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# Arçelik

Review on Industry  
Association Memberships

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## 1. STRATEGIC PILLARS

Arçelik places sustainability at the heart of its business model and focuses on creating shared value in the long term via establishing targets in line with the UN Sustainable Development Goals. To complement our internal practices, the company is also taking active role in a plethora of leading platforms including the UN Global Compact, WEF Alliance of CEO Climate Leaders, etc. Through these memberships in global organizations, the company actively supports acceleration of ESG strategies which helps push private organizations as well as policy makers to enhance and accelerate sustainability regulations and incentives to better help transform industries.

In our industry, we constantly seek new ways to collaborate with and contribute to mechanisms tackling climate change and moving towards decarbonization beyond legal requirements and voice our firm commitment in the platforms like trade unions, sectoral associations, etc. we continuously engage with. Please refer to our *Global Sectoral Relations Management and NGO Membership Policy* document. Arçelik and its affiliates do not and will not support any position conflicting with the international guiding principles and agreements related to human rights and the environment (such as United Nations Guiding Principles on Business and Human Rights, Paris Agreement, etc.).

In line with our business model, we have mapped our strategic pillars as Climate Change and Decarbonization, Water Management, Circular Economy, Biodiversity, and Products that Reduce Environmental Footprint. Operating in a vast geography, it is of utmost importance to ensure Arçelik Group Companies and its value chain adhere to the human rights issues of all stakeholders concerned. Arçelik and its Group Companies commit to respect human rights of all stakeholders including employees and business partners, suppliers, third party contractors, dealers, service network, customers, consumers, and all other individuals affected by its operations, products or services and incorporate responsible business conduct into policies and management systems. We believe our actions speak louder than words; hence we implement concrete measures in realizing our objectives.

### **Climate Change and Decarbonization:**

Arçelik has aligned itself with the Science Based Targets Net Zero Standard to reduce its emissions. According to our Net-Zero roadmap, all Scope 1,2,3 emissions will be reduced by %90 until 2050, and the rest of our emissions will be managed through investing in nature and technology-based carbon removal projects, again aligned with the SBTi requirements.

To achieve these targets, the company has put several initiatives in place, including investing in and promotion of eco-friendly products, increasing the capacity and deployment of renewable energy systems, increasing the recycled plastic content in its products, and decreasing energy, water, and waste consumption in its operations. Last but not least, the company also intends to be a global frontrunner in waste management and reduce its waste recovery rate to %99 by 2030.

Finally, Arçelik has been recognized for its sustainability efforts, including achieving the highest score repeatedly in the DJSI rankings and receiving remarkable results in other international indices. For detailed information on the company's efforts in reducing its emissions, please refer to Arçelik's *Sustainability Report*.

### **Water Management**

Arçelik has also committed to managing its water resources to encourage their sustainable use in its operations and invest in R&D to reduce its customers' water footprint through embracing pioneering technologies. The company aims to continuously improve its water performance through water efficiency, water recycling, and reuse projects. It has put in place several water saving technologies such as rainwater harvesting projects and water recycling systems and SaveWater appliances to tackle water scarcity.

It also collaborates with related stakeholders to advance water stewardship. In 2022, it became one of the first companies to sign the CEO Water Mandate, a UN Global Compact Initiative. It also launched a partnership with Water.org to support a community program in Kenya that will enable access to safe water and sanitation solutions. For detailed information on the company's efforts in managing water resources, please refer to Arçelik's *Sustainability Report*.

### **Circular Economy**

Arçelik is making great strides towards transitioning into a circular economy. Not only does it focus on energy and water efficiency, but it also aims to increase the recycled content and alternative raw materials in its products. Together with its modular designs, the company is also working on increasing the reparability of its products through the provision of online services to its customers. The company's WEEE Recycling facilities are at the forefront of performing innovative solutions. In March 2021, the company became a signatory of the Business Plastic Initiative (IPG) to prevent the usage of disposable plastic.

### **Biodiversity**

Arçelik constantly evaluates the implications of its operations on biodiversity. It takes measures beyond its legal requirements to conserve natural ecosystems. Besides that, the company is also monitoring its supply chain to eliminate deforestation. The company is committed to no gross deforestation from its activities by 2050. In line with that, the company has set several targets for the year 2030. Please refer to the *Deforestation Section of the Sustainability Report* for the detailed roadmap.

