	<b>18,318</b>	<b>242,705,336</b>	<b>592,573</b>	<b>25,180,708</b>
<b>Current Liabilities</b>											
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
<b>Non-Current Liabilities</b>											
Trade payables	-	5,473	-	-	-	-	-	-	-	-	71,026
Financial liabilities	523,084	500,000	-	-	-	-	-	-	-	-	14,168,826
Other monetary liabilities	-	229	-	-	-	-	-	-	-	-	2,978
<b>Total Liabilities</b>	<b>1,002,130</b>	<b>995,514</b>	<b>4,835</b>	<b>19,175</b>	<b>353,018</b>	<b>-</b>	<b>411,324</b>	<b>4,540</b>	<b>19,800,898</b>	<b>60,691</b>	<b>28,596,052</b>
<b>Net Position of Financial Statement</b>	<b>(220,517)</b>	<b>(296,109)</b>	<b>114,209</b>	<b>648,720</b>	<b>61,166</b>	<b>158,190</b>	<b>1,350,108</b>	<b>13,778</b>	<b>222,904,438</b>	<b>531,882</b>	<b>(3,415,344)</b>
Off-balance sheet derivative assets <sup>(1)</sup>	337,811	379,038	-	-	73,929	-	-	-	-	66,227	10,094,741
Off-balance sheet derivative liabilities <sup>(1)</sup>	(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
<b>Net Asset/(Liability) Position of Foreign Currency</b>	<b>(22,641)</b>	<b>(59,921)</b>	<b>209</b>	<b>(196,280)</b>	<b>(239,905)</b>	<b>(6,810)</b>	<b>100,108</b>	<b>13,778</b>	<b>222,904,438</b>	<b>(3,392)</b>	<b>(1,394,130)</b>
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
Hedged Amount of Foreign Currency Liabilities	337,811	379,038	-	-	73,929	-	-	-	-	66,227	10,094,741

<sup>(1)</sup> 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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As of December 31, 2022, and December 31, 2021, 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.

December 31, 2022	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(282,555)	282,555	(341,781)	341,781
Secured portion from USD risk	330,554	(330,554)	330,554	(330,554)
<b>USD Net effect</b>	<b>47,999</b>	<b>(47,999)</b>	<b>(11,227)</b>	<b>11,227</b>
EUR net asset/liability	(679,696)	679,696	(840,336)	840,336
Secured portion from EUR risk	643,576	(643,576)	1,035,576	(1,035,576)
<b>EUR Net effect</b>	<b>(36,120)</b>	<b>36,120</b>	<b>195,240</b>	<b>(195,240)</b>
GBP net asset/liability	104,541	(104,541)	136,251	(136,251)
Secured portion from GBP risk	(125,490)	125,490	(125,490)	125,490
<b>GBP Net effect</b>	<b>(20,949)</b>	<b>20,949</b>	<b>10,761</b>	<b>(10,761)</b>
JPY net asset/liability	18,938	(18,938)	18,938	(18,938)
Secured portion from JPY risk	(17,521)	17,521	(17,521)	17,521
<b>JPY Net effect</b>	<b>1,417</b>	<b>(1,417)</b>	<b>1,417</b>	<b>(1,417)</b>
PLN net asset/liability	24,652	(24,652)	60,240	(60,240)
Secured portion from PLN risk	(25,585)	25,585	(25,585)	25,585
<b>PLN Net effect</b>	<b>(933)</b>	<b>933</b>	<b>34,655</b>	<b>(34,655)</b>
RUB net asset/liability	26,741	(26,741)	(16,701)	16,701
Secured portion from RUB risk	(46,822)	46,822	226,885	(226,885)
<b>RUB Net effect</b>	<b>(20,081)</b>	<b>20,081</b>	<b>210,184</b>	<b>(210,184)</b>
VND net asset/liability	(1,573)	1,573	(15,516)	15,516
Secured portion from VND risk	-	-	-	-
<b>VND Net effect</b>	<b>(1,573)</b>	<b>1,573</b>	<b>(15,516)</b>	<b>15,516</b>
CNY net asset/liability	47,484	(47,484)	30,742	(30,742)
Secured portion from CNY risk	(73,717)	73,717	(73,717)	73,717
<b>CNY Net effect</b>	<b>(26,233)</b>	<b>26,233</b>	<b>(42,975)</b>	<b>42,975</b>
SGD net asset/liability	17,488	(17,488)	17,488	(17,488)
Secured portion from SGD risk	(17,106)	17,106	(17,106)	17,106
<b>SGD Net effect</b>	<b>382</b>	<b>(382)</b>	<b>382</b>	<b>(382)</b>
Other net asset/liability	64,909	(64,909)	1,597,349	(1,597,349)
Secured portion from other currency risk	(55,095)	55,095	(55,094)	55,094
<b>Other Currency Net effect</b>	<b>9,814</b>	<b>(9,814)</b>	<b>1,542,255</b>	<b>(1,542,255)</b>
	<b>(46,277)</b>	<b>46,277</b>	<b>1,925,176</b>	<b>(1,925,176)</b>

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

December 31, 2021	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
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)
<b>USD Net effect</b>	<b>(77,763)</b>	<b>77,763</b>	<b>(100,855)</b>	<b>100,855</b>
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)
<b>EUR Net effect</b>	<b>(33,243)</b>	<b>33,243</b>	<b>67,598</b>	<b>(67,598)</b>
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
<b>GBP Net effect</b>	<b>365</b>	<b>(365)</b>	<b>41,944</b>	<b>(41,944)</b>
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
<b>JPY Net effect</b>	<b>1,126</b>	<b>(1,126)</b>	<b>1,126</b>	<b>(1,126)</b>
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
<b>PLN Net effect</b>	<b>(2,178)</b>	<b>2,178</b>	<b>21,882</b>	<b>(21,882)</b>
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
<b>RUB Net effect</b>	<b>(3,396)</b>	<b>3,396</b>	<b>93,076</b>	<b>(93,076)</b>
VND net asset/liability	11,368	(11,368)	9,331	(9,331)
Secured portion from VND risk	-	-	-	-
<b>VND Net effect</b>	<b>11,368</b>	<b>(11,368)</b>	<b>9,331</b>	<b>(9,331)</b>
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
<b>CNY Net effect</b>	<b>(48,581)</b>	<b>48,581</b>	<b>(62,203)</b>	<b>62,203</b>
SGD net asset/liability	13,229	(13,229)	13,229	(13,229)
Secured portion from SGD risk	-	-	-	-
<b>SGD Net effect</b>	<b>13,229</b>	<b>(13,229)</b>	<b>13,229</b>	<b>(13,229)</b>
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
<b>Other Currency Net effect</b>	<b>(340)</b>	<b>340</b>	<b>990,753</b>	<b>(990,753)</b>
	<b>(139,413)</b>	<b>139,413</b>	<b>1,075,881</b>	<b>(1,075,881)</b>

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## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

Import and exports performed to/from Turkey for the year ended as of December 31, 2022 and 2021 are as follows:

	December 31, 2022 TRY	December 31, 2021 TRY
EUR	20,566,869	11,835,596
USD	8,411,310	4,195,819
GBP	6,611,741	4,527,526
Other	5,027,046	2,110,260
<b>Total exports</b>	<b>40,616,966</b>	<b>22,669,201</b>
EUR	8,422,942	3,885,515
USD	15,978,362	9,201,693
Other	49,060	25,494
<b>Total imports</b>	<b>24,450,364</b>	<b>13,112,702</b>

#### 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, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Total financial liabilities (Note 7)	51,439,143	32,579,499
Cash and cash equivalents (Note 5)	(24,529,219)	(16,014,589)
Net financial liabilities	26,909,924	16,564,910
Equity	27,105,680	21,055,215
<b>Total capital invested</b>	<b>54,015,604</b>	<b>37,620,125</b>
<b>Gearing ratio</b>	<b>50%</b>	<b>44%</b>

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

#### 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, 2022, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 30,763,804 (December 31, 2021: TRY 20,890,874) (Note 7) and TRY 28,505,680 (December 31, 2021: 21,853,025) 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.

##### *Contingent consideration from acquisition transactions*

Group measures the contingent consideration liabilities arising from purchase/acquisition transactions at their fair value on its consolidated financial statements. In this context, the contingent consideration liability in relation to the acquisition of IHP Appliances JSC and IHP Appliances Sales LLC, whose acquisitions have been completed as of August 31, 2022 are measured at fair value in the consolidated financial statements as of December 31, 2022.

The contingent consideration liability is calculated by discounting the expected future cash flows of the acquired companies to date. Estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account in the calculation of discounted future cash flows of the acquired companies. According to the Group's assessments, EBITDA growth rates are the key assumptions used in the calculation of the discounted contingent consideration liabilities.

Under the assumption of 1% increase/decrease in EBITDA growth rates as at 31 December 2022, all other variables held constant, the Group's contingent consideration liability would have been increased/decreased by TRY 196,000.

##### *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

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)  
(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

Fair value hierarchy table as of December 31, 2022 is as follows:

	Level 1	Level 2	Level 3
<b>Financial assets carried at fair value in statement of financial position</b>			
Derivative instruments (assets) (Note 8)	-	232,043	-
Financial investments (Note 6)	22,562	15,493	901
<b>Financial liabilities carried at fair value in statement of financial position</b>			
Derivative instruments (liabilities) (Note 8)	-	(179,692)	-
Other long term liabilities (Note 23)	-	-	(2,737,067)

Fair value hierarchy table as of December 31, 2021 is as follows:

	Level 1	Level 2	Level 3
<b>Financial assets carried at fair value in statement of financial position</b>			
Derivative instruments (assets) (Note 8)	-	35,251	-
Financial investments (Note 6)	8,411	2,041	79
<b>Financial liabilities carried at fair value in statement of financial position</b>			
Derivative instruments (liabilities) (Note 8)	-	(245,292)	-

### 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, 2022	1 January- December 31, 2021
<b>Adjustments for provisions:</b>		
Accrual for customer premiums	1,587,687	1,370,064
Warranty provision	3,076,548	1,108,625
Provision for assembly and transportation cost	1,653,416	970,684
Provision for employment termination benefits	312,040	140,589
Accrual for bonuses and premiums	91,972	112,962
Provision for legal claims	(28,148)	46,502
Return provisions	56,503	69,135
	<b>6.750.018</b>	<b>3.818.561</b>

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

	1 January- December 31, 2022	1 January- December 31, 2021
<b>Adjustments for impairment loss:</b>		
Provision for impairment on inventories	72,608	(23,563)
Provision for expected credit loss	47,011	25,056
	<b>119,619</b>	<b>1,493</b>

#### NOTE 37 - EVENTS AFTER BALANCE SHEET DATE

##### **Agreement to form a new partnership under Arçelik Control for Whirlpool Corporation & Arçelik's European Operations and Acquisition of Whirlpool Corporation's Operations in the MENA region**

In line with the growth strategy of Arçelik A.Ş. ("Arçelik"), Arçelik and Whirlpool Corporation ("Whirlpool") signed a Contribution Agreement in order to merge all of Arçelik and Whirlpool's production, sales and marketing subsidiaries operating in Europe under a structure that Arçelik will control with majority share.

For this purpose, all shares of Arçelik's subsidiaries operating in Europe, including all Arçelik's shares of 100% Beko Balkans and 51% owned Beko PLC operating in Europe will be transferred into Ardutch. Hereupon the aforementioned shares of the subsidiaries will be transferred by Ardutch to Beko Europe which has been incorporated in Netherlands for the purpose of this transaction by contribution of capital in kind. Whirlpool also contribute its European domestic appliances business operations; the shares of this company will be contributed to Beko Europe by adding capital in kind likewise.

According to the foreseen shareholding structure after the aforementioned transfer, Ardutch will have majority share with 75%, and Whirlpool EMEA will own 25% shareholder in Beko Europe. The final ownership ratio will be determined by taking into account the EBITDA and net fixed asset value in the 2022 year-end financials for the companies subject to the transaction and will be adjusted based on net debt and net working capital after the closing financial statement prepared. If there is a need for an adjustment, share proportions may change according to the principles determined in the Agreement. After the completion of the transaction, it is anticipated that Whirlpool's 14 production facilities and 38 European subsidiaries located in 9 locations (in Italy, Poland, Slovakia and the UK), and Arçelik's 25 European subsidiaries including 2 production facilities located in Romania will be merged under Beko Europe. These companies mainly produce, distribute and sell washing machines, dryers, refrigerators, freezers, cookers and dishwashers. The total production capacity of all the mentioned production facilities will be approximately 24 million units per year after the transaction.

The consolidated net revenue of the Whirlpool's aforementioned European subsidiaries are approximately EUR 3.4 billion and EUR 2.6 billion in 2021 and nine month period ended September 2022, respectively. The number of employees is approximately 14,400. The consolidated net revenue of Arçelik's subsidiaries subject to the transaction is approximately EUR 2.6 billion and EUR 1.9 billion in year end 2021 and nine month period ended September 2022, respectively. After the transaction, the number of employees in various European countries is expected to be approximately 20,000. It is estimated that over EUR 200 million of cost-based synergies can be achieved with this transaction.

According to the Brand License Agreement the exclusive usage rights of the Blomberg, Altus and Beko brands for third-party products or brands of Arçelik A.Ş. which is produced in Romanian production facility and Whirlpool brand of Whirlpool will be belonging to Beko Europe for a period of 40 years. The exclusive brand usage right shall be subject to a license payment. In addition, Grundig, Arctic, Elektabregenz, Flavel and Leisure brands of Arçelik's subsidiaries operating in Europe and Hotpoint, Indesit, Bauknecht, Privileg and Ignis brands owned by Whirlpool will be transferred to Beko Europe as a result of the transaction. Whirlpool's Kitchenaid business in the EMEA region, including small appliances, as well as Maytag, InSinkErator and commercial product businesses will remain under Whirlpool.

It is also agreed that a share purchase agreement will be signed within six weeks between the parties regarding the acquisition of 100% shares of two Whirlpool Corporation's subsidiaries, domiciled in the United Arab Emirates and Morocco and operating in the Middle East and North Africa markets, by Ardutch at the amount of EUR 20 million subject to be net debt and net working capital adjustments based on the closing financials.

As a result of the transactions, two subsidiaries acquired in the MENA region and Beko Europe will be fully consolidated as a subsidiary in the financial reports of Arçelik, since Arçelik has a majority share and control right.

## **ARÇELİK ANONİM ŞİRKETİ**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

(Convenience translation into English of consolidated financial statements originally issued in Turkish.)

#### ***Acquisition of Asogem N.V. and Asogem Nederland B.V.***

A share transfer agreement with Arçelik A.Ş. and Asogem N.V. (Belgium), the distributor of Arçelik's Beko and Grundig branded products in the Benelux region for more than 25 years for the purchase of the entire issued share capitals of Asogem N.V. and its subsidiary Asogem Nederland B.V. (Netherlands) was signed on October 17, 2022 and the closing transactions of the share transfer agreement regarding the acquisitions of the companies were completed as of January 2, 2023.

As a result of this transaction, the names of the companies have been changed as Beko Belgium N.V. and Beko Netherlands B.V. as of January 2, 2023. Registration procedures regarding the change of name of the companies and board of directors of both companies have been completed in the relevant country registries.

