

Arçelik

Sustainability-Linked Financing Framework

April 2024



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1. Arçelik at a Glance

Arçelik is a multinational household appliances manufacturer. With over 40,000 employees throughout the world, Arçelik's global operations include sales and marketing offices in 53 countries, and 31 production facilities in 9 countries with 14 brands (Arçelik, Beko, Grundig, Blomberg, ElektraBregenz, Arctic, Leisure, Flavel, Defy, Altus, Dawlance, Hitachi¹ and Singer¹). Arçelik reached a consolidated turnover of more than TRY 257 billion in 2023. Arçelik's 28 R&D and Design Centers & Offices across the globe are home to over 2,200 researchers and hold more than 3,500 international patent applications to date.

Arçelik's corporate vision is '*Respecting the World, Respected Worldwide*' as it passionately nurtures its global growth story with greener production, better utilization of natural resources, and more sustainable business processes.

As of April 2, 2024, the definitive Contribution Agreement between Arçelik's wholly owned subsidiary Beko B.V. and Whirlpool Corporation's wholly owned subsidiary Whirlpool EMEA Holdings LLC, leading to the establishment of Beko Europe, has been successfully completed. Through this acquisition, Arçelik will now have operations across 57 markets with around 55,000 employees. The company's annual production capacity will also increase significantly as the total number of production facilities reaches 45 in 13 countries (i.e. Türkiye, UK, Italy, Romania, Slovakia, Poland, South Africa, Russia, Pakistan, India, Bangladesh, Thailand and China). Arçelik will have 22 brands owned or used with a limited license (Arçelik, Beko, Whirlpool¹, Grundig, Hotpoint, Arctic, Ariston¹, Leisure, Indesit, Blomberg, Defy, Dawlance, Hitachi¹, Voltas Beko, Singer¹, ElektraBregenz, Flavel, Bauknecht, Privileg, Altus, Ignis, Polar). Thus, Arçelik became the largest white goods company in Europe with its market share based on volumes.

Moreover, as part of our globalization strategy, Arçelik A.Ş. will henceforth use the corporate brand name Beko across all geographies, including Türkiye, with the aim of bringing all our employees and operations worldwide together under a common corporate brand umbrella.

The transformation aims to change the names of subsidiaries established under different names globally to Beko. It only covers the corporate brand, that is, the company brand, and will not affect our 22 consumer brands worldwide as well as the company's legal entity name (Arçelik A.Ş.).

Beko Europe is not included in the data provided within the scope of this Framework, including KPIs and SPTs. When the integration process will be completed, we will revise all related information in line with our recalculation policy in this framework.

¹ It has the right to use the trademark for certain countries.

2. Arçelik Sustainability Strategy

In line with its vision 'Respecting the World, Respected Worldwide', Arçelik puts sustainability at the center of its business and incorporates it as part of its growth strategy, focusing on creating shared value that nurtures natural, social, and financial capitals. Within the framework of Arçelik's sustainability approach 'In Touch Technology', it focuses on being in Touch with Planet, In Touch with Human Needs, and In Touch with Business. Arçelik acknowledges the necessity to go beyond its current habits and behavioral models, redefining its thought processes and challenging the perceived limits of what is thought to be impossible today. It designs, builds, and lives the future, today. Accordingly, Arçelik designs technologies that will improve the future.

With Arçelik's global reach and broad network of stakeholders, it strives to be a part of the solution in tackling environmental and social problems. The company considers the climate crisis as the ultimate emerging risk the company itself and the world face.

Arçelik focuses on responsible production and consumption along with circular economy across its entire value chain. It is reducing its environmental footprint through its innovations and the improvements in its operations.

Sustainability Governance

The integration of sustainability as a business model strategy, focusing on stakeholder capitalism, is an integral part of value creation for the company. Thus, sustainability is embedded in the company's strategies at various levels of governance starting from the highest level.

The Board of Directors (BoD) is the highest governance body regarding management, monitoring, and ensuring the appropriate skills and competencies that are available to oversee sustainability-related risks and opportunities. At the BoD level, a Board Member - who is also Koç Holding Consumer Durables' President - has been tasked with reporting the ESG related issues to the BoD three times a year.

There are also C-level committees that oversee sustainability topics: The Sustainability Council (SC), Global Ethics Committee, and Human Rights Committee.

The SC gathers quarterly and determines corporate sustainability and climate change strategies, ensures their integration with the company's business processes, and monitors sustainability performance. The C-level executive team serves as inherent members of the SC. Other D-level executives also participate as inherent members of the Council, depending on the issues to be discussed at the meetings. The everyday work and efforts undertaken by Sustainability Working Groups (WGs) feed into the SC's agenda. Additionally, the Human Rights Committee also gathers quarterly to discuss the progress of the human rights corrective action plans for the organization's operations as well as for suppliers. The committee oversees the work of Arçelik's Human Rights Department which was formed in 2022. In addition, the Human Rights Committee serves as a platform for alignment on Global DEI (Diversity, Equity, Inclusion) integration into leadership DNA.

The Chief Sustainability, Quality & Customer Care Officer is the company's highest ranking individual responsible for assessing and managing sustainability-related strategies and risks and opportunities. The Sustainability, Environment, Energy, and Sectoral Relations Departments, which are under the Chief Sustainability, Quality & Customer Care Officer, work to monitor and report sustainability performance,

oversee the progress on sustainability targets, initiate new projects, and integrate sustainability into business processes.

In order to ensure the effective implementation of the company’s long term ESG strategy backed by the 2030 Environmental and Social Targets, including the Science Based Targets and Net Zero Commitment, are included in the C and D level executives’ annual performance evaluation score cards that are linked to annual compensation and bonuses as incentives. Similarly, the same KPIs are also included in the business unit managers and related expert employees’ performance evaluation score cards in determination of their annual compensation and bonuses as incentives.



