Arçelik

Materiality Map Report

Contents

Materiality Report

Arçelik is committed to identifying, prioritizing, and reporting on issues that have the most significant impact on its stakeholders and relevant to its business. We conduct a materiality analysis every two years, aligning with the evolving global sustainability agenda. We not only publicly disclose material issues, but we also aim to internalize every assessment, establish KPIs and track performance regardless of the issue's degree of impact. In doing so, we ensure our sustainability approach has sufficient breadth and depth.

Throughout the COVID-19 pandemic, we reconsidered our material issues and carried out an analysis to better understand and manage the exceptional circumstances aroused by pandemic. This year, we refreshed our materiality analysis after 2 years, aligning it with GRI Standarts and shifting our focus to assessing "impact".

MATERIALITY REPORT

TOPIC IDENTIFICATION

SETTING PRIORITIES

MATERIALITY MATRIX AND VALIDATION

REMARKS

REGIONAL DISCUSSIONS

THE WAY FORWARD

4

Topic Identification

To prioritize the most relevant issues to our business, we first identify the issues that carry an impact across the value chain, including society and the environment. During the previous assessment in 2019, we created a long list of issues (after a careful review of relevant literature, sustainability standards and global trends). As most of the issues still hold relevance today, we retained them in our revised list, with new issues added following a review of disclosures and external sources, including GRI, the United Nations' Sustainable Development Goals (SDGs), ESG rating agencies, World Economic Forum's (WEF) Global Risks Report, The Value Reporting Foundation Framework, and World Business Council for Sustainable Development (WBCSD)'s membership requirements. As a result, the list expanded from 23 to 35.
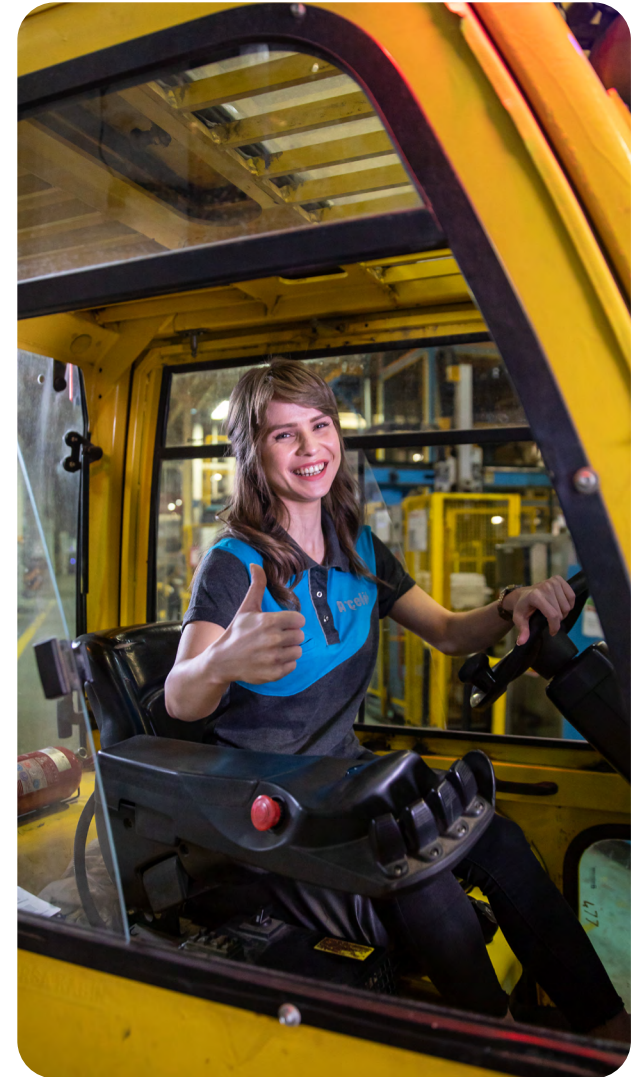
Since much of our impact is product-related, we decided to emphasize issues previously included in our new assessment: *R&D and Innovation; Products that Create Environmental and Social Value; and Circular Economy.* These are subdivided into more refined, multiple new issues. In our revised assessment, issues reflect Arçelik's ambitions and impact more accurately. These include *Resource Efficiency in Product Manufacturing; Products Designed with a Circular Approach and Lifecycle Management; Product Solutions that Prevent Plastic Pollution; Smart Product and Digital Technologies; and Investing in New Climate and Eco-friendly Product and Service Solutions. Combating Deforestation and*

Biodiversity, to emphasize sub-issues such as wildfires and rapidly decline in natural habitats.

In our customer communication, we sought to highlight the sustainability focus further, reflecting increased customer awareness and our communication campaigns. For instance, we have rephrased Responsible marketing and responsible consumption.

In addition to revising topics, we also expanded the scope of some materiality issues, for example adding *Impact-oriented community programs covering Food Waste and Healthy Living.* New topics, such as *Employee Well-Being,* were introduced to reflect evolving expectations in work-life balance and the change in Arçelik's work environment in light of the COVID-19 pandemic.

Reflecting increased investments in developing countries, as well as evolving regulations, we have ensured *Human Rights and Fair Working Conditions and Regulation and Compliance* are evaluated. Finally, we refined topic names and descriptions, explaining the scope, boundaries, and our understanding of each to stakeholders.

