

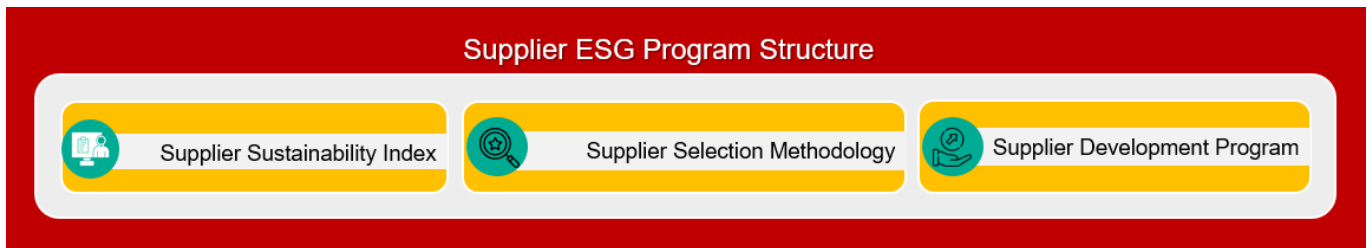
1. Purpose

The aim of the procedure is to explain the implementation of Arçelik Supplier Environmental, Social, Governance (“ESG”) Program for local and international material and OEM suppliers. The program is designed to manage ESG related potential/actual risks in the supply chain, ensuring that supplier business practices are in line with [Arçelik Global Responsible Purchasing Policy](#).

2. Arçelik Supplier ESG Program (“the Program”)

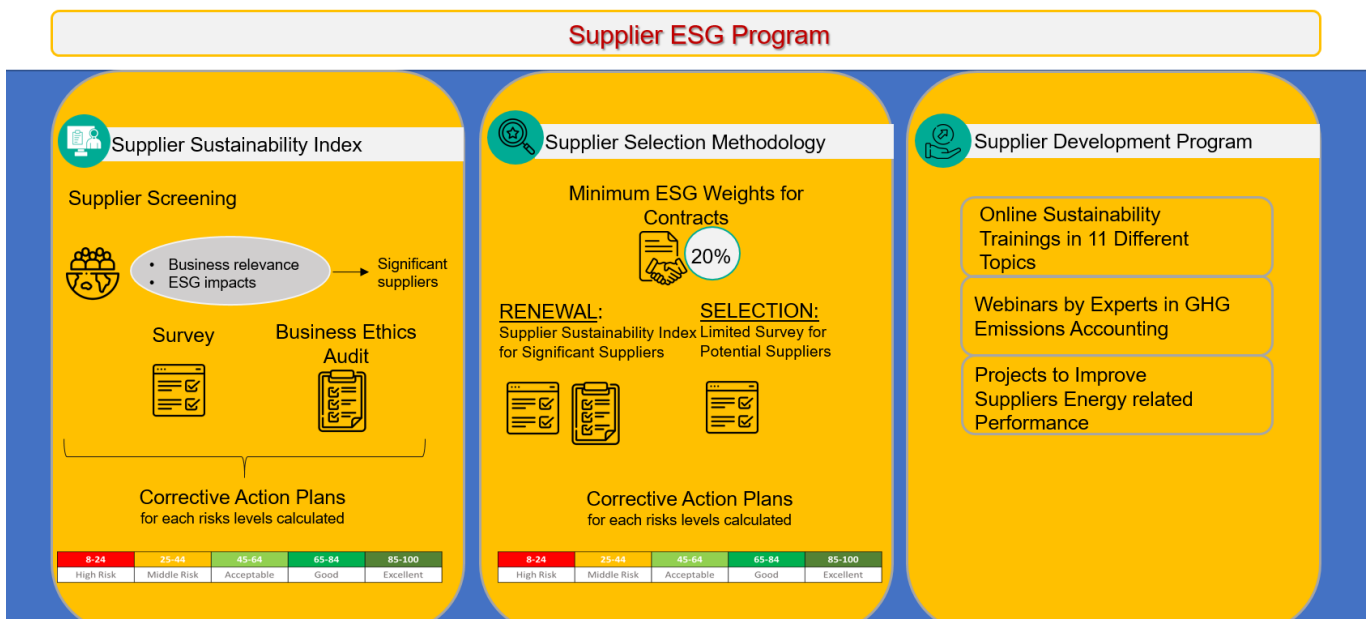
The Program structure includes Supplier Sustainability Index, Supplier Selection Methodology and Supplier Development Program.