### **Products that Reduce Environmental Footprint**

Arçelik invests heavily in innovation and R&D to reduce the carbon footprint of its products during its design and use phases. When designing its products, the company places great emphasis in energy-efficiency and recyclability without compromising on durability. A significant volume of emissions come from the use phase of sold products. As two-thirds of global emissions come from emerging markets, the company is putting effort into working on increasing the energy efficiency of the products even in countries where currently there is no legislation. For instance, when the company entered the South African market about a decade ago, it voluntarily increased the average energy efficiency class of our refrigerators in South Africa from E to A. Arçelik is the first global company to introduce a washing machine with a microfiber filtration that stops microplastics from entering the seas.

The automatic detection of programs and detergent doses decreases the energy, water, and chemical consumption of appliances, hence contributing to our efforts to decarbonization. Please refer to the *Product Stewardship Section of the Sustainability Report* for more details.

## 2. SELECTED MEMBERSHIPS AND ARÇELİK'S CONTRIBUTIONS

NGO Membership	Contribution
<b>Home Appliance Europe (APPLiA)*</b>	<p>APPLiA is a Brussels-based trade association that provides a single, unanimous voice for the home appliance industry in Europe, promoting industry's mission of better their customers' lifestyles. APPLiA's main interest areas are sustainability, energy efficiency, green and digital transition, packaging, competitiveness etc. There are several working groups where specific topics are discussed, and a general view of the sector is formulated. Arçelik's CEO is currently the president of APPLiA and technical teams of Arçelik actively attend to working group meetings. This allows Arçelik to adapt to legislative changes swiftly as well as to comply with relevant changes in the market.</p> <p>APPLiA has national associations throughout Europe, and Arçelik and its subsidiaries are members of these associations as well. (some national associations are as follows: TÜRKESD-Türkiye, APPLiA Romania, APPLiA Spain, APPLiA Italy, APPLiA Polska, APPLiA Ireland, APPLiA Sweden, APPLiA Slovakia, Elektroniikan Tukkuuuppiat (ETK)-Finland), Fachverband der Elektro- und Elektronikindustrie (FEEI)-Austria).</p>

<p><b>Turkish Employers Association of Metal Industries (MESS)</b></p>	<p>MESS works in tandem with the employers of metal and electronics industries to develop well-balanced, reliable, and stable industrial relations, while increasing competitiveness and productivity. Moreover, MESS also aims to foster a sustainable, cordial and peaceful working environment, based on mutual trust and dialogue, in harmony and accordance with common interests. Within the scope of its membership, Arçelik engages in activities that ensure compliance with occupational health and safety standards, and protection of employee and company rights. In addition, the membership allows us to benefit from MESS's knowledge and support regarding the practices that regulate business life. MESS claims to be the world's first employer's union to be a member of WEF, and has an initiative called MEXT, which is Türkiye's first digital production factory that is end-to-end integrated from sales forecasting, supply chain to production systems and quality management. MEXT claims to be the world's biggest digital transformation and capability building centre and it provides "Digital maturity assessment" service, which is the world's largest "digital transformation initiative in industry" in terms of scale. We also contribute to the research of MEXT.</p>
<p><b>The Association of Manufacturers of Domestic Appliances (AMDEA)</b></p>	<p>Beko UK &amp; Ireland, a subsidiary of Arçelik, is a member of AMDEA for more than 15 years, with the Managing Director of Beko UK &amp; Ireland serving as the Chair of the Association. AMDEA represents 80% of the appliance industry in the UK, covering manufacturers of small and large domestic appliances. AMDEA has two main committees, namely technical and consumer groups that are supported by issue specific panels. Main areas of focus are as follows: circular economy, environment, sustainability targets, WEEE and packaging Extended Producer Responsibility regulations, security of connected appliances.</p>
<p><b>ZVEI e.V. (Zentralverband Elektrotechnik- und Elektronikindustrie)</b></p>	<p>ZVEI, the Electro and Digital Industry Association, promotes the industry's collective economic, technological and environmental policy interests on a national, European and global level. The industry has round about 890,000 employees in Germany plus 766,000 employees all over the world. Main topics of interest are sustainability &amp; environment, circular economy, energy efficiency, cyber security and mobility. Beko Grundig Deutschland (Arçelik's Subsidiary) is currently at the Board of ZVEI's Consumer Electronics Section.</p>