Topic Identification

LONG LIST OF ISSUES AND THEIR DESCRIPTIONS

OPERATIONAL ENVIRONMENTAL IMPACT		
	Climate Crisis and Reducing Carbon Emissions	Reducing greenhouse gas emissions that occur during operational activities and contribute to climate change
	Energy Efficiency	Reducing energy consumption and increasing energy efficiency in production and operation processes
●	**Renewable Energy Production and Green Energy Use**	Meeting (producing and purchasing) energy needs from renewable sources in production and operation processes such as wind and solar instead of fossil fuels
	Water Management	Identifying the risks of existing water sources on production in all regions where Arçelik operations and suppliers are located, increasing water recovery and reducing water consumption
	Operational Waste and Zero Waste Approach	Ensuring less waste during production and operational processes, waste recovery and recycling
	Biodiversity	Protection of living species and their habitats, development of regenerative practices
●	**Combating Deforestation**	Combating the climate crisis by protecting forests and ecosystems, and reducing the amount of carbon in the atmosphere through supporting reforestation and afforestation efforts (tree planting, seed sowing etc.)
●	**Sustainable Technology and Innovation**	Facilitating daily life by investing in new technologies such as big data analysis, artificial intelligence, machine learning, and augmented reality

● *Newly emerging issues due to unbundling of our previous material issues*

Topic Identification

PRODUCT RELATED IMPACT		
● **Resource Efficiency in Product Manufacturing**	▶	Increasing resource (material, raw material, etc.) efficiency during production of products
● **Products Designed with a Circular Approach and Lifecycle Management**	▶	Designing the product with the principle of circularity from the design stage to the end of its lifetime (long-lasting, repairable, demountable, etc.) and bringing it back to the economy through upcycling and recycling after the end of its lifespan
● **Sustainable Use of Raw Materials**	▶	Increasing the use of recyclable, recycled, and biodegradable materials and raw materials in products
● **Investing in New Climate and Eco-Friendly Product and Service Solutions**	▶	Investing in new business areas that contribute to the fight against the climate crisis (i.e. solar panels)
● **Eco-Efficient Products**	▶	Ensuring that the products are more efficient in terms of energy and/or water consumption during the use phase, disseminating and supporting their sales
● **Product Solutions that Prevent Plastic Pollution**	▶	Developing products and services to prevent and reduce plastic pollution that harm the environment, living health and ecological balance (i.e. production of white goods parts from recycled PET bottles, washing machine that captures microplastics)
Products and Services for Disadvantaged Groups	▶	Developing products and solutions to increase accessibility and create social benefit for disadvantaged groups (people with disabilities, children, refugees, etc.)
● **Sustainable Packaging**	▶	Increasing the use of recycled/recyclable raw materials in the packaging of products (conveyor belts, styrofoam, cardboard boxes, etc.)
Product Quality	▶	Focusing on exceeding the expectations of customers with a sustainability approach in quality, offering durable, safe and reliable products
● **Product Safety and Chemical Management**	▶	Producing products with higher international safety standards that do not harm consumer health and/or the environment, and effectively manage the chemicals used in the products
● **Smart product and digital technologies**	▶	Developing cyber security guaranteed products suitable for rapidly evolving connection technologies (i.e. smart homes, automation systems, robotics) which make the life of consumers easier

● *Newly emerging issues due to unbundling of our previous material issues*

Topic Identification

SOCIAL IMPACT		
Occupational Health and Safety	▶	Protecting employees' physical, mental and emotional health and taking necessary precautions
● **Employee Well-Being**	▶	Ensuring work-life balance for all employees in all business processes
Diversity and Inclusion	▶	Adopting a diverse and inclusive work environment and culture that empowers disadvantaged groups (age, gender, ethnicity, disability, etc.)
● **Human Rights and Fair Working Conditions**	▶	Effectively analyzing risks of human rights violations and promoting compliance, ensuring fair working conditions across the entire value chain
Local Socio-Economic Development	▶	Carrying out activities to support local development in operational regions with stakeholders (i.e., employment, education, entrepreneurship)
Impact-Oriented Community Programs	▶	Implementing impact-oriented community programs to solve local and global issues through corporate citizenship approach
Talent Management and Capacity Transformation	▶	Attracting new talents, retaining existing talents; supporting talent transformation and adaptation to the new age with skills development (re/up skilling); implementing an effective performance and career management plan
● **Responsible Marketing and Responsible Consumption**	▶	Promoting responsible consumption habits, offering sustainable products with less environmental impact (such as energy efficient products) and encouraging their sales

● *Newly emerging issues due to unbundling of our previous material issues*

Topic Identification

ECONOMIC AND GOVERNANCE IMPACT		
Corporate Governance	▶	Adopting a fair, transparent, accountable, and responsible corporate governance system
Business Ethics and Transparency	▶	Establishing necessary mechanisms to maintain relations and transparency with all stakeholders in line with business ethics rules
● **Risk Analysis and Regulatory Compliance**	▶	Integrated management of financial and non-financial risks (climate crisis, digital transformation, cyber security, etc.), integrated analysis and compliance with regulations to all operations
Supply Chain Management	▶	Ensuring the highest economic, environmental, social, and ethical standards in all procurement processes; regular auditing of suppliers and transformation through partnerships
● **Conflict Minerals Management**	▶	Effective management of conflict minerals (3TG minerals) used in the supply chain (mainly raw material producers), sourcing minerals from non-conflict regions
Information Security and Management of Cyber Risks	▶	Protecting consumers' personal data, and sharing upon request how data is collected, and how and for what purpose it is used with all transparency
● **Open Innovation**	▶	Establishing strategic cooperation with internal and external stakeholders, involving stakeholders in product development processes with an innovative business culture
Digitalization	▶	Developing and investing in digital tools for faster and more efficient management of operational processes

● *Newly emerging issues due to unbundling of our previous material issues*

Setting Priorities

2.1. ANALYZING IMPACT ON STAKEHOLDERS

Collecting Feedback from Key Stakeholders

Following the identification of topics, we reached out to our stakeholders through different communication channels including an online survey, e-mail, and a research process designed by a market research company. In total, we collected 6,241 responses from 10 different key stakeholder groups, the majority of the participants being Arçelik employees (3,311) and consumers (2,312). We aimed to achieve a 10% participation rate from each target group in order to obtain a meaningful result.