Materiality Analysis

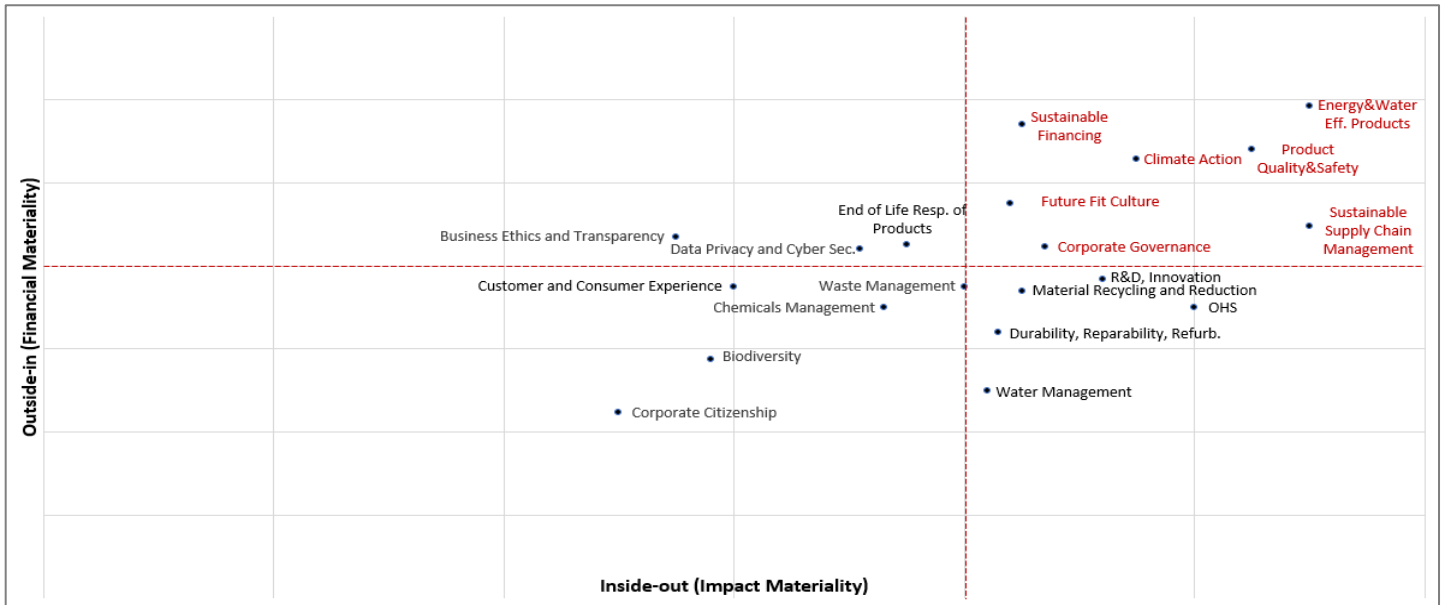
At Arçelik, we attach utmost importance to positioning ourselves within the ever-changing circumstances in our working environment and global trends in sustainability. In order to do this, we identify and prioritize the material topics that have significant impact potential on our business model throughout the entire value chain, considering our upstream and downstream processes.

The materiality analysis is the backbone of these efforts. Our materiality analysis has adopted the double and dynamic materiality approach in line with the European Union’s Corporate Sustainability Reporting Directive (CSRD). The feedback collected from various stakeholders are evaluated by the senior management based both on their financial impact on Arçelik (outside-in), and Arçelik’s impact on the society and environment (inside-out) based on the suggested methodology of the European Financial Reporting Advisory Group (EFRAG). This allows us to understand the reciprocal relationship between Arçelik and the ecosystem that Arçelik operates in by evaluating each topic from both an inside-out and an outside-in perspective.

Short-list of Material Topic According to Stakeholder Survey:

Very High Priority	High Priority	Medium Priority
<ol style="list-style-type: none"> 1. Product Quality&Safety 2. Climate Action 3. Energy and Water Efficient Products 4. Sustainable Financing 5. Corporate Governance 	<ol style="list-style-type: none"> 6. Future Fit Culture, Talent and Organizational Management 7. Sustainable Supply Chain Management 8. R&D, Innovation, Digital Transformation and Smart Solutions 9. Material Recycling and Reduction 10. Occupational Health and Safety 11. Business Ethics and Transparency 12. End of Life Responsibility of Products 13. Durability, Reparability and Refurbishment 14. Data Privacy and Cyber Security 15. Water Management 	<ol style="list-style-type: none"> 16. Chemicals Management 17. Waste Management 18. Biodiversity 19. Customer and Consumer Experience 20. Corporate Citizenship

Results of Double Materiality Analysis:



Sustainability as a Business Model

Within the 'In Touch Technology' Framework, Arçelik strives to embed sustainability as a business model within each and every department of the company and aims to realize the transformation to sustainable business models together with its stakeholders across its value chain.

Arçelik's long term strategy is focused around four prioritized paths including growing the business, empowering people, acting for the planet, and strengthening communities. Arçelik's significant achievement and further projects in the pipeline are fully parallel to the mega trends which are: Digital Transformation, Innovation, Future Talent, Climate Change, and Diversity and Inclusion.