#### ***Purchase of Arçelik A.Ş. shares by Koç Holding from Koç Holding Emekli ve Yardım Sandığı Vakfı***

Koç Holding A.Ş. has purchased the Arçelik A.Ş.'s shares with a nominal value of 5,859,000.00 TL corresponding to 0,87% of the share capital of Arçelik A.Ş., from Koç Holding Emekli ve Yardım Sandığı Vakfı on January 19, 2022.

## OTHER INFORMATION



# General Assembly Information Document

## INFORMATION DOCUMENT FOR THE 2022 ORDINARY GENERAL ASSEMBLY MEETING DATED 16 MARCH 2023

### 1. INVITATION TO THE GENERAL ASSEMBLY MEETING TO BE HELD ON 16 MARCH 2023

Arçelik A.Ş.'s Ordinary General Assembly Meeting shall be held on Thursday 16 March 2023 at 10:00, at the address of Divan İstanbul Oteli, Asker Ocağı Caddesi No: 1 34367 Elmadağ Şişli, İstanbul (Tel: +90 212 315 55 00, Fax: 0 212 315 55 15) to review the activities of the company for the fiscal year 2022 and to discuss and vote on the following agenda.

The 2022 Financial Statements, the Independent Auditor's Report prepared by our Independent Auditor, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and the Board of Directors' Annual Report, including the dividend distribution proposal of the Board of Directors and the explanations on Corporate Governance and Sustainability, along with the following agenda and the Information Document containing the information required by Capital Markets Board regulations shall be made available to the shareholders at the company Headquarters, on the company's corporate website at [www.arcelikglobal.com](http://www.arcelikglobal.com), on the Public Disclosure Platform, and on the Electronic General Assembly System of the Central Registry Agency at least three weeks prior to the meeting.

Save for the rights and obligations of the shareholders who are to attend the meeting via electronic method, it is necessary that a shareholder, who shall not attend the meeting in person, shall prepare their proxy documents in line with the legislations or shall obtain the relevant form of proxy from Yapı Kredi Yatırım Menkul Değerler A.Ş. (Yapı Kredi Plaza / Levent - İstanbul), our headquarters or from our official corporate website at [www.arcelikglobal.com](http://www.arcelikglobal.com) and accordingly, shall submit the proxy documents to the company, following the fulfillment of the matters as contemplated in the "Voting by Proxy and Proxy Collection by Call Communiqué" numbered II-30.1, published and entered into force on the Official Gazette no. 28861, dated 24 December 2013. A proxy document is not required from a proxy appointed electronically through the Electronic General Assembly System. **Any letter of representation not compliant with the sample letter of representation attached to the invitation of the general assembly meeting required as per such Communiqué will not be accepted due to our legal liabilities.**

Our Shareholders who will vote via the Electronic General Meeting System are kindly requested to obtain information from the Central Registry Agency, the official website of the company at [www.arcelikglobal.com](http://www.arcelikglobal.com) or from the Head Office of the company (Phone: +90 212 314 34 34 - +90 212 314 39 56 ) to make sure that they comply with the provisions of the relevant Regulations and Communiqués on.

Pursuant to the 4th paragraph of Article 415 of the Turkish Commercial Code No. 6102 and the 1st paragraph of Article 30 of the Capital Markets Law, the right to attend the general assembly meeting and voting rights shall not be conditional on depositing the share certificates. Accordingly, shareholders participating in the General Assembly do not need to block their shares.

As per the Law on Protecting Personal Data No. 6698, you can reach the detailed information about how your personal data are processed by our company by reading the Personal Data Protection and Process Policy of Arçelik Anonim Şirketi, which has been disclosed to the public at [www.arcelikglobal.com](http://www.arcelikglobal.com).

All the holders of relevant rights, stakeholders and the media are invited to our General Assembly Meeting.

At the Ordinary General Assembly Meeting, the voters shall use the open voting system by raising hands, without prejudice to the provisions of electronic voting regarding the voting of each item on the agenda.

No notification will be made to the Shareholders via registered mail for registered shares quoted into the Stock Market as per the Capital Markets Law.

This is to inform our esteemed Shareholders.

## ARÇELİK A.Ş. BOARD OF DIRECTORS

Company Address: Karaağaç Caddesi No: 2-6 Söğütözü 34445 Beyoğlu-İstanbul  
Trade Registry and Number: İstanbul - 54957

Central Registration System Number: 0073001800000022

## 2. OUR ADDITIONAL EXPLANATION WITHIN THE SCOPE OF THE CMB (CAPITAL MARKETS BOARD) REGULATIONS

The additional explanations required pursuant to Capital Markets Board (CMB) Corporate Governance Communiqué No. II-17.1 are made in the related articles of the agenda below. Other mandatory general explanations are provided in this section.

### 2.1 Shareholding Structure and Voting Rights

Information regarding total number of shares and voting right reflecting shareholding structure of the company as of the date when this Information Note is published; if there is any privileged share in the capital of the company, number of shares representing each group of privileged shares and voting rights and nature of privileges; is presented below:

Issued capital of the company amounts to TRY 675,728,205, and said issued capital is paid completely, free of any dispute. At the General Assembly Meetings, each share with a nominal value of 1 Kr, shall have 1 (one) voting right. There is no privileged share in the share capital of the company.

SHAREHOLDER	SHARE IN CAPITAL (%)	NOMINAL SHARE VALUE (TL)	NUMBER OF SHARE AND VOTING RIGHT (Number)
KOÇ FAMILY	8.67%	58,590,764.33	5,859,076,433
KOÇ HOLDİNG A.Ş.	41.43%	279,928,625.03	27,992,862,503
KOÇ HOLDİNG PENSION AND AID FUND FOUNDATION	4.27%	28,862,920.21	2,886,292,021
TEMEL TİCARET VE YATIRIM A.Ş.	2.75%	18,576,870.00	1,857,687,000
VEHBİ KOÇ FOUNDATION	0.12%	808,976.88	80,897,688
TEKNOSAN BÜRO MAKİNA VE LEVAZIMI TİC.VE SAN. A.Ş.	12.05%	81,428,336.95	8,142,833,695
BURLA TİCARET VE YATIRIM A.Ş.	5.56%	37,571,663.05	3,757,166,305
ARÇELİK A.Ş.*	10.19%	68,876,288.02	6,887,628,802
OTHER SHAREHOLDERS	14.96%	101,083,760.54	10,108,376,054
<b>TOTAL</b>	<b>100.00%</b>	<b>675,728,205.00</b>	<b>67,572,820,500</b>

\*Indicates the shares which were bought back from BIST and clearing of which is completed by Arçelik A.Ş. as of the date when this information document is disclosed.

Majority of the Koç Holding A.Ş. shares are held by the Koç Family and the companies owned by the Family.

# General Assembly Information Document

## **2.2. Changes in Management and Operations which Shall Significantly Affect Corporate Operations of Our Company and Our Affiliated Partnerships:**

Information regarding reasons of changes in the management and operations of our Company and its affiliated partnerships, which occurred in the preceding accounting period or which are planned for future accounting periods and which shall significantly affect corporate operations, is presented below:

### **• Merger Through Acquisition of Arçelik Üretim ve Teknoloji A.Ş.**

Considering the emerging market and market conditions; in order to strengthen our current position in the consumer durable goods sector and to achieve savings and productivity increases by providing a more effective management, it has been decided to merge through acquisition with Arçelik Üretim ve Teknoloji A.Ş. which is a 100% subsidiary of Arçelik, with all its assets and liabilities and to apply to Capital Markets Board and other relevant institutions to obtain necessary permissions.

Detailed information regarding said merger, has been publicized by the material event disclosures dated 25 April 2022, 1 June 2022 and the merger has been approved and registered on 30 June 2022 and 1 July 2022 respectively by the Capital Markets Board.

### **• Signing agreement with Whirlpool EMEA S.p.A for the purchase of share of Indesit International JSC and Whirlpool RUS LLC.**

Arçelik became one of the leading manufacturers in Russia by acquiring Whirlpool's washing machine and refrigerator factories in Lipetsk, Russia in 2022. With this acquisition, which has an upper limit of acquisition amount of EUR 261.4 million, the company also acquired the right to use the "Indesit" and "Hotpoint" brands both in Russia and in various countries of Eurasia. With this investment, Arçelik aims to achieve synergies in production, sales, logistics and supply.

Detailed information regarding said acquisition has been announced to public by the material event disclosures dated 28 June 2022, 31 August 2022, 21 October 2022 and 14 December 2022.

### **• Asogem N.V. and Asogem Nederland B.V.**

Arçelik acquired Asogem N.V., which has been the distributor of Beko and Grundig brands for 30 years in the Benelux market, and its 100% subsidiary Asogem Nederland B.V. With the acquisition, which resulted in the establishment of Beko Belgium N.V. and Beko Netherlands B.V. subsidiaries in Arçelik's global operations, the Benelux operations aims to continue its growth.

Detailed information regarding said acquisition has been announced to public in the Interim Activity Report of 1 January - 30 September 2022.

### **• Share Buy-Back Transactions**

It has been considered that, in 2021, as a result of impacts of developing market conditions and economic developments experienced in global scale, on the industry in which the company maintains its operations, and repercussions thereof for Turkish capital markets; the value of Arçelik A.Ş. which occurred at Borsa İstanbul, has not reflected real performance of the company's operations. In order to contribute to the formation of price in a healthy manner, share buy-back have been started to be made, by the decision of the Board of Directors dated 1 July 2021.

The amount of shares bought back as of the date of this general assembly, is shown in the section number 2.1.

And, the material event disclosure made by our Company within the scope of relevant legislation, can be accessed at the addresses of <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/863-arcelik-a-s> and [www.arcelikglobal.com/en/](http://www.arcelikglobal.com/en/).

### **2.3. Information Regarding Requests of the Shareholders for Inclusion of Article in the Agenda:**

Information on the requests of the shareholders of the partnership, submitted in writing to the Investor Relations Department regarding the inclusion of an item on the agenda, the requests that were not accepted in cases where the Board of Directors did not accept the requests of the shareholders, and the reasons for rejection are presented below:

No request has been submitted in writing to the Arçelik concerning the desire of shareholders to have an item added on the agenda.

## **3. ANNOUNCEMENTS PERTAINING TO THE AGENDA ITEMS OF THE ORDINARY GENERAL ASSEMBLY MEETING DATED 16 MARCH 2023**

### **1. Opening and election of the Chair of the Meeting**

Within the framework of the provisions of “the Turkish Commercial Code (TCC) no. 6102” and “the Regulation of the Ministry of Customs and Commerce regarding Principles and Procedures of General Assembly Meetings of Joint Stock Companies and Representatives of the Ministry of Customs and Commerce to be Present in these Meetings” (“Regulation” or “General Assembly Regulation”), and General Assembly Principles Article 7, a Chair shall be elected to chair the General Assembly meeting. Within the framework of the General Assembly Principles, at least one person will be appointed as Secretary by the Chair. The Chair may also appoint adequate number of vote collectors.

### **2. Reading, discussing and approving the 2022 Annual Report prepared by the company Board of Directors**

Within the framework of the TCC, the Regulation and the Capital Markets law and related regulations, information shall be given regarding 2022 Annual (Operations) Report which shall also include the report on compliance with corporate governance principles, presented for examination by our shareholders at the Headquarters of our Company, on the Public Disclosure Platform and the Electronic General Assembly portal of MKK (Central Securities Depository) and also, on the corporate website of our Company at the address of [www.arcelikglobal.com](http://www.arcelikglobal.com), during a period of three weeks prior to the General Assembly meeting, and the Annual (Operations) report shall be presented for discussion and approval of our shareholders.

### **3. Reading the Summary of Independent Auditor's Report for 2022 accounting period**

Information shall be given to the General Assembly regarding the Independent Auditor's Report, prepared in accordance with the TCC and the Capital Markets Board regulations, and presented for examination by our shareholders, at the Headquarters of our Company, on the Public Disclosure Platform and the Electronic General Assembly portal of MKK (Central Securities Depository) and also, on the corporate website of our Company at the address of [www.arcelikglobal.com](http://www.arcelikglobal.com), during a period of three weeks prior to the General Assembly meeting.

# General Assembly Information Document

## 4. Reading, discussing and approving the Financial Statements related to the 2022 accounting period

Within the framework of the TCC, the Regulation and the Capital Markets law and related regulations, information shall be given regarding our financial statements and legal statutory accounts prepared according to the Tax Procedure Law, presented for examination by our shareholders at the Headquarters of our Company, on the Public Disclosure Platform and the Electronic General Assembly portal of MKK (Central Securities Depository) and also, on the corporate website of our Company at the address of [www.arcelikglobal.com](http://www.arcelikglobal.com), during a period of three weeks prior to the General Assembly meeting, and they shall be presented for consideration and approval of our shareholders.

## 5. Release of each Member of the Board of Directors in relation to the activities of Company in 2022

Pursuant to the TCC and Bylaws, the release of the members of our Board of Directors for the activities, transactions and accounts for the year 2022 shall be submitted to the General Assembly for its approval.

## 6. Approval, approval with amendment or rejection of the proposal of the Board of Directors' proposal on the distribution of the profits of 2022 prepared in accordance with the company's profit distribution policy and the date of the distribution of profits

According to our financial statements prepared by our Company within the framework of the Turkish Commercial Code and Capital Markets Law and related regulations in compliance with Turkish Financial Reporting Standards and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. covering the accounting period between 1 January 2022 - 31 December 2022; consolidated profit of the main partnership in the amount of TRY 4,324,671,826.46 was made. The dividend payment proposal, drawn up in accordance with the dividend distribution table format provided in the Dividend Communiqué numbered II-19.1 and the Dividend Manual announced in accordance with the said Communiqué, and taking into account the company's Dividend Distribution Policy, long-term strategy, investment and financing policies, profitability and liquidity, is provided in Appendix 1.

## 7. Informing the Shareholders on and approval of share buy back transactions carried out in accordance with the decision taken by the Board of Directors

By the decision of the Board of Directors dated 1 July 2021, it has been considered that, as a result of impacts of developing market conditions and economic developments experienced in global scale, on the industry in which we maintain our operations, and repercussions thereof for Turkish capital markets; value of Arçelik A.Ş. which occurred at Borsa İstanbul, has not reflected real performance of the company's operations, and it has been decided that, in order to contribute to the formation of price in a healthy manner, transactions for buyback of the company's shares at the Stock Exchange (BIST), be started in accordance with the Communiqué on Buy-Backed Shares (II-22.1), issued by the Capital Markets Board, and the announcements of the Capital Markets Board dated 21 July 2016, 25 July 2016 and 23 March 2020. The related buyback transactions were approved at the company's Ordinary General Assembly Meeting dated 23 March 2022.

Within the framework of authorization given at the company's Ordinary General Assembly Meeting dated 23 March 2022, in the Board of Directors meeting dated 24 May 2022, it was decided to continue the share buyback procedures which was initiated with the decision of the Board of Directors dated 1 July .2021 and the shares can be bought back from the Borsa İstanbul.

Within the scope of the decision of the Board of Directors, it has been decided that the maximum number of shares which may be subject to buyback, is determined as shares with a nominal value of TRY 135,145,641.00 (13,514,564,100 shares each with a nominal value of 1 Kuruş) which correspond to 20% of the company's issued capital and the funds which shall be allocated for buyback, is determined as TRY 9,000,000,000 maximum, to be met from the company's own resources.