<b>GIFAM (Groupement des marques d'appareils pour la maison)</b>	Beko France (Arçelik's subsidiary) is a member of GIFAM, representing the white goods industry in France. Through this association, we follow laws and regulations in France, contribute to forming association opinions on these laws and regulations, and closely follow regulations regarding the circular economy and carbon neutral targets. The Country Director of Beko France SAS is currently the chair of GIFAM, and employees in related fields actively attend working group meetings.
<b>DIGITAL EUROPE</b>	It is an organization which consists of the world's largest IT, telecommunications and consumer electronics companies that heavily invest in Europe and prominent trade associations from 30 different European countries. DigitalEurope acts in the belief that digitalisation is a key enabler for a resilient and sustainable ecosystem. Thus, it aims to convey the views of the industry to related public bodies and support the development of a regulatory framework that nurtures innovation, advances digitalisation, and enhances growth. We actively attend to several working groups and contribute to the positive impact of digitalization.
<b>Association of Home Appliance (AHAM)</b>	AHAM is a unanimous voice providing the industry with leadership, advocacy and a forum for action in public policy, standards and business decisions. AHAM helps manufacturers bring efficient, high-performing home appliances into the homes of consumers in the United States, Canada and around the world. It also promotes the industry's mission to increase appliance performance while reducing its impact on the environment. It plays an active role in the fields of energy efficiency, e-waste, resources, safety, and standardisation. Beko US (Arçelik's subsidiary) contributes and provides responses to current and draft regulations and policies through AHAM.
<b>Turkish Industry and Business Association (TÜSiAD)</b>	With strong representative power in terms of the added value created by member organizations in Türkiye's economy, TÜSiAD is also a member of Business Europe, which is considered to represent the European private sector. As an umbrella NGO representing Türkiye's business world, TÜSiAD is an institution that actively participates in forming opinions as a public authority on a wide range of topics from sectoral developments to other related areas. In addition, TÜSiAD can closely monitor legislative works in the EU which concern our sector, and form opinions at the level of EU institutions by means of the Business Europe channel of which it is a member. We

	<p>actively participate in and contribute to many TÜSİAD working groups and task forces. In particular, Arçelik leads the Working Group for the Environment and Climate Change and the EU Green Deal Task Force to actively work on the formation of country policies in these areas.</p>
<p><b>Chamber of Commerce and Industry of Serbia</b></p>	<p>It is a national association of all Serbian businesspeople, which serves the best interests of its members and the Serbian economy. It consists of companies and entrepreneurs. Beko Balkans (Arçelik's subsidiary) contributes especially in the compliance working group of the association.</p>
<p><b>STS Forum</b></p>	<p>It is a forum that brings together scientists and global leaders in the fields of politics, business and academia who meet yearly in Kyoto, Japan. In addition to the annual meeting, STS Forum gathers so many stakeholders at side events where the future of science and technology and ways to increase benefits for humanity and environment are discussed thoroughly. As a responsible manufacturer Arçelik closely follows developments in cutting-edge science and technology.</p>
<p><b>Turkish White Goods Manufacturers' Association (TÜRKBEŞD)</b></p>	<p>TÜRKBEŞD aims to develop the white goods industry in Türkiye, increase exports, work on technical issues, energy efficiency, and environmental compliance regarding products and manufacturing processes, ensure the technological development of the sector, and share views that will benefit the country, sector, and consumers regarding drafts of future domestic legislation. Arçelik has taken an active role in TÜRKBEŞD for many years and currently is the deputy chair of the BoD. TÜRKBEŞD has several technical working groups to which Arçelik actively contributes.</p>

