

1. Introduction

1.1. Purpose of Program and Scope

The Supplier ESG Program is designed to integrate ESG strategies into supplier selection and evaluation criteria.

This program encompasses local and international material and OEM suppliers to ensure that their business practices align with the [Arçelik Global Responsible Purchasing Policy](#). The program addresses Environmental Management, Energy Management, Conflict Minerals Management, Human Rights, and Ethics.

2. Environmental Standards

2.1. Energy & GHG Emission Management

Suppliers should undertake development efforts to enhance energy efficiency in their production processes and take measures to reduce greenhouse gas emissions. Arçelik supports the use of renewable energy and encourages its suppliers to participate in programs aimed at reducing their carbon footprints.

2.2. Waste Management

Suppliers should minimize waste, increase recycling, and safely dispose of hazardous waste. In accordance with the principles of the circular economy, priority should be given to reuse and recycling.

2.3. Water Management

Suppliers are required to reduce water consumption, prevent water pollution, and implement sustainable water management strategies. The use of innovative technologies to enhance water efficiency is recommended.

2.4. Chemical Management

Suppliers should use non-hazardous chemicals in their production processes, limit the use of hazardous chemicals, and comply with legal regulations regarding chemical management. Arçelik requires its suppliers to ensure compliance with international regulations such as REACH and RoHS within the supply chain.

2.5. Conflict Minerals Management

Arçelik requires its suppliers to adhere to responsible mining practices in the purchasing of minerals such as tin, tantalum, tungsten, and gold (3TG). Suppliers must transparently report the sources of these minerals and act in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

3. Social Standards**3.1. Working Conditions**

Suppliers must provide a safe and healthy working environment for their employees. Measures should be taken to comply with occupational health and safety regulations and to establish systematic processes to prevent work accidents and occupational diseases. Working hours, remuneration, and benefits should be fair and conducted in accordance with national labour laws and International Labour Organization (ILO) standards.

3.2. Human Rights

Arçelik expects its suppliers to treat all employees with respect. Forced labor, human trafficking, and child labor are not accepted. Suppliers should support fundamental human rights.

3.3. Discrimination

Suppliers should avoid discrimination in human resources practices and adopt policies that promote diversity and inclusion.

3.4. Community Contribution

Arçelik encourages its suppliers to make positive contributions to communities. Education, environmental protection, women's empowerment, and social responsibility projects should be supported. Local employment projects should be encouraged, and suppliers should create positive impacts on society through ethical business practices.

4. Governance Standards**4.1. Ethical Business Practices**

Suppliers are expected to conduct all business processes in accordance with the principles of honesty, transparency, and accountability. They should avoid unethical practices such as bribery, corruption, and conflicts of interest, and conduct commercial transactions based on fair competition principles. Full compliance with legal regulations is required. Additionally, suppliers are encouraged to develop training and policies to raise ethical awareness among their employees and business partners.

4.2. Supply Chain Responsibility

Arçelik expects its suppliers to adhere to sustainability, human rights, and ethical business practices. Suppliers should manage supply chain risks, monitor compliance with environmental and social standards, and take proactive measures for sustainable supply chain management. They should also participate in Arçelik's evaluation processes and be open to audits when necessary.

5. Sustainability Index

The Supplier Sustainability Index is a process that includes screening, surveys, and business ethics audits to measure suppliers' performance and identify their risk levels. Corrective action plans are created for each risk level.

Suppliers are evaluated based on their commercial importance and ESG (Environmental, Social, and Governance) impacts.

Critical suppliers are determined by factors such as **purchasing volume, substitutability, critical component purchasing, and business continuity**. The evaluation methodology includes environmental risks (greenhouse gas emissions, energy-water consumption), social risks (child labor, discrimination), and governance risks (corruption, bribery).

Risk assessments are conducted specific to the **country, sector, and commodity**. Significant suppliers are evaluated in the "Index" through surveys or business ethics audits. Suppliers provide survey data annually and are subject to at least one ethics audit within a three-year¹ period. Suppliers with high or medium risk levels are audited regardless of the period.

¹Based on customer requirements, audits can be conducted every two years.