As a result of the share buyback transactions that have been started, between the dates of 23 March - 31 December 2022, our Company has bought back shares with a total nominal value of TRY 12,977,244, at an average share price of TRY 64.87, at Borsa Istanbul (BIST). Total amount, including commission and BİTT (Banking and Insurance Transactions Tax), paid for share buyback, has been TRY 3,097,980,104, and as of 31 December 2022, the nominal value of the ARCLK shares owned by our company is TRY 68,876,288, and its ratio to the company's capital is 10.19%.

At the General Assembly meeting, summary information shall be given to the shareholders regarding the transactions and the funds used for share buyback.

#### **8. Determination of the number and duty term of the Members of the Board of Directors, making elections in accordance with the determined number of members, selecting the Independent Members of the Board of Directors**

In accordance with CMB regulations, the TCC and Bylaws and the principles governing the election of members of the Board of Directors in the Articles of Association, new members to replace Board members whose terms of office have expired shall accordingly be elected. In addition to that, Independent Members of the Board of Directors shall be elected in compliance with the CMB's Corporate Governance Communiqué No. II-17.1.

According to Article 10 of the Articles of Association, Company's management are conducted by a Board of Directors consisting of at least five members, elected in line with the Turkish Commercial Code and Capital Markets Board regulations, for a period of three years at maximum. The General Assembly may decide on the renewal of the Board of Directors even if their terms of office have not expired.

Four of the elected Board of Director Members shall meet the independence criteria as defined in the CMB's mandatory Corporate Governance Principles.

Upon proposal of our Corporate Governance Committee, which has evaluated the candidates declared to it, by the decision taken by our Board of Directors; Mr. Kâmil Özer Bozer, Ms. Müzeyyen Münire Gülay Barbarasoğlu, Mr. Ahmet Turul and Mr. Tuğrul Fadillioğlu have been designated as candidates for the Board of Directors' Independent Member position. In the letter dated 23 January 2023 and numbered E- 29833736-110.07.07-32194, sent by the CMB, it is specified that it has been decided not to declare any adverse opinion regarding Kamil Ömer BOZER, Müzeyyen Münire Gülay BARBAROSOĞLU, Ahmet TURUL and Tuğrul FADILLIOĞLU.

Curriculum vitae of the candidates to the Board of Directors and the declaration of independence for the independent member candidates, are presented in Appendix/2.

#### **9. Informing the Shareholders on and approval of "Remuneration Policy" for Members of the Board of Directors and Top-Level Managers and the payments made within the frame of such policy as required by Corporate Governance Principles**

In accordance with the CMB's mandatory Corporate Governance Principle no.4.6.2, principles regarding remunerations of the members of the Board of Directors and the senior managers, should be set forth in writing, and should be presented, for information of the shareholders, as a separate article at the General Assembly meeting, and the shareholders should be given the opportunity to declare opinion regarding this matter. Remuneration policy prepared for this purpose, is presented in ANNEX/3. As specified also in the footnote no. 33 of our financial statements relating to operating year 2022, in 2022, benefits in the total amount of TRY 354,267, 000 have been provided by Arçelik A.Ş. to the Members of the Board of Directors, General Manager, Assistant General Managers and the Directors who report directly to the General Manager.

# General Assembly Information Document

## **10. Determining annual gross remunerations of the Members of the Board of Directors**

Within the scope of our Remuneration Policy, presented for approval of the shareholders by article no. 9 of the agenda; amount of annual gross wage of the members of the Board of Directors in the operating year 2023, shall be determined by our shareholders.

## **11. Approval of the Independent Auditing Institution selected by the Board of Directors in accordance with the Turkish Commercial Code and the Capital Markets Board regulations**

In accordance with the Turkish Commercial Code and the regulations of the Capital Markets Board, in the decision dated 17 February 2023, of our Board of Directors, it has been decided, by taking into consideration the opinion of the Audit Committee, to select PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., to audit our Company's financial reports in 2023 annual accounting period and to conduct other activities within the scope of related regulations set forth in these laws, and this selection shall be presented for approval of the General Assembly.

## **12. Informing the Shareholders about the donations made by the company in 2022 and resolution of an upper limit for donations to be made for 2023 as per the "Donation and Sponsorship Policy"**

In accordance with our Company's Donation and Sponsorship Policy, approved at the general assembly meeting dated 23 March 2022, according to article 6 of the Communiqué on Profit Share, number II-19.1, issued by the Capital Markets Board, in case the limit of a donation to be made, is not set forth in the articles of association, it should be set by the general assembly and the donations and payments made, should be presented for information of the shareholders at the ordinary general assembly meeting. Total amount of donation made to foundations and associations in 2022, is TRY 6,695,781.39. TRY 2,553,871 of this amount has been donated to Koç University, TRY 1,485,863 thereof has been donated to Vehbi Koç Foundation, TRY 702,138.97 has been donated to Rahmi Koç Museum and the remaining amount consists of various donations made to various institutions and organizations, and each of which is below the amount of TRY 1,000,000, and which are not in the nature of significant information for the investors. Furthermore, upper limits for donations to be made in 2023, shall be set by the General Assembly.

## **13. Informing the Shareholders about the collaterals, pledges, mortgages and surety granted in favor of third parties and the income and benefits obtained in 2022 by the company and subsidiaries in accordance with Capital Markets Board regulations**

Pursuant to Article 12 of the Capital Markets Board Corporate Governance Communiqué No. II-17.1, income or benefits derived by our Company and its subsidiaries from collaterals, pledges, mortgages and sureties against third parties must be stipulated in a separate article of the agenda of the General Assembly. This is indicated in footnote No. 17 of our financial statements dated 31 December 2022.

## **14. Authorizing the Shareholders holding management capacity, the Members of the Board of Directors, top managers and their spouses and relatives by blood and marriage up to the second degree within the framework of the articles 395th and 396th of Turkish Commercial Code and informing shareholders about transactions performed within the scope during 2022 as per the Corporate Governance Communiqué of Capital Markets Board**

The members of the Board of Directors can do business as stipulated in the first subsection of Articles 395 and 396 of the TCC entitled Competition Ban and Ban on doing Business with the company and Borrowing from the company only with the approval of the General Assembly.



Pursuant to the Capital Markets Board mandatory Corporate Governance Principle No. 1.3.6, the General Assembly shall be informed in the event that shareholders having managerial control, board members, senior management and their relatives up to the second degree of blood or affinity engaged in a significant business transaction creating a conflict of interest with the company or its subsidiaries, competed with the company in the same line of business on their own behalf or on the behalf of others, or was involved in the same business as that of the company as unlimited partner in another company. Information about said transactions must be included as a separate item on the agenda and recorded into the minutes of the General Assembly.

In order to fulfil requirements set forth by these regulations, giving said permission, shall be presented for approval of our shareholders at the General Assembly. Furthermore, our shareholders shall be informed regarding transactions made in this nature during the year, and some of the shareholders who have control of the management, members of the Board of Directors, managers who have administrative responsibility and their spouse and relatives, up to second degree, by blood and by marriage; serve as member of the Board of Directors, at some other Koç Group companies, including those which have similar field of operations, with our Company. In 2022, there has not been any significant transaction which requires providing information within the scope of the principle number 1.3.6 of the Communiqué on Corporate Governance.

## 15. Informing the Shareholders about the company's a low-carbon transition plan

Arçelik continues to take actions to reduce greenhouse gas emissions within the scope of combating against climate change. Arçelik committed to become a net zero emission company by 2050 in March 2022, in line with the Science-Based Targets Initiative's (SBTi) Net Zero Standard in line with the 1.5°C climate scenario and publicly shared its roadmap on its website. In 2023, with the target to be set to reduce 90% of total emissions by 2050 in accordance with the Net Zero Standard, the SBTi-approved 2030 target will also be updated to include the base year and target scope.

Arçelik commits to increase its existing renewable energy installed capacity to 50 MW by 2030 in line with its 2050 Net Zero target. In this context, Arçelik increased its total renewable energy installed capacity to 10.20 MW in 2022. In addition, within the scope of the Selfie Project, which was initiated in 2022 for the generation of electricity from renewable energy sources in order to meet self-consumption, a total of 50 MW land solar power plant applications were made in two different locations.

Within the scope of the transition to low carbon economy, the relevant targets will continue to be included in the scorecards of the Senior Management and related Managers. In 2023, it is aimed to comply with the documents, within the scope of climate-related disclosures, published by the International Sustainability Standards Board (ISSB), one of the important initiatives of the International Financial Reporting Standards Foundation (IFRS).

It is important for all our stakeholders to be informed at the General Assembly regarding Arçelik's Science-Based Targets and Net Zero Emissions Target. Therefore, our shareholders shall be informed about Arçelik's Action Plan for Transition to Low Carbon Economy at the General Assembly meeting.

## 16. Wishes and Opinions

**ANNEX/1** Board of Directors' Proposal for the Profit Distribution for 2022 ([page 14](#))

**ANNEX/2** Resumes of Candidate Members of the Board of Directors ([pages 216-221](#)) and the Statements of Independence of Independent Candidate Members ([pages 342-345](#))

**ANNEX/ 3** Remuneration Policy for Board Members and Top Level Executives ([pages 16-17](#))

# Statement of Independence

4 January 2023

I hereby represent that, I am a candidate for carrying out my duty as "independent member" in Board of Directors of Arçelik A.Ş. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communiqué of Capital Markets Board and in this context;

- a. There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the company, or such companies in which the company controls or has a material influence over the management, or such shareholders which control or have a material influence over the company's management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,
- b. I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier's or buyer's audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years,
- c. I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,
- d. I shall not work on a full-time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation,
- e. I am deemed to be resident in Türkiye according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193,
- f. I have professional prestige and reputation and experience as well as strong ethical standards to make me competent enough to favorably contribute to the corporate operations, to maintain my neutrality in conflicts of interest between the company and the shareholders and to freely decide by taking into consideration the rights of interest holders,
- g. I will be able to spare enough time to follow up the process of company operations and fulfill all requirements of the duties I undertake, in full,
- h. I have not carried out a duty as Board member in the Company's Board of Directors for more than six years, within the last ten years,
- i. I am not holding an independent board member position in more than five publicly traded companies in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,
- j. I have not been registered and published in the name of the legal entity which is appointed as the Board member,

NAME SURNAME: KAMİL ÖMER BOZER

4 January 2023

I hereby represent that, I am a candidate for carrying our duty as "independent member" in Board of Directors of Arçelik A.Ş. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communiqué of Capital Markets Board and in this context;

- a. There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the company, or such companies in which the company controls or has a material influence over the management, or such shareholders which control or have a material influence over the company's management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,
- b. I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier's or buyer's audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years,
- c. I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,
- d. I shall not work on a full-time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation,
- e. I am deemed to be resident in Türkiye according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193,
- f. I have professional prestige and reputation and experience as well as strong ethical standards to make me competent enough to favorably contribute to the corporate operations, to maintain my neutrality in conflicts of interest between the company and the shareholders and to freely decide by taking into consideration the rights of interest holders,
- g. I will be able to spare enough time to follow up the process of company operations and fulfill all requirements of the duties I undertake, in full,
- h. I have not carried out a duty as Board member in the Company's Board of Directors for more than six years, within the last ten years,
- i. I am not holding an independent board member position in more than five publicly traded companies in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,
- j. I have not been registered and published in the name of the legal entity which is appointed as the Board member,

NAME SURNAME: MÜZEYYEN MÜNİRE GÜLAY BARBAROSOĞLU

# Statement of Independence

4 January 2023

I hereby represent that, I am a candidate for carrying out duty as "independent member" in Board of Directors of Arçelik A.Ş. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communiqué of Capital Markets Board and in this context;

- a. There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the company, or such companies in which the company controls or has a material influence over the management, or such shareholders which control or have a material influence over the company's management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,
- b. I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier's or buyer's audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years,
- c. I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,
- d. I shall not work on a full-time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation,
- e. I am deemed to be resident in Türkiye according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193,
- f. I have professional prestige and reputation and experience as well as strong ethical standards to make me competent enough to favorably contribute to the corporate operations, to maintain my neutrality in conflicts of interest between the company and the shareholders and to freely decide by taking into consideration the rights of interest holders,
- g. I will be able to spare enough time to follow up the process of company operations and fulfill all requirements of the duties I undertake, in full,
- h. I have not carried out a duty as Board member in the Company's Board of Directors for more than six years, within the last ten years,
- i. I am not holding an independent board member position in more than five publicly traded companies in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,
- j. I have not been registered and published in the name of the legal entity which is appointed as the Board member,

NAME SURNAME: AHMET TURUL

4 January 2023

I hereby represent that, I am a candidate for carrying out my duty as "independent member" in Board of Directors of Arçelik A.Ş. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communiqué of Capital Markets Board and in this context;

- a. There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the company, or such companies in which the company controls or has a material influence over the management, or such shareholders which control or have a material influence over the company's management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,
- b. I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier's or buyer's audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years,
- c. I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,
- d. I shall not work on a full-time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation,
- e. I am deemed to be resident in Türkiye according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193,
- f. I have professional prestige and reputation and experience as well as strong ethical standards to make me competent enough to favorably contribute to the corporate operations, to maintain my neutrality in conflicts of interest between the company and the shareholders and to freely decide by taking into consideration the rights of interest holders,
- g. I will be able to spare enough time to follow up the process of company operations and fulfill all requirements of the duties I undertake, in full,
- h. I have not carried out a duty as Board member in the Company's Board of Directors for more than six years, within the last ten years,
- i. I am not holding an independent board member position in more than five publicly traded companies in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,
- j. I have not been registered and published in the name of the legal entity which is appointed as the Board member,

NAME SURNAME: TUĞRUL FADILLIOĞLU

# Corporate Governance Compliance Report

Company Compliance Status						
	Yes	Partial	No	Exempted	Not Applicable	Explanation
Corporate Governance Compliance Report						
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>						
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					
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
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	Not Applicable	Explanation
<b>1.4. VOTING RIGHTS</b>						
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.
<b>1.5. MINORITY RIGHTS</b>						
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.
<b>1.6. DIVIDEND RIGHT</b>						
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					



# Corporate Governance Compliance Report

Company Compliance Status						
	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
<b>2.1. CORPORATE WEBSITE</b>						
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 six 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					
<b>2.2. ANNUAL REPORT</b>						
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					
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
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 program 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					
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
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					

Company Compliance Status						
	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>3.3. HUMAN RESOURCES POLICY</b>						
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 organizes trainings for employees.	X					
3.3.4 - Meetings have been organized 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					
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
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					

# Corporate Governance Compliance Report

Company Compliance Status						
	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
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					
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
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					
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
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					
4.2.5 - The roles of the Chair 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					

Company Compliance Status						
	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
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					
4.3.10 - At least one member of the audit committee has five years of experience in audit/accounting and finance.	X					
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1 - Each board member attend the majority of the board meetings in person or via an electronic board meeting system.	X					In 2022, the Board of Directors held an actual meeting 14 times and the rate of attendance was 98.8%, 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 development.
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					
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 Directors' 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.