Respecting
the world
Respected
worldwide

Embedding Sustainability into Business Strategy

Arçelik's ultimate goal is to leverage its brands into decision making and business process

Sustainability as a Business Model

We take concrete steps today to make the world sustainable tomorrow with the technology we develop to improve the **planet, life, and our business**

Strategic Pillars

In Touch With Our Planet 

- Climate Action
- Water Management
- Waste
- Chemicals Management
- Biodiversity
- Material Recycling and Reduction
- Energy and Water Efficient Products
- Durability, Reparability and Refurbishment
- End of Life Responsibility of Products

In Touch With Human Needs 

- Corporate Citizenship

In Touch With Business 

- Business Ethics and Transparency
- Corporate Governance
- Sustainable Financing
- Future Fit Culture, Talent & Organizational Management
- Occupational Health and Safety
- R&D, Innovation, Digital Transformation and Smart Solutions
- Data Privacy and Cyber Security
- Customer and Consumer Experience
- Product Quality and Safety
- Sustainable Supply Chain Management

























We find our resilience in our commitment to a better future. We continue to support the UN Sustainable Development Goals and implement our In Touch Technology sustainability framework on three pillars: curbing our footprint, supporting our communities, and improving our competitive edge. Backed by our ambitious 2030 targets, we remain committed to helping our planet, through innovation and impact.

In Touch **with Our Planet**



At Arçelik, effective environmental management and adaptation and mitigation to the impact of climate change are among key priorities.

As the physical effects of the climate crisis, such as heat waves, droughts, wildfires, sea level rise, and floods are becoming more prevalent globally, immediate action is required to mitigate and adapt to these devastating risks as well as the policy and regulatory changes that come along.

At Arçelik, we are taking steps to limit the increase in global temperatures to the 1.5-degree scenario. To achieve this goal, we are heavily investing in energy efficiency and renewable energy in production and purchasing green electricity to further decrease Greenhouse Gas (GHG) emissions. We are also heavily investing in R&D to produce energy-efficient products to reduce the GHG emissions that relate to the products' use phase.

Key points we focus on:

- Conducting operations in harmony with Arçelik's environmental management plan, including its decarbonization and net-zero roadmap in order to tackle climate change (predominantly through the reduction of greenhouse gases); reduce use of energy such as through various energy efficiency projects and increased use of renewable energy
- Minimizing water consumption during production, effective management of wastewater, and identifying water-related risks at locations where Arçelik and major suppliers operate
- Minimizing waste during production and operational processes; regaining and effective management of produced waste
- Protecting the environment and employees' and consumers' health and safety by safely managing chemicals used in products and production processes
- Protecting habitats, species, and ecosystems, and combating deforestation
- Reducing material consumption, increasing the use of recyclable and recycled content within products and their packaging in line with life cycle assessment processes
- Reducing energy and water consumption of products during their use phase by the end-user
- Extending products' lifespan and making them easily repairable through developed solutions; refurbished products used for a certain period by the customer, having cosmetic defects, displayed in dealer stores, or damaged in logistic processes
- Designing products under circularity principles, allowing content recycling, and managing waste from Electrical and Electronic Equipment (WEEE) process for end-of-life stage of products

Key Targets:

By 2050:	<ul style="list-style-type: none"> ▪ Committed to become a Net Zero Company in line with the Science Based Targets Net Zero Standard ▪ Committed to no gross deforestation from our operations ▪ Work to improve biodiversity footprint towards No Net Loss as of 2050 especially in selected priority areas such as areas in close proximity to key biodiversity protected areas
By 2030:	<ul style="list-style-type: none"> ▪ Reduce Scope 1–2 GHG emissions and Scope 3 GHG emissions from the use phase of sold products by 42% from 2022 baseline (Based on the new 1.5 degree aligned SBTi pending at approval stage)* ▪ Establish renewable energy systems with 50 MW capacity ▪ 100% green electricity usage in all manufacturing plants ▪ Reduce energy consumption and water withdrawal by 45% per product produced from 2015 baseline ▪ Increase the water recycling and reuse ratio to 70% in all manufacturing plants ▪ Increase recycled plastic content to 40% <p><i>*Arçelik has had an approved well below 2 degree SBTi Target, i.e. Reduce Scope 1–2 GHG emissions by 30% and Scope 3 GHG emissions from use of sold products by 15% from 2018 baseline.</i></p>

Please refer to our [website](#) for further information on all targets and its progress.

In Touch **with Human Needs**



vision ‘Respecting the World, Respected Worldwide’ and our ambition, we establish goals and strategic priorities addressing human needs. Based on our Corporate Citizenship approach, we aim to focus on social issues on a local and global scale through community programs, philanthropy, volunteerism, products and services, and responsible marketing in order to act with appropriate corporate social responsibility approach to support resilient societies.

Key Targets:

By 2030:	<ul style="list-style-type: none"> ▪ Raise awareness among 450 M people about healthy living and sustainability (total reach) ▪ Raise awareness on better future among 400M through sustainability communication campaigns (total reach) ▪ Serve 8 M meals to people in need and save 4,700 tons of food from being wasted ▪ Support the needs of communities with local hero brands in Türkiye, Romania, South Africa, and Pakistan
By 2026:	<ul style="list-style-type: none"> ▪ With Arçelik and Beko brands in Türkiye: Provide STEM training to 100,000 girls ▪ Increase the number of women entrepreneurs in the dealer ecosystem by boosting the percentage of women Beko dealers from 4.8% to 25% ▪ Reach 2,500 women entrepreneurs through global-scale entrepreneurship programs and contribute to fund transfers for women-led startups every year ▪ Enable women to gain new professional technical competencies and increase the percentage of women technicians working at Arçelik Authorized Services from 6.7% to 14%

Please refer to our [website](#) for further information on all targets and its progress.



In Touch **with Business**

At Arçelik, we are aware of business' critical role in achieving a sustainable future. Our goal in leading the household durables industry continues with the consciousness of transforming our business and building a future in collaboration with our stakeholders. Therefore, in addition to our work that contributes to human, financial, manufactured, intellectual, and natural capital, we incorporate sustainable values into our technologies while innovating to solve future challenges and meet society's needs. We believe it is essential to integrate our sustainability principles into each element in our business model.