<b>Domestic Appliances Association of South Africa (SADA)</b>	SADA is a local trade association that provides a single, consensual voice for the home appliance industry, promoting industry's mission to advance the lifestyles of South Africans. Defy Appliances Pty Ltd (Arçelik's subsidiary) holds a BoD position at SADA and actively contributes to issues related to the industry in general and specific issues like circular economy, e-waste and energy labeling.
<b>Pakistan Business Council</b>	It consists of the country's leading Corporates and Business Groups as an advocacy forum to improve the general business environment of the country. The Council has several committees on issues like taxation, foreign trade and the environment. Dawlance (Arçelik's subsidiary) actively attends the meetings of the Environment Committee and contributes to a positive agenda of energy labelling and sustainability.
<b>Empowering the digitalisation of Energy transition (EEBUS)</b>	EEBUS is an organization that tries to empower the digitalisation of energy transition by ensuring compliance with physical and grid-initiated constraints at the grid connection and thus supports a stable grid operation. Hence, the purpose of EEBUS is the development and standardisation of a cross-domain and manufacturer-independent communication from grid to device level and required interfaces to allow for the interconnection between energy management relevant devices as well as corresponding control systems. Arçelik actively participates in the technical development of the EEBUS standard. This membership provides an opportunity for Arçelik in the fast-growing market of environment-related energy transition. Thus, this helps Arçelik's efforts towards decarbonization and climate protection.
<b>European Factories of the Future Research Association (EFFRA)</b>	It is an industry-driven association promoting the development of new and innovative production technologies. It is the official representative of the private side in the "Made in Europe" partnership. This partnership is the voice and driver for sustainable manufacturing in Europe. It boosts European manufacturing ecosystems towards global leadership in technology, circular industries and flexibility. The Partnership contributes to a competitive, green, digital, resilient and human-centric manufacturing industry. As a member of EFFRA, Arçelik contributes to the research on production technologies.



<p><b>European Industrial Research Management Association (EIRMA)</b></p>	<p>Business R&amp;D has a very significant role to play in businesses' agenda towards sustainability. EIRMA is at the centre of driving this development and leading the necessary change. It plays an active role in capturing and spreading best practices of its members by using specific methodologies like knowledge management and benchmarking. Arçelik shares its knowledge and contributes to insights on key issues in R&amp;D and innovation management.</p>
<p><b>Electronic Devices Manufacturers' Association (ECiD)</b></p>	<p>Its goals are to create an electronic sector that can compete globally and contributes to production, exports, employment, economic development, and welfare in Türkiye. It is aimed to create an electronics industry that is sensitive to climate change and environmental problems by attaching importance to R&amp;D and innovation. Arçelik is the deputy chair of the BoD and contributes to the works of ECiD that supports digital transformation in the sector.</p>
<p><b>German Chamber of Commerce (IHK)</b></p>	<p>IHK represents commercial and industrial enterprises and those belonging to the service sector in Germany. It aggregates the interests of businesses across all sectors and branches of the economy in a democratic and deliberative manner. These interests are conveyed to it by the 79 local Chambers of Commerce and Industry across Germany. Beko Grundig Deutschland (Arçelik's subsidiary) is a member of IHK and follows valuable information about current industrial developments and challenges as well as providing specific suggestions on the policies and draft regulations.</p>
<p><b>TechUK</b></p>	<p>TechUK is a technology trade association with white goods, consumer electronics and IT members. It establishes a network for innovation and collaboration across business, government, and stakeholders to provide a better future for people, society, the economy and the planet. Beko UK &amp; Ireland (Arçelik's subsidiary) by being a member of TechUK contributes to realising the positive outcomes of technology in a fast-moving world.</p>

<b>Connectivity Standards Alliance (CSA)</b>	CSA aims to ignite creativity and collaboration in the IoT, by developing, evolving, and promoting universal open standards that enable all objects to securely connect and interact. CSA tries to create, evolve and manage IoT technology standards through a well-established, collaborative process. Arçelik contributes to this collaboration in standardization by attending the meetings.
<b>EP100</b>	EP100 is a global initiative led by the international non-profit Climate Group, bringing together over 120 energy smart businesses committed to measuring and reporting on energy efficiency improvements. Each member company has its own commitment regarding energy efficiency. Arçelik's commitment is "Double energy productivity by 2030, relative to a 2010 baseline, and implement an energy management system (EnMS) across its global production facilities by 2025".
<b>Foreign Economic Relations Board (DEİK)</b>	DEİK aims to become a business diplomacy organization comprising Business Councils, Founding Institutions and individual members that represent Türkiye's business community and its leading entrepreneurs. DEİK has country based, sectoral based and special purpose councils that all focus on development. Arçelik is represented in various business councils by C-level executives to contribute to boost economic ties between countries.
<b>Federation of European Heating, Ventilation and Air Conditioning Associations (REHVA)</b>	REHVA is an umbrella organization that represents more than 120.000 HVAC designers, building services engineers, technicians and experts across European Countries. It provides a strong platform for international professional networking, and knowledge exchange pursuing the vision of improving health, comfort, safety and energy efficiency in all buildings and communities. Arçelik is one of the supporters of REHVA committed to advancing and developing high quality HVAC technologies, system solutions and engineering tools through international knowledge exchange, research and joint advocacy.