5.1. Supplier ESG Survey

The first step of the Index is the collection of qualitative and quantitative sustainability data through an online survey prepared in accordance with the Global Reporting Initiative (GRI) metrics. This data is verified by an independent third-party audit firm based on the evidence provided by the suppliers.

Each form with data entries in the survey is evaluated by a specific algorithm, and the resulting form score is calculated by considering the following weights to create the Survey Score. This algorithm ensures an objective measurement of the suppliers' sustainability performance, and corrective action plans are developed based on the results.

Table 1. Weights used in Survey Score

Form	Weight
General Information	%0 ²
Environmental Data	%15
Energy Data	%15
ESG Dimension	%25
Social Data	%10
Critical Supplier	%10
Deforestation	%5
Sustainability Targets	%20

²The data entered in the General Information form is not directly included in the scoring but affects the scoring questions in the Energy, Environment, and Sustainability Goals forms.

The subheadings of the survey are listed in Table 1. Each question directed to suppliers affects the Survey Score, even if indirectly. Suppliers are expected to provide supporting documents within the question sets. After completing the survey, all responses and evidence will be verified by an independent third-party audit firm.

This evaluation is conducted annually in **January – February**, and suppliers are given **2 months** to complete the survey. Below are the topics of the questions asked in the survey.

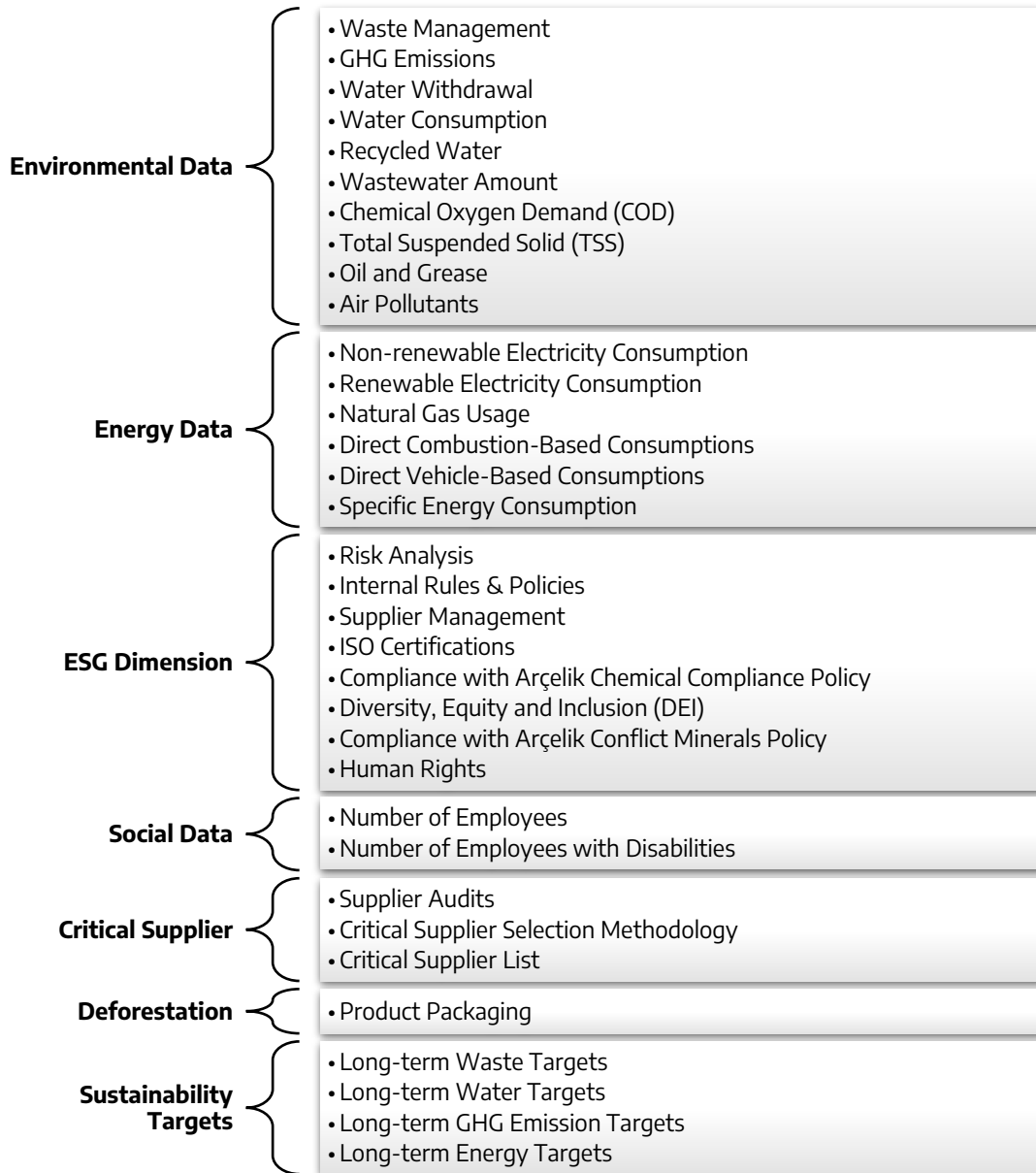


Figure 1. Survey Sub-headings.

5.2. Supplier Business Ethics Audit

As the second step of the Index, a comprehensive audit is conducted by independent auditors who hold relevant certifications. This audit covers ESG (Environmental, Social, and Governance) issues in compliance with the Business Social Compliance Initiative (BSCI), Suppliers Ethical Data Exchange (SEDEX), and Responsible Business Alliance (RBA).

In this context, the compliance of our suppliers with the Arçelik Global Responsible Purchasing Policy - which includes our expectations regarding legal practices, working conditions, ethical standards, occupational health and safety, and environmental issues - is evaluated.

During business ethics audits, the following topics are addressed:

- ✓ Child labor
- ✓ Discrimination
- ✓ Forced labor
- ✓ Environment
- ✓ Freedom of association
- ✓ Occupational health and safety
- ✓ Business ethics policies and management systems
- ✓ Wages and benefits
- ✓ Working hours