# Corporate Governance Compliance Report

Company Compliance Status						
	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>4.5. BOARD COMMITTEES</b>						
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					
<b>4.6. FINANCIAL RIGHTS</b>						
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 favor 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.) organized by the company during the year	In 2022, Arçelik attended nine investor conferences and roadshows in and outside of Türkiye, also held 360 investor and analyst meetings and four 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)	<a href="https://www.kap.org.tr/en/Bildirim/1005288">https://www.kap.org.tr/en/Bildirim/1005288</a>
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 Communiqué 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 Communiqué on Corporate Governance (II- 17.1)	The PDP link regarding common and continuous related party transactions can be found at: <a href="https://www.kap.org.tr/en/Bildirim/1004785">https:// www.kap.org.tr/en/Bildirim/1004785</a>
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 the related policy can be found at: <a href="https://www.arcelikglobal.com/en/company/investor-relations/policies/">https:// www.arcelikglobal.com/en/company/investor-relations/policies/</a>
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/en/Bildirim/920058">https://www.kap.org.tr/en/Bildirim/920058</a>
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 2022, 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	41.43%

# Corporate Governance Information Form

## 1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-

## 1.6. Dividend Right

The name of the section on the corporate website that describes the dividend distribution policy	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	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	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	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	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	The link to the related PDP general shareholder meeting notification
23/03 /2022	0	77.66%	0.04%	77.62%	Company / Investor Relations / General Meeting / 23.03.2021 Ordinary General Meeting	No question within the scope of Corporate Governance Principle 1.3.5 has been received.	-	0	<a href="https://www.kap.org.tr/en/Bildirim/1012456">https:// www.kap.org.tr/en / Bildirim/1012456</a>



## 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 and 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 / Detailed shareholding structure of Arçelik A.Ş.
List of languages for which the website is available	Turkish and 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	It is included under the section of "Explanations on Corporate Governance " and "Other Information".
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	Explanations on 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	Explanations on Corporate Governance / Working Principles and Procedures of the 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	Explanations on 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	Explanations on 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	Explanations on 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%	Explanations on 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	Explanations on Corporate Governance / Stakeholders

# Corporate Governance Information Form

## 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	Company / Policies / Compensation Policy
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)	Global Compliance Manager and relevant compliance officer. According to Arçelik Global Business Ethics Principles Operations Policy, after a claim is reported, it should be reviewed immediately and the first analysis of the claims should be made by the relevant Compliance Officer. Where appropriate, the Compliance Officer should consult with the Global Compliance Manager to determine if an investigation is necessary and, if so, be part of the investigation team.
The contact detail of the company alert mechanism	<a href="https://www.arcelikglobal.com/en/company/about-us/global-code-of-conduct/">https:// www.arcelikglobal.com/ en/company/about-us/ global-code-of-conduct/</a> and <a href="http://www.ethicsline.net">www.ethicsline.net</a>

### 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	Company / 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. <a href="https://www.arcelikglobal.com/media/5510/1_global-code-of-conduct_.pdf">https://www.arcelikglobal.com/ media/5510/1_global-code-of-conduct_.pdf</a>
Whether the company provides an employee stock ownership program	There isn't an employee stock ownership program.
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	13

### 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. <a href="https://www.arcelikglobal.com/media/5510/1_global-code-of-conduct_.pdf">https://www.arcelikglobal.com/ media/5510/1_global-code-of-conduct_.pdf</a>
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	31.12.2022
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	Explanations on Corporate Governance/ Risk Management and Internal Control Mechanism
Name of the Chair	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	<a href="https://www.kap.org.tr/en/Bildirim/1049467">https://www.kap.org.tr/en/Bildirim/1049467</a>
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	Company / Policies / Board Diversity Policy

# Corporate Governance Information Form

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	-	Yes
Mehmet Ömer Koç	Non-executive	Not independent director	12/04/2005		Not applicable	-	Yes
Semahat Sevim Arsel	Non-executive	Not independent director	05/04/2006		Not applicable	-	Yes
Yıldırım Ali Koç	Non-executive	Not independent director	25/03/2009		Not applicable	-	Yes
Levent Çakıroğlu	Non-executive	Not independent director	25/03/2009		Not applicable	-	Yes
Robert Sonman	Non-executive	Not independent director	15/04/1994		Not applicable	-	Yes
Fatih Kemal Ebiçlioğlu	Non-executive	Not independent director	23/03/2015		Not applicable	-	Yes
Hakan Bulgurlu	Executive	Not independent director	25/03/2016		Not applicable	-	Yes
Kamil Ömer Bozer	Non-executive	Independent director	19/03/2018	<a href="https://www.kap.org.tr/en/Bildirim/1005288">https:// www.kap.org.tr / en/Bildirim/ 1005288</a>	Considered	-	Yes
Müzeyyen Münire Gülay Barbarosoğlu	Non-executive	Independent director	19/03/2018	<a href="https://www.kap.org.tr/en/Bildirim/1005288">https:// www.kap.org.tr / en/Bildirim/ 1005288</a>	Considered	-	No
Ahmet Turul	Non-executive	Independent director	19/03/2019	<a href="https://www.kap.org.tr/en/Bildirim/1005288">https:// www.kap.org.tr / en/Bildirim/ 1005288</a>	Considered	-	Yes

Tuğrul Fadilloğlu	Non-executive	Independent director	25/03/2020	<a href="https://www.kap.org.tr/en/Bildirim/1005288">https:// www.kap.org.tr / en/Bildirim/1005288</a>	Considered	-	Yes
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#### 4. BOARD OF DIRECTORS-II

##### 4.4. Meeting Procedures of the Board of Directors

Number of physical or electronic board meetings in the reporting period	14
Director average attendance rate at board meetings	98.8%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	In 7 days
The name of the section on the corporate website that demonstrates information about the board charter	Company / Reports and Presentations / 2022 Annual Reports
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	Explanations on Corporate Governance / 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	<a href="https://www.kap.org.tr/en/Bildirim/1022772">https://www.kap.org.tr/en/Bildirim/1022772</a>

#### 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		Özkan Çimen	No	Not 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

# Corporate Governance Information Form

Other	Executive Committee	Caroline Nicole Koç	No	Not board member
Other	Executive Committee	Aykut Ümit Taftalı	No	Not board member

## 4. BOARD OF DIRECTORS-III

### 4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Explanations on Corporate Governance/ 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)	Explanations on Corporate Governance/ Board of Directors
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	The activities of the Nomination Committee are carried out by the Corporate Governance Committee.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Explanations on Corporate Governance/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.
<b>4.6. Financial Rights</b>	
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 Chair's Message and 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)	Explanations on Corporate Governance/ 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

# Sustainability Principles Compliance Report

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
A. General Principles							
A1. Strategy, Policy and Targets							
A1.1	The Board of Directors determines material environmental, social and governance (ESG) issues, risks and opportunities.	X				As a signatory of TCFD, Arçelik A.Ş. (Arçelik) determines ESG risks and scenarios in line with its sustainability vision at the Board of Directors level and discloses them publicly.  Board members oversee the implementation and execution of strategic decisions to be taken and action plans associated with all potentially risky ESG areas that might bear an impact on Arçelik's overall strategy, in particular the company's climate change strategy.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik Corporate Website</b> <a href="https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/">https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/</a> <a href="https://www.arcelikglobal.com/en/sustainability/policies/policies/">https://www.arcelikglobal.com/en/sustainability/policies/policies/</a> <a href="https://www.arcelikglobal.com/media/7252/tcfd_en.pdf">https://www.arcelikglobal.com/media/7252/tcfd_en.pdf</a>
	The Board of Directors establishes relevant ESG policies (e.g. Environmental Policy, Energy Policy, Human Rights and Employee Policy, etc.) and they are publicly disclosed.	X				Arçelik's policies regarding its sustainability practices in line with its sustainability vision can be found on the company website.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik Corporate Website</b> <a href="https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/">https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/</a> <a href="https://www.arcelikglobal.com/en/sustainability/policies/policies/">https://www.arcelikglobal.com/en/sustainability/policies/policies/</a>
A1.2	Publicly discloses short- and long-term goals set according to ESG policies.	X				Arçelik defined its short- and long-term sustainability goals with 2030 Sustainability Targets and 2050 Net Zero emission target, respectively, and publicly discloses its progress each year in its sustainability reports.  Arçelik submitted its revised Scope 1, Scope 2, and Scope 3 emission goals in line with the 1.5°C scenario for the approval of the Science Based Targets Initiative (SBTi).	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report, 2030 Goals Section</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Corporate Website</b> <a href="https://www.arcelikglobal.com/en/sustainability/intouch/2030-goals/">https://www.arcelikglobal.com/en/sustainability/intouch/2030-goals/</a> <a href="https://www.arcelikglobal.com/en/sustainability/in-touch-with-our-planet/combating-the-climate-crisis/">https://www.arcelikglobal.com/en/sustainability/in-touch-with-our-planet/combating-the-climate-crisis/</a> <a href="https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/">https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/</a>



# Sustainability Principles Compliance Report

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
A2. Implementation/Monitoring							
A2.1	Determines and discloses the committees/units responsible for the execution of ESG policies, and the highest level positions in charge of ESG issues at the company and their duties.	X				<p>Focused on managing its sustainability efforts at the highest level, Arçelik publicly discloses detailed information about the Risk Committee, Sustainability Board, and senior executives in charge of ESG issues via the Sustainability section in its Annual Report, its Sustainability Report and corporate website.</p> <p>Climate risks and opportunities are followed up and managed in parallel with the Net Zero by 2050 strategy and the general sustainability strategy; the Risk Committee under the Board of Directors is kept regularly informed of climate risks and opportunities.</p> <p>The Board of Directors has the broadest authority with respect to the execution of sustainability strategy at Arçelik. Koç Holding Consumer Durables President from amongst the Board of Directors members and Executive Director of Quality, Sustainability and Corporate Relations who is the company's senior executive having the highest authority in this matter, are assigned with reporting sustainability efforts to the Board of Directors based on the Board decision.</p>	<p><b>Arçelik 2022 Annual Report, Sustainability Section</b></p> <p><b>Arçelik Corporate Website</b></p> <p><a href="https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/">https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/</a></p>
	The responsible committee and/or unit reports the activities carried out as per the policies during the year at least once a year to the Board of Directors.	X				The Board of Directors member serving on the Risk Committee and assigned with Sustainability Principles Compliance activities reports to the Board of Directors.	<p><b>Arçelik 2022 Annual Report, Sustainability Section</b></p> <p><b>Arçelik Corporate Website</b></p> <p><a href="https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/">https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/</a></p>
A2.2	Creates and discloses implementation and action plans aligned with ESG targets.	X				Arçelik targets to achieve Net Zero emissions by 2050 throughout its value chain and regularly reports its implementations and action plans in this pathway publicly through its website and reports.	<p><b>Arçelik 2022 Annual Report, Sustainability Section</b></p> <p><b>Arçelik 2021 Sustainability Report</b></p> <p><a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a></p> <p><b>Arçelik Corporate Website</b></p> <p><a href="https://www.arcelikglobal.com/en/sustainability/in-touch-with-our-planet/combating-the-climate-crisis/">https://www.arcelikglobal.com/en/sustainability/in-touch-with-our-planet/combating-the-climate-crisis/</a></p>

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
A2.3	Discloses ESG Key Performance Indicators (KPI) and the degree of their achievement by years.	X				Arçelik has been monitoring ESG key performance indicators for more than 10 years; the company updates its indicators in the light of global indices and frameworks, and reports regularly its progress. Among the data set followed up at the Koç Group level, the indicators shared publicly cover the changes over the course of the last three years.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report, 2030 Goals Section and App. 4: Environmental Performance Indicators</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
A2.4	Discloses efforts for improving sustainability performance with respect to work processes or products and services.	X				Arçelik publishes Annual and Sustainability Reports each year and publicly discloses its practices and performance in sustainability area.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report, 2030 Goals Section</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
<b>A3. Reporting</b>							
A3.1	Discloses sustainability performance, targets and actions in an intelligible, accurate and adequate manner in annual reports.	X				Arçelik discloses intelligible, accurate and adequate information regarding its sustainability performance in its annual reports. Every year, various global sustainability indices evaluate Arçelik's performance based on the information provided in Annual and Sustainability Reports.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Corporate Website</b> <a href="https://www.arcelikglobal.com/en/company/reports-presentations/">https://www.arcelikglobal.com/en/company/reports-presentations/</a>
A3.2	Provides information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities relate to.	X				Arçelik supports the United Nations 2030 Agenda for Sustainable Development. The company makes public its priority targets as well as its practices and contribution to global goals every year in its Annual and Sustainability Reports.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report, Sustainable Development Goals Section</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Corporate Website</b> <a href="https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/">https://www.arcelikglobal.com/en/sustainability/our-approach/sustainability-governance/</a>

# Sustainability Principles Compliance Report

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
A3.3	Makes disclosures regarding the lawsuits filed and/or concluded against the company on account of ESG issues, which are material with respect to ESG policies and/or have material impact on operations.	X					Arçelik 2022 Annual Report, Other Disclosures
<b>A4. Verification</b>							
A4.1	ESG Key Performance measurements are verified by an independent third party and publicly disclosed.	X				ESG data reported globally by Arçelik are verified each year by an independent third party and publicly disclosed in Arçelik Sustainability Report. Arçelik Annual Reports, on the other hand, present the verified data for the three preceding years.	Arçelik 2022 Annual Report, Sustainability Section Arçelik 2021 Sustainability Report, App. 2 Verification Section <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
<b>B. Environmental Principles</b>							
B1	Publicly discloses its environmental management policy and practices, action plans, environmental management systems (known by ISO 14001 standard) and programs.	X				Arçelik configures its work processes in accordance with international product and governance standards, in particular ISO 14001 Environmental Management System integrated with ISO 9001 Quality Management System and ISO 50001 Energy Management System.	Arçelik Annual Report, Sustainability Section Arçelik 2021 Sustainability Report <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B2	Publicly discloses the limitations over the reporting scope, reporting period, reporting date, reporting conditions of the environmental reports to be prepared for providing environmental management information.	X				Arçelik discloses the scope, reporting period, date and conditions of the environmental management information it makes available to the public.	Arçelik 2022 Annual Report, Sustainability Section Arçelik 2021 Sustainability Report, App.-1 Scope Section <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B.3	Provided in A2.1.	X					

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B4	Discloses the environmental targets included in rewarding criteria within the scope of performance incentive systems on the basis of stakeholders (board members, executives, employees and so on).	X				Koç Diyalog, i.e. the performance management system, uses the OKR (Objectives and Key Results) methods whereby employees set objectives and key results aligned with the company targets. Strategies and objectives are dynamically revised according to priorities that change during the year. Emission reduction targets Arçelik committed for the short-term to the 2050 Science Based Targets Initiative are covered in the objective cards of various senior executives including the CEO, Chief Financial Officer, Chief Marketing Officer, Chief Technology and Production Officer, Executive Director of Quality, Sustainability and Corporate Relations, Executive Director of Purchasing and Executive Director of Procurement and so on.	<b>Arçelik 2022 Annual Report, Sustainability Section</b>
B5	Explains how environmental issues identified to be material are integrated into business goals and strategies.	X				Through the sustainability materiality report prepared biennially by Arçelik with the involvement of a wide range of stakeholders, its priorities, targets, and strategy are linked to material issues and regularly disclosed to the public.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report, Materiality Analysis Section</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik 2021 Materiality Analysis Report</b> <a href="https://www.arcelikglobal.com/media/6947/arcelik21_materiality_report.pdf">https://www.arcelikglobal.com/media/6947/arcelik21_materiality_report.pdf</a>
B6	Provided in A2.4.	X					