Key points we focus on:

- Managing relationships with all stakeholders within ethical principles, Arçelik's corporate values, and acting transparently
- Enhancing the effectiveness of the Board and its committees, risk management, integrating ESG risks into business, and well-designed sustainability governance
- Using alternative financing tools such as green and/or sustainable bonds, loans etc. in order to support Arçelik's sustainability strategy and opting for more profitable financing
- Ensuring the corporate culture and human rights practices are in line with trends of the future; promoting diversity, equity and inclusion (DEI); attracting and retaining talent; effective employee engagement and employee well-being practices
- Ensuring the physical and mental health of employees and value chain workers is protected at work
- Developing innovative service solutions and smart products by using tools such as Big Data analysis, machine learning, AI, IoT; establishing strategic partnerships focusing on innovation, developing and/or adopting digital solutions that provide operational efficiency
- Safeguarding customers', employees', and business partners' data; resilience against cyber-attacks and possible malfunctions
- Meeting and going beyond user expectations in terms of user experience including user-friendliness, product performance, and quality
- Ensuring the products are non-harmful for user health and safety in line with international product safety standards and in good quality in terms of durability
- Promoting sustainability practices among suppliers; helping suppliers with their environmental, social and ethical performance improvements; proactively managing the ESG risks and opportunities for transformation throughout the supply chain

Key Targets:

By 2030:	<ul style="list-style-type: none"> ▪ Increase the percentage of women: <ul style="list-style-type: none"> - in the total workforce to 35% - in all management positions to 30% - in junior management positions to 35% - in top management positions* to 32% - in management positions in revenue-generating functions to 25% - in STEM related positions to 38% - Assign three women directors in STEM-related departments ▪ Ensure suppliers* exceeding 500 ToE obtain the ISO 50001 certificate
By 2025:	<ul style="list-style-type: none"> ▪ Collect, monitor, and publicly disclose compiled data of supplier's* Scope 1–2 GHG emissions, energy, water, and waste and encourage them to set their own targets <p><i>* 90% of our purchasing volume</i></p>

Please refer to our [website](#) for further information on all targets and its progress.

The EU Taxonomy

The EU Taxonomy regulation and the delegated acts are a classification system for organizations to identify which of their economic activities, or the economic activities they invest in, can be deemed 'environmentally sustainable'. It is legally in force within the European Union as part of the non-financial statement. According to reporting obligations and timeline, Arçelik is currently not within the scope of the Taxonomy regulation. However, Arçelik has voluntarily reported the taxonomy, mapping its eligibility and alignment to the EU Taxonomy as of 2022.

Please find the Taxonomy report for each financial year in its Sustainability Report of the relevant financial year.

Sustainability Indices & Awards

Arçelik knows that it cannot realize its vision of playing a role in solving environmental and social problems and producing technologies of the future alone, so it believes in the importance of working together with its stakeholders. Aiming to be a role model for its sector, Arçelik implements best practices in sustainability and aims to include all the actors in its value chain, from suppliers to dealers, employees, and customers in its business processes, to inspire them, and expand its practices. Arçelik is consistently highly ranked for its ongoing efforts to promote sustainability by the world's leading ESG indices and evaluation institutions.

Some of the highlighted achievements are listed as follows

S&P Dow Jones Sustainability Index

By reaching **86** (out of 100) in the 2023 S&P Global Corporate Sustainability Assessment, Arçelik achieves **the highest score** for the 5th time in the DHP Household Durables Industry (Score date: 27 October 2023) DJSI Emerging Markets).

Corporate Knights, Global 100 Index

Arçelik has been listed in the 2024 Global 100 Index by Corporate Knights for the 4th year, **ranking 60th globally** and **1st in the Household Durables Industry**.

CDP

Arçelik has been recognized for leadership in corporate transparency and performance on 2023 Water Security with a B score and 2023 Climate Change with an A- score by the global environmental non-profit CDP.

Bloomberg Gender-Equality Index (GEI)

Arçelik has been listed among 485 companies in Bloomberg's 2023 Gender-Equality Index (GEI) for the first time ever in 2023.

WEF Global Lighthouse and Sustainable Lighthouse Networks

Our Ulmi Plant in Romania and Eskişehir Plant in Türkiye have been listed in the "WEF Global Lighthouse Network" for the successful adoption of Fourth Industrial Revolution (4IR) technologies to enhance productivity and performance.

Arçelik has maintained its place on the **Borsa Istanbul (BIST) Sustainability Index**, the **MSCI Sustainability Index**, the **Sustainalytics ESG Risk Rating**, the **International Shareholder Services (ISS) ESG Rating**, the **Refinitiv**, and the **FTSE4Good Emerging Markets Index**, all of which build on its success.

3. Arçelik Sustainability-Linked Financing Framework

Arçelik has established this Sustainability-Linked Financing Framework, under which the company itself can raise Sustainability-Linked Bonds and Sustainability-Linked Loans (together as 'Sustainability Financing Instruments'), in conjunction with Arçelik's sustainability agenda outlined above.

This Sustainability-Linked Financing Framework has been established in line with the most recent available versions of the Sustainability-Linked Bond Principles (SLBP) issued by the International Capital Market Association (ICMA) in June 2023² and the Sustainability-Linked Loan Principles (SLLP) issued by the Loan Market Association (LMA) in February 2023³.

In line with the above, the Framework covers the following core elements:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Financial characteristics
4. Reporting
5. Verification

Arçelik will aim to adhere to best practices in the market and will review the Sustainability-Linked Financing Framework's alignment to updated versions of the Sustainability Linked Bond Principles and Sustainability-Linked Loan Principles as and when they are released. As such, this Framework may be updated and amended in the manner described in Section 4 ('Amendments to this Framework') below.