If a supplier has been audited by a third party outside of Arçelik's own audit process, a current business ethics audit report obtained from an independent institution within the last two years is also accepted. The format of the report must be approved by Arçelik. In this case, the relevant supplier will not be subject to a planned audit for that year.

If a supplier fails the audit (receives a score below 75 in third-party audits or a grade of D (insufficient) or E (unacceptable) in audits such as BSCI), a follow-up audit will be conducted within three months for the relevant supplier.

If the supplier possesses one of the following audit documents, they will be included in the report as specified and exempted from the business ethics audit.

Table 2. Score Equivalencies for Other Third-party Audits

REPORT/CERTIFICATE	SCORE EQUIVALENCIES
SEDEX/SMETA³	100
SEDEX/SMETA⁴	75
BSCI – A	100
BSCI – B	75*
RBA⁵	The score mentioned in the report is calculated out of 100.
WCA	The score mentioned in the report is taken directly.
SA 8000	100

³If no non-compliance issues have been opened against the supplier.

^{4,5}If all non-compliance issues opened against the supplier have been closed.

5.3. Index Score and Classification

The evaluation results (survey and business ethics audit) are consolidated to classify the performance of suppliers into high, medium, or low risk (acceptable, good, and excellent). The risk levels based on index scores are provided in Table 3.

Table 3. Index Scores and Risk Levels

0-24	25-44	45-64	65-84	85-100
High Risk	Medium Risk	Acceptable	Good	Excellent
		Low Risk		

With this risk assessment, it is possible to determine the levels of risks and the measures that can be taken against them. Identifying risk levels is crucial for ensuring the performance and sustainability of the business.

6. Corrective and Preventive Action and Action Plan Monitoring

Any risk level identified because of the Index Evaluation (survey and business ethics audit) is reported as non-compliance. The independent audit firm sends corrective and preventive action requests to suppliers regarding specific areas for improvement. Non-compliances resolved by the supplier within the scope of the approved action plan are reported to Arçelik.

If at least one of the following human rights violations (but not limited to these) is detected during business ethics audits, cooperation with the supplier is terminated:

- Child labor
- Forced labor
- Discrimination
- Harassment
- Corruption
- Bribery

Suppliers in the "High Risk" or "Medium Risk" Categories:

Suppliers must prepare an action plan to drop the non-compliances found in the survey questions and audits. The action plan should aim to reach at least the "Acceptable" risk level, which is between 45-64 points. If the supplier does not reach this level within 10 months, Arçelik reserves the right to terminate the contract.