During the engagement stage, we faced some challenges in collecting feedback from different stakeholder groups, which we attempted to overcome through the initial announcement and subsequent reminders. Also, we wanted to gain feedback from our directly engaged stakeholders. After the survey was completed, we examined whether participation from each of the 10 stakeholder groups was above or below 10%, the threshold determined as acceptable prior to contacting stakeholders. Depending on this, we extracted insights for potential improvements in stakeholder communications for our next assessment.
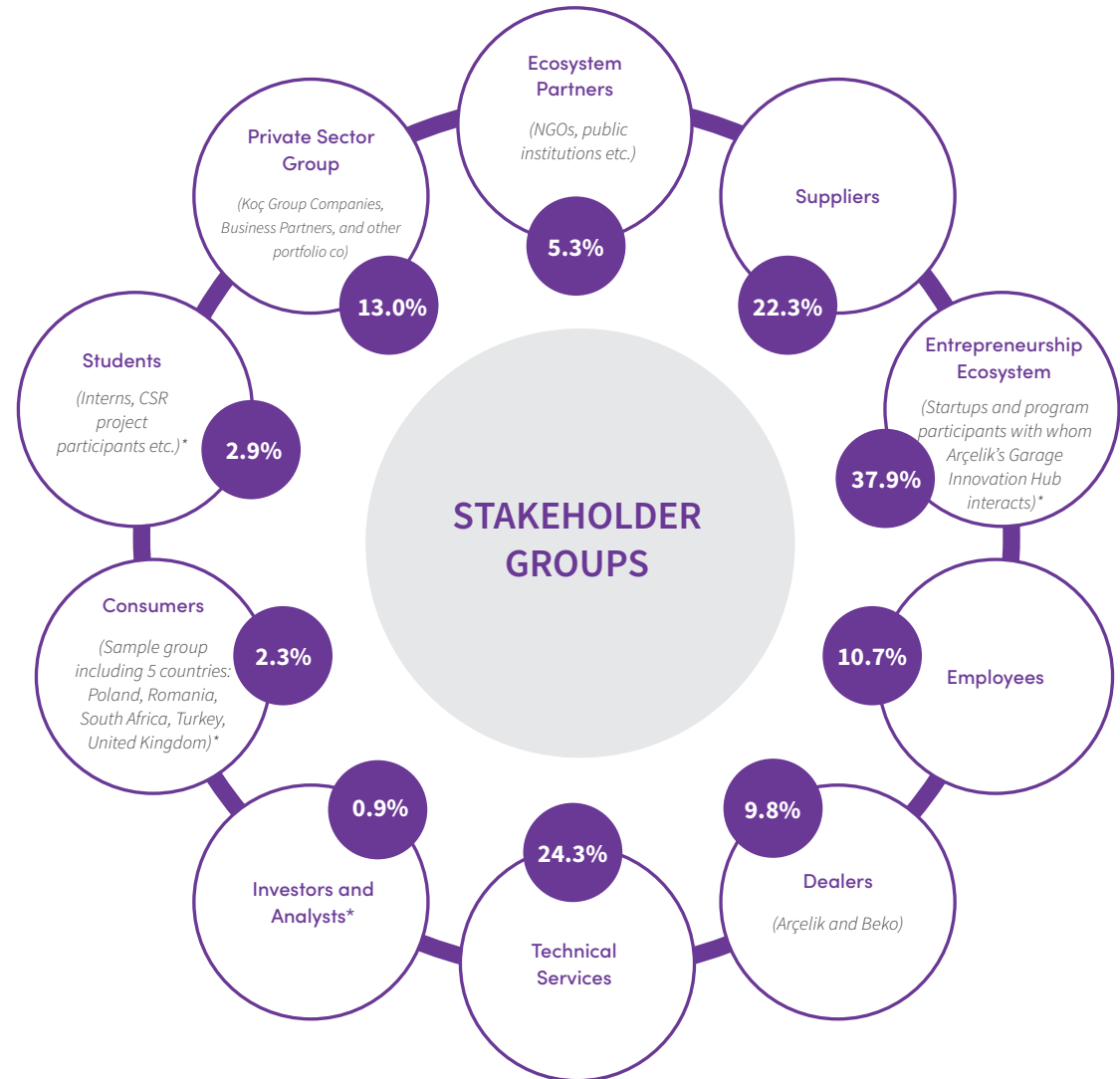
> **"Reducing future emissions should be the primary vision of every organization."**
>
> *Stakeholder Opinion, Arçelik Materiality Survey 2021*

STAKEHOLDER GROUPS

- **Ecosystem Partners** *(NGOs, public institutions etc.)* — 5.3%
- **Private Sector Group** *(Koç Group Companies, Business Partners, and other portfolio co)* — 13.0%
- **Suppliers** — 22.3%
- **Students** *(Interns, CSR project participants etc.)** — 2.9%
- **Entrepreneurship Ecosystem** *(Startups and program participants with whom Arçelik's Garage Innovation Hub interacts)** — 37.9%
- **Consumers** *(Sample group including 5 countries: Poland, Romania, South Africa, Turkey, United Kingdom)** — 2.3%
- **Employees** — 10.7%
- **Investors and Analysts*** — 0.9%
- **Technical Services** — 24.3%
- **Dealers** *(Arçelik and Beko)* — 9.8%

* Stakeholder groups that are involved in Arçelik's materiality analysis for the first time

Setting Priorities

Challenges and Improvements

We faced different challenges in communicating with our stakeholders and did not meet our 10% target for Ecosystem Partners, Dealers, Students, and Investor Relations groups. We have a number of planned improvements for future engagement.

For our Ecosystem Partners (NGOs, Academia, Business Partners, Public Sector), our database was limited as there were excessive reassignments and new appointments in the public sector. To improve the number of respondents from Ecosystem Partners, we are planning to divide the ecosystem category into more precise groups to be able to communicate and evaluate each stakeholder group separately. We also aim to share our next materiality survey with our stakeholders earlier to enable more response time, and in accordance with the global calendars to reach more business partners abroad.