3.1 Selection of Key Performance Indicators (KPIs)

Key Performance Indicator 1: Reduce Scope 1–2 GHG emissions

Direct Greenhouse Gas Emissions (Scope 1) and Indirect - Energy Greenhouse Gas Emissions (Scope 2) measured in tons of carbon dioxide equivalent (tCO₂e)

Definition

Scope 1 and 2 Greenhouse Gas (GHG) emissions include:

- Scope 1: direct emissions corresponding to emissions from fuel consumption (stationary combustion, mobile combustion, refrigerant gas leakages and other GHG-related chemicals);
- Scope 2: indirect emissions corresponding to purchased electricity and steam consumption

² ICMA Sustainability-linked Bond Principles, June 2023, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

³ LMA Sustainability-linked Loan Principles, February 2023, <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

Parameter

This KPI covers all manufacturing facilities including Joint Ventures as follows.

Arçelik (Türkiye), Arctic (Romania), Beko LLC (Russia), Beko Thai (Thailand) Dawlance (Pakistan), Defy (South Africa), IHP (Russia), Singer (Bangladesh), AHTH (Thailand), AHSB (China), Arçelik LG (Türkiye), VoltasBeko (India). KPI performance will be reported annually in the Sustainability Reporting

The effects of the climate crisis, such as heat waves, droughts, wildfires, sea level rise, and floods are becoming more prevalent globally. Immediate action is required to mitigate and adapt to the devastating and catastrophic risks around the world caused by climate change.

The home appliances industry plays a crucial role in combating the climate crisis by developing climate friendly products that use fewer resources and are accessible to everyone in line with the 2030 United Nations Sustainable Development Goals (SDGs).

At Arçelik, we are taking steps to limit the increase in global temperatures to the 1.5-degree scenario. To achieve this, we are investing heavily in energy efficiency and renewable energy in production and purchasing green electricity to further decrease GHG emissions.

Rationale and materiality of the KPI

We have approved Science Based Targets (SBTs) for a well-below 2-degree scenario to reduce Scope 1 and Scope 2 GHG emissions by 30% by 2030 from a 2018 base year. We have applied to the Science Based Targets initiative (SBTi) to revise our target in line with the SBTi's Net-Zero Standard. This means that Arçelik has to reduce Scope 1 and 2 GHG emissions by 42% by 2030 from a 2022 base year aligned with 1.5-degree scenario. In addition to these near-term targets, we declared that we will be a net zero company by 2050, within the framework of the 2050 Net Zero Standards published by the SBTi. In this direction, we will need to reduce absolute emissions that we cause (Scope 1,2, 3) by at least 90% until 2050. We aim to do this by taking challenging innovative actions in our entire value chain and by investing in qualified nature-based and/or technology-based carbon removal projects for our 10% residual emissions in line with the SBTi Net Zero Standard.

This will be a challenging path for us because we are operating in 9 different countries with 31 production facilities. Since it is a global target, we have to care about the impact of each facility and their improvement methods for sustainable production.

In addition, Arçelik's climate strategy is a key pillar of its sustainability strategy as described in its agenda and 'Climate Action' is identified as the highest priority topic based on its latest double materiality analysis. This means that this topic is material from both a financial and non-financial perspective for Arçelik.

Relevant methodology and benchmark reference

Arçelik uses the Intergovernmental Panel on Climate Change (IPCC) guidelines, GHG Protocol and ISO 14064-1 Greenhouse Gases Standard to calculate CO₂ emissions. Emission sources causing Scope 1-2-3 are determined and activity data (consumption amounts etc.) are collected. Then, the collected consumption data is multiplied by the relevant emission factors which are stated in IPCC, Defra, Ecoinvent databases or any source in literature, and the amount of greenhouse gases is calculated. This KPI has been built in accordance with the latest version of the SBTi Net Zero Criteria.

Alignment to the UN SDGs



Key Performance Indicator 2: Reduce Scope 3 GHG emissions from use of sold products

Definition

Indirect - Other Greenhouse Gas Emissions (Scope 3) from use of sold products measured in tons of carbon dioxide equivalent (tCO₂e)

Scope 3 Greenhouse Gas (GHG) emission includes:

- Scope 3: indirect emissions corresponding to GHG emissions from energy consumption and cooling gas leakages (from refrigerators and ACs) of products during their 10-year lifetime

Parameter

This KPI covers Major and Small Domestic Appliances, TVs and Consumer Electronics Categories, Cooling and ventilation systems. Only products sold by Arçelik’s own brands are included. KPI performance will be reported annually in the Sustainability Reporting.

Rationale and materiality of the KPI

Arçelik needs to produce energy efficient appliances because almost 80% of Arçelik’s Scope 3 GHG emissions footprint is related to the use phase of products during their lifetime. 30%⁴ of residential carbon emissions come from the use of home appliances in International Energy Agency (IEA) member countries. At homes, almost 40%⁵ of the energy spent comes from the use of motors, AC’s, refrigerators and lighting account. Thus, increasing the sales of eco-efficient products would generate a positive impact on external stakeholders regarding climate transition.

Arçelik makes sales to 52 countries worldwide. With its Science Based Targets in place to reduce Scope 3 emissions from the use phase of products globally, increased sale of eco-efficient products will help reduction of energy use and related carbon emissions in countries to which Arçelik makes global sales. This will lead to a reduction of energy use and related carbon emissions of products.