<p><b>The Alliance for the Internet of Things Innovation (AIOTI)</b></p>	<p>AIOTI is an organization that aims to lead, promote, bridge, and collaborate in IoT and Edge Computing and other converging technologies research and innovation, standardisation and ecosystem building. Arçelik became a member to AIOTI in 2022 to contribute to the development of the IoT and Edge Computing market while preserving values like privacy and consumer protection.</p>
<p><b>White Goods Suppliers Association (BEYSAD)</b></p>	<p>It is an association created jointly by firms providing services to white goods main industry firms as supply industry for the purpose of voicing their common issues more effectively and obtaining more tangible results in comparison with individual efforts. It predominantly consists of SMEs. Arçelik is among the founders of BEYSAD and still actively contributes to its events and projects. According to its sustainability targets, Arçelik strongly believes in the significance of development as a sector throughout the whole supply chain.</p>
<p><b>UN GLOBAL COMPACT</b></p>	<p>United Nations Global Compact (UNGC) is the largest corporate sustainability initiative for businesses who are committed to align themselves with UN SDGs. Arçelik is a strong supporter of UNGC and embeds its Ten Principles into its operations. Arçelik is also a member of UNGC's CFO Taskforce, CEO Water Mandate and Business Ambition for 1.5°C, Race to Zero Campaign. In addition, Arçelik annually discloses and reports its progress on how it applies the UNGC principles. Arçelik also joined the Forward Faster initiative which challenges businesses to raise their ambitions in 2030 goals. We made significant commitments in three key areas: Climate Action, Water Action, and Sustainable Finance.</p>
<p><b>Woman in Technology Association (Wtech)</b></p>	<p>Wtech's main aim is to enable individuals to discover their own potential; to train curious, researcher, productive and self-confident people who are experts in technology and bring them into the business world. To ensure diversity in technology, Wtech aims to ensure that women are specialized and empowered with technical skills to take part especially within the scope of artificial intelligence. Wtech organizes several projects to increase both awareness and skills by various trainings.</p>

<b>Turkish Marine Environment Protection Association (TURMEPA)</b>	<p>TURMEPA is Türkiye's leading sea-oriented non-governmental organization that aims to leave a more liveable Türkiye that embraces clean seas to future generations. In this regard, TURMEPA organizes activities to prevent our shores and seas from being polluted, encourage and develop the fight against pollution as well as ensuring public participation, leaving a liveable and healthy environment for future generations. TURMEPA also organizes and attends seminars regarding the effects of climate change on marine life.</p>
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### 3. POSITIONS ON CRITICAL POLICY INITIATIVES

#### 3.1. Green Deal

With the green and digital transformation, known as the twin transformation, the EU aims to be a pioneer in the fight against climate change with the initiative called Green Deal. Hence, the European Commission announced the EU Green Deal on December 11, 2019, as the new growth strategy of the EU, in line with the goal of reducing greenhouse gas emissions by 55% compared to 1990 levels by 2030 and becoming "Carbon Neutral" by 2050. The deal encompasses many areas, such as the circular economy, clean & reliable energy, preserving biodiversity, smart mobility, financing the transformation, and so on.

The twin transition, supported by the "Fit for 55 Package" and many legislations, has begun to form the basis of modern economies, global value chains, and even product designs. Financial markets play a substantial role in encouraging companies to be sustainable, as an increasing number of institutions are refraining from investing in unsustainable businesses. Consumers are also translating their sustainability concerns into action by buying products from sustainable companies.

Arçelik has perceived sustainability as a business model for a long time. Through the Company's commitment to a sustainable business model, Arçelik has been searching for ways to transform all areas of the company to better suit ambitious goals. Arçelik, through its memberships, actively contributes to the improvement of climate change policies in the countries that it operates as well as the legislations under the Green Deal in the EU.

As known, international carbon pricing schemes and the EU Green Deal are steadily developing. Arçelik, being a global participant in the climate change discussions, promotes high-level leadership measures and actively participates in various events to push the climate agenda. Arçelik's CEO is a high commissioner on the World Bank's Carbon Pricing Leadership Coalition and has previously spoken on effective carbon pricing methods that would enable the world to transition to a carbon-free economy. Arçelik truly believes that environmental concerns, human rights, equality, health and safety for all, prevention of child labour, business ethics, compliance, and responsibility must be the utmost priorities for everyone and every company.