# Sustainability Principles Compliance Report

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B7	Explains how it manages environmental issues not just with respect to its direct operations but throughout the company's value chain including suppliers and customers and how they are integrated into its business goals and strategies.	X				Arçelik sets targets to achieve sustainability transformation throughout its value chain and publishes the activities it carries out every year in its Annual and Sustainability Reports.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B8	Discloses whether it is involved in policy-making processes on environmental issues (sectoral, regional, national and international); environmental associations that it is a member of, its collaborations with related organizations and non-governmental organizations, and the tasks it undertakes and the activities it supports, if any.	X					<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report, App.-5</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B9	Periodically reports information about its environmental impacts comparatively in the light of environmental indicators; GHG emissions Scope 1 (Direct), Scope 2 (Indirect from purchased energy), Scope 3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity implications).	X				Scope 1, Scope 2 and Scope 3 GHG emissions are regularly calculated as part of sustainability activities, verified by an independent third party pursuant to ISO 14064-1, and reported comparatively with previous years.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2022 Annual Report, Sustainability Principles Compliance Statement Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Corporate Website</b> <a href="https://www.arcelikglobal.com/en/sustainability/intouch/areas/commitments-on-biodiversity-no-deforestation/">https://www.arcelikglobal.com/en/sustainability/intouch/areas/commitments-on-biodiversity-no-deforestation/</a>
B10	Describes the standard, protocol, methodology and baseline year details used to collect and calculate its data.	X					<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B11	Describes the status of environmental indicators for the reporting year (increase or decrease) in comparison with previous years.	X					<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B12	Sets short- and long-term goals to reduce its environmental impact and discloses these goals and the progress, if any, as compared to the targets set in previous years.	X				Arçelik set sustainability targets for 2030 and 2050 to mitigate its environmental impact, and publishes its progress in its Sustainability and Annual Reports.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B13	Discloses its strategy and actions to combat the climate crisis.	X				Arçelik has developed its Climate Change Strategy and made it public on its website.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Corporate Website, Combating Climate Change</b> <a href="https://www.arcelikglobal.com/en/sustainability/in-touch-with-our-planet/combating-the-climate-crisis/">https://www.arcelikglobal.com/en/sustainability/in-touch-with-our-planet/combating-the-climate-crisis/</a>
B14	Explains its programs or procedures to prevent or minimize the potential negative impacts of the products and/or services it offers.	X				Within the scope of its Global Environmental Policy, Arçelik works to conserve natural resources through innovative products and improved operations, and develops programs aimed at reducing its environmental footprint. The company publishes its efforts in this field every year in its Annual and Sustainability Reports.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Global Environmental Policy</b> <a href="https://www.arcelikglobal.com/media/5626/cevre_en.pdf">https://www.arcelikglobal.com/media/5626/cevre_en.pdf</a>
	Takes and explains its actions for driving reduction of GHG emission quantities of third parties (e.g. suppliers, sub-contractors, dealers, etc.)	X				Arçelik accepts sustainability as a business model throughout its value chain and cooperates for accelerating the sustainable transformation of all its stakeholders. All these efforts are disclosed in detail each year in Arçelik Annual Report and Sustainability Report.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B15	Discloses the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/revenues and cost savings they provide.	X				Arçelik regularly discloses the number of efficiency and saving projects and actions derived as a result of its sustainability efforts in its company reports that are open to the public.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>

# Sustainability Principles Compliance Report

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B16	Reports the total energy consumption data (gas, diesel oil, fuel oil, LPG, coal, electricity, heating, cooling, etc.) and discloses its energy consumption as Scope 1 and Scope 2.	X				Scope 1 and Scope 2 GHG emissions are regularly calculated within the scope of sustainability efforts, which are verified by an independent third party pursuant to ISO 14064-1 and publicly disclosed. Similarly, energy consumption data are also reported broken down into "renewables/non-renewables" to correspond to the expectations of international sustainability indices.	Arçelik 2022 Annual Report, Sustainability Section Arçelik 2021 Sustainability Report, App. 4 <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B17	Provides information about the electricity, heat, steam and cooling generated during the reporting year.			X		Data on the electricity generated in a given year is publicly disclosed in a comparative format in the Sustainability Report upon completion of the verification. Heat, steam, and cooling energy generated are considered secondary energy types and the verified consumption amounts pertaining to primary energy resources used to obtain them will be reported in the Sustainability Report. Arçelik is also upgrading its existing energy monitoring systems in place to monitor and report these secondary energy types.	Arçelik 2022 Annual Report, Sustainability Section and Compliance Statement Arçelik 2021 Sustainability Report <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B18	Conducts and discloses studies on increasing the use of renewable energy, transition to zero or low carbon electricity.	X				Arçelik publicly discloses its renewable energy targets, investments and energy projects carried out in its company reports every year.	Arçelik 2022 Annual Report, Sustainability Section Arçelik 2021 Sustainability Report <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B19	Discloses data on its renewable energy generation and consumption.	X					Arçelik 2022 Annual Report, Sustainability Section Arçelik 2021 Sustainability Report <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B20	Develops energy efficiency projects and discloses the quantity reduced in energy consumption and emission enabled by these efforts.	X				Arçelik discloses consumption and emission reductions secured owing to the energy efficiency projects carried out in its company reports.	Arçelik 2022 Annual Report, Sustainability Section Arçelik 2021 Sustainability Report <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>



		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B21	Reports the amount of underground or overground water withdrawn, recycled and discharged, the resources and procedures.	X					<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B22	Discloses whether its operations or activities are included in any carbon pricing system (Emission Trading System, Cap and Trade or Carbon Tax).	X				<p>Since the regulatory framework governing the carbon pricing system has yet to be finalized in Türkiye, the company is not included in any carbon pricing system.</p> <p>Potential implications of low-carbon transition upon Arçelik's operations are analyzed in terms of policy, market, reputational and technology risks. The external S&amp;P Trucost ESG methodology has been employed for the policy risk and related carbon price.</p>	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B23	Discloses the carbon credits saved or purchased during the reporting period.	X				No carbon credits were saved or purchased during the reporting period.	<b>Arçelik 2022 Annual Report, Sustainability Section and TCFD Table</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B24	Discloses the details if carbon pricing is applied within the company.	X				<p>Potential implications of low-carbon transition upon Arçelik's operations are analyzed in terms of policy, market, reputational and technology risks.</p> <p>The external S&amp;P Trucost ESG methodology has been employed for the policy risk and related carbon price. In 2020, Arçelik introduced the Shadow Price Internal Carbon Pricing Model.</p>	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
B25	Discloses the platforms that it reports its environmental information to.	X				Arçelik discloses its environmental data in all its regular company reports made available to the public and on its corporate website.	<b>Arçelik Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Corporate Website</b> <a href="https://www.arcelikglobal.com/en/sustainability/overview/">https://www.arcelikglobal.com/en/sustainability/overview/</a>

# Sustainability Principles Compliance Report

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
C. Social Principles							
C1. Human Rights and Employee Rights							
C1.1	Develops a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Türkiye and other applicable legislation. Discloses the policy and the roles and responsibilities associated for its implementation.	X				When determining its approach and attitude towards human and employee rights, Arçelik adheres to the requirements of global initiatives including the United Nations Global Compact (UNGC), which it has voluntarily participated in, and the International Labor Organization (ILO), develops policies and transparently discloses all its activities implemented in accordance with those principles with the public in its company reports.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Human Rights Policy</b> <a href="https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf">https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf</a> <b>Arçelik Human Rights Due Diligence Process</b> <a href="https://www.arcelikglobal.com/media/6508/human_rights_due_diligence.pdf">https://www.arcelikglobal.com/media/6508/human_rights_due_diligence.pdf</a>
C1.2	Incorporates equitable workforce, improvement of working standards, women's employment and inclusion (not discriminating on the basis of gender, race, religion, language, marital status, ethnicity, sexual orientation, gender identity, family responsibilities, union activities, political affiliation, disabilities, social and cultural differences, etc.) in its policy concerning employee rights, while looking out for the effects of supply and value chain.	X					<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Human Rights Policy</b> <a href="https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf">https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf</a> <b>Arçelik Human Rights Due Diligence Process</b> <a href="https://www.arcelikglobal.com/media/6508/human_rights_due_diligence.pdf">https://www.arcelikglobal.com/media/6508/human_rights_due_diligence.pdf</a>  <b>Arçelik Responsible Purchasing Policy</b> <a href="https://www.arcelikglobal.com/media/5553/responsible-purchasing-policy_en.pdf">https://www.arcelikglobal.com/media/5553/responsible-purchasing-policy_en.pdf</a>

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
C1.3	Discloses the measures taken throughout the value chain for protecting the rights of groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or for securing minority rights/equal opportunity.	X					<b>Arçelik 2022 Annual Report, Sustainability Section Human Rights</b> <b>Arçelik 2022 Annual Report, Human Resources Practices</b> <b>Arçelik Human Rights Policy</b> , Diversity and Equal Employment Opportunity, Anti-Discrimination <a href="https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf">https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf</a> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
C1.4	Reports on progress in relation to actions for preventing and remedying discrimination, inequality, human rights violations, forced labor and child labor.	X					<b>Arçelik 2022 Annual Report, Sustainability Section Human Rights</b> <b>Arçelik 2022 Annual Report, Human Resources Practices</b> <b>Arçelik Human Rights Policy</b> , Anti-Discrimination, Zero Tolerance to Child Labor and Forced Labor, Freedom of Unionization and Collective Bargaining, Health and Safety, Zero Tolerance to Harassment and Violence, Working Hours and Wages, Personal Development <a href="https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf">https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf</a> <b>Arçelik Declaration on Equality at Work</b> <a href="https://www.arcelikglobal.com/media/5711/tem20declaration_on_equality_at_work.pdf">https://www.arcelikglobal.com/media/5711/tem20declaration_on_equality_at_work.pdf</a> <b>Arçelik Anti-Discrimination and Anti-Harassment Policy</b> <a href="https://www.arcelikglobal.com/media/6317/16_global-anti-discrimination-and-anti-harassment.pdf">https://www.arcelikglobal.com/media/6317/16_global-anti-discrimination-and-anti-harassment.pdf</a> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>

# Sustainability Principles Compliance Report

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
C1.5	Incorporates investments in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work/life balance solutions and talent management in its policies concerning employee rights.	X					<b>Arçelik 2022 Annual Report, Sustainability Section Human Rights</b> <b>Arçelik 2022 Annual Report, Human Resources Practices</b> <b>Arçelik 2022 Annual Report, Talent Management</b> <b>Arçelik Human Resources Policy</b> , Freedom of Unionization and Collective Bargaining, Health and Safety, Working Hours and Wages, Personal Development <a href="https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf">https://www.arcelikglobal.com/media/6236/15_global-human-rights-policy-en-1.pdf</a> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
	Determines the mechanisms for resolution of employee complaints and labor disputes, and establishes conflict resolution processes.	X					<b>Arçelik 2022 Annual Report, Sustainability Section Human Rights</b> <b>Arçelik 2022 Annual Report, Human Resources Practices</b> <b>Arçelik Whistleblowing Policy</b> <a href="https://www.arcelikglobal.com/media/5515/3_global-whistleblowing-policy.pdf">https://www.arcelikglobal.com/media/5515/3_global-whistleblowing-policy.pdf</a> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
	Discloses the activities for ensuring employee satisfaction during the reporting period.	X					<b>Arçelik 2022 Annual Report, Sustainability Section Human Rights</b> <b>Arçelik 2022 Annual Report, Human Resources Practices</b> <b>Arçelik 2022 Annual Report, Employee Engagement</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
C1.6	Establishes and discloses occupational health and safety policies.	X				Arçelik established its occupational health and safety policy and shared it on its public corporate communication channels. The company publishes its activities in this field every year in its corporate reports.	<b>Arçelik 2022 Annual Report, Sustainability Section Occupational Health and Safety</b> <b>Arçelik Occupational Health and Safety Policy</b> <a href="https://www.arcelikglobal.com/media/6967/global-occupational-health-and-safety-policy.pdf">https://www.arcelikglobal.com/media/6967/global-occupational-health-and-safety-policy.pdf</a>
	Discloses the measures adopted for preventing workplace accidents and for protecting occupational health along with statistical data on accidents.	X					<b>Arçelik 2022 Annual Report, Sustainability Section Occupational Health and Safety</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
C1.7	Establishes and discloses personal data protection and data security policies.	X				Arçelik established its policy for protection of personal data and data security, and shared it on public corporate communication channels. The company publishes its activities in this field every year in its corporate reports.	<b>Arçelik Annual Report, Sustainability Section Protection of Personal Data</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Information Security Policy</b> <a href="https://www.arcelikglobal.com/media/5766/23-07-2020-1-information-security_policy.pdf">https://www.arcelikglobal.com/media/5766/23-07-2020-1-information-security_policy.pdf</a> <b>Arçelik PDPL Policy</b> <a href="https://www.arcelikglobal.com/media/5078/9_global-data-privacy-policy.pdf">https://www.arcelikglobal.com/media/5078/9_global-data-privacy-policy.pdf</a> <b>Arçelik Code of Conduct</b> <a href="https://www.arcelikglobal.com/media/5510/1_global-code-of-conduct_.pdf">https://www.arcelikglobal.com/media/5510/1_global-code-of-conduct_.pdf</a>
C1.8	Establishes and discloses a code of ethics.	X				Arçelik established its code of conduct, and shared it on public corporate communication channels. The company publishes its activities in this field every year in its corporate reports.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Code of Conduct</b> <a href="https://www.arcelikglobal.com/media/5510/1_global-code-of-conduct_.pdf">https://www.arcelikglobal.com/media/5510/1_global-code-of-conduct_.pdf</a>
C1.9							
C1.10	Organizes information meetings and training programs on ESG policies and practices for employees.	X					<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>

# Sustainability Principles Compliance Report

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
C2. Stakeholders, International Standards and Initiatives							
C2.1	Establishes and discloses a customer satisfaction policy for handling and resolving customer complaints.	X				Arçelik established its customer satisfaction policy and shared it on public corporate communication channels. The company publishes its activities in this field every year in its corporate reports.	<b>Arçelik 2022 Annual Report, Customer Services Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Customer Satisfactory Policy</b> <a href="https://www.arcelikglobal.com/media/5724/20tcustomersatisfactorypolicy.pdf">https://www.arcelikglobal.com/media/5724/20tcustomersatisfactorypolicy.pdf</a>
C2.3	Discloses information about the communication maintained with stakeholders (which stakeholders, topics and frequency).	X					<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
C2.3	Discloses the international reporting standards embraced in its reporting.	X					<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report, About the Report Section</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a>
C2.4	Discloses the principles embraced in relation to sustainability, international organizations, committees and principles that it is a signatory or member of.	X				Principles the company embraced in relation to sustainability, international organizations, committees and principles that the company is a signatory or member of are disclosed on Arçelik's corporate communication channels. The responsibility Arçelik assumes in these formations and the roles it fulfills are publicly disclosed every year in company reports.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report, About the Report Section</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Corporate Website</b> <a href="https://www.arcelikglobal.com/en/sustainability/engagements/engagements/">https://www.arcelikglobal.com/en/sustainability/engagements/engagements/</a>
C2.5	Makes improvements and concrete efforts to qualify for inclusion in sustainability indices of Borsa İstanbul and/or international index providers.	X				Arçelik works to be listed in and improve its performance on, internationally leading sustainability indices including Borsa İstanbul and reports its progress on the indices.	<b>Arçelik 2022 Annual Report, Sustainability Section</b> <b>Arçelik 2021 Sustainability Report, Sector Leadership Section</b> <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> <b>Arçelik Corporate Website</b> <a href="https://www.arcelikglobal.com/en/sustainability/awards-achievements/">https://www.arcelikglobal.com/en/sustainability/awards-achievements/</a>

		COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
D. Corporate Governance Principles							
D.1	Seeks stakeholders' opinions when determining the measures and strategies in relation to sustainability.	X				<p>Arçelik deems it important to determine, prioritize, evaluate and report the factors that have the highest material impact on its stakeholders.</p> <p>In keeping with the changing global sustainability agenda, the materiality analysis is renewed every two years. The inputs from the widely-participated questionnaire administered to different key stakeholder groups are blended with the opinions of the company's senior management, and thus created Arçelik's materiality matrix. The distribution of the Materiality Analysis results with respect to stakeholder groups and geographical regions is publicly disclosed.</p>	<p><b>Arçelik 2022 Annual Report, Sustainability Section</b></p> <p><b>Arçelik 2022 Annual Report, Sustainability Principles Compliance Statement</b></p> <p><b>Arçelik 2021 Sustainability Report, Materiality Matrix Section</b></p> <p><a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a></p> <p><b>Arçelik 2021 Materiality Report:</b></p> <p><a href="https://www.arcelikglobal.com/media/6947/arcelik21_materiality_report.pdf">https://www.arcelikglobal.com/media/6947/arcelik21_materiality_report.pdf</a></p>
D.2	Works on raising awareness of sustainability and its importance through social responsibility projects, awareness activities and training programs.	X				<p>In the light of its Corporate Citizenship Policy, Arçelik implements various social initiatives catering to human needs in its geographies and also in other areas with the aim of supporting sustainable living. The company discloses all its activities and their outputs every year in its corporate reports.</p>	<p><b>Arçelik 2022 Annual Report, Sustainability Section</b></p> <p><b>Arçelik 2021 Sustainability Report, In Touch with Human Needs Section</b></p> <p><a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a></p> <p><b>Arçelik Corporate Citizenship Policy</b></p> <p><a href="https://www.arcelikglobal.com/media/5758/22-07corporate-citizenship-policy_son.pdf">https://www.arcelikglobal.com/media/5758/22-07corporate-citizenship-policy_son.pdf</a></p>



# TCFD Reporting and Other ESG Related Risks and Opportunities Table

TCFD Recommendation	Arçelik's TCFD Response
<b>Governance:</b> Disclose the organization's governance around climate-related issues and opportunities. a. Describe the board's oversight of climate-related risks and opportunities. b. Describe management's role in assessing and managing climate-related risks and opportunities.	<p><b>a. Board Oversight of Climate Related Risks and Opportunities:</b></p> <p>The Board of Directors (BoD) is the highest governing body for the management of sustainability strategy including climate risks and opportunities is responsible for overseeing the implementation of Arçelik's Net Zero Strategy. One board member, who is also Arçelik's parent Company Koç Holding Consumer Durables President, has been appointed by the BoD as the responsible board member to inform the BoD on major achievements, risks and opportunities faced by Arçelik in implementation of the Net Zero Strategy. In 2022, three reports were prepared to the attention of the BoD, which were presented in the BoD meetings. The submission of the commitment to make our 2050 Net Zero commitment in line with Science Based Targets initiative's (SBTi) Net Zero Standard to the SBTi, investments on renewable energy, engagement with suppliers on emission reduction target plans, Scope 3 product emission tracking system implemented on more than 40 subsidiaries were part of items included in these reports.</p> <p>Arçelik's Net Zero 2050 Roadmap and the implementation action plan has been presented to the attention of BoD and the shareholders at the Annual General Shareholders Meeting held in 2022.</p> <p>The Risk Management Committee is the Board level committee responsible to monitor and review the climate related risks and opportunities and has responsibility to oversee the implementation of the mitigation action plans for both transition risks and physical risks. In 2022, the infrastructure to integrate the climate related risk issues to these meetings was implemented. The climate related risk items discussed in the Risk Management Committee meetings were:</p> <ul style="list-style-type: none"> <li>· Potential financial implications of the implementation of the EU Carbon Border Adjustment mechanism based on several scenario analysis of the cost of the potential tax</li> <li>· Arçelik's Net Zero 2050 Commitment to the Science Based Targets initiative, the long-term investment needs, risks and opportunities on the way to implementation of the roadmap, including the cost of carbon on voluntary markets</li> <li>· Water scarcity risk as a result of physical risk analysis, and the investments, actions needed to reach a 70% water recycling ratio in production facilities globally</li> <li>· Regulations that would have direct financial impact on Arçelik operations such as the WEEE regulations as well as plastic packaging taxes</li> </ul> <p><b>b. Management's Role in Assessing and Managing Climate Related Risks and Opportunities</b></p> <p><b>Sustainability Council:</b> The Sustainability Council, chaired by the Chief Finance Officer (CFO) is the highest management level committee that governs the climate-related and other ESG risks and opportunities. It is the highest governing body to manage climate related issues in the executive management team. The executive members of the Sustainability Council include the Chief Executive Officer, Chief Production and Technology Officer, Chief Strategy and Digital Officer, Chief People Officer, Chief Purchasing and Supply Chain Officer, Quality, Sustainability and Corporate Affairs Executive Director, Finance and Enterprise Risk Executive Director, R&amp;D Executive Director, and Legal and Compliance General Counsel.</p> <p>In order to ensure effective integration of the climate-related risks and opportunities as well as other ESG risks, the issues discussed in the Sustainability Council for effective management of the climate and other ESG related risks and opportunities are reported to the Risk Management Committee at least twice a year.</p> <p>The Sustainability Council gathers quarterly during a year. The purpose of the Sustainability Council is to monitor the implementation of the Group Sustainability Strategy, with a specific focus on implementation of the Net Zero 2050 Roadmap. The below mentioned climate related issues have been discussed with necessary action plans during the meetings:</p> <ul style="list-style-type: none"> <li>· Investment need and related action plans to increase the renewable energy capacity globally</li> <li>· Long-term investment need related to the Science Based Targets Net Zero 2050 commitment, the potential implications of the price increases in the voluntary carbon markets, especially nature-based removals</li> <li>· Biodiversity and deforestation commitments and the necessary action plans needed</li> <li>· Information demand from trade partners in the retail channel on energy efficiency, recycled content, durability, reparability</li> </ul> <p><b>Sustainability Working Groups:</b> The Energy Working Group (WG), Green Chemistry WG, Environment WG, Operational Health and Safety WG, Sustainable Supply Chain WG, Climate Change WG and the Human Rights WG gather periodically throughout the year to determine the issues to be brought up at Sustainability Council Meetings.</p> <p><b>Highest Management Level Position with Responsibility:</b> The Quality, Sustainability and Corporate Affairs Executive Director, reporting directly to the CEO, is the highest management level position with responsibility to adapt strategic action plans for climate change related mitigation and adaptation risks. The Quality, Sustainability and Corporate Affairs Executive Director has been mandated by the BoD with a Board Decision to report and inform the BoD of the company's overall Sustainability strategy.</p>

TCFD Recommendation	Arçelik's TCFD Response
	<p>Policy Influence: The role includes managing climate related policy making agenda with the external stakeholders such as NGO's, trade associations and other business partners, periodically reviewing and monitoring to make sure the alignment of such policy making activities to be in line with the Paris Agreement.</p> <p><b>Sustainability-linked Pay:</b> GHG emission reduction targets as part of the Science Based Targets of Arçelik (decreasing energy consumption in factories, decreasing Scope 3 use phase energy consumption of the products) are included in the performance scorecards of the CEO, CFO, Chief Product and Technology Officer, Chief Purchasing and Supply Chain Officer, Product Management Executive Director as well as the Quality, Sustainability and the Corporate Affairs Executive Director and Factory Executive Directors.</p>
<p><b>Strategy</b> Disclose the actual and potential impacts of climate related risks and opportunities on the organization's business, strategy and financial planning, where such information is material.</p> <p>a. Describe the climate related risks and opportunities the organization has identified over the short, medium and long term</p> <p>b. Describe the Impact of climate related risks and opportunities on the organization's businesses, strategy and financial planning</p> <p>c. Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.</p>	<p><b>a. Describe the climate related risks and opportunities the organization has identified over the short, medium and long term</b></p> <p><b>b. Describe the impact of climate related risks and opportunities on the organization's businesses, strategy and financial planning</b></p> <p>As a company operating in a vast geography, Arçelik is exposed to different climate change and ESG-related risk factors in the short, medium and long term. Since the effects of climate change and other ESG risks on our operations cannot be observed immediately, time intervals are defined as differently.</p> <p>The climate related risks and opportunities are broken down to transition risks and physical risks based on the TCFD requirements. The transition risks are further broken down into; policy, market, reputation and technology risks.</p> <p><b>Methodologies applied</b></p> <p>The potential impacts of the transition to a low-carbon economy on Arçelik operations were analyzed in terms of the policy, market, reputation, and technology risks. For policy risk and the related price of carbon, the S&amp;P Trucost ESG methodology has been outsourced. The S&amp;P Trucost ESG Methodology includes a Corporate Carbon Pricing Tool that analyzes carbon price risk premiums on High, Medium, Low carbon price scenarios based on the responsiveness level of each scenario to limit global warming to 2°C.. The scenarios have been based on 2030 and 2050 projections.</p> <p>In the high carbon price scenario for 2030, Scope 3 emissions is the largest contributor to Arçelik's carbon pricing risk.</p> <p>The market, reputation, and technology risk analysis are based on the internal expertise of Arçelik, using IEA STEPS, Sustainable Development Scenario (SDS), and International Energy Agency (IEA) Net- Zero 2050 Scenarios.</p> <p>For physical risk, the S&amp;P Trucost ESG methodology, WRI Aqueduct and Arçelik internal expertise have been used.</p> <p>Various parameters were developed for alternative scenarios to observe the possible effects of the physical and transition risks of climate change. By using alternative scenarios, Arçelik develops resilient strategic business plans and reduces the vulnerability of its operations.</p> <p>Related to climate change, Arçelik considers potential material impacts such as destructive natural events caused by rising temperatures, additional costs such as taxes on carbon and GHG emissions, and regulatory changes like EU's Carbon Border Adjustment Mechanism and shifting customer demand to more energy-efficient products. Arçelik evaluates the impact of all these potential risks on its operations in terms of both financial and non-financial results. These risks have decisive impacts on supply chain, product development, R&amp;D, innovation, purchasing, production and sales, as well as on premises such as manufacturing plants and warehouses. Therefore, in critical decision-making processes such as setting strategic goals, allocating financial resources or making a new investment decision, the risks and possible impacts of climate change have been directly integrated into the process.</p> <p>While deciding on robust strategies over climate related risks and opportunities, Arçelik considers the IPCC's low (RCP2.6), moderate (RCP 4.5) and high (RCP 8.5) scenarios, which are mainly depending on the global warming levels by 2100, together to decide on the company's short, medium and long-term targets. According to the possible scenarios indicated by the IPCC, the increase in global mean surface temperature averaged over 2081-2100 compared to pre-industrial periods would be as follows:</p> <p>RCP 2.6- 1.6°C RCP 4.5- 2.4°C RCP 8.5- 4.3°C</p>

# TCFD Reporting and Other ESG Related Risks and Opportunities Table

TCFD Recommendation	Arçelik's TCFD Response
	<p><b>Transition Risks</b></p> <p><b>Risk Type:</b> Policy Risk</p> <p><b>Term:</b> Short-Medium and Medium-Long Term</p> <p><b>Financial Impact:</b> High</p> <p>Likelihood: High</p> <p><b>Risk</b></p> <p>In order to keep the global warming trajectory to an optimistic scenario aligned with 1.5 degree, reducing adverse and irreversible impacts of global warming is in the main agenda of international and regional organizations, there are increasing trend to set rules and standards for companies operating in different sectors. Arçelik's possible risks are shaped around the new regulations especially set by the EU from the perspective of the EU Green Deal and the potential ETS mechanisms to be applied in Arçelik's production countries globally.</p> <p>According to Arçelik's analysis, potential climate related policy risks of Arçelik are defined as:</p> <ul style="list-style-type: none"> <li>· Increasing cost of carbon and potential introduction of ETS mechanisms in countries where Arçelik operates</li> <li>· EU Green Deal potential carbon tax implications on Arçelik operations regarding cost increases in Arçelik's key production inputs such as steel and glass, potential impact on the company's exports from the non-EU countries to the EU (almost half of Arçelik's revenue),</li> <li>· Cost up per product to innovate more energy efficient appliances to meet potential upcoming regulations in the global markets Arçelik operates, coupled with the mid-term 2030 Science Based Targets and the 2050 Net Zero Science Based Targets Commitment</li> <li>· Rise in voluntary carbon prices especially the carbon removal credit prices</li> <li>· Costs associated with reducing logistics emissions in the value chain</li> <li>· Costs associated with helping suppliers transform to a low carbon economy and reduce raw material emissions for Arçelik production</li> </ul> <p><b>Opportunity</b></p> <p>Below mentioned actions taken create GHG, water and waste reduction opportunities for Arçelik, all the while increasing the capacity to get access to green financing, increase investor and strategic customer confidence. Arçelik also continuously seeks new business opportunities generated by the transition to net zero.</p> <ul style="list-style-type: none"> <li>· <a href="#">Approved 2030 Science Based Targets (SBTi's) for a well below 2°C scenario and pending targets for 1.5°C scenario.</a></li> <li>· Commitment to make its Net Zero 2050 target aligned with the <a href="#">SBTi Net Zero Standard</a></li> <li>· Green bond and green loan used solely to finance green investments to keep up with the climate targets including energy and water efficiency in production, energy efficient appliance production, recycled material usage, waste management- <a href="#">Arçelik Green Bond Allocation and Impact Report</a></li> <li>· Commitment to <a href="#">EP100</a> to double energy productivity per revenue by 2030</li> <li>· Ensure 100% green electricity purchase in global production facilities by 2030</li> <li>· 50MW renewable energy investment by 2030</li> <li>· EUR 50 Internal carbon price mechanism applied on investment of machinery and equipment exceeding €50,000 and 50 kW capacity</li> <li>· Policy influence actions taken with distinguished NGO's and trade associations to align the policy setters' actions with 1.5 degree goal of the Paris Agreement</li> </ul> <p><b>Risk Type:</b> Market and Technology Risk</p> <p><b>Term:</b> Medium-Long Term</p> <p><b>Financial Impact:</b> High</p> <p>Likelihood: High</p> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>· Shift in demand expected to <b>more energy-efficient appliances</b> as part of efforts to keep the global warming in line with the 1.5°C scenario (IEA STEPS, SDS, Net Zero 2050)</li> <li>· Increasing number of companies committing to net zero targets and further improvement of innovative business models and emergence of new technologies on the way to net zero</li> <li>· <b>40% of energy consumption is related to household appliances in homes.</b> Demand for electricity is expected to grow especially in emerging economies as middle class increases. Demand for major domestic appliances such as dishwashers, washing machines, air conditioners and refrigerators is expected to increase significantly in the emerging markets as the purchasing power increases and as the world keeps getting warmer in the APAC region. Especially demand for air conditioners and refrigerators will increase in a fast manner.</li> </ul>