Scheme 1. The Program Structure



The overall Program overview is given in the Scheme 2 as follows.

Scheme 2. Overview of the Program



2.1. In-house Supplier Sustainability Index (“the Index”):

2.1.1 Supplier Screening:

Systematic research of suppliers to be assessed during the reporting year considering both

business relevance and ESG impacts are carried out. The suppliers with high business relevance and high ESG risks are defined as significant suppliers that need to be assessed and developed through the Index and capacity building programs.

Business relevance are found considering:

- purchasing volume,
- substitutability,
- critical component purchasing,
- business continuity.

The methodology for the screening consists of:

- environmental risks which are mainly in terms of greenhouse gas emissions (“GHG”), energy and water consumption, pollution, waste and so on,
- social risks which are related to but not limited to child labour, discrimination, occupational health and safety,
- governmental risks which are considered as corruption, bribery, conflict of interest, and so on.

The impacts are considered in the scope below:

- country-specific risk,
- sector-specific risk,
- commodity-specific risk.

Significant suppliers are assessed in the Index through survey and/or business ethics audits.

The supplier is subjected to ethics audit at least once in the next three years.

Additionally, suppliers identified as High or Middle Risk in the Supplier Sustainability Index Assessment from the previous year undergo an ethics audit. Upon the customer requirements, the suppliers can be subjected ethics audits every two years.

2.1.2. ESG Data Collection:

As a first step of the Index, qualitative and quantitative ESG data are collected through a comprehensive online survey prepared in line with Global Reporting Initiative (GRI) metrics and verified by a third-party independent audit firm based on evidence provided by suppliers.

The survey makes up to a total score of 100 consisting of the 3 main components with relevant weights:

- | | |
|----------------------------|-----|
| 1. Economical Dimension | 20% |
| 2. Environmental Dimension | 60% |
| 3. Social Dimension | 20% |

The sub-headings on the survey are given under Table 1. Each question asked to the supplier

has a point and weight. For the sets of questions, suppliers are expected to provide supporting documentation as evidence. After suppliers complete the survey, all answers with their evidence are verified by the third-party independent audit firm. This assessment is made in the first quarter of each year and 1 month is given for the completion of the survey.

Table 1. Assessment Questions Sub-Headings

Governance & Economical Dimension	<ul style="list-style-type: none"> • Risk analysis • Internal rules/policies • Reporting of violations • Customer satisfaction • Corporate business ethics policy • Supplier sustainability risks • Supplier performance measurement criteria
Qualitative questions under Environmental Dimension	<ul style="list-style-type: none"> • Environmental reporting including environmental and energy performance KPIs • Environmental policy & ISO 140001 Environmental Management System Certification • Compliance with environmental legislation • Arçelik Chemical Compliance Management Policy • Operational eco-efficiency (third party verification of the Scope 1 and 2 GHG emissions with respect to ISO 14064 Standard) • ISO 50001 Energy Management System Certification • Measurement (Greenhouse gas, energy, waste, fuel, water)
Quantitative questions under Environmental Dimension	<ul style="list-style-type: none"> • Scope 1 and 2 GHG emissions • Water management (water consumption, recycled water, wastewater generation) • Waste management • Air pollutants • Electricity consumption • Natural gas consumption • Oil consumption (direct burning induced consumption, direct vehicle induced consumption) • Specific energy consumption • Green electricity purchased • Renewable Energy for self consumption • Energy efficiency projects
Qualitative and Quantitative Social Dimension	<ul style="list-style-type: none"> • Social reporting • Compliance with Universal Declaration of Human Rights • Compliance with Arçelik Global Responsible Purchasing Policy • Human capital indicators • Conflict minerals management policy, declaration, smelter audits • Diversity, Equity & Inclusion

2.1.3 Business Ethics Audit

As a second step of the Index, a comprehensive audit covering ESG topics are aligned with Business Social Compliance Initiative (“BSCI”) and the Suppliers Ethical Data Exchange (“SEDEX”) and Responsible Business Alliance (“RBA”) carried out by third-party independent auditors with relevant certificates. Within the scope, the compliance of our suppliers with [Arçelik Global Responsible Purchasing Policy](#) is assessed, which include Arçelik’s expectations for legal practices, working conditions, ethical rules, occupational health and safety, and the environment.