### 3.2. Emissions Trading System (ETS)

An ETS, also known as a cap-and-trade system, is a market-based approach designed to reduce greenhouse gas (GHG) emissions. It operates on the principle that if there is a limit, or cap, on the total amount of emissions allowed within a certain jurisdiction, companies can buy and sell permits or allowances and essentially drive investment in low-carbon technologies.

The ETS limits emissions from around 10.000 installations in the energy sector and manufacturing industry, as well as aircraft operators operating between these countries and departing to Switzerland and the United Kingdom. It covers around 40% of the EU's greenhouse gas emissions, and it will also cover emissions from maritime transport from 2024.

Until today, the cap has been reduced in four phases so that total emissions fall. The ETS contributes immensely to the EU's ambitious targets of reducing net emissions by at least 55% by 2030 compared to 1990 levels. According to the European Commission, by 2030, the cap on emissions from sectors covered by the EU ETS is set to decrease by 62% compared to 2005 levels.

Arçelik calculates the GHG emissions sourced by its facilities by using IPCC-2006 and in accordance with ISO 14064-1 GHG Standard. Arçelik's GHG values have been verified by an independent body in accordance with ISO 14064-3 Std. at a "reasonable assurance level", since 2010. Scope 1 and Scope 2 GHG Emissions (ton CO<sub>2</sub>e) together with GHG Emissions from Use of Sold Products (ton CO<sub>2</sub>e / Product quantity) are openly provided in our Sustainability Reports. Moreover, Arçelik used the Implicit Carbon Price Model from 2010 to 2020 while calculating its GHG emissions. Since 2020, Arçelik has used the Shadow Price internal carbon pricing mechanism to guide various spending decisions to reduce direct and indirect GHG emissions from its global business operations.

In line with this, Arçelik supports actions taken towards calculating GHG emissions and carbon pricing mechanism in countries it operates. At the moment, Türkiye, India, Pakistan, Taiwan, Thailand, Malaysia, Indonesia, Vietnam, and the United States are either considering implementing their own emission trading systems or developing an ETS. Arçelik closely monitors all related developments.

Arçelik believes that ETS provides companies with a clear framework and a signal for reducing emissions. The emission cap and allowance allocation can be set progressively to align with climate targets, allowing businesses to plan their investments and operations accordingly. Considering the urgency and scale of the existential threat the world is facing, there must be increased global cooperation. Emissions trading systems can be designed to link with other systems, enabling international cooperation and harmonization, which is vital in combatting climate change. This alignment promotes global emission reductions and avoids carbon leakage, where companies relocate to jurisdictions with weaker emission regulations. Thus, Arçelik underlines that all carbon pricing mechanisms should be cohesive and aligned to reach global climate targets.

Moreover, ETS not only creates a financial incentive for companies to reduce emissions but also generates an immense revenue needed for cleaner technologies and practices. Hence, Arçelik emphasizes that revenues gathered from the emission trading systems must be used in transforming industry and eliminating any possible social effects of climate change.

### 3.3. Carbon Adjustment Mechanism (CBAM)

CBAM is a policy tool that aims to address the issue of carbon leakage and promote global climate goals. It is designed to prevent the shifting of carbon-intensive production to countries with less stringent climate policies, which can undermine the effectiveness of domestic climate actions.

CBAM operates by imposing a carbon price on certain imported goods based on their carbon content. It currently covers a limited number of imported raw materials and electricity, but there is a possibility of encompassing all ETS sectors. It aims to level the playing field for domestic industries that are subject to carbon pricing or emission reduction obligations. By imposing a carbon border adjustment, the CBAM seeks to create an incentive for foreign producers to reduce their carbon emissions or adopt cleaner technologies to remain competitive in the market.

Arçelik believes that there is a need for increased cooperation in combatting climate change and reducing global emissions. Arçelik emphasizes that reducing emissions collectively is necessary more than ever. There are several countries who are planning to establish their own ETS and CBAM-like mechanisms, but harmony and cohesion is a must to achieve global targets. Thus, Arçelik perceives WTO compatibility as significant. Moreover, the revenue generated from CBAM certificates can be used to finance green investments in the exporting countries outside the EU as well as to accelerate green and digital transition.

Arçelik fully understands the reason for CBAM, and it agrees that it will accelerate global markets to find ways to transform towards green technology and for states to formulate standards for decarbonization. Arçelik also advocates harmony and cohesion of international standards and believes that alignment can lead to fast and fair decarbonization.