The other stakeholder group for which we have not met our target is Investors. Due to the latest legal regulations on investors' record-keeping, we do not have permission to obtain the e-mails of our main partners and shareholders. For this reason, only investors with a stake of at least 5% received the survey. However, we added analysts, who have a critical role in investor relations, into our investor group in the survey and ensured the collection of feedback from an investment perspective. To increase the number of people reached, we aim to carry out communication activities throughout the

year to increase investors' and analysts' awareness of this issue. Additionally, in future the materiality analysis will be presented and explained at regular investor meetings.

To encourage students to participate in the survey, we aim to explain what the materiality analysis is as part of planned CSR projects students take part in.

In order to expand participation for the next analysis, we are planning to set more ambitious targets for those categories (Suppliers, Entrepreneurship Ecosystems and Employees) where targets were met. Also, we aim to expand the number of countries included in the Consumers group.

📄 *Please see **the Way Forward section** for a detailed explanation of our future plan.*

> **"Better product quality will contribute to the circular economy and customer preferences in buying durables."**
>
> *Stakeholder Opinion, Arçelik Materiality Survey 2021*

Survey Methodology

We developed a survey that includes two main sections and three questions. First, stakeholders were asked to prioritize issues by considering the impact of Arçelik on the specific issue and the related broader pillar. Each issue was assessed from 0 (the lowest score) to 4 (the highest). We also included a "No Opinion" option to enable the respondent not to rate the issue if they wished.

Rank	Score
Very High Priority	4
High Priority	3
Medium Priority	2
Low Priority	1
Not a Priority	0
No Opinion	Not included in the scoring

The numerical output of the impact scoring of each issue was directly fed into the Y-Axis of our assessment. In addition, all participating stakeholders were asked to provide more insight on the issues they selected as "very high priority" within the first question. This final question was optional and was used as an input for impact analysis on the whole Y-axis of the matrix. To ensure that internal and external stakeholders were equally represented in the materiality assessment, we included consolidated and equal-weighted average scoring.

Setting Priorities

Survey Results

Top 3 results of the stakeholder groups are listed below:

Private Sector Group
1. Climate Crisis and Reducing Carbon Emissions
2. Energy Efficiency
3. Occupational Health and Safety

Technical Services
1. Water Management
2. Combating Deforestation
3. Renewable Energy Production and Green Energy Use

Ecosystem Partners
1. Climate Crisis and Reducing Carbon Emissions
2. Products designed with a circular approach and lifecycle management
3. Human rights and fair working conditions

Dealers
1. Water Management
2. Combating Deforestation
3. Energy Efficiency

Suppliers
1. Energy Efficiency
2. Climate Crisis and Reducing Carbon Emissions
3. Occupational Health and Safety

Students
1. Renewable Energy Production and Green Energy Use
2. Biodiversity
3. Occupational Health and Safety

Entrepreneurship Ecosystem
1. Sustainable Technology and Innovation
2. Water Management
3. Energy Efficiency

Investor Relations
1. Corporate Governance
2. Eco-efficient Products
3. Energy Efficiency

Employees
1. Climate Crisis and Reducing Carbon Emissions
2. Energy Efficiency
3. Product Quality

Consumers
1. Energy Efficiency
2. Climate Crisis and Reducing Carbon Emissions
3. Product Quality

Setting Priorities

Key Findings

The results of the materiality analysis enable us to reconsider our strategy and guide us to properly respond to stakeholder expectations. When we examine the results, we see that Arçelik's strategic priorities under the three pillars of "In Touch Technology" are parallel to its stakeholders' expectations. Even though we have regrouped the issues, these should not be viewed in isolation – they are increasingly interconnected and can often impact each other.

The climate crisis and reducing carbon emissions, along with water and energy topics, were the top issues for the majority of stakeholder groups. This shows that our stakeholders have high sustainability expectations in the environmental field. We will work to meet these expectations with our revised 2030 Targets and Science Based Targets (SBTs).

The results help us to understand the most pressing matters for each of our stakeholder groups. Alongside the leading issues, we can see that specific groups raise issues related to their industry. For example, while investors focus more on corporate governance, consumers consider product quality, suppliers prioritize organizational health and safety, and ecosystem partners (such as public institutions, NGOs, and scholars) consider human rights and fair conditions among the top three issues. Our dealers and technical service found water management equally important, while sustainable technology and innovation were uppermost for the entrepreneurship ecosystem.

Increased forest fires and forestation campaigns in Turkey have made combating deforestation a higher priority for our dealers and authorized technical services operating in that country. Students were the only stakeholder group to raise biodiversity as a key issue, and this will guide us in expanding our efforts in this area in the near future.

Overall, the survey results clearly show us that our work and strategic priorities in sustainability match the priorities of our stakeholders. We will continue working on each of them with all our efforts to reach our 2030 targets.

📄

🌐

2.2. MATERIAL ISSUES' IMPACT ON THE VALUE CHAIN

After completing the stakeholder analysis, we continued to assess the impact of material issues on our value chain by conducting a desktop study. We analyzed each topic's environmental, social, and economic impact on society, considering whether it had a positive and/or negative impact, whether the impact was actual or potential, what the term of the impact might be and whether or not it is reversible. We investigated numerous sources to complete the evaluation, including but not

limited to the SDGs, global surveys, Organization for Economic Cooperation and Development (OECD), and Intergovernmental Panel on Climate Change (IPCC) reports, World Business Council for Sustainable Development (WBCSD) membership criteria and Reporting Matters feedback, related regulations and published scientific literature. Extracting the qualitative results from the second and third impact questions of the stakeholder surveys helped solidify results and fill in any gaps. Merging the results with the stakeholder analysis helped finalize the Y-axis of our materiality matrix.