The following headings are covered during the business ethics audits:

- Child labour
- Discrimination
- Forced labour
- Environment
- Freedom to Form Unions

- Occupational Health and Safety
- Business Ethics Policy and Management Systems
- Fees and Side Benefits
- Operating Hours

If a supplier has been audited by a third party other than Arçelik’s own audit process, an up-to-date business ethics audit report taken within the last two years from the independent institution is accepted. The format of the report must be approved by Arçelik. In that case, audit is not planned for the relevant supplier within that year.

2.1.4. Index Scores and Risk Level

The results of both assessments (survey and business ethics audit) mentioned above are combined to scale the performance of the suppliers as high, medium, or low risk (acceptable, good and excellent). The risk levels regarding the Index scores are given under Table 2.

Table 2. Index Scores and Risk Level

8-24	25-44	45-64	65-84	85-100
High Risk	Middle Risk	Acceptable	Good	Excellent

A report containing the consolidated score is automatically created in the software platform outsourced by the third-party independent audit firm., based on both results of the assessments.

If a supplier fails the audit (scoring below 75 in third-party audits or receiving a grade of D (insufficient) or E (unacceptable) in audits like BSCI), a follow-up audit is conducted on the respective supplier within three months.

2.1.5. Corrective Action Plans

Nonconformity is reported for any risk level found as a result of Index Assessment (survey and business ethics).

Corrective action plan requests are sent to suppliers regarding the specific improvement areas by the third-party independent audit firm. ESG risk levels of the suppliers are revised depending on the closing of the nonconformities which are found throughout the Index from both survey and business ethics. Nonconformities are closed by the supplier within the scope of the approved action plan and are reported to Arçelik. If Arçelik considers the actions taken suitable, the supplier score is revised by the third-party independent audit firm. If at least one nonconformity on the following human rights issues (including not limited to) is found through the business ethics audits, cooperation with the supplier is terminated:

- Child labour
- Forced labour
- Discrimination
- Harassment

- Corruption
- Bribery

Suppliers with “High Risk” or “Middle Risk”:

An action plan is requested from the supplier for closing the nonconformities determined in both the survey questions and audit. The action plan must be prepared with the aim to reach at least “Acceptable” risk level (scores between 45-64). If the supplier fails to reach this level within the maximum of 10 months of the plans’ launch, Arçelik reserves the right to cancel the contract.

Suppliers with “Acceptable Risk”:

An action plan must be prepared with the aim to reach “Good” risk level at minimum (scores between 65-84) within the maximum of 10 months of the plan’s launch.

Suppliers with “Good”:

An action plan must be prepared with the aim to reach “Excellent” risk level (scores between 85-100) at within the maximum of 10 months of the plan’s launch.

Suppliers with “Excellent”:

An action plan must be prepared within the maximum of 10 months of the plan’s launch to reach the highest score.

2.1.6. Supplier Selection Methodology

Accepting and complying with [Arçelik’s Responsible Purchasing Policy](#) is a contractual obligation.

The Index scores of existing significant suppliers are integrated into the overall supplier score. A minimum 20% of their ESG score is weighted into the final score to be selected for contract awarding. In case of the new potential suppliers, a limited survey is applied to assess on quality, the environment, and business ethics.

The minimum ESG requirements covers at least “Acceptable” risk level (scores between 45-64) through the assessment. If the suppliers with High or Middle Risk fail to reach this level within the maximum of 10 months of the plans’ launch, Arçelik will exclude the suppliers. Besides, in case of high business relevance, the new potential suppliers who do not have ISO 14001 Environmental Management System certification, shall apply for it within 2 months after having an agreement.

2.1.7. Managing Conflicts with ESG Requirements

Arçelik continuously reviews its Supplier ESG program to have the most effective internal implementation of the program. Informing and training of the buyers within the company periodically helps to improve our supplier management in terms of sustainability. Arçelik conducts an annual online webinar for company buyers to keep them aligned on the company’s Supplier ESG program.

Potential conflicts between ESG requirements and specific indications (i.e. costs, quality of the products, delivery times) are managed and reviewed in line with our integrated supplier management approach which optimizes ESG factors and the specific indications.

Supplier and material selection criteria are made available under Arçelik corporate website (<https://www.arcelikglobal.com/en/company/supply-chain/supply-chain/>) and the supplier website (<https://supplier.arcelik.com/en>).

2.1.8. Supplier Development Program

After the assessment process, Arçelik provides supports to its suppliers for the implementation of corrective or improvement actions in order to accelerate the progress of ESG performance of the suppliers.

Beyond supporting on corrective actions on ESG topics, Arçelik aims to improve knowledge, ability and process of the suppliers on ESG area over time through online sustainability trainings, webinars and technical capacity improvement projects.