Suppliers in the "Acceptable Risk" Category:

The action plan should aim to reach at least the "Good" risk level, which is between 65-84 points, within a maximum of 10 months.

Suppliers in the "Good" Category:

The action plan should aim to reach at least the "Excellent" risk level, which is between 85-100 points, within a maximum of 10 months.

Suppliers in the "Excellent" Category:

The action plan should be prepared within a maximum of 10 months to achieve the highest possible score.

7. Supplier Selection Methodology

Accepting and complying with the Arçelik Global Responsible Purchasing Policy is a contractual obligation. The Index scores of existing critical suppliers are integrated into the overall supplier score. At least 20% of the ESG (Environmental, Social, and Governance) scores are weighted into the final score determined for supplier selection. For new potential suppliers, a survey is conducted to evaluate quality, environmental, and business ethics aspects.

The minimum ESG requirements include an evaluation covering at least the "Acceptable" risk level (45-64 points). High or Medium Risk suppliers must reach this level within a maximum of 10 months from the request for corrective and preventive actions; otherwise, Arçelik will terminate business relations with these suppliers. Additionally, new potential suppliers with high business relations who do not have an ISO 14001 Environmental Management System certificate must apply for an ISO 14001 audit within 2 months after the agreement is reached.

8. Supplier Development Program

After the evaluation process, Arçelik supports the implementation of corrective or improvement actions to accelerate the ESG (Environmental, Social, and Governance) performance of its suppliers. Beyond supporting corrective actions on ESG issues, Arçelik aims to enhance suppliers' knowledge, skills, and processes in ESG areas over time through online sustainability training, webinars, and technical capacity-building projects on topics such as environment, energy, human rights, discrimination, gender equality, and occupational health and safety.

The online sustainability training covers the following 12 areas:

- Arçelik Global Responsible Purchasing Policy
- Arçelik Supplier Sustainability Strategy
- Arçelik Energy Efficiency Strategy
- Arçelik Environmental Legislation Training
- Arçelik ISO 14001 Environmental Management System
- ISO 14064 Standard
- ISO 50001 Energy Management System
- Arçelik Supplier Occupational Safety Information
- Arçelik Conflict Minerals Policy
- ROHS Directive Compliance
- Labor Law and Social Security Legislation
- Carbon Border Adjustment Mechanism (CBAM) Training

Additionally, webinars on calculating greenhouse gas emissions aim to develop knowledge and skills in line with carbon emission reduction strategies. The technical capacity-building program provides detailed technical support to help suppliers implement projects to improve their ESG performance. The focus areas of these projects include energy efficiency, material reduction and recycled plastics, quality improvement, and digitalization.

The efforts mentioned above aim to strengthen the target-setting process by encouraging suppliers to set targets related to GHG emissions, water, waste, and energy. In this process, suppliers receive and sign a Commitment Letter from Arçelik Senior Management. Following this step, suppliers set and disclose relevant targets for 2025 and 2030 on a third-party platform. Progress towards these targets is reviewed and reported annually.

Sharing the main results of the best ESG-performing suppliers is critical to help suppliers compare their performance. Accordingly, after each evaluation period, we present this information on the platform along with surveys conducted by third parties through outsourcing.

9. Program Focus Areas

The program encompasses ESG (Environmental, Social, and Governance) topics such as Environmental Management, Energy Management, Conflict Minerals Management, Human Rights, and Ethics. Environmental issues, including greenhouse gas emissions, energy, water, and waste, are closely monitored by Arçelik, and suppliers are encouraged to set their own targets in these areas, just like Arçelik. Transforming the supply chain along with Arçelik's own operations minimizes the overall impact of operations in the value chain.

Arçelik is a member of the Responsible Mineral Initiative (RMI) to improve mineral sourcing practices and use various information related to high-risk minerals, including the sources or origins of valuable metals (SORs). Arçelik uses RMI tools to educate suppliers, determine the risk level of SORs worldwide, verify the country of origin of SORs, and prepare for other valuable materials such as cobalt, mica, or copper. Arçelik publishes an annual Conflict Minerals Compliance Assessment Report.