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	<ul style="list-style-type: none"> <li>Arçelik intends to grow in the APAC region. The countries in these regions are not heavily regulated as in the EU. EU has stringent Energy Labelling requirements. In contrast, in the emerging markets, majority of countries lack even minimum energy labelling requirements. The unregulated market in terms of energy efficiency creates challenges for a company like Arçelik who has global Science Based Targets in place to reduce the energy consumption of the appliances it produces globally.</li> <li><b>GHG emissions related to the product use phase of appliances sold by Arçelik constitutes nearly 80% of Scope 3 emissions in Arçelik's value chain.</b></li> <li>In line with Arçelik's Net Zero commitment to the Science Based Targets initiative, the company <b>aims to follow a strategy to provide energy efficient appliances ahead of legislation in the developing countries where Arçelik operates such as South Africa, Pakistan, India and Bangladesh.</b></li> <li>Since Arçelik has a significant growth potential in Southeast Asia and other emerging markets, investment in PU installation technologies with significantly smaller GWP; 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.</li> <li>Arçelik will have to incur increasing cost per product and investment expenditures to provide energy efficient appliances in the emerging markets despite the lack of energy efficiency regulations in these markets. It might not be able to reflect increasing costs to its customers and this might even impact the profitability of the company going forward.</li> </ul> <p><b>Opportunity</b></p> <p>Creating demand to innovate for energy efficient appliances and new features to both boost sales and increase the green revenue in the emerging markets in a resource efficient manner is a major opportunity. Entering new business opportunities created by the transition to net zero in terms of energy tracking connected IoT devices and heat pump technologies to heat homes are also major opportunities.</p> <ul style="list-style-type: none"> <li>Previous experience in South African market to provide energy efficient appliances in a non-regulated market, which can be copied in other emerging markets:             <ul style="list-style-type: none"> <li>Following the acquisition of DEFY in 2011, Arçelik invested heavily in R&amp;D and innovation to increase energy efficient appliances put on the market despite lack of regulations and the costs. Arçelik enabled the faster introduction of energy efficiency requirements in the market, and increased the average energy efficiency levels of the products from E class to A in 5 years. Now, the company has upgraded Arçelik's refrigerator product range to A+. The gap between what the company offers at minimum and the legal limit speaks of more than a 40% energy saving.</li> </ul> </li> <li>Dawlance, the market leader in Pakistan was acquired four years ago. 70% of the population either have no access to power grid or suffer daily power cuts. In Pakistan, there is no current regulatory mandate for energy efficiency standards and labeling of home appliances. Many fridges are still made containing fluorinated refrigerant gases (HFCs).</li> <li>After Dawlance acquisition by Arçelik, the company started introducing high-quality, energy-efficient and affordable products that meet the highest environmental standards.</li> <li>Arçelik considers the low penetration rates and the lack of regulations in certain markets as an opportunity to educate customers on the importance of energy efficient appliances. Arçelik is aware of the opportunity that it can lead such markets with energy efficient products.</li> <li>Increasing investments to innovate for energy efficient appliances via green financing also provides an opportunity to finance these investments in a cost-effective manner.</li> <li>Arçelik sets sustainability awareness targets for its brand managers to increase the sustainability awareness of its major global brands Arçelik, Beko and Grundig. The GHG emission reduction targets aligned with the targets to keep with the Science Based Targets commitments are also included in the performance score cards of the C level, D level and manager level employees.</li> <li>Arçelik has introduced the <a href="#">SaveWater</a> range in the IFA Trade Fair in 2022 (tumble dryer and dishwasher combined) which provides water savings of 7,8 liters of water each water cycle.</li> <li>As examples of leading energy efficient products introduced in the market in 2022:             <ul style="list-style-type: none"> <li>Arçelik has introduced the A-10% 60 cm platform dishwasher that consumes 10% less energy than the best A energy class in the market in the EU and Türkiye markets.</li> <li>The patented Green and Clean technologies introduced with the Arçelik branded dishwashers in the Türkiye market provides 25% more energy savings in each wash compared to conventional models.</li> <li>The 9 kg 1400 rpm A-30% washing machine introduced in the EU markets is also a very distinguished energy efficient model, 30% more efficient than the best A energy class in the market.</li> </ul> </li> <li>Increasing number of IoT products which will be able to track energy efficiency levels of home appliances and direct end users into choosing less energy and water consuming programs will enable the company to enter into extended business opportunities with other distinguished business partners.</li> </ul>

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	<ul style="list-style-type: none"> <li>· Entry into residential heat pump business will also provide new opportunities for Arçelik.</li> <li>· Arçelik's major retail customers also have Science Based Targets focused on reducing the impact of appliances sold by their channel. Therefore, Arçelik's Science Based Targets and offerings on energy and water efficient appliances coupled with Arçelik's leadership in sustainability indices makes Arçelik a trusted partner for strategic retail customers.</li> </ul> <p><b>Risk Type: Reputation and Market Risk, Failure to Transition to a Low Carbon Economy</b></p> <p>Term: Short-term</p> <p>Financial Impact: Low</p> <p>Likelihood: Low</p> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>· Increasing demand from investors and international/national sustainability indices for companies to commit to international credible initiatives like the Science-based Targets Initiative, implement further TCFD requirements, comply with newly introduced regulations such as the IFRS-ISSB or EU CSRD.</li> <li>· Increasing demand from strategic retail partners of Arçelik to provide them with data on Arçelik's energy and resource efficient products. Retail channels started differentiating products with high energy efficiency and recycled content or water efficiency used in the products in their websites in sales offerings to the end users. Each retail channel has their own product grading system. Under lack of unified and internationally accepted grading criteria, this poses a competition threat to manufacturers because the system now is dependent on declarations from manufacturers.</li> <li>· Arçelik reports to international indices such as Dow Jones Sustainability Indices, CDP, Corporate Knights, FTSE, MSCI and has Science Based Targets for 2030 and 2050. The company has the ambition to differentiate itself from the competition by getting best results from indices and also by keeping up with its commitments to the Science Based Targets initiative.</li> <li>· The company is publicly traded with more than 30% of the shares held by international investors. Therefore, any failure from Arçelik's end to meet the company's ambitious targets for SBTi or placing in significant sustainability indices cause critical reputational damage.</li> </ul> <p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>· Arçelik is one of the pioneers among the company's industry and also among other sectors globally in terms of putting sustainability at the center of doing business.</li> <li>· Board-level support to transform not only the company but also Arçelik's value chain.</li> <li>· Arçelik's pathway for 2050 net-zero target clearly shows the company's great effort upon investor demands and the requirements defined by the indices and frameworks.</li> <li>· Arçelik has approved Science Based Targets and committed to the Science Based Targets Net Zero Standard to set a science-based net zero target. Arçelik also joined to the Business Ambition for 1.5 degree Celsius and the Race to Zero in 2021.</li> <li>· Arçelik received the highest score from the Dow Jones Sustainability Index for four (2019, 2020, 2021, 2022) consecutive years in the company's industry.</li> <li>· The company also places in the Corporate Knights Top 100 Most Sustainable Companies list as 89th for third consecutive year.</li> <li>· Arçelik is the 16th company on The Real Leaders Top 300 Impact Companies of 2023.</li> <li>· The company has low risk ranking from ESG perspective by 12.8 by Sustainalytics.</li> <li>· Arçelik actively reports to the CDP Climate Change and Water Security programs and has A-/A score for both of the reports.</li> <li>· Finally, Arçelik is one of the 45 global companies awarded the Terra Carta Seal and the first and only company from the company's industry and Türkiye.</li> </ul> <p><b>Physical Risks</b></p> <p><b>Risk Type: Continuity of Operations</b></p> <p>Term: Medium-Long Term</p> <p>Financial Impact: Low</p> <p>Likelihood: High</p> <p><b>Risk</b></p> <p>In a world where the RCP 4.5 moderate or RCP 8.5 scenarios become reality, the adaptation costs to put up with the continuity of operations will be significantly higher compared to the Low Climate RCP 2.6 scenario. In that case, the extreme weather events will have significant impacts on supply chains, on production and on purchasing power of customers.</p>

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	<p><b>Methodology</b></p> <p>For physical risk scenario analysis, the S&amp;P Trucost ESG methodology, WRI Aqueduct and Arçelik internal expertise have been combined to develop a methodology. The combined methodology 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, cold waves, 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) were taken into consideration with a forecast for the 2030 and 2050 fiscal years from a 2020 baseline.</p> <ul style="list-style-type: none"> <li>· According to the Trucost Physical Risk assessment, Arçelik's overall physical risk score is moderate, main risk item being water stress.</li> <li>· India, Romania, Türkiye (Ankara and Çayirova) sites are prone to high water stress risk.</li> <li>· Based on Trucost analysis, Arçelik's suppliers' main physical risks are related to water stress as well. Therefore, Arçelik has to consider water stress risks in water stress countries of Arçelik and the company's suppliers' operations and potential disruption in supply chains of critical materials in countries prone to high heatwave/cold wave/flood risks. 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.</li> <li>· Since physical risks are expected to result in significant economic losses and social consequences, the purchasing power of customers especially in the APAC and Africa regions more prone to physical risks from climate catastrophe might decline and thus this potentially will have a negative impact on Arçelik sales.</li> </ul> <p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>· Arçelik's production facilities are based in more than one location to manage business interruption risks better.</li> <li>· While deciding on a new acquisition, extreme weather event risks and land resilience is factored into the due diligence process.</li> <li>· The company also takes necessary precautions to diversify Arçelik's supply chain.</li> <li>· Arçelik is also cooperating with suppliers to collect GHG emissions, water, waste and energy data from suppliers. Arçelik informs suppliers about the mitigation costs to be incurred today vs the adaptation risks to be incurred in the future if the planet cannot be on track with a 1.5°C warming scenario.</li> <li>· As a physical risk mitigation measure, Arçelik has set targets based on Trucost Approach risk assessment result to increase the water recycling ratio* to 70% in all production plants by 2030 aiming to achieve closed loop water system in production.</li> <li>· The Insurance Management Team under the Enterprise Risk Directorate calculates financial and non-financial risks related with the extreme weather events where Arçelik production facilities are located in correlation with all related bodies within the company.</li> <li>· The company has several lines of insurance policies globally 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. Finally, based on modeling studies, in case of any events that are related with business interruption due to physical risks, compensation methodologies are already defined accordingly.</li> </ul> <p><small>*(Water recycling ratio = Total recycled water/Total water withdrawal.)</small></p> <p><small>*Arçelik became a CEO Water Mandate signatory at the beginning of 2022 and commits to make continuous improvements based on the six commitment areas set forth by the CEO Water Mandate, which are: 1) Direct Operations 2) Supply Chain &amp; Watershed Management 3) Collective Action 4) Public Policy 5) Community Engagement 6) Transparency</small></p> <p><b>c. Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.</b></p> <p><b>Transition Risk</b></p> <p><b>Climate-related scenario:</b> <i>Transition scenarios - IEA STEPS</i></p> <p><b>Scenario analysis coverage:</b> Company-wide</p> <ul style="list-style-type: none"> <li>· A qualitative and quantitative approach considering reporting year, 2030 and 2050 years.</li> <li>· A combination of IPCC's RCP 8.5, 4.5 and SSP potential pathways are analyzed in line with IEA STEPS Scenario.</li> <li>· This is a mid-scenario between business as usual with no or minimal change in emissions reductions, delayed regulations would not meet Paris Agreement promises to limit global warming in line with a 1.5°C rise.</li> <li>· Temperatures would rise somewhere between 1.6°C-3.2°C-5.4°C, increasing physical risks faced by Arçelik, thus the business disruption adaptation costs.</li> </ul>

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	<p><b>Facts:</b></p> <ul style="list-style-type: none"> <li>o We have global 2030 Science Based Targets and committed to set a Net Zero 2050 SBT.</li> <li>o More than 80% of the GHG emissions of Arçelik comes from the use phase of sold products. Production and sales of energy efficient yet affordable appliances are the key to drive revenue growth.</li> </ul> <p><b>Parameters:</b></p> <ul style="list-style-type: none"> <li>o Increased global warming leading to decreased GDP, slowdown in the economy from increased extreme weather events, increasing pandemics disrupting business, inflation hikes and increased material costs coupled with decreased consumer spending.</li> <li>o Rise of middle-income consumers in the APAC and Africa region and increased demand for AC's and refrigerators in a continuously warming climate. Customers would demand more energy efficient appliances, but it is not clear if they pay extra for such appliances. Access to electricity globally would be slower compared to SDS/NZE Scenarios.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>o Cost of carbon not to increase as rapidly as in SDS/NZE Scenarios, EU ETS like mechanisms and CBAM to be delayed.</li> <li>o Voluntary carbon markets to be still significant but at a lower cost.</li> <li>o Arçelik to incur increased costs due to increase in physical risks-disruption at the supplier level and company level.</li> <li>o Delay in minimum energy efficiency regulations in developing regions where we intend to grow. Increasing costs to design and produce energy efficient appliances despite consumer intention to pay extra.</li> </ul> <p><b>Risks and Opportunities:</b></p> <ul style="list-style-type: none"> <li>o We could potentially not be able to reflect increasing costs to consumers, leading to profitability risk. However, we have extensive R&amp;D experience to produce energy efficient appliances, can innovate cost efficient production systems and increase its energy efficient product sales.</li> <li>o Extreme weather events could increase risk of other pandemics and supply chain disruptions, causing further inflation hikes and increase production costs. However, our value chain exposure to acute/chronic risks are medium level and resilience plans are put it place.</li> </ul> <p><b>Climate-related scenario:</b> <i>Transition scenarios - IEA SDS</i></p> <p><b>Scenario analysis coverage:</b> Company-wide</p> <p>A qualitative and quantitative approach considering reporting year, 2030 and 2050 years. Scenario in line with RCP 2.6, keeping global warming in line with a well below 2°C goal.</p> <p>Energy related SDG's are assumed to be met and current net zero pledges are achieved.</p> <p>Arçelik's policy related risks as well as market, new technology risks are increased and climate adaptation risks are minimized.</p> <p><b>Facts:</b></p> <ul style="list-style-type: none"> <li>o We have global 2030 Science Based Targets and committed to set a Net Zero 2050 SBT.</li> <li>o More than 80% of the GHG emissions of Arçelik comes from the use phase of sold products.</li> <li>o Production and sales of energy efficient yet affordable appliances is the key to drive revenue growth.</li> </ul> <p><b>Parameters:</b></p> <ul style="list-style-type: none"> <li>o Global economic losses due to global warming less impacted compared to a STEPS scenario, limited to c.0.5% of global GDP.</li> <li>o Inflation hikes expected to continue in the near future, increasing raw material costs.</li> <li>o Rise of middle-income consumers in the APAC and Africa region, and increased access to electricity in least developed regions increasing demand for energy efficient appliances.</li> <li>o 50% of population increase coming from Africa around 2050, a major market for Arçelik growth.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>o Increased carbon price, rapid introduction of ETS and minimum energy performance standards no later than 2025 in developing regions.</li> <li>o Introduction of CBAM no later than 2025, leading to increased steel costs. Increased demand for carbon removal credits pushing voluntary removal credit prices more than EUR 80/ton as of 2030.</li> <li>o Increased CAPEX need of Arçelik as of 2025 to invest in renewable energy and energy efficient appliances.</li> </ul>