Online sustainability trainings cover 11 areas as follows:

- Arçelik Global Responsible Purchasing Policy
- Arçelik Suppliers Sustainability Strategy
- Arçelik Energy Efficiency Strategy
- Arçelik Environmental Legislation Course
- Arçelik ISO 14001 Environmental Management System
- ISO 14064 Standards
- ISO 50001 Energy Management System
- Arçelik Supplier Occupational Safety Information
- Arçelik Conflict Mineral Tutorial
- ROHS Directive Compliance
- Business Law & Social Security Legislation

Furthermore, webinars regarding GHG emissions accountings are provided with aim to improve knowledge and skills in line with decarbonization strategy.

Technical capacity improvement program provides in-depth technical support to help suppliers to carry out projects to improve their ESG performance. The main focus of the projects is about energy efficiency, material reduction and recycled plastics, quality improvement and digitalization.

Sharing the key results of the best ESG performed suppliers is critical for our suppliers to benchmark their performance. In this direction, after each assessment period, we make this available to its peers on the platform which includes survey outsourced by the third party.

2.1.9. The Program's Focus Areas

The Program covers ESG related topics which are Environmental Management, Energy Management, Conflict Minerals Management, Human Rights and Ethics.

Environmental aspects mainly GHG emissions, energy, water and waste are closely followed by Arçelik as it encourages its suppliers to set their own targets in those areas just as Arçelik itself did. Transforming supply chain along with Arçelik's own operation minimize the impact of the operations in the value chain in total.

Arçelik is a member of Responsible Mineral Initiative (RMI) to make concerted efforts with the international community to improve mineral sourcing practices and to utilize diverse information

on high-risk minerals concerning their smelters or refiners (SORs) as well as their place of origin. Arçelik uses RMI tools to train its suppliers, determine the risk level of SORs worldwide, confirm the SORs' country of origin, and prepare for other precious materials like cobalt, mica, or copper. Arçelik publishes [annual Conflict Minerals Due Diligence Report](#).

Regarding social aspects, Arçelik aims to provide OHS trainings for suppliers to manage their OHS risks which found in common during business ethics audits.

The overview of the Program is Scheme 3 below:

Scheme 3. Focus areas of the Program



3. Responsibilities

The responsible of highest accountable bodies are described below:

Sustainability Council which is informed by the Working Groups and is chaired by Chief Finance Officer ("CFO") and meets quarterly with all C-level and relevant D-level top management executives. The risks and opportunities discussed in the Council reports to the Risk Committee twice a year. The highest accountable decision-making body to oversight of the implementation of the Program is Board of Directors.

Arçelik Purchasing Directorate ("PD"), Small Domestic Appliances Directorate (SDA) and Product Sourcing Directorate ("PSD") provides:

- supplier screening,
- following up the suppliers' score of both survey and audit
- support suppliers in correction or improvement of nonconformities,
- follow-up audits, if needed,
- assessment of newly commissioned suppliers in terms of ESG requirements, and following up their risk level,
- managing and consolidating online sustainability trainings contents
- providing technical capacity improvement program

The third-party independent audit firm provides:

- data monitoring platform to suppliers to fill with answers along with their evidence,
- audits to verify their answers in line with the evidence documents, requesting corrective action plans from suppliers to close nonconformity,
- carrying out business ethics audits, follow-up audits to request from suppliers to close nonconformity,
- trainings about the ESG topics on the survey
- supports in correction or improvement actions

Quality, Sustainability and Corporate Affairs Directorate (“QSCAD”) provides:

- revising of survey questions and weights to ensure its comprehensiveness and effectiveness,
- technical assisting to PD, SDA and PSD for evidence checks process to closely follow the improvement of the suppliers,
- reviewing assessment results to ensure about low and decreasing risk levels,
- technical support through webinars including GHG emissions accounting to suppliers and buyers.

Human Resources Directorate provides:

- Reviewing assessment results to ensure about low and decreasing risk levels regarding human rights issues including occupational health and safety (“OHS”).

Production Technologies Directorate (“PTD”) provides:

- providing technical capacity improvement program

The experts from these directorates mentioned above constitute Sustainable Supply Chain Working Group meets weekly to evaluate the ongoing process, manage the risk levels and supply chain related targets.

4. Reference

- [Arçelik Global Responsible Purchasing Policy](#)
- Purchasing Strategy and Category Management Procedure

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