> **"In our sustainability efforts, it would be appropriate to support our strong environmental actions in the social field as well."**
>
> *Stakeholder Opinion, Arçelik Materiality Survey 2021*

Setting Priorities

Our Material Issues Across the Value Chain

IMPACT IN VALUE CHAIN	UPSTREAM	OPERATIONS	DOWNSTREAM	RELEVANT SDGs
Climate Crisis and Reducing Carbon Emissions	MEDIUM	HIGH	HIGH	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS
Energy Efficiency	MEDIUM	HIGH	MEDIUM	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
Eco-efficient Products	LOW	MEDIUM	LOW	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
Product Quality	MEDIUM	HIGH	HIGH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Water Management	HIGH	MEDIUM	LOW	6 CLEAN WATER AND SANITATION, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 14 LIFE BELOW WATER
Occupational Health and Safety	HIGH	HIGH	MEDIUM	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH
Supply Chain Management	HIGH	HIGH	HIGH	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 6 CLEAN WATER AND SANITATION, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS
Business Ethics and Transparency	MEDIUM	HIGH	MEDIUM	8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Human Rights and Fair Working Conditions	HIGH	HIGH	MEDIUM	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Risk Analysis and Regulatory Compliance	MEDIUM	HIGH	LOW	8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Renewable Energy Production and Green Energy Use	MEDIUM	HIGH	HIGH	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION

HIGH   MEDIUM   LOW

Setting Priorities

IMPACT IN VALUE CHAIN	UPSTREAM	OPERATIONS	DOWNSTREAM	RELEVANT SDGs
Talent Management and Capacity Transformation	MEDIUM	HIGH	MEDIUM	4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES, 17 PARTNERSHIPS FOR THE GOALS
Product Solutions That Prevent Plastic Pollution	HIGH	HIGH	LOW	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 14 LIFE BELOW WATER
Resource Efficiency in Product Manufacturing	HIGH	HIGH	LOW	6 CLEAN WATER AND SANITATION, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
Operational Waste and Zero Waste Approach	HIGH	HIGH	MEDIUM	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Information Security and Management of Cyber Risks	MEDIUM	HIGH	HIGH	8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Employee Well-being	MEDIUM	HIGH	MEDIUM	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 17 PARTNERSHIPS FOR THE GOALS
Products Designed with a Circular Approach and Lifecycle Management	HIGH	HIGH	MEDIUM	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Diversity and Inclusion	HIGH	HIGH	HIGH	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS
Biodiversity	HIGH	MEDIUM	LOW	14 LIFE BELOW WATER, 15 LIFE ON LAND
Digitalization	MEDIUM	HIGH	MEDIUM	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Product Safety and Chemical Management	MEDIUM	MEDIUM	MEDIUM	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Investing in New Climate and Eco-friendly Product and Service Solutions	HIGH	HIGH	HIGH	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION

HIGH   MEDIUM   LOW

Setting Priorities

🌐 *Please see Our Contribution to SDGs in our **2021 Sustainability Report** for the relation between our materiality issues and SDGs.*

IMPACT IN VALUE CHAIN	UPSTREAM	OPERATIONS	DOWNSTREAM	RELEVANT SDGs
Sustainable Use of Raw Materials	HIGH	MEDIUM	MEDIUM	9, 12
Open Innovation	HIGH	HIGH	LOW	9
Sustainable Technology and Innovation	LOW	MEDIUM	HIGH	9, 12
Smart Product and Digital Technologies	LOW	MEDIUM	HIGH	9
Responsible Marketing and Responsible Consumption	LOW	MEDIUM	HIGH	12
Corporate Governance	MEDIUM	HIGH	MEDIUM	8, 16, 17
Sustainable Packaging	MEDIUM	MEDIUM	HIGH	12
Combating Deforestation	HIGH	MEDIUM	LOW	13, 15
Conflict Minerals Management	HIGH	MEDIUM	LOW	9, 12
Local Socio-Economic Development	HIGH	MEDIUM	HIGH	1, 2, 4, 5, 10, 12, 17
Products and Services for Disadvantaged Groups	MEDIUM	MEDIUM	HIGH	10, 12, 17
Impact-Oriented Community Programs	HIGH	MEDIUM	HIGH	3, 4, 5, 10, 12, 17

HIGH   MEDIUM   LOW

Setting Priorities

2.3. ANALYZING THE IMPACT ON OUR BUSINESS

To determine the impact of the material issues on Arçelik, we followed a two-step analysis. First, we evaluated each topic against our strategic business approach, including a detailed look into the Task Force on Climate-Related Financial Disclosures (TCFD), Green Financing Framework, Enterprise Risk Management, and other classified documents. For the second step, we followed The Sustainability Accounting Standards Board's (SASB) financial materiality approach and identified the topics' impact on financial performance and long-term enterprise value.

For an input for the X-Axis, we also collected feedback from executives to better reflect Arçelik's strategy and its potential impacts.