### 3.4. Corporate Sustainable Due Diligence

Recently, the European Commission and various countries, especially in the EU, have arranged their domestic legislation to emphasize human rights together with environmental sensitivities. These legislations require companies to report mandatory due diligence throughout their supply chain. Arçelik places the utmost importance on due diligence. Please refer to the Sustainability Report, and especially to the Global Human Rights Due Diligence Process, together with Arçelik's Conflict Minerals Due Diligence Report.

Corporate sustainability due diligence, in general, refers to the process by which a company assesses and manages its environmental, social, and governance (ESG) risks and impacts. It involves systematically evaluating the sustainability performance of a company's operations, supply chain, and business activities to identify potential risks, opportunities, and areas for improvement.

The goal of corporate sustainability due diligence is to understand and mitigate the negative impacts that a company's operations may have on the environment and society, while also identifying opportunities to create positive social and environmental outcomes. It helps companies align their practices with sustainable development goals and stakeholder expectations.

Corporate sustainability due diligence is an ongoing process that requires a commitment to continuous improvement and engagement with stakeholders. Certainly, by integrating sustainability considerations into their operations, companies can enhance their long-term viability, reputation, and contribute to a more sustainable economy and society.

Arçelik implements a due diligence process to identify, mitigate, and prevent potential and actual salient human rights and/or environmental issues in the entire value chain. The due diligence process covers risk identification in own operations, the value chain, and cases of acquisitions or mergers. All findings from the assessment of due diligence for own operations, for those in the value chain as well as any concerns raised for potential mergers/acquisitions, are systematically reported to respective departments and the Sustainability Council as well. Arçelik collects GHG emissions, water, waste and energy data from suppliers. Arçelik informs suppliers not only about the mitigation costs to be incurred today but also about the adaptation risks to be incurred in the future if the planet cannot be on track with a 1,5 degree warming scenario.

Moreover, a new and dedicated Human Rights Department has been established by the Board of Directors of Arçelik. The department is responsible for organizing regular third-party and internal human rights assessments within the global organization, preparing a risk mapping of potential and actual violations, and taking necessary mitigation and remedial actions pursuant to the Global Human Rights Due Diligence Process. The Human Rights department is responsible for convening the Human Rights Committee (HRC). The HRC meets four times a year to review and revise the risk mapping of potential human rights issues within our existing business and new business relations, and risks in the value chain. In terms of the value chain, our priority is assessing the risks of Tier-1 suppliers. The duty of the Human Rights Committee is to proactively ensure that the operations in the value chain do not have adverse impacts on individuals. The HRC is chaired by the Chief People Officer, and representatives from Occupational Health and Safety, Sustainability, Quality Systems, Purchasing, Global Compliance, Environment, and the Human Rights teams attend the committee.

### **3.5. Green Deal Industrial Plan**

The Green Deal Industrial Plan is a comprehensive strategy aimed at promoting sustainable economic growth and transitioning industries towards a low-carbon future. It is part of the European Green Deal initiative, which outlines the European Union's commitment to becoming the World's first climate-neutral continent by 2050. The plan aims to foster the modernization and competitiveness of European industries while simultaneously reducing greenhouse gas emissions and promoting environmental sustainability.

The plan addresses the urgent need to mitigate climate change by transitioning industries away from fossil fuels and high-carbon processes. By promoting cleaner technologies and sustainable practices, it helps reduce greenhouse gas emissions, contributing to the global effort to limit global warming and its catastrophic consequences.

The plan also recognizes the economic potential of the green transition. It encourages investment in research and innovation, fostering the development of new clean technologies and sustainable solutions. This transition opens new markets, creates green jobs, increases skills of employees, and boosts economic growth, ensuring competitiveness in the global market. The plan also emphasizes the importance of building resilient and sustainable supply chains. By reducing dependence on importing

raw materials from limited sources and promoting circular economy principles, it aims to enhance resource efficiency.

Arçelik believes that the World should be in a net-zero era with a renewed focus on the effect of technology in reaching ambitious climate goals. However, Arçelik highlights that it takes all net-zero technologies, including our energy-efficient products to meet the global climate targets. Moreover, it is believed that, as a forerunner, Europe needs reliable partners more than ever to push for a cost-effective and competitive economy. In a situation where the supply of critical raw materials is eminent and forming a resilient supply chain is vital, there is certainly a need to focus more on building strategic partnerships, especially with countries with which the EU already has agreements. From a global perspective, when the effect of global trade is considered, there must be an increase in forming global reliable and climate-oriented partnerships.