⁴ <https://www.iea.org/commentaries/how-appliances-have-supported-a-world-in-lockdown-and-what-this-means-for-energy-efficiency>

⁵ <https://www.iea.org/articles/a-call-to-action-on-efficient-and-smart-appliances>

We have approved Science Based Targets (SBTs) for a well-below 2-degree scenario to reduce Scope 3 GHG emissions from the use phase of sold products by 15% by 2030 from a 2018 base year. We have applied to the Science Based Targets initiative (SBTi) to revise our target in line with the SBTi's Net-Zero Standard. This means that Arçelik has to reduce Scope 3 GHG emissions from the use phase of sold products by 42% by 2030 from a 2022 base year aligned with 1.5-degree scenario. In addition to this near-term target, we declared that we will be a net zero company by 2050, within the framework of the 2050 Net Zero Standards published by the SBTi. In this direction, we will need to reduce our absolute emissions that we cause (Scope 1,2, 3) by at least 90% until 2050. We aim to do this by taking challenging innovative actions in our whole value chain and investing in qualified nature-based and/or technology-based carbon removal projects for our 10% residual emissions in line with the SBTi Net Zero Standard.

In addition, Arçelik's climate strategy is a key pillar of its sustainability strategy as described in its agenda and 'Climate Action' and 'Energy&Water Efficient Product' are identified as highest priority topics based on its latest double materiality analysis. This means that this topic is material from both a financial and non-financial perspective on Arçelik.

Relevant methodology and benchmark reference

Arçelik uses the Intergovernmental Panel on Climate Change (IPCC) guidelines and ISO 14064-1 Greenhouse Gases Standard to calculate CO₂ emissions.

The Scope 3 formula includes the expected lifetime of the product, energy consumption (kWh), the number of expected cycles during a year (if any), world electricity emission factor, total quantity of sold product during a related financial year, greenhouse warming potential (GWP), if any and ton conversion to calculate the finalized GHG value.

This KPI has been built in accordance with the latest version of the SBTi Net Zero Criteria.


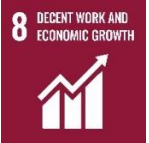
Alignment to the UN SDGs



Key Performance Indicator 3: Increase the percentage of women in the total workforce

Definition

As part of our unwavering commitment to fostering workplace gender equality and providing equal rights and opportunities for all, we concentrate our efforts on enhancing the representation of women within our organization. This KPI reflects our dedication to raising awareness about the crucial role of gender diversity in driving business success. Our specific objective is to achieve an annual increase of 1% in the percentage of women in our workforce, demonstrating our ongoing commitment to creating a more inclusive and diverse workplace.

<p>Parameter</p>	<p>Encompassing all levels and categories, including both monthly and hourly paid employees, our Key Performance Indicator (KPI) covers all women in the total global workforce as defined in our Annual Report. KPI performance will be reported annually in our Sustainability Report.</p>
<p>Rationale and materiality of the KPI</p>	<p>In our efforts, we strive to cultivate a workplace where our 40,000+ employees worldwide are esteemed for their unique skills, experiences, perspectives, and identities, enabling them to unleash their full potential and contribute significantly to our success and the well-being of our planet. We are committed to promoting workplace gender equality by ensuring equal rights and opportunities for all. Our efforts focus on increasing the representation of women at every level within our organization and raising awareness about the significance of gender diversity in business. As a signatory of the UN Women's Empowerment Principles (UN WEPs) since 2017, we aim to promote gender equality at the workplace and for communities. We also support the Action Coalition platform and are committed to increasing gender equality at both workplace and communities.</p> <p>In addition, the key pillar of Arçelik's sustainability strategy as described in its agenda and the 'Future Fit Culture, Talent & Organizational Management' dimension including promoting diversity, equity and inclusion (DEI) is listed among the highest priority topics based on its latest double materiality analysis. This means that this topic is material from both a financial and non-financial perspective on Arçelik.</p>
<p>Relevant methodology and benchmark reference</p>	<p>The methodology employed for our global gender diversity target encompasses a holistic analysis. We consider turnover rates, hiring ratios, and previous years' headcount to gauge workforce dynamics. In this regard, industry benchmarks provide a broader context, allowing us to set both realistic and ambitious targets. This nuanced approach ensures adaptability to changing circumstances, fostering a proactive journey towards a more inclusive and diverse global workforce.</p>
<p>Alignment to the UN SDGs</p>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>5 GENDER EQUALITY</p> </div> <div style="text-align: center;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> </div>

3.2 Calibration of Sustainability Performance Targets (SPTs)

Topics	KPIs	SPTs
<p>Absolute Greenhouse Gas Emissions (GHG) Reduction</p>	<p>1. Reduce Scope 1–2 GHG emissions</p> <hr/> <p>2. Reduce Scope 3 GHG emissions from use of sold products</p>	<p>1.1: Reduce Scope 1–2 GHG emissions by 42% by 2030 from a 2022 baseline year</p> <hr/> <p>2.1: Reduce Scope 3 GHG emissions from use of sold products by 42% by 2030 from a 2022 baseline year</p>
<p>Women Empowerment</p>	<p>3. Increase the percentage of women in the total workforce</p>	<p>3.1: Increase the percentage of women in the total workforce to 35% by 2030</p>

Absolute Greenhouse Gas Emissions (GHG) Reduction – KPI 1: Reduce Scope 1–2 GHG emissions

SPT 1: Reduce Scope 1–2 GHG emissions by 42% by 2030

	2021	2022 (base year)	2023
Scope 1 GHG Emissions (tons CO ₂ e)	84,014	82,947	74,944
Scope 2 GHG Emissions (tons CO ₂ e)	46,383	92,501	72,541
Total (tons CO ₂ e)	130,397	175,448	147,485⁶

Historical data and baseline year

Please note that;

- 2022 is the year covering all Arçelik manufacturing facilities including joint ventures. Before that, Arçelik’s GHG inventory covered only its own plants but not joint ventures⁷. For the purpose of completeness and alignment with Arçelik’s updated 1.5°C SBTi target, GHG emissions in 2022 were chosen as the baseline year.
- The new submitted (on the approval stage) science-based target with a baseline year of 2022 aligns with a 1.5°C climate scenario which predicts 5.25% annual reduction, comparing to the 2.5% per year reduction of the previous approved well below 2°C science-based target covering Scope 1&2.