> **"It is necessary to develop products and solutions that will facilitate the lives of disadvantaged groups (people with disabilities, children, refugees, etc.) with the aim of increasing accessibility and creating social benefit."**
>
> *Stakeholder Opinion, Arçelik Materiality Survey 2021*
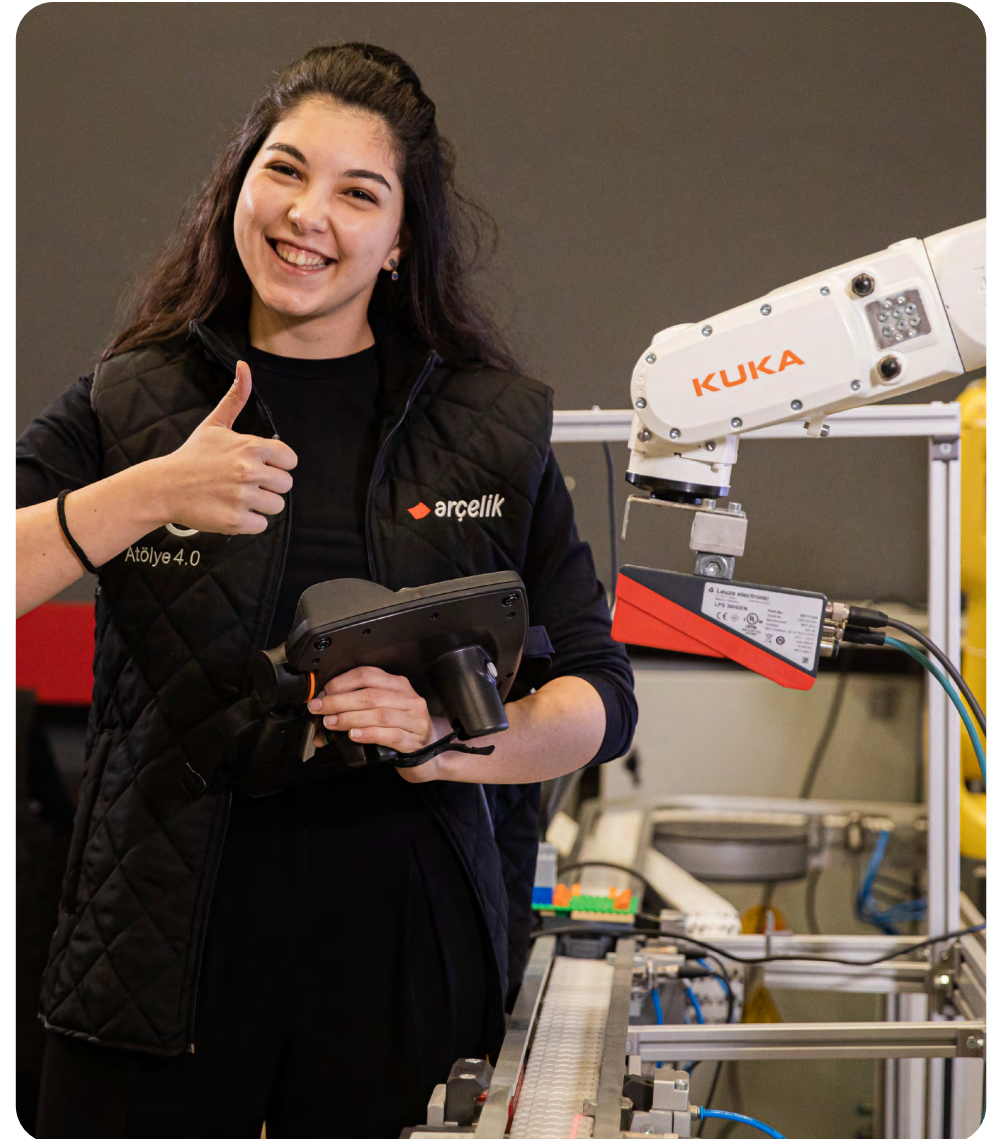
Materiality Matrix and Validation

We used all inputs collected through stakeholder analysis and desktop impact studies to build our materiality matrix, in accordance with GRI's updated 2021 standards.

In all, 12 out of 35 issues in the matrix (below) fell into the "very high" impact material issue category; a further 15 were "high", while the rest fell into the medium impact category.

The final step carried out after discussion within our team, consisted of drawing the threshold for the relative materiality of sustainability topics according to data scattering.

🌐 **Please see our Sustainability Targets Table to examine the targets we have set for our material issues.**
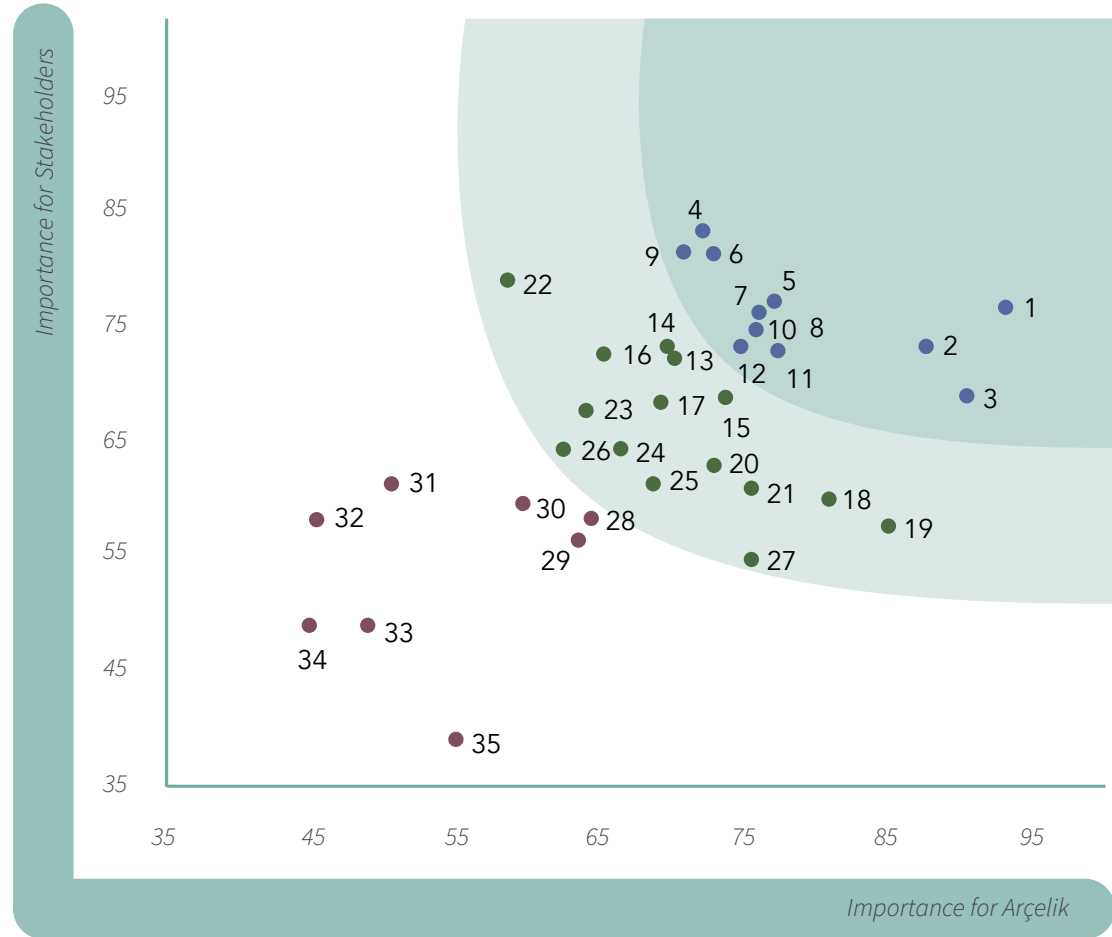
Legend:
- 🔵 Very High Impact
- 🟢 High Impact
- 🔴 Medium Impact