### **3.6. Carbon Sinks and Sustainable Carbon Cycles**

Carbon sinks and sustainable carbon cycles play a crucial role in achieving ambitious climate goals by mitigating the effects of greenhouse gas emissions and stabilizing the carbon balance in the atmosphere. Improvement of technology is indispensable in global combat against climate change; however, nature-based solutions such as carbon sinks are also essential.

Land use, Land-use Change, and Forestry (LULUCF) sector consisting of 6 land uses, namely forests, agricultural product areas, pastures, wetlands, settlements, and other areas (Rocky, sandy lands), is one of the sectors that makes the greatest contribution to the removal of global greenhouse gas emissions from the atmosphere (carbon sequestration), as well as that being sensitive to the negative impacts of climate change. Hence, Arçelik tries to contribute to both preserving and spreading of these areas in places it operates. Moreover, for a manufacturing company to reach net-zero emissions, it must evaluate all reduction options and balance its remaining emissions with sinks to some extent. There is a wide variety of projects and carbon certification systems around the world to offset these emissions. Arçelik supports these projects and believes that there should be coherent and consistent certification mechanisms.

As is known, carbon sinks store carbon in various forms, effectively removing it from the active carbon cycle. Forests, for instance, store carbon in their biomass and soils. This process, known as carbon sequestration, helps to offset greenhouse gas emissions by locking away carbon for extended periods, sometimes for centuries.

Many carbon sinks, like wetlands, are also vital habitats for diverse plant and animal species. By protecting and conserving these ecosystems, not only is the biodiversity preserved but also the long-term viability of carbon sinks is also ensured. Biodiversity itself is crucial for ecosystem resilience and adaptation to climate change.

Sustainable carbon cycles, which involve maintaining and restoring carbon sinks, contribute to the overall resilience of ecosystems and communities. Well-preserved carbon sinks provide various ecosystem services, such as water filtration, soil erosion prevention, and natural disaster mitigation. These services help communities adapt to the impacts of climate change and enhance their capacity to withstand environmental challenges.



### 3.6. Ecodesign for Sustainable Products Regulation (ESPR)

As a global company which places sustainability at the heart of its operations, Arçelik welcomes the utilization of life cycle assessment to evaluate the environmental performance of its products. We strongly believe a holistic and standardized product regulation will ensure the seamless functioning of the Single Market and prevent discrepancies among different jurisdictions. Eco-design requirements do not only contribute to our fight against climate change but also support European customers grappling with rising energy prices. Through APPLiA, we are part of Circular Appliances and Circular Culture initiative which aims to promote and boost circularity in each phase of the product's lifetime. Through our membership to AMDEA, we promote that all phases of an appliance's life cycle including recycling and recovery contribute to net zero targets to achieve circular economy.

As a part of EU's Ecodesign for Sustainable Products Regulation (ESPR), establishing a Digital Product Passport (DPP) is also under consideration in order to help consumers in making sustainable choices and allow authorities to verify compliance with legal obligations. Arçelik believes that DPP will positively contribute to sustainability of products and add value to consumers if requirements are determined constructively on a product and sectoral basis. Arçelik actively contributes to the formation of sectoral opinions regarding legislative developments in that respect.

### 3.7. Right to Repair

Arçelik is committed to sustainability and durability of its products. As part of this commitment, the company also invests in the longevity of its products and encourages the refurbishment of goods or replacement of parts.

Through our membership to APPLiA, we have established an online platform that provides customers with information about refurbished products. While we support the idea of self-repair and spare parts by offering customers related information, we strongly advocate for consumers' right to have their products repaired by professionals using the best-performance and safest spare parts. We welcome the development of professional repairers' skills in this regard, as we believe that consumers deserve to have their products repaired right. Our subsidiary Beko UK & Ireland has taken part in the initiative called "The Big Repair Project" launched by the UCL Plastic Waste Innovation Hub to provide valuable insights to inform the Right to Repair policy in the UK. It continues to engage with a variety of stakeholders in the circular economy landscape to establish our company as the industry's voice in the UK.

As aforementioned, we are dedicated to promoting sustainability and durability, and we will continue to invest in these values to ensure that our products last for years to come.