Target Details

	2024	2025	2026	2027	2028	2029	2030
Scope 1–2 GHG Emissions Reduction (percentage based on 2022 base year)	10.5%	15.75%	21%	26.25%	31.5%	36,75%	42%

Please note that the target is aligned with Arçelik’s new near-term target (for 2030) which has been submitted to Science Based Target Initiative (SBTi) for approval. Arçelik’s 1.5°C aligned near-term climate target (2030 target) has been determined by using SBTi’s Target Calculation Tool.

Verification

GHG emission data has been verified by an independent organization in accordance with ISO 14064-3 Standard with 'reasonable assurance level' since 2010.

Action plan and strategies to achieve the SPT

Actions planned to achieve emission reduction targets for Scope 1 and 2 are as follows:

Scope 1

- Energy efficiency projects including compressed air, energy efficiency in HVAC systems and lighting systems, insulation, heat recovery, energy efficient motor transition, and process optimization.
- Improving energy efficiency in buildings & LEED certified manufacturing plants

⁶ The data has not been verified by a 3rd party company yet. It may be revised after the verification process.

⁷ Before 2022, the GHG emissions doesn’t include manufacturing facilities located in Manisa/Türkiye, Bangladesh and Joint Ventures: AHTH (Thailand), AHSH (China), Arçelik LG (Türkiye), VoltasBeko (India). From 2022 onwards, the GHG emissions cover all manufacturing facilities including Joint Ventures. Arçelik will recalculate and update the framework, in case any adjustment of coverage in the future.

- Increasing the number of ISO50001 certified factories to 100% and doubling economic output for every unit of energy consumed globally by 2030
- Electrification in manufacturing
- Low GWP refrigerant usage in manufacturing
- Transition to 100% electric cars & forklifts in TR, Romania, Russia (2030) & transition to 100% electric cars & forklifts globally (2050)
- Use of green hydrogen where possible (to be considered after 2030)

Scope 2

- More than 100MW renewable energy investment planned
- Aiming for 100% renewable electricity with installed renewable energy systems for consumption, EACs and PPAs in global manufacturing plants - our target for 2030
- Using more renewable thermal energy in manufacturing plants

Key risks that may impact the ability to meet the targets

- Decarbonized thermal energy sourcing/technology such as hydrogen, switch not available or not scaled
- Electrification of cars/forklifts not possible in some countries (e.g. lack of infrastructure, etc.).
- Renewable electricity sourcing not possible in some countries (e.g. lack of renewable electricity facilities, policy framework, etc.)
- The risk associated to Renewable Electricity Certificates procurement
- An acquisition, a merger or a demerger or other restructuring

Absolute Greenhouse Gas Emissions (GHG) Reduction – KPI 2: Reduce Scope 3 GHG emissions from use of sold products

SPT 2: Reduce Scope 3 GHG emissions from use of sold products by 42% by 2030

	2021	2022 (base year)	2023
Historical data and baseline year			
Scope 3 GHG Emissions from use of sold products (tons CO₂e)	22,855,049	23,259,032	23,032,519 ⁸

Please note that the difference between 2021 and 2022 is due to coverage difference of the product groups included in the calculation. The biggest share here is Join Ventures data.

	2024	2025	2026	2027	2028	2029	2030
Target Details							
Scope 3 GHG Emissions from the use phase of sold products Reduction (percentage based on 2022 base year)	10.5%	15.75%	21%	26.25%	31.5%	36,75%	42%

Please note that the target is aligned with Arçelik’s new near-term target (for 2030) which has been submitted to Science Based Target Initiative (SBTi) for approval. Arçelik’s 1.5°C aligned near-term climate target (2030 target) has been determined by using SBTi’s Target Calculation Tool.

Verification GHG emission data has been verified by an independent organization in accordance with ISO 14064-3 Standard with 'reasonable assurance level' since 2010.

⁸ The data has not been verified by a 3rd party company yet. It may be revised after the verification process.

Action plan and strategies to achieve the SPT

Actions planned to achieve emission reduction targets for Scope 3 from use of sold products are as follows:

- Increasing penetration of super energy efficient products globally, including developing and emerging countries without energy regulation
- Increasing penetration of solar-powered refrigerating appliances especially in South Africa, Pakistan, India, Bangladesh
- Accelerating the phase out of high GWP refrigerants with the transition of low GWP refrigerant in all our products
- Increased R&D for efficient and affordable products
- Using refrigerators comprising low thermal conductivity insulators (<10 mW/m²K), fully vacuum insulated panel (VIP) based insulation, and injectable aerogel applications (3 mW/m²K)
- Implementing new and novel heat pump systems technologies, VCC compressor with higher performance
- Using non-fluorinated refrigerant heat pump systems in all washing machines and dishwashers
- Increasing communication activities on environmentally friendly products, energy and water saving tips at home with the aim to educate consumers to make informed choices
- Creating applications allowing gamification-based awareness campaigns with the users of connected appliances for more energy and water saving based on preferences of the consumer and more awards generated
- Collaborating with relevant stakeholders including NGOs which follow programs that develop energy efficiency policies on household products - to increase minimum energy efficiency labelling requirements especially in emerging markets
- Working with financing institutions to make energy efficient appliances financially available for more consumers

Key risks that may impact the ability to meet the targets

- 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
- 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.
- An acquisition, a merger or a demerger or other restructuring

Women Empowerment – KPI 3: Increase the percentage of women in the total workforce

SPT 3: Increase the percentage of women in the total workforce to 35% by 2030

Historical data and baseline year

	The number of Male Employees	The number of Female Employees	Female Employees Ratio
2021	30,275	10,659	26.0%
2022	29,941	11,089	27.0%
2023	29,392	11,135	27.5% ⁹

Please note that there is no base year for this target. The reason for this is to ensure that the target is not affected by the company's structural changes such as acquisition, divestiture or mergers. The progress of the targeted ratio will be based on the targeted year.