Materiality Matrix and Validation

COMPARING THE CHANGES IN PRIORITY LEVEL BETWEEN LAST MATERIALITY ASSESSMENTS

VERY HIGH IMPACT		2021	2019
	Climate Crisis and Reducing Carbon Emissions	1	4
	Energy Efficiency	2	6*
	Eco-efficient Products	3	1*
	Product Quality	4	10
	Water Management	5	8
	Occupational Health and Safety	6	7
	Supply Chain Management	7	17
	Business Ethics and Transparency	8	14
	Human Rights and Fair Working Conditions	9	–
	Risk Analysis and Regulatory Compliance	10	–
	Renewable Energy Production and Green Energy Use	11	6*
	Talent Management and Capacity Transformation	12	11

HIGH IMPACT		2021	2019
	Product Solutions That Prevent Plastic Pollution	13	1*
	Resource Efficiency in Product Manufacturing	14	–
	Operational waste and zero waste approach	15	13*
	Information Security and Management of Cyber Risks	16	9*
	Employee Well-Being	17	7*
	Products Designed with a Circular Approach and Lifecycle Management	18	13*
	Diversity and Inclusion	19	18
	Biodiversity	20	23
	Digitalization	21	1*, 3*
	Product Safety and Chemical Management	22	10
	Investing in New Climate and Eco-friendly Product and Service Solutions	23	4*
	Sustainable Use of Raw Materials	24	–
	Open Innovation	25	1*
	Sustainable Technology and Innovation	26	1*
	Smart Product and Digital Technologies	27	1*, 3*

MEDIUM IMPACT		2021	2019
	Responsible Marketing and Responsible Consumption	28	–
	Corporate Governance	29	15
	Sustainable Packaging	30	–
	Combating Deforestation	31	–
	Conflict Minerals Management	32	–
	Local Socio-Economic Development	33	22
	Products and Services for Disadvantaged Groups	34	21
	Impact-Oriented Community Programs	35	19*, 20*

These issues were included in the topics in the previous analysis since we have expanded the coverage of some items to extend our current analysis.

Remarks

Arçelik's impact on climate, water and product issues and the impact of these issues on the company are clearly prominent in the materiality matrix. The climate crisis, along with water and energy-related issues, are by far those with the greatest double-sided impact. In contrast to our previous survey, these issues have gained in importance. To fully respond to this trend, we will continue to effectively manage the environmental impact of our operations and products and work towards being a net zero company by 2050.

Another evident issue is that the integration of ESG issues into supply chain management has become noticeably more impactful since the previous analysis. Other issues related to the value chain, such as human rights and fair working conditions, have also gained traction, indicating an increasing focus on these issues looking ahead. The fact that risk management, ethics and transparency issues are of high priority can suggest that, as a listed company, Arçelik is expected to be a leader in governance issues. This trend is constantly increasing with the introduction of new regulations and is consistent with the industry leadership position held by the company.

Employee health is split into two issues, employee well-being and occupational health and safety. Even so, we see that the health of all Arçelik employees plays a key role in our assessment and rising in the ranking.

> **"I believe digitalization helps us to act faster to changes and creates both cost efficient and environment friendly processes which help to increase profit and reduce our carbon footprint."**
>
> *Stakeholder Opinion, Arçelik Materiality Survey 2021*

Regional Discussions

As a part of our materiality assessment process, through a third party, we've reached out to Arçelik's B2C customers and collected their feedback on our impact. The survey covered more than 2,300 customers in 5 different countries. The sample was taken from countries that most accurately represent our global consumers: South Africa, Romania, Turkey, Poland, and the United Kingdom. Looking at the results, we see some of the topics reflecting similarities and/or disparities between the countries' social and economic conditions and environmental concerns. In this section of the Materiality Report, we explore the rationale behind the consumers' opinions and provide a glimpse of Arçelik's actions to manage its impact better.

WATER MANAGEMENT

Impact of Water Management

4 *Very High Priority*   **3** *High Priority*   **2** *Medium Priority*   **1** *Low Priority*

---

[1] *Aquaduct Water Atlas, WRI*   [2] *IEA, Electricity Market Report 2022*   [3] *Schroders, What higher energy prices mean for emerging markets*

* *Target definition is revised, while the scope of the target is the same. Water recycling and reuse ratio = Total recycled + reused water / Total water withdrawal*

The results show that consumers located in countries where water stress and scarcity exist consider the impact of this issue to be greater than others. Two countries, Turkey and South Africa, are currently facing high water stress. According to projections by the Water Resources Institute (WRI)[1], the level of water-related risks, including supply, seasonal variability, stress and demand, is projected to increase.

As Arçelik, we are working on efficiency measures, both in operations and product development. In this context, we effectively manage our water use in all operations while calculating water risks in all regions we manufacture. As a risk adaptation plan, we have also set our 2030 target to increase the water recycling and reuse ratio* to 70% in all manufacturing plants (excluding JVs) aiming to achieve a closed-loop water system in production.