Socially, Arçelik aims to provide Occupational Health and Safety (OHS) training to suppliers to manage OHS risks jointly identified during business ethics audits.

10. ESG Requirements and Managing Disputes

Arçelik continuously reviews the Supplier ESG Program to ensure its most effective implementation. Periodic information and training sessions for Sector Managers within the company help improve our supplier management in terms of sustainability. To ensure that Sector Managers comply with the company's Supplier ESG program, Arçelik organizes an online seminar every year.

Potential conflicts between ESG requirements and specific indicators (such as costs, product quality, and delivery times) are managed and reviewed in line with our integrated supplier management approach, which optimizes both ESG factors and specific indicators.

Supplier and material selection criteria are available on the [Arçelik Global Supply Chain](#) website.

11. C2FO ESG Performance-Based Supplier Early Payment Program

The Supplier Early Payment Program, in collaboration with C2FO, allows suppliers to receive early invoice payments in exchange for discounts they set. The C2FO platform enables Arçelik to offer early payment opportunities to nearly all of its strategic suppliers.

This program is designed as a separate initiative to provide more advantageous early payment opportunities to eligible suppliers based on their ESG performance. Participation is determined by three criteria, with a minimum threshold of 25 points:

Supplier Sustainability Index Score: Suppliers with an "Excellent" score (above 85) are selected.

Setting Environmental Targets: Suppliers with targets in areas such as emissions, energy, water, and waste are filtered.

Progress Towards Targets: Progress is measured using certain metrics in emissions, water, and waste (weighted at 50%) and other metrics in energy (weighted at 50%).

Maximum and minimum values are determined for each metric, and then these values are scored out of 100. The best performance receives the maximum score, while the worst performance receives the minimum score. The total score is calculated using weights for each metric. For detailed information, please refer to the "8. Supplier Development Program" section.

12. Responsibilities

The roles of the highest-level responsible parties are outlined below:

The Sustainability Board is informed by the Working Groups and is chaired by the Chief Financial Officer (CFO). The CFO meets with C-level and relevant D-level senior executives every quarter. The risks and opportunities discussed on the Board are reported to the Early Detection of the Risk Committee every three months. The highest responsible decision-making body overseeing the implementation of the program is the Board of Directors.

The Arçelik Purchasing Directorate (PD), Small Domestic Appliances Directorate (SAD), and Product Supply Directorate (PSD) handle:

- Supplier evaluation
- Monitoring survey and audit scores
- Supporting the correction and improvement of supplier audit non-compliances
- Conducting follow-up audits when necessary
- Evaluating new suppliers and monitoring risk levels in terms of ESG requirements
- Managing online sustainability training content
- Providing technical capacity-building programs

The third-party independent audit firm handles:

- Providing a data monitoring platform for suppliers to answer questions with evidence
- Conducting audits to verify responses with supporting documents and requesting corrective action plans from suppliers to close non-compliances
- Conducting business ethics audits and requesting corrective action plans from suppliers to close non-compliances
- Providing training on ESG topics in surveys
- Supporting suppliers in corrective or preventive actions

The Quality, Sustainability, and Corporate Relations Directorate handles:

- Reviewing the scope and effectiveness of survey questions and their weights
- Providing technical support to the Purchasing Directorate (SAD), Small Home Appliances Directorate, and Product Supply Directorate (TÜD) in the evidence control process to closely monitor supplier improvements
- Reviewing evaluation results to ensure low and decreasing risk levels
- Providing technical support to suppliers and buyers through webinars, including calculating greenhouse gas emissions

The Human Resources Directorate handles:

- Reviewing evaluation results to ensure low and decreasing risk levels, including human rights issues and occupational health and safety (OHS)

The Production Technologies Directorate handles:

- Providing technical capacity-building programs

Experts from the directorates form the Sustainable Supply Chain Working Group, which meets weekly to evaluate the ongoing process, manage risk levels, and set targets related to the supply chain.

13. References

- Arçelik Global Responsible Purchasing Policy
- Purchasing Strategy and Category Management Procedure

Arçelik reserves the right to unilaterally modify, suspend, terminate, or discontinue any matters included in this procedure or the Responsible Purchasing Policy.

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