Target Details

	2024	2025	2026	2027	2028	2029	2030
Increase the percentage of women in total workforce	29%	30%	31%	32%	33%	34%	35%

Verification

Social data will be verified by an independent organization in accordance with AA1000 Assurance Standard.

Action plan and strategies to achieve the SPT

- Regular assessments of key performance indicators (KPIs) for our four global priorities ensure equal representation in the workplace
- Candidate Shortlists: Ensure the inclusion of at least 50% or two women in all candidate shortlists, fostering a balanced and equitable selection process
- KPI Integration: Integrate qualitative and quantitative Key Performance Indicators (KPIs) into hiring and talent management procedures across all subsidiaries to assess progress in advancing gender diversity
- Practices for Attraction: Implement specific practices aimed at attracting more women to fortify recruitment and talent pipelines. Prioritize enhancing the visibility of women employees as role models and fostering attraction by featuring our women leaders as keynote speakers at university career activities
- Inclusive Job Postings: Craft job postings with inclusive, gender-neutral language, focusing on objective criteria and comprehensive job descriptions
- Special Diversity Outreach Programs (WE-inTech, PREP)

Key risks that may impact the ability to meet the targets

- Key risks to meeting gender diversity goals include hiring freezes during economic downturns, insufficient talent pool, and retention challenges
- An acquisition, a merger or a demerger or other restructuring

⁹ The data has not been verified by a 3rd party company yet. It may be revised after the verification process.

3.2.1 Recalculation Policy

The calculation and/or definition of the KPI(s), the restatement of the SPT(s), and/or pro-forma adjustments of baselines year and/or data or KPI perimeter set out in the Framework will be recalculated or amended if there are specific circumstances, such as changes in the calculation methodology or major events, or Arçelik's structure such as acquisition, divestiture, mergers, insourcing or outsourcing, if relevant.

3.3 Financial characteristics

The proceeds of Arçelik's Sustainability-Linked instruments will be used for general corporate purposes.

Sustainability-Linked Instruments are also directly linked to the selected KPIs. It means that the financial performance of the instrument will change depending on whether the selected KPIs reaches the predefined SPT(s) as of the relevant Target Observation Date(s) or Arçelik fails to comply with certain reporting and verification obligations.

If, for any reason, failure to meet SPTs selected for the specific Sustainability-Linked Instrument, a called Trigger Event, which will result in an impact on the financial performance of the instrument, will occur. It could be reflected as an adjustment to the coupon margin by an amount, a premium payment, repayment amount, or the increased margin for loans as specified in in the corresponding documentations such as the facility agreement of the Sustainability-Linked Loan or Terms & Conditions of the Sustainability-Linked Bond.

For the avoidance of doubt, if the selected KPIs have achieved their SPTs, and reporting and verification obligations have been provided and made public in accordance with the reporting and verification sections of this Framework, the financial characteristics of Sustainability-Linked Instrument will remain unchanged or apply discount loans as specified in in the corresponding documentations such as the facility agreement of the Sustainability-Linked Loan or Terms & Conditions of the Sustainability-Linked Bond.

3.4 Reporting

Arçelik will disclose the performance against the SPTs for each of the selected KPIs set out in this Sustainability-Linked Financing Framework on an annual basis within its Sustainability Report or in any equivalent publication reporting such as a progress statement that will be made available on the Arçelik's website.

The reporting will also provide the following information:

- up-to-date information on the performance of the SPTs for each selected KPI;
- a verification assurance report relative to the SPTs;
- any relevant information enabling lenders or investors to monitor the ambition of the SPTs including any update in the Arçelik's sustainability strategy and/or on the related KPI/ESG governance, and any other information relevant to KPIs and SPTs;
- any re-assessments of KPIs and/or restatement of the SPTs and/or pro-forma adjustments of KPI scope or baseline and any other information relevant to KPIs and SPTs.

3.5 Verification

3.5.1 Second Party Opinion

Arçelik has obtained a Second Party Opinion (SPO) from S&P Global Rating, an internationally recognised external verifier, confirming the alignment of Arçelik' Sustainability-Linked Financing Framework with ICMA SLBP and LMA SLLP. The Second Party Opinion by S&P Global Rating will be made available to investors on the Investor Relations section of Arçelik' website.

3.5.2 Annual Verification

Arçelik will ensure that its performance of KPIs against the SPTs will be subject to external verification by an external and independent party as part of the Arçelik annual Sustainability Report assurance process. Assurance Reports will be made available on the Reports & Presentations section of Arçelik's website.

4. Amendments to the Framework

Arçelik will review this Sustainability-Linked Financing Framework on a regular basis, including its alignment to updated versions of the ICMA SLBP as they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of Arçelik and S&P Global Rating. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures. The updated Framework, if any, will be published on the Investor Relations section of Arçelik's website.

Disclaimer

Forward-Looking Statements:

This Sustainability Financing Framework contains certain forward-looking statements in relation to Arçelik's expectations and forecasts of future events. Since forward-looking statements are based on expectations and forecast, these are subject to uncertainties, known and unknown risks and other factors that may cause Arçelik's actual performance to be different from any future results or performance which were specified in the Sustainability Financing Framework. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this document. This Sustainability Financing Framework is provided for informational purposes and does not constitute a recommendation in relation to the purchase, sale, subscription or disposal of any debt or other securities of Arçelik. This Sustainability Financing Framework is not intended to be, an offer to sell or an offer to buy any securities of Arçelik. Before taking any investment decision, prospective investors should make their own examinations in relation to Arçelik and the nature of the securities. Neither this document nor any other related material is intended for distribution to or published in any jurisdiction or country in which it is unlawful to do so.