In order to encourage students, entrepreneurs, and start-ups to invent new solutions for the efficient use and protection of water, and to tackle water pollution, Arçelik organized the 'Hack the Normal Turkey' in 2020 and 'Hack the Normal Africa' in 2021.

🌐 *For detailed information on our water efficiency projects and specific products, please see the Water Management, R&D and Inovation section in our 2021 Sustainability Report.*

ENERGY EFFICIENCY IN PRODUCTS

Eco-efficient Products
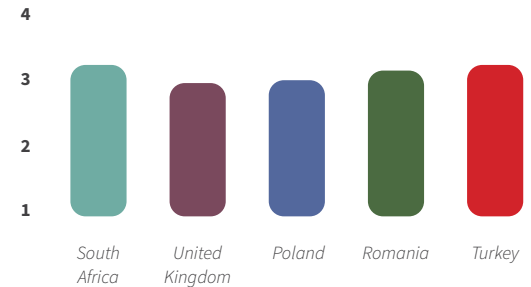
4 *Very High Priority*   **3** *High Priority*   **2** *Medium Priority*   **1** *Low Priority*

With the continuing post-pandemic economic recovery, rising demand and supply problems caused energy prices to hike throughout 2021, especially in emerging markets. This primarily affected countries that import most of their energy, resulting in higher energy bills and extra saving measures by consumers.[2] Again, we see slight differences in impact assessment around these two issues in countries where the survey was conducted. South Africa, Romania, and Turkey, where households are more vulnerable to increased energy bills[3], ranked the impact of these issues higher than did respondents in the UK and Poland.

At Arçelik, we develop products with innovative energy futures to better meet the demands of our consumers. In the face of the rising electricity prices and supply issues,

🏠

MATERIALITY
REPORT

TOPIC
IDENTIFICATION

SETTING
PRIORITIES

MATERIALITY MATRIX
AND VALIDATION

REMARKS

REGIONAL
DISCUSSIONS

THE WAY
FORWARD

21

Regional Discussions

we produce best-in-world energy-efficient products that can also run with different energy sources. For instance, Solar Hybrid Technology enables our consumers to switch between grid and off-grid electricity, thanks to built-in solar panels. We also design products that can help our consumers in countries with volatile electricity connections to deal with unplanned power cuts. These products, resilient to long hours of power cuts, help keep food fresh for up to 20 days. As we acknowledge the priorities of our stakeholders, we produce more energy-saving products every year in eight main categories: Dryer, Dishwasher, Freezer & Refrigerator, AC, Oven, TV, Washer Dryer, Washing Machine.

🌐 *Please see our 2021 Sustainability Report, for more information on our energy-efficient products.*

SEVERAL SOCIAL ISSUES*

4

3

2

1

South
Africa   United
Kingdom   Poland   Romania   Turkey
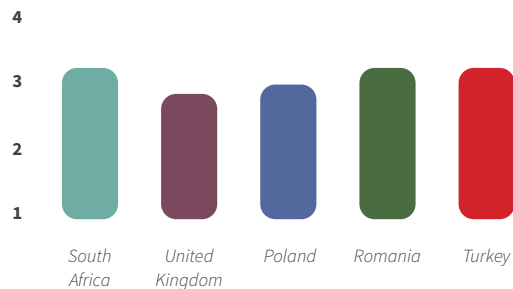
4 *Very High Priority* **3** *High Priority* **2** *Medium Priority* **1** *Low Priority*

From our research on our consumers in five different countries, we have found that the UK, which is a developed country, has an impact score on social issues that is less than the other four countries' scores. This suggests that a country's level of development affects the priority given to social issues, and that social issues are given greater priority in countries with greater inequality, such as South Africa, one of the most unequal countries in the world[4]. The unprecedented economic development and widespread gains in well-being seen in previous decades have failed to eliminate the vast gaps that exist both within and between countries. Growing inequality may impede progress on internationally agreed development goals.[5]

To reduce inequalities and prioritize social issues, we are taking firm action. We have women's communities in some of our subsidiaries, such as Romania, the UK, South Africa, and Pakistan. We are planning to set up employee resource groups for gender and generational diversity in 2022 as a global initiative that will provide meaningful community perspectives and enhance the sense of belonging among employees. In line with our dedicated Diversity, Equity, and Inclusion (DEI) team, which is supported by senior management, and aims to encourage a more diverse workforce and inclusive culture, a Diversity Committee has been adopted in the UK. Acting as an independent body, this group is made up of employees with diverse backgrounds who take their own initiatives and have established a reference point in applying the DEI principles.

🌐 *For more information on our projects and actions on social issues, please see In Touch with Human Needs and In Touch with Business sections in our 2021 Sustainability Report.*

🌐 *For more information on our goals addressing our materiality issues, please see Sustainability Targets Table in our 2021 Sustainability Report.*

> **"A fair, all-embracing company approach and a management that does not keep its work secret and offers it to the public with all its transparency will gain everyone's trust."**
>
> *Stakeholder Opinion, Arçelik Materiality Survey 2021*

[4] *World Bank, World Social Report 2020*   [4] *World Bank, World Social Report 2020*   * *Employee well-being, diversity and inclusion, human rights and working conditions, local socio-economic development*

The Way Forward

As we move forward from our renewed materiality assessment, we aim to learn from our challenges and plan to act in addressing potential areas of improvement. First, we will review our engagement methods and see what we can do differently to increase our overall participation in materiality processes. So far, with our COVID-19 measures, we've been using online accounts to engage all stakeholders. Also, depending on the direct contact point of stakeholders, we are asking relevant departments to become involved in increasing participation. In the future, we will look for more efficient data collection and will increase information sharing with stakeholders about sustainability issues to all year round. In addition, we will adjust our stakeholder mapping methods for the whole materiality process. To collect more accurate feedback, we will split stakeholders into more precise groups that are otherwise grouped together.

> 🌐 **For more detailed information on our material issues and sustainability performance, please see our 2021 Sustainability Report.**