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	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>· Increasing production costs to produce energy efficient appliances globally on Best Available Technology.</li> <li>· Increases in carbon taxes and cost of steel increasing production costs, impacting profitability.</li> <li>· Increased reputation risks faced by Arçelik if SBTi targets cannot be met coupled with demand from investors and particularly B2B customers.</li> <li>· Increased demand from B2B customers on low carbon products, especially recycled plastics, low carbon steel and energy efficient appliances.</li> <li>· Increased risk of rising price of blue carbon credits needed for Net Zero targets.</li> </ul> <p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>· Strong innovative in-house R&amp;D skills to produce most energy efficient products and answer market demand and grow in developing regions.</li> <li>· Robust and publicly available decarbonization strategy, more than EUR 500 million green investment to meet SBTi targets. In-house nature based- technology based direct air capture removal know-how.</li> </ul> <p><b>Climate-related scenario:</b> Customized publicly available transition scenario</p> <p><b>Scenario analysis coverage:</b> Company-wide</p> <p><b>Temperature alignment of scenario:</b> 1.5°C</p> <p>Arçelik has outsourced S&amp;P to conduct climate-related transition risk analysis in terms of policy risk for its own activities as well as its selected suppliers to understand to potential impact of transition to low-carbon economy based on different scenarios and timelines.</p> <p>A qualitative and quantitative approach considering three time periods (2020 baseline, 2030 and 2050) has been applied. S&amp;P Trucost Carbon Pricing Risk Assessment has been applied to measure the impact of rising carbon prices on Arçelik financial performance.</p> <p>The below mentioned components have been considered to calculate the risks related to Arçelik and its value chain:</p> <ul style="list-style-type: none"> <li>· Carbon Price Database of current carbon taxes, emissions trading schemes and fuel taxes in over 100 geographies.</li> <li>· Carbon Price Scenarios, High (below 2°C aligned), Medium (below 2°C aligned delayed action), Low (based on current policy commitments, 2-3°C aligned) carbon price scenarios.</li> <li>· Projections of Arçelik revenue, OPEX and GHG emissions for future years based on assumptions concerning future growth.</li> <li>· Modelling the pass-through of rising carbon prices to a company from its suppliers.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>· Rise in green electricity prices and availability of green electricity in countries where Arçelik operates</li> <li>· Potential implications of EU CBAM, EU Green Deal implications on Arçelik operations regarding cost increases in Arçelik's key production inputs such as steel and glass, potential impact on the company's exports from the non-EU countries to the EU</li> <li>· Cost up per product to innovate more energy efficient appliances to meet 2030 Science Based Targets</li> <li>· Possible introduction of an ETS mechanism in countries in which Arçelik operates</li> <li>· Costs associated with reducing logistics emissions in the value chain and costs associated with helping suppliers transform to a low carbon economy</li> <li>· Rise in voluntary carbon removal credit prices</li> </ul> <p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>· Arçelik has global 2030 Science Based Targets and committed to set a SBTi Net Zero 2050. Arçelik's net-zero roadmap is publicly available on its website.</li> <li>· At the supplier level, Arçelik has collected a signed commitment letter from more than 180 of its core 400 suppliers making up more than 90% of purchasing volume to have set GHG reduction targets.</li> </ul>

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	<p><b>Physical Risk</b></p> <p><b>Climate-related scenario:</b> Customized Publicly Available Physical Scenario</p> <p><b>Scenario analysis coverage:</b> Company-wide</p> <p>Arçelik has outsourced S&amp;P to conduct a physical risk analysis for its own operations as well as of its selected suppliers to understand the damage to assets, interruption of operations and disruption to supply chains based on different climate warming scenarios and timelines.</p> <p>S&amp;P Trucost Climate Change Physical Risk Analytics has been applied to measure Arçelik's physical risks in terms of adaptation scenarios.</p> <p>An asset level approach has been adopted at the company and portfolio level based on three time periods (2020 baseline, 2030 and 2050) and three climate scenarios (RCP 2.6, 4.5 and 8.5 to model the magnitude and the potential impact of both acute and chronic physical risks on company financials and operations.</p> <p>Private Trucost owned datasets as well as other datasets including but not limited to WRI Aqueduct, CMIP5 multimodel-average, NOAA and Climate Central have been used. Seven key climate change physical hazards have been considered: flood, water stress, heatwave, cold wave, hurricanes, sea level rise and wildfires.</p> <p>The below mentioned factors have been considered to calculate the risks related to Arçelik and its value chain:</p> <ul style="list-style-type: none"> <li>· Excess Heat Factor (EHF) and Excess Cold Factor (ECF) Index to measure heatwave occurrence and intensity</li> <li>· Baseline Water Stress Index to measure total water withdrawals to the available water sources</li> <li>· Burnt Area in terms of wildfires, Riverine Flood Risk in terms of floods</li> <li>· Coastal Inundation in terms of sea level rise</li> <li>· Hurricane Index to measure the frequency and intensity of hurricanes.</li> </ul> <p>Five analytical approaches have been considered:</p> <p>Climate Hazard Mapping, Physical Asset Geolocation and Corporate Ownership Mapping, Asset and Company Level Physical Risk Scoring, Revenue Exposure Based on Physical Risk Estimation and Composite Score Calculation.</p> <ul style="list-style-type: none"> <li>· Based on the outcomes of the S&amp;P Trucost Climate Change Physical Risk Analysis, Arçelik and its suppliers are exposed to a moderate level of physical risk with greatest exposure to water stress, heat wave and cold wave.</li> <li>· As water stress is the biggest risk factor, Arçelik has a target to increase water recycling ratio to 70% in global operations as of 2030. At the supplier level, Arçelik has collected a signed commitment letter from more than 180 of its core 400 suppliers making up more than 90% of purchasing volume to have set publicly available water reduction/recycling targets no later than the end of 2023 in their sustainability reports/websites.</li> </ul>

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<b>Risk Management</b> Disclose how the organization identifies, assesses, and manages climate-related risks a. Describe the organization's process for identifying and assessing climate related risks b. Describe the organizations process for managing climate related risks c. Describe how the process for identifying, assessing and managing climate related risks are integrated into the organization's overall risk management.	<p><b>a. Describe the organization's process for identifying and assessing climate related risks</b></p> <p>The Enterprise Risk Management and Finance Directorate and the dedicated sustainability teams consisting of Sustainability, Environment, Energy, International Regulations and Sectoral Relations HQ teams as well as the related teams working in each factory work cooperatively to evaluate, measure and prioritize the climate-related risks and opportunities. Their main aim is designed to turn nonfinancial risk items into financial metrics. Various reports are prepared by taking physical and transition risks stemming from the climate change into account.</p> <p>In consideration of the identification of such risks, the HQ teams and the factory teams work on location wise hazard maps and scenario analysis for climate related physical risks. As such, the water scarcity, floods, extreme weather likelihood and impact scenarios are considered for each location. Water scarcity risks turn out to be the most predominant risk that would affect operations both for company operations and operations at the supply chain.</p> <p>For transition related policy risks, Arçelik HQ teams work on consolidated GHG emissions data of the company together with respective future forecasts based on production, and work on scenario analysis on how the cost of carbon would change over time based on potential Emission Trading Scheme (ETS) scenarios and Carbon Border Adjustment Mechanism (CBAM) scenarios. The potential rise in the cost of carbon in voluntary markets and the Project offerings in the market for nature-based and technological carbon removal credits is also closely monitored and the related financial risks are computed.</p> <p>Arçelik also receives third-party consultancy from insurance companies as well as consultancy companies such as S&amp;P Trucost to determine the level of financial risk related to climate related transition and physical risks based on different scenario analysis.</p> <p>Climate-related risks take the form of financial risks under both transition and physical risks and thus these risks are viewed as an integrated part of overall Risk Framework. Climate-related transition and physical risks are assessed as part of a qualitative and quantitative risk reporting based on how they would impact the balance sheet and cash flow of the company. Arçelik has worked with S&amp;P Trucost to determine the scenario analysis based potential future impacts of climate related risks on Company financials. Arçelik's major transition and physical risks due to climate change are explained in detail in the Strategy section together with mitigation plans. A brief summary of key climate-related transition and physical risks are indicated below:</p> <p><b>Transition Risks:</b></p> <p><b>Policy and Legal:</b> Increase in the cost of carbon, potential introduction of EU Carbon Border Adjustment Mechanism carbon taxes, potential introduction of ETS mechanisms in countries where Arçelik operates, cost of green electricity, electricity consumption, incentives provided to energy efficiency projects, green investment needs, WEEE regulations, plastic taxes.</p> <p><b>Technology and Market:</b> Demand to keep up with more energy efficient appliances and cost of producing such appliances, keeping up with the introduction of new business models, net zero home concept, energy tracking appliances, risks associated with connected appliances.</p> <p><b>Reputation:</b> Risk of falling behind publicly declared Science Based Targets, energy and water efficiency targets, renewable energy targets.</p> <p><b>Physical Risks:</b> Risk of location wise analysis of potential disruption in company operations due to physical risks in different warming scenarios. Predominantly water scarcity risks, flood, extreme heatwave risks are taken into consideration.</p>

# TCFD Reporting and Other ESG Related Risks and Opportunities Table

TCFD Recommendation	Arçelik's TCFD Response
	<p><b>b. Describe the organizations process for managing climate related risks</b></p> <p>The Enterprise Risk Management is responsible to follow best practices such as the ISO 31000 Risk Management Standard and the COSO Enterprise Risk Management Integrated Framework. Once climate related risk items are qualitatively and quantitatively evaluated, action plans and related investment needs are carefully laid out by each team involved in the process.</p> <p>Such risks are first discussed at the Sustainability Council to inform the C-level and D-level about the implications of such risks and the decisions made at the Sustainability Council, together with the short term and long-term implications of the climate related risks are reported to the Risk Management Committee with the help of the Enterprise Risk Management Team.</p> <p>In order to manage and mitigate the risks, action plans are taken into consideration. The company takes proactive measures in the process of managing such risks. For instance, the Green Financing Framework and the green bond and green loan operations already in place allow Arçelik to create the financing needed to be solely allocated to financial investments for green investments.</p> <p>The internal carbon pricing tools used in the purchasing of machinery and equipment pave the way for the company to invest on lower emission generating production machinery.</p> <p>The publicly available global water recycling target at the production facilities enable efficient use of scarce water resources. The company also applies an internal water price on water efficiency projects.</p> <p>Arçelik proactively sets public targets to put itself and its suppliers into accountability to provide transparency on climate-related risks in the supply chain as part of the risk mitigation process. Arçelik has a publicly declared target in place to enable its suppliers to set publicly available GHG emission reduction, water and energy reduction, waste recycling targets as of the end of 2023 as cautionary measures to mitigate the risks in the supply chain.</p> <p>The climate targets to mitigate related transition and physical risks are also included in C and D level executive managers as well as line managers and employees annual score cards. The targets include GHG emission reduction, energy consumption and water withdrawal reduction, waste reduction, water recycling, increasing % of energy efficient appliance sales.</p> <p><b>c. Describe how the process for identifying, assessing, and managing climate related risks are integrated into the organization's overall risk management.</b></p> <p>The Board of Directors plays a central role in risk management processes. Risk Management Committee is the highest governing body overseeing the risks and implementation plans of the Group in a holistic manner. 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.</p> <p>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.</p> <p>Risk Management Committee, Audit Committee, Ethics Committee are overall functions responsible from Board oversight of Company risks in an integrated manner.</p> <p>Arçelik Enterprise Risk Management Process is an integrated one, involving support from several functions. ISO 31000 Risk Management Standard and the COSO Enterprise Risk Management Integrated Framework are taken into considering during identification, review and risk mitigation processes. The predominant risks taken into consideration in the Risk Framework are including but not limited to the risks such as supply chain risks such as fluctuation in raw material prices, raw material shortages; liquidity risk, receivables risk, credit risk, interest rate, FX rate, regulatory risks, tax increases, product safety risks, cyber security risks, and climate related transition and physical risks.</p> <p>In this regard, the qualitative and quantitative findings related to climate related risks and the action plans are reported to the Risk Management Committee at least twice a year.</p>

TCFD Recommendation	Arçelik's TCFD Response
Metrics	<p>Please note: The following disclosures made in terms of metrics are related to metrics reported in 2021 Sustainability Report. 2022 Sustainability Report will be published in June under the link:  <a href="https://www.arcelikglobal.com/en/sustainability/sustainability-reports/">https://www.arcelikglobal.com/en/sustainability/sustainability-reports/</a></p> <p><b>a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</b></p> <p>Please refer to pages 33, 42-74 and 141-144 of <a href="#">Arçelik 2021 Sustainability Report</a> in which further information is provided on the below:</p> <ul style="list-style-type: none"> <li>· Sector Leadership 33</li> <li>· In Touch with Our Planet 42</li> <li>· Combating Climate Crisis and Managing GHG Emissions 43-45</li> <li>· Renewable Energy 46</li> <li>· Energy Efficiency 47-49</li> <li>· Water Management 51-52</li> <li>· Water Risks Management 53-54</li> <li>· Sustainable Supply Chain Management 141-144</li> </ul> <p><b>b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks</b></p> <p>Please refer to the following pages on <a href="#">Arçelik 2021 Sustainability Report</a> for further information on:</p> <p>Scope 1, Scope 2, Scope 3: pages 45, 158-160</p> <p>Water Metrics: 161</p> <p><b>c. Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.</b></p> <p>For Arçelik's 2030 targets and 2050 Net Zero commitment, please visit the following links below:</p> <p>2030 Targets: <a href="https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf">https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf</a> (pages 19-21)</p> <p>2050 Net Zero Roadmap: <a href="https://www.arcelikglobal.com/en/sustainability/in-touch-with-our-planet/combating-the-climate-crisis/">https://www.arcelikglobal.com/en/sustainability/in-touch-with-our-planet/combating-the-climate-crisis/</a></p>

TCFD Reporting and Other ESG Related Risks and Opportunities Table is also available at:

[https://www.arcelikglobal.com/media/7252/tcf\\_en.pdf](https://www.arcelikglobal.com/media/7252/tcf_en.pdf)

# Identity

Reported Fiscal Year	01.01.2022 - 31.12.2022
Trade Name	Arçelik A.Ş.
Trade Registry and Number	İstanbul Trade Registry: 54957
Company Headquarters	Karaağaç Caddesi No: 2-6 Söğütözü 34445 Beyoğlu - İstanbul
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## Stock Information

BIST Code	ARCLK
Reuters Code	ARCLK.IS
Bloomberg Code	ARCLK.TI
Date of Initial Public Offering	21.01.1986

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### Disclaimer

The Board of Directors' Report, Auditors' Report, Consolidated Financial Statements and Independent Audit Report regarding the operations and financials of the year 2022, included in this Annual Report (Report), are prepared in accordance with the legal requirements for the Ordinary General Assembly, which will be held on Wednesday, 16 March 2023 at 10.00am, at Divan İstanbul Hotel, Asker Ocağı Caddesi No: 1 34367 Elmadağ Şişli, İstanbul.

This Report is prepared only to provide information to the shareholders, and it is not intended to form the basis of any investment decision. The opinions and statements regarding estimated figures contained within this

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