

# Second-Party Opinion

## Arçelik A.Ş. Green Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Arçelik A.Ş. Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds<sup>1</sup> are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2021. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 9, 11, and 12.



**PROJECT EVALUATION / SELECTION** Arçelik's internal process in evaluation and selecting projects is managed by the Green Financing Committee (the "GFC"). The GFC has the overall responsibility to oversee the evaluation and selection process against the criteria established in the Framework. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Arçelik's process for management of proceeds is overseen by the Treasury Department. The Company will establish a Sustainable Register to track the allocation of net proceeds from each Green Financing Instrument ("GFI"). Unallocated proceeds will be held in cash and short-term deposits, within Arçelik's Treasury liquidity policy. This is in line with market practice.



**REPORTING** Arçelik is committed to reporting on the allocation of proceeds on the Investor Relations section of corporate website on an annual basis until allocation has been fully completed. In addition, Arçelik is committed to reporting on relevant impact metrics. Sustainalytics views Arçelik allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	May 10, 2021
<b>Issuer Location</b>	Istanbul, Turkey

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<sup>1</sup> Energy Efficient Products, Eco-efficient and/or Circular Economy Adapted Products, Energy Efficiency in Production, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, and Green Buildings.

## Introduction

Established in 1955 and headquartered in İstanbul, Arçelik A.Ş. (“Arçelik”, the “Company”, or the “Issuer”) provides production, marketing and after-sales support services for consumer durables and consumer electronics. As of April 2021, Arçelik is composed of 34 sales and marketing subsidiaries, along with 22 manufacturing plants, and 15 research and development (R&D) and design centres.

Arçelik has developed the Arçelik A.Ş. Green Financing Framework (the “Framework”) under which it intends to issue green bonds and loans, collectively called Green Financing Instruments (“GFIs”) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that advance the Company’s responsible production and circular economy efforts across its value chain. The Framework defines eligibility criteria in seven areas:

1. Energy Efficient Products
2. Eco-efficient and/or Circular Economy Adapted Products
3. Energy Efficiency in Production
4. Pollution Prevention and Control
5. Sustainable Water and Wastewater Management
6. Renewable Energy
7. Green Buildings

Arçelik engaged Sustainalytics to review the Arçelik A.Ş. Green Financing Framework, dated May 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)<sup>2</sup> and the Green Loan Principles 2021 (GLP).<sup>3</sup> This Framework has been published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA<sup>6</sup>;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.8.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Arçelik’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Arçelik representatives have confirmed (1) they understand it is the sole responsibility of Arçelik to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>3</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>4</sup> The Arçelik A.Ş. Green Financing Framework is available on Arçelik A.Ş.’s website at: <https://www.arcelikglobal.com/en/company/investor-relations/debt-securities/greenbond-2021/>

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

<sup>6</sup> In addition to the Loan Markets Association, the GLP are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Arçelik.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Arçelik has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Arçelik A.Ş. Green Financing Framework

Sustainalytics is of the opinion that the Arçelik A.Ş. Green Financing Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Arçelik's Green Financing Framework:

- Use of Proceeds:
  - The eligible categories – Energy Efficient Products, Eco-efficient and/or Circular Economy Adapted Products, Energy Efficiency in Production, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, and Green Buildings – are aligned with those recognized by the GBP and GLP. Sustainalytics is of the opinion that financed activities can contribute to improving responsible production and consumption and circularity across the household appliances value chain.
  - Within Energy Efficient Products, Arçelik may finance and/or refinance research and development (R&D), test equipment and other product development-related expenditures. Expenditures may include R&D for new thermoforms and moulds intended to improve the energy efficiency of product lines and test equipment to assess the energy efficiency level of products. While Sustainalytics notes that Arçelik has not set energy efficiency improvement thresholds for individual products, Sustainalytics recognizes that eligible expenditures are intended to contribute to the improvement of energy efficiency within each of the Company's respective product categories, which it expects will contribute to the achievement of its carbon emissions reduction targets, which have been approved by the Science-Based Target initiative (SBTi) (See Section 2 for more details). Based on this, Sustainalytics considers the expenditures to be aligned with market practice and contributing to positive environmental impacts.
  - Regarding Eco-efficient and/or Circular Economy Adapted Products category, Arçelik may finance and/or refinance expenditures related to R&D and procurement of recycled materials, with the intent to increase the use of recycled and biobased materials in products. Arçelik confirms that biobased materials expenditures are limited to the R&D phase and that procurement of biobased materials is not included within this category.

- Within Energy Efficiency in Production, Arçelik may finance and/or refinance energy efficiency improvements in Arçelik's operations and buildings. Expenditures may include the financing of technologies and systems to improve energy efficiency of the Company's buildings and manufacturing processes. Examples of potential expenditures includes LED lighting, energy monitoring systems, insulation, electricity systems, process improvements, electric compressed air systems, energy efficient machinery, heat recovery, cooling and fan systems, pumps and motors, process automation and HVAC systems. While the Company has not set energy efficiency thresholds for the improvement of individual production processes/production lines, Sustainalytics recognizes that eligible expenditures are expected to improve the efficiency of Arçelik's operations and production systems, thus contributing to the Company's SBTi-approved carbon emissions reduction targets (See Section 2 for more details).
- In the Pollution Prevention and Control category, Arçelik may finance and/or refinance expenditures to prevent and reduce waste from production, eliminate harmful materials beyond current regulations and phase out substances that could have a negative impact on the environment. Potential expenditures include R&D, process improvements, and GHG management<sup>7</sup> in operations, refurbishment and recycling of Waste from Electrical and Electronic Equipment (WEEE). Arçelik has disclosed non-public waste management and recycling processes for specific WEEE recycling facilities, which demonstrate the Company's commitment to responsible recycling of electronic waste. Sustainalytics encourages Arçelik to publicly disclose its policies and procedures to mitigate environmental and social risks associated with WEEE, including proper handling and mitigation of potential leakages of hazardous substances.
- With regards to Sustainable Water and Wastewater Management, Arçelik may finance and/or refinance expenditures related to water conservation and reuse activities aimed at reducing the amount of water consumed and/or wastewater generated from production activities. Potential investments include R&D projects, wastewater treatment plants, wastewater recycling systems, rainwater harvesting, closed-loop water cycle projects and water monitoring systems.
- Regarding Renewable Energy, Arçelik may finance and or refinance investments in on-site and off-site solar photovoltaic systems and concentrated solar power for water heating/cooling, as well as the procurement of renewable energy through the purchase of International Renewable Energy Certificates (I-REC) and Origin Certificates (OC).<sup>8</sup> Sustainalytics has confirmed that Arçelik's planned I-RECs and OCs expenditures are directly linked to specific, identifiable renewable energy projects. However, Sustainalytics notes that, regarding the procurement of renewable energy, long-term PPA's are market preference, and encourages the Issuer to establish longer-term agreements.
- Within Green Buildings, Arçelik may finance and/or refinance the construction of factories, warehouses or other buildings certified to or which are expected to receive the following minimum certification levels: BREEAM "Excellent", LEED "Gold", or any nationally recognised equivalent certification. For Sustainalytics' assessment of these building certification schemes, please refer to Appendix 1.
- Process for Project Evaluation and Selection
  - Arçelik's internal process in evaluation and selecting projects is managed by the Green Financing Committee (the "GFC"), which is comprised of the Company's Finance Director, Sustainability Director, Treasury Manager, and Sustainability Manager, and chaired by the CFO. The GFC has the overall responsibility to oversee the evaluation and selection process against the criteria established in the Framework. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Arçelik's process for management of proceeds is overseen by the Treasury Department. The Company will establish a Sustainable Register to track the allocation of net proceeds from

<sup>7</sup> Management systems to monitor energy and resource consumption and calculate GHG emissions from operations in real time. In addition, Arçelik intends to design a portal to track suppliers' GHG emissions.

<sup>8</sup> IREC, "The International REC standard", (2021), at: <https://www.irecstandard.org/>

- each GFI. Should an asset cease to fulfil the eligibility criteria or get exposed to material ESG allegations or controversies, Arçelik will, on a best effort basis, substitute these projects as soon as reasonably practicable. Unallocated proceeds will be held in cash and short-term deposits, within Arçelik's Treasury liquidity policy, at its own discretion. Arçelik intends to fully allocate the proceeds within 24 months of issuance.
- Based on the presence of an internal tracking system and disclosure on temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - Arçelik is committed to reporting on the allocation of proceeds on the Investor Relations section of its website on an annual basis until allocation has been fully completed. The allocation reporting will include details such as share of net proceeds allocated to eligible projects, share of financing vs. refinancing and breakdown of allocated amounts to eligible projects. In addition, where feasible, Arçelik will aim to report on relevant impact indicators including, estimated GHG emissions reduced/avoided through energy efficiency (tCO<sub>2e</sub>), avoided waste to landfill, and expected annual energy savings. For an exhaustive list of impact metrics, please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form. Based on these elements, Sustainalytics considers this process to be in line with market practice. Based on the annual reporting commitment, Sustainalytics considers this process to be in line with market practice.

#### Alignment with Green Bond Principles 2018 and Green Loan Principles 2021

Sustainalytics has determined that the Arçelik A.Ş. Green Financing Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Arçelik

### Contribution of framework to Arçelik's sustainability strategy

Arçelik has established a long-term sustainability strategy to promote a green product range, enhance product energy efficiency beyond regulations, and use clean technology in production.<sup>9</sup> As part of its long-term sustainability strategy,<sup>10</sup> Arçelik set 2030 GHG emissions reduction targets (compared to a 2018 baseline), which were approved by the Science Based Targets initiative (SBTi).<sup>11</sup> These targets include: (i) A 30% reduction of absolute Scope 1 and 2 GHG emissions, and (ii) 15% reduction of absolute Scope 3 GHG emissions from sold products.<sup>12</sup> In order to meet the 2030 targets, the Company is committed to procuring 15 MW of renewable energy capacity at its production sites, purchasing 100% of electricity from renewable sources in global production plants where feasible, reducing energy consumption per product by 45% during the manufacturing phase,<sup>13</sup> and using 40% of recycled plastic material in products.<sup>4,12</sup> In addition, Arçelik recycles refrigerators at its plant in Eskişehir, while other products and small domestic appliances are recycled at its plant in Bolu, both located in Turkey. These recycling activities are part of the Company's commitment to minimize the negative environmental impacts of these products throughout their life cycle.<sup>10</sup>

Arçelik achieved carbon neutrality (Scope 1 and Scope 2) in 2019 and 2020 across its global production facilities through the carbon offsets earned from a Carbon Financing Project for Energy Efficient Refrigerators in Turkey.<sup>9</sup> Furthermore, in 2019, Arçelik had 233 energy efficiency projects such as efficient compressed air systems, energy efficiency in HVAC and lighting systems, insulation, heat recovery, energy efficient motor transformation, and process optimization in operations. These projects contributed to saving 90,000 GJ of energy and avoiding 7,156 tons of GHG emissions in 2019.<sup>4</sup>

Sustainalytics is of the opinion that the Arçelik A.Ş. Green Financing Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

<sup>9</sup> Arçelik, "Sustainability – Climate Change", at: <http://www.arcelikas.com/page/210/Climate%20Change>

<sup>10</sup> Arçelik, "Sustainability Report", (2019), at: [https://www.arcelikglobal.com/media/5547/arcelik\\_online\\_eng\\_1606.pdf](https://www.arcelikglobal.com/media/5547/arcelik_online_eng_1606.pdf)

<sup>11</sup> Science Based Targets, at: <https://sciencebasedtargets.org/>

<sup>12</sup> Arçelik, "Arçelik Has Become Carbon Neutral", at: <https://www.arcelikglobal.com/en/company/press-room/press-releases/arcelik-has-become-carbon-neutral/>

<sup>13</sup> For South Africa, Russia, Turkey, Romania, China, Thailand and Pakistan, the baseline is 2015.

### Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bonds and loans issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, land use and biodiversity, and stakeholder relations issues associated with eligible projects. Sustainalytics is of the opinion that Arçelik is able to manage and/or mitigate potential risks through implementation of the following policies and procedures:

- As of May 2021, 90% of Arçelik's production facilities are certified to ISO 45001<sup>14</sup> and ISO 14001<sup>9</sup> indicating the presence of robust occupational health and safety management and environmental management systems.<sup>15</sup>
- Arçelik's Global Responsible Purchasing Policy, requires the assessment of its suppliers to ensure compliance with all relevant national laws and regulations, including those related to working conditions, human rights, occupational health and safety, and the environment. If any suppliers are found to have issues related to child/forced labour, Arçelik will terminate contracts.<sup>10</sup>
- WEEE collected is sent to recycling plants which have environmental permits and licenses.<sup>10</sup> Sustainalytics encourages the Company to develop a publicly available WEEE management policy to further demonstrate its commitment to responsible processing of WEEE.
- In regard to stakeholder relations, Arçelik communicates with its stakeholders (distributors, employees, associations, investors, suppliers, public institutions, and consumers) through different channels such as surveys, meetings, and audits.<sup>10</sup>

Based on these policies and procedures, Sustainalytics is of the opinion that Arçelik has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on the below where the impact is specifically relevant in the global context.

#### Importance of circular economy adapted and energy-efficient household appliances

There is a global consensus that a circular economy is integral to mitigating the rise of CO<sub>2</sub> emissions and resource extraction issues.<sup>16</sup> For example, as of 2019, approximately 50% of existing plastic was manufactured in the past 13 years and less than 10% of plastic had been recycled.<sup>17</sup> To date, only 8.6% of the global economy is circular, indicating the enormous potential associated with a circular economy transition globally.<sup>16</sup> When it comes to the household appliance industry, there is a gap between actual lifetime and designed lifetime of products.<sup>18</sup> For example, a study using data including televisions, washing machines and vacuum cleaners shows that actual lifetime of these products is shorter than the designed lifetime.<sup>18</sup> As such, the impacts of electronic products are different per product in each phase of the lifecycle. For instance, washing machine and tumble dryers emit the majority of emissions from the use phase.<sup>18</sup> Transitioning to a circular business model including circular design, re-use and recycling can minimize the adverse environmental impacts of electronics.<sup>18</sup>

Furthermore, household appliances accounted for approximately 15% of global final electricity demand in 2019, which accounted for 25% of the electricity consumption in buildings.<sup>19</sup> While the residential appliance industry has seen significant improvements in energy efficiency recently, increased energy consumption is offset by greater use of home appliances, increased ownership of home appliances, and increasing number of households.<sup>18</sup> Given this, the International Energy Agency (IEA) notes that further energy efficiency

<sup>14</sup> ISO, "ISO 45001 Occupational Health and Safety", at: <https://www.iso.org/iso-45001-occupational-health-and-safety.html>

<sup>15</sup> Arçelik notes that 20 out of 22 facilities are certified to ISO 45001 as of May 2021 (India and Bangladesh facilities are excluded).

<sup>16</sup> World Economic Forum, "The world needs a circular economy. Help us make it happen", (2020), at: <https://www.weforum.org/agenda/2020/01/the-world-needs-a-circular-economy-lets-make-it-happen/>

<sup>17</sup> World Economic Forum, "Here's how businesses can make the circular economy a reality", (2019), at: <https://www.weforum.org/agenda/2019/12/circular-economy-business-environment>

<sup>18</sup> EEA, "Europe's consumption in a circular economy: the benefits of longer-lasting electronics", (2020), at: <https://www.eea.europa.eu/publications/europe2019s-consumption-in-a-circular>

<sup>19</sup> International Energy Agency, "Appliances and Equipment", at: <https://www.iea.org/fuels-and-technologies/appliances-equipment>



improvements in household appliances are required to mitigate end-user energy consumption and reduce the overall impact of household appliances.<sup>18</sup>

Based on the above, Sustainalytics acknowledges the importance of energy efficiency improvements in household appliances. Arçelik's intent to invest in its overall operational level energy efficiency and environmental performance through activities including R&D, production systems, and green buildings, will contribute to the overall improvement of its operations, production processes and the efficiency of its products. Based on this, Sustainalytics is of the opinion that Arçelik's activities financed via the Framework can facilitate the Company's energy efficiency improvement of operations and products, and transition to a circular economy.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds and loans issued under the Arçelik A.Ş. Green Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Energy Efficient Products	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy Efficiency in Production	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean water and sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Green Buildings	7. Affordable and clean energy	7.3. By 2030, double the global rate of improvement in energy efficiency
	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

#### Conclusion

Arçelik has developed the Arçelik A.Ş. Green Financing Framework under which it may issue green bonds and loans, and the use of proceeds to finance improving Arçelik's responsible production and circularity

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across household appliances value chain. Sustainalytics considers that the projects funded by the green finance proceeds are expected to provide positive environmental impact.

The Arçelik A.Ş. Green Financing Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Arçelik A.Ş. Green Financing Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, 11, and 12. Additionally, Sustainalytics is of the opinion that Arçelik has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Arçelik is well-positioned to issue green bonds and loans and that the Arçelik A.Ş. Green Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2021.



## Appendices

### Appendix 1: Certification Schemes for Green Buildings

	BREEAM	LEED
<b>Background</b>	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).
<b>Certification levels</b>	Pass Good Very Good Excellent Outstanding	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>
<b>Areas of Assessment</b>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>
<b>Requirements</b>	<p>Prerequisites depending on the levels of certification and credits with associated points</p> <p>This number of points is then weighted by item<sup>20</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Prerequisites independent of level of certification, and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>
<b>Performance display</b>		
<b>Qualitative Considerations</b>	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.	Widely recognized internationally, and strong assurance of overall quality.

<sup>20</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item.

## Appendix 2: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Arçelik A.Ş.
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	Arçelik A.Ş. Green Financing Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	May 10, 2021
<b>Publication date of review publication:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds<sup>21</sup> are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2021. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 9, 11, and 12.

**Use of proceeds categories as per GBP:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency  |
| <input checked="" type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                 | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Energy Efficiency in Production     |

If applicable please specify the environmental taxonomy, if other than GBP:

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

Arçelik's internal process in evaluation and selecting projects is managed by the Green Financing Committee (the "GFC"). The GFC has the overall responsibility to oversee the evaluation and selection process against the criteria established in the Framework. Sustainalytics considers the project selection process in line with market practice.

**Evaluation and selection**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

<sup>21</sup> Energy Efficient Products, Eco-efficient and/or Circular Economy Adapted Products, Energy Efficiency in Production, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, and Green Buildings

### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Arçelik's process for management of proceeds is overseen by the Treasury Department. The Company will establish a Sustainable Register to track the allocation of net proceeds from each Green Financing Instrument ("GFI"). Unallocated proceeds will be held in cash and short-term deposits, within Arçelik's Treasury liquidity policy. This is in line with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

Arçelik is committed to reporting on the allocation of proceeds on the Investor Relations section of corporate website on an annual basis until allocation has been fully completed. In addition, Arçelik is committed to reporting on relevant impact metrics. Sustainalytics views Arçelik allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

**Information reported:**

- Allocated amounts  Green Bond financed share of total investment

Other (please specify):

**Frequency:**

- Annual  Semi-annual

Other (please specify):

**Impact reporting:**

- Project-by-project  On a project portfolio basis  
 Linkage to individual bond(s)  Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings  
 Decrease in water use  Other ESG indicators (please specify):

Green Project Category	Example Impact Reporting Metrics
<b>Energy Efficient Products</b>	<ul style="list-style-type: none"> <li>• Estimated GHG emissions reduced/avoided through energy efficiency (tCO<sub>2</sub>e)</li> <li>• % of sales from energy efficient products</li> </ul>
<b>Eco-efficient and/or Circular Economy Adapted Products</b>	<ul style="list-style-type: none"> <li>• KG of raw material per produced unit before and after the project</li> <li>• Amount of chemicals reduced</li> <li>• Materials sourced sustainably or recycled (tonnes)</li> <li>• Avoided resource waste (tonnes)</li> <li>• Waste that is prevented, minimised, reused or recycled (tonnes)</li> <li>• % of sales from environmentally friendly products</li> </ul>
<b>Energy Efficiency in Production</b>	<ul style="list-style-type: none"> <li>• Estimated GHG emissions reduced/avoided through energy efficiency (tCO<sub>2</sub>e)</li> <li>• Expected annual GHG emissions reduced/avoided (tCO<sub>2</sub>e)</li> <li>• Expected annual energy savings</li> </ul>
<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>• Waste that is prevented, minimised, reused or recycled (tonnes)</li> <li>• Avoided waste to landfill (tonnes)</li> <li>• Amount of hazardous materials reduced</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• Volume of water saved or avoided (m<sup>3</sup>)</li> <li>• Volume of wastewater treated for reuse (m<sup>3</sup>)</li> <li>• Amount of rainwater harvested (m<sup>3</sup>)</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Expected annual GHG emissions reduced/avoided (tCO<sub>2</sub>e)</li> <li>• Expected annual renewable energy generation (MWh/GWh)</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Environmental certification type and year of certification</li> <li>• Expected annual energy savings</li> <li>• Floor space of Green Buildings</li> </ul>

**Frequency**

- Annual
  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report  
 Information published in ad hoc documents
  Other (please specify): corporate website  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.arcelikglobal.com/en/company/investor-relations/debt-securities/greenbond-2021/>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)
  Certification  
 Verification / Audit
  Rating  
 Other (please specify):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria,



and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

## Disclaimer